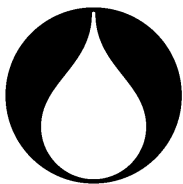


# Lessons Learned?

**The Impact of  
Trade Liberalisation Policies on  
Countries and Regions in the South -  
A Collection of Evidence**



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**Weltwirtschaft, Ökologie & Entwicklung  
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# CONTENT

Page

<b>Introduction</b> .....	3
<b>1. Macroeconomic Effects of Trade Liberalisation</b> .....	6
1.1 External Trade.....	6
1.2 Manufacturing Sector.....	7
1.3 Agricultural Policy.....	7
<b>2. Social and Environmental Effects of Trade Liberalisation</b> .....	9
2.1 Employment.....	9
2.2 Gender.....	9
2.3 Income.....	10
2.4 Environment.....	10
2.5 Food Security.....	11
<b>3. Abstracts of Sectorial and Country Case Studies</b> .....	13
3.1 Sectorial Studies.....	13
3.2 Regional and Country Studies in the ACP.....	14
3.3 Other Regional and Country Studies.....	27
<b>4. Summary and Policy Recommendations</b> .....	39
<b>References</b> .....	43

### Abbreviations

ACP	Africa, Caribbean and Pacific Group of Countries
AoA	WTO Agreement on Agriculture
CAP	Common Agricultural Policy
COMESA	Common Market for Eastern and Southern Africa
CARICOM	Caribbean Community
CASA	Citizens' Assessment of Structural Adjustment
EBA	EU 'Everything but Arms' Initiative
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EIA	Environmental Impact Assessment
EPA	Economic Partnership Agreement
ESAP	Enhanced Structural Adjustment Programme
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FTA	Free Trade Area
GATT	WTO General Agreement on Tariffs and Trade
GATS	WTO General Agreement on Trade in Services
GDP	Gross Domestic Product
IMF	International Monetary Fund
LDC	Least Developed Country
MERCOSUR	Southern Common Market (Mercado Comùn del Sur)
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organisation
PRGF	Poverty Reduction and Growth Facility
RTA	Regional Trade Agreement
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAP	Structural Adjustment Policy
SAPRI	Structural Adjustment Participatory Review Initiative
SAPRIN	Structural Adjustment Participatory Review International Network
SDT	Special and Differential Treatment
SIA	Sustainability Impact Assessment
TDCA	EU-South Africa Trade, Development and Co-operation Agreement
TNC	Trans National Corporation
UEMOA	West African Economic and Monetary Union
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WB	World Bank
WTO	World Trade Organisation

## Introduction

Trade liberalisation policies are both an integral part of structural adjustment policy packages designed and implemented by the International Monetary Fund and the World Bank, as well as a central component of regional and bilateral trade agreements between countries in the North and South. The rationale of trade liberalisation is based on the notion that competition leads to the specialisation and efficient allocation of resources while more inefficient sectors of production are forced to adapt. Past trade policy reforms in developing countries aimed at integrating these economies into the world economy through the promotion of an export-growth and diversification development strategy, including growth in industrial capacity and competitiveness. As a result, developing countries liberalised their tariffs in the period from 1980 to 1998 on average by half down to about 15 percent, while additionally decreasing further export restrictions and import quotas. Structural adjustment, through its trade policy components, thus favoured 'Growth through Export' policies. In addition to measures that support the export sector, the trade reform packages typically included the removal of protection and support for companies producing for the domestic market, with the intend to remove those that operate inefficiently and non-competitive and thus divert resources from export production. To foster export, in many cases quantitative restrictions were lifted, import tariffs reduced and flexible exchange rate policies were adopted.

Similarly, in recent years regional and bilateral free trade agreements have been promoted by major economies in the North, including the EU, on the basis of their potential benefits to developing countries. FTAs generally aim at the reciprocal liberalisation 'across the board' in line with WTO obligations with the intention to create market access for a large range of goods. In addition, some FTAs also include provisions on a range of so-called 'trade-related issues' such as services, investment, competition, public procurement and trade facilitation. One of the latest examples of an ambitious trade agenda are the ongoing negotiations between the EU and the 77 countries in Africa, the Caribbean and the Pacific (the so-called ACP group) for new trade agreements. Although these negotiations are taking place under the overarching Cotonou framework objectives to foster poverty eradication and promote sustainable development in ACP countries, they focus heavily on the establishment of new reciprocal free trade agreements between the ACP and the EU (Weed et al. 2002).

Contrary to the "conventional wisdom" among mainstream economists that exports can perform as an "engine of growth" in developing countries, quantification of the importance of exports in the economic performance underlined that export growth often is the result of economic growth and not its prerequisite (compare Rodrik 2001). Many of the basic assumptions of classic theory – perfect competition, full employment, perfect factor mobil-

ity within countries – are unrealistic and do not conform to empirical evidence. If assumptions are relaxed to accommodate real data, growth and welfare outcomes are generally less clear: Although economic growth and the improvement of human development and poverty eradication tend to move together, there is no automatic relationship between the two as implied by traditional trade theory (UNDP 2003). Controversy still exists towards the efficacy of growth-promoting policy interventions. Although trade liberalisation is of immense importance for growth and poverty reduction in the LDCs, it must be managed in a way that ensures that export growth is an integral element of a sustained and country-owned development process (UNCTAD 2002). Based on existing evidence, it appears that export-led growth is probably beneficial only for a limited number of developing countries, and only to a limited extend (Medina-Smith 2001).

This collection of evidence sets out to review existing literature and case studies investigating the impact of trade liberalisation policies on several sectors and the poorer parts of the population. The results presented here support the widespread experience that theoretical welfare claims are often grossly exaggerated and cannot be substantiated to the full extend. In addition, frequently considerable costs are associated with trade liberalisation and free trade agreements in developing countries: Trade liberalisation policies raised both socio-

economic and environmental problems in countries of the South (compare Madeley 2000, Weisbrot and Baker 2002).

In particular, trade liberalisation seems to be failing the poorer parts of the population for several reasons (Walther and Hentschel 2002): Despite an increase in exports in most of the countries studied, increases in the volume of imports in some cases surpassed exports resulting in trade and currency-account deficits that caused higher levels of foreign debt. Where it was realised, growth in exports typically has been based on few commodities produced with low-skilled labour. Benefits from export growth in most cases went to transnational corporations – in fact, SAPs and associated trade liberalisation policies seem to have a built-in bias towards benefiting larger producers and TNCs at the expense of smaller farmers. Increasing rates of unemployment resulted from the failure of many local manufacturing firms, particularly small and medium-sized ones. In several cases manufacturing activities have suffered from indiscriminate import liberalisation, provoking a reduction in output, bankruptcy of firms and subsequent loss of jobs. Employment creation is limited and concentrated mainly in the export-oriented industries that often use low-skill labour and pay below-average wages. Overall, job insecurity and “informalisation” have become more widespread.

Local markets have been flooded with cheaper imports that have displaced local production and goods. These trends have been reinforced in some countries by the absence of an industrial policy to support domestic enter-

prises in dealing with new conditions under liberalisation. Particularly in rural areas, landlessness has increased – while trends towards the concentration of farms into larger operations led to an increase in productivity and competitiveness, the absence of social safety nets marginalised small producers and added to unemployment and poverty. This resulted in increased migration to urban areas, including adverse livelihood implications. Due to a lack of access to affordable credit and to appropriate technology transfer, local industries have been further devastated. In some cases, traders and middlemen gained benefits, mostly at the expense of smallholder producers.

Some researchers, in particular from the FAO, concentrated on threats to rural food security. Low-income families spend less money on food which is increasingly declining in quality and availability. Dumping of often subsidised food exports from developed countries in some cases affected local markets. Finally, export-oriented enterprises in many cases have involved quite resource-consuming industrial activities that led to widespread environmental degradation and a worsening of health and livelihood for many people, in particular in rural areas (Madeley 2000, SAPRIN 2001).

Trade liberalisation, in many of the cases reviewed, has a strong gender bias. Women have been the main victims of increasing unemployment and retrenchment in the formal sector and, as a result, have been forced to stay home or engage in informal sector employment. This is particularly worrisome since women

usually share the double burden of primary household responsibility and now have to engage in informal sector activities (Okore and Mugabe 2002).

While supporting the belief that trade can improve the lives of people, UNDP lately called into question the automatic link between trade liberalisation and human development that is often espoused by those promoting the current international trading system. In its comprehensive study *'Making Global Trade Work For People'* UNDP provides an independent review of the multilateral trading regime (UNDP 2003). The report recommends four basic principles to be accepted and operationalised:

- i) trade is a means to an end – not an end in itself;
- ii) trade rules should allow for diversity in national institutions and standards;
- iii) countries should have the right to protect their institutions and development priorities; and
- iv) no country has the right to impose its institutional preferences on others.

In conclusion, UNDP researchers notice that current trade regime needs to shift its focus from promoting liberalisation and market access to providing developing countries with policy spaces to safeguard national development priorities.

The following text contains a survey of more recent sectorial and country case studies, both covering the ACP group of states as well as other developing countries, that were conducted to examine the effects of trade liberalisation policies on society and the

environment. Most of the ACP country studies cover African countries, since only few are available both from the Caribbean and the Pacific. Additional material is reviewed from other developing countries. Studies originate from a broad variety of sources including the FAO, UNEP, national research institutions, development and environment NGOs, and the final report of the 'Structural Adjustment Participatory Review International Network' exercise (SAPRIN 2001).

However, a note of caution needs to be expressed in the beginning: Most of the studies did not focus explicitly on EU policies towards developing countries but investigated the overall effects of trade liberalisation under macroeconomic SAPs or looked into the consequences of other Free Trade Agreements (e.g. social and environmental effects of NAFTA). Therefore, in some cases it proved difficult to distinguish the

effects of particular EU trade liberalisation policies on developing countries from other multilateral developments taking place prior to or at the same time. These include the effects of SAPs during the late 80s and early 90s in many countries. However, it became clear that further EU liberalisation initiatives such as those foreseen under the Cotonou Agreement and other regional trade negotiations aiming at the conclusion of comprehensive FTAs are likely to aggravate the consequences of trade liberalisation policies that are documented here. In only a few cases a more detailed analysis of the effects of EU policies was provided (e.g. the case studies on EU dairy dumping in Jamaica or EU poultry exports to The Gambia). This clearly points to a lack of detailed country data when discussing the possible effects that further liberalisation under current negotiations for EPAs will have on ACP countries and regions.

The methodologies used in these studies were widely different ranging from simple before-after approaches on a qualitative basis, quantitative data analysis, more complex modelling and simulation to econometric approaches. Quite a number of studies did involve a participatory approach applying direct interviews and data collection with the people directly affected by such policies. Thus, based on the variety of methodological approaches adopted it is difficult to draw quantitative comparisons between different studies. The collection of evidence presented here will thus be limited to present short abstracts of individual pieces of research and to summarise some of their qualitative findings. From there, some of the case evidence will be drawn together to arrive at more general recommendations. Clearly, this remains work in progress as new research becomes available.

# 1. Macroeconomic Effects of Trade Liberalisation

In standard trade models, gains for developing countries from removing their own trade barriers are often much greater than the gains from increased access to the markets of industrialised countries. However, looking at the real experiences available, liberalising trade does not automatically ensure human development, and expanding trade does not always have a positive or at best neutral effect on human development (UNDP 2003). Quite contrary, developing countries often incur substantial costs from opening their markets, which are often overlooked (SAPRIN 2001). Developing countries incur a number of problems from reducing their trade barriers, since tariffs are an important trade instruments and valuable source of revenue for several countries. Several case studies point to the fact that tariffs are often the primary, if not the only, trade instrument open to these countries for stabilising domestic markets and safeguarding farmers' interests in the face of high volatility in world market prices for agricultural products or surge of imports (FAO 2000). In the almost absence of any safety-net measures and practical difficulties to resort to WTO safeguards, tariffs were frequently varied to cope with unforeseen fluctuations in world market prices. Besides, tariffs and customs duties are often the most important source of budgetary income.

Perhaps the impact of trade policy reforms that had the most far reaching social consequences involves the destruction of na-

tional productive capacity. Financial deregulation has diverted capital to speculative, consumptive or other non-productive activities. The combination of a rapid surge of cheap goods from import liberalisation, the lack of access to affordable credit schemes, a real decline in income levels and purchasing power due to labour-market adjustment measures, and the removal of many government support measures have contributed to the disappearance of a large number of smallholder farms and SMEs that traditionally employed large parts of the population. Only the reconstruction of the productive sectors through more appropriate public policy making can ensure that economic opportunities, resources and benefits accrue to all segments of population, thus making genuine and positive development outcomes possible.

## 1.1. External trade

Most of the case studies that examined one or more sectors in closer detail found that surges of imports from developed countries (i.e. dumping) had seriously undermined domestic production thus putting import-competing industries at high risk. Examples include cereal imports from the EU and the USA into African countries, sugar imports from the EU, or rice from **Thailand**. Without an adequate market protection, accompanied by development programmes, many more domestic products will be replaced with further liberalisation of trade. This in turn leads to the

transformation of local diets and increased dependence on imported foods or products. A case in point is the textile industry in **Zimbabwe**. A SAPRIN country study concludes that the sector has been hit hardest by the liberalisation under SAPs because it was most protected before (SAPRIN 2001). Opening to foreign imports and investments increased competition dramatically mostly affecting companies producing for the domestic market. The textile sector has been adversely affected also by the import of second-hand clothing from developed countries that are traded on local flea-markets. Trade liberalisation has also resulted in increased informal cross-border trade and smuggling. This creates job opportunities and increases household income, but negatively affects Government revenue generation and creates social tensions.

A UNCTAD simulation on the effects of the EU **South Africa** Free Trade Agreement (the Trade, Development and Co-operation Agreement – TDCA) on bilateral trade flows as well as on trade with other partners concludes that under all scenarios projected, the TDCA will have a negative impact on both the balance of payments and on government revenue. In addition, while the predicted impact on regional trade with countries of the Southern African Development community (SADC) is small in absolute terms, trade diversion is nonetheless significant to some of the countries (Jachia and Teljeur 1999). In addition, following



a comparative static analysis on the EU-South Africa trade liberalisation under the TDCA, the EU-South Africa free trade agreement will very likely have a greater positive economic impact in the EU than in South Africa (Camassei 2000).

## 1.2. Manufacturing sector

While most of the countries are diverse in their level of economy and income distribution, there are some communalities shared by many of them. The value of imports of merchandise, for example, has been consistently higher than their export levels following liberalisation. In several cases, leading manufacturing industries have suffered from indiscriminate import liberalisation, provoking a reduction in output, bankruptcy of enterprises and loss of employment. The concentration of export growth in a few activities that do not create links to the local economy to stimulate domestic production has additionally served to exacerbate inequalities.

In **Zimbabwe**, manufacturing value added peaked in 1991, when trade liberalisation commenced, and fell by 12 percent in the last seven years of the decade. High interest rates and the cost of foreign currency have penalised manufacturing, which suffered a decline in output of more than 20 percent between 1991 and 2000 (SAPRIN 2001). In **Ecuador**, during liberalisation imports grew at an annual average of 15 percent, far outpacing exports which grew at a rate of 5.6 percent. Industrial sales declined from 40.4 to 31.4 percent in the same period, indicating that overall industrial production has shrunk significantly following lib-

eralisation (SAPRIN 2001). In 1997, **South Africa** dismantled its General Export Incentives Scheme (GEIS) which compensated SA canners for the competitive disadvantage arising from the application of EU import duties between 10.7 and 23 percent. As a result, in one larger factory in Paarl alone, 120 permanent jobs and 3000 temporary jobs were lost, another 800 permanent jobs and as many as 4000 seasonal jobs have been lost on the farms that supply the canning factory. The free trade agreement between the EU and South Africa is likely to lead to women carrying the burden of adjustment associated with the implementation of liberalisation schemes (Head 1998). In **Ghana**, a decline in growth rates of the domestic manufacturing sector since the mid-1980s was mainly attributed to the high costs of production and competition from imports. In particular, medium-sized enterprises were adversely affected by trade liberalisation measures, since they were the most dependent on imported inputs and lacked the necessary flexibility to adapt. The textile industry, in particular, was seriously overwhelmed by competition from imports (SAPRIN 2001). And in **Bangladesh**, small and cottage industries have been adversely affected by the increased import of consumer goods while the share of imports of intermediate inputs has been dropping. Observed growth in exports was mainly due to medium and large-scale industries in the ready-made garment sector (SAPRIN 2001).

