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EU-Africa and Economic Partnership Agreements (EPAs) – Revisited

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Introduction

When the EU and the African, Caribbean and Pacific (ACP) group of countries negotiated the Economic Partnership Agreements (EPAs) the main aim was to start a long-standing relationship between the EU and the developing countries in line with WTO principles. African countries erroneously embarked on the EPAs road with the hope that these agreements would foster economic growth and development within the region. EPAs, however, displayed the unequal relationship between the EU and Africa. Economists have long considered the gains that come from international trade but little has been said on the losses and challenges that the African region encountered within the EPAs framework. Over a long period of time, international economic relations have brought different parts of the world together. Trade is an opportunity not a guarantee of success and economic growth. Analyses of the EU-Africa relations have always been viewed from a Eurocentric perspective, a perspective that depicts the good that comes out of the EPAs because even after three decades of EU-Africa trade relations there is still poverty within the African continent. Controversial issues arose during the EPAs negotiations which had to do with export taxes, Most Favoured Nation (MFN) and National Treatment (NT) clauses, agricultural subsidies and market access, rules of origin, principle of reciprocity and the threat of liberali-

zation. The question of regional integration has been a bone of contention that surrounds these relations because at the end of the day, there is less intra-African trade due to the EPAs.

For 25 years ending in February 2000 trade between the EU and ACP countries was governed by a series of Lome Conventions which were replaced by the Cotonou Agreement after failing to meet the World Trade Organisation (WTO) requirements of non-discrimination and preferential treatment which was incompatible with WTO rules. African countries have had bad experiences with economic liberalisation policies such as the structural adjustment programs (SAPs) which were implemented by the Bretton Woods institutions in the 1990s. This makes them sceptical about engaging in the EPAs with the EU considering how damaging liberalisation policies can be on the local markets and consequently on the economy. This scepticism led to the emergence of contentious issues that will be addressed in this paper. Furthermore if a country refused to sign the EPAs the EU would close markets, no preferential treatment of any sort would be given to that country. So most countries signed because of pressures coming from the EU. This paper thus seeks to revisit the EU-Africa relations with special attention being given to the EPAs. Problems arising from the EPAs will be addressed from an African perspective.

Historical Background: From Lome to Cotonou

EU-Africa relations date back to 1963 in Yaounde, Cameroon where the EEC and 18 Associate African States and Madagascar which were former Belgian and French colonies signed the first ever convention known as the Yaounde Convention. The agreement was valid for five years and it conferred the association between Europe and Africa on the basis of “free trade” and “financial aid”. The Yaounde Convention was replaced by the Lome Convention which was replaced by the Cotonou Agreement.

The Lome agreement sought to address the disparities of the Yaounde Convention which gave priority to Francophone countries. The entry of the United Kingdom in the EC in 1973 changed the status quo as former British colonies were included in the Lome. It was signed between the European Community and 71 African, Caribbean and Pacific (ACP) countries in 1975. The first Lome Convention came into force in 1976 and it provided non-reciprocal preferential trade for ACP agricultural and mineral products as well as aid and investment. The Lome was reviewed after every five years making a total of four conventions between the period 1976 and 2000 when the fourth convention expired. Over the years “aid and investment” increased under the prospective Lome Agreements. The Lome Conventions provided for “equal sovereignty” between ACP countries and their former colonial powers, confirmed autonomous rights

of ACP countries to formulate their development policies and use of financial assistance and gave ACP countries favourably discriminative and non-reciprocal access to EU markets.¹ The Lome conventions were replaced by the Cotonou Agreement of 2000. It was meant to correct the errors of the Lome Convention which was inconsistent with the WTO regulations on reciprocity and non-discrimination.

Lome VI expired in February 2000 and it was not renewed but was replaced by the Cotonou Agreement signed in June 2000 in the capital of Benin, Cotonou. It was signed by 77 ACP countries and 15 EU member states. Its most important features include compatibility with WTO rules, recognition of regionalization and strengthened conditionalities. Unlike the Lome Agreement which respected sovereignty, the Cotonou Agreement has Articles which allow for the EU to regulate political behaviour of ACP states in matters of democracy, human rights and the rule of law. The CA featured the elimination of tariffs and the creation of Free Trade Areas. Furthermore under the new agreement, the EU moved towards a reciprocal market access agreement with ACP countries, this meant that the EU could get duty-free access to ACP markets.

