

**The EPA and the poultry sector in Ghana**



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# SUMMARY

The European Union African Caribbean Pacific (EU-ACP) development cooperation has seen changes during the last fifty years. From the Treaty of Rome to the Cotonou Agreement, many policies have been implemented with the aim of promoting development in third world countries, and promoting trade between those developing countries and the EU nations. But with declining economies and increasing aid dependence, it is evident that these numerous agreements have failed to achieve their goal of further developing the ACP countries. The trade liberalization policies under the Cotonou Agreement have led to increased imports from the EU into the local markets of ACP nations. This been shown to have drastic effects on the economies of these countries as many local industries, which are unable to compete with the cheap imports, are put out of business. The Ghanaian poultry sector is one of the industries which has suffered terribly due to the surge in imports. The domestic poultry industry, which at one point in 1992 met 95% of Ghana's poultry needs, now merely provides 11% of the country's requirements (Kudzodzi, 2006).

The Economic Partnership Agreement (EPA) introduced in the Cotonou agreement in 2008 has not been signed by the Ghanaian government and the primary purpose of this project is to illustrate how the trade liberalization policies of the Cotonou Agreements have done more harm than good to developing economies such as Ghana and that signing the EPA would be ineffective for the poultry sector. Furthermore highlighted is the poultry sector as an example of the negative effects of the trade policies, which were implemented upon Ghana by the International Monetary Fund (IMF) and the European Union (EU). The EPAs were stated to be a tool of development with the objective of removing poverty, but instead the trade policies of the EPA have resulted in thousands of poultry farmers losing their jobs. This research suggests that the policies of the EPAs only favor the developing nations and the Ghanaian government needs to take many corrective measures to rectify the situation.

# LIST OF ABBREVIATIONS

AASM Associated African States and Madagascar

ACP African, Caribbean, and Pacific

AU African Unions

BoG Bank of Ghana

CAP Common Agricultural Policy

CET Common External Tariff

EAGGF European Agricultural Guidance and Guarantee Fund

ECOWAS Economic Community of West African States

EDF European Development Fund

EEC European Economic Community

EPA Economic Partnership Agreement

EU European Union

FAO Agricultural Organization

GATT General Agreement on Tariffs and Trade

GDP Gross Domestic Product

IMF International Monetary Fund

OCTs Overseas Countries and Territories

SAPs Structural Adjustment Programs

STABEX Stabilization of Export receipts on Agricultural Products

SYSMIN System for the Promotion of Mineral Production and Exports

UN United Nations

USDA United States Department of Agriculture

WTO World Trade Organization

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# PREFACE

My first thanks goes to the Almighty God for taking me through my four-year education at The Hague University. His guidance, wisdom and direction have given me the motivation to successfully complete my dissertation. Secondly, I am highly indebted to my parents’ wonderful support, motivation and words of encouragement have pushed me to complete this. Thirdly, this dissertation would not have been successful without the help of Maarten van Munster, my supervisor whose dedication and intellectual contributions have been indispensable in the successful completion of this challenging dissertation. Last but not least, I would like to thank all my friends for their contributions, support, concern and encouragement in diverse ways to make the writing of my dissertation a success.

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# CHAPTER ONE: INTRODUCTION

## Overview

Trade agreements are vital instruments in developing a framework between governments. Trade agreements usually involve the reduction or elimination of taxes, tariffs, quotas and other trade restrictions. The objective of most trade agreements is to promote trade and improve existing trade relations between the countries involved. However, these agreements also have certain disadvantages, especially for developing economies. The dissertation examines the historical development of trade agreements between the EU and the African nations (AU). The prime focus is the impact of these trade agreements on the Ghanaian economy, especially the domestic poultry sector. The first section presents an overview of the topic and also provides the structure of the dissertation. This chapter introduces Ghana, trade policies, and poultry sector. The main argument of this dissertation is to demonstrate that trade liberalization policies of the EPA are directly responsible for the increase in poultry imports from the EU into Ghana and the consequent decline of Ghana’s domestic poultry industry and discourage the government to sign this agreement despite international pressure.

The historical developments of the EU-ACP relationship towards development cooperation are first examined, using secondary research. The literature review of the different EU-ACP agreements, the EPA agreements, and their effect on the poultry sector, provides the background for the research work to be carried out. The dissertation’s supports argument is supported with an analysis of the case of chicken dumping in Ghana. The study presents facts on the poultry imports through different years and also examines the production of domestic broiler chickens. The dissertation concludes by stating the findings of the analysis and also presents possible measures that can be undertaken by the Ghanaian government to boost the declining poultry industry, and bring it back to its previous prospering state.

### Background

Ghana is a West African country with a population of over 24.2 million. It is the world’s largest exporter of cocoa and one of the world’s biggest gold producers. Ghana is also a member of many international organizations such as the United Nations (UN), the African Union (AU) and the Economic Community of West African States (ECOWAS). According to Diamond, The economy of Ghana has one of the highest Gross Domestic Product (GDP) per capita in Africa. This is largely due to oil production in commercial quantities which started in December, 2010. This growth helped Ghana improve its international trade relations with EU countries, its Human Development Index (HDI), as well as the advancement of its Gender Related Development Index (Diamond, 2005).

The rapid rise in its economy has made Ghana more appealing to global investors, as increasing amounts of foreign investments flow into the country. This has led to an increase in the imports of foreign goods, especially from the EU. According to the Bank of Ghana (BoG), the country recorded a trade deficit of 1.7 billion euros in the first nine months (January-September) of 2011 (Quandzie, 2011). This means that Ghana imports more than it exports on the international market, thus creating a trade deficit. Moreover, the Ghanaian economy receives the majority of its export earnings from primary products such as gold, cocoa, timber, diamond, crude oil, etc., making its economy vulnerable to spikes in the international market prices. Successive governments of Ghana have also borrowed large sums of money from the IMF, the World Trade Organization (WTO), and foreign creditors resulting in massive debt for the country (Khor & Hormeku, 2006).

In order to overcome the deficits, the Ghanaian Government signed different agreements with the EU including the Lomé Convention (1975) and the Cotonou Agreement (2000). The government of Ghana signed the Cotonou Agreement due to increased pressure from agencies like IMF and WTO. However, civil society organizations in Ghana have strongly criticized the Cotonou Agreement and its EPA, as they believe such agreement only benefits the EU and not the ACP countries. Since signing off on the agreements, the influx of imports has proved devastating for Ghana's local poultry industry. The domestic market, which fulfilled 95% of the country's poultry requirement in 1992, only provided a dismal 11% by 2012 (Kudzodzi, 2006). The reasons behind the import of thousands of tons of poultry, mostly from the EU are due to the designed model of the Cotonou Agreements and EPA’s. The stated aim of these agreements is to foster the integration among ACP states; promote sustainable development and poverty reduction in Africa. EPAs with ACP countries has resulted in fundamental changes in all African economies, especially important implications for the Ghanaian poultry industry (Agritrade, Poultry imports causing growing concerns in Ghana, 2011). But these agreements have raised questions about the economic development policy which seem to favor importers rather than domestic producers and also create doubts about its profitability to Ghana.

### Aim of Study

The aim of this study is to assess the impact of the EPA on the Ghanaian the poultry sector.

### Research Objectives

1. To review the historical EU-ACP agreements.
2. To review the Cotonou Agreement and Economic Partnership Agreements
3. To review the significance of the EU- Economic Partnership Agreements for the poultry sector in Ghana
4. To review a case of ‘dumping chicken parts in Ghana’

### Main Research Question

This research will focus on the research question ‘To what extent is the EU- Economic Partnership Agreement between the EU and Ghana beneficial to the Ghanaian Poultry sector?’

### Sub-Questions

1. What has been the historical development of the EU-ACP development over the past decade?
2. What is the Economic Partnership Agreement?
3. What are the benefits and downsides of the EPA for Ghana?
4. What are the factors that led Ghana to proceed from the Cotonou Agreement to the EPAs?
5. What is the significance of the EU- Economic Partnership Agreements for the poultry sector in Ghana?

### Scope of the research

The research also covers the historical development of the ACP-EU cooperation and the emergence of the EPA agreements of the Cotonou. The historical analysis provides the background of the relationship between the ACP countries and the EU. The information for the secondary research has been obtained through journals, corporate reports, books, published research papers, and authentic online material. The research also presents statistical data in the form of case studies which are analyzed, to provide information about the current economic situation in Ghana. The research closes by drawing a conclusion, based on the findings, and also presents recommendations to improve the economic situation.

### Research Significance

The study aims to focus on EPA’s and the Ghanaian Poultry sector by highlighting the negative impact of EPAs in developing countries, and how one-sided they are. This study also reviews the significance of the EU- EPA for the poultry sector in Ghana and elaborates the situation, by illustrating the case of ‘dumping chicken parts in Ghana’. Moreover, this study will suggest recommendations to improve the problems faced by the Ghanaian poultry industry.

