

EPAs: New trade deals, old agendas

By Yash Tandon (10/2010)

Background: What are EPAs?

Few people in East Africa know about the Economic Partnership Agreements (EPAs) being negotiated between the European Union (EU) on the one hand and the countries of Africa, Caribbean and the Pacific (ACP). It is primarily a trade agreement, but underlying it are a number of sensitive political and developmental issues. Fifty years after Africa gained its independence from colonial rule, the relationship between it and the former empire is still a hot issue.

One of the compelling aspects of re-negotiating this relationship is the requirement of the World Trade Organisation (WTO), of which both the EU and most African countries are members, that the old 'trade preferences' must be dismantled. Under the 'imperial system of preferences' instituted by the Empire, its colonial outposts were given 'preferential' access to the European market.

What is often lost sight of is the fact that these 'preferences' were for the benefit of Europe. Europe needed secure sources of raw materials and food for their industrialisation and security against disruption of food supplies, especially during times of wars. Today this reality is reversed in the language of trade negotiations. The 'preferences' are presented as if they are a kind of 'favour' that Europe grants to its former colonies.

The WTO now demands that these preferences be done away with and that all members of the WTO deal with one another on the basis of 'reciprocity'. The old preferential system was based on 'non-reciprocity' – Africa for example did not have to provide Europe with 'reciprocal' access to African markets in return for their 'preferential' access to Europe.

This is an important point. Today, for example, the horticultural industry in East Africa has a 'preferential' access to Europe; it is subject to a lower tariff than flowers or vegetables coming from, for example, Costa Rica or the Philippines. In other words, East African growers have a 'competitive advantage' over their counterparts in other parts of the world. In return, East Africa does not have to give to Europe a 'preferential' access to its markets. This is what 'non-reciprocity' means. But we are now in the era of globalisation in which these arrangements are now outdated. These have to be removed under the WTO that requires a 'Most Favoured Nations' (MFN) treatment.

So what is the problem with the EPAs?

The problem is both with the substance of the issues being negotiated and the manner in which it is being done. The EU negotiates as one entity, a powerful empire. African countries are small, divided and fragmented. Africa is hostage to pressure from Europe – in the form of threats, sanctions as well 'aid' sweeteners – to agree to something that may not be in the long term interest of Africa. In fact, most African analysts agree that the EPAs are really designed to perpetuate Europe's imperial hegemony over Africa.

The former President of Tanzania, Benjamin Mkapa, described EPAs as an attempt by Europe to recolonise Africa. It is, he said, 'another Berlin Conference for the scramble of Africa'. Referring to the 1884 Berlin Conference, Mkapa said: 'If you fool me once, shame is on you, fool me twice shame is on me.' He said Africans were taken for a ride during the Berlin

Conference and that should serve as an important lesson to them when they negotiate trading partnerships with Europe. ('Africa should not be cajoled into the EPA', <http://bit.ly/9vsioU>)

In fact it is a serious matter, the more so because very few people including the private sector in East Africa (a section of which is going to be hit very hard under the EPA) know very little about it. Trade experts at the South Centre (an intergovernmental think-tank of the South based in Geneva) had this to say: 'Negotiating Economic Partnership Agreements between Africa and Europe has led to an untenable situation in Africa in several ways: Firstly, it would not be an understatement to say that the EPAs have ruptured African sub-regional integration efforts. Secondly, the EPAs, once implemented, will further contribute to the deindustrialization of Africa, as well as the worsening of the food crisis which is essentially a crisis of food production. The EU will increase food exports to the continent, and for Africa, this is tantamount to the importation of unemployment.' (South Centre, Analytical Note, May 2010).

Because of this only 10 out of 47 African countries have signed EPAs to date. Some of those that signed an 'Interim' EPA (IEPA) in 2007 are now holding back on ratification due to threats of regional disintegration (for example, South Africa and Namibia in the SADC region).

Thirty-four out of 47 African countries negotiating EPAs are the so-called Least Developed Countries (LDCs). They do not need the EPAs to retain preferential market access. Under the EU's Everything But Arms (EBA) scheme, all LDCs have duty-free quota-free treatment of their current exports to the EU.

And yet many LDCs have felt compelled to initial the IEPAs (as has happened in East Africa) because although four of the five countries (Burundi, Rwanda, Tanzania and Uganda) are LDCs, the EU has insisted that for the non-LDC country in the region (Kenya) to retain its duty-free access to the EU market on, for example, cut flowers, the entire EAC must sign an EPA.