The Cotonou agreement was a 20-year agreement with a clause allowing its revision every five years. It provided for the negotiations of a new set of trade agreements compatible with the WTO as of 1 January 2008. By the end of 2007 of the 76 negotiating ACP countries only 36 had concluded EPAs, by the end of 2014 the number of ACP EPA countries had raised to 49. A total of 27 countries opted out, 15 in Africa. There was the conclusion of Interim EPAs signed with different regions. As of 2016 EPAs with three regional communities (SADC, ECOWAS, and EAC) were to be signed but faced challenges.

What are EPAs?

EPAs are legally binding bilateral contracts between the EU and individual African countries, once signed they warrant that within a decade about 80 per cent of that country's market should open to European goods and services.² These agreements are meant to safeguard African countries' preferential access to EU markets. The Cotonou Agreement changed to reciprocal access meaning ACP countries would be required to open their markets to EU imports and require liberalisation in other areas such as investment and services. The agenda of EPAs included just about everything comprising a modern reciprocal trade negotiation:

1. M., Watanabe, "Transformation of the Relationship between Africa and Europe: The Cotonou Agreement and the Elimination of the Pyramid References," (Takeuchi, Japan, 2000).
http://www2.jiia.or.jp/pdf/asia_centre/h15_japan/4_watanabe.pdf

2. Macdonald S., Matanda, S. and Lande, S. "Why Economic Partnership Agreements Undermine Africa's Regional Integration," *A Wilson Centre and Manchester Trade Collaboration* (May 2013).

trade in goods, services, intellectual property rights, customs regimes, government procurement, investment regulations and protections and competition policy.³ Initially most ACP countries turned their backs on the EPAs agreements because they didn't see as to what they would gain from the agreements for they already had access to EU markets. They resented the significant efforts that were required for opening up their markets to the EU, fearing risk of losing revenues from import duties, unfair competition from subsidized European agriculture and crippling of the local businesses due to the competition from European products.⁴ Reduction in customs tariffs could trigger off significant shortfalls in public revenues and consequently in public expenditure which will be detrimental for African governments.

EU-Africa Relations: A Partnership of Equals?

The role of the European Union in Africa is outstanding as it is the biggest export market for African products and the biggest donor for aid. Spending in sub-Saharan Africa is set to see the biggest increase, from € 26.1 billion to € 32 billion over the seven years, and € 9 billion is to be earmarked for mass migration-related spending. Although the overall global share of EU trade with Africa has been declining, trade remains significant. African exports to the EU are mainly raw materials especially crude oil raising the question of value addition and regional integration. The major trading partners with the EU from Africa are South Africa, Nigeria, Libya and Algeria.⁵ African countries still export raw materials to Europe and provide a ready market for European finished goods thirty years after signing the preferential treatment agreements, so what have the EPAs achieved?⁶ The EPAs have failed to address diversification, competitiveness, growth or poverty reduction. Africa has not benefited much from these agreements. Poverty and economic stagnation are still high within the region. The EU has been accused of Balkanizing Africa. Initially the EU wanted Africa to negotiate as Africa but the EU decided otherwise and negotiated individually as per region (ECOWAS, SADC, East African Community [EAC]) etc., that is moving from one regional bloc to the other further undermining intra-African trade⁷. EU-South Africa special Trade Agreement was not in line with SADC and only

3. Draper, P., "EU-Africa Trade Relations: The Political Economy of Economic Partnership Agreements," *Jan Tumlir Policy Essays*. no. 2 (2007).

4. Ramdoo, I., "Economic Partnership Agreements: What has Africa gained and what can it lose?," *Bridges Africa*. vol. 4 no. 7 (1 September 2015), Geneva: ICTSD.

5. SEATINI Zimbabwe. *EPA Update Policy Brief* (2014).

6. Kohnert, D. "EU-Africa Economic Relations: Continuing Dominance Traded for Aid?," *GIGA Working Papers* 82, German Institute of Global and Area Studies (2008).

7. <https://www.un.org/africarenewal/magazine/august-2014/trade-between-two-unequal-partners>.

makes regional integration difficult. Recent trade visit some African countries also saw some bilateral agreements which had nothing to do with the objectives of the AU. Individual African countries are being globalized in a vertical mode and not horizontally.

In the aftermath of colonialism and notwithstanding problems of bad governance within most African countries, the EU is responsible for the fragile state of many African economies.⁸ Trade Policies such as EPAs contribute to poverty in Africa; this is attributed to the asymmetrical power relations within the EPAs framework leading to little or no economic growth in Africa. The EU has been described as having a custom of portraying itself as a force for good while depicting other states in the international system as mediocre thereby disempowering them. Africa needs trade policies that are based on mutual interest not exploitation. EU-Africa relations are supposed to present an economic partnership but the “partnership” is silent in these agreements. They are more economic agreements of unequal partnership. The Joint Africa-EU Strategy proposed a partnership of equals where the two would cooperate on matters of common interest. The relationship though has been far from equal. Africa is a subordinate partner to Western Europe. Their ability to have an equal relationship is difficult because of the huge differences in their economies and historical background of colonialism and consequently neo-colonialism.

