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IN PERSPECTIVE

EU short-changing Africa in trade?

Africa cannot continue to export a narrow range of products and import a broad range of finished goods.

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We live now in a fast-changing world. The paradigm of globalisation and free trade is being questioned. It is now being asked whether state capitalism might be the next model of the day: capitalism guided by the strong hand of the state. As this debate continues, the reality is that the markets of Africa's major trading partners—the US and EU—are stagnant or even shrinking. On the other hand, our markets are growing, as are the markets of the emerging developing economies.

Trade agreements facilitate exports. While exports can be a very important instrument for our overall development strategy, they are but one pillar. The main pillar, if we are serious about development, must be increased domestic production capacities, diversification, industrialisation, and agricultural production. Africa cannot continue to export a narrow range of products and import a broad range of finished goods on our way to development.

Duty-free access

Rwanda, and Burundi. The Least Developed Countries (LDCs) would not be able to open up their markets to Kenya if they did not want EU goods to flood their internal markets.

2. The entire EAC region signs the EPA. In this case LDCs in the World Trade Organisation (WTO) that do not have to take tariff cuts in WTO trade liberalisation rounds will have to cut their tariffs to zero for at least 80 percent of trade with the EU. This will have significant ramifications for the region's ability to industrialise. Given that the EU remains a major food exporter and still subsidises its agricultural sector to the tune of 60 billion euros a year. This could shrink the size of the local markets that our small farmers sell on.

3. The entire region does not sign the EPA. In this case, Kenya would lose its preference in flowers. But how important is this sector compared to opening up the EAC market to the EU and the very real threat of not being able to industrialise in the future?

The EU's insistence on the elimination of tariffs for 80 per cent of trade, restrictions on the use of export taxes and quantitative restrictions, and the standstill clause would undermine Africa's efforts to industrialise and its ability to move up the industrial value chain. As a result, Africa would remain a perpetual supplier of raw materials.

In September 2011, the European Commission proposed to remove 16 African countries from the European Union Market Access Regulation. At the end of 2007, this regulation allowed those African countries that had initialed or signed an Economic Partnership Agreement (EPA) to enjoy duty-free access to the EU market as they continued to move towards signing and ratification. This regulation provided the necessary cover for our countries as we continued to negotiate the difficult issues with the EU: for example, export taxes, the level of liberalisation, and development assistance.

Though these negotiations have not been concluded by both sides, the EU is now saying that if Ghana, Kenya, and Namibia (which have initialled but not signed) and Botswana, Cameroon, Ivory Coast, Swaziland, and Zimbabwe (which have signed but not yet ratified) have not ratified the EPA by January 1, 2014, they will be dropped from the list of countries receiving EPA treatment. We are therefore facing the moment of truth. There are several options:

1. Kenya alone signs the EPA, so that it can retain its preferences in flowers and fish. This would destroy the East African Community (EAC) customs union, whose members are Kenya, Uganda, Tanzania,

As for the effect on food security and rural livelihoods, the EU has not indicated any willingness to abolish its agricultural subsidies, which constitute major unfair competition against African producers of milk, poultry, pork, beef, cereals, etc. Regarding the effect on regional trade and integration, regional markets provide the best opportunity for Africa to diversify and develop. If African countries in EPAs have to liberalise 80 per cent of trade, Africa's regional markets risk being taken over by EU products. The opportunity to increase intra-African trade, diversity and industrialisation will be significantly reduced.

As for the effect on general development due to tighter intellectual property discipline, the EU would like EPAs to include intellectual property rules that go beyond the WTO's already excessive standards. Such 'WTO plus' rules will make it more difficult for African countries to access the knowledge and technology needed to industrialise and increase agricultural production. The question is: what is the EU's interest in the EPA? Is this EPA being negotiated because the EU cares deeply about African and EAC regional integration and development, or is it driven primarily by the EU's own economic interests?

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