This is detrimental not only to the other countries in the region, but within Kenya itself it is detrimental to small and middle enterprises (SMEs) that are dependent more on the domestic and regional markets than on the export market. In other words, in return for 'preferential' tariff concessions for the horticultural industry, East Africa is asked to grant tariff-free access to European products and services (such as transport and tourism) that will endanger East Africa's food security, prospects for industrialisation, and regional integration.

The dangers of EPAs for East Africa

The complexity of the EPA negotiations, and the language in which they are couched, can baffle most experts. However there are organisations such as the South Centre and NGOs such as the Southern and Eastern African Trade Information and Negotiations Institute (SEATINI) that has offices in Kenya, Uganda, Zimbabwe and South Africa that try and distil the main issues, breaking them down into more easily understood language, and work out the implications. What is offered to us as a 'development' agenda by the EU is in fact anti-developmental. EPAs may help Europe. They will not help Africa.

Here are some of the perils of EPAs:

1. EPAs demands 80 per cent tariff liberalisation from us in East Africa. This will open up our market to a flood of foreign imports that will kill whatever industries we have locally, and cause massive unemployment.

2. The EU has not made any real cuts on its food subsidies, and is not likely to in the future because of domestic political reasons. Hence, under EPAs its food corporations could bring subsidised food into our region, and threaten our food-based industries, and long-term food security.
3. EPAs allows only 17.4 per cent of value of imports from Europe as 'sensitive' products to us. This is not enough. We should have the flexibility to protect our production potential over the long term, and for this we need 30 to 40 per cent of our import lines designated as 'sensitive'.
4. The Standstill Clause under the EPA (Art 13) disallows us to increase tariffs during 25 years of liberalisation. It will foreclose the use of tariffs to protect our industries in the future.
5. Article 15 of the EPA disallows new export taxes, or makes them difficult to apply. Europe wants our natural resources for its own industrialisation, and so it wants this provision. But we need these for our own future industrialisation, and export taxes are necessary for us to hold on to our strategic resources.
6. The MFN clause (Article 16) of the EPA demands that any concession we make to, for example China, India, Brazil, etc will have to be extended also to Europe. This will effectively undermine our efforts to build South-South relations.
7. The Rendezvous Clause (Article 37 of the EPA) is totally contrary to what we have fought for and secured within the WTO ambit. This concerns the so-called four 'Singapore issues' of investment, competition policy, transparency in government procurement, and trade facilitation, the first three of which were rejected for inclusion in the WTO Doha Round. Africa fought hard to get these issues thrown out of the WTO. Now the EU wants to bring them through the back door. In addition, the 'Rendezvous Clause' demands continuation of negotiations in other areas such as Trade in Services and Intellectual Property. These have the potential to undermine our local service sector, including real estate, communications, transport and even hospital and educational services.

These are highly technical and contentious issues. We should not open doors to these until we have carefully analysed their implications for our economies, especially future industrialisation, and their negative impact on our research and knowledge based institutions.

EPAs are damaging to our regional integration, damaging to African unity, and will undermine the struggles and the outcomes of what Africa has, under great difficulties, managed to achieve within the multilateral trading system of the WTO.

On 9 June 2010 the EU fully expected a FEPA (Framework EPA) to be signed by the EAC at a ministerial meeting in Dar es Salaam. But through skilful intervention by the East African Legislative Assembly (EALA) that passed a timely resolution asking for more time to consider the implications of FEPA, the top political leadership of EAC governments, and some activist civil society organisations, this was stopped.

Now the EU expects the EAC to sign a 'comprehensive' EPA (CEPA) in November 2010. The EU is clutching at the straws, and therefore is likely to increase pressure, especially on the financial carrot side. The EU will attempt to 'sweeten' CEPA by offering 'development aid' either through the European Development Fund or as 'aid for trade'.

We must be wary of these sweeteners. They are sugar-coated pills to induce our countries to barter our future for a mess of pottage. Africa has had bad experiences in the past. We must not

repeat past mistakes.

Sequentially, East Africa must integrate regionally first. It must move ahead with implementing the Common Market Protocol. This is priority number one. Then it must conclude the 'Doha Development Agenda' in the WTO. And then, finally, it must negotiate with the European Union an EPA that is compatible with our East African Community obligations and the commitments we make in the WTO.

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- Yash Tandon is a writer on development theory and practice, chairman of SEATINI and senior adviser to the South Centre.
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