Various problems lie within the EU-Africa relations. These have caused most African countries to fear the EPAs. If African countries lower their tariffs then this would mean a cut in government revenues leading African governments having problems providing basic services such as health and education. James Asane-Adjei, president of the Association of Ghana Industries argues that Ghana relies heavily on tariff revenues to fund development and with the EPAs the country could lose up to \$ 300 million per year in revenues.⁹ EPAs are a rule and divide tactic used by the EU for furthering their own selfish interests in a world where globalization and openness has become the main tools of development. From an idealist perspective, the new world order has created a global village where countries are supposed to cooperate on different levels, trade and commerce included. Such pressures from the new world order have forced African countries to agree to relations which they otherwise would not have agreed to. African countries share common history of colonialism and bondage but such values have been eroded because of global pressures. In actual fact EU-Africa relations show how African countries have failed to redress colonial patterns as they are trading and creating partnerships with former colonial masters on an unequal basis. The economic relations that existed at the time of African independence are still

8. Kohnert, D., “EU-Africa Economic Relations: Continuing Dominance Traded for Aid?”

9. <https://www.un.org/africarenewal/magazine/august-2014/trade-between-two-unequal-partners>.

the same: export of raw materials to former colonial masters. There is very little manufacturing that is taking place in Africa. Colonial masters did not leave an industrial base in Africa for manufacturing to take place. Africa was labelled as a dark continent by Europe that needed to be enlightened through modernization. Through modernization, Africa was to follow the stages that Europe passed through and this includes the EU model of regional integration as well as policies. Apparently, the responsibility of developing Africa has been in the hands of the developed nations of Europe. This view by proponents of modernization is misguided. Walter Rodney clearly attests to this in his book “How Europe underdeveloped Africa”. Modernization has been depicted as a process by which external factors have an influence on the development of an individual and states.¹⁰ In fact, modernization impoverished Africa through colonialism and now through neo-colonialism. EU-Africa relations have done nothing but impoverish Africa through these Western ideologies. The balance of power in terms of economic development and resources is horribly tilted against the ACP. So it’s very hard to see how to have a balanced negotiation in the circumstances. It’s neither a partnership nor a negotiation.¹¹

The EU often adopts a “do as we say, not as we did” approach forcing African countries to follow the dictates of their European partners; this is also the case in matters of African regional integration. The EU argues that EPAs will foster regional integration within the African continent; this idea was used as a way of persuasion for ACP countries to sign the EPAs. Ambassador Gunessee of Mauritius reiterated that integration of the African continent has a wider perspective than the narrow perspective of regional integration which the European Commission seems to be advocating.¹² Moreover for 30 years exports from ACP countries were given access to the EU market but this preferential treatment failed to boost local economies and stimulate growth. So the question that remains is, how then does the EU-Africa relations promote growth? It seems as if only the EU is benefiting. There is need to promote science and technology in Africa and provide relevant technology and training of Africans who will have the capacity and capability to innovate.

10. Matunhu, J., “A Critique of Modernization and Dependency theories in Africa: Critical Assessment,” *African Journal of History and Culture*, vol. 3(5) (2011): 65-72.

11. ACP negotiator responding to a survey carried out on behalf of ICCO. Dialogue of the Deaf quoted in Weller 2008.

12. Ambassador Gunessee speaking in October 2006 at the South Centre High-Level Conference on ACP-EU integration.

EPAs and Regional Integration

The notion that EPAs should support regional integration is one of the basic tenets of the Cotonou Agreement Article 35.2 which states that, “*economic and trade cooperation shall build on regional integration initiatives of ACP states bearing in mind that regional integration is a key instrument for integration of ACP countries into the world economy.*”¹³ The main question that needs to be answered is, are EPAs building or shattering regional integration in Africa? The idea that EPAs support regional integration has been one of the arguments the EU used in trying to convince ACP countries to sign these agreements. African countries have a different concept of regional integration from that which the European Union prescribed for Africa in the form of EPAs. The African approach involves regional cooperation in matters of production and infrastructure as well as harmonization and other shared policies in contrast to the EU’s more limited focus on trade liberalisation.¹⁴

