Economic Partnership Agreements – still pushing the wrong deal for Africa?

Economic Partnership Agreements with African, Caribbean and Pacific (ACP) countries - once celebrated as a new form of partnership between the EU and ACP countries - have been fraught with disagreement. Nine years after the launch of negotiations, many ACP countries are not happy with the deal on the table and only 36 out of the original 76 ACP countries have accepted an EPA. The European Commission is keen to bring them to completion – and is applying strong pressure. In 2011, it proposed to make significant changes to two trade regulations - reform of the General System of Preferences [1] (GSP) and the phasing out of the Market Access Regulation [2] (MAR) - which are currently being debated at the European Parliament. Both proposals would mean higher tariffs for ACP countries that do not sign EPAS, and have met with strong opposition from African governments.

What are EPAs and why are they being negotiated?

Economic Partnership Agreements (EPAs) are trade agreements meant to safeguard ACP countries' preferential access to EU markets, which had previously been granted through the Lomé Convention. EPAs are changing this preferential access from non-reciprocal to reciprocal access meaning that ACP countries will be required to open their markets to EU imports and furthermore, require liberalization in other areas such as investment and services. However, many ACP countries are not happy with the deal on the table because it restricts their development options. In particular, there is a glaring absence of agreed EPAs with African countries (see Table 1) – with only 4 out of 47 African countries involved having ratified an interim EPA– a situation that the EC proposes to resolve through the imposition of a new deadline. [3]

MEPs must use their power in trade negotiations to stop the EC from pushing through regulations that are dangerous to Africa's development prospects, go against the spirit of partnership with the ACP, and hence continue to harm EU-African relations.

Frustrated with the slow pace of EPA negotiations, the EC is proposing to exclude those countries which have not ratified their EPA by 1 January 2014 from the EU's Market Access Regulation 1528/2007, which has provided preferential market access to those ACP countries which have initialled an EPA whilst negotiations continue. With the prospect of losing access to the EU market, essentially this means that the EC is imposing a deadline to force countries into ratifying EPAs by 1 January 2014.

EPAs in Africa

47 African countries in 6 regional blocs started negotiating EPAs. 32 of these are Least Developed Countries which currently benefit from preferential market access into the EU market for all their products other than arms - the so-called Everything but Arms arrangement (EBA). They stand to gain nothing from signing an EPA - since they would receive the same preferences as now - but have much to lose as they would have to open their markets to EU imports and regulation. The 14 non-LDCs currently benefit from preferential market access into EU markets through the Market Access Regulation, on the basis of an interim EPA, or through the GSP. These preferences are very important if their export sectors are to remain viable.

Table 1: Who initialled, signed or ratified EPAs in Africa? [4]

Countries who have no EPA	**ESA** Djibouti (LDC), Eritrea (LDC), Ethiopia (LDC), Somalia (LDC), Sudan (LDC), Malawi (LDC). **'SADC'** Angola (LDC). **Central Africa** Congo, CAR (LDC), DRC (LDC), Gabon, Chad (LDC), Equatorial Guinea (LDC). **ECOWAS** Nigeria, Mauritania (LDC), Senegal (LDC), Gambia (LDC), Guinea (LDC), Guinea Bissau (LDC), Mali (LDC), BurkinaFaso (LDC), Liberia, Sierra Leone (LDC), Togo (LDC), Benin (LDC), Niger (LDC), Cape Verde.
Countries who have initialled but not signed an interim EPA	**ESA** Comoros (LDC), Zambia (LDC). **'SADC'** Namibia. **ECOWAS** Ghana. **EAC** Burundi (LDC), Kenya Rwanda (LDC), Tanzania (LDC), Uganda (LDC).
Countries who have signed but not taken any steps to ratify an interim EPA	**'SADC'** Botswana, Lesotho (LDC), Swaziland, Mozambique (LDC). **Central Africa** Cameroon. **ECOWAS** Ivory Coast.
Countries who have ratified an interim EPA	**ESA** Mauritius, Madagascar, Seychelles, Zimbabwe.