# CHAPTER TWO: LITERATURE REVIEW

## INTRODUCTION

Since its independence, a little over half a century ago, Ghana has been viewed by many of its African neighbors as a model nation. The first sub-Saharan nation to be given independence, Ghana has shown its quality of governance, sustainable political system and economic development. In 2010, Ghana showed strong economic growth with the real GDP reaching 5.9% as compared to 4.7% in 2009 (Outlook, 2011). Future prospects look even brighter, as World Bank predicts growth rates of 13.4% and 10% for 2011 and 2012 respectively, making Ghana the fastest growing economy in Sub-Saharan Africa (Government of Ghana, 2011). The Cotonou Agreement is considered to be the most path-breaking partnership agreement between the European Union and the ACP countries. One of its most essential features is the Economic Partnership Agreements (EPA) which introduces the concept of reciprocity in trading. The EPAs also call for trade liberalization, through reduction in import tariffs and the long term removal of import barriers. However, many ACP countries, including Ghana, have voiced their concerns over the negative consequences of the EPAs on different local industries

This thesis aims to examine to what extent the EU- Economic Partnership Agreements benefit the domestic poultry sector in Ghana if the Ghanaian government decides to sign it. The literature review provides a historical overview of the previous agreements between the ACP countries and the EU, and the events which have led to the recent establishment of the Cotonou Agreement. This will give a better understanding of the relationship between the ACP countries and the EU.

## Emergence of the acp-eu cooperation

In 2007, the EU and the ACP celebrated 50 years of development cooperation. The existing European treaties have their roots in the Treaty of Rome (1957), which was the first of its kind to establish a collective European development policy. The treaty also provided for the creation of the European Development Fund (EDF) which sought to provide technical and financial assistance to African nations which were still colonized at that time, or had historical links with certain European countries.

The treaty sought to further unify European nations by establishing European government bodies, and guarantee the freedom to move goods, capital, services, and people (Civitas, 2011). The treaty also laid down the concept of cohesion - all member states should provide economic support to each other to help them grow at a similar rate. A fundamental part of the treaty was to develop a fund for those nations still having pre-colonial ties with the member countries of the European Economic Community (EEC), described in the treaty as ‘special relationships’ (Arts & Dickson, 2004). However, there were disputes between the founding members as France had more colonial ties than the other nations and whereas Germany and the Netherlands did not have any African territories. The dispute was resolved by a political compromise which had two main elements. As mentioned by Frisch (2008), the four States, which had overseas territories, would be required to give up the exclusive economic relations between the “parent” country and its overseas territories while also opening up its markets to all the future members of the EEC. In return, the six founding states would take it upon themselves to finance the development of these territories.

An important policy included in the Treaty of Rome was the implementation of a Common Agricultural Policy (CAP). This policy looked “to endorse a free market of agricultural products inside the EEC” and established policies that would ensure sufficient revenues to European farmers by guaranteeing agricultural prices, thus avoiding competition from products of third countries. The European Agricultural Guidance and Guarantee Fund (EAGGF) was established in 1962 with the aim of financing this policy.

The treaty of Rome provided a legal base for development policy in which progressive economic integration between European nations paved the way for a future political union. The key elements of the treaty were to provide trade access to the EEC with reciprocity, and the development of a European Development Fund (EDF). This treaty was further amended by more treaties, the most recent is the Treaty of Lisbon which entered into force in 2009.

**Creation of the European Development Fund**

The Treaty of Rome made provisions for the creation of the European Development Fund (EDF), with the aim of providing community aid for development in the ACP countries and the Overseas Countries and Territories (OCTs). Initially, the EDF was created with a view to provide technical and financial support to African countries which were still colonized at the time, or had historical links with EEC Member states. The EDF aimed to provide financial support in the following areas: economic development, social and human development, regional cooperation and integration (EC, 2012).

The fund was first launched in 1959 and consisted of several instruments, including grants managed by the Commission, risk capital and loans to the private sector which were managed by the European Investment Bank under the Investment facility; the treaty also had a mechanism to remedy the effects of instability in export earnings.

Each EDF is concluded for a period of 5 years and is implemented within the structure following the international agreement between the EU and the partner countries. The recently incorporated 10th EDF (2008-2013) is presided by the ACP-EC partnership agreement and the amended Overseas Association Decision and has a budget of € 22.682 billion (EU, European Development Fund, 2007).

## The Yaoundé conventions

**Yaoundé I**

By the early 1960s, most of the "associated" African countries had gained their independence. The newly independent states, 18 in total, were all French-speaking, with the exception of Somalia. These former colonies felt the need to legitimize their status as sovereign countries and were keen to negotiate a cooperation or partnership with the EEC. Thus, in July 1963, the first Yaoundé Convention was signed by the Associated African States and Madagascar (AASM) and the EEC, which was operational from 1 June, 1964 to 31 May, 1969 (Sissoko, Osuji, & Chen, 1998).

The agreement concerned trade and technical and financial cooperation which mostly involved economic and social infrastructure projects. The trade provisions of Yaoundé I were, in essence, a continuation of the Treaty of Rome whose main goals were to expand trade. It continued to be based on the concept of free trade in both directions, though there were a few exceptions from a few of the associated countries. Only those nations which had previously allowed trading preferences to their parent countries extended the same privilege to the whole EEC, pursuant to the principle of non-discrimination between member states. However, countries which had not granted trading preferences to their parent countries did not do so for the EEC either (Frisch, 2008).

**Yaoundé II**

In 1969, the Yaoundé II convention was signed, and it came into effect from 1 January 1970. In principle, the Yaoundé II agreement was more or less an extension of the Yaoundé I agreement, albeit with some minor exceptions.

The Yaoundé II came up against major problems with its trade provisions. While the AASM wanted to maintain the Common External Tariff (CET) protecting their export commodities from non-AASM competitors, the EEC thought otherwise. Germany and the Netherlands strongly objected to the CET, which they considered as unfair to other developing countries and pushed for its elimination. The EEC came up with a generalized system of preference for all developing countries without requiring reciprocity and reducing its tariffs on a few key exports from all sources (Sissoko, Osuji, & Chen, 1998). The AASM were particularly disinterested in the association as they felt it “offered them few benefits, especially as most of the contracts financed by common resources went to enterprises of the former parent countries” (Frisch, 2008), which in this case was France. Hence, the Yaoundé II convention came under severe criticism and also led to the formation of the Arusha agreement in 1969 in which no provision was made to provide any form of technical and financial aid. It was only a preferential trading agreement based on the principle of free trade, thus leading to doubts about future associations between the EEC and the AASM.

## The Lomé Convention (from Lomé I to Lomé IV)

The wide disapproval of the Yaoundé II convention and its many flaws called for the need to establish a more coherent policy of cooperation between the developing countries and the EU. After many negotiations, the Lomé I Convention was signed on 28 February, 1975 by 46 ACP countries and 9 member states of the EEC, covering a period of five years (Frisch, 2008). This convention was greeted by the majority of the countries as it abandoned the principle of reciprocity and preserved the principle of non-reciprocal trade preferences (Bartels, 2007). It also gave each state the right to determine its own policies and also emphasized the need to maintain equality, respect for sovereignty of each nation, mutual interests and interdependence (European, 2012). The Lomé Convention also introduced the STABEX (Stabilization of export receipts on agricultural products) system which would give funds to ACP countries to offset the losses in export earnings due to fluctuation of prices or crop failures (Martin, 1984). The EEC had also committed a record high of ECU 3 billion for aid and investment in the developing countries (Frisch, 2008). The Lomé Convention set a new trend in international cooperation which looked at long-term perspectives of development.

The Lomé II Convention was signed on 8 December, 1984 and came into effect on 1 May, 1985. The Lomé II did not incorporate any new major changes except for the introduction of the SYSMIN (System for the Promotion of Mineral Production and Exports) system (Banthia, 2007), a mechanism which was similar to the STABEX system, but was meant for mining products. This system was aimed to help the ACP countries whose economies were dependent on the mining industry. Countries which would suffer losses due to decreased mining exports could apply for SYSMIN loans to help prevent their dependency on mining (Sissoko, Osuji, & Chen, 1998).

The third Lomé Convention was signed by 65 ACP countries and came into effect on 1 May, 1986. Unlike the first two Lomé agreements, Lomé III included a human rights clause (Frisch, 2008). The main focus of Lomé III was to promote self-reliant development, instead of industrial development, on the basis of self-sufficiency and food security. This is because of the growing number of deaths in rural areas due to hunger and poverty. The focus was shifted to development projects which would promote food security and other issues like desertification and drought. The EDF for Lomé III was also increased to ECU 7.4 billion.

Despite decades of aid and trade policies, ACP nations were still facing an economic crisis and desperately needed increased economic growth (Banthia, 2007). As a response to the needs of the ACP nations, the Lomé IV Convention was signed on 15th December, 1989. It came into effect on 1 March, 1990 and was signed for the duration of 10 years, with a midterm review in 1995. This treaty introduced several new features, notably the aid conditionality. ACP countries could only gain access to economic aid if they implemented the Structural Adjustment Programs (Stevens & Killick, 1989) and political aid was conditional to the adherence of international human rights standards. The Lomé IV-bis enforced further conditions for the provision of aid, by prioritizing respect for human rights and international law (Frisch, 2008). If a country were to violate these commitments, then the EEC could revoke the aid as punishment. Furthermore, the EDF was to be delivered in two separate portions, for the first portion, 70% of the aid would be disbursed and the remaining 30% would only be disbursed if the first portion was found to be implemented satisfactorily (Banthia, 2007). The Lomé IV expired on 28 February, 2000 during which, a total of 25.4 billion ECU’s of funding was provided from the seventh and eighth EDF.