Regional integration is supposed to increase trade between members, enlarge markets and expand production possibilities. This is what happened in the EU, the most advanced formal regional integration arrangement in the world. The EU has strong institutions built over a long period of time; furthermore it integrated using flexible approaches towards member states with large amounts of developmental support channelled towards weaker members and various approaches towards internal and external trade liberalization. This is, however, different with the approach the EU prescribed for Africa. The EU had time, flexibility and support but this is not what lay in the EPAs prescription in Africa. The EU reduced African regional integration to a matter of trade and investment liberalization. It set an unrealistic pace for African regions asking them to agree to the formation of a customs union to coincide with the externally driven deadline of EPAs. Rob Davies South Africa’s Minister of Trade was quoted saying, “*We were not legally obliged to enter into the EPA process but we did so because we thought it could be a step to regional integration. I’m afraid it has worked out in an end game that could contribute to regional disintegration.*”¹⁵

When asked what EPAs are, European Commission Trade Commissioner, Peter Mandelson answered that, “*I see them as an opportunity for the ACP regions to fast-track their way to regional integration.*”¹⁶ This is the European perspective on EPAs but analysis shows that EPAs are, however, a way of slowing down regional integration. In fact, it has slowed down intra-African trade as African countries

13. Cotonou Partnership Agreement

14. Powell, S., “Economic Partnership Agreements: Building or Shattering African Regional Integration,” *Eco News*, SEATINI, Traidcraft, (2007).

15. www.ipsnews.net

16. Speech by Peter Mandelson at the ACP-EU Economic and Social Interest Groups Meeting, 29 June 2005

focus more on trade with their EU partners while negating trade with their regional counterparts. The Lagos Plan of Action (LPA) of 1980 succeeded by the Abuja Treaty of 1994 represented this African vision of regional integration and boosting intra-African trade and cooperation. EPAs make this vision far distant. EPAs are a competitor offering lower tariffs in trade and goods, thereby making intra-African trade difficult. There is no meaningful intra-trade between African Countries because they produce the same raw materials and their industries do not feed-into each other for the same reasons.

Research from Kenya predicts a 15 per cent loss in Kenya's regional trade under an EPA, estimating that trade in value-added goods will be the worst hit and dependency on primary exports will consequently rise.¹⁷ Analysis suggests that EPAs will generate increased defensiveness between countries and within regions leading to tighter border controls and more burdensome restrictions for the private sector. The EU's request to divide Africa into groups to negotiate EPAs does little to help Africa coordinate its trade policies.¹⁸ It was the EU that insisted that Africa should be divided into four sub-regions for EPAs negotiations. This was problematic because it divided Africa which was supposed to integrate under one group. There is a risk that this decision to divide Africa entrenches hub and spoke effects of African regions' greater focus on the EU than on intra-African exchange.¹⁹ This is not helpful given the fact that Africa's objective is pan-African integration under the African Economic Community. Africa has its blueprint for integration in the "Africa We want" which goes up to 2063. The strategies are all highlighted in this document which means Africa in united on how to move forward. This position was further made complicated by the fact that EU had negotiated agreements with two major countries that are South Africa under SADC and Egypt under COMESA thereby depriving these regions of valuable and experienced negotiators causing more divisions with the region. EPAs further divided Africa and its vision of regional integration.

Contentious Issues

Africa has been victim of European policies for decades. African countries liberalized their economies by implementing Structural Adjustment Programmes under pressure from the IMF and World Bank in the 1980s and 1990s. The countries faced numerous challenges emanating from these policies caused by liberalization. The same challenges surround the EPAs. There is a wide range of

17. Powell, S., "Economic Partnership Agreements: Building or Shattering African Regional Integration,"

18. Trevor Manuel, South African Minister of Finance. From a lecture delivered at University of Sussex, 2 December 2004, quoted in Melber 2005

19. Powell, S., "Economic Partnership Agreements: Building or Shattering African Regional Integration,"

unresolved issues between the EU and Africa; these continue to be contentious issues that need to be addressed.

Most Favoured Nation Clause

The Most Favoured Nation (MFN) principle is the bedrock of World Trade Organisation (WTO) rules on trade. It's a favour one favour all principle where country A is supposed to treat every country as if it is treating its most favoured nation. The basic principle of the MFN is that if any ACP country concludes a free trade agreement with any developed country or bloc which is non-European and a major trading partner then that treatment should be extended to the EU, the same applies in reverse. A major trading economy is any developed country or any country accounting for a share of world merchandise exports above 1 per cent or any group of countries accounting collectively for a share of world merchandise exports above 1,5 per cent in the year before the entry into the agreement in question.²⁰ In theory if an African country liberalizes 80 per cent of tariffs under EPAs with the EU and liberalizes 90 per cent with another trading partner under a free trade agreement, it has to extend the tariff liberalization benefits to the EU as well, this, however, will cripple the economies of the African states.