Source: European Commission's overview of state-of-negotiations: http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf; European Commission's website on ACP relations: http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/africa-caribbean-pacific/

Why are negotiations taking so long in Africa?

Representatives of African countries have repeatedly stated that the current deal on the table is not in their development interest.

"We are concerned that the outstanding issues, if not resolved and if included in the EPA framework, will bind the EAC to poor trading terms," *Dr James Ndahiro, Rwanda's representative to the East African Legislative Assembly.*

Why these concerns? Because EPAs do not address the fundamental challenges countries in Africa are facing. Most countries face high unemployment linked to weak productive capacity, are vulnerable to external shocks because of very limited diversification, and face food insecurity because of lack of investment in agricultural production and infrastructure. As the former president of Tanzania Benjamin W. Mkapa points out "We cannot continue to export a narrow range of [largely primary] products and import a broad range of finished goods on our way to development. The hard work of industrialization and food production must be done". [5]

The EC seems more concerned with trying to make Africa adhere to its trade policy than addressing the development concerns of their trading partners, who are being pushed to agree to EPAs by fear of losing market access rather than by the prospect of improving their economic future. Unless the EC listens to the alternative proposals made by African countries, the underlying conflict between EC and African perspectives on the best trade and industrial strategies for Africa's development will continue to blight EU-African relations.

"Despite…the reported public protests in 20 countries against the raw deal, it seems all but certain to be rammed through. In private whisperings, not many Africans or policymakers are happy with the deal but there is a certain sense of helplessness," *Professor Chukwuma Soludo, former governor of the Central Bank of Nigeria.*

What are the contentious issues in EPAs?

Regional integration

Economic integration with the EU comes at the expense of real progress towards regional integration in Africa.

Countries in Africa are in the process of consolidating regional custom unions with the aim to boost intra-regional trade. Regional markets are key to increasing productive capacity and stimulating infrastructure development. Unfortunately, the EPA process has been slowing down progress towards regional integration by:

- fostering tensions between LDCs (which already receive non-reciprocal market access to the EU market on Everything But Arms and hence do not stand to gain from signing an EPA) and non-LDCs (which stand to lose preferential market access if they don't sign an EPA).
- imposing different market access arrangements (see Table 2) on countries in the same region, meaning that consolidating their customs union is impossible while they are faced with controlling their borders for EU imports/exports .

"Our advantage is regional integration. Can EPA help us to integrate our markets? If anything it will stall us. I don't think EPA is a priority for Africa," *Onkundi Mwencha, Deputy Chairperson of the African Union (AU) Commission.*

The EU is yet to address the obvious contradictions between the explicit EPA objective to foster regional integration and the reality of undermining regional customs unions.

Table 2: African EPA regions and their current and "→" future market access arrangements if no further EPAS are ratified

	EAC	SADC	ESA	Central Africa	ECOWAS
Same	Burundi (EBA) Rwanda (EBA) Tanzania (EBA) Uganda (EBA)	Lesotho (EBA) Mozambique (EBA) Angola (EBA)	Djibouti (EBA) Eritrea (EBA) Ethiopia (EBA) Somalia (EBA) Sudan (EBA) Malawi (EBA)	Chad (EBA) CAR (EBA) DRC (EBA) São Tomé (EBA) Equatorial Guinea (EBA) Congo (GSP)	Benin, Burkina Faso, Gambia, Guinea, Guinea-Bissau, Liberia, Mali,Mauritania, Niger, Senegal, Sierra Leone, Togo (all EBA) Nigeria (GSP)
Worse	Kenya (MAR→GSP)	Swaziland (MAR→GSP) Botswana (MAR→MFN) Namibia (MAR →MFN)		Cameroon (MAR→GSP) Gabon (GSP→MFN)	Ghana (MAR→GSP) Ivory Coast (MAR→GSP) Cape Verde (EBA→GSP)
Change			Mauritius (MAR→EPA) Madagascar (MAR→EPA) Seychelles (MAR→EPA) Zimbabwe (MAR→EPA)		

Source: http://ec.europa.eu/trade/: based on current EPA status and the new EC proposal on GSP and MAR 1528

GSP - General System of Preferences grants preferential market access to all developing countries on a restricted number of products at preferential tariff rates. According to a new EC proposal, more than half of its current beneficiaries be excluded from the scheme.