Despite various modifications, the Lomé Convention played a significant part in enhancing the development cooperation between the EU and the ACP nations. The various instruments of Lomé were refined with experience and many key features were introduced over the years. The Lomé Conventions were also followed up by the signing of the Treaty of Maastricht in 1993 which helped place European cooperation on a formal footing.

## The Cotonou Agreement

There were several shortcomings to the Lomé Conventions which called for its overhauling. The WTO, in particular, pressurized for the disbandment of the Lome's preferential trade access system, which was blamed for the ACP's stagnation. The ACP countries’ share in the European market had reduced drastically from 6.7% in 1979 to 2.8% in 1999 (Moreau, 2000). The rise in poverty also highlighted the need to review the objectives and strategy of all future policies. A new feasible agreement was needed and this came in the form of the Cotonou Agreement, which was signed in 2000 by the EU and the 79 ACP countries. The Cotonou Agreement introduced a new regional trade agreement called Economic Partnership Agreements (EPAs) which would replace the Lome’s trade preference system and would also meet the criteria of Article 24 of the General Agreement on Tariffs and Trade (GATT) (Hinkle, Hoppe, & Newfarmer, 2006).

Designed to last 20 years, the Cotonou Agreement is much broader in scope than any of its predecessors. Its central objective is to reduce and eradicate poverty and the gradual integration of the ACP countries into the global economy, while contributing to sustainable development (EU, Cotonou Agreement, 2011). The Cotonou Agreement was based on four main principles: Equality of partners and ownership of development strategies, political participation, dialogue and mutual obligations, differentiation and regionalism (Chauffour & Maur, 2011).

* **Equality of partners and ownership of development strategies**: This principle gives the ACP countries the responsibility to determine how their societies will develop and their economies will progress. The countries themselves are responsible for their own development.
* **Political participation**: Political dialogue is one of the key aspects of this agreement and would cover all issues of common interest between countries such as peace and security, migration, etc. Provisions were added in 2005 on cooperation to combat terrorism and production of weapons of mass destruction (Frisch, 2008). In addition to the central government as the main actor, the Cotonou Agreement is also open to the participation of non-state actors and local governments in development cooperation. The non-state actors and local governments also contribute to the formation of the development strategy of the country.
* **Dialogue and mutual obligations**: Under this principle, mutual obligations, such as human rights issues, will be monitored through continuous dialogue and evaluation.
* **Differentiation and regionalization**: The cooperation agreements would differ according to the level of development, performance and needs of each partner. Underdeveloped countries would be given special preference in terms of aid.

Good governance has also been incorporated as a fundamental element of the Cotonou agreement (Frisch, 2008). It emphasizes the transparent and accountable management of a country’s resources and cooperation in the fight against wastage and corruption. The failure to abide by this policy could lead to the partial or complete suspension of development cooperation between the country in violation and the EU. The ACP states and the EU jointly agreed, under the Cotonou Agreement, to combat corruption and promote justice. Serious cases of corruption and bribery could also lead to suspension of aid to the country in question.

**THE FIVE PILLARS OF COTONOU**

The Cotonou Agreement is based on five pillars which were designed to establish a more comprehensive relationship between the EU and the ACP nations.

* **The Political Dimension:** The political dimension of the Cotonou Agreement emphasizes the need for stronger dialogue between the EU and the ACP countries. Regular political dialogue between partner countries helps to address issues of mutual interest and also increases the impact of development and cooperation. Important affairs such as peace building policies, conflict prevention, security, arms trade, and migration, which were previously excluded from the development point of view, have now been introduced as a key part of the Cotonou Agreement (Moreau, 2000).

Furthermore, issues such as respect for human rights, democratic principles, serious cases of corruption, and the rule of law have been comprehensively covered under the political dimension of Cotonou (Reisen, 2009). The fundamental element of good governance has also been included in the agreement as a subject for regular dialogue. This is the first agreement of its kind to stress on the idea of good governance, signifying its importance to the development process.

* **Participatory Approaches:** The participatory approach demands the involvement of non-state actors in the development process. The non-state actors should be given access to resources so that they can be involved in the formulation of development strategies of the country. This ensures that the central and the local government work together to ensure more effective and sustainable development. The participatory approach also encourages the networking and strengthening of the links between the EU and the ACP countries.
* **Focus on Poverty Reduction:** One of the key pillars of the Cotonou Agreement focuses on the objective of reducing and eradicating poverty by promoting growth, competitiveness and creating employment. The Agreement defines a strategic framework to combat poverty while focusing on three priority areas (Abeo, 2010).

The strategy focuses on **economic development** of the country through investment and development of the private sector, while also introducing macro-economic and structural reforms, and policies to develop the different sectors such as trade, tourism, etc. **Social and Human development** is also prioritized with improvements in education, health, nutrition and cultural development of the country. The strategy also focuses on the need to have **integration and** **interregional cooperation** and cooperation between all the ACP nations.

* **Framework for Trade and Economic Cooperation:** This is one of the most ground breaking initiatives of the Cotonou Agreement as it aims to establish new trade agreements which will lead to liberalization of trade between countries (Moreau, 2000). The new commercial agreements enable the ACP countries to participate in international trade and also stress the need to respect the rules of the WTO (Abeo, 2010).
* **Reform of Financial Cooperation:** The structure of the EDF was reformed and rationalized under two instruments. In the first instrument, all non-refundable aid would be grouped together and in the second instrument, venture capital and private sector loans would be provided. Vulnerable economies which were dependent on export income from agriculture or mining would be taken into account and may also be provided with additional resources within the framework of the Community Support Strategy (CSS) of the Indicative Program (Moreau, 2000). Each country would also have unique programming which would be reviewed regularly.

## The Economic Partnership Agreements (EPAs)

The Economic Partnership Agreements (EPAs) came into effect on January 1, 2008, replacing the previous trade agreement, as agreed upon during the signing of the Cotonou Agreement. The EPAs aim to promote sustainable growth and poverty reduction through trade, while slowly integrating the ACP countries back into the world economy. Unlike other trade agreements, the EPAs are considered to be genuine instruments of development as they take into account the ACP’s social and economic condition and focus on its development. One of the most positive aspects of the EPAs is that it provides the ACP countries free access to the European market (Frisch, 2008) while allowing them 15-25 years to open up to EU imports. They are also designed to be the catalyst that will help kick-start reform and also strengthen the economic laws, thereby attracting foreign direct investment into the ACP creating a “virtuous circle” of growth.

By opening its markets, the EU has helped boost trade between the ACP countries and themselves. The agreements also provide provisions to improve infrastructure, administration and public services which, in turn will improve the production capacity, and provide better training opportunities and knowledge transfer (Frisch, 2008). With political dialogue being given more importance than ever before, the agreements have ensured that EU and the ACP countries maintain transparency along with political and economic stability, upholding values such as good governance, democratic standards and human rights.

**Benefit to European consumers**

The EPAs provide a number of benefits to both European consumers and producers from ACP countries. European consumers can buy new, good quality tropical products from the ACP nations at low prices and, also get different varieties amongst familiar goods such as coffee, cocoa, mangoes, etc. Growth in trade between ACP countries will also result in more demand for European products, thus providing more employment.

**Benefit to ACP farmers and manufacturers**

Free access to the EU market means that the ACP countries need not pay any quotas or duties on exporting their produce to Europe. This provides an opportunity for their economies to stabilize and grow. Also, thousands of small-scale, family run businesses in the ACP countries will benefit by selling their produce to European countries. Regional markets will also benefit from the boost in trade between ACP neighbors. With the clause for the gradual opening up of their markets in place, ACP countries will be able to benefit as producers of the most sensitive 20% of goods will get privileged, permanent protection from all competition (Commission, Economic partnerships, 2012). Overall, the EPAs do not just stagnate at trade, but are part of a wider development agenda which aims to create better living conditions, strengthen the law and attract investment into the ACP countries from abroad.

**Conclusion**

The chapter provided a historical review of the existed agreements between the EU and ACP and how it led to the formation of the EPA agreements. From the literature, it can be seen that the Yaounde agreements mainly failed due to disagreements between the EEC nations. The convention also failed to appease African nations who felt that reduced tariff on key imports would cause them revenue losses.

The Lome agreements were path breaking in many ways as they introduced several systems such as STABEX and SYSMIN, and also sought to introduce several reforms such as human rights development, food security, and self sufficiency. The Lomé Agreements still had several shortcomings. Also the stagnation of the ACP countries increased the necessity of a new agreement, which would insure that the EDF would not get wasted. The Cotonou agreement was thus introduced, with its primary focus being poverty reduction, political dialogue, trade and economic cooperation and a reformed financial aid policy.

The main feature of the Cotonou was the introduction of the Economic Partnership Agreements which came into effect in 2008. The EPAs provide the ACP countries free access to European markets by opening up European markets to ACP imports. Although the EPAs seem beneficial to both parties, it is yet to be seen if it presents any major benefits to the ACP countries, especially Ghana. The next few chapters will highlight the role of the EPA agreements and its effect on the Ghanaian economy.