The EU's inclusion of the MFN clause into the EPA is a direct insult of possibilities for African countries to enter into various preferential agreements amongst themselves and with third parties such as China, Brazil and India and other countries of the South. This action would gravely limit the options for African countries to diversify their international and especially South to South relations as part of their strategy to depend heavily on the EU, thereby undermining South to South cooperation. The EU took the MFN step so as to discourage African states from taking bold steps to become more integrated into the world economy. Africa has been very unhappy on "Singapore Issues, 1996" which keep on coming up in one form or another and which is designed to introduce none trade issues and which deprives African policy space for their development.

The EU justified the inclusion of the clause as being necessary to ensure that they are treated fairly and to avoid the position that they will be treated worse off than their competitors given that the EU is providing duty-free quota-free access to ACP products.²¹ The MFN clause departs from the original goals of EPAs that were centred on the development of the ACP countries as the EU has based the agreements on its own interests. Furthermore the clause places constraints on African countries' ability to pursue independent trade relations with third parties;

20. Bilal, S. and Stevens, C., "The Interim Economic Partnership Agreements between the European Union and African States: Contents, challenges and Prospects," *ECDM Policy Management Report 17* (2009). Maastricht : ECDM.

21. Ibid.

the EU controls the actions and decisions of African countries thereby compromising the sovereignty. Such constraints have led to criticism of the EPAs for the EU is further underdeveloping African countries.

National Treatment Clause

The National Treatment principle just like the MFN principle is a central to World Trade Organisation (WTO) rules and regulations of trade. These are the two main principles under the WTO that allow for non-discrimination in international trade, there is supposed to be equality. The National Treatment principle is found in three main WTO agreements that are GATT, GATS and TRIPS. The underlying concept under the NT clause is that locally produced goods and foreign goods that have crossed the border should be given the same treatment. It prevents countries from taking discriminatory measures on goods competing in a market. Signatories to the EPAs are required to treat imports the same way domestic goods are treated. The purpose is for both local and foreign goods to compete on equal terms after the foreign goods have entered the local market.

The NT clause in the EPAs presents problems for African countries and their goods on the market; equality between EU and African goods has negative effects. African countries' goods face competition from their partners, a competition they cannot match because foreign goods are of high quality than the locally produced goods forcing infant industries within African countries to be affected or in other cases to close. In such a scenario, infant industries facing competition will have to improve their competitiveness or new industries that match the European products will have to be developed. Most of the countries that signed the EPAs are less developed, landlocked, small or otherwise marginalized. They are "exceptional cases" which need exceptional treatment that might be justified under the WTO. Such cases need to be brought to the WTO and discussed so that the infant industries of African countries do not suffer. Important to note is that GATT allows exceptions to the NT principle in order to promote and protect infant industries (Article XVII: C) but there is no clear dispute settlement mechanism that can allow African countries to bring their grievances in terms of infant industry protection thereby causing more problems for it is the EU that has the upper hand in these agreements and African countries also don't have the financial and legal resources at their disposal to deal with such matters.

Export Taxes

For export taxes under EPAs the obligation is to eliminate existing export taxes or to refrain from imposing additional taxes. The export tax provision provides that existing export taxes should not be increased and no export taxes should be introduced. An export tax is simply a duty applied by countries to products

before exports; although it can take several forms, they can be introduced at a standard rate and can fluctuate depending on the world price.²² Currently there is no prohibition on export taxes in the WTO as large developing countries such as India, Brazil, and China who use export taxes have refused attempts to ban them by developed countries. Export taxes can provide revenue for the exporting country.

The EU is opposed to export taxes and for a long time has called rules to discipline their use arguing that they create distortions to international trade. It is argued that they create a beggar-thy-neighbour scenario whereby one country's attempts to cure its economic imbalances will harm the economic interests of its trading partners, create unfair advantages to domestic industries involved in international trade at the expense of other countries. Export taxes have been successfully applied in promoting value addition. They are used to protect infant industries by protecting local production from cheaper and often subsidized imports.

The EU argues that the removal of export taxes is necessary so as to be compatible with the requirements of Article XXIV of the GATT which allows for the elimination of barriers on "substantially all trade" which covers both exports and imports. In Africa, the EU has concessions stating that export taxes may remain if they are necessary for stabilizing the currency of a state, the growth of infant industries or protecting the environment.²³ Countries are supposed to justify export taxes and they are subject to the EU approval and joint monitoring. This in itself is a problem because it goes against the "partnership" concept that lies within the agreements for the EU control everything together with the actions of the African countries. Export taxes have been used as a revenue support mechanism, countries such as Burundi and Ghana rely heavily on export taxes for a larger part of government revenues and their removal will cut back on a country's revenue leading to a decrease in the ability of a country to provide basic services such as health and education.

