



COUNCIL ON FOREIGN RELATIONS



## Trade Policy and Africa: EU Economic Partnership Agreements in the Context of a Development Agenda

On May 12, the first analytical discussions involving African, European, and American experts in the US on EU Economic Partnership Agreements in the Context of a Development Agenda' was convened by Realizing Rights: The Ethical Globalization Initiative, the Council on Foreign Relations, and Manchester Trade. The presentations and discussions focused on the following topics:

- Are Economic Partnership Agreements Consistent with Development Aims? How was this reflected at United Nations Conference on Trade and Development (UNCTAD) XII?
- Do Economic Partnership Agreements (EPAs) respect the principles of the World Trade Organization (WTO) or conflict with them?
- Could we consider Africa as a development region to avoid the problems inherent in inconsistent bilateral and regional trade agreements?
- How does the Aid for Trade initiative fit with EPAs and other 'sub global' agreements, and is it robust enough to actually stimulate greater international trade?
- Given how international markets for agriculture and industrial goods are changing due to external factors like biofuel demand, climate change/food security and changes in food consumption patterns, and increasing energy needs in the BRIC (Brazil, Russia, India and China) countries, are traditional trade policies at all adequate to achieve desired outcomes?

The Honorable Mary Robinson, President of Realizing Rights: The Ethical Globalization Initiative opened the event with an assessment of global trade policy in 2008. The World Trade Organization and global trade policy-making in general has not reflected development and human rights concerns. While the Doha Round has in essence stalled, the most notable development in trade negotiations globally is the proliferation of EU Economic Partnership Agreements with ACP (Africa, Caribbean and Pacific) countries. Indeed, this was a major topic of the recently concluded UNCTAD XII meeting in Accra. EPAs are discussed in the corridors of governments, in the meetings of civil society, and appear frequently in the trade press, so EPAs were the subject of the Roundtable, though placed in the context of broader trends in trade policy-making.

This event brought together speakers and participants to discuss the encouraging as well as less promising aspects of the EPAs, Aid for Trade policies, and south-south trade agreements. The purpose of this Roundtable was “to convene in order to catalyze action,” requesting contributors to focus on concrete actions that might be taken after the meeting in order to use trade to promote development in Africa.

Panels were moderated by The Honorable Princeton Lyman, an adjunct senior fellow for Africa policy studies at the Council on Foreign Relations and an adjunct professor at Georgetown University; Robert Kapp, Of Counsel to the law firm of Hogan & Hartson LLP; and Sandra Polaski, Director of the Trade, Equity and Development Program and a Senior Associate at the Carnegie Endowment for International Peace.

Nikolaos Zaimis, the Head of the Department of Trade of the European Commission Delegation to the US opened the discussion. He suggested the many ways that EPAs can support trade with ACP countries. He emphasized the importance of trade’s multiplier effects and the need to address the end of waivers under other agreements, especially the Cotonou Agreement. Oil, diamonds, cocoa, and wood make up 50% of exports from the ACP and there is a need to find other products to diversify and increase exports. During the discussion other participants noted that EPAs were adopted due to an absence of better alternatives, and some felt these agreements basically make markets ready for European investors to step in.

Dr. Festus Fajana, a Trade Policy Expert with the Department of Trade and Industry of the African Union Commission, spoke about the disappointment of African countries with the Interim EPAs now on the table. He said that the expectation that EPAs would serve as effective instruments for the promotion of sustainable development, eradication of poverty, reinforcement of Africa’s regional integration initiatives, and gradual integration into the global economy has not been realized. He attributed this to the inequalities of negotiating powers between the EC and African countries.

In addition to the neglect of the development dimension, the main concerns about EPAs which Dr. Fajana highlighted in his presentation include the rather short transitional periods required for African countries to completely liberalize their trade with the EU, which in some cases are shorter than the periods set for the liberalization of trade among themselves; the MFN clause which could constrain the growth of South-South trade; and several provisions which would limit the policy space for African countries.