The main points of all the EU-ACP development agreements have been highlighted in the table below:

**Summary of EU-ACP development agreements**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **AGREEMENT** | | **DURATION** | **HIGHLIGHTS** | **DRAWBACKS** |
| Treaty of Rome | | Signed on 25th March, 1957 | * Founding of the EEC * Development of EDF * Implementation of CAP * Reciprocal trade access |  |
| Yaounde Convention | Yaounde I | 1 June 1964 – 31 May 1969 | * Expansion of trade * Principle of non-discrimination between member states |  |
| Yaounde II | 1971-1975 | * Removal of CET * Removal of trade reciprocity | Reduction of tariff on key exports  Generalized trade preferences for all developing countries without reciprocity  Only France  Benefited from its policies |
| Lome Conventions | Lome I | April 1976- Dec 1980 | * Principle of non-reciprocal trade preferences * Sovereignty of all nations * STABEX system * ECU 3 billion for trade and investment | * Preferential trade access system |
| Lome II | January 1981- February 1985 | * SYSMIN system |  |
| Lome III | May 1986- December 1989 | * Promoting self reliant development * Promoting self sufficiency and food security |  |
| Lome IV | March 1990- February 2000 | * Aid conditionality * Implementation of Structural Adjustment Programs * Respect for guman rights and international law * Division of EDF delivery * Total funding of 25.4 billion ECU |  |
| Cotonou Agreement | | Signed in June 2000 | * Introduction of EPAs * Reduction and eradication of poverty * Implementation of good governance, political dialogue and participation * Five pillars | * EPA agreements * Trade reciprocity |

# CHAPTER THREE: RESEARCH METHODOLOGY

## Introduction

This chapter seeks to outline the research methods and strategies adopted by this research, to study the impact of EPA’s on Ghana poultry industry. As elaborated by Saunders et al. (Saunders, Lewis, & Thornhill, 2009), researchers need a viable research strategy in order to conduct meaningful research. This chapter discusses the research approach, research strategy, data collection methods and interpretation of empirical evidences. Provisions for research approach improve feasibility for researcher to meet research objectives. A practical research strategy helps to align the research objectives with the research philosophy. Research design explicates the selection of samples, data collection methods and interpretation of results.

## **Research Philosophy**

For designing an appropriate research technique, it is very important for researchers to identify what research philosophy they intend to use. As elaborated by Saunders et al. (Saunders, Lewis, & Thornhill, 2009), there are two research strategies that a researcher can adopt: positivism and phenomenology. Orisek defines positivism as a highly structured philosophy, which depends upon quantifiable observations analyzed through statistical or mathematical formulas. He defines phenomenology as a research philosophy which is concerned with the subjective side of the research (Oriesek, 2004).

It adopts the phenomenology philosophy as it allows the researcher to view the world subjectively, and gives more emphasis to the quality of the research rather than the quantity (Saunders, Lewis, & Thornhill, 2009). The phenomenology approach is more suited for this study, as a subjective analysis will give a broader description of the EPA’s impact on the Ghanaian poultry sector. Some of the effects of the EPAs cannot be quantified and require a more comprehensive research strategy. Moreover, phenomenology allows the researcher to put a more personal perspective while doing the analysis.

## **Research Approach**

In order to develop an effective research framework, it is essential to adopt a clear research approach that will give reliable results. The research approach lays the foundation for the research and the direction in which the research is heading. There are different types of approaches which are adopted by researchers. According to Swanson (2005), there are only two types of research approaches which are commonly used by researchers - inductive approach and deductive approach.

Swanson defines inductive approach as a theory building approach which moves from data to theory development process, and deductive approach as a theory testing approach that relies on data for confirming the theory. But Swanson (2005) also claims that a third type of approach is used in management research. He argues that inductive research is very common in management research, and is used when the researcher is not concerned with testing or building management theories. The focus of research is to investigate a current issue in a certain organizational context so that the investigation can help the researcher make recommendations about the issue.

This research focuses on the theory research approach, for investigating the impact of the EPA’s on Ghana’s poultry sector. The practical approach is more suitable for this research as it allows the researcher to comment on the key issues. The research reviews documents and cases to elaborate the situation of the Ghanaian poultry industry. The research uses case studies of chicken dumping to investigate the effect of the EPAs. The analysis of the case studies allows the researcher to make relevant conclusions, and suggest necessary recommendations.

## **Case Study**

The focus of this study is to evaluate the EPA’s impact on Ghana poultry industry. The research uses case study approach to evaluate the problem at hand. In order to better explain the situation of Ghana’s poultry sector, the research examines the case of dumping chicken parts in Ghana. Yin (2009) defines case study as an approach which focuses on studying research issues in an individual case or multiple cases. The case could be of an individual company or a group of companies. He argues that the case study approach helps individuals to better realize the research problem by observing its micro-macro link in social context. This helps develop a deep understanding of the research problem.

According to Yin (2009), the case study approach is very effective when the subject of the study is easily distinguishable, where the subject of the study can be a program or a project. In simple words, the case study method is concerned with the investigation or exploration of specific research phenomena in the context of a particular case.

For this research, the case of ‘Dumping Chicken parts in Ghana’ will be studied and analyzed. The free trade agreements, under the EPAs, have opened up the European markets for African countries, but have also had far greater consequences on the economies of these countries. The current study evaluates the case of imports of frozen chicken parts from the EU, and how these imports have affected the domestic poultry industry of Ghana. With the help of the case study, the researcher aims to find out if there is a direct link between the EPAs and the decline of the domestic poultry industry in Ghana. The case study presents data showing import and domestic production figures from different years. The tables and figures used in the case study were obtained from different sources. The case study is analyzed and the findings are presented in the next chapter.

## **Data Collection**

The current study uses secondary data from different sources such as academic papers, books, newspaper articles, scholarly journals, corporate reports, online sources, as well as published reports from international organizations such as the World Trade Organization (WTO), and the International Monetary Fund (IMF). For the case study, data has been obtained from authenticated sources such as the Food and Agricultural Organization (FAO) and the United States Department of Agriculture (USDA).

## **Analyzing Data**

Quantitative approach is used for analyzing the data obtained from the case study. According to Merriam (2009), qualitative analysis deals with analyzing data by giving more stress on the quality instead of the quantity. So by looking at the numbers and figures, the research elaborates on the case of dumping of chicken parts in Ghana.

## **Limitations**

The main limitation of this research is that researcher only evaluates the poultry sector to analyze the impact of EPAs on Ghanaian economy. There are other sectors such as agriculture, industries, services, etc which are affected by the EPAs, and these are not taken into account. The import of canned tomato paste is also a major issue which should be studied as it highlights the negative effect of the EPAs. Second limitation was the missing practical research approach since the EPA was recently implemented which led to limited resources. The third limitation was restricted resources on case study to form an objective view and the last limitation was the the absence of structured interviews with concerned parties.

## 

## **Conclusion**

After discussing different research methods and techniques, the researcher has adopted the phenomenological philosophy to conduct the research. The researcher uses the approaches to explore the data, and conclusions are drawn on the basis of empirical evidences collected from the case study. ‘Dumping of chicken parts’ is selected as a case study because the poultry sector is one the major industries which is deeply affected by the EPAs.

# CHAPTER 4: GHANAIAN POULTRY SECTOR

## Destabilization of Ghana’s agricultural and poultry sector

Ghana poultry industry was one of the promising domestic industries having potential of both direct and indirect employments. Moreover, it was linked with internally integrated economic development of local communities and also one of increasing source of livelihood of local people. Poultry industry is source to link the intra-regional trade activities and also a quick source to observe that how Ghana national interest for poultry trade raise and how it is reconciled with the sub regions in term of export of poultry feed. According to the report by ISODEC (ISODEC, 2003), until the early 1990s, Ghana local market fulfill the requirements of chicken and eggs consumed in country, while in 1992, local production supported 95 % of the Ghana domestic poultry requirement. However, there is sudden change in above mentioned trend as after the ACP-EU agreement, demand of legs, wings and thighs attracted customers from Europe market. This demand changes the consumption pattern of Ghanaians as well and people started using chicken parts instead of whole chicken, particularly chicken thighs. After 2000 onward, this consumption pattern dropped the share of local poultry up to 11 percent

According to Kingsley (Kingsley, 2007), Ghana import of poultry product into the West Africa region was about over 30 percent. FAO sponsored study reported that import of poultry products from Ghana increased from 4000 Metric Tonnes in 1998 to forty thousand Metric Tonnes in 2004. Its means that there is 710 percent increase in poultry products, most importantly 50-90 percent of total import consists of chicken thighs. Study concluded that export of poultry products negatively impacted the local market. It is not uncommon to see abandoned poultry farms as a result of the unfair competition with these cheap imports. The originating countries of these imports include EU, USA, Brazil and Canada among others.