## 1.3. Agricultural Policy

Trade liberalisation policies, in many cases, had negative effects

on trade in agricultural products (compare Madeley 1999). In particular, the external implications of the internal EU reform process of its Common Agricultural Policy (CAP) will need to be considered for developing countries. According to the Agenda 2000 process, the current trajectory for CAP reform will reduce the prices on agricultural raw materials in the EU by shifting its support from providing export subsidies towards less-trade-distorting measures such as direct payments for EU producers (green box policies), a measure that is legally compatible with the current WTO framework. Due to falling price levels, this in turn will make the EU market for basic agricultural products less attractive to agricultural exporters in the ACP and other developing countries. At the same time, EU policy reform will contribute to making EU agricultural goods and processed food products more competitive on Southern markets.

In **Gambia**, existing forms of EU support under the CAP, both direct and indirect, to its poultry producers, processing companies and traders has resulted in "dumping" of poultry exports from the EU in Gambia (Ceesay and Jagne 2001). Similarly, in **Jamaica** EU dumping of highly-subsidised dairy products has had devastating effects on the local dairy production and marketing (Eurostep 1999). Also, the effects of import surges that undermined other domestic sectors (notably beef, poultry and rice) underlined the need for effective trade remedy measures (FAO 2000). And in **Namibia**, European beef exports to the Southern African market have seriously endangered communal farmers and the domestic beef industry (Wellmer

1998). In the case of bananas, the liberalisation of the European market for imports has not resulted in positive outcomes for **Caribbean** banana producers. In addition to substantial environmental and social costs involved due to intensified levels of production, oligopolistic control of the entire production chain by few TNCs, in combination with existing tariff quotas, has resulted in widening the wealth gap between the Caribbean countries and the EU (Preville 2002).

The EU's sugar regime, part of the CAP, is another clear example that subsidies have the most destructive effects on developing countries economies. Developing countries are negatively effected by it mainly in four ways (Raworth 2002): High tariffs and import quotas prevent some of the world's poorest countries from gaining access to EU markets, with attendant losses for rural income, employment and foreign exchange earning. Dumping of excess EU sugar production in developing countries pushes other exporters out of third markets. Even under preferential market access for cane sugar that

some ACP countries are enjoying, these countries only export raw sugar that is processed in the EU undermining value-added processing and inhibiting the development of their own refining industries. An finally, by subsidising EU sugar exports to bridge the gap between its own internal market price and low world prices, the EU is effectively depressing world market prices - often to levels below the cost of production in countries such as **Malawi, Mozambique** and **Zambia**. If current CAP reform proposals are an indication of the direction of future reforms in the sugar market, direct price subsidies will be replaced by direct income payments to European producers. Clearly, this will result in less value of preferential EU market access for those ACP countries that currently profit from preferential sugar regimes and for those least developed countries that profit from preferential market access for sugar under the Everything-but-Arms initiative. In order to reform the highly unfair EU sugar-regime, some of these countries will need technical and institutional assistance to develop

economically viable alternatives to their current dependency on the sugar sector.

Thus, some cases studies the need was underlined for having effective trade remedy measures and safeguard provisions in place to cope with episodes of import surges that undermine and endangering domestic sectors - dumping (e.g. the **Jamaican** case of poultry, beef, dairy and rice import surges; poultry dumping in **Gambia** and **Zimbabwe**). These safeguards are most often lacking. Quite clearly, prior to any trade liberalisation measure there is the need to incorporate appropriate safeguard mechanisms that are easy to access in practical terms. Several researchers recommended to base these on clear and comprehensive social and environmental impact assessments. This is essential if further trade liberalisation will not incur high social and environmental costs. Most of the studies have convincingly shown that market-based forces alone cannot guarantee social and environmental sustainability.

## 2. Social and Environmental Effects of Trade Liberalisation

### 2.1. Employment

In most cases, SAPs have not directly addressed employment problems. Nor have they included explicit strategies to stimulate production in those sectors that would generate high levels of employment. Furthermore, specific policies to reform the labour market, which have been implemented as a part of market-liberalisation efforts to end public regulation of the labour markets, have had adverse employment effects. In sum, following SAPs in particular, the employment situation has worsened, real wages have deteriorated and income distribution worsened, employment has become more precarious, and productivity and competitiveness have not been achieved overall (SAPRIN 2001).

In **South Africa's** fruit canning industry for example, in one larger factory in Paarl alone an estimated 120 permanent jobs and 3000 temporary jobs were lost, another 800 permanent jobs and as many as 4000 seasonal jobs have been lost on the farms that supply the canning factory (Head 1998). In **Sri Lanka**, trade policy reforms and the associated increase in food imports have put pressure on some domestic sectors, affecting rural employment. FAO researchers cited one instance where roughly 300.000 persons involved in the production and marketing of onions and potatoes were adversely affected when tariff reductions resulted in a surge of imports of these products. The possibility of diversifica-

tion away from these products is, however, limited (FAO 2000). In **Mexico**, about 60 percent of the country's work force of approx. 40 million people receive no social and health benefits, an increase from 2.5 percent when NAFTA was introduced (SAPRIN 2001). Following the implementation of trade liberalisation policies in **Zimbabwe**, the level of unemployment increased severely. Firstly, the removal of protection for companies supplying the domestic market (particularly in the textile and clothing sectors) led to the closure of many small firms and the lay-off of over 20.000 employees. Secondly, workers were also affected by privatisations, rationalisations, and in companies that predominantly supplied overseas markets. As a consequence of retrenchment in formal sector employment, informal sector employment, the so-called "backyard-business", grew rapidly. Women bore the brunt of retrenchment resulting from adjustment measures: In the first year following ESAP implementation, female formal sector employment dropped by 9.5% (Okore and Mugabe 2002). New job opportunities in the formal sector were created only to a limited extent, e.g. in export-oriented companies producing non-traditional export products such as in horticulture and agro-processing. These effects are, however, limited.

### 2.2. Gender

Trade liberalisation policies had mixed effects on women. While

in some sectors employment opportunities increased, these are typically export-oriented jobs that pay low wages and involve poor working conditions thereby lowering the net gain (UNDP 2003). In other sectors, however, the trend has been opposite aggravating the position of women. Most, if not all, case studies concluded that women have been among the first victims of increasing unemployment in the formal sector and, as a result, have been forced to stay home or engage in informal sector activities. Decreasing income levels put additional pressure on women by forcing them to adopt wage labour in addition to their traditional domestic tasks to supplement family income. These include activities such as trading second-hand clothing or illegal cross-border trade (smuggling). Women, in addition, constitute the majority of small-scale farmers in rural areas. Many studies that investigate the effects on food security point out that women are the main source of rural food production. Faced with a high work load they often have to sell at the village while they would gain a higher price at the local market.

In **South Africa's** fruit canning industry, women are the major victims of protectionist EU tariffs, as well as processing and marketing aids to European farmers, that contribute to rising levels of unemployment in the sector. As in other African countries, women also bear most of the responsibility for managing the household and caring for children (Head

1998). In **Zimbabwe**, women constitute 83 percent of the permanent workforce and 90 percent of the temporary workforce in the cut flower sector. Export-led increases in horticultural exports during the late 1990s due to significant margins of trade preferences, air freight improvements and a skilled workforce has benefited women employment in the sector to some extent. However, women are the most likely to be adversely affected by any loss of preferential access to the EU market that would result from trade liberalisation under new RTAs with the EU (Okore and Mugabe 2002). Following liberalisation policies in the rice sector, women labours in **Indonesia** had to face tougher competition from men for job they are traditionally involved in (planting, tending and harvesting). As a consequence, women had to take up informal sector employments such as vendors or became migrant workers (Oxfam 2001).

### 2.3 Income

If costs and benefits of increased trade liberalisation measures are analysed according to standard economic research and evidence, there is no clear indication that these policies will qualitatively and quantitatively improve the plight of the poor in developing countries. In fact, a number of researchers provide substantial evidence that these policies may actually cause a net income loss for low and middle-income sections as a group. **Ecuador** is a clear case in which income inequality has worsened dramatically with the GINI coefficient (the extent to which the household income distribution deviates from a perfectly equal Lorenz distribution (GINI=0)) falling from 0.57

in 1970 to 0.44 in 2000 (SAPRIN 2001). In several cases it has been shown that so-called "trade-based food security" strategies where food security supposedly is ensured by higher export earnings from cash crop cultivation, did not realise to the desired extent. Quite the opposite: Farmers traded away their self-reliance for an unpredictable influx of (imported) food products. In **Ethiopia**, increased earnings from export coffee production could not guarantee food security due to inefficiencies in the regional food-trade (Geda 1999). In **Argentina's** fishing sector, traditional fishing communities that supplied local markets lost their ascendancy to enterprises in other parts of the country, that developed almost exclusively based on export-oriented fishing activities. As a consequence, artisanal fishers and producers lost job and income opportunities in the sector (Onestini, Gutman et al. 2001).

In many African countries, women constitute the majority of the workforce on small-scale farms. Although women get engaged in new micro-enterprise job opportunities such as micro-credit schemes or local marketing, in rural areas they are adversely affected to a large extent by retrenchments in the agricultural sector. In **Kenya**, women constitute up to 80 percent of the workforce in rural areas but receive only 40-50 percent of the income benefits (Madeley 1999). In **Zimbabwe**, small-scale and communal farmers producing for the domestic market have suffered hardship from the removal of subsidies on agricultural inputs and higher costs for credits, which increased the costs of production and reduced the returns from

farming activities quite considerably. As a result, many small farmers have sold their produce at below market prices resulting in sharp declines of household income (SAPRIN 2001).

### 2.4. Environment

In general trade liberalisation tends to foster environmental degradation due to the unsustainable use of natural resources. This includes the increase of area under cultivation for cash crop production, deforestation to create new plantations, over-harvesting and depletion of species of commercial value beyond sustainable levels, deterioration of soil quality due to hefty use of agro-chemicals, soil erosion, and the contamination of drinking water resulting from the use of fertilisers and lack of appropriate sanitary measure thus contributing to the spread of water-borne diseases.

More specifically, a study on the environmental impact of trade liberalisation in the **Tanzanian** forestry sector (Kahyarara, Nyamwihura et al. 2001), concluded that negative consequences of liberalisation measures included unsustainable increases in deforestation rates, timber smuggling, firewood and charcoal production, water shortages, and unreliability in water supply, and declines in soil fertility. In **Senegal**, trade liberalisation has had a devastating effect on some key fish stocks, especially those deep-living, coastal species, favoured by European consumers (Dahou and Deme 2001). This not only led to a serious threat of the countries food security but drove a number of commercial species to the verge of extinction. A similar effect was noted in **Uganda** with the over-

exploitation of the Victoria Lake perch (Bahiigwa, Bulega et al. 1999). Similarly, in **Argentina** over-fishing and the depletion of fish stocks is clearly linked to subsidies from developed countries for fishing vessels and joint ventures, underlining the clear link between trade distortions and negative environmental outcomes. Some of the impacts identified in Argentina include the degradation of fish biomass, increased operation costs, corruption and depletion of few export-oriented species (Onestini, Gutman et al. 2001).

Growth in productivity in the **Ecuadorian** banana sector adversely affected the environment in several ways: Growing production increased loss of biodiversity, the contamination of drinking-water, soil and air quality degradation, and accumulation of toxic pesticide and fertiliser residues. Health of banana workers and people living close to plantations was seriously affected by the extensive use of agro-chemicals (Amparo Albán, Muñoz Vélez et al. 2001). Negative consequences of liberalisation measures in the **Tanzanian** forestry sector include unsustainable increases in the rate of deforestation, timber smuggling, firewood and charcoal production, water shortages and unreliability in supply, and declines in soil quality. The contamination of drinking water has contributed to the spread of water-borne diseases increasing health threats to forest workers and local communities (Kahyarara, Nyamwihura et al. 2001).

In the light of adverse liberalisation impacts on the environment some studies argue that strong environmental regulations are

needed in any future free trade agreement. In a recent study on the environmental impact of regional FTAs the German Ministry for the Environment concludes that these treaties should be conditioned on an *ex ante* EIA. Researchers argues that strategic objectives of interregional FTAs should be more fully used for the benefit of environmental protection including the possibility of ecological conditionalities (ecological good governance) which could be promoted by economic compensations and adequate capacity building.

## 2.5. Food security

Most of the case studies agree that the negative effects on small-scale farmers and household food security outweigh the positive ones. Trade liberalisation mainly resulted in the consolidation and closure of many of the smaller farms, seriously marginalising small and medium-scale farmers. In some cases, large-scale industrial agro-processing companies have replaced traditional cooperatives. As a result of the removal of subsidies, prices for farm inputs such as fertilizers, seeds or agrochemicals, and other production costs have increased beyond the economic limits of most small farmers. The main problem here is inadequate and uneven competitiveness, both in domestic and export markets. In detail, it led to increasing levels of rural unemployment and subsequently to an increase in rural food insecurity. The situation in many cases is worsened by the virtual absence of any social safety nets for small-scale farmers in rural areas.

In **Kenya**, after trade liberalisation under SAPs rural poverty increased by 47% as compared to

29% increase in urban areas (Madeley 1999). Trade liberalisation did not result in an increase in farm crop prices or food movement to deficient areas. Some studies, therefore, point to the need to introduce binding legal regulations that safeguard the interests of small farmers, such as micro-credit schemes and diversification incentives, and other support mechanisms for people particularly vulnerable to liberalisation consequences.

There is ample evidence to suggest a high correlation between household food security and the proportion of food consumption originating from local production. Therefore, it is highly controversial whether a country should depend on volatile international cash crop markets for the earning of foreign exchange to pay for food imports. Food security thus is ensured by higher export earnings ("trade-based food security"). Whenever the increase in income from cash crop production is neither stable nor predictable due to fluctuating world market prices, it is difficult to ensure food security based on these earnings. It may provide producers with higher profits if world market prices are high (e.g. the coffee boom from 1993-95), but available evidence shows that average income levels of small-holder farmers generally did not profit due to low production levels, simultaneous increases in production costs or other non-price factors.

In **Uganda** for example, the development of so-called "Non-Traditional Agricultural Exports" like maize, beans, sesame or soybeans gradually replaced former cash-crops such as coffee. This caused a decline in the production of staple food available for

local consumption thus undermining household food security. Traders and middlemen often aggravate the situation by using malpractice and fraud forcing the farmers to sell under price (Vredeseilanden-Coopibo Uganda 1998).

Although insufficient time has elapsed since the conclusion of the Uruguay Round to assess the longer term impact of the WTO AoA on food security, several case studies undertaken by the FAO address these broader concerns, largely drawing upon ex-

perience from the ongoing process of trade liberalisation, e.g. under SAPs (FAO 1997, 2000). One of the general observations made states a general trend towards the consolidation of farms as competitive pressures build up following trade liberalisation. While this generally contributed to increased productivity and competitiveness, it led to the displacement and marginalisation of farm workers, typically involving hardship for small farmers and food-insecure population groups.

In **Brazil's** dairy sector, for example, farm size has increased and large-scale industrial processing firms have been moving leading to the failure of traditional co-operations. Also, in the maize and soy-beans sub-sectors, farms have been consolidated, and while both cultivated areas and productivity have been increasing, many small farmers have been marginalised. FAO researchers pointed to the need for a contract law that would safeguard the interests of small farmers, as large companies moved into agriculture (FAO 2000).

## 3. Abstracts of Sectorial and Country Case Studies

### 3.1. Sectorial Studies



*“Trade Liberalisation,  
Market Deregulation and  
Agricultural Performance in  
Central America”  
(Weeks 1998)*

One frequently encounters the argument that trade liberalisation and deregulation of domestic markets in developing countries result in increased incentives for the agricultural sector. The study considers this proposition for the Central American countries, all of which passed through fundamental policy change either in the 1980s or 1990s. After characterising the policy regimes in each country over various periods, the analysis moves to an inspection of agricultural trade performance. The evidence indicates that liberalisation of foreign trade and deregulation of domestic markets in Central American countries has not been associated with improved agricultural export performance. It is suggested that the failure of agriculture to respond positively to policy changes can be in part explained by an unfavourable trend in world prices of the region's major tradable commodities. The study thus concludes that trade liberalisation policies alone are not sufficient to stimulate agricultural exports in the region.