Stephen Lande, the President of Manchester Trade, spoke on the separation of Sub-Saharan Africa (SSA) into Least Developed Countries (LDCs) and non-LDC countries under the EU proposal. Lande viewed this separation as a mechanism to pressure non-LDCs to sign interim EPAs. New agreements were necessary for non-LDC countries when the previous Cotonou agreements were felt to be inconsistent with WTO rules. In the Cotonou agreement which went into effect in 2002, the EU agreed only to extend trade preferences until December 31, 2007. At that time preferences were to be replaced by a WTO consistent arrangement. A similar preference program was offered by the EU, Everything But Arms (EBAs), but it was made available only to LDCs. Lande explained that this little known WTO designation was used by the EU to move forward the EPAs despite requests by Senegal to continue the ACP preferences under Cotonou while the EU requested a temporary extension to allow negotiations to continue. It is worth noting that in the absence of dispute settlement which usually lasts more than two years, the EU could have continued its program. For example, the U.S. has designated both least developed and non-least developed SSA countries as eligible for preferences under the African Growth and Opportunity Act (AGOA).

The signing of the agreement also makes the development and integration of the Regional Economic Communities (RECs) even more challenging. RECS are considered key building blocks to African integration, which is necessary for development when the economies are too small to compete globally. In fact, Lande also reported that as a result of “subtle hints” that aid levels were in danger by not signing and concern that the integrity of the RECs would be threatened, a number of LDCs initialed the interim EPAs as well.

Lande argued that, in this case, WTO rules were being used to force countries to enter agreements through non-productive separation of the SSA region. In line with recognition by the G8, the World Bank, the African Development Banks and a number of bilateral donors, Lande asserted that WTO Contracting Parties should agree to treat the SSA region as one development region for the purpose of trade pacts. He also concluded that this definition should be supported by the US since not only would acceptance of EU practice pose a direct threat to AGOA, it would result in US exports gaining second class status throughout all of Africa. Lande concluded by stating that any attempt by African countries to modify this distinction between non-LDC and LDC SSA countries should be supported by other developing countries out of South-South solidarity.

Finally, Lande agreed with other speakers that this abuse of WTO rules could have been designed to allow EU countries to reestablish elements of colonialism. <sup>1</sup>

(Stephen Lande’s written submission is available online at [www.realizingrights.org](http://www.realizingrights.org).)

Mayur Patel, an associate of the Global Economic Governance Programme at the University of Oxford, described how interim EPA deals have deviated substantially from development principles. Patel first highlighted that in order to be beneficial, liberalization must be well managed and consistent with a country’s ability to adjust and put in place necessary safety nets. But in the EPAs, the speeds at which countries are to open up is not correlated with their level of development or their capacity to implement adjustments. Promised transition periods of twenty-five years been granted to only a few countries for a handful of products, and each separate deal has arranged very different timelines for tariff reductions. For example, Cote d’Ivoire will completely remove all tariffs on 60 per cent of its imports two years before Kenya even begins to start reducing tariffs, while Mozambique has agreed to open up faster than South Africa did under its bilateral trade agreement with the EU (the Trade and Development Cooperation Agreement, TDCA). These variations suggest that the EU pushed as hard as it could to extract concessions from ACP countries; where it could push for greater concessions against a weaker partner, it did so irrespective of their development needs. Patel then emphasized that the EPA agenda has little coherence with the principle of building strong and well-integrated regional markets in Africa. In many cases, countries in the same economic region have liberalized different baskets of products, which is likely to create new barriers to intra-regional trade.

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<sup>1</sup> It is worth noting that a recent article by renowned international economist Fred Bergsten argued that we now live in a bipolar world with the U.S. and China being the dominant countries. Regardless of whether the number is just two or more, it is clearly not in SSA’s interest to provide a privileged position for a lesser player.

