

What happened at the end of 2007

Faced with the prospect of losing preferential market access on 1 January 2008, 18 African countries initiated "Framework" or "Interim" EPAs with the European Union in December 2007.

The East African Community (EAC) countries initiated the same Interim EPA as a block. But all the other African countries initiated individual and different texts, despite the fact that many of them belong to the same regional trade area (for example, COMESA & ECOWAS) or even Customs Union (for example, SACU). This threatens to seriously damage Africa's regional integration efforts.

| West Africa | Central Africa | East Africa | East & Southern Africa | Southern Africa |
|---------------|----------------|---|------------------------|-----------------|
| Ghana | Cameroon | Kenya, Uganda, Tanzania, Rwanda & Burundi | Mauritius | Botswana |
| Cote d'Ivoire | | | Seychelles | Namibia |
| | | | Madagascar | Lesotho |
| | | | Zimbabwe | Swaziland |
| | | | Comoros | Mozambique |

Benefits of initialing

An EU resolution grants all countries which initiated an EPA "Duty-Free, Quota-Free" access to the European market. Practically speaking, this means African countries who initiated have maintained the market access to Europe they already had under the earlier preferential agreements of Lomé and Cotonou.

Price of initialing

In international law, initialing a treaty or agreement is not a binding act. By initialing, African countries gave a good-faith promise to consider signing the Interim EPAs. They are not obliged to sign. Also, legally, they are free to renegotiate the initialed agreement.

These are important points, because academics and think tanks¹, UN bodies², lead politicians in Europe and Africa³, and even some governments⁴ have recognized that **the initialed Interim EPAs are bad deals**. Most of the ACP countries have been trying to renegotiate - at least to strike out the particularly contentious clauses. The European Commission insists that it will not renegotiate.

¹ See: South Centre, EPA Negotiations: State of Play and Strategic Considerations for the Way Forward, Feb 2008; George Monbiot, www.monbiot.com; Nobel Economist Stiglitz Criticizes EPAs, July 2008, www.ghanaweb.com.

² UN Economic Commission for Africa, North-South FTAs After All?, 2008. UN Special Rapporteur on the Right to Food, Jean Ziegler, The Right to Food, 22 Aug. 2007.

³ See: Christiane Taubira, Guyana MP to French Parliament, The EPAs between EU & ACP: What is politics intervened in world business?; Glenys Kinnock, co-President of the ACP/EU Joint Parliamentary Assembly, letter to the Guardian: Look Again at EU Trade Agreements, 30 Aug 2008.

⁴ As of Sept 2008, Guyana is refusing to sign a "Comprehensive" EPA. Senegalese President Wade has been outspoken in his criticisms of the EPAs and the role of the EU in the EPA negotiations.

What about countries that did not initial?

28 African countries did not initial any agreement at the end of 2007. For countries which the UN has designated as "Least-Developed Countries", the EU offers "Everything But Arms" (EBA), a trade arrangement granting most exports Duty-Free & Quota-Free access into Europe.

A few African countries that are not "Least-Developed", and thus not eligible to the EBA, did not initial: Nigeria, Democratic Republic of Congo, and Gabon. These are now trading with the EU under the General System of Preferences (GSP) trade scheme. Under GSP, developing countries have limited preferential access to Europe's markets; fewer products qualify for entry and they do not get Duty Free status.

In the Cotonou Agreement, the EU committed to develop an "alternative" to the EPAs, if requested by ACP countries. Since then, the EU has insisted that GSP is the only alternative, despite the fact that it is clearly an inadequate substitute to the Cotonou Agreement's preferential treatment.

2008 So Far

In Africa, none of the initialed Interim EPAs have yet been signed. In fact, many African governments are trying to re-negotiate the texts that they hurriedly initialed at the end of 2007. At the same time, all of the African countries, even those who have not initialed anything, are negotiating for "Comprehensive" EPAs.

The Stakes for Africa: Higher than Ever

Dangers of the Interim EPAs

The Interim EPAs are free trade agreements that deal only with trade in goods. Signatory African countries must thus eliminate tariffs on “substantially all” European goods. Implications include:

LOST REVENUE: By dropping tariffs on most European products (from 80-98%), African countries will lose revenue. A study of the Interim EPAs identified significant revenue losses: in Kenya, a total of \$39.5 million; in Cameroon, a total of \$99 million; in Ghana, a total of \$162 million.⁵

LOST POLICY SPACE: African countries will entirely drop tariffs on 80-98% of all European imports.

Currently, if faced with a sudden surge of European powdered milk that drives the price down, African governments can raise the import tariffs to protect African dairy farmers. With the Interim EPAs, even if powdered milk is one of the few ‘protected’ products, the Standstill Clause will not allow its applied tariff to be raised.

Dangers of Comprehensive EPAs

The Comprehensive EPAs will require far-reaching liberalization commitments that even the strictest interpretation of World Trade Organization (WTO) Free Trade rules does not require:

SERVICES & INVESTMENT: Lowering barriers to European service providers & investors will require changing domestic laws: not allowing discrimination between domestic and foreign service companies and investors; not allowing governments to limit the type, number or size of foreign companies and investors in the country; and limiting regulatory powers. Rather than giving up the space to regulate, African countries need to develop strong and effective regulatory frameworks to ensure that growth in these areas benefits African citizens.

GOVERNMENT PROCUREMENT: Governments can use these policies to support certain industries and service providers, for example by choosing to only buy products from domestic suppliers. The EU wants this liberalized, so that government will not be able to favor domestic industries over European.

COMPETITION POLICY: Europe wants Africa to put in place these policies, which control businesses to ensure free competition. While they can be a useful tool to regulate business, they can also be used to ensure that European corporations will have access to our markets and to deny aid to domestic industries.

The Benefits: Remaining Static

“DEVELOPMENT COOPERATION”: French MP Christiane Taubira points out that the EU & ACP countries have different and un-debated conceptions of ‘development.’ The EU insists that EPAs are ‘development instruments’ because trade liberalization leads to development. African states want concrete commitments for aid and assistance from the EU. Unfortunately, there is no extra pot of money; the EU has been very clear that money connected to EPAs will come from the usual European Development Fund.

MARKET ACCESS: While maintaining European market access is clearly important to many African exporters and governments, the EPAs call for too many sacrifices just to secure this access. Luckily, there is another way to maintain significant access. Until the end of October, African governments can apply for GSP+, an alternative WTO-sanctioned EU preferential trade arrangement, eligible to governments that sign a certain number of human rights and environment instruments. Under GSP+, a large number of products have duty-free access into Europe, without having to open up African markets to Europe.

More trade liberalization is not the path to sustainable development. Reducing African governments’ policy space will not benefit Africa’s people. EPAs are not the answer to Africa’s economic problems.



⁵ ODI-ECPDM, The New EPAs: comparative analysis of their content and the challenges for 2008, Mar. 2008.