

Brandi, Clara; Hulse, Merran; Keijzer, Niels

Research Report

What next for the Economic Partnership Agreements? Thoughts on deepening the EU-Africa trade partnership

Briefing Paper, No. 9/2017

Provided in Cooperation with:

German Institute of Development and Sustainability (IDOS), Bonn

Suggested Citation: Brandi, Clara; Hulse, Merran; Keijzer, Niels (2017) : What next for the Economic Partnership Agreements? Thoughts on deepening the EU-Africa trade partnership, Briefing Paper, No. 9/2017, Deutsches Institut für Entwicklungspolitik (DIE), Bonn

This Version is available at:

<https://hdl.handle.net/10419/199797>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



What Next for the Economic Partnership Agreements? Thoughts on Deepening the EU-Africa Trade Partnership

Summary

Many actors in the G20, the EU and Germany are calling for a quantum leap in the economic co-operation between Europe and Africa. However current discussion of EU-Africa trading relations frequently focuses solely on the much-debated Economic Partnership Agreements (EPAs).

EPA negotiations date back to the 2000 signing of the Cotonou Partnership Agreement (CPA) between the EU and the African, Caribbean and Pacific states (the ACP group). The ensuing negotiations took a highly controversial contentious turn, culminating during the 2007 EU-Africa Summit, when African heads of state and government accused the EU of looking to conclude trade agreements between fundamentally asymmetrical markets.

In light of the upcoming EU-Africa summit in November 2017, it is important to continue the dialogue regarding what the EU and Africa wish to achieve with the EPAs. EPAs could contribute to the strengthening co-operation between the EU and Africa by forming part of a broad strategy supported by adequate political, human and financial resources. EPAs however remain a divisive topic, with many actors having divergent expectations. Yet in spite of ongoing controversy regarding EPAs on both sides, there remains a strong common interest in intensifying trade co-operation between Africa and the EU.

Against this background, this paper examines four possible scenarios for the future of the EPAs– with their respective opportunities and risks:

- Scenario A: Continuing the current EPA strategy
- Scenario B: Discontinuing EPA negotiations
- Scenario C: Resuming EPA negotiations on a new basis
- Scenario D: Pursuing an adapted and more flexible EPA agenda

The discussion of these scenarios shows that EPAs offer key benefits to EU-Africa trading relations, for example by strengthening legal security for the parties involved (Scenario A). The discontinuation of negotiations (Scenario B) offers no solution for the future of EU-Africa relations, with a restart of these (Scenario C) also offering little prospect of success. We therefore urge the adoption of a modified and more flexible EPA agenda (Scenario D), which specifically addresses the concerns of the ACP countries, reinforces African regional integration processes, and delivers more supportive measures than a continuation of the current strategy.

It is not helpful to consider the EPAs in isolation from the broader field of trade and development and expect them to deliver substantial results on their own. If the current impasse is to be overcome, all actors – whether critical or moderate – need to take part in explicitly interest-led discussions. Scenario D offers the possibility of the EPAs forming an integral element of the debate regarding trade and investment, whereas to date they have formed more of a separate thread of discussion in EU-Africa relations.

Introduction: EU-Africa trade relations

Strong political relations between Africa and Europe are more important than ever before. Challenges such as instability, terrorism, migration and climate change point to the need for greater co-operation, while Africa also has the potential to be an important partner for Europe in forthcoming challenges to the international liberal order. Trade policy is an indispensable element of EU foreign relations and closely connected to other policy areas. The EU and the German government increasingly acknowledge this, and the current German initiatives (Marshall Plan with Africa & Compact with Africa) emphasise the need to strengthen and deepen economic and trade policy co-operation with Africa.

Unfortunately, EPA negotiations largely lacked such an integrated approach, resulting in largely unsuccessful outcomes during the first phase of negotiations that lasted until December 2007. No regional EPAs were concluded, only bilateral interim agreements with middle-income countries. The EU subsequently set new deadlines for 2014 and 2016 to force the pace of negotiation and ratification. However, so far only one regional EPA – with the Southern African Development Community (SADC) – is being provisionally applied. In other regions, bilateral EPAs with individual countries have been the sole outcome as regional EPAs have fallen by the wayside. As a result, there are numerous challenges in the realisation of both EPAs and the more comprehensive agenda of intensifying co-operation with Africa and countering the institutional fragmentation of EU-Africa trade policy.

Firstly, the controversy over EU-Canada and EU-United States trade agreements may contribute to a greater impetus for the discussion of EPAs and their effects, including in Germany. In addition, a perceptible decline in US support for an open, liberal, multilateral trade system may also contribute to a hindering of further progress on EPAs and further erosion of liberal multilateralism.