Dispute Settlement

Disputes within the WTO setup are essentially broken promises. The mechanism was introduced so that smaller states could have a platform to air out their grievances in relation to trade disparities. However, this has not been the case except in outstanding circumstances, developing countries do not have the chance to use this dispute settlement mechanism. Most developing countries do

22. Watts, R. "Export Taxes and EPAs: Another Policy Tool under threat from the European Commission," *Briefing Paper no. 9* (CUTS Geneva Resource Centre, 2009).

23. Bilal, S. and Stevens, C. (eds) "The Interim Economic Partnership Agreements between the European Union and African States: Contents, challenges and Prospects," *Policy Management Report 17* (Maastricht: ECDPM, 2009).

not have the financial and legal resources to use the dispute settlement system. Developing countries usually desist from bringing their disputes because in most cases the ruling is usually of right suspending trade concessions and such a solution will cause problems for developing countries and as they will not be able to make the developed country in question comply with the rules because of the power asymmetry between the disputing countries. The EPAs and the interim EPAs do not address these issues.²⁴ The EPAs do nothing to address the long criticized “lack of effective” remedy problem showing how ineffective this mechanism is for African countries.

The Threat of Liberalization

Article XXIV of the GATT stipulates that regional trade agreements must eliminate duties on “substantially all trade” within a reasonable length of time; this is the key article that governs the EPAs so that they are compatible with WTO rules. EPAs as provided by the Cotonou agreement provides for the reciprocal liberalization of trade between EU and ACP countries through elimination of tariffs. The elimination of tariffs on 80% of ACP’s trade with the EU would displace up to 22% of growth of ACP’s regional trade. A comparative analysis of the non-reciprocal access to the EU market under Lome and Cotonou agreements and the new requirement of the EPAs reciprocal access to the markets between EU and ACP shows that Africa will stand to lose the gains from Lome agreements because they were favourable and beneficial.²⁵ It is important to highlight that the reciprocal opening of markets between the two regional blocs will have lasting decimating effects on Africa’s domestic markets because a fall in revenues on custom levies would induce an increase in European imports causing problems for the local products as well as those exports from non-European countries. Reduction of customs tariffs could trigger off significant shortfalls in public revenues and consequently in public expenditure bearing in mind that this could also mean lower prices of European consumer goods.

Under the EPAs, ACP countries will be required to ensure liberalization of 80% of its trade while the EU liberalize 100% of its trade to hence a total of 90% liberalization of the total value of trade. This means that Africa may only be able to protect 20% of their trade with the EU through the use of an exclusion list which outlines products that an individual African country wants to

24. Bilal, S. and Stevens, C. “The Interim Economic Partnership Agreements between the European Union and African States: Contents, challenges and Prospects,” *ECDPM Policy Management Report* 17 (2009).

25. Hinkle, L. *Beyond Cotonou: Economic Partnerships in Africa* (London: Oxford University Press, 2002).

protect.²⁶ Due to production disparities on the basis of cost, quantity and quality, the opening of markets will essentially favour EU economies than African economy because it is clearly given that firms will not be able to compete with their EU counterparts. The nature of products shows that the trade will be in favour of the EU because of the unmatched industrialization level. The African economy will suffer and cripple due to the devastating effects of liberalization of trade caused by the influx of European products in the region. Thereby exposing the infant African industries to the EU multinational companies which have the competitive edge over their African counterparts due to incentives and subsidization measures employed by their governments. Africa will market its cheap raw materials and unprocessed primary products such as minerals which fetch little returns as compared to finished and value added European Union commodities such as pharmaceuticals, jewellery, vehicles, etc. Scientific advancement disparities between the EU and Africa will see an influx of genetically modified food items in African market which will be difficult to control.²⁷

The EU has emphasized that the EPAs are WTO compatible giving special attention on the article on elimination of duties on substantially all trade. It is, however, important to note that the WTO has never defined the term “substantially all trade” and the EU interprets the term free trade agreement to cover a minimum of 90 per cent of trade between the parties. The extent of tariff liberalisation stipulated in the EPAs was the main reason why the majority of African countries did not sign the agreement. This shows how dangerous the threat of liberalization is for African countries.