*“Trade and the Hungry -  
How International Trade  
is Causing Hunger”  
(Madeley 1999)*

Trade liberalisation (the removal or reduction of barriers to international trade in goods and services) has become a global prescription for the world's continued economic growth and universal prosperity. But accumulating evidence on the relationship between trade liberalisation and food security and poverty suggests that there will be more losers than winners. This study examines this liberalisation under the World Trade Organisation's (WTO) Agreement on Agriculture (AoA) signed in 1994; under World Bank / IMF-imposed SAPs, which have been going on since 1980 (and which led to widespread liberalisation of the economies of most developing countries well before 1994), and under regional free trade agreements.

Much of the trade liberalisation of the last two decades has been based on the hope that agricultural production in developing countries will switch to high-value crops for export, enabling them to import food. But trade liberalisation in Sierra Leone did not lead to the hoped-for benefits from exports of cocoa on coffee. Ethiopia and Bangladesh have experienced problems in trying to meet food security needs through exports. Agriculture is the main source of livelihood for hundreds of millions of people in developing countries. If small-scale farmers are out-competed without an alternative source of livelihood,

the availability of cheap imports is no help. Governments seem to be misled or pressurised to subscribe to trade liberalisation, or to do it too quickly, without adequate preparation.

Trade liberalisation is only one factor exacerbating problems for the poor in many countries. The studies often reveal the interaction of factors that affect food security, such as privatisation; domestic, economic, and financial policies; and the incidence of HIV/AIDS. As the study on Thailand points out, "the mess isn't simple;" devastating weather patterns, massive unemployment, the need to earn foreign exchange "to bail out an unbelievably irresponsible private sector" are all factors. But these studies indicate that trade-based food security for the poor is – at least for the time being – more a mirage than a fact. Yet liberalisation is a policy choice, it is not inevitable. A fundamental review of the dominating policy paradigm is needed, and at the very least, WTO rules need to be changed so that developing countries can provide domestic support and other regulations to protect the livelihoods of smallholders and promote food security.



*“The Impact of  
Trade Policy Reforms”  
(Bhattacharya 2001)*

The analytical paper summarises the information on the impact of trade liberalisation contained in seven country studies prepared under the Structural Adjustment Participatory Review Initiative

(SAPRIN) and the Citizens' Assessment of Structural Adjustment (CASA). The five SAPRIN countries are Bangladesh, Ecuador, Ghana, Hungary and Zimbabwe, whilst Mexico and the Philippines are the two CASA countries. Detailed country studies on the impacts of trade liberalisation under SAPs are available for all of the countries. Irrespective of individual country peculiarities standard "one size fits all" trade liberalisation reform programs have been introduced in all countries. Trade liberalisation in all cases has been carried out as part of a larger structural adjustment package. Most remarkably, neither safety-net schemes nor support mechanisms for people particularly vulnerable for liberalisation consequences have been included in these policies.

Exports grew in most of the countries as a consequence of trade liberalisation, partly due to improvements in production capacity utilisation rates. A stronger growth of imports together with deteriorating terms of trade outweighed growth in exports consequently worsening the balance of payment situation in a number of countries (Philippines, Mexico and Bangladesh). Trade deficits in turn adversely impacted the external debt situation. Benefits of export growth largely went to multinational corporations (TNCs) abroad to the detriment of the local manufacturing sector that could not adjust to strong external competition. As a result, many small and medium-sized enterprises went out of business. Additionally, with the provision of incentives for foreign investors ownership in the manufacturing sector has been shifting to TNCs (e.g. in Mexico 70 percent of exporting companies are TNCs).

Small-scale manufacturers were negatively affected due to demand and supply side constraints.

## 3.2. Regional and Country Studies in the ACP

### Botswana



*"Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries"*  
(FAO 2000)

Botswana depends heavily on food imports as a result of various constraints on the expansion of production from arable land. Principal imports are cereals, sugar, dairy products, and fruit and vegetables. The study investigates the Botswana's experiences with the implementation of the WTO AoA for national food security.

In the livestock sector, ownership of resources is skewed: A small number of farmers owns a large share of livestock while about 60 percent of all households have no cattle of their own. From the research it becomes clear that Botswana cannot achieve the economic transformation required to cope with trade liberalisation effects within a short period of time. Trade instruments, including safeguards, need to be in place for this.

The future of the beef market is of key concern to the country: Changes in the tariff quota system within the WTO will have a profound effect on Botswana's export opportunities and export earnings. Even under the WTO

AoA, other WTO members can still subsidise up to 1.3 million tonnes of beef annually, adversely affecting Botswana's own exports.

### Burkina Faso



*"Liberalisation des échanges et sécurité alimentaire des pays en développement (LIBSA) - Le cas du Burkina Faso"*  
(Sourisseau 2000)

Following the adoption of trade liberalisation policies in 1998, competition increased between the cereal and rice importers, in turn affecting competition of local traders. Although the effects of liberalisation policies until 2000 did not show much effect on production dynamics, from the analysis it becomes clear that the appearance of new cereal and rice importers on the market may act at the detriment of local cereal producers. In addition, within the context of regional integration and elimination of trade barriers within the UEMOA, several obstacles for regional trade exist including un-harmonised tax structures, increasing transport costs and insufficient access to credit schemes and information.

### The Caribbean



*"Trade Liberalisation under Imperfect Competition - An Analysis of the European Union's Market for Banana Imports"*  
(Preville 2002)

In contrast to neo-classic economic theory, the liberalisation of the EU's market for banana im-



ports has not brought significant gains to consumers and producers. Instead, a few transnational corporations that dominate the market in this sector, have profited from surplus appropriation due to oligopolistic control of the entire commodity chain. The major implication of the study is that liberalising banana trade under imperfect competition will serve as an instrument for monopoly surplus appropriation largely by transnational corporations, while widening the wealth gap between the exporting countries in the Caribbean and the EU member states. In the case of banana exporters to the EU, market-induced instruments of imperfect competition have been even more perverse than the Commission-induced tariff quotas. Therefore, the study concludes, liberalisation under imperfect competition is not self-evidently desirable.

### Ethiopia



***“Trade Liberalisation and the Coffee Sub-Sector: Some Implications for the Food Sub-Sector”***  
(Geda 1999)

Coffee is the most important export commodity accounting for some 65% of total export earnings in Ethiopia. The country’s coffee production is dominated by small holder production (95%). Following trade liberalisation policy under Structural Adjustment introduced in 1992, overall coffee exports grew (both in quality and quantity) but the contribution of coffee exports to tax revenues dropped from 8 percent to 1 percent seriously affecting public spending. However, the world coffee market is

volatile and shows no sign of rise in prices. Many small farmers who turned to export coffee cultivation in the post-reform period thus traded away their self-reliance in food sovereignty for an unpredictable ‘trade-based food security’-strategy where food security is ensured by higher earnings from the cultivation of export crops. Even if peasants earnings from cash crops could increase following coffee sector liberalisation, acquiring the necessary food to safeguard food-security depends on the efficiency of inter-regional food trade. In Ethiopia however, food imports and food aid tended to adversely affect domestic food production.

### Gambia



***“Free Trade or Fowl Deeds? A Case Study of Trade Manipulation and Chickens in the Gambia”***  
(Ceasay and Jagne 2001)

As a consequence of trade liberalisation policies several developing countries have experienced an increase in import volumes which has not been counterbalanced by an increase in exports. The study exemplifies that in Gambia dumping of cheap poultry exports from the EU has adversely affected local industries which lost market share, earnings and profitability. The study reveals for example that in the region of Greater Banjul 45 percent of chicken and 26 percent of eggs consumed have been imported. Consequently, commercial poultry farmers in Gambia have been forced to shift from chicken rearing to egg production, despite highly unpredictable price fluctuations for eggs on the domestic

market. Low poultry prices put a number of small and larger commercial producers out of business resulting in job losses not only for producers but also in other categories of the working population depending on the poultry industry (whereas in 1986 16 larger poultry farmers have been in operation, this figure dropped to only 3 in 2000). This has led to increased loss of jobs not only in the production sector but also in industries that directly depend on it, such as transport or poultry feed production. In order to level the playing field, the study suggests that the Gambian government should protect its national markets and local poultry industry from unfair competition from Europe and elsewhere.

### Ghana



***“The Impact of Trade Policy Reforms”***  
(Bhattacharya 2001)

Trade liberalisation under SAPs were carried out from 1983-91 including tariff adjustments, liberalisation of imports and foreign exchange, and the deregulation of domestic market prices. While some jobs were created following structural adjustment in Ghana mainly in large-scale manufacturing, most of medium-sized enterprises experiences a decline in employment generation thus underlining the differential impact of trade liberalisation depending on firm size and market orientation. While large, export-oriented producers gained most, most small and medium-scale enterprises were among those severely penalised by trade liberalisation. Women, who produce 60 percent of food, have suffered more than

men from the removal of subsidies, high-priced food imports and the cutback of social services.

## Guyana



***“Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries”***  
(FAO 2000)

In Guyana, as in other parts of the Caribbean, FAO research reports import surges in particular products, notably dairy products and meat that resulted in import-competing industries facing considerable difficulties. In Guyana, import surges occurred for several of the main foodstuffs that were produced domestically under a protective import regime. In several documented cases (in particular fruit juices, beans, cabbage and carrots), this has undermined domestic production. The fear is expressed that without adequate market protection, accompanied by development programmes, more domestic producers would be displaced, leading to an increased dependence of the local population on imported foods. The study underlines that this process is well underway for several basic foodstuffs, and that reductions in border protection, lack of monitoring capacities for imports and inadequate support for the domestic agricultural sector are adversely affecting domestic production.



***“Guyana’s rice farmers and the myth of the free market”***  
(Beveridge, Fried et al. 2002)

Up to 1996, the rice sector employed 150,000 people accounting for as much as US\$ 93.7 million, due to preferential trading with the EU under the Lomé convention. In 1996, an EU quota placed on rice imported from Europe’s overseas countries and territories resulting in a 70 per cent drop in OCT-rice exports to Europe. According to the findings, rising prices of farm inputs, adverse climate conditions and the import of US-subsidised rice into Jamaica, Guyana’s single most important regional market, under the US food aid programme brought many farmers and millers to the verge of bankruptcy. In the Mahaica, Mahaicony and Abary rice-producing region, farmer suicide rates rose to two to three per month. The study concludes with clear recommendations for multilateral and European trade policies to level the regional rice market economy.

## Haiti



***“The Impact of Trade Liberalisation on the Rice-Growing Sector”***  
(Chery 2001)

The results of this study demonstrate the macroeconomic and microeconomic consequences of opening up the economy to international markets. This policy has been shown to have a large number of negative consequences, affecting small farmers in particular. The situation has highlighted the deteriorating state

of the rural economy. The decline in rice production is particularly disturbing. There are many reasons involved but the most important appears to be the 33% fall (in real terms) in the price of rice over recent years. This has resulted in less intensive cultivation accompanied by reduced yields and lower farm incomes, and living standards becoming increasingly vulnerable. Unless action is taken the current level of under investment is liable to result in a descent into absolute poverty. Action is needed on the part of the principal parties concerned in order to reverse the decline in rice production, which still offers very considerable potential for improvement (human resources, land and water, varieties of rice - offering potential yields of 6 tonnes/ha, etc.).

## Jamaica



***“Dumping in Jamaica: Dairy Farming Undermined by Subsidised EU Exports”***  
(Eurostep 1999)

Following SAPs in the early 1990s Jamaica was forced to liberalise milk powder imports. Milk imports, especially from the EU, are much cheaper than locally produced milk. Subsidised EU milk powder is therefore dumped onto the Jamaican market replacing locally produced milk powder as the input for the domestic dairy industry. According to the study, this has been seriously affecting household income levels and thus undermining the livelihoods of small farmers. During recent years many farmers have been forced to destock their herds by selling or slaughtering.



***“Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries”***  
(FAO 2000)

Although Jamaica is a small produce and exporter of a limited range of agricultural commodities, the sector makes a significant contribution to the economy in terms of employment, foreign exchange earnings, food security, rural employment and social cohesion. As a result of a series of unilateral reforms undertaken since 1986, there are few trade restrictions remaining. The experience of adjusting tariffs, however, has not always been smooth, particularly in the case of import-competing products. In Jamaica, as in other parts of the Caribbean, FAO research reports import surges in particular products, notably dairy products and beef and poultry meat, that resulted in import-competing industries facing considerable difficulties and in associated social problems. In 1995 alone, imports surged by 37 percent, and by 4-7 percent in the following three years. In the sake of economic fairness, small countries like Jamaica should be allowed the use of special safeguards and other instruments such as special status for small island developing countries in the context of SDT provisions in the WTO that are realistic for them, the FAO report concludes.

## Kenya



***“Trade and the Hungry - How International Trade is Causing Hunger”***  
(Madeley 1999)

SAP has had negative effects on food security, trade and agriculture in rural Kenya. These include, in particular, falling prices for agricultural produce due to freed trade, increased overseas imports (wheat from the USA, the EU and India; sugar from the EU and Brazil; corn from South Africa; rice from Thailand) resulting in food dumping on local markets, increased prices for farm inputs that adversely affected many small farmers, and the reduction of government veterinary services and school subsidies. Trade liberalisation has increased rural poverty to 47 percent as compared to 29 percent in urban areas. Women have been affected in particular since they constitute the overwhelming majority of small-scale farmers. They provide 75 to 80 percent of the labour force but receiving only 40 to 60 percent of the benefits. As one of the positive effects of SAPs introduced in 1981 the study cites an increase of women’s engagement in local micro enterprises and local marketing.



***“Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries”***  
(FAO 2000)

Agriculture, including livestock, forestry and fishing, accounts for 27 percent of Kenya’s GDP and for 60 percent of export earnings

from trade in goods. 80 percent of the population depend on agriculture for their livelihoods. Since the mid-1980s, Kenya adopted a number of economic reforms in the sector including the encouragement of private sector participation and the restructuring of marketing boards. The study reports that while the sector has failed to respond to policy reforms, the increasingly liberal trade regime has resulted in increasing imports of food-stuffs, notably maize, rice, wheat, sugar and dairy products, and has compounded other existing difficulties. The study reviews the effects of food and agricultural trade on the country between 1990-1998.

## Mauritania



***“Environmental Impact of Trade Liberalisation and Trade-Linked Measures in the Fisheries Sector in Mauritania”***  
(CNROP 2002)

In general terms progressive liberalisation of markets and prices has helped to encourage supplies in Mauritania and to enhance the competitiveness of the national economy, the UNEP-commissioned study argues. The role of the State being limited to indirect regulation of the economy and the provision of public services to help reduce the cost of inputs and increase overall productivity. In accordance with liberalisation policies, the Mauritanian Fish Products Trading Company was privatized in 1995 as part SAPs in the fisheries sector. These measures, adopted with a view to opening up the fisheries sector to private producers, have improved the sector’s

performance, but the private sector remains fragile. In addition, international trade liberalisation has had the following impacts on fishing in Mauritania as a result of increases in fishing rates: a) Increased product flows to export markets, including those of Japan and Europe, and b) a decrease in reserves of certain demersal species (including the stock decline of commercially valuable species and octopus over-fishing). The conclusion of agreements with the EU relating to fisheries increased fishing over-capacity for some species resulting in a 50 percent job reduction in octopus fisheries, resulted in increased competition with non-industrial coastal fishing operations, and consequent reductions in income levels.