EBA - Everything but Arms is part of the GSP and grants duty free quota free access on everything but arms to Least Developed Countries (LDCs).

MFN – Most Favoured Nations tariff is the highest tariff on a good which the EU would be allowed to apply under the WTO rules, meaning same or worse treatment than developed countries.

MAR – Market Access Regulation 1528 grants duty free quota free access to EU markets to those countries which have initialled an interim EPA. According to a new EC proposal, this will no longer be available to countries which have not ratified an EPA.

Industrial development: African regions insist that the level of liberalisation the EU is asking for is too high

The EC is insisting on 80% of liberalisation of the goods market in African EPA countries. They present this as a fair and development-friendly asymmetrical liberalisation, since the EU will liberalise more. However, the devil is as always in the detail. The liberalised categories could be important sectors in which countries could build their own productive capacity to supply domestic and regional markets; instead, the EPA would mean that regional markets for those sectors are exposed to direct unfettered competition with EU goods. This is exacerbated by the EC's reluctance to allow adequate infant industry safeguards and its insistence on restricting the use of export taxes and export restrictions.

As a result, countries run the risk of remaining commodity exporters with limited employment benefits and generating little revenue, instead of moving up the value chain and diversifying their economies.

Foreign investment, services and public procurement: the EC is insisting on going beyond WTO commitments

In addition to liberalisation of trade in goods, the EC is trying to liberalise investment and services as part of the EPAs. This is to go beyond current WTO commitments. Not all of these issues are included in the current level of negotiations for 'interim' EPAs; however in ratifying 'interim' EPAs, ACP countries commit themselves to negotiate these so that they form part of the 'comprehensive' EPAs in the future. In regions where there is disagreement about including such issues, the EC is negotiating with individual countries. By so doing, the EC is again weakening regional integration while negotiating terms with countries that often do not have the regulatory framework to deal with liberalisation in these sectors.

Is the EC twisting arms to get a deal done?

After nine long years of negotiations, the European Commission seems to be resorting to duress to ensure that Economic Partnership Agreements (EPAs) are completed by 2014.

The EC proposes to withdraw preferential market access from 15 African countries which have not started to ratify their EPAs by 1 January 2014. Accordingly, imports from these 15 African countries will no longer enter the EU through duty-free quota free access. Instead, the 15 will either fall back to GSP if they are eligible, or compete for access to EU markets facing the same (MFN) tariffs as high income countries. Given the importance of the EU market to African nations and the vulnerability of many ACP economies, withdrawing preferential market access seems to be a last attempt to force them to sign EPAs. ACP Ministers strongly reject this new deadline.

Is GSP a genuine alternative to EPAs?

The EC has recently proposed changes to the EU's General System of Preferences which would see over 80 developing countries being removed from it. Under this proposal, Namibia, Botswana, Gabon and Mauritius would no longer be able to fall back onto GSP, because they are classified as Upper Middle Income Countries. For those ACP countries which will still benefit from GSP, the problem is that GSP either doesn't cover their most important exports or introduces higher tariffs. For example, GSP does not include sugar; Swaziland's sugar industry, representing 96% of their total exports to the EU and contributing 12% to 20% of their GDP, is therefore at risk as they face paying €339 in duties on an average market price of about €567 per tonne of sugar. Swaziland is now under enormous pressure to sign an EPA - as is Kenya with its flower sector facing a 16% increase in duties. [6]

The new GSP proposal is a major departure from its function as a development tool, because it will use only an income criterion to determine eligibility. Some of the countries now excluded, such as Namibia, may have reasonable average incomes, but nevertheless also have high inequality and widespread poverty. Regrettably, so far the EC reform proposal has seen hardly any resistance by MEPs to ensure that the GSP is strengthened as a development tool, rather than watered down.

What future for African trade?