Secondly, increasing nationalism and/or anti-globalisation movements at the European level represent a challenge for both EPAs and the proposals aiming for closer co-operation with Africa. Against this background, the German government needs to conduct a structured dialogue regarding free and fair trade with relevant actors in society, in order to secure long-term public support for its policies.

Overall, there is a growing gap between the need to deepen European and German economic and trade co-operation with Africa and the necessary environment in which this can be realised. Brexit complicates matters further, and may lead to African states facing additional trade obstacles – particularly those states that use the United Kingdom as a “launch pad” for access to the single market.

The current EPA impasse

A number of African states – namely Burundi, Nigeria and Tanzania – are delaying ratification of their respective regional EPAs with the EU. Nigeria argues that the EPA undermines its industrialisation strategies, while for Tanzania, Brexit is considered to render an EPA with the EU less attractive. Negotiations in Central and Eastern Africa are faltering; with no regional EPA thus far concluded. This means that the EPA with SADC (currently provisionally applied) is likely the only regional EPA in Africa that will enter into effect in the near future.

EPAs also face challenges related to faltering regional integration processes in Africa. Discussions towards an ambitious continental free trade zone are continuing, yet under current conditions, the agreed deadlines for achieving integration milestones appear unrealistic, while technical and political obstacles to increasing intra-African trade remain.

In confronting these challenges, the African states also face a highly fragmented framework with regard to EU trade policy. Some African countries are covered by unilateral EU preferences (Everything But Arms, EBA; Generalized System of Preferences, GSP), whilst others are covered by regional or bilateral EPAs, or not covered by any EU framework at all. The various schemes (including different EPAs) include differing obligations and commitments to the EU, which will be difficult to harmonise within a continental framework. Whilst some have a long-term view of the EPAs as an interim step towards a pan-African free trade zone, critical opponents see EPAs as hindering regional integration processes through unintended negative effects.

How to proceed?

There are several of starting points on which to build. Firstly, the EU should implement the decision to rework the 2007 “Aid for Trade” strategy, also to take into account the priorities expressed in its 2016 “Trade for All” strategy. The “Aid for Trade” strategy should be converted from a mere overview of trade-related measures of development co-operation into a realisable strategy that ensures that EPAs can achieve trade and development goals.

Secondly, policy-makers should acknowledge that the EU’s reaction to the refugee crisis in the shape of EU mobility partnerships has had the effect of prioritising migration management and return to countries of origin via circular migration. An expansion of the options for legal migration between Europe and Africa would constitute a decisive means of facilitating future trade and investment via the strengthening of diaspora networks, and should therefore form part of an integrated EU-Africa trade partnership.

Thirdly, given its aim to support regional integration in Africa, the EU needs to indicate how it aims to respond to the diverse mandates and capacities of the Regional

Economic Communities (RECs) (see Box 1). This necessitates an examination of how RECs can become building blocks for ongoing dialogue with the African Union (AU) on trade, the strengthening of the current regional components of the Joint Africa-EU Strategy, and the provision of dedicated support for the creation of the Continental Free Trade Area.

Fourthly, trade relations need to be taken into consideration in preparing for the forthcoming EU-Africa Summit, due to be held in the Ivory Coast in November 2017. Interaction between the EU and the new AU leadership has already intensified. Aspects in focus now include the question of what steps the summit can specify for achieving a common agenda to accelerate intercontinental co-operation trade and investment.

Each significant change in trade and investment requires the allocation of extensive resources. The planned European Fund for Sustainable Development will deliver new impetus, as well as forming the basis for measuring progress. Yet additional resources and measuring instruments represent only part of the answer. Above all, the “youth” element of the EU-Africa summit should emphasize the necessity of promoting trade and investment, in addition to its current focus on strengthening functioning institutions and democratic governance.

Although the fact that EPAs are once again at the centre of the debate regarding European co-operation with Africa is welcome, the systematic management of expectations is important. This concerns both possible results and the question of what can realistically be changed regarding the EPAs in the current context.

Four scenarios for the future of the EPAs

Scenario A: Continuing the current EPA strategy

The EU continues to push for the ratification and implementation of regional and bilateral EPAs. Middle-income countries will fall back on less advantageous market access arrangements if they do choose not to ratify. Under this scenario, several states – such as Nigeria and possibly also Tanzania – are unlikely to sign and ratify the relevant EPAs.

In the long term, the patchwork of different trade agreements with the EU (EPAs, EBA, GSP, Most Favoured Nation – MFN) is likely to remain an obstacle to African economic integration. On the other hand, EPAs can increase legal certainty for signatories and potential investors, and would signal the EU’s ongoing commitment to maintaining an open multilateral trade system, whilst at the same time preserving the strategic interests of the EU in Africa.