The study provides a detailed review of the Namibian beef industry in the NCAs and describes the competition for market shares in South Africa since South Africa's meat market de-regulations under the SACU trade protocol and Namibian export increases around 1994. As a result of targeted beef dumping by the EU, the livelihood of communal farmers in Namibia is at grave risk. Declining prices offered to Namibian cattle producers resulted in sharp reductions in number of cattle sold in the NCAs following the mid-1990s. Given that 95% of Namibia's rural inhabitants depend on livestock production, subsidised EU exports adversely affected the income and employment opportunities of some of the poorest sections of the Namibian population. In addition, the report provides a detailed discussion on the coherence of EU policies, in particular with regard to the EU Common Agricultural Policy (CAP). The report provides some recommendations towards safeguarding the regional development of the beef sector.

market economy, promotion and diversification of exports both in traditional and non-traditional markets and successive devaluation policies both production and export of cocoa and rubber increased. In the case of cocoa, due to excess capacity in this sector, environmental effects were not negative. In the case of rubber, however, increased planting following SAPs led to over-tapping (slaughter tapping) of rubber, early destruction of rubber trees and subsequently soil degradation due to erosion. At the same time, imports of fertilizers and fungicides rose considerably and, as a result of currency depreciation, farm-input prices rose sharply lowering the demand for agro-chemicals by tree-crop farmers. Even though agrochemicals are important to farmers to increase farm output, high prices relative to those of export crops effectively led to little or no demand for these chemicals. Since the response to liberalisation was mainly of rehabilitation of existing farms rather than further expansion in plantation area, negative environmental impacts would have been much graver. In the light of the adverse environmental effects the study underlines the need for macroeconomic policies to have a build-in mechanism to ameliorate unwanted environmental and social effects of trade liberalisation.

## Namibia



***“On the Effects of European Beef Exports to South Africa on Communal Farmers in Namibia. A Case Study on the Coherence of European Policy”***  
(Wellmer 1998)

EU aid policy towards Namibia's communal farmers promotes a sustainable increase in the number of livestock marketed in the Northern Communal Areas (NCAs) comprising former Kaokoland and Ovambo regions, Kanago and Caprivi. The meat produced is largely targeted to the larger regional market in the Republic of South Africa. At the same time, Namibian beef is targeting the same South African market section as do the subsidised beef exports from the EU, namely mass consumers market segments for low quality meat.

## Nigeria



***“Environmental Impacts of Trade Liberalisation in the Nigerian Export Crop Sector”***  
(Okuneye, Aromolaran et al. 2001)

The study examines the effects of trade liberalisation on the environment, trade and economic aspects of the cocoa and rubber sector. Based on an ex-post analysis, effects of macroeconomic policy reform, including trade liberalisation are examined. As a result of liberalisation of the



***“Integrated Assessment of Trade Liberalisation and Trade-Related Policies - A Country Study on the Export Crop Sector in Nigeria”***  
(UNEP 2002d)

This study, part of the second round of UNEP assessment studies, assess the degree of the im-

pacts of trade liberalisation in the Nigerian export crop sector and trade-related policies on the environment, and consider the linked social and economic effects using the example of the cocoa sector and rubber sub-sector. Following the introduction of SAPs in 1986, cocoa and rubber export increased due to an increase in plantation area. Consequently, the importation and usage of fertilizers and agro-chemicals rose in the post-SAP period. However, relatively high prices accounted for only limited demand for these agro-chemicals. The UNEP researchers aims at identifying any positive or negative impacts of the policies of trade liberalisation policies. Building on the results of a prior study, researchers conclude that without adequate control mechanisms potential environmental harm from the use of agro-chemicals may be high, health threats to workers handling agro-chemicals without appropriate protective gear is considerable, over-tapping led to soil degradation, the potential increase of cocoa residue-related diseases.

The study concludes by recommending some strategic policy measures to be adopted by the Nigerian government including: a) the establishment of a Farm Advisory Services Unit specifically meant for agro-chemicals, b) the strengthening of the Environmental Agency at the Federal and State levels to monitor agro-chemicals usage, c) the establishment of a non-bureaucratic supervisory marketing body, which will ensure that domestic export crop prices received by farmers are close to world prices, and d) to develop infrastructures such as roads, water supplies, health centres, schools, etc. in export crop producing areas to

serve as an incentive and encouragement to farmers.

## Senegal



### *“Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries” (FAO 2000)*

Reform of the agricultural sector began in the 1980s under SAPs involving the elimination of direct government support and the privatisation of State holdings. Agricultural performance has since been weak. Being a signatory to the UEMOA RTA, Senegal further lowered its tariff rates further than under AoA provisions necessary. While benefits from RTAs may originate from exports of industrial products, concerns are now expressed on their possible negative effects on fiscal revenue and agricultural producers. The FAO report reviews export trade of agricultural products and food imports in greater detail. Given the high dependency on food imports and the large fluctuation of domestic food production, safeguarding domestic food markets from fluctuations in world market prices is considered crucial for the sectors well-being. In addition, the report underlines that replacing non-reciprocal trade preferences between ACP regions and the EU by EPAs could have some grave consequences for agriculture and food security in countries such as Senegal, because most of its exports, such as groundnut oil and tomato paste, compete with highly subsidised products from other countries.



### *“Socio-Economic and Environmental Impacts of Trade Policies for the Management of Natural Resources: A Case Study on Senegalese Fisheries Sector” (Dahou and Deme 2001)*

Senegal was the first Sub-Saharan country to sign, in 1980, a SAPs with the World Bank. As consequence, the Government gradually withdrew from the fishing sector, resulting in stronger private sector engagement, increase in production and growth of export markets. These liberalisation policies, however, raised both socio-economic and environmental problems. The UNEP-commissioned study, based on ex-post policy examination, says that trade liberalisation has had a devastating effect on some key fish stocks, especially those deep-living, coastal species, favoured by European consumers. Due to over-fishing, a number of commercial fish species are already on the verge of extinction. In addition, following growth in export volumes the supply for domestic markets has been shrinking, triggering an increase in consumer prices, which in turn poses a serious threat for the country's food security.

The study examines in closer detail the impact of trade liberalisation on the costs and incomes of small-scale fishing operations. It concludes that increasing production costs (i.e. fuel) has led to a shift towards export-oriented fish species. Many fishermen migrated to Mauritania or started to work on industrial fishing boats. Small-scale processing has a very important social function that is currently threatened: It employs massive labour, most of them women, contributes to the local

availability of protein to secure nutritional needs and contributes to the expansion of regional trade with neighbouring countries. Further trade liberalisation measures as those foreseen in the new Cotonou Agreement, are threatening current trade preferences, and hence, the competitiveness of Senegalese fishery products on the EU market. In its recent fishing agreement with Senegal, the EU, by financing up to 90 percent of access prices to resources, is applying disguised subsidies to its fishing fleet. The study concludes that the EU thus not only contravenes international recommendations aimed at promoting sustainable fishing, but exerts gross incoherence between the objectives of its trade and development policies.



***“Integrated Assessment of Trade Liberalisation and Trade-Related Policies - A Country Study on the Fisheries Sector in Senegal” (UNEP 2002e)***

In the light of the erosion of Senegal’s trade preferences under the phasing out of Cotonou trade preferences and further custom tariff reductions under the WTO agreements, the UNEP study, part of the second round assessment process, outlines some of the risks implied by liberalisation concerns Senegal’s export of piscatorial products. After an analysis of existing trade preferences with the EU and of export subsidy schemes prior to SAP implementation, the impacts of structural adjustment policies and devaluation of the CFAF in the fishing sector are studied. The trade policies related to the fisheries sector especially consisted of exogenous stimulants outside

the play of market forces, which threatened sustainable growth of activities. The environmental impact of export support mechanisms on coastal fish stocks was found to be quite substantial: Analysis of the trends in density indicators over 28 years provides an indication of the sharp decline in catches throughout all commercial fish species, seriously endangering local food security.

The study concludes by outlining some policy recommendations for the sustainable management of Senegalese fisheries through resource preservation and product development. Individual fishing quotas appear to be more efficient than global quotas in safeguarding the Senegalese fisheries. Limiting fishing agreements with the EU and other industrialised countries to deep demersal and high seas pelagic resources would increase considerably the prices of fishing licences and thereby deter the least profitable enterprises. Subsidised motor fuels should only be available to sustainable fisheries schemes. Construction of fishing wharves, and development of small-scale fish processing would improve the working conditions of fish processing women, sanitation and product quality and increase profitability. At the same time, extended storage facilities would contribute to a better food security policy. Finally, new market-based mechanisms and economic measures are also likely to increase the value of production. These include in particular, tax and customs incentives, measures facilitating the use of technologies adapted to industrial and small-scale processing.

**South Africa**



***“Ek het niks – The Impact of European Union Policies on Women Canning Workers in South Africa” (Head 1998)***


According to the findings, protectionist European tariffs and processing and marketing aids have contributed to rising levels of unemployment in the South African fruit canning industry. Women bear the brunt of this unemployment, not only because they form the majority of the labor force in the canning industry, but also because they bear most of the responsibility for managing the household and caring for children. There is ample evidence that eliminating tariffs on South African canned fruit exports, a prerequisite for job creation in the canning industry, will have little impact on EU markets. The study concludes that unless the EU undertakes policy commitments in the formulation of specific trade concessions in the agricultural sector, female canning workers are likely to experience a continued reduction in employment opportunities.



***“Free Trade between South Africa and the European Union - A Quantitative Analysis” (Jachia and Teljeur 1999)***

This UNCTAD simulation study uses SMART (Software on Market Analysis and Restrictions on Trade) simulation techniques to model the effects of the EU South Africa Free Trade Agreement (the Trade, Development and Co-operation Agreement – TDCA) on bilateral trade flows as


well as on trade with other partners in the region. The investigation concludes that the impact of the TDCA on bilateral trade flows is likely to be uneven, with a relatively large effect on South Africa's imports from the EU resulting in a significant deterioration in the EU-South Africa trade balance. Under all scenarios projected, the TDCA is likely to have a negative impact on both the balance of payments and on government revenue. In addition, while the predicted impact on regional trade with countries of the Southern African Development community (SADC) is small in absolute terms, trade diversion is nonetheless significant to some of the countries. In applying a static model, possible positive incentives for increased investment flows to South Africa arising from the TDCA could not be modelled adequately but still may be conducive to increased investment flows to the region.

 ***“The EU-South Africa Trade, Development and Co-operation Agreement: An analysis of its implication in Southern Africa”***  
(Camassei 2000)

The implications of the EU-South Africa free trade agreement (TDCA) for future Southern African trade access to the EU market raises important questions, particularly in term of the negotiations on a regional trade agreement between the EU and Southern African countries due to start in fall 2003. The study concludes that the EU market access provisions of the EU-South Africa free trade agreement could pose serious difficulties for future BLNS and wider SADC access to the EU market since the EU is likely to

propose a single market access arrangement for all exports from the Southern African region. If future market access provisions would be based on the EU South-Africa TDCA, this would result in the re-imposition of EU import duties on a range of products currently exported duty free from both the BLNS countries and the wider SADC region. In this case, concerns on reaching the overall objectives of the EU-ACP partnership agreement of poverty eradication and sustainable development, would arise.

### Tansania

 ***“Trade and the Hungry - How International Trade is Causing Hunger”***  
(Madeley 1999)

The study concludes that the impact of trade liberalisation on food security has been profoundly negative in two districts (Ileje and Mbozi) in the Mbeya region and one district in Dodoma. While farm incomes has been declining steadily the costs of schools and health care have been increasing under SAPs introduced in 1986. At the same time rural food insecurity has been increasing due to falling income levels and farming costs increasing beyond the limits of most small farmers. In particular, trade liberalisation did not result in an increase in farm crop prices or sufficient food movement to food deficit areas.

 ***“Environmental Impacts of Trade Liberalisation in the Tanzania Forestry Sector”***  
(Kahyarara, Nyamwihura et al. 2001)

The study, based on ex-post analysis, investigates the positive and negative environmental impacts of trade liberalisation under SAPs and multilateral trade rules on the Tanzanian forestry sector from 1987-99 taking into account the social and economic impacts. Furthermore, the authors develop a potential policy package to correct the adverse impacts of trade liberalisation, perform a cost-benefit analysis on these policy recommendations and suggest further national policy actions. Trade liberalisation in the forest sector has resulted in growth in both domestic and foreign trade of forestry products due to increases in the production, distribution and marketing of forestry products. The increase in demand and production, however, has led to an accelerated loss of forest resources due to exploitation and over-harvesting. Negative consequences of liberalisation measures thus include unsustainable increases in the rate of deforestation, timber smuggling, firewood and charcoal production, water shortages and unreliability in supply, and declines in soil quality. The contamination of drinking water has contributed to the spread of water-borne diseases increasing health threats to forest workers and local communities. Finally, institutional problems (lack of government authority, resources, coordination of action and legal power) have contributed significantly to the problems in the sector.

The study concludes that market-based forces alone cannot guar-

antee sustainability in the forest sector. Although there are severe negative impacts of trade liberalisation policies, appropriate policy action can minimise and in some cases completely avoid these problems. Among the instruments within a sustainable forest management plan are pollution control agreements, forest product charges, proper control and monitoring of production licenses, and the establishment of a forest product certification scheme. In addition, sustainable forest management needs an effective legal and regulatory environment with both regulatory and economic instruments that address existing problems. The authors underline the importance of village-based social networking in developing a sound sustainable development strategy.



***“Integrated Assessment of Trade Liberalisation and Trade-Related Policies - A Country Study on the Forestry Sector in Tanzania” (UNEP 2002f)***

Trade liberalisation has been one of the major measures of the economic reform process Tanzania adopted during the mid 1980s. The investigation, part of the second round of UNEP assessment studies, investigates the effect of trade liberalisation on the forestry sector. Specific liberalisation policies affecting the sector included the elimination of official prices and introduction of market-based prices, resulting in price increases (of 40-60 per cent) of forest products, which has tended to accelerate deforestation. Further on, the abolition of export tax on various forest products stimulated export entrepreneurs to do so at a larger scale,

increasing the demand at the risk of an increased rate of deforestation. Other measures including import scheme rationalisations and the abolishment of import licensing, facilitated the acquisition and access to imported inputs and technology, which are essential for forestry sector development.

The study reveals positive and negative social, environmental and economic impacts of trade liberalisation policies. Among the positive impacts are: increased export value of finished products; importation of machines used in the sector; technology improvements which has resulted in changing production patterns; increased market price of traded forest products; and increased sector employment. On the negative side are those impacts relating to the increased intensity of the economic activities in the sector such as: increased rate of deforestation; changes in the hydrological cycles; loss in soil fertility; and decline in agricultural productivity. A total loss of US\$ 8 million is calculated as a conservative estimation for externalised costs. The research concludes by outlining some concrete policy measures aiming at establishing an effective environmental management framework for the forestry sector including policy packages.

## **Uganda**




***“Effects of Agricultural Price and Market Liberalisation and other Factors on Food Security in Selected Districts of Uganda - Participatory Research Carried Out in Arua, Iganga, Kitgum and Pallisa Districts” (Vredeseilanden-Coopibo Uganda 1998)***

Although the study aimed at isolating the effects of liberalisation policies on food security in four Ugandan districts, it also revealed some other factors that affect household food security. Among the common consequences of liberalisation were declining rural productivity, lack of access to agricultural inputs, market distortions, accentuated gender imbalances, and declining food quality. It became evident that many more rural people are now preoccupied with their survival, and are struggling to avoid a further deterioration in their livelihood systems. As part of the implementation of SAPs during the early 1990s, the Ugandan Government laid increased emphasis on developing so-called ‘Non-Traditional Agricultural Exports’ (NTAE) like maize, beans, sesame or soy-beans to reduce the country’s mono-crop (coffee) export dependence. The concentration on NTAE gradually replaced formerly traditional cash crops. This caused a direct decline in the production of foodstuffs consumed locally thus undermining household food security. Traders, taking advantage of the situation, often used malpractice relating to the purchase of crops, thereby adding an additional threat to the availability of



food crops and financial resources at household level.

Although trade liberalisation increased the potential market for agricultural produce, economic pressure forced small farmers to sell their products under price. In addition, the concentration on a limited range of cash crops led to a reduced household menu thus seriously impacting agricultural diversity. Increasing costs of agricultural production due to cuts in state subsidies and diminishing access to social services have compared very unfavourably to ever lower income levels. Even in areas where agricultural production has increased this has not uniformly benefited all producers. The study indicates further that the increase in the area under cultivation observed over the last 10-15 years together with a stagnation of productivity points to declining soil fertility and dropping crop yields. Quite clearly the study states that women are heavily impacted by trade liberalisation policies since they are the main source of rural food production. Faced with a high domestic work load, women often cannot afford the time to go to and sell their produce at the local market but have to sell it in the village where they will get a lower price.