Although one of the professed objectives of EPAs was enhanced integration into the world economy, Patel highlighted that certain details in the agreements are likely to reduce the incentive for further South-South trade. Like Lande, he noted that the MFN Clause, which requires any future concessions African countries negotiate in RTAs with other major developing countries to also be extended to the EU, would likely discourage third-party countries from entering into trade agreements with African countries. Patel also asserted the EPAs do not sufficiently provide African countries with the flexibility they were promised. For example, the ‘standstill clause’ requires existing tariff levels to be frozen on all products, even those that are excluded from liberalization. Similarly, many of the ‘safeguard clauses’ are weak and difficult to operationalize. Patel concluded by putting forward six suggestions to help chart a way forward while the EPAs are still ‘interim’ arrangements and not signed deals:

- The restrictive clauses that are not in African interests and not necessary for WTO compatibility should be removed.
- The agreements African countries have initialed should be harmonized at a regional level before any are signed.
- Networks between sub-regional groups in Africa should be strengthened to help countries coordinate and share information in their trade negotiations.
- Caution should be taken when negotiating beyond goods in areas such as services, intellectual property and competition policy. These are highly complex issues, which require strong pre-existing domestic regulatory frameworks in order to benefit from.
- Strict modalities and binding provisions should be established on trade adjustment assistance from the EC and European member states to African countries. The stronger the language the more likely it is that the assistance will be implemented in a timely and predictable manner.
- Where appropriate, the tariff reductions African countries give to the EU should also be extended on an MFN basis in order to prevent trade diversion.

Mayur Patel’s full report is available online at [www.realizingrights.org](http://www.realizingrights.org).

A Question and Answer session followed the first panel presentations.

A second panel examined ‘Current Development Challenges in Africa – Examining Trade Strategies and Other Tools as Better Alternatives’. Luis Eduardo Siteo, Commercial Counselor at the Embassy of Mozambique, presented his perspective. He has taught for three years at the University Masters level in his native Mozambique and noted that even there many do not understand the issues of trade and development. The Southern African Development Community (SADC) is still in the process of being negotiated after two years. He and his colleagues in Africa want to protect, not open up, their markets further. Siteo said that they need greater capacity to design effective trade strategies. He added that they lack the infrastructure to export more food and that they need both software and hardware.

Alexandra Speildoch, the Director of the Trade and Global Governance Program at the Institute of Agriculture and Trade policy, spoke next. She discussed the UNCTAD XII meeting in Accra at the end of April where she saw governments acknowledge an imbalance in the global trade and investment system, yet continue their promotion of the same trade and investment models. Her talk reflected on Aid for Trade and the EPAs as two such programs. Speildoch described Aid for Trade as another layer to a “flawed equation” of structurally flawed multilateral trade rules. Poor implementation and a lack of money have led to limited success. Speildoch questioned the Aid for Trade agenda as a means to pressure African countries to open up their markets and support supply side capacity.

EPAs were assessed next by Speildoch. She explained that they move faster and further than the WTO in terms of investment liberalization, intellectual property rights and services. This is accompanied by increased pressure on their completion in order to maintain preferential access to the EU market. Critiques have come from some governments, civil society, and UN Agencies against the EPA terms. These critiques focus on the possibility of aid dependent on EPA agreements, a push for biofuels investment that will exacerbate food insecurity in Africa, and the loss of important tariff revenue. Speildoch recommended that any EU agreements should be dependent on impact assessments; transparent debates; regional integration and intra-trade prioritization; investment in national development priorities; and a policy space for countries to respond to national development priorities like those influencing the food crisis. Speildoch called on the North to fulfill its commitments to resolve the food crisis, mitigate climate change, and foster trade that is truly in support of development.

Dr. Margaret C. Lee from the University of North Carolina shared her interpretation of the Treaty of Rome as the beginning of neocolonialism. Lee contrasted the European treatment of Africa in terms of trade with the support given to Eastern Europe where the ‘conditions’ on trade agreements have been favorable to smaller economies. The 10+ regional economic areas in Africa being redesigned on the behalf of the EU represents an economic repartitioning of Africa that Lee calls “the economic scramble for Africa”. She further noted that Aid for Trade was basically a way to trick Africa into a little money.