Implications of Brexit on EU Africa Relations and EPAs

Uncertainty and fear of possible destabilization of international trade gained momentum after the UK referendum which paved way for the exit of the global economy from the European Union. The way forward for EPAs and EU-Africa relations has been on the agenda since the decision was made. Brexit will see the UK on a path to leave the EU as well as its membership within the EU’s EPAs. The question that is on everyone’s mind but has not answer is once the UK completes its exit from the EU what will happen to Africa and to the EPAs? A lot of potential explanations could be used to explain EU-Africa relations post Brexit. Suffice to say Brexit could weaken trade between the EU and Africa.

The EU including the UK is a major trade, investment and development cooperation partners of Africa. Although its market share is lower than that of other

26. Patel, M. *Economic Partnership Agreements between the EU and African Countries: Potential Development Implications for Ghana*. (London: Oxford University Press, 2007).

27. Winters, A. “Trade Policies of Poverty Alleviation,” World Bank (2002).

EU members, it is an important export destination for most African countries. Trade relations between the EU and Africa are likely to decline but this does not necessarily mean the actual trade agreements are to change. EPAs provide preferential treatment and better than MFN market access to African exporters, this will most likely be affected by Brexit as African countries will not get access to the UK as they did under EPAs. Exports to the EU are likely to decline post Brexit, this may affect the balance of liberalization if the UK is no longer party to the EPA. Several African countries that are signatories to the EPAs with strong exports to the EU may face trade flow disruptions if EPAs exclude the UK in the future, countries such as Kenya and South Africa will be most affected. Under EPAs exports from Africa receive duty-free quota-free access to EU markets. Without this duty-free quota-free access, a wide range of products could face higher MFN duties in the UK market as well as competition from non-ACP developing countries.²⁸

The UK has always recognized the needs and challenges that ACP countries face in development through trade. It provides 0.7 per cent of gross national income as overseas development as per UN target. Post Brexit it is important that it does not stop its role in promoting trade-related development with the developing countries especially Africa. Given the commitment the UK has to the development of Africa it can continue trade with the continent but under new trade agreements that do not include the EU.

Recommendations

The WTO is the major organization governing trade but over the years several international organizations have taken interest in understanding the relationship between trade and development with special attention given to Africa. The United Nations Development Program (UNDP) identified for basic principles for trade which can be used by African countries so as to preserve their autonomy in pursuing development goals. They argue that if these principles are followed then developing countries will achieve substantial gains from international trade. Such principles become the recommendations that African countries need, these are:

- *Trade is a means to an end and not an end in itself; it is of use only if it serves social and development goals in a broader sense. Developing countries should not be concerned with escalating their access to foreign markets at the cost of jeopardizing or overlooking more fundamental challenges at home.*

28. Razzaque, M. and Vickers, B. "Post-Brexit UK ACP Trading Arrangements: Some Reflections," in *The Commonwealth, Trade Hot Topics*, Issue 137 (2016).

There is need for African countries to adopt a holistic approach to pursue alternative developmental models that respect the social and economic rights of the people. Trade liberalization policies tell a sad story of how infant industries have been wiped out due to competition from foreign goods. African countries should look at the broader perspective and not only consider market access as the only solution to development because such a solution jeopardizes their economies. Lessons learnt show that trade does little to increase economic development for Africa.

- *Trade rules must allow for diverse national institutions and standards, there is no single recipe for economic growth. A one-size-fits-all approach does not work.*

African countries should follow their own model for economic growth; there is need for African solutions to African problems. The Western type of model does not fit for Africa because their economies are inherently weak and allowing liberalization policies imposed on them by European countries will only cripple their economies more. African countries should favour domestic policies to define developmental priorities.

- *Countries have the right to protect their institutions and development priorities, countries can support national policies by withholding market access or suspending WTO rules if trade undermines practices at home.*

African governments should sign agreements which do not harm their economies and industries. This should be considered central to special and differential treatment. This would mean that those sectors that are not ready for competition will be able to opt out of such an agreement until their economies are ready. Most African countries become party to such agreements without considering the implications the agreements have on the infant industries. They should protect their infant industries from unfair competition brought by liberalisation at all costs.

- *Countries do not have the right to impose their institutional preferences on others, trade sanctions are often not efficient and have no moral legitimacy.²⁹*

The EU controls the actions of African countries under the EPAs through the highly controversial Article 96 which is evoked if one of the parties to the agreement considers that another party is not fulfilling obligations regarding human rights and democracy, that is if the EU considers a country to be in violation

29. UNDP. *Making Global trade work for people*. (New York, 2003).

of democratic principles it can impose sanctions. Such a scenario implies that African countries surrender their sovereignty to the EU for the purpose of international trade. African countries should be independent of their former colonial masters.