 ***“Environmental Impacts of Trade Liberalisation and Policies for the Sustainable Management of Natural Resources - A Case Study on Uganda’s Fisheries Sector”***  
(Bahiigwa, Bulega, et al. 1999)

This study investigates how Structural Adjustment Programmes (SAPs) contributed to the substantial growth of Uganda’s fisheries industry and examines both

their positive and negative impacts on economic, social and environmental systems. It further identifies an array of policy mechanisms, including economic instruments, that can be implemented to establish a sustainable management of fisheries’ resources. The fisheries industry has become one of Uganda’s most important industrial sectors representing its main foreign exchange earner. Growth patterns in export-oriented industries have led to several negative impacts on long-term sustainability including the over-fishing and resource depletion; the loss of biodiversity; pollution of water bodies from fish processing and other industries; degradation of coastal ecosystems and environmental health conditions; and resource mismanagement due to unharmonised national environmental standards. Growing social problems also threaten the industry: high export levels resulted in lowered supplies of quality fish - at higher prices - for the domestic market. This in turn has given rise to malnutrition and acute food security concerns for the local population.

The UNEP-commissioned study concludes by examining a range of policy measures to be adopted to address liberalisation consequences including: sustainable quantitative management of fish stocks, limiting the number of fish processing firms; strengthening national legislation; involving fishing communities directly in fisheries resource management; and using subsidies to promote sustainable fish farming, so that fish harvests from natural water bodies can be supplemented. The report ends by recommending set of policies and economic instruments that can be developed

and implemented to ensure the sustainability and future economic potential of Uganda’s fisheries resources.

 ***“Impact of Liberalisation on Agriculture and Food Security in Uganda 1987-2000”***  
(Bazaara 2001)

This SAPRIN background study examines the impact of trade liberalisation policies adopted under SAPs on agricultural production, food security and household income. measures taken included the exchange rate liberalisation, “rolling back” the influence of parastatal crop marketing boards and tight inflation control measures. Under an export diversification scheme introduced in the early 1990s, the Ugandan government encouraged the production of non-traditional export crops such as flowers, bananas, various spices and vegetables and fish. In the case of fish, the massive increase in export volume to Europe led to the shrinking of fish stocks providing clear evidence that an unregulated liberalisation can lead to unsustainable production and resource depletion. Although liberalisation temporarily improved the production of some crops when prices were high and guaranteed producers a higher fraction of profits on the world market (i.e. the coffee boom from 1993-95), average income levels of smallholder farmers did not profit due to low production levels, a simultaneous increase in production costs and other non-price factors. The expansion of cash crop production has reduced the amount of staple food available to the rural population thus increasing food insecurity. In urban areas, imported foods (e.g.

Asian rice) have increasingly replaced domestically produced foods.

Due to historic imbalances trade liberalisation has further favoured some of the country's stronger regions but left behind others. This applies particularly for conflict-ridden regions. Due to the unequal access to productive resources and storage capacity, liberalisation increased inequalities along social and gender lines. As a consequence, the study argues that few rich farmers and middlemen have benefited from higher prices at the cost of the poor. Finally, the expansion of production of a given crop has altered the workload of men, traditionally doing wage labour, and women, traditionally responsible for domestic tasks, by forcing women to take on wage labour in addition to existing activities to supplement family income.

## Zimbabwe



*“Trade Liberalisation and Household Food Security: A Study from Zimbabwe”*  
(Chisvo 2000)

The study gathered evidence on the influence of economic liberalisation under the ESAP, launched in 1991, in two districts of Zimbabwe. Trade liberalisation covered a tariff reform, a supportive exchange rate policy and improved export provisions. Until the mid 1980s Zimbabwe has exported maize. Due to the effects of liberalisation and a drought period in the early 1990s the country became a net importer of maize. This caused increasing competition for domestic

producers thus negatively affecting food security.

Some of the positive effects of liberalisation in the agricultural sector include a greater choice among farmers of buyers and traders for their produce, increased access to local markets, increased consumers choice and greater mobility due to the liberalisation of the transport system. Among the negative effects that worsened the farmers' situation has been the removal of subsidies and a subsequent increase in production costs (price of fertilisers, agro-chemicals and seeds). Due to the privatisation of a rural development bank farmers access to small credits became more limited. The closure of the Grain Marketing Board (GMB) depots in rural areas adversely affected market access opportunities and the shut-down of public services reduced farmers access to technical extension services. Especially women, faced with an increasing workload, experience the negative effects on rural food security: The rising costs of living has increased rural poverty, income levels from local market sales have dropped due to increased competition from large-scale commercial farmers. In conclusion the study argues that negative impacts on household food security outweigh the positive ones.



*“The Impact of Trade Policy Reforms”*  
(Bhattacharya 2001)

Since 1991 Zimbabwe unilaterally liberalised its trade regime as part of the ESAP. The programme's main objectives were the harmonisation of tariffs and duties, phasing out of an import-

licensing system, the removal of export incentives, the elimination of foreign currency controls, the reduction of non-tariff barriers and the reduction of tariffs to between 0 and 30 percent. The final phase of the liberalisation program included the implementation of an Export Processing Zones (EPZs) program to promote export-oriented production and development. Under its successor program ZIMPREST (1998-2000) and the Millennium Economic Recovery Program (MERP) Zimbabwe has maintained its overall trade liberalisation policy but re-introduced some trade policy reversals (tariff rationalisation program, mid loading of tariffs within the SADC protocol or reintroduction of price controls).

As a consequence of trade liberalisation the domestic manufacturing sector stagnated since the introduction of the ESAP. This was largely due to weak performance of the textile, clothing, footwear, furniture, paper, printing and transport sectors due to increased competition with cheaper imports. Liberalisation increased the rate of unemployment severely. Firstly, the removal of protection for companies supplying the domestic market (particularly in the textile and clothing sectors) led to the closure of small firms and the lay-off of over 20.000 employees. Secondly, workers in firms supplying overseas markets were affected. A third group of workers was affected as a result of privatisation and rationalisation policies. Contraction in formal-sector employment resulted in the growth of an informal sector partly absorbing the retrenched workforce or by providing additional income to those still employed in the formal sector.



***“Liberalisation of  
Agricultural Trade”***

**(Makamure, Jowa et al. 2001)**

The study, part of the Structural Adjustment Participatory Review International Network (SAPRIN) analysis of the impact of SAPs, evaluates the impact of various trade reforms in Zimbabwe’s agricultural sector policies as part of the larger countries SAP on the following key objectives: Reduction of government’s direct involvement in the production, distribution and marketing of agricultural commodities, removal of price subsidies, liberalisation of export and import trade, and privatisation of agricultural marketing. During the reform period following 1991, agricultural productivity fell significantly, impacting more strongly on smallholder farmers than larger farmers. The same applies for food security. An increased concentration on cash sales rather than on production for home consumption has led to food shortages in rural areas especially in pre-harvest periods. According to the authors of the study, these impacts of liberalisation policies are mainly attributed to the lack of efficient marketing systems, land shortage, increasing production and commodity costs, absence of market diversification and lack of storage and transport facilities for agricultural produce. The negative impact is stronger for women who play a key role in subsistence and surplus cash economy for each household but lack access to adequate agricultural credits. Liberalisation has socio-economic effects on the economies of less developed countries where the majority of the working population is employed in the agricultural sector which consists of mostly smallholder and communal farmers.

Flexibility should thus be given to these countries regarding the provisions for domestic support and protection for their agricultural sector.



***“Trade Liberalisation  
under Structural Economic  
Adjustment - Impact on  
Social Welfare in Zimbabwe”***

**(Tekere 2001)**

This SAPRIN country study analyses the impact of the trade liberalisation aspect of SAPs adopted since 1991 on the livelihoods of poor and vulnerable groups, human development, on economic growth. In addition, it proposes ways of spreading the benefits of trade liberalisation to enhance the living conditions of the poor. Furthermore using four sub-sectorial case studies (furniture, textile and clothing, metal work and handcraft) it investigates the impact of trade liberalisation in greater detail.

Generally rapid liberalisation worked against the poor causing greater social inequality by favouring profit appropriators over other wage earners and greater wage inequality between skilled and non-skilled workers. Overall, the study says, trade liberalisation in Zimbabwe has produced several levels of inter and intra-class conflict concerning the generation and distribution of economic rents. The effects of liberalisation measures, however, have been positive and negative depending on the sector under consideration. On the labour market, victims include workers in companies that predominantly supply the domestic market without being prepared to face outside competition, workers in companies supplying overseas markets

and workers in firms that retrenched as a result of privatisation. On the other hand, liberalisation generated new job opportunities in export-oriented companies, especially in non-traditional export sectors such as horticulture and agro-processing. Most of the retrenches have been absorbed by the informal sector. So-called “backyard businesses” are causing increased competition for the formal sector.

Trade liberalisation has directly resulted in an upsurge in informal cross border trade mainly with South Africa that consequently grossly underestimates regional trade volumes. By and large this had more positive than negative effects, the study argues. Cross-border trade did create job opportunities for the unemployed, but at the same time put some local companies out of business. In addition, it enhances household income, thus enhancing food security, generates foreign exchange and empowers women that cannot be absorbed in the formal labour market. It has, on the other hand, resulted in a significant loss of government revenue, and caused economic refugees in neighbouring countries.

The wood and furniture subsector has enjoyed more gains than losses from trade liberalisation. Although the formal sector has initially gained from liberalisation, recently it was negatively affected by macroeconomic conditions. In addition, a vibrant informal sector has developed that absorbs new graduates from tertiary training institutions. Among the negative impacts are a lack of foreign currency to purchase new input materials or import new technologies from outside and a cumbersome bureaucratic system. Since the

textile and clothing sector was protected most prior to reforms it was hit hardest by trade liberalisation. Prior to liberalisation the industry enjoyed high protection, attractive incentives and preferential market access to the EU and South Africa. Opening up to foreign imports and investments increased competition dramatically, most drastically affecting companies producing for the domestic market. Smaller companies have been badly affected by the influx in imports of second-hand clothing that are traded on flea-markets at affordable price throughout the country.

Another factor affecting the country's textile industry was the expiry of the 1964 preferential trade agreement with South Africa in 1992. Since South Africa wanted to protect its own industry, it increased tariffs at the disadvantage of Zimbabwean exporters many of which could not open up new markets elsewhere. An estimated 6,000 jobs were lost until 1994 when the bilateral agreement was renewed. The new agreement, however, introduced a restrictive quota on textile exports and a 50 percent tariff barrier further protecting South Africa's textile sector. Due to rising production costs, depressed demand and competition from foreign imports the sector's future looks desperate. In 2000 alone, over 50 companies closed down. In the formal sector, women have been the main victims of structural adjustment liberalisation policies. They were most often forced out of formal employment towards informal activities such as trade in second-hand clothing or cross-border activities. Some are establishing small businesses subcontracted by larger firm. The study observes that while informal em-

ployment can cushion the socio-economic impact of stagnant employment, it is no substitute for formal sector growth and sustainable economic development. The metal work sub-sector in Zimbabwe is composed of a strong but inward-oriented formal steel manufacturing sector and a growing informal sector that is largely involved in mineral processing, construction and assembly of machinery. The metal industry suffers from a lack of export orientation, lack of education and technological infrastructure and availability of investments.



***“The poultry industry in Zimbabwe: Small producers and local markets”***  
(Tekere 2001)

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The study examines the development of the poultry sector in Zimbabwe between 1994 and 2001 drawing upon an empirical survey among 111 small-scale commercial poultry producers in 2001. Generally, imported overseas poultry products in Zimbabwe have only a small market share. During the ESAP in the early 1990s prices and marketing of farm products was deregulated while farm input prices increased dramatically in particular for stock feeds resulting in rising consumer prices. Decontrolling prices has in turn worsened the income of small-scale poultry producers, and resulted in increased informal employment in backyard poultry production. Poultry imports from third countries do not constitute a major source of competition for small-scale producers since recorded cases of US poultry dumping via South Africa did not affect the market beyond urban areas.




***“Women in Zimbabwe: Issues in Future Trade Negotiations with the EU”***  
(Okore and Mugabe 2002)

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The study highlights that women are most seriously affected by poverty in Zimbabwe, because they tend to be less educated than their male counterparts, traditional power structures deny women their equal access to resources and have the added burden of primary responsibility for family wellbeing. Therefore, and in addition to their workload at home, women are involved to a large extent in small-scale informal sector enterprises. Based on an analysis of the role of women in several agricultural sectors in Zimbabwe, the study tries to shed some light on the conditions new trade agreements will have to meet to provide positive development incentives for women. In the cut flower sector in particular, women workers have benefited from the recent expansion of export-led cut flower production. Women thus will be the ones most likely to be adversely affected by any loss of preferential access to the EU market, the authors conclude. The study provides clear gender-based recommendations for future regional trade agreements with the EU.


### 3.3. Other Regional and Country Studies

#### Argentina

 *“Environmental Impacts of Trade Liberalisation in the Argentine Fisheries Sector”* (Onestini, Gutman et al. 2001)

The project examined the *ex post* impacts of trade liberalisation policies on the Argentine fisheries sector, providing one of the clearest examples of environmental, economic and social effects stemming from trade liberalisation. Trade policies analysed include the deregulation of economic activities in the sector, price stabilization policies, easier credit availability schemes, free movement of foreign capital and the reduction of import tariffs and export taxes. The study clearly links over-fishing and the depletion of fish stocks to subsidies from developed countries for fishing vessels and joint ventures, underlining the clear link between these trade distortions and the negative environmental effects on the Argentinean fishery sector. Some of the impacts identified include the degradation of fish biomass, increased operation costs, corruption and depletion of few export-oriented species. In addition, traditional fishing communities that supplied local markets lost their ascendancy to enterprises in other parts of the country, that developed almost exclusively based on export-oriented fishing activities. The study clearly links many of the adverse effects of trade liberalisation directly to the changed production structure which favoured large instead of small producers,

as well as harvesting with little state control.

 *“Integrated Assessment of Trade Liberalisation and Trade-Related Policies - A Country Study on the Fisheries Sector in Argentina”* (UNEP 2002a)

The introduction of SAPs in Argentina in the 1990s had a series of strong impacts on the economic structure of the country. The positive impacts such as price stabilization and a fixed foreign exchange rate created conditions that encouraged growth in the fisheries sector. The growth of the fisheries sector was accompanied by the opening up of trade for Argentine fisheries products in foreign markets. However, the increasing and unregulated fisheries trade has had critical negative impacts on resources and on the socio-economic structure of the fisheries sector, this second round UNEP assessment study concludes. Some of the verifiable impacts include the degradation of the fisheries biomass and near collapse for some species; variations in fishing effort; ecological degradation; increased costs for fisheries regulation and control; increased operation costs; augmenting fiscal costs and subsidies; corruption practices; and non diversification of catches. Many of these specific impacts are directly related to investment oversizing, as the overcapitalization of fleets. Other impacts have been increasing unemployment and underemployment, as well as the worsening of labour conditions in the sector giving rise to social conflict in some circumstances. The study suggests a whole set of economic instru-

ments for sustainable fisheries management in order to benefit from trade in the fisheries sector, and at the same time maintain natural capital, develop the industry and generate employment. These may involve changes in the sector's productive and economic structures (changes from commodity extraction to value added processing), the down-sizing of fishing fleets, as well as the implementation of a tradable quota system. Other management measures can range from technological adaptations of the fishing gear, the overhauling of command and control mechanisms, to an effective application of a sustainable development policy orientated to the Argentine fisheries sector.

#### Bangladesh

 *“Environmental Impacts of Trade Liberalisation and Policies for the Sustainable Management of Natural Resources - A Case Study on Bangladesh's Shrimp Farming Industry”* (Battacharya, Rahman et al. 1999)

With Bangladesh being increasingly exposed to the global economy due to implementation of the adjustment policies, there is a growing apprehension that adjustment policy induced changes taking place in the economy are precipitating adverse environmental impacts. Moreover, as resources switch from non-tradable to tradable sectors of the economy and as major shifts occur in production and cropping patterns in response to the adjustment policies, resource degradation has been manifesting

itself as a by-product of this particular pattern of growth.