Steve Hayes, CEO of the Corporate Council on Africa, described the inequality gap as so large as to make any potential benefits from EPAs unclear. Hayes argued that a more integrated and sophisticated modeling system is needed. He used the example of the bad US biofuel target as another “one size fits all” goal. Bans on genetically modified organisms are another challenge. More integrated trade policies are needed. He wondered about US government priorities in trade with Africa because the Chinese Exim bank has granted \$13.3 billion in loans while the US Exim bank guaranteed only slightly over \$400 million.

The final discussion was moderated by Sandra Polaski of the Carnegie Endowment for International Peace, who began by noting that trade negotiations are driven to some extent by mercantilism, that is, the desire of powerful countries to favor their own firms and producers. As a result, development objectives are often disregarded. She suggested that mercantilism can be seen in the current competition between the EU and the US for the most favorable terms in their trade agreements with trading partners that they have in common. The EU’s current push to include “most favored nation” clauses in EPAs, which would require developing country trade partners to extend to the EU any terms they might offer to low income trading partners, has introduced a new and harmful example of this counter-productive dynamic .

In the discussion that followed, the focus was on how to make development the core of trade strategy. The discussion highlighted the importance of challenging competitive liberalization. Several speakers noted the importance of information sharing between countries and the need for stronger coalitions among African countries. There was also a call for binding modalities for adjustment assistance and aid for trade. Princeton Lyman emphasized that sectors critical for poverty reduction should be a particular focus of efforts to link trade and development. Alexandra Speildoch highlighted the fact that in many countries the capacity is not there to respond to the changing market signals, particularly in food production.

The meeting panel discussed and proposed a series of follow up steps. The primary proposal focused on ending different treatment of SSA countries based on LDC and non-LDC designations. Panelists called for an eventual designation of the SSA region as a whole development zone. However, this may not be possible in the near future given the stop and go nature of Doha Round negotiations. In the interim, WTO contracting parties should agree that all SSA countries should be treated as LDCs for the purpose of market access commitments making them eligible for DFQF and EBA status. This could be constructed as a “peace clause” that would commit all WTO members to refrain from challenging the arrangement until a new multilateral agreement could be negotiated. It would allow EPA negotiations to continue without coercion because all countries would know that preferences were available under EBA and it would prevent disruption of regional integration in Africa due to differences in tariff obligations. However, any such initiative would have to originate by a critical mass of SSA countries perhaps under the leadership of the African Union.

There was a general call to expand and strengthen dialogue between the EU and developing country governments on many different aspects of the EPAs. In Africa, the EPAs have only been initiated and so do not impose any obligations on the parties. Therefore, there is scope to revise and renegotiate the agreements. In this light, a number of other recommendations on the EPAs were put forward by the panel for consideration before any countries sign the EPAs.

- Impact assessments should be undertaken and completed before final agreements are signed.
- Negotiations should be transparent and based on informed, consultative debates.
- EPAs should be reviewed in relation to the existing WTO policy space.
- Regional integration and intra-trade must be prioritized over accessing EU and other external markets.
- Increased investment should support national development priorities, including rural development.
- Countries should have the policy space necessary to respond to national development priorities with domestic controls such as export taxes, price caps and bans on financial commodity speculation.
- Restrictive and distorting clauses inserted at the last minute, such as the MFN and Standstill clauses, should be removed because they are not in Africa’s interests.
- Continue high level political engagement and work out and harmonize priorities among African countries.
- Build strong networks of information between regional groups in Africa that could have prevented the large degree of variation between interim EPA texts and will improve EU negotiations in the future.
- Be careful negotiating beyond goods to ensure negotiations involving services, IP, competition, etc. create benefits for Africa.
- Develop strict modalities and binding provision on trade related adjustment assistance.
- Multilateralize provisions given to the EU.

For the papers produced related to this event and more information on trade and development, please visit the website of Realizing Rights at [www.realizingrights.org](http://www.realizingrights.org).