Currently, poultry production in Ghana is far below what it used to be. When we look at the history behind this trade in Ghana, we realise that it started from scratch in the late 50’s and in the late 1980’s it reached its prime but unfortunately in the early nineteen nineties it started to sharply decline. The interventions of the Ghana government in the sixties saw a rise/growth in the poultry trade which grew from a million birds to 10 million birds from the late sixties to the late seventies. The fast growth of poultry stocks on several occasions outstripped the native raw material and feed provided which therefore necessitated a major intervention from the Government within the style of support for the assembly of native feed/raw material like maize, fish meal and soybean meal. As this intervention was not enough, there was massive importation of feed mill ingredients to satisfy the urgent needs

Despite the many assurances from the EU that trade liberalization will lead to economic development, many studies have shown it to be quite the contrary. Ghana is just one of many countries, whose agricultural and poultry sectors are facing the full brunt of the effect of the structural adjustment policies. Production of tomatoes, rice, poultry, edible oils, etc. is suffering due to the influx of imports from the EU. The poultry sector in particular is facing challenges due to the failure of the government to come up with sound policies to curb the importation of poultry products (Awuku, 2012). Frequent outbreaks of infectious diseases such as Gumboro disease, Newcastle disease and the Avian Influenza have also not helped the poultry sector’s cause.

Competition from cheap, imported poultry meat along with the shortage of feed ingredients such as yellow maize have resulted in increased prices of domestic poultry, which finds few buyers (Aning K. G., 2006). The problem has its roots in the 1980s and 1990s under Structural Adjustment Programs (SAPs), when tariffs were significantly reduced on agricultural products such as tomato, rice, and poultry. The EU countries took advantage of the reduced tariffs and dumped their excess production on the Ghanaian market causing the locals to be uncompetitive (Issah, 2007). Although the Ghanaian government has tried to take measures to increase tariffs on imports of agricultural products, the arrival of the new EPA has added a new threat to the Ghanaian farmers. The projected EPA will further weaken the state government’s ability to protect its agricultural sector by introducing unconditional tariffs, which seem to favor the European importers (Issah, 2007).

**Summarize**

The reciprocal free trade of the EPA is a severe setback for Ghana's domestic poultry sector. Prior to the signing of the Economic Partnership Agreements, Ghana had the right to raise its tariffs on imports of tomatoes and poultry from 20% to 99% (Paasch, 2008). But with the new EPA agreements coming into the picture, Ghana loses its hold over its own trade policy as increasing tariffs for products such as tomatoes and poultry is forbidden for European imports. A clause in its contract with the EU prohibits Ghana from raising the import tariffs above their current level for tomatoes and poultry products. The EU has demanded that the ACP countries open up to 80% of their markets to European imports in the coming years. (Paasch, 2008).

The elimination of tariff barriers will result in substantial loss of revenue for the Ghana government leading to budgets cuts in spending. Revenue losses of between 9.1 to 11.6% per year are expected, which roughly amounts to over $90 million (Bertow & Schultheis, 2007) per year. This will lead to budget cuts and reduced government spending in other areas. The agreements also affect food security as the European imports are susceptible to external fluctuations in food prices. Many local industries, without the help of government intervention, will also be pushed out of the market due to competition from cheaper imports.

Till 1992, 95% of the domestic requirement for poultry was met through local production. But imports of chicken parts through the 1990s changed the trend as the local consumers developed a taste for individual chicken parts such as legs, wings, and thighs (Issah, 2007). These individual chicken parts are the leftover produce which the health conscious European consumers do not have a liking for. Over time, live chickens which were readily available in the market were replaced by these frozen chicken parts, rendering thousands of local poultry farmers helpless. This has also resulted in loss of jobs which has even far greater implications as each worker often bears the responsibility of the whole family upon himself. The new partnership agreements will allow even greater quantities of cheap subsidized frozen chicken parts into Ghana's domestic market. This would start a chain reaction which will destroy the Ghanaian poultry sector, starting from the domestic poultry production and the poultry processing plants to the production of the feed mill ingredients, thus affecting the livelihood of the local poultry farmers (Issah, 2007).

It is quite clear from the mutual free trade between Ghana and EU is just prying the domestic poultry market by increasing the influx of cheap and subsidized frozen chicken parts. This totally destroyed the viable and promising local poultry trade. Similarly, dumping of poultry industry also affected the allied feed mills, the poultry processing plants and crops like maize and other agriculture related processing activities. In 2004, European Union against the agreement increase 16 % in export refund for poultry industry, which further affected the poultry industry in Ghanaian market.

# CHAPTER FIVE: CASE STUDY

## CASE STUDY

The following case study is about the effect of dumping of chicken parts by EU slaughterhouses, in Ghana. By considering the case of chicken dumping, the case study aims to analyze if there has been a significant increase of poultry imports since the establishment of the EPA’s agreements. The research can be useful in establishing a concrete link between the Economic Partnership Agreements and the decline of Ghana’s domestic poultry sector. The information presented through this study can provide scope for future work. The facts and figures have been presented in this case study and an analysis will be conducted in the following section. The data for the case study has been collected from numerous sources.

### Dumping of chicken parts in Ghana

The onset of the troubles for the Ghanaian poultry sector can be attributed to Ghana’s signing of the Cotonou agreement. The Cotonou agreement was seen as a major improvement as it would get rid of the preferential trade access system, which was a key feature of the Lomé agreement. Also, international bodies such as the IMF and WTO felt that the Lomé convention was only favoring the African nations, and not the other countries of the ACP. Thus, in June 2000, the Cotonou Agreement was signed in Benin, and like the other African countries, Ghana too was obliged to sign the agreement. The Cotonou also included the EPA trade agreements, which would be implemented from 2008 to 2020.

Developed countries in the EU and the US often take their excess products, heavily subsidize it and then sell it to developing countries at really low prices. This act is known as “dumping” and it is the primary reason for the destruction of the local market in developing countries where such products are dumped. Numerous agreements, and the rising cost of poultry feed have created opportunities to open up Ghana’s markets to poultry imports. Poultry producers in Ghana feel that it is the government’s tariff policy which is responsible for the critical situation of the local poultry industry. Low import tariffs for poultry products have opened up the local market to import floods and this not only affects the poultry farmers, but also jeopardizes the livelihood of the local feed producers who supply feed to poultry farmers (Agritrade, Executive Brief 2011: Poultry sector, 2011).

A study conducted in Ghana by the Food and Agricultural Organization (FAO) shows that in 2004, a kilo of imported chicken meat was sold at 1.5 Euro whereas a kilo of locally produced meat was sold at 2.60 Euro (Paasch, 2008). The question arises as to why the European exporters would sell their frozen poultry meat at such low prices while incurring losses. The reason is simply that, what the exporters sell at the African markets is the excess produce of chicken parts. Rather than dispose of these parts in Europe which would cost a lot of money, the slaughterhouses sell their frozen poultry parts in African countries for a relatively low price thereby making profit (Paasch, 2008). Imported poultry products are 30-40% cheaper than the local poultry products (The Meat, 2011). But what started out as a modern form of waste disposal has now turned into a money-spinning business. There has been a surge of import floods between 1998 and 2004. As per the study commissioned by the FAO, 4,800 tons of chicken parts were imported in 1998 which rose to 39,200 tons in 2003 (Paasch, 2008). This quantity reached staggering new heights in 2011 as over 200,000 tons of frozen chicken parts was imported into Ghana from the EU, US and Brazil, as reported by the Ghana Business News (Agritrade, Poultry imports causing growing concerns in Ghana, 2011). Up to 95% of poultry meat is imported from abroad. This has resulted in the loss of an estimated one hundred thousand jobs consisting of poultry farmers, butchers, and feed producers (Deutsche, 2011). A report by Kingsley Ofei-Nkansah, the Deputy General Secretary of the General Agricultural Workers Union of Ghana TUC, highlights the negative effect of EPAs on the domestic poultry industry. The report states that 25% of hatcheries, 42% feed mills and 25% of the country’s processing plants were being underutilized. These numbers indicate that the massive influx of poultry imports is restricting Ghana’s potential to increase its domestic poultry production. The figure (Figure 1) below shows Ghana’s poultry production and imports (in tonnes), from the years 1998 to 2003. Observations of the figure show that, in 1998, domestic poultry production fulfilled roughly around 70 to 80 percent of the country’s poultry requirement. The quantity of poultry imports can also be seen to have considerably increased from the year 2000 onwards. In 2003, the contribution of the domestic poultry production was approximately 20,000 tonnes, whereas the poultry imports measure roughly 40,000 tonnes. Therefore, the contribution of the domestic poultry production towards the national requirement can be calculated to be around 33 percent. Thus, in six years, the domestic poultry production has reduced by more than 40-50 percent. Inferences will be drawn based on the information provided in this figure. The figure will help in making inferences about the decline of Ghana’s domestic poultry sector.