Protection of the environment as a policy objective in the context of Bangladesh was first incorporated in the SAP Policy Framework Paper (PFP) for 1990/91-1992/93. Incidentally, the shrimp culture industry in Bangladesh received crucial support from the World Bank when it extended a credit amounting to SDR 20.6 million to Bangladesh for its "Shrimp Culture Project" in 1985. In the project document, it was mentioned that the project could not have any detrimental effect on the environment. But the coastal shrimp farming areas in the south have suffered environmental degradation; increased salinity of soil, canals and the ponds within the polders; reduction in grazing land and a consequent reduction of livestock; destruction of mangrove forests; adverse affects on the potential crop-mix, cropping intensity, crop calendar and the overall cropping pattern in the areas concerned; and a reduction in soil quality. In addition, the shrimp cultivating areas experienced an increase in unemployment and an aggravation of social and economic conflicts and tensions.



***"Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries"***  
(FAO 2000)

The study showed that on the whole unilateral trade liberalisation and compliance with the WTO AoA had little direct impact on agricultural policy in Bangladesh. However, the report states

that such measures are alone not sufficient to allow the country to benefit from growing agricultural trade. Still, Bangladesh suffers from tariff peaks and tariff escalation as well as from certain non-tariff barriers for its agricultural exports.



***"Impact of Trade Policy Reforms on Industrial Capacity and Employment in Bangladesh"***  
(Rashid 2000)

Trade liberalisation measures adopted in Bangladesh since 1982 included the rationalisation of the import regime, the reduction of custom duty rates, reduction of protection levels, simplification of the tariff structure, removal of special tariff concessions, import liberalisation and the elimination of export subsidies. As a result, between 1990/91 and 1997/98 total exports of manufactured goods have risen steadily. This growth, however, has largely been confined to the medium and large scale industry sector with the small and cottage industry profiting to a much lesser extent. Many small industries have subsequently been wiped out by cheaper and better-quality imports. ut even within larger industries, only a few (i.e. ready-made garments) have managed to sustain healthy growth figures during liberalisation period. Export growth in agricultural exports has been much lower for reasons related to SAP, the study argues. Following import liberalisation substantial quantities of imported foodgrains depressed local prices thus decreasing the incentive for domestic production. Secondly, after the elimination of agricultural subsidies, production costs sky-

rocketed thus dampening agricultural production. With regard to the labour market, unemployment has increased during liberalisation affecting small and cottage industry on the one hand and female workers, on the other hand, more strongly.



***"The Impact of Trade Policy Reforms"***  
(Bhattacharya 2001)

Trade policy reforms under SAPs were initially adopted in 1986-87 (SAF) and continued during 1990-93 (ESAF) including the elimination of quantitative restrictions (QRs), the rationalisation of tariff structures, simplification of export procedures, exchange rate liberalisation and various other measures to stimulate growth in exports. The speed of implementation of these reforms is fast as compared to South Asian standards. Accordingly the economic openness index has risen from 19 percent in 1991 to 35 percent in 1999. SAPs resulted in a disproportional increase in the price of farm inputs (fertilisers, irrigation tools, seeds), while produce prices have stagnated.



***"Environmental Impact of Trade Liberalisation and Trade-Related Policies on the Marine Fisheries Sector in Bangladesh"***  
(Khatun, Bhattacharya et al. 2002)

The shift in the trade policy regime in Bangladesh towards Liberalisation has contributed to a significant growth of the export sector of Bangladesh over the last decade. Real growth of the export sector was about 14 percent in the 1990s, which is about three

times the average real GDP growth rate over the same period. Bangladesh's *Export Policy* over the past decade has enabled the country to achieve important structural shifts in the sector – both product-wise and market-wise. The share of non-traditional exports that include readymade garments, frozen foods and shrimps and leather products registered a secular rise compared to traditional exports that include raw jute, jute goods, tea and leather. The ratio between traditional and non-traditional exports changed from 40:60 to 10:90, between 1991 and 2001.

There is a perception prevailing amongst many observers of Bangladesh's fisheries sector that the sector is being overexploited. An earlier study on environmental impact of trade Liberalisation policies on the Bangladesh *shrimp farming industry* by the authors of the present report revealed that shrimp fisheries exhibit a considerable amount of income notwithstanding negative environmental impact in a number of few areas. The study also indicated that the estimated environmental costs can be internalized by sustainable management of the sector using appropriate measures and tools.

### Brazil



***“Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries”***  
(FAO 2000)

In Brazil's dairy sector, for example, farm size has increased and large-scale industrial processing

firms have been moving leading to the failure of traditional co-operations. Also, in the maize and soy-beans sub-sectors, farms have been consolidated, and while both cultivated areas and productivity have been increasing, many small farmers have been marginalised. FAO researchers pointed to the need for a contract law that would safeguard the interests of small farmers, as large companies moved into agriculture.

### Bolivia



***“Trade and the Hungry - How International Trade is Causing Hunger”***  
(Madeley 1999)

Trade liberalisation policies have opened up Bolivia to food imports thereby saturating local markets and threatening food security. In a survey among people in the department of Santa Cruz positive and negative effects of liberalisation were described. Some of the positive effects mentioned included the increase of soybean and cotton exports under Andean Pact preferential tariff schemes, opening of new potential markets, generation of foreign currency and employment, and higher production. These effects were, however, offset by non-tariff trade barriers such as health standards, flooding of local markets by foreign imports, higher degree of competition between countries and regions on the global market, falling prices for domestic producers, and increased smuggling (especially in the dairy sector).

### Chile



***“Environmental Impacts of Trade Liberalisation and Policies for the Sustainable Management of Natural Resources - A Case Study on Chile's Mining Sector”***  
(Borregaard, Volpi et al. 1999)

In the last decade there has been an explosive growth in exports, fuelled by increases in production by the private sector. It is quite clear that trade Liberalisation has played a central role in the rise in scale of mineral output and exports. Nevertheless, other factors have also come into play, namely fluctuating prices which has been countered through a strategy of raising production as a means of maintaining competitiveness. The main environmental effects of mining in Chile include the exhaustion of non-renewable resources, air pollution, overuse of water resources and pollution, water pollution, soil contamination, loss of biodiversity and environmental risks associated with abandoned mining sites.

The complex trade-environment dynamics and innovative strategies to manage emerging environmental problems of the Chilean mining sector are presented and discussed in detail in this study. The insights that this, and other reports in the series provide, make the series an extremely valuable resource for policy-makers and sectoral practitioners aiming to effectively address the emerging environmental impacts of trade in their own countries.

**China**



***“Environmental Impacts of Trade Liberalisation in the Chinese Cotton Sector”***  
(Zhou, Liu et al. 2001)

This *ex-ante* assessment of trade liberalisation and trade-related policies in the Chinese cotton sector developed an analytical framework using diverse model scenario analyses, and an integrated assessment for the possible economic, social and environmental impacts caused by China's accession to the WTO. The project recommended measures to support sustainable development of the sector by regularly carrying out integrated assessments on environmental impacts, finding alternatives to pesticides, levying an environmental pollution tax, increasing irrigation efficiency and promoting the production of organic cotton.



***“Integrated Assessment of Trade Liberalisation and Trade-Related Policies - A Country Study on the Cotton Sector in China”***  
(UNEP 2002b)

Based on an *ex-ante* cost-benefit analysis (CBA) framework, this second round UNEP assessment study concludes that negative economic and social effects of liberalisation in the Chinese cotton sector are likely to be higher than the positive effects. China's imports of agricultural products are not likely to be balanced by Chinese exports of agricultural products, as product quality standards in international markets may be too high for China to meet. On environmental policies, the study strongly recommends

conducting impact assessments. With regard to environmental safeguard policies, the study suggests using integrated pest management techniques, bio-pesticides, banning the production, marketing and application of highly toxic pesticides, levying an environmental pollution tax, strengthening the administration of genetically modified cotton production, and promoting the production of organic cotton. In any case, all of these measures would have to be monitored to compare the actual effects with the *ex-ante* analysis.

**Central America**



***“Trade Liberalisation, Market Deregulation and Agricultural Performance in Central America”***  
(Weeks 1998)

After analysing the policy regimes and policy changes that led to the liberalisation of trade and domestic market deregulation in Costa Rica, El Salvador, Guatemala Honduras and Nicaragua the study moves to an inspection of agricultural trade performance following reform. In general, the models used suggest that liberalisation of foreign trade and deregulation of domestic markets has not been associated with improved agricultural performance, mainly due to unfavourable trends in world market prices. Trade liberalisation to some extent shifted incentives away from major agricultural commodities but diversification was not sufficient to prevent a deterioration of agricultural trade balance in four countries. Thus, the hypothesis that less interventionist strategies favour agricultural development,

appears to not hold true. Elements of an alternative agricultural policy that is designed to facilitate trade-induced changes in the structure of agricultural output may include export promotion, import substitution targeted to agriculture, diversification to higher value added crops and direct aid to smallholders during such a transition phase.

**Ecuador**




***“Environmental Impacts of Trade Liberalisation in the Ecuadorian Banana Sector”***  
(Amparo Albán, Muñoz Vélez et al. 2001)

The study examines the effects of trade liberalisation mainly on the environment, although it also addresses economic and social effects in the banana sector. The study consists of an *ex-post* analysis of fairly large time series of data (1980-1999). During a first period of liberalisation (1980-1989) a series of devaluation decisions increased costs of imported inputs and decreased export returns, which led to an overall increase in production and export. Small producers rarely made a profit, and in most years ran losses. Deforestation and destruction of natural habitat during this 'expansion period', however, cannot be entirely attributed to the change in production pattern. Other factors such as the commercial extraction of tropical timber and transformation of forests into agricultural lands has mainly contributed to the destruction of natural habitats. The second period of analysis (1990-1994) was characterised by further increase of productivity due to the decrease of import duties




thus further increasing the pressure on natural resources and aggravating environmental effects. Environmental regulations introduced after 1995 limited a further expansion of production area while production costs further increased. During this period, small and medium-sized farmers rarely realised a profit from their activity. Larger plantation operations that were able to adopt to a more technology-intensive production pattern, in contrast, were able to profit from trade liberalisation measures. In general terms, the growth in productivity in the Ecuadorian banana sector adversely affected the environment in several ways: Growing production increased loss of biodiversity, the contamination of drinking-water, soil and air quality degradation, and accumulation of toxic pesticide and fertiliser residues. Health of banana workers and people living close to plantations was seriously affected by the extensive use of agro-chemicals.

 ***“The Social and Economic Impacts of Structural Adjustment Policies in Ecuador 1982-1999”***  
(CELA 2001)


SAPs, adopted in Ecuador between 1982 and 1999, caused a sharp decrease in the export of manufactured goods between 1980 and 1990. This trend has, however, reversed after 1990 when exports of manufactured products rose by 500 percent until 1998. Even more so, the growth of imports during this period has been far bigger than the growth of exports. This was followed by an increase in external competition for local firms producing mainly for the domestic market resulting in high levels

of bankruptcy of small and medium-scale companies. Labour flexibilisation policies, together with legal framework reforms affecting salary levels and duration of working hours, contributed further to the deterioration of labour conditions. As a consequence, unemployment rates rose and informal sector employment increased, thus fostering social exclusion. The contraction of the labour market is regarded as the basis of ongoing poverty problems in Ecuador. The study concludes that while unemployment stems largely from historical deficiencies in national economic planning, recent liberalisation policies, aiming at export growth and support for larger enterprises, did not generate employment in small and medium-sized companies. In essence, structural adjustment has deeply changed individual living conditions and community identities.

 ***“The Impact of Trade Policy Reforms”***  
(Bhattacharya 2001)

Trade liberalisation measures such as lowering of tariffs to eliminate protection of the domestic economy taken aimed at fostering export-oriented activities started during the 1980s. A sharp fall in the export of manufactured goods has been the most severe consequence of trade liberalisation policy. Although world trade of manufacturing goods has been growing twice as fast as world production, Ecuadorian exports of manufactured goods felt from 626 mill. US\$ in 198 to 367 mill. US\$ in 1990 thereby raising the ration of external debt to total exports from 183 percent in 1980 to 490 percent in 1990. Exports in agricultural products,

on the other hand, have been increasing at an annual rate of 2.7 percent. Import levels (especially consumer goods) on the other hand have been rising six-fold under structural adjustment thus negatively influencing the countries’ trade balance. Urban unemployment increased from 6 percent in 1990 to 14.4 percent in 1999 predominantly affecting lower-income population groups.

 ***“Integrated Assessment of Trade Liberalisation and Trade-Related Policies - A Country Study on the Banana Sector in Ecuador”***  
(UNEP 2002c)

The assessment, part of the second round of assessment studies conducted by UNEP, attempts to define the effects of trade liberalisation as derived from SAPs in Ecuador from 1980 to 1999, as well as the effects of the application of international trade policies for the same period. SAPs and trade liberalisation policies were implemented in Ecuador in the 1980s to favour economic development, correcting macroeconomic deficiencies and leading the economy to a more open market. Several of these policies are reflected in domestic trade policies that have affected banana industry activities in terms of production, cultivated area and yields, and use of natural resources and labour in the 1980s and 1990s.

Trade policies affected banana production, exports, foreign trade and consumption, all of which are elements of the banana product chain. The increase in production and exported volume, coupled with the fact that banana production is a mono-culture crop occur-

ring in extended areas, has generated a great burden on the natural environment. In many cases, trade liberalisation measures in the banana sector led to an increase in the use of agro-chemicals, and many producers did not adopt environmental regulations. However, these negative product effects were compensated to some extent by limited use of agro-chemicals primarily because of higher costs and the introduction of stricter regulations. Technological improvements led to a higher level of technology use in the producing farms, which not only improves economic yields by reducing certain production costs, but also improves natural resources use, and to the adoption of environmental certification schemes and Environmental Management Systems. Ecuador's economic opening has fostered the specialisation of the banana producers in order to maintain access to the world markets. The sector's farming techniques have improved providing a comparative advantage to other countries, but also intensification has led to higher use of natural resources. The study concludes with policy recommendations that address various environmental problems, the low productivity of small and medium producers, oligopolistic industry structures, credit incentive schemes, diversification initiatives and social problems relating to working conditions, wage levels.

## Egypt



***“Reviewing the Environmental Implications of a Euro-Mediterranean Free Trade Zone: The Textile Sector in Egypt” (EcoCon 2000)***

The study aims to address the possible environmental impacts of the establishment of a Euro-Mediterranean FTA (MFTZ) as a result of its effect on the textile sector in Egypt. The textile industry is considered one of the most polluting industries in Egypt today. Textile processing generates many waste streams including wastewater, solid wastes, air emissions and hazardous wastes. Groundwater, source of drinking water for a large number of people in the region, is extensively exploited for industrial purposes. Deregulation and accelerated liberalisation of the sector in the context of the MFTZ will clearly have an adverse impact on the textile workers and the usage of the environment. The study suggests to enhance environmental regulations to comply to EU environmental conduct as a matter of urgency.



***“Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries” (FAO 2000)***

The second phase of economic policy reforms (1990-94) consisted of the following policy measures: liberalisation of the cotton sector, removal of procurement quotas for rice, elimination of farm input subsidies, re-

duction of credit schemes, and reforms of the structure of seed production and marketing. In addition, the study provides a detailed overview on Egypt's experiences with the implementation of the AoA. The effects of reforms on food security have been mixed: There was a clear reduction of net farm incomes, especially of small farmers, as output prices did not rise enough to offset the increased farm input costs, in part due to reduced subsidies. In response to changing profitability, fruits and vegetable production is expanding at the cost of traditional crops such as cotton, wheat and rice. Since these are considered of strategic importance for the sector, effects of trade liberalisation have often been perceived as negative.