As a result of the pressure by this new deadline, some African and Pacific countries, deciding that market access is too costly to lose, will feel compelled to sign EPAs even though they contain many unresolved issues and have questionable consequences for development. Others will take the risk of losing access with worrying consequences for many export sectors and their workers. While the EC's strategy might pay off in securing some EPAs, they will still be deals which are perceived to benefit the EU much more than ACP countries, harming EU-Africa relations. This will also create havoc for future regional integration as African countries facing different market access arrangements (GSP, EBA, MFN, EPA) will find it almost impossible to consolidate a customs union to stimulate regional trade.

Our recommendations

- EPA negotiations should not be brought to a false end through an ultimatum.
- EPAs should not be about making countries comply with EU trade strategy but must address and support the development challenges partner countries are facing.
- The EU must address the genuine concerns of ACP countries by introducing much more flexibility in the negotiations.
- The EC should offer genuine alternatives to EPAs for countries that are not in a position to conclude EPAs. This means maintaining MAR 1528 and reforming the GSP so as to offer EBA for the whole of Sub-Saharan Africa in line with PCD and Art.21 TEU obligations. [7]

Requests to MEPs

Use your power in trade negotiations to:

- Reject the EC proposal to amend MAR 1528/2007
- Vote against the removal of vulnerable and little diversified countries from the GSP
- Vote for a GSP reform which would grant African countries in regional groupings with LDCs the same market access as their regional partners
- Urge the EC to allow for greater flexibility in EPA negotiations to ensure that any final deal is development friendly and promotes regional integration
- Organise a symposium with UNCTAD to review development and trade in EPAs and to engage constructively in finding lasting solutions

References

Kondo, Timothy (2012) "Towards an Alternative Trade Mandate for EU policy – The case against Economic Partnership Agreements (EPAs) between the EU and ACP (African, Caribbean and Pacific) Countries", http://www.traidcraft.co.uk/EPAalternatives or http://www.comhlamh.org/NewReport_Southern_Perspectives_TradeDev.html

Bartels, Lorand and Paul Goodison, "EU Proposal to End Preferences of 18 African and Pacific States: An Assessment", Commonwealth Trade Hot Topics Issue 91, November 2011

"Dangers of the Economic Partnership Agreements and Alternatives for African Countries", Keynote speech by former President of Tanzania, Mr Benjamin W Mkapa at the East African Legislative Assembly on 13 February 2012, South Bulletin 60

Endnotes

1. The General System of Preferences (GSP) is a tool to promote development through trade and currently provides preferential market access to all developing countries. It has three categories: standard GSP open to all developing countries; "GSP +" open to countries which sign and ratify 27 international conventions on social, economic and cultural rights; and Everything But Arms (EBA) which is open to Least Developed Countries. GSP when mentioned in the text refers to the standard GSP category.
2. The Market Access Regulation (MAR) 1528/2007 provides duty free quota free market access for African Caribbean and Pacific countries that have initialed an interim EPA.
3. Proposal for a regulation of the European Parliament and of the Council amending Annex I to Council Regulation (EC) No 1528/2007 as regards the exclusion of a number of countries from the list of regions or states which have concluded negotiations (COM(2011)0598 – C7-0305/2012 – 2011/0260(COD))
4. All current EPAs in Africa are **interim EPAs** which means they cover goods only with a commitment to cover other areas for liberalization at a later stage. **Initialling** an EPA means that the negotiators conclude negotiations and accept a text as the genuine outcome of the negotiations; **signing** is the official acceptance of that text by the governments; **ratifying** the official endorsement by the constitutionally designated authorities.
5. Keynote speech at the East African Legislative Assembly on 13 February 2012
6. Bartels, Lorand and Paul Goodison "EU Proposal to End Preferences of 18 African and Pacific States: An Assessment"
7. See also the Briefing Paper on the Reform of the GSP by the CONCORD Trade Reference Group: http://www.concordeurope.org/Files/media/0_internetdocumentsENG/4_Publications/3_CONCORDs_positions_and_studies/Positions2011/CONCORD-GSP-Briefing-111220ro.pdf

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