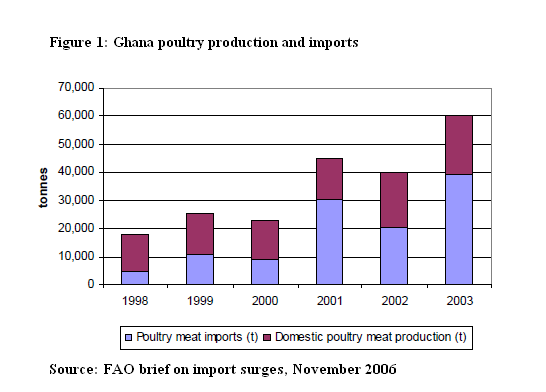
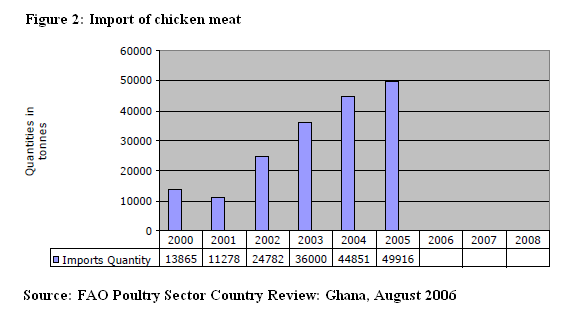
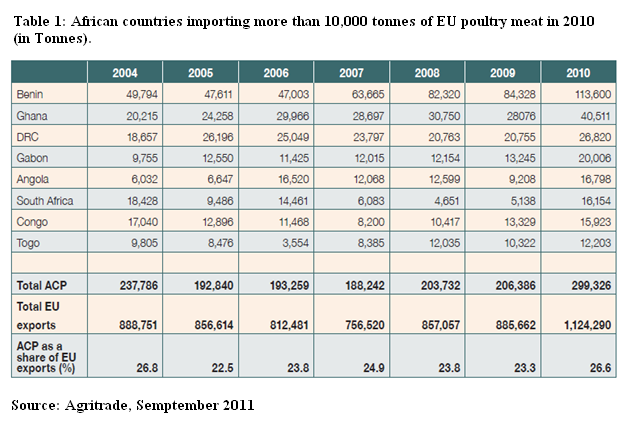


Figure 2 (below) shows the quantity of chicken meat (in tonnes) imported into Ghana from 2000 to 2005. The figure shows that the quantity of chicken meat imported during 2003 was more than twice of that imported during 2000. The following year (2004), it can be seen that the amount of chicken meat imported increased by approximately 15,000 tonnes indicating a drastic surge in poultry imports. Based on the figure, inferences will be drawn about the increase in chicken imports in Ghana and the factors that led to this rise in imports. The figure will also help in establishing a link between trade liberalization and increased chicken imports.



In 2010, the European Union exported poultry meat to 52 ACP countries out of which 87.5% was concentrated in eight countries (Agritrade, Executive Brief 2011: Poultry sector, 2011). An additional 22 countries imported over 100 tonnes of poultry meat. Caribbean exports amounted to only 2,633 tonnes with 76.6% of the export going to St. Vincent and St. Lucia (Agritrade, Executive Brief 2011: Poultry sector, 2011). The majority of the ACP markets for EU poultry meat exports are concentrated in West and Central Africa mainly due to the domestic trade policies put down by the governments in these regions. The three main West and Central African markets for poultry exports are Benin, Ghana, and the Democratic Republic of Congo. These three countries accounted for 16.1% of the total EU poultry exports in 2010, which is a significant increment from the 10% contribution in 2004. EU poultry exports to these three countries have also more than doubled since 2004, from 88,666 tonnes to 180,931 tonnes in 2010 (Agritrade, Executive Brief 2011: Poultry sector, 2011).

The table (Table 1) below shows the import figures for ACP countries importing more than 10,000 tonnes of poultry during the year 2010. The table will give information about the quantity of poultry imported in Ghana from 2004 to 2010. The table will be assessed in the next chapter and conclusions will be drawn based on information from the table. It can be seen from the figure that Benin is the largest importer of EU poultry meat followed by Ghana and the Democratic Republic of Congo. The figures show that EU poultry imports in Ghana during 2010 has doubled since 2004. In 2010, approximately 300,000 tonnes of poultry meat was imported into the ACP countries, which comprises of about 26.6 percent of the EU’s total exports.



The poultry sector of Ghana was a bright prospective for chicken farmers. It grew at a rate of between 10 to 20 percent per annum, between the years 1960 and 1980 (The Business, 2011). This growth continued till the early 1990s with successful poultry farms like Darko Farms and Afariwa Farms, among others, supplying around 95 percent of Ghana’s poultry requirement. Since then, the domestic poultry sector has suffered a huge decline as trade liberalization and low import tariff policies have opened the gates for European exporters to dump their chicken into Ghana. The current situation is such that, many big poultry farms are operating much below their housing capacity. Some large scale farmers have drastically reduced their production while many small scale farmers have closed down their business. The number of poultry farm operators has reduced from 5000 to below 1000 with their focus being egg production instead of chicken production. Many poultry farm owners have also ventured into other businesses. Akati Farms, operated by the 2006 National Best Farmer, has ventured into construction of school buildings in farm land (The Business, 2011)

The figure (Figure 3) below shows the yearly poultry production in Ghana. It gives information about the broiler production (in metric tonnes) from the last 15 years. The vertical axis represents the broiler meat production in 1000 Metric Tonnes, while the horizontal axis shows the year by year production. The figure highlights the current situation of the Ghanaian poultry industry and the direction in which the poultry sector is heading. With the help of this figure, inferences will be drawn about the effect of the trade liberalization and the Economic Partnership Agreements on the Ghanaian poultry industry.

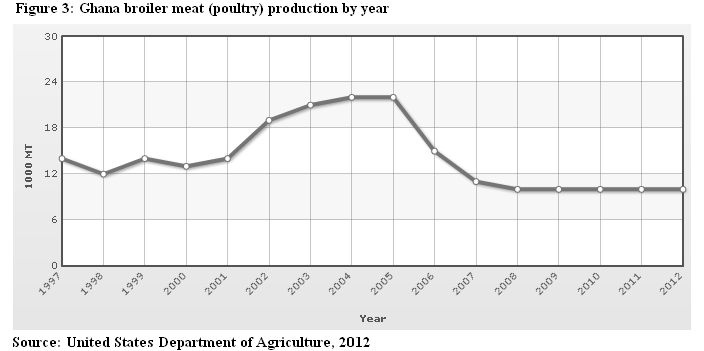
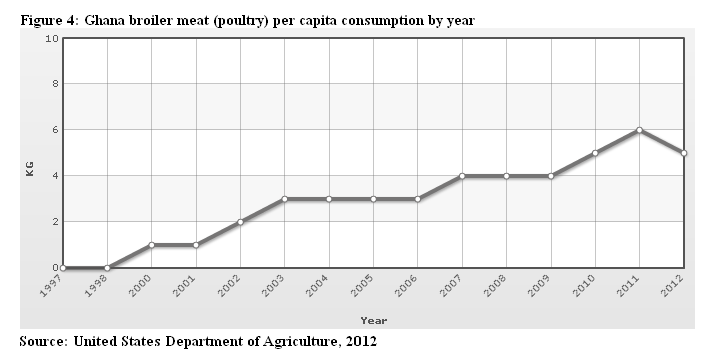


Figure 4 represents the per capita consumption of broiler meat in Ghana. It gives information about the per capita consumption of poultry in Ghana from the past 15 years. The vertical axis represents the poultry consumption in kilograms, while the horizontal axis shows the year by year consumption of poultry. The figure shows the domestic demand for poultry in Ghana and whether the demand has increased or decreased in the last 15 years. The figure will help provide information about the link between domestic demand for poultry and the increase in foreign imports of poultry. Inferences will be drawn based on the figure.



### Positive and Negative Impacts of this Activity

The process of chicken dumping is more likely to benefit EU companies than the developing countries. The only advantage is that chicken parts are available at much cheaper prices for consumers from ACP countries. They do not have to buy an entire chicken and instead, can simply purchase the parts which they wish to consume. The benefits for European exporters are immense. Farmers in the EU receive generous subsidies from their governments, which attributes to the cost of chicken feed being substantially reduced. Since chicken feed makes up about 70% of the total cost of poultry production, reduced cost of chicken feed leads to reduction in poultry production expenditure (Issah, 2007). Also, consumers in the EU prefer to consume only selected chicken parts such as the chicken breast. The remaining parts of the chicken are considered as waste which further reduces the cost price per chicken. This enables slaughterhouses and poultry production industries to export their surplus chicken at very low prices. Instead of having to grind the surplus chicken parts into fertilizers, the excess produce is imported to ACP countries where they are able to make a profit (Schiessl, 2007).

The negative impact for ACP countries starts with the reciprocal free trade agreements which have led to the reduction in import tariffs in poultry products, from 55% to 20%. Developing countries, such as Ghana, lose significant tax revenue from this reduction in import tariffs. This leads to budget cuts in spending in other sectors such as healthcare and education. Also, the free trade agreements under the EPAs have led to local markets being flooded with cheap food imports such as tomato paste and chicken parts. These products are sold at cut-throat prices which local producers simply cannot compete. This, in turn, leads to many poultry farms and feed factories closing down, and causing many poor farmers to lose their jobs (Curtis, 2005). The competition from highly subsidized poultry imports has also led to the underutilization of Ghana’s poultry facilities. A case study, by the Food and Agricultural Organization (2011), reports that the influx of chicken imports has led to 111,000 people in West Africa losing their jobs. The report also mentions that local maize and chicken feed farmers were severely affected by the decline of the poultry industry, with many of them ending up unemployed.