Currently, Egypt faces considerable challenges in the area of poverty and food security. The majority of agricultural producers consists of small family farmers. Consequently, any decline in agricultural production resulting from agricultural trade liberalisation can have major impacts on family incomes. Some evidence is presented for the increase of the percentage of the population living below the poverty line, especially after the implementation of economic reforms between 1987-89. With regard to EU's domestic subsidies for fruits and vegetable exports, the study concludes that while some negative impact for the country might be expected by the EU undermining world market prices, the overall impact of the EU export subsidies on Egypt may be indeterminate, since by reducing internal surplus the EU might maintain higher domestic price thus benefiting preferential exporters like Egypt.

**India**


***“Trade and the Hungry -  
How International Trade is  
Causing Hunger”  
(Madeley 1999)***

SAPs forced the Indian government to lift subsidies on cotton and rubber resulting in falling prices and increasing production costs. This put many smaller farmers under severe financial pressure. Economic reforms have increased the vulnerability of farming communities, especially of its poorer segments. In addition, liberalisation of the seed market has opened the door for TNCs like Monsanto that threatened seed security by trying to control the local seed market.

In the rubber sector, the government originally encouraged the production of rubber for export by means of financial incentives and subsidies resulting in an increasing land area under cultivation and stable income due to high prices. Subsequently, liberalisation of trade measures were introduced in 1991 resulted in an increase of rubber imports. Dropping rubber prices and the additional import of synthetic rubbers ruined most of the small-scale cultivators the government had supported before.



***“Environmental Impacts  
of Trade Liberalisation  
and Policies for Sustainable  
Management of Natural  
Resources - A Case Study on  
India’s Automobile Sector”  
(Pandey, Banerjee et al. 1999)***

Reforms in the Indian export sector have also been quite comprehensive and broadly covers five

areas – reduction in tariff rates and tariff slabs, phasing out of quantitative restrictions (QRs), easing of exchange control regulations, a more open policy regarding foreign direct investment (FDI) and rationalisation of export subsidies. Trade liberalisation measures have led to a further increase in the domestic as well as foreign investment in the automobile sector. Until the liberalisation policies of the 1990s, Maruti had a free run in the Indian automobile market with very little competition. But the scenario changed with the introduction of the SAP, and further entry of new players increased competition in the automobile sector. The international vehicle manufacturers are increasingly setting up joint ventures in the country, with each player targeting to manufacture from 20,000 to 150,000 cars per annum. In fact for the first time the automobile sector had really become competitive. At the same time, an overall growth in the income levels (the GDP grew quite robustly since 1993) resulted in an increase in demand for personalised modes of transport.

The SAPs initiated by the Government of India has had a significant impact on the Indian automotive industry. This sector has undergone several policy changes with respect to industrial licensing, foreign investment and technology, fiscal and monetary policies, exports, imports, etc. There are now very few Government regulations or direct controls as compared to other developing countries in Asia. Today, even environmental concerns are increasingly becoming an important parameter in their decision making process.



***“Agriculture, Trade and  
Food Security Issues and  
Options in the WTO  
Negotiations from the  
Perspective of Developing  
Countries”  
(FAO 2000)***

India has undertaken a substantial degree of trade liberalisation, beginning in 1991. While initially the focus was on manufactured goods and capita goods, in 1994 policies shifted to also include agriculture with the lifting of restrictions on imports and exports, simplifying trade rules and reducing public interventions in domestic markets. The study reviews India’s experience with food and agricultural trade liberalisation in particular.

India implemented specific “food security” programmes by stabilising domestic food prices, apply specific safety net policies and manage food in the long term. The study reviews some possible problems arising from stockholding policies within the current AoA rules and concludes that both trade and stockholding policies are essential components of an effective food security policy. However, the authors note that further agricultural trade liberalisation is likely to impact negatively on the rural and urban poor in different ways, including the exposure of small farmers to import competition and rises in the level of food prices.

**Indonesia*****“The Impact of Rice Trade Liberalisation on Food Security in Indonesia”***  
(Oxfam 2001)

In exchange to a US\$ 49 billion loan package granted by the IMF in 1998, Indonesia undertook to liberalise its rice markets by freeing rice prices and allowing private imports mainly from Thailand and Viet Nam, to target subsidised rice only at food insecure people, to substantially reduce the rate of rice subsidies, and to eliminate all other subsidies on food and fertilizers. As a consequence of liberalisation policies, low-quality import rice threatened products of local farmers, fertilizer prices increased. Declines in rice production and the economic crises in 1998/1999 contributed further to increasing rice prices, shrinking farmer's profits thus threatening food security. Between 1990 and 1995, real rice returns fell by 5 to 10 percent, and has dropped since. Based on survey data in rural and urban Java, small-scale farmers in rural areas were more vulnerable to rice price increases, and thus to food insecurity. To maintain level of rice consumption rural poor, in particular women, were forced to find additional source of informal-sector income, or were forced to take credits from local money-lenders. The report closes with clear policy recommendations including special incentives for domestic rice producers, to apply flexible tariff rates, maintain support schemes for domestic farmers and provide technical assistance to small-scale producers.

**Jordan*****“Jordan’s Phosphate Sector: Implications for the Environment of Euro-Med Trade Liberalisation”***  
(Jordanian Society for Sustainable Development 2000)

Mining and processing of phosphate has serious impacts on the natural environment of the South of Jordan. The sector is a huge consumer of water and electricity. Water use in the sector is expected to grow by 70 percent between 2000 and 2005 due to expanded production. Types of emissions from phosphate mining and processing and fertiliser production include particulate matter, heavy metal emissions, acid gases and waste water runoff. As a consequence, agricultural production close to mining areas has suffered considerable damage due to dust and soil contamination. Risk for human health include toxic air emissions, polluted drinking water and degraded agricultural lands.

**The Mediterranean*****“Promoting Development and Stability through a Euro-Mediterranean Free Trade Zone?”***  
(Nienhaus 1999)

While there is no real alternative to further trade liberalisation in the Mediterranean region, the Euro-Mediterranean Free Trade Zone (MFTZ) is not the panacea for the region's development problems. Liberalisation is both a source of welfare gains and adjustment costs. The study argues that by consistently ignoring the

inevitable problems associated with further liberalisation, crucial conditions for positive development outcomes of the MFTZ are given too little attention. More generous concessions than just reciprocal market opening would help to cushion the burdens of structural adjustment and moderate the regional concentration of benefits on urban areas. In particular, small and medium sized enterprises are in need for technical and financial assistance to cope with the consequences of structural change. In addition, compensation for the loss of industrial capacities resulting from free trade in the region should be provided by the EU under any move towards the MFTZ.

**Mexico*****“Maize in Mexico: Some Environmental Implications of the North American Free Trade Agreement (NAFTA)”***  
(Nadal 1999)

The study, commissioned by the Commission for Environmental Co-operation (CEC), states that potential environmental consequences of trade liberalisation under the North American Free Trade Area (NAFTA) chapter VII are direct and involve a complex set of issues. NAFTA trade liberalisation provisions provide for a conversion to a tariff-quota system phased-in until 2010. As a consequence, domestic corn prices have dropped to international levels, affecting real wages at household level. To adjust to dynamics of changing prices, the study examines environmental impact of three principle options open to corn producers: (a) modernisation of corn production

to meet import standards; (b) substitution of corn by other crops such as other grains, horticulture, forestry or livestock; (c) continued production for self-consumption. The modernisation of production techniques necessitates the intensive use of water resources, and has adverse effects on soil quality due to pesticide and fertiliser usage, salinisation of soils following irrigation and causes genetic erosion. Some mitigating measures are examined. A shift from corn production to other crops may have some positive environmental effects if replaced by sorghum or barley, but converting corn fields to grazing pasture or forest (plantations) may cause soil erosion and other negative effects. For small-scale producers, maintaining production of corn in combination with a greater reliance on off-farm income sources may be the only option available. In particular, other income-generating activities may have environmental effects, such as overgrazing by sheep and goat farming or diminishing oil quality following labour-intensive horticulture. The study concludes that in response to changing economic strategies, technical changes could lead to more efficient use of natural resources but in some cases could involve greater environmental stress.



***“The Environmental & Social Impacts of Economic Liberalisation on Corn Production in Mexico”***  
(Nadal 2000)

Description of effects: Amongst the environmental implications associated with the modernisation of production patterns are more intensive use of water re-

sources, decreasing soil quality due to residues from pesticides and fertilisers and more intense tillage, aggravation of topsoil erosion, and the loss of traditional landraces causing genetic erosion. Subsistence farmers and traditional producers, on the other hand, will be forced to rely more heavily on off-farm income. If their traditional markets are increasingly displaced by imports, rural unemployment rates will increase, household income levels will drop and migration to urban centres. Most importantly, erosion of traditional land stewardship and genetic knowledge due to social and technological transformation processes, underway well before NAFTA, may be accelerated by further liberalisation. Possible Ways out: The studies states that modernisation of production can also take place through minimum- or no-tillage cultivation. These techniques may reduce soil erosion and increase yields although trade-offs have to be further studied.

Both studies investigate the environmental implications of the expansion of North American free trade and investment under NAFTA by focusing on the economic and social consequences for Mexico’s corn producing sector. The studies argue that liberalisation in the corn sector has contributed to pushing subsistence corn producers increasingly away from environmentally sustainable production patterns and deeper into poverty.

## Morocco



***“Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries”***  
(FAO 2000)

Since the 1980s, market-oriented policy reforms, including trade and financial liberalisation, privatisation and other domestic policies, have been implemented. Since the country has been involved in agricultural trade liberalisation at three different levels (unilateral, regional and multilateral), it is difficult to disentangle the effects of agricultural trade liberalisation under the AoA from the overall effect of trade liberalisation, the study finds. The study reviews the economic importance of agricultural trade between the period from 1990-1998.

## Nicaragua



***“Liberalisation des échanges et sécurité alimentaire des pays en développement (LIBSA) - Le cas du Nicaragua et éléments de comparaison avec Le Honduras”***  
(Deram 2000)

The study consists of a first analysis of several trade liberalisation measures Nicaragua adopted from 1990 and the signing of the WTO AOA in 1995. Still there are strong oligopolies in control of most of the cereal market (maize, rice, wheat, beans and other local cereals). In particular the small producers have not been able to

profit from increased competition following liberalisation of the cereal sector. Only where smallholders have been able to organise in larger co-operatives they were able to defend their share in the cereal market vis-a-vis larger producers. Production dynamics in general tended to be effected by liberalisation measures only to some extent, while adverse climate conditions and natural disasters (in particular hurricane 'Mitch') did account for most of the fluctuations in production. Due to cereal imports and raising production costs, however, market prices realised by smallholders do not reflect the actual production costs. The study concludes that, in order to balance some of the unbalances between smaller and larger producers, better access to credit schemes and information will be necessary for small producers, accompanied by stronger government regulations governing the sector.

### **Pakistan**



*"Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries"*  
(FAO 2000)

The study reviews on a detailed level the country's experience with food and agricultural trade during the period from 1985 to 1998. Despite rising trends in agricultural output over recent years, the country faces challenges due to rising food imports, stagnant agricultural exports and declining investments in rural areas. Consequently, food security concern are among the policy

priorities in Pakistan. Given the rising level of poverty in the country, the FAO research recommends broad-based agricultural growth as the best chance for reducing poverty in general and rural poverty in particular.

### **Palestine Region**



*"Implications of the Euro-Mediterranean Free Trade Zone on Agriculture & Environment in the Southeastern Mediterranean"*  
(Musa 2000)

The study examines several possible negative impacts of trade liberalisation in the context of the creation of the MFTZ on the environment. Among possible impacts on the region are the exploitation of natural resources, threads to range and marginal lands, the expanded use of agrochemicals, regulatory failures, and insufficient market responses. The study recommends some environmental amendments to the Euro-Mediterranean association agreements, the incorporation of real value pricing including the internalisation of environmental costs as well as institutional capacity development programs.

### **Peru**



*"Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries"*  
(FAO 2000)

Under the Fujimori administration, Peru implemented sweeping

economic liberalisation reforms during the 1990s including trade liberalisation, unification and liberalisation of the exchange rate, reduction in public subsidies and privatisation of state-owned companies. Reforms in the agricultural sector were thus part of a larger package of macroeconomic reforms in the context of SAPs. The major challenges for the agricultural sector in Peru include rising levels of rural poverty and increasing food insecurity. Peru's dairy sector provides an interesting case where, despite some protection through strengthening domestic competitiveness and other support measures, self-sufficiency in milk production has hardly increased. As in other Latin American countries, the sector faces stiff competition from imported milk powder, exports of which are often subsidised in industrialised countries. Similar issues are reflected in the situation of other import-competing food sectors.

### **Philippines**



*"Trade and the Hungry - How International Trade is Causing Hunger"*  
(Madeley 1999)

Sugar is one of the country's major export products. The country's sugar industry, however, is inefficient producing at costs about twice as high as the world market price. Trade liberalisation destroyed or adversely affected the livelihood of over 40,000 small-scale sugar producers due to the increase of low-cost sugar imports after the implementation of the Uruguay Round Agreement on Agriculture (AoA) commitments. Many small sugar farmers could

not compete with this increase of cheaper sugar from Thailand or Australia. While domestic prices have been falling, production costs (fertilisers, tools) are rising. For many workers and their families, additional jobs are needed to supplement their income. These families also face a severe threat to food security because of increasing prices, lower wages, limited work, higher cost of education, increase in family size or unemployment. As a consequence they are shifting their daily meals from meat, fish and rice to home-grown vegetables and cassava.



***“Economic Instruments for the Sustainable Management of Natural Resources - A Case Study on the Philippines’ Forestry Sector”***  
(Francisco et al. 1999)

Proper pricing of natural resources is a key component of the Philippine Strategy for Sustainable Development (PSSD) that was formulated in the late 1980s. The government initiated several programmes on environmental management since then, mostly with support from external donors. The study reports on the outcomes of a collaborative undertaking - between UNEP, Resources, Economics, Environment Center for Studies (REECS), the University of Philippines Los Baños (UPLB) and the Economy and Environment Program for Southeast Asia (EEPSEA) - to design MBLs for the Makiling Forest Reserve (MFR). Located about 100 km South of Manila, the MFR is one watershed among more than 400 watersheds in the Philippines.

The bigger challenge lies in the imposition of a watershed protection and conservation fee as part of the water bill of the water resource users. Water users were convinced that watershed protection is a service that is required in the “production” of water, and hence, just like other inputs must be paid. Water users include household, industrial, institutional, and agricultural water users - some of who are connected to the water districts - but a large proportion rely on groundwater sources accessed through private pumps. Results of the assessments revealed a high potential for using market-based instruments to finance the various activities identified in the Mount Makiling Conservation and Development Program. One of the critical issues in the proposed watershed conservation and protection fee is equity, particularly as this may mean charging household water users beyond what they are currently paying. An important finding of the task force on MBLs for water resource is that only a small increase in current water use fees is needed to generate the resources required to manage water resources.



***“The Impact of Trade Policy Reforms”***  
(Bhattacharya 2001)

Trade liberalisation began in the 1980s and moved in three phases. A first 5-year trade reform program began as part of SAP in 1981 resulting in a zero to fifty percent tariff rate reduction. Extensive import liberalisation was conducted during 1986-89, eliminating the export tax on all products (except round logs) and reducing other import restrictions. In a third step the introduction of

a new tariff reform program in 1991 narrowed the tariffs and simplified the overall tariff structure over a 5-year period.

Trade liberalisation has resulted in increased income inequality and decreased food security in rural areas. Domestic food producers suffered from insufficient government support for agriculture infrastructure services, storage facilities and marketing opportunities. Small farmers, facing higher production costs, could thus not compete with cheaper imports. Although larger farms could increase their productivity by the production of cash crops they are still strongly affected by international price fluctuations. Additional drawbacks of this concentration are soil degradation due to use of agrochemicals, loss of biodiversity, deterioration of health and living conditions and displacement of rural communities to urban areas.