Conclusion

This paper brought out some critical issues underlying EU-Africa relations under the EPAs that require reflections. It can be noted that the EPAs cause more harm than good to the economies of African countries. This harm is mostly caused by the trade policy of liberalization which wipes out infant industries due to competition from foreign products, leading to high levels of unemployment and poverty with African countries. Due to loss of revenue governments fail to provide citizens with basic goods and services and people migrate to other countries in search of greener pastures. Furthermore the EPAs have led to the Balkanization of the continent as the EU managed to convince African countries to sign interim EPAs as per region. There is less intra-African trade and more trade with the EU; this has led to drawbacks on the concept of regional integration. Contentious issues such as the MFN and National Treatment clause, removal of export taxes, dispute settlement mechanisms have caused problems for African countries. There is need for African governments to follow the idea of African solutions to African problems and not follow the EU model of development because the two regions have no common history or values, it's a former master and slave relationship and the EU still acts as a master under the guise trade, which in fact is neo-colonialism.

Abstract

It is widely accepted that trade promotes economic growth and reduces poverty in both developed and developing regions of the world, including Africa. Trade is supposed to serve as a channel through which the participating countries utilize comparative advantages in their natural resource endowments and productive capacities. While trade among countries may generate growth globally, it is often the case that the aggregate benefits are not equitably distributed among the trading partners. This is evident in the case of the African continent, which is entirely dependent on the export of unprocessed raw materials and mineral resources to the developed and emerging Asian countries to power their economic growth.

The paper will analyse the current economic and trade relations between the EU and Africa in broad terms. Africa's trade position is inherently weak as characterized by dependence on raw commodities for exports (with falling prices on the international markets) and a collapsing manufacturing sector necessitating the importation of basic consumer goods. Africa signed the interim Economic Partnership Agreement (EPA) on tangible goods with the European Union (EU) negotiated under various RECs: e.g. the Eastern and Southern Africa (ESA) ECOWAS, SADC blocs. EPAs are supposed to facilitate the free trade agenda as the EU will offer Africa duty and quota-free access to EU markets and will similarly concede its market to EU exports (reciprocity). Thus, the economic partnership agreements are a threat to the industrialization strategy in African countries. British exit (BREXIT) from the European Union astonished the proponents of regional integration and free trade. African countries remain uncertain on the likely impacts of the BREXIT both within and outside the EU-EPAs context. Brexit will certainly reduce market access and development assistance to developing countries that signed EPA.

Résumé

Il est largement admis que le commerce favorise la croissance économique et réduit la pauvreté dans les régions développées et en voie de développement du monde, y compris en Afrique. Le commerce est censé servir de relais par lequel les pays participants utilisent les avantages comparatifs de leurs ressources et capacités de production pour tirer parti de leurs atouts. Bien que le commerce entre pays puisse générer de la croissance à l'échelle mondiale, il arrive souvent que les avantages globaux ne soient pas répartis équitablement entre les partenaires commerciaux. Cela est évident dans le cas du continent africain, qui dépend entièrement de l'exportation de matières premières non transformées et de ressources minérales vers les pays développés et émergents d'Asie qui alimentent leur croissance économique.

Cet article examinera, en termes généraux, les relations économiques et commerciales qui existent actuellement entre l'UE et l'Afrique. La position commerciale de l'Afrique est foncièrement fragile, caractérisée par une dépendance à l'égard des matières premières pour les exportations (avec une chute des prix sur les marchés internationaux) et un effondrement du secteur manufacturier qui nécessite l'importation de biens de consommation essentiels. L'Afrique a signé l'Accord de partenariat économique (APE) intérimaire sur les biens matériels avec l'Union européenne (UE) négociés dans le cadre de diverses RECs : par exemple, les blocs Afrique orientale et australe (ESA), CEDEAO, et CDAA. Les APE sont censés faciliter la mise en œuvre du libre-échange dans la mesure où l'UE offrira à l'Afrique un accès non assujéti aux droits de douane et aux quotas aux marchés de l'UE et lui concédera également son marché aux exportations européennes (réciprocité). Ainsi, les accords de partenariat économique constituent une menace pour la stratégie d'industrialisation des pays africains. La sortie britannique (BREXIT) de l'Union européenne a surpris les partisans de l'intégration régionale et du libre-échange. Les pays africains restent incertains quant aux impacts probables du BREXIT tant à l'intérieur qu'à l'extérieur du contexte des APE de l'UE. Le Brexit va sans aucun doute réduire l'accès au marché et l'aide au développement des pays en développement signataire de l'APE.