# CHAPTER SIX: ANALYSIS AND FINDINGS

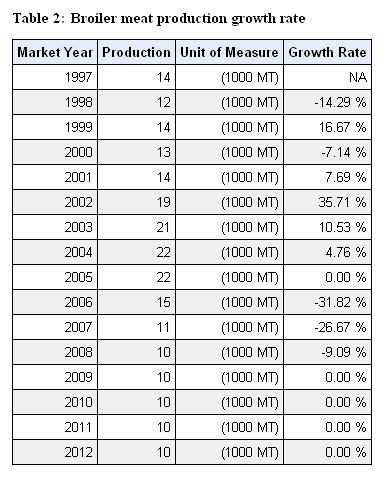
The case study of chicken dumping in Ghana provides an insight into the effects of the free trade agreements on Ghana's domestic poultry industry. Domestic producers have not been able to compete with the cheap imports and most of the requirement for poultry has largely been met by foreign imports. The European Union (EU) grants generous subsidies to its farmers which significantly reduce the production cost of chicken feed, which accounts for 70% of the total cost of poultry production (Issah, 2007). The Ghana government does not provide such financial assistance to its farmers. The cost of chicken feed and yellow corn is very high making them difficult to afford. Without any government support, the Ghanaian poultry farmers will not be able to increase their production capacity to compete with cheap EU imports.

From the data presented, it is obvious that foreign imports have steadily taken over the poultry business in Ghana. Many small scale poultry farmers have either closed down their businesses or have shifted their focus to egg production. As mentioned in the case study, many big poultry farms have either trimmed down their production capacity or have ventured into other businesses. Akati farms, which was operated by the 2006 National Best Farmer, is a genuine example of the decline of the poultry sector. The owner of the farm has now ventured into construction of schools on the farmland. It is apparent that farmers do not see the poultry business as profitable anymore. Without any form of Government assistance, they cannot profit from the poultry business. Reduced poultry production also negatively affects the chicken feed business as low demand for chicken feed will lead to the mills operating below capacity. Currently 25% of hatcheries, 42% feed mills and 25% processing plants are currently underutilized. This goes to show that, though the feed mills have the capacity to produce more chicken feed, the growing costs of production inhibit them from doing so, and they also find few buyers.

According to the data made available by the Food and Agricultural Organization, Ghana witnessed a surge in the quantity of poultry imports from 2000 onwards. Figures 1 and 2 show the quantity of meat imported over the years. From 1998 to 2000, most of Ghana’s poultry consumption requirements were met through domestic production. Till 2000, the domestic poultry production met more than 55% of the country’s needs. But from 2000 onwards, there is a radical increase in the amount of imports into Ghana. The rise in imports coincides with the signing of the Cotonou Agreement in the year 2000. It appears that the surge in poultry imports is a result of the relatively low import tariff rates, which was one of the features of the Cotonou Agreement. However, the increased poultry imports can also be attributed to the growing domestic demand for chicken, with the local poultry industry being unable to meet the growing requirements due to high production costs. There is inconclusive data to exclusively blame the trade agreements, under the EPA, for the rise in imports. Even during the late 1990s, when import duty on poultry products was at 20 percent, it can be seen that the domestic poultry production accounted for as much as 50% of the total requirement (Figure 1&2). Furthermore, the EPA agreements did not come into effect until January 1, 2008. Therefore, with regards to the FAO data, it cannot be predicted if the trade agreements are having a significant impact on the poultry sector.

The tabular data (Table 1), obtained from Agritrade (2011), shows the import figures of African countries who have imported more than 10,000 tonnes of EU poultry meat during the year 2010. The table shows collective figures of imports from the year 2004 till 2010, for eight African countries. Ghana is the second largest importer of EU poultry meat, with Benin being the largest. From 2004 to 2008, the amount of EU poultry imports had increased by about 50 percent (Table 1). The Economic Partnership Agreements (EPAs) of the Cotonou Agreement came into effect from 1st January, 2008. By observing the table, it can be seen that from 2008 to 2010, the EU poultry imports increased from 30,750 to 40,511, which is almost a 33 percent increase, with the bulk of the imports coming in the year 2010. The question arises as to whether this phenomenon of chicken dumping or chicken importing is a result of the EPAs coming into the picture. However, from these figures, it can be assumed that the advent of the EPAs has led to a huge influx of poultry imports in Ghana. The EPAs are supposed to be genuine instruments of development as they consider the ACP countries’ social and economic condition and focuses on its development (Frisch, 2008). From the data, it is evident that the poultry sector of countries like Benin and Ghana are being exploited in the name of development. The EU might argue that the imports provide low cost poultry products which will help alleviate poverty, but in turn, it is destroying the domestic poultry industry rendering thousands of Ghanaians unemployed. Looking at the current rate of poultry imports, very soon the domestic poultry industry will cease to exist and Ghana will be completely dependent on imports to meet the national consumption requirement. The poultry products are also susceptible to price fluctuations in the European market. This is a risk for Ghana as the now cheap poultry parts might later be imported at inflated prices. The focus of the EPAs should be to help develop the different sectors, not obliterate them. Nevertheless, these interpretations are based on limited data and the presumptions are premature. Import figures of future years would be required to make a better assessment of the impact of the EPAs. If similar data from future years presents such figures, then it can be implied that the EPAs are directly accountable for the decline of Ghana’s poultry sector.

The graph in Figure 3 is used to analyze the situation of Ghana’s domestic poultry sector. As can be seen from the graph, the broiler meat production steadily increased from the year 1997 to 2005. After 2005, a sharp decline can be seen in the domestic poultry production. Based on information from the figure, Table 2 (as presented below) has been generated to analyze the growth rate of Ghana’s domestic poultry industry.

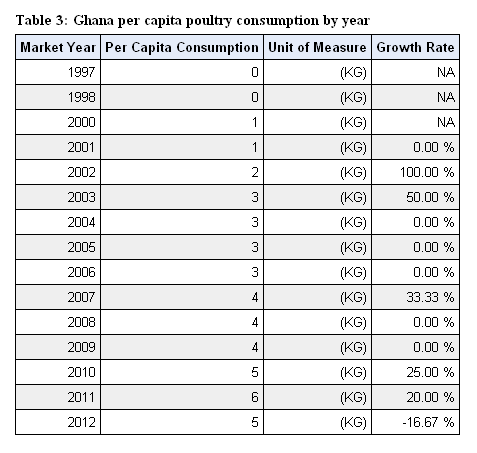


From the table, it can be seen that the domestic poultry production has more or less fluctuated from 1997 to 2001. A positive spike in the growth rate can be seen between the years 2000 to 2005, after which the poultry production has been in decline. From 2008 to 2012, the broiler meat production has been constant, showing absolutely no increase or decrease in growth. The domestic poultry production reached its peak, between the years 2004 and 2005, producing 22 Metric Tonnes of broiler chicken. Poultry production has been at its minimum from 2008 onwards, producing 10 Metric Tonnes consistently for the last 4 years. The broiler meat production also had its maximum growth rate in the year 2002 when the production grew at a rate of 35.71 percent. Domestic poultry production showed the lowest growth rate during the year 2006, when the growth rate fell by 31.82 percent (Table 2).

From the data provided in the table, it can be seen that starting from 2008, the domestic broiler meat production has consistently been at its lowest. In the previous analysis of the EU imports, it was observed that from 2008 to 2010, the EU poultry imports increased at a rate of 33 percent. This increase in EU imports of poultry also coincides with the decline in domestic poultry production, as seen in Table 2. As mentioned previously, 2008 is also the year that marks the commencement of the European Trade Agreements (EPAs). Therefore, from the given evidence, it can be deduced that there is a direct link between the EPAs and the decline of the domestic poultry production. Under the EPAs, the ACP countries have to lower all import tariffs and only 20 percent of the special sensitive sectors will receive protection from imports. Unfortunately, the poultry industry does not fall under this special category and import tariffs for poultry imports remain at 20 percent.

Since 2008, there has been a significant increase in the dumping of chicken parts (or importing of poultry products) in Ghana. Simultaneously, as observed from figure 3, the domestic production for broiler chicken is also at its lowest. Domestic production currently meets only 5 percent of the national poultry requirements. It is clear, from all the facts that the EU poultry imports have taken over the Ghanaian poultry industry. Unless the Ghanaian government changes its policies on import tariffs, the domestic poultry industry will not be able to cope up with the cut-throat competition from the EU imports. With its current growth rate, the domestic poultry industry will keep declining at a rapid pace. The situation is apocalyptic for the poultry farmers. Production houses do not have the technology, facilities, or government support that their European counterparts have. The negative growth rate of the domestic industry indicates that very soon the domestic poultry industry will be put of business. Going by the information, in a few years from now, the EU imports will be supplying 100 percent of Ghana’s poultry requirements. A situation like this will result in the country being completely dependent on imports to meet the poultry consumption requirement of its people, thus putting Ghana in a very vulnerable position. European exporters can also create artificial supply shortages to raise the demand for poultry products. The exporters/slaughterhouses will then be at liberty to raise the prices of chicken parts to make profits. Increase in prices of imported chicken will result in Ghanaian citizens paying more for poultry parts which were available for cheap at one point of time, thereby creating a potentially harmful scenario for the local residents. Future prospects do not look bright for Ghana’s domestic poultry industry. The data from Figure 3 and Table 2 strongly support the assumption that the free trade agreements of the Cotonou Agreement are directly responsible for the decline in Ghana’s domestic poultry industry.

For the next part of the analysis, the graph in Figure 4 will be considered. The graph shows the broiler meat per capita consumption by year. As can be seen from the figure, the per capita consumption of poultry has steadily increased per year. From 0 Kg in 1997, the per capita consumption has increased to 5 Kg’s as of 2012. Based on information from the graph, Table 3 has been generated to analyze the growth rate of the per capita poultry consumption.



From the table, it can be seen that there has been a significant increase in the per capita consumption of poultry in Ghana. Till 1998, the per capita poultry consumption was zero. It has since increased considerably, reaching a maximum of 6 Kg’s in 2011. This indicates the high demand for poultry meat in Ghana. The growth rate of per capita consumption reached its maximum in the year 2002, where it showed a growth rate of 100 percent. Conversely, the growth rate was at its minimum during the year 2012 where the growth rate fell by 16.67 percent.

The above table shows the change in the consumption pattern of Ghanaian people, over a span of 15 years. The per capita poultry consumption has increased significantly over the last 15 years. This shows that over the last decade, Ghanaian citizens have developed a greater taste for poultry than in the previous years. The question which arises is that what could have caused this change in the consumption pattern of the local residents? The answer to this is very simple. As can be seen in the graph, the increase in the growth rate of the per capita poultry consumption started from the year 1998. This growth in consumption corresponds to the increase in EU poultry imports which, from figure 1, can be seen to have started from the same year. The process of chicken dumping began in the late 1990s and as mentioned previously in the literature review, the Ghanaian citizens developed a taste for cheap poultry parts. Rather than buying a whole chicken, which was available in the local market, the trend in poultry consumption changed as Ghanaian consumers chose to buy frozen poultry parts which were available at very low prices. There is a direct link between the onset of the chicken dumping in Ghana and growth in the consumption of poultry. It can be inferred that the frozen, heavily subsidized chicken parts appealed more to the Ghanaian consumers than a whole chicken. Individual chicken parts such as wings, thighs, legs were more popular among the consumers. From the data in Figure 1 and Figure 2, it has already been established that the rise in poultry imports coincided with the decline of domestic poultry production. Hence, it is obvious that the increase in per capita poultry consumption is due to the arrival of the heavily subsidized EU imports and vice versa. The cheap poultry imports are affordable and hence more alluring to the consumers. The table shows a significant increase in the per capita consumption especially after 2006 onwards, when the EU imports started to rise significantly. The increase in EU imports is also a result of the increasing demand for frozen poultry parts. In this regard, the EPAs cannot be blamed for the increase in EU imports. The increase in EU imports is a result of the increasing demand for poultry parts in Ghana. This demand cannot be realized by the domestic poultry industry as it is not equipped for such mass production, and also the domestic poultry are more expensive to produce and hence finds few takers. As a result of this, the domestic poultry industry is in decline and most of the country’s poultry requirements are fulfilled by foreign imports.

# CHAPTER SEVEN: CONCLUSION

The analysis of the case study shows that Economic Partnership Agreements of the Cotonou Agreement are partially responsible for the current state of the Ghanaian poultry industry but the decline of the poultry sector is also attributed to the trade liberalization or free trade policies, which were forced upon Ghana by the EU and the IMF. The trade and agricultural policies of the EU are also to blame for the rise in imports in Ghana.

Under the agricultural policies of the EU, farmers are provided generous subsidies by the government which considerably reduces the cost of production. This allows them scope for overproduction and also allows them to export their produce of chicken parts at very low prices. The heavily subsidized poultry products are then sold in the local Ghanaian markets at cheap and unfair process, thus removing the domestic poultry produce from the competition. The negative impact of the cheap imports is highlighted throughout the study. The flood of imports has had an adverse effect on the income of poultry farmers. Many small scale farmers have had to close down or move on to other businesses, while large scale businesses have also had to cut down on their production, with many operating much below their capacity. Hence, the EU member states can be held accountable for the decline of the domestic poultry industry in the ACP countries. By granting subsidies to its farmers, the EU nations are violating the Right to Food of small scale poultry farmers and producers. The evidence from the case study analysis supports this theory.

The study also shows the role of the numerous trade liberalization policies of the Cotonou and its effects on the poultry sector. The Ghana government was put under pressure by the IMF and WTO to sign the Cotonou Agreement, as these organizations felt that the previous Lome Conventions were not fair to all nations. These bodies can also be held accountable for the current state of the poultry farmers, as it is due their constant interference that the Ghanaian government is not able to implement policies which would be favorable to its farmers. In the early 2000s, looking at the plight of the poultry farmers and other local industries, the Ghanaian government took the step of raising the import tariffs from 20 percent to 40 percent. However, the IMF and the EU objected to this and in 2002, the government was forced to remove this additional tariff in imports. The effects of the removal of the additional tariff can be seen from the numerous figures in the case study, where a surge in EU imports can be observed since 2002. Due to interference from the IMF and the EU, the Ghana government is unable to manage its own internal affairs and employ policies to benefit its local industries. The trade liberalization policies, forced upon Ghana by the IMF and the EU, seem to favor the EU countries more than the developing countries. The trade liberalization policies of the EPA call for reciprocal trade agreements and also reduction of import tariffs for products such as canned tomato paste and frozen poultry parts. The study finds that the lowering of tariffs for these EU imports will not only lead to revenue losses for the government, but it will also endanger the livelihood of all people associated with the poultry industry. The case study analysis has shown the link between the rise in EU imports and the decline in domestic broiler production.

The case study also brings to attention about the changing trend among the local poultry consumers. The increase in per capita consumption rate of Ghanaian citizens indicates that the local consumers fancy the imported poultry parts more than the domestic broiler meat. The rise in poultry imports has introduced a vicious cycle which affects the entire poultry industry, from the poultry farmers, to the chicken feed producers, and the production houses. The low import tariffs will also lead to significant revenue losses for the Ghana government which will result in reduced resources being allocated for important sectors such as health, education and agriculture, and may also lead to an increase in taxes to compensate for the revenue losses.

Other than the possible loss of revenues, EU’s dumping of poultry and livestock merchandise or often termed as ‘surplus dumping’ within West Africa will put the intra-regional trade relationship of the two countries at risk. Lastly, such surplus dumping of EU would also affect the food security and rural income of the sector that is most active in the poultry industry – women of the rural area. As a result of this revenue loss, the current improvements brought by the promising poultry industry in the income redistribution and lowering of the rural to urban migration rates might be slowed down, if not temporarily put into stop**.**

It is clear from the study that only the EU stands to benefit from the trade agreement policies, and countries like Ghana are already facing the negative effects of the trade liberalization agreement. There is no denying the fact that the Ghanaian poultry industry is in a state of decline. Unless the Ghana government takes necessary measures to curb the import surge, the domestic poultry industry will continue to deteriorate rapidly, and the country will be completely dependent on imports to meet its consumption needs. The Ghana government should follow in the footsteps of the EU and provide subsidies for its farmers, or implement strategies to support its domestic poultry industry. Without government support, Ghana’s poultry industry will not be able to recover from its current position, and will continue to decline under severe competition from imports.

# CHAPTER EIGHT: RECOMMENDATIONS

The case of chicken dumping is a widespread problem not only in Ghana, but also across all the ACP countries. This is having an unsettling effect on the local market and the country’s economy. The Ghana government needs to undertake a few measures to curb the quantity of imports, and give its domestic poultry industry a chance to restore itself.

One of the options for the Ghana government is to implement a tariff structure, similar to what it did in 2003, but could specifically target frozen poultry products only. This will also ensure that only poultry imports will be targeted while the average tariff for imports will also not increase significantly. The key issue will for the government will be to not succumb to pressure from international bodies, as it did in 2003. Tariff barriers are the only protection of the workers and farmers from the cheap selling imported goods of EU. Once it is abolished, a clear cut lost of revenue will be faced by the people. Free trade, competitiveness or other explanation shall never be enough justification for removing this protection for doing so would cause problem to the native workers

Another option is to issue import licenses to selected companies which have proper infrastructure, storage and handling capacity, and also comply with the safety standards of the country. This will restrict the entry of poultry parts into the country while also reducing the quantity of imports.

One of the crucial issues that the Ghana government needs to address is the growing cost of chicken feed. Poultry feed such as yellow maize and soya have high costs of production and are mostly imported from abroad. This has contributed to an increase in the chicken prices as poultry feed makes about 70 percent of the production cost of poultry. Taking a leaf out of the EU’s books, the Ghanaian government can resuscitate its poultry industry by providing subsidies to its farmers, which will reduce the production cost of the feed. Providing benefits to feed farmers will encourage them to stay in the poultry feed business. Along with financial support, the government can also offer technical support to farmers by providing them with high yield seeds, agro chemicals and fertilizers, farming inputs, along with tractors and storage facilities. This will help boost the production of chicken feed and also create employment opportunities in rural areas.

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