**Sri Lanka**



***“Trade Liberalisation and its Impact on the Rice Sector of Sri Lanka”***  
(Raffek and Samaratunga 2000)

This study examines the impact of trade intervention policies. The trade protection for the rice sector was estimated using both nominal and effective protection rates. These show positive protection to producers at the expense of consumers. Current analysis indicates that one rupee of resources is used to produce 56 cents worth of rice valued in foreign exchange. As trade is increasingly liberalised, protection will be eventually eliminated and rice

farmers will be forced to produce rice at competitive prices. Consequently, the extent under rice is expected to decrease by 12 per cent and total production decreases by 16 per cent. Meanwhile demand for rice will increase as a result of the reduction in retail price. Overall welfare impacts reveal that it is a gain to the nation. However, the producers face welfare losses. Therefore concerted and simultaneous efforts are imperative to improve productivity growth and reduce the unit cost of production in order to improve the competitiveness of the rice sector so that it can compete with the rest of the world.



***“Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries”  
(FAO 2000)***

The FAO study reviews food and agricultural trade over the last two decades while considering the effects of trade liberalisation on food security. By 1994, Sri Lanka had gone through a liberalisation process whereby most of the non-tariff barriers to trade had been removed while tariffs in agricultural products were reduced. Where these measures led to a surge in imports, threats

to domestic production resulted in severe consequences for a large segment of the population. Increased imports resulted in an adverse impact on crop area and production, although data availability is limited. Rice is one particular example for an agricultural product where further liberalisation has to be carefully considered. The risk of dependence from imported food items is obvious. The impact of imports on the domestic output of vegetables such as onions and potatoes has adversely affected some 300.000 persons involved in their production and marketing. In this light, Sri Lanka needs to develop a more secure domestic food production strategy in the near future, including the reintroduction of parastatal marketing boards, marketing support for small farmers and some price-fixing arrangements, the FAO concludes.

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**Viet Nam**

***“Rice Market Liberalisation and Poverty in Viet Nam”  
(Minot and Goletti 2000)***

This report focuses on market liberalisation in the rice sector of Viet Nam and its impact on income and poverty. Since the

1980s Viet Nam has relaxed a number of government controls over rice production and marketing, stimulating large increases in rice production. Yet the government retains control over rice exports and internal rice trade. Modelling the impact of liberalisation in rice marketing policies on prices, production, consumption and income, the FAO study suggests some evidence that eliminating rice export quotas would raise prices and, although having positive effects on rural income, would affect poorer households adversely. Most harmed would be poor urban households, non-farm rural households and those in the central highlands while rural rice farmers would tend to benefit. Based on economic modelling the study suggests that in the rice sector, an export-oriented strategy could still be consistent with smallholder production. However, concerns remain on the distributional implications of further liberalisation in the rice market.



## 4. Summary and Policy Recommendations

As a general conclusion, trade liberalisation, in a number of developing countries, has been advancing too fast and too far reaching. In several countries, the evidence from case studies suggest, trade liberalisation agenda has been pushed too rapidly, with complementary reforms and safeguard policies in other sectors lacking behind. Liberalisation policies have resulted in deteriorating terms of trade and a loss in real income while threatening the security of livelihoods and wages levels (UNDP 2003). Contrary to 'conventional wisdom', trade is an outcome and not a prerequisite of a successful growth strategy. In fact, trade liberalisation has not at all benefited developing countries to the extent promised. Instead, most developing countries lack the mechanisms to capture possible benefits from increased trade openness. In LDCs, there is little evidence for a correlation between trade liberalisation and poverty reduction: Poverty levels seem to be increasing regardless of levels of economic openness. These findings show that trade liberalisation does not automatically reduce poverty in LDCs (UNCTAD 2002). Overall, the evidence whether an open trade policy is a prerequisite for sustained economic growth and poverty reduction, let alone human development outcomes, is far from convincing (UNDP 2003).

Most of the adverse impacts from trade liberalisation on small-scale farmers have come from SAPs

and regional trade agreements rather than from the WTO Agreement on Agriculture (Madeley 2001). Among the common consequences of liberalisation policies observed both in ACP and non-ACP countries were declining rural productivity, increasing lack of access to agricultural inputs, distortions of domestic markets, accentuated gender imbalances, and a decline in food quality and availability. As a result, poorer sections of the population in rural areas are increasingly preoccupied with their survival and the effects of the deterioration of rural livelihood systems. While in some instances trade liberalisation measure enhanced productivity and competitiveness to some extent, the virtual absence of social safety nets and the deterioration of essential public service provisions contributed to further marginalisation of small producers and poorer parts of population. As a general outcome, rural poverty has been increasing (Walther and Hentschel 2002).

Domestic producers have been ill-equipped (in terms of underdeveloped infrastructure and technology, lack of proper investments, an inadequate judicial system or significant adaptation cost) to face competition from imports resulting from liberalisation measures. Trade liberalisation, in other words, deprived domestic producers of a level playing field on which they could compete with foreign companies. As a result, the question of correct sequencing of policy reforms

and the deepness and timing of trade liberalisation becomes important. China and India, two countries often cited when the benefits of economic openness need to be proven, in fact implemented their main trade reforms after a sustained period of economic growth in which trade restrictions were quite high.

Women are among the first to feel any adverse impact of trade liberalisation policies. Although liberalisation policies have created some job opportunities, typically these are in export-oriented industries suffering from low wages and poor working conditions. On the other hand, women have disproportionately experienced the impact of increased unemployment in the formal sector forcing them into informal sector activities. Faced with an already high workload, decreasing income levels in some cases forced women to adopt additional wage labour in addition to their domestic tasks of child care and household activities.

Most of the studies under review in this analysis focused on the effects on the rural poor in developing countries rather than other effects (e.g. urbanisation, macro-economic effects). In general, however, trade liberalisation policies in different countries seem to be largely failing people in rural areas for similar reasons (compare Madeley 2000, SAPRIN 2001). The most important reasons that emerge from this review of sectorial and case studies are the following:

- ◆ **Increase of imports volume that surpassed exports in most of the countries analysed** – In many cases, competition from cheap imports (especially from the USA and the EU) is putting small-scale farmers out of business. This in turn puts domestic food production at risk.
- ◆ **Priority on the production of export cash crops on the expense of domestic food-crops** – Trade liberalisation and the adoption of export-led growth strategies frequently led to increased use of land and resources, often beyond levels acceptable for sustainable production.
- ◆ **Dumping of subsidised agricultural products in developing countries** – In several well-documented cases dumping of subsidised food exports (mainly from the USA and the EU) threatened and in some cases destroyed local food markets.
- ◆ **Increased role of transnational corporations** – SAPs and trade liberalisation seem to have a built-in bias towards benefiting larger producers and TNCs at the expense of smaller domestic farmers. In particular in the export-oriented large-scale agriculture winners tend to be international TNCs outcompeting smaller producers. Most studies agree that trade liberalisation resulted in consolidation and closure of smaller farms and replacement of small-scale co-operatives by larger industrial agro-processing companies.
- ◆ **Increasing rates of unemployment and poverty** – Trade liberalisation frequently meant a net income loss for low and middle-income

groups in developing countries. This was largely due to decreasing returns from agricultural production combined with rising prices for farm inputs and related production costs. As a consequence, real wages have been deteriorated, income distribution has worsened and subsequently employment has become more precarious. Poverty levels have been increasing in particular among the rural poor.

- ◆ **Increase in landlessness** – small-scale farmers bear the major burden of the negative effects. While trends towards the concentration of farms into larger operations led to an increase in productivity and competitiveness, the absence of social safety nets marginalised small producers and forced many to go out of business and sell their assets.
- ◆ **Increased migration from rural to urban areas** – Following unemployment and the loss of agricultural land due to concentration and centralisation processes, small-scale producers increasingly turn to urban areas to engage in informal sector employment.
- ◆ **Adverse social impacts strongest on women** – Women, in the majority of cases, have been the victims of decreasing income levels and increasing unemployment in the formal sector. As a result, women are forced to stay at home or engage in informal sector activities. In rural areas where they contribute the majority of the workforce, women are faced with the double burden of primary household responsibility and additional income-raising occupations.
- ◆ **Profits gained by traders and middlemen** – Traders in

some instances were found to aggravate the economic situation of small-scale producers by using their control over the marketing chain, bargaining power, malpractice and fraud thus in many cases forcing the farmers to sell their produce under price.

- ◆ **Environmental degradation and unsustainable use of natural resources** – Trade liberalisation policies tend to foster environmental degradation due to the unsustainable use of natural resources (land, water, forests, air). In particular, export-led growth strategies were shown to contribute to overexploitation and resource degradation in many cases.
- ◆ **Shrinking public services** – Under SAPs, in particular, trade liberalisation went hand in hand with a reduction in the provision of essential public services, e.g. in health care, education, support for farmers, agricultural research and other vital services. Urban migration, in some cases, adds to the already existing pressure on social systems and public services.
- ◆ **Threats to food security** – As a consequence of liberalisation policies, low-income families spend less money on food which is increasingly declining in quality and availability. "Trade-based food security" concepts in addition endangered food security due to the shift from self-reliance to dependence on foreign exchange earnings to pay for imported food products.

When weighting the benefits and costs of continued liberalisation of trade in the context of economic policies, it is far from clear that

developing countries are facing a net advantage. Therefore, a detailed ex-ante analysis is required in every case to determine whether and under which conditions a particular country will profit from further trade liberalisation with the EU or any other major economic partners on the multilateral, regional or bilateral level. In order to effectively address the likely social and environmental implications of any future regional and multilateral trade negotiations, any trade agreement should be conditioned on an *ex ante* Sustainability Impact Assessment that is fully participatory and comprehensively informs the process of trade policies formulation. The EU has al-

ready embarked on a process that requires SIAs for all major policy decisions (DG Trade website). Similarly, a recent study by the German Government concludes that future regional trade FTAs should be based on Environmental Impact Assessments (BMU 2001). Strategic objectives of interregional FTAs should be more fully used for the benefit of environmental protection and positive development outcomes.

The challenge for any future trade relations between the EU and developing countries, both under the Framework of the Cotonou Agreement and other regional trade agreements as well as within the WTO negotiations, is

managing trade in a way to combine the quest for external economic competitiveness of the weaker trading partner, sustainable domestic resource management and rural food security – in other words to provide for development that is economically fair and equitable, and socially just (Weaver, Jacobs et al. 2002).

A proactive policy package to correct the adverse impacts of some of the trade liberalisation policies of the past on developing countries, as they emerge from the evidence reviewed, should include at least the following elements:

1. **Radical turning away from the policy-related macroeconomic conditionalities attached to financial assistance from the international financing institutions (IMF and World Bank) or from other donors** – In doing so, developing countries will be able to implement economic policies of their own choosing and according to their own priority setting. This amounts to nothing less than basing the international trade regime on the principle of differentiated treatment of countries of different economic level of development. In fact, this could revert the dangerous “ladder-kicking” currently observed by the now developed countries (Chang 2002). Allowing developing countries to adopt policies and institutions more suitable to their level of development will increase trade and investment opportunities available to developed countries in the long term and contribute to ‘level the playing field’.
2. **Inclusion of trade policy objectives into the countries’ overall development priorities** – Based on the evidence presented, trade liberalisation would be best undertaken only as one of several components within a domestically-owned and comprehensive national development strategy, i.e. serve as a means to foster human and sustainable development and not as an end in itself.
3. **Implementation of policy coherence between trade and development policies of industrialised countries** – Clearly employing double standards by some of the world’s richest nations in forcing far-reaching trade liberalisation policies on developing countries while at home protecting the agricultural sector which is of crucial economic importance to developing countries, is absolutely unacceptable. As a matter of urgency, rich nations, in multilateral and bilateral trade negotiations, must thus put their (trade) hand where their (development) mouth is by eliminating all forms of export subsidies on agricultural exports.
4. **Use of effective protection and promotion tools for infant and vulnerable industries in developing countries by revising existing multilateral and bilateral trade policies** – This would provide needed protection from the massive competition by TNCs. Many studies agree that local and regional production has a very important social function since it employs massive labour, most of them women, contributes to local availability of food and thus helps to maintain food security, and contributes to the expansion of regional trade.

5. **Priority to effectively address existing supply side constraints in developing countries** – The underlying constraints such as lack of human resources, infrastructure and weak public administration is not addressed by trade liberalisation policy. Prior to further opening, comprehensive industrial policies (and the necessary resources attached) to address the structural constraints in developing countries should be in place and therefore have to be dealt with. To overcome institutional constraints in developing countries, institutional capacities both to negotiate further trade policies as well as to implement protective policies more efficiently, needs to be strengthened.
6. **Targeted support programmes to protect women in rural agriculture and small-scale manufacturing and revert increasing gender imbalances in developing countries** – This will require the inclusion of separate gender impact analyses within any trade agreements to develop proactive, gender-sensitive policies that strengthen the economic position of women and their situation on the labour market.
7. **Obligatory sustainable impact assessments including social and environmental considerations prior to the onset of negotiations on further trade liberalisation** – The EU's initiative to conduct SIAs in all major policy areas should thus be welcomed. However, SIAs have to be fully participatory and the outcomes of SIAs need to be fully integrated into the political process.

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- ◆ United Nations Development Programme  
**Making Global Trade Work for People**  
Earthscan Publications Ltd., London, 2003  
The publication can be downloaded at  
[www.undp.org/mainundp/propoor/docs/trade-jan2003.pdf](http://www.undp.org/mainundp/propoor/docs/trade-jan2003.pdf)

*UNDP presents a comprehensive assessment of the multilateral trade regime and investigates how trade could best contribute to human development.*

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- ◆ Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Germany  
**Environment and Regional Trade Agreements**  
Berlin, 2002  
The publication can be downloaded at  
[www.bmu.de/english/download/sustainability/files/documentation\\_021028.pdf](http://www.bmu.de/english/download/sustainability/files/documentation_021028.pdf)

*Documentation of an international workshop on concepts and experiences for improving the integration of environmental policies in regional trade agreements*

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- ◆ Structural Adjustment Participatory Review International Network (SAPRIN)  
**The Policy Roots of Economic Crises and Poverty**  
Washington, 2002  
The publication can be downloaded at  
[www.saprin.org/SAPRI\\_Findings.pdf](http://www.saprin.org/SAPRI_Findings.pdf)

*A Multi-Country Participatory Assessment of Structural Adjustment based on Results of the Joint World Bank / Civil Society / Government SAPRIN initiative*

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- ◆ **Kicking Away the Ladder – Development Strategy in Historical Perspective**  
Ha-Joon Chang  
Anthem Press, London 2002

*In this provocative critique of mainstream economists' sermons Cambridge-based researcher Chang concludes that developed countries are trying to kick away the ladder from developing countries by which they have climbed to the economic top.*

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- ◆ Oxfam International  
**Rigged Rules and Double Standards:**  
Trade, Globalisation and the Fight against Poverty  
London 2002  
The publication can be downloaded at  
[www.maketradefair.com](http://www.maketradefair.com)

*Provides an overview of the rules that govern world trade and gives somewhat controversial suggestions on how trade can work for the global poor.*

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### Information on the Internet:

- ◆ **ACP-EU Trade Website**  
[www.acp-eu-trade.org/](http://www.acp-eu-trade.org/)
- ◆ **DG Development - EU Development Policy**  
[europa.eu.int/comm/development/politique\\_en.htm](http://europa.eu.int/comm/development/politique_en.htm)
- ◆ **DG Trade Regional & Bilateral Trade Relations**  
[europa.eu.int/comm/trade/bilateral/index\\_en.htm](http://europa.eu.int/comm/trade/bilateral/index_en.htm)
- ◆ **EPA-Watch on ACP-EU Trade Negotiations**  
[www.epawatch.net](http://www.epawatch.net)
- ◆ **EUROSTEP Cotonou Monitoring Programme**  
[www.eurostep.org/strategy/cotonou/index.html](http://www.eurostep.org/strategy/cotonou/index.html)
- ◆ **Focus on the Global South**  
[www.focusweb.org](http://www.focusweb.org)
- ◆ **International Centre for Trade and Sustainable Development (ICTSD)**  
[www.ictsd.org/](http://www.ictsd.org/)
- ◆ **Oxfam Make Trade Fair Campaign**  
[www.maketradefair.com](http://www.maketradefair.com)
- ◆ **Sustainable Impact Assessment – European Commission DG Trade**  
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- ◆ **Third World Network**  
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- ◆ **WWF Balanced Trade Project**  
[www.balancedtrade.panda.org](http://www.balancedtrade.panda.org)





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- ◆ Children and war – Human Rights
- ◆ Rights of women
- ◆ Lobby and policy work

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