Scenario B: Discontinuing EPA negotiations

This scenario would entail discontinuing faltering EPA negotiations, whilst at the same time continuing to support those EPAs that have entered into effect wholly or provisionally. This would involve the EU withdrawing from states or regions in which negotiations are making little

Box 1: The EPAs and the trade priorities of the African Union

The African Union (AU) identifies trade as one of the key objectives of pan-African co-operation with increased intra-regional trade in Africa as a specific priority. In this context, the EU, the AU, the RECs and African states should ensure that the EPAs contribute to the realisation of the economic goals of the AU’s 2063 Agenda, particularly the goal to increase intra-African trade to 50 percent by 2050. This ambition requires increased support to regional value chains, as well as industrialisation strategies, which some African states cannot realise on their own. Many African governments centre their criticism of EPAs on the perception that they clash with these objectives.

An EU Communication published in May 2017 stresses that the EPAs should offer a stable and predictable framework for EU-Africa trade relations. The EU also offers support here for the preparation of a continental free trade zone, but it does not comment on the extent to which the EPAs enable or hinder its realisation. An in-depth analysis of the likely, direct effects of the EPAs on African economies and their sub-sectors, their respective labour markets, and the promotion of intra-regional trade in Africa would be useful in putting the debate on a more objective footing.

progress, such as Central Africa and the Horn of Africa. However, for these states and regions it would also mean giving up the promise of EPA support measures that could support economic development on the national and regional level.

Scenario C: Resuming EPA negotiations on a new basis

This scenario implies a return to the negotiating table for renewed discussions on customs structures and schedules, sustainable development, and trade-related issues without preconceived conclusions. If the EU is prepared to offer further concessions on market access, a comprehensive resumption of negotiations could be a way to bring regional EPAs to a conclusion, particularly in West Africa, while further pursuing commitments on sustainable development would promote European interests. However, ACP states are not that interested in making commitments beyond trade in goods, and such a scenario would involve months or even years of continued negotiations, representing little added value for the European side and little prospect of success.

Scenario D: Pursuing an adapted and more flexible EPA agenda

The EU continues to follow its current approach to negotiating EPAs, but with greater flexibility intended to address specific concerns of the ACP countries. Negative incentives should be avoided when promoting the EPA agenda, but the EU should allow African states to fall back on GSP or MFN rules if EPAs are not successful. Adjustments to existing EPAs can take place at the technical level, as well as within the context of rendezvous clauses, without the need to completely reopen negotiations. As in Scenario A, EPAs would strengthen legal certainty on both sides. This

scenario – as with A – would also suit the interests of the European Commission, meaning Germany could expect to receive active support from the EU, should this scenario be pursued.

Under this Scenario, the EU should focus on strengthening GSP and EBA by clarifying their medium to long-term prospects, and harmonising them with EPAs in order to provide greater support for regional African integration processes (e.g. via harmonised cumulation rules). This would allow for greater flexibility if it can be shown that specific clauses undermine regional integration. At the same time, Scenario D could see a continuation of the "Aid for Trade" programmes and renewal of the commitment to mobilise resources to ensure that the costs of EPA implementation can be covered. EPA support measures need to be reinforced in order to satisfy the requirements to promote inclusive and sustainable growth. The stepping-up of "Aid for Trade" programmes and the intensification of coherent measures in German and European policy could help support European-African integration. Prerequisites for this would be an honest and detailed analysis of non-tariff barriers in EU-Africa trade, as well as the creation and implementation of a strategy of supporting African states in overcoming supply-side limitations. Central political and technical obstacles to creating an environment conducive to both EU-Africa and intra-African trade should be clearly identified in co-operation initiatives on this basis.

Conclusions

The ideas and proposals listed above are not exhaustive, but intended to indicate that a "business as usual" approach to the EPAs is likely to lead to disappointments for both the EU and Africa in terms of their goals regarding trade and investment.

The discussion of the scenarios shows that it is not helpful to consider the EPAs in isolation and expect them to be able to deliver substantial trade and development results on their own. All partners need to work together on EPAs and a holistic approach to EU-Africa trade policy in order to achieve good economic outcomes. Four decades of unilateral EU trade preferences for the ACP states have shown that unilateralism can only contribute to promoting economic transformation in individual cases. It is therefore relevant for the EU to offer targeted assistance to facilitate co-operation and harmonisation between regional economic communities.

The benefits of pursuing Scenario D include signalling the EU's commitment to multilateral co-operation, and securing Europe's own trade interests while at the same time addressing some of the key interests of ACP states – particularly with regard to regional integration. The EPAs thereby can become an integral element of a broad-based intercontinental strategy, instead of silently disappearing from the political stage under an aura of disappointment.

Published with financial support from the Federal Ministry for Economic Cooperation and Development (BMZ)

Dr Clara Brandi

*Department: "World Economy
And Development Financing"*

Dr Merran Hulse

*Department: "Governance,
Statehood, Security"*

Niels Keijzer

*Department: "Bi- and Multilateral
Development Cooperation"*

German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE)