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The European Union Economic Partnership Agreements with Sub-Saharan Africa

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Abstract

This paper analyses the impacts of Economic Partnership Agreements (EPAs) between the ACP (African, Caribbean and Pacific) countries and those of the EU (European Union) in the specific case of Sub-Saharan Africa (SSA). In order to comply with WTO (World Trade Organisation) requirements, the EPAs shift the trade preferences previously enjoyed by the ACP countries to a free trade regime between the EU and regional groupings of ACP countries. EPAs were supposed to fully enter into force at the end of 2007, but many ACP SSA countries have not been ready or have been reluctant to implement them at that date. EPAs are examined in their different contexts, in particular the theoretical underpinnings of trade liberalisation and regionalism respectively, as well as the increasing number of regional arrangements aiming at 'deep' regional integration in all parts of the world, which ensued from the disappointment with multilateralism of many developed and developing countries. EPAs are then investigated in the specific context of SSA, i.e. that of a distorted trade structure, an excessive dependence on commodity exports, fragile industrial bases, as well as by a disputed effectiveness of its many intra-SSA regional agreements. EPAs co-exist with other North-South preferential trade agreements, in particular the EU GSP (Generalised System of Preferences), including the EBA (Everything But Arms) initiative, and the US AGOA (African Growth and Opportunity Act).

It is shown that EPAs will have very different outcomes depending on countries and their particular initial conditions, economic structures and regional context. It is also revealed that these outcomes depend on many variables: global factors, international prices, domestic market structures, trade policies conducted by the EU, the governments and various trade agreements to which they belong. EPA outcomes are therefore uncertain and can be assessed only on a case by case basis, at the level of countries, sectors and products. In addition, many impact assessments rely on simulations, which cannot be considered as 'hard facts'.

EPAs may have beneficial effects on SSA countries and enhance their exports and competiveness. They may constitute a mode of integration that is more efficient than multilateral liberalisation, and *in fine* may be a more manageable step towards multilateralisation, especially in poor countries. However, EPAs exhibit several risks, e.g. diverting trade, augmenting the complexity of the already complex 'spaghetti bowl'

of trade arrangements, creating fiscal losses in countries that suffer from narrow fiscal bases and rely on trade taxes, eroding the existing industrial bases - which are fragile, threatened by more competitive developing countries, especially China, and often depend on the previous EU unilateral preferences –, and benefiting EU firms more than those of SSA.

EPAs have the ambition to foster trade, improve regional relationships, deepen north-south integration and enhance development. These are numerous objectives, and moreover countries may strongly differ: they can be reached if EPAs help countries to reinforce their capacity to conduct their policies – the 'policy space' -, control the effects of trade diversion and displacements of industrial activities that often accompany free trade agreements, and strengthen their industrial sectors, as high-growth Asian countries.

Introduction

The structure of international trade is an essential determinant of growth, in particular in developing countries, but also of economic stagnation, and this is why the trade policies and arrangements are of crucial importance for these countries[1]. This is still more the case for the part of the world that is lagging behind vis-à-vis the other developing countries, i.e. Sub-Saharan Africa. The latter is characterised by a trade structure that is based on the export of raw commodities, and trade flows that are mainly directed towards industrialised countries, the EU and the US, and increasingly, China. Sub-Saharan Africa includes a sub-group of countries, the ACP (African, Caribbean and Pacific) countries, which have long benefited from preferential agreements with the EU such as the Lomé Conventions and then the Cotonou Agreement. The latter had disappointing results and did not help Africa to embark upon a virtuous path of growth and economic diversification. In the same period, the EU progressively oriented its strategic policies towards deeper modes of regional integration and free trade.

In the 2000s, these various factors constituted the background context of the decision to elaborate the Economic Partnership Agreements (EPAs), which were meant to succeed the Cotonou Agreement between the EU and the ACP countries. The EPAs are targeted free trade agreements, which implement free trade between the EU and the ACP countries, the latter being initially organised in six regional groupings, four being in Sub-Saharan Africa. The EPAs' objectives are the enhancing of competiveness of EU partner countries, but also claim to foster development. EPAs were due to be finalised in December 2007 in Lisbon. These trade agreements, however, have induced a surprising amount of criticism, from the academia and partner countries – both from their governments and civil societies - before their launch and at the Lisbon summit, and though the date was a crucial deadline, a significant number of countries did not sign them.

The paper assesses the different impacts of the EPAs that include Sub-Saharan African countries. Such an assessment requires the consideration of their specific context, in

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[1] A first version of this paper has been presented at the Workshop "Deep Integration and North-South Free Trade Agreements: EU Strategy for a Global Economy", organised by Brigid Gavin and the United Nations University-Comparative Regional Integration Studies (UNU-CRIS), Bruges, 19-20 June 2008. The author is grateful to Raymond Toye for his very relevant comments, though the usual caveat applies.

particular of the characteristics of the economies of the region and the constraints they face – i.e. a trade and market structure characterised by the dependence on commodities, fragile industrial bases and low levels of human capital -, as well as the other trade agreements in which African countries are involved. It is argued that the EPAs are confronted with the important obstacles that affect trade agreements in Sub-Saharan Africa in general, in particular poor infrastructure and unfavourable political economies.

It is also argued that EPAs may have very different outcomes depending on countries and their particular initial conditions, economic structures and regional contexts. Outcomes of EPAs are therefore uncertain and can be assessed only on a case by case basis, at the level of countries, sectors and products. EPAs may have beneficial effects on SSA countries and enhance their exports and competiveness, but they may result in adverse effects, for example inducing fiscal losses or challenging domestic industries and thereby maintaining the specialisation of Sub-Saharan Africa in primary products. EPAs will enhance the development prospects of the ACP countries of Sub-Saharan Africa only if they help countries to reinforce their productive capacity, conduct their policies – the 'policy space' -, and strengthen their industrial sectors, as did the Asian countries that exhibit high growth rates.

The paper is structured as follows: section 1 briefly assesses the theoretical justification for trade liberalisation and regionalism, as well as the current expansion of regional agreements. Section 2 analyses the EPAs and the constraints they face in Sub-Saharan Africa, in particular the economic constraints that weigh on African countries, commodity dependence, the rising impact of China, poor infrastructure, the institutional and political economy problems, and other trade arrangements implemented by African countries, in particular the 'North-South' ones offered by the EU and the US. Section 3 analyses the benefits and losses created by EPAS and likely economic outcomes, which appear to depend on the specific conditions of countries, sectors and products, and to be very uncertain.

1. The rationales for regional trade arrangements: theoretical and empirical issues

Trade policy and reform, and therefore the launch of arrangements such as the EPAs, are justified by international trade theories, under their two dimensions of trade liberalisation (lowering trade barriers between two or more countries) and regional integration. In theory, trade liberalisation is welfare enhancing and has positive effects on economic growth. However, in the case of low-income countries, the effects of trade openness (trade liberalisation, market access) appear to be more uncertain, in particular the relationship between trade openness and growth.

Trade liberalisation in poor developing countries: theoretical debates

The trade policy-growth relationship follows various channels, which depend on the countries concerned and may differ in poor countries such as in SSA: government policy, domestic allocation and distribution (e.g., price distortions, factor accumulation, investment) and technology transfers (e.g., FDI) (Wacziarg 2001)[2]. The relationship between trade openness and growth appears to be robust over the long run (Maddison 2001). It has been, however, debated in recent history, before the recent wave of globalisation (Latin America before WWI exhibited high tariffs and high growth, and Asia the opposite, Clemens and Williamson 2002). There are doubts about the relationship between trade openness and growth even within the IMF. From 1870 to the present, econometric exercises do not find a positive growth-openness connection before 1970, and even find a negative correlation for 1920-1940 (Vamvakidis 2002).

Trade reforms, in particular trade liberalisation ensuing from IFI programmes and WTO membership, have exhibited mixed gains in the poorest developing countries, and they have in some cases generated additional constraints – economic constraints (fiscal impact, sectoral impact due to lack of competitiveness), and political economy constraints (problems of asymmetric information and bargaining power). The conditions for trade liberalisation to benefit SSA countries remain a matter of debate, as

[2] This section draws on Sindzingre (2007c).

it does not appear to have addressed and resolved a key obstacle to growth in SSA, i.e. an excessive dependence on primary products.

Trade liberalisation may have positive effects above a certain threshold of income, as it did for some emerging countries. Income and industrial capacities may create threshold effects which maintain low-income countries in poverty (Sindzingre 2007a). The European Commission (2006a), for example, argues that openness to imports increases efficiency and reduces costs for industry, reduces costs for consumers, reciprocal trade opening helps to deal with restructuring and political costs, but it acknowledges that trade openness entails restructuring costs. The latter indeed constitute one of the key points of disagreements, e.g. as to whether poor countries have the political and institutional capacity to restructure their economies, and modify their export structure. This capacity clearly differed in Asian countries that enjoyed spectacular export-led growth, e.g. China, and SSA.

Some of the poorest countries seem caught in the poverty trap of commodity dependence, volatile fiscal resources, lack of incentives for strengthening industrial sectors and investing in human capital, high inequality and high unemployment, hence brain drain and aid dependence that in turn negatively impact availability of local technological skills and maintain the commodity-based trade structure. They cannot reach the 'tipping point' beyond which they could escape the trap.

The mixed impacts of trade openness in Sub-Saharan Africa

Sub-Saharan African countries significantly opened their economies during the last two decades (UNCTAD 2003a). The merchandise trade/GDP ratio increased from 41.9% in 1990 to 57.8% in 2005, while the trade in services/GDP ratio increased from 10.8% to 13.1% over the same period (World Bank, *World Development Indicators 2007*). The gains of trade liberalisation for SSA countries, however, have been mixed, in terms of growth, improvement of their share in global trade, transformation of their export structure and export diversification.

A key point is that trade liberalisation may be associated with export growth – but exports of primary products. In Ghana, for example, growth in exports has concerned traditional primary exports (cocoa): after 15 years of trade reform inspired by the IFIs,

non-primary exports have remained very small (and consisted of agricultural processed products), manufactured exports did not increase, and the composition of exports was almost identical in 1999 to that of 1910 (Teal 2002).

The dismantling of marketing boards and the exposure of producers to global markets has often had negative effects in SSA, because these reforms do not address - and may even aggravate - the key constraints that characterise low-income countries, i.e. uncertainty, the lack of markets for insurance, the absence of state social protection. Even if they are inefficient in theory, guaranteed prices may have a positive function of providing insurance in environments marked by uncertainty.

A crucial problem for SSA countries is the fiscal effects of trade liberalisation: trade liberalisation may be beneficial for growth, but it entails fiscal costs. Indeed, an important issue regarding the impact of policy reform (trade policy) in SSA is its tax structure, as it is based on external trade, the bulk of which is the export of commodities with volatile prices (Sindzingre 2007b). In low-income countries, due to the weakness of institutions and civil services, taxes are primarily those 'easy to collect', i.e. trade taxes, rather than those that are 'hard to collect', e.g. income tax (Aizenman and Jinjarak 2005, 2006).

Trade liberalisation has often had negative effects on the fiscal balance in SSA countries, given the historical dependence of their revenue structure on external trade. There has been a clear decrease in trade taxes in SSA: from 4.9% to 3.5% of GDP for import duties, and from 1% to 0.4% of GDP for export duties between the early 1990s and the early 2000s (Gupta, Powell *et al*. 2005). The IMF is aware of the problem of the reliance on trade taxes as a source of government revenue (Baunsgaard and Keen 2005): in SSA, trade taxes represent 1/4 of all government revenues. Countries have not equally recovered from other sources the revenues which were lost due to trade liberalisation: for middle-income countries, the recovery amounts to 45–60 cents for each dollar of lost trade tax revenue. Revenue recovery, however, is very weak in low-income countries, precisely the ones most dependent on trade tax revenues: about 30 cents of each lost dollar. There is no evidence that low-income countries which have implemented value added tax (VAT) have recovered better than those which have not.

The disappointment of Sub-Saharan African countries with WTO multilateral trade liberalisation

The rules of the WTO are based on reciprocity and non-discrimination. During the 2000s, a significant number of developing countries expressed their criticisms vis-à-vis the WTO, including in SSA. Even optimistic studies acknowledge the existence of short-term adjustment costs of multilateral liberalisation (Low *et al*. 2006). The poorest SSA countries perceive they are not able to reap the gains stemming from WTO membership through the sole mechanism of reciprocity (Jensen 2007), which explains their demands for a 'policy space', i.e. the possibility to devise trade policies (trade restrictions) that would allow them to implement industrial policies. Openness to global competition and reciprocity with more industrial countries is viewed as a threat for their fragile industrial sectors. Multilateral tariff cuts on industrial products can foster the exports by SSA countries of manufactured products with more value-added, but they are also a threat for local industrial sectors, which often cannot compete with either cheaper products from Asia or rich countries technological capacities.

The protection of infant industries, despite the difficulties of its concrete implementation, has long been considered by the followers of Frederick List[3] as a condition for growth in developing countries. The WTO rules are viewed as 'shrinking the development space' (Wade 2002, Shafaeddin 2005) and preventing developing countries from implementing growth strategies that were at the root of the growth of East Asian countries (Amsden 2000). Policy space is a crucial mechanism of learning and discovering comparative advantages and 'self-discovery' (Hausmann and Rodrik 2006).

This has contributed to a mitigated support for multilateral liberalisation as embodied by the WTO and fed the thrust towards regional or bilateral trade arrangements. This weak support has characterised the poorer countries that rely on commodities, which therefore do not export high-value added industrial products, exhibit very narrow technological capacities and cannot compete with industrialised countries. In addition, due to low productivity, political economy problems, uncertainty regarding investment

[3] The economist who developed the infant industry argument in the 19th century (Shafaeddin 2000).

and property rights, poor infrastructure, many SSA countries have difficulty competing with low-end products from other developing countries, such as China.

The WTO has not addressed in depth the specific problems created by commodity dependence in SSA countries (Gibbon 2007; Jensen and Gibbon 2007): OECD countries' liberalisation and removal of subsidies entail the risk of increases in agriculture food prices in countries depending on food imports for food security - most low-income SSA countries are indeed net food importers. Subsidies also involve ambiguous outcomes. Applied in industrialised countries, they have hindered the development of agricultural and industrial sectors in SSA countries, e.g. for rice, vegetables and meat. The reduction in subsidies in agriculture, however, may reinforce the specialisation of SSA countries in primary commodities. The cuts in farm subsidies in developed countries (e.g., the US and the EU) foster the export competitiveness of commodity sectors, as in the case of the cotton-producing SSA countries: West Africa cotton exports contribute to the livelihood of a great number of small producers[4]; they may enhance domestic growth, particularly in the context of strong global demand (China). There is a risk in strengthening specialisation in the export of such a commodity, however, since it maintains countries' vulnerability to high price volatility, dependence on very few exports and weak diversification.

The WTO brought about little change regarding a key factor that maintains the specialisation of SSA countries in the export of a small number of primary products: developed countries' trade policies such as tariff peaks on agricultural products, which hamper diversification from traditional commodities. Average tariffs faced by low-income countries may be low, but tariff peaks, higher than average, apply to commodities such as sugar or horticultural products. Tariff escalation by developed countries likewise hinders the processing of commodities and high-value added exports[5]. Tariffs escalate between raw and semi-finished, and between semi-finished and finished products, which hinders diversification in the products SSA is the most

[4] Out of 12 countries exporting cotton in Africa, 8 are in West Africa. On cotton, see the documents by the Sahel and West Africa Club, OECD; on cotton in West Africa, the *SWAC Atlas on Regional Integration, economic series: cotton, August 2006.*

[5] According to FAO (2004), the tariff peaks on agricultural imports were 350% for tobacco, 277% for chocolate, 171% for oilseeds, or 134% for poultry.

likely to export, i.e. agricultural products[6]. Market access and tariff peaks and tariff escalation remain a key problem in SSA and mostly affect agriculture.

The theoretical pros and cons of regional integration

There is a variety of regional arrangements - in terms of, e.g., depth, coverage (goods, services, factor mobility) and so on. There are: 1) arrangements with modest aims, such as preferential trading arrangements (PTAs), i.e. lower tariffs on imports from the partners than from the rest of the world, or a free trade areas (FTAs), i.e. zero tariffs among partners, and positive tariffs with the rest of the world; 2) arrangements aiming at deeper integration, such as a customs union (common external tariff/CET for partner countries), a common market (freedom of movement of labour, firms, services and capital) and an economic union, which goes further than a common market and where major economic policies are coordinated (Lyakurwa *et al.* 1997). An economic union, e.g. the EU, exhibits a greater loss of sovereignty, more commitment and more complex policymaking than a loose free trade area. Regional integration agreements are also called trade blocs (World Bank 2000).

The choice between a free trade agreement and a customs union remains a matter of debate. Customs unions are said to be more efficient than FTAs and foster greater market integration, but they also require more coordination and entail tighter constraints on member policies and sovereignty (Schiff and Winters 2003).

Table 1: **RTAs and types of trade liberalisation** (source: World Bank 2005, box 2.1)

	Method of implementation	
Scope of beneficiaries	**Reciprocal**	**Unilateral**
Preferential	NAFTA, EU, COMESA, EPAs, other RTAs	GSP, AGOA, EBA, Cotonou
Nondiscriminatory (MFN): all countries	GATT/WTO multilateral agreements	Autonomous liberalisation

[6] Coffee beans and final processed coffee are subject to tariffs of 7.3% and 12.1% respectively in the EU, and 0.1% and 10.1% in the United States; for cocoa, tariffs at the raw, intermediate and final stages are 0.5%, 9.7% and 30.6% respectively in the EU; and 0%, 0.2% and 15.3% in the United States (UNCTAD 2003a).

The respective gains and costs of multilateralism vs. regionalism remain hotly debated. In theory, as emphasized by Collier and Venables (2007), trade preference schemes comprise at least two elements: firstly, trade preference itself - the granting of market access at reduced tariff rates and with less restrictive quotas -; and secondly, the constraints on participation, which define eligible countries and products, and impose rules of origin. There is a tension between these two elements, which reduces the effectiveness of preferences, these constraints being important in the case of manufactured products. Likewise, Collier and Venables consider that the benefits of trade preferences follow two mechanisms: a transfer of rent to developing countries (the preference margin is transferred to producers of exporting countries); an export supply response, which creates employment and depends on the potential of unrealised opportunities.

A key debate is whether preferential trade arrangements are superior to multilateral liberalisation, or at least an alternative, and whether developing countries should seek arrangements with industrial countries or among themselves (Puga and Venables 1997, Burfisher *et al.* 2004). For economic theory, the comparison of multilateralism vs. regionalism is assessed in terms of costs and benefits: "are FTAs building blocks or stumbling blocks for global free trade?" (Bhagwati *et al.* 1999) or "does regionalism help or hinder multilateralism?" (Baldwin 2008). FTAs violate the MFN (Most Favoured Nation) principle and are disincentives for multilateralisation, therefore can they provide a basis for multilateralisation? Another theoretical issue is the relationship between RTAs and growth. In international economics, broad liberalisation said to lead to faster growth than regional trade agreements (Vamvakidis 1999).

As coined by the World Bank, the objective is to make 'regionalism complementary to multilateralism'. For the World Bank, multilateral liberalisation is more beneficial than RTAs (World Bank 2005): the political and economic benefits of regional trade blocs are illusory and imply trade-offs; effective integration equates to more than reducing tariffs and quotas. In the 1980s, the IFIs' adjustment programmes were devised within national frameworks and did not focus on regional integration. The World Bank progressively considered regional integration in a more positive way, arguing that it

locks countries into policy reform and achieves economies of scale, however depending on institutional capacity and infrastructure.

For the IMF, regional integration, more than the increase of intra-regional trade, allows member countries to gain policy credibility for trade reforms and tariff liberalisation (on the example of COMESA and the Southern African Development Community/SADC, Khandelwal 2004). As explained by Schiff and Winters (2003), the existence of imperfect competition, market power, product differentiation, increasing returns have improved the recognition of the benefits of RIAs: many countries are too small for activities subject to large economies of scale.

In the 1990s, regionalism was thus rehabilitated via theories of 'new regionalism' (De Melo *et al.* 1993), in line with Jacob Viner (1950), who introduced the concepts of trade creation and trade diversion. For Viner, the welfare impact of preferential trade agreements is ambiguous, because preferential trade liberalisation can either result in the replacement of inefficient domestic production with low-cost imports from member countries (trade creation) or in the substitution of efficient, low-cost imports from non-member countries with less efficient imports from member countries (i.e., trade diversion) (Mayda and Steinberg 2006). As underscored by Mayda and Steinberg, this model also explains political economy mechanisms: under trade creation, preferential trade agreements may be building blocks for multilateral trade negotiations, since policymakers can build consensus from the gains of partial trade liberalisation.

Regional agreements have other effects, in particular fiscal effects via the reduction in trade taxes - direct effect when tariffs on intra-trade are reduced and indirect effect when importers diminish imports subject to tariffs. As for multilateral liberalisation, tariff revenue may decrease, with an ambiguous overall effect on national income depending on trade policy toward non-member countries. Revenue losses may be substantial in SSA, where fiscal resources heavily rely on the taxation of external trade.

The theoretical arguments for 'North-South' agreements

An important point in the context of EPAs is that Viner's concepts also suggest that North-South agreements may be more welfare-enhancing than South-South ones (Hoekman and Schiff 2002). 'North-South' regional agreements may generate

technology transfers for Southern members. According to Mayda and Steinberg, the welfare effects of trade creation and trade diversion show that South-South agreements between small countries do not produce gains for their members, because developing countries trade little with each other, as is the case in SSA: low-income countries tend to have a comparative advantage in the same sectors. Therefore, South-South trade agreements are likely to lead to trade diversion as opposed to trade creation. In addition, low-income countries are less likely to generate the efficiency gains that are linked to economies of scale, since South-South agreements give access to smaller markets than North-South ones. Indeed, they show that between 1994 and 2003, COMESA's preferential tariff liberalisation has not increased Uganda's trade with member countries.

Many studies confirm that the welfare effects of regional trade agreements on members are ambiguous and depend on the balance between trade creation and diversion. If the partner country production displaces higher cost domestic production, there are gains and trade creation; but if the partner country production displaces lower-cost imports from the rest of the world, trade diversion occurs (Schiff and Winters 2003; on the SADC, Lewis *et al.* 2002). There are winners and losers from regional integration agreements, depending on the comparative advantage of member countries, relative to each other and relative to the rest of the world: this is a strong argument for North-South rather than South-South agreements, the latter being prone to trade diversion (Venables 2003). Regional integration agreements have geographic, agglomeration and concentration effects: they create clusters that entail both benefits and costs, and development in a single member country rather than in all, which may increase divergences in economic structures and incomes between members of RIAs.

The stakes are high: different trading arrangements may have a major impact as they change the attractiveness of countries regarding manufacturing production and therefore may foster or prevent industrial development. This has obvious consequences in terms of political economy and explains the failure of some agreements. The relocation of production effects determined by the comparative advantage of member countries can be a force for divergence. "South-South'" regional agreement schemes between economically small low-income countries entail tensions that lead to failure of the

agreement, an example has been the East African Community (EAC) (World Bank 2000, Venables 1999)[7]. Patterns of comparative advantage, however, are not immutable (Puga and Venables 1997).

The rise of major economies in the 'South', e.g., China, India, Brazil and South Africa, however, blurs the argument that operational trade agreements should involve at least one developed country partner and the objection that the countries of the South are not large enough to make 'South-South' agreements desirable (McDonald and Willenbockel 2008).

The 'rush' towards deeper regional trade integration at the turn of the 21st century

As analysed by Gavin (2007b), the disappointment with multilateralism and the WTO stems from the fact that they failed to fulfil their functions of global public goods. Governments hence have moved away from multilateralism: they have expressed their preferences for regionalism since it is a better provider of 'deep integration' and regional public goods, and for a regional homogeneity that better allows for regional collective action.

What is coined as the 'new regionalism" denotes a departure from multilateralism, and has grown out of a sense of frustration of some governments at the slow progress in multilateral trade negotiations (UNCTAD 2007a). Regional integration agreements in the 1990s have followed a model of 'open regionalism' (as distinct from 'closed regionalism'): trading blocs between developing countries in the 1960s-1970s were indeed more based on a model of import-substitution and therefore on high external trade barriers. The recent wave of regional agreements is more outward-looking and focused on international trade.

By definition, regional integration agreements entail a discrimination against non-members (preferential liberalisation among partner countries only). This is inconsistent

[7] The manufacturing sector in the EAC was concentrated in the Nairobi region, which reaped most gains at the expense of manufacturing in Uganda and Tanzania. Kenya was producing 70% of the manufactures. By 1958, 404 of the 474 companies registered in East Africa were located in Kenya. By 1960 Kenya's manufacturing sector accounted for 10% of its GNP, 4% in Uganda and Tanzania. This brought about the collapse of the EAC in 1977 (World Bank 2000, Venables 1999).

with the fundamental principle of the WTO, the most-favoured-nation (MFN) rule. It is only compatible with the WTO rules if not aimed at discrimination against non-members[8]. However, the slowdown and disappointment with multilateralism have led to the multiplication of regional and bilateral agreements: six-fold in two decades (World Bank 2005), with multiple overlappings that have been coined as 'spaghetti bowls'. Half of world trade now takes place within trade blocs (Hoekman and Schiff 2002). The form and content of these regional arrangements vary considerably from case to case (Whalley 2008). The number of trade agreements notified to the GATT/WTO increased from 20 in 1990 to 86 in 2000 and to 159 in 2007 (UNCTAD 2007a) (appendix 1 and 4).

The agreements concluded over the past 20 years have been mainly bilateral, and primarily between developing and developed countries ('North-South', Venables 2003) (appendix 3). They increasingly include provisions aimed at 'deep integration' (Pomfret 2007), which involves additional elements for harmonising national policies in order to foster market forces and limit government intervention. These comprehensive regional agreements include trade-related and investment-related provisions and extend to services, intellectual property rights and competition. Most regional free trade agreements are also investment agreements[9]. This feature, combined with the increasing number of trade arrangements involving countries from different geographical regions

[8] To quote the WTO Annual Report 2007, section XI, Committee on Regional Trade Agreements: "The promotion of preferential trade relations among selective partners through the establishment of regional trade agreements (RTAs) is today a key trade policy objective of many WTO Members. The overall number of RTAs is increasing steadily, a trend likely to be strengthened by the many RTAs under negotiation. In 2006, 27 new agreements were notified to the WTO; of these, 16 were notified under Article XXIV of the GATT 1994, 11 under GATS Article V and none under the Enabling Clause. As of 31 December 2006, 215 active RTAs have been notified to the WTO, of which 148 under GATT Art. XXIV, 46 under GATS Art. V and 21 under the Enabling Clause. RTAs are not only increasing in numbers but also evolving in their regulatory provisions, scope, coverage and partner composition. Most of the RTAs in the making go beyond tariff concessions in trade in goods to include preferential commitments in services and innovative provisions in areas such as investment, competition policy, trade facilitation, government procurement, intellectual property, electronic commerce and, in some cases, labour and environment. Such innovations may lay the ground for future multilateral rules on these issues; however, the different regulatory regimes put in place through RTAs also make international trade more complex and may undermine the principles upon which the WTO stands, namely transparency, predictability and non-discrimination. As for the nature of the agreements and their partner composition, the evolving preferential trading landscape seems to know no bounds; layers of preferential trading relations are being established at the bilateral, regional, continental and cross-regional level and among partners irrespective of their level of economic development".

[9] UNCTAD, Note on RIAs in 2003 (TD/B/com.2/54).

constitutes the 'new regionalism' (though trade agreements are often bilateral and involve countries that may be in geographical region).

This 'rush to regionalism' has generated a 'domino effect' and bloc formation may be endogenous (Baldwin 2008): FTA negotiations react to one another, and as FTAs disadvantage non-members, every time one is signed there is pressure from non-member exporters to engage in integration (Cosbey 2005, Baldwin, 1995). The proliferation of FTAs may last (Baldwin 2006): hence even if regional trade agreements are sub-optimal, moving to global free trade will require a multilateralisation of regionalism from fuzzy sub-blocs, with 'spaghetti bowls' as building blocs. For Baldwin, the 'noodle bowl' of Asian regionalism (around 70 free-trade deals by the end of 2006) has detrimental effects in terms of complicating logistics, since agreements all include different rules.

This multiplication of regional agreements indeed exhibits serious limitations. The 'spaghetti bowl' of preferential trade deals and different rules may hinder trade, especially for poor countries. This multiplication allows for the expression of the asymmetric power of developed countries more than multilateralism, and makes the rules of international trade increasingly complex and costly (Daudin 2007).

2. The European Union Economic Partnership Agreements (EPAs) with Sub-Saharan Africa and their context: economic constraints, other regional trade agreements

The critical economic situation in Sub-Saharan Africa in the 2000s: the constraints ensuing from its trade structure

The 2000s witnessed a spectacular resumption of growth in many SSA countries, with a growth rate of 6.8% in 2007, which according to the IMF, is led by very strong growth in oil-exporting countries (IMF 2008a). The structural constraints stemming from SSA trade structure and the legacy of past failures – failed reforms, poor local political economy -, however, should not be overlooked.

The stabilisation and adjustment programmes and trade liberalisation reforms of the 1980s-1990s have been coined as the 'lost decades' by William Easterly (2001b), "in

spite of policy reform" - factors being slow growth in OECD countries, the rise in world interest rates that increased the debt burden of developing countries, and terms of trade shocks. The median per capita growth for 12 countries having incurred adjustment credits more than 15 times between 1980-94, compared to 2.5% in 1960-79, was zero: the IMF and the World Bank made 958 adjustment loans to developing countries over 1980-98, but with 'disappointing performances' in terms of growth, despite improvements in domestic policies (Easterly 2001a). Over time, the mitigated success has led to repeated lending (to countries that the IMF coins as 'prolonged users').

Indeed, two decades of stabilisation and adjustment programmes did not modify the market and export structure of most SSA economies. These market and trade structures are distorted and based on commodity dependence, low industrial base and low level of human capital and skills. They constitute the main constraints to growth in SSA countries. Commodity dependence is a legacy of colonial market structures (Hopkins 1973) - colonies exported primary commodities while importing manufactured goods from the colonising countries - and of the associated types of taxation, which obliged most of them to produce cash crops and export commodities generating foreign exchange.

Low-income countries improved their export performance in the 2000s, but this is mostly due to higher international prices of the commodities they export – the 'commodity boom' that occurred after 2002, especially oil (IMF 2007). Is this good or bad news for SSA? As shown by UNCTAD, contrary to the previous decade, the trade value of computers and other electronic products expanded no faster than that of manufactured goods, and electronic products have not regained their dynamic role in the expansion of trade in manufactures in the 1990s when the export value of electronic goods rose twice as fast as that of all other manufactured goods. It may be bad news because the key negative dimension of commodity dependence is volatility, while export concentration is increasingly recognised as negative *per se*.

The relevant perspective should be the long term rather than the short term. SSA may exhibit an increased trade orientation, but the share of SSA in world trade continues to decline (IMF 2007). Its exports have grown more slowly than world exports. According

to UNCTAD[10], the share of SSA exports in world exports was 3.8% in 1980, 2.0% in 1990, 1.5% in 2000, with a slight improvement in 2004 (1.6%). The share of SSA imports in world imports was 3.2% in 1980, 1.6% in 1990, 1.2% in 2000, with similarly a slight improvement in 2004 (1.4%). A key point is that SSA marginalisation in world trade does not reflect some intrinsic incapacity, but rather its inability to sustain growth: SSA failures are developmental failures, not export failures. Africa's trade performance reflects its problems regarding financing, logistics, capital and skills, which play a key role in international trade (UNCTAD 2003a).

Indeed, the structure of SSA exports exhibits the following pattern: in 2005, food represented 15% of merchandise exports; agricultural raw materials, 5%; fuels, 36%; ores and metals, 10%; manufactures, 33% (World Bank *World Development Indicators*/WDI 2007). SSA has not diversified the structure of exports after two decades of structural adjustment (UNCTAD 2001)[11] and relies on primary commodities since the colonial period: 95.3% of SSA exports were primary commodities in 1980 (oil and non-oil), and were still at 81.3% in 1997.

The export pattern does not show any product diversification: in 2005, the share of fuels has risen to over half of total SSA exports (IMF 2007, table 4.1). This is particularly clear in oil-exporting countries - in 1990, oil represented 90% of Nigerian exports and 98% in 2005 (WDI 2007) - but not only: in 1990, agricultural raw materials represented in Benin 56% of the total exports, and 61% in 2005 (WDI 2007).

In addition, low-income countries and especially SSA are affected by high levels of export concentration: e.g., Mauritania exports 13 products, Angola 13 products, Congo 30 products (vs. e.g., 221 for Ireland, or 214 for Portugal) (Jansen 2004, from the UNCTAD *Handbook of Statistics* 2002).

SSA primarily trades with Europe. SSA exports go first to Europe, followed by North America and Asia; imports from North America are small while imports from Asia are increasing (WTO *International Trade Statistics*, quoted in Low *et al.* 2006). In 2004,

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[10] *Handbook of Statistics*, 2007, selected statistics for Africa.

[11] In SSA "agricultural exports are concentrated in five major crops (cocoa, coffee, cotton, sugar, and tobacco), which, in 1990–95, accounted for an estimated 62% of total agricultural exports. Export concentration has hardly changed over time, since these same five crops represented 63% of total agricultural exports in the 1970s" (World Bank *Global Economic Prospects* 2002, p. 63).

Africa supplied 25% of Europe's, 20% of USA and Canada's and China's crude oil imports[12]. In 2006, due to the global commodity boom, SSA exports towards the US overtook those towards the EU due to rising exports of fuels and other commodities (IMF 2007, figure 2.6).

The risks associated to a commodity-based trade structure: uncertainty and volatility

An important reason why dependence on commodities for exports is considered as negative for SSA is that it generates uncertainties. The problem of commodity prices is their volatility, which is a factor of poverty traps. The dependence on primary commodities creates 'poverty traps' in which SSA countries may be caught: low productivity, low value added, high competition in their main sector of activity, slow export growth, diminution of market shares, concentration of exports in a few products. For UNCTAD, global trade is boosted by manufactures, not by agricultural commodities. These uncertainties particularly threaten SSA oil-producing countries - Angola, Cameroon, Chad, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, and Nigeria –, as oil booms and busts are very difficult to manage in terms of fiscal deficits: financing fiscal deficits is fraught with uncertainty because there are many variables that are outside a government's control, e.g. oil reserves and oil prices (Olters 2007).

Uncertainties are underscored by the IMF, since many SSA countries are highly dependent on oil as well as non-fuel commodities for export earnings (IMF 2006), export earnings being moreover often generated by a small number of commodities. With rising oil and food prices, demand for SSA exports is becoming less healthy than before, when nonfuel commodity prices were growing at double digits. Inflation and high oil prices may harm SSA exports (IMF 2008b). The IMF (2006) does not disagree with the theses of Raul Prebisch that have highlighted the long-term downward trend over most of the 20th century: prices continue to decline gradually in real terms, as during most of the past century, and prices of most non-fuel commodities remain below

[12] *SWAC Atlas on Regional Integration, economic series: oil and gas*, April 2007.

their historical peaks in real terms. For the IMF, over the past five decades, commodity prices have fallen relative to consumer prices at the rate of about 1.6 % a year, a downward trend that is explained by large productivity gains in the agricultural and metals sectors relative to other sectors.

The World Bank underscores the same uncertainties (World Bank 2007): growth in SSA mostly stems from exports to China and higher commodity prices for oil and metals. A crucial problem, however, is that SSA manufactured exports are simultaneously affected by the competition from China and India (e.g., in South Africa), particularly the SSA clothing industry: textile exports to the US fell by 17.3% and to the EU by 16.9% - although Chinese demand for cotton may be beneficial for cotton producers in West Africa. For the World Bank, SSA is the region that is the most vulnerable to declines in prices of energy and minerals because it relies too much on commodity exports, the oil and mineral exporters being the most vulnerable countries to a commodity price shock, which is worrying for SSA.

The long-run behaviour of prices is a matter of intense debates. It is usually explained by differences in demand elasticity for manufactures and commodities, the market power enjoyed in manufactured goods by developed countries, technical progress, secular improvements in agricultural productivity, trade policies (agricultural subsidies, tariff escalation) in developed countries and the structure of the international markets for commodities. A well-known theoretical explanation of commodity prices behaviour and the negative impact of the dependence on commodities is the Prebisch-Singer hypothesis, explored since the 1950s, of a secular decline in world real prices of commodities and a deterioration in the terms of trade for developing countries vis-à-vis industrialised countries, due to the deterioration in the commodities/manufactures terms of trade.

The negative effects of commodities exports are also underlined by the theory of Dutch disease, and the more questionable concept of the ‘natural resources curse’. Commodity dependence is compounded by the ‘adding-up problem’ (or ‘fallacy of composition’). Prices decline if several countries simultaneously export the same commodities, if the price elasticity of demand for commodities is low and the income elasticity of demand is low: when demand does not increase, the revenue from a commodity with low price

elasticity of demand falls when supply is increased. The additional supply causes price to fall proportionately more than the increase in supply (e.g., when new producers enter markets where prices are already instable and where low-income countries are already in tight competition, such as Vietnam with coffee).

The decline in relative prices of commodities vis-à-vis manufactured goods remains controversial, but there is a consensus on their volatility. Over the long-run, the volatility of SSA countries' terms of trade and terms of trade shocks are very costly in terms of growth. Shocks are not symmetrical: the negative effects from a negative price shock are larger and more long-lasting than the positive ones; in commodity price cycles, price slumps last longer than booms, and may have more detrimental consequences (e.g. on manufacturing sectors) (Cashin *et al.* 2002, Jones and Olken 2005).

Another controversial question is whether SSA has a comparative advantage in primary commodities exports. SSA endowments are constituted by relatively abundant natural resources and relatively scarce skilled labour: there is little hope for manufacturing for export, except in unskilled-labour-intensive primary processing activities, the constraint being the skills/land ratio (Wood and Mayer 1998). The possible options and growth paths for SSA therefore remain subject to debate - exports of primary commodities, or processed commodities, or industrialisation strategies?

Additional uncertainties: the rise of China as a major trading partner of Sub-Saharan African countries

In contrast with the two previous decades, most SSA countries enjoyed high growth rates in the 2000s, which for the IMF are mainly driven by the rise in the international prices of commodities (as during previous growth episodes in SSA). This has been driven by the high price of oil and minerals, global demand for commodities, and growing production in the oil exporting states. This growth pattern therefore entails a significant risk of further locking-in SSA countries into dependence on commodities for their exports.

The impact of China remains uncertain, and the economic situation of SSA is at the crossroads. In addition to its role in the rise in international commodity prices, pushed by the growth and therefore the demand of the large emerging countries (China, India) China plays a direct role in SSA via its bilateral trade with SSA countries, driven by its demand for the continent's natural resources, oil and minerals.

The debate on the relationship between commodities and growth is therefore complicated by the emergence of China. China and, to a lesser extent, India have spectacularly increased their trade with SSA, as well as investment and promises of substantial aid. China's trade with SSA increased 50-fold between 1980 and 2005, though it represented only 2.5% of Chinese foreign trade (Broadman 2006). Between 2001 and 2006, SSA exports to and imports from China rose on average by 40% and 35%, respectively, significantly higher than the growth rate of world trade (14%) or commodities prices (18%). China is SSA 3rd largest trading partner after the US and the EU. The composition of goods traded between SSA and China is similar to that between SSA and its other major trading partners: in 2006, oil and gas accounted for 60% of SSA exports to China, followed by nonpetroleum minerals and metals at 13%. Africa's imports from China comprised mainly manufactured products and machinery and transport equipment (3/4th of total imports). Africa has also become a key market for Chinese construction and engineering enterprises (Wang and Bio-Tchané 2008). From small amounts in 1990, China's share in 2005 represented one-fourth of SSA exports of raw materials and one-sixth of fuels (IMF 2007, table 4.3).

The IMF is cautious as to whether the rise of China and other large emerging markets will induce changes in long-term price trends, and whether this demand will be sustained. Prices follow the global product cycle, which may lead to the decrease of some commodity prices when the pursuit of growth in China will have shifted its demand for certain commodities. The commodity boom has improved SSA exports' prospects and may even reverse the long-term decline in its share of trade: but despite this increase in exports, particularly towards China, they are still dominated by commodities, especially oil (IMF 2007).

Many arguments underline the positive dimensions of China for SSA: in particular, capital now flows in a region that was characterised by its scarcity. Commodity prices

have increased for producing countries, exports have been boosted and growth rates have risen.

There are many pessimistic arguments, however. Capital surges entail the risk of Dutch disease; China is mainly driven by a quest for natural resources and the securing of energetic needs necessary to its growth, which is therefore unlikely to change the specialisation of SSA in commodity production and exports. For some commodities (e.g., copper, aluminium), China's consumption represented in 2003 between one-fifth and one-fourth of world consumption (Khan 2007). China imported more than 25% of world imports of cotton in 2004 (Goldstein *et al*. 2006). Angola, South Africa, Sudan, DR Congo, Equatorial Guinea, Nigeria and Gabon represented in 2005 90% of SSA's exports to China (Broadman 2006).

For Wang and Bio-Tchané, the similar composition of goods traded between SSA and its main trading partners suggests that the surge in SSA-China trade reflects partners' comparative advantages given their stage of economic development and not China's unilateral quest for natural resources. In all cases it may be observed that China is reproducing the long-standing SSA pattern – that of the export of primary commodities – more than it is modifying it.

China's demand for natural resources maintains SSA in its century-long export structure and may even increase its dependence on primary products: indeed, while SSA exports primary products to China, it imports from China cheap manufactured products that are more competitive than those locally produced. There are long-term investments in SSA domestic industrial sectors. The manufacturing and the construction sectors attract China's FDI (UNCTAD-UNDP 2007). FDI, however, are skewed towards the natural resources sector - most FDI are in the countries that export to China (e.g., Sudan, Nigeria) and in the primary sector, such as oil and copper (Broadman 2006). Trade between China and SSA is mainly based on imports of oil from Angola and Sudan, timber from Central Africa, and copper from Zambia, which has increased the price of oil and metals from SSA and the region's real GDP (Zafar 2007). Chinese demand for oil, however, has increased the import bill for many SSA oil-importing countries.

Zafar confirms that China's exports threaten local production in the manufacturing sector, in particular its exports of low-cost textiles, which displace production within SSA countries and cause severe job losses. SSA manufacturing sectors cannot compete with the low production costs and the cheap goods from China (Kaplinsky and Morris 2008). The ending of the MultiFibre Agreement in 2005 and the subsequent end of quotas lifted tariff restrictions on Chinese imports to the US and brought Chinese clothing into direct competition with SSA products on third markets (Alden 2007). This had a detrimental impact on SSA fragile textile sectors, in particular in Lesotho, Kenya, Swaziland and Madagascar.

The resource boom in SSA, driven by Asian growth, may destabilise local governance when resources are managed by states. When resources are managed by the private sector, however, profits may mostly accrue to foreign companies, e.g., mining profits, and leave little room for governments to use revenues to mitigate adverse distributional impacts. The CGE model elaborated by Breisinger and Thurlow (2008) on the example of Zambia thus shows that the rise in copper prices increased per capita incomes by 2%, much below the 20% increase that would have been achieved prior to the privatisation of the copper industry: they highlight the risk of a 'resource trap', Dutch disease and a worsening of income distribution.

Crucial constraints on trade agreements in Sub-Saharan Africa: political economy, institutional and physical infrastructure

For a government, the capacity to successfully negotiate and implement trade agreements obviously depends on the strength of public institutions and state capacity. The latter is often weak in SSA, and many countries have been affected by civil wars and secession attempts. Political systems are often characterised by clientelism, patronage and patrimonialism, with a limited conception of public good and of political power as a right for the ruler and his *obliges* to appropriate the country's economic resources. At the extreme, some political regimes may be genuinely predatory and kleptocratic: as shown by Olson (1993) and Acemoglu and Robinson (2006), they may have incentive to prevent any development or consolidation of institutions as they may threaten their maintenance in power.

Natural resources and commodity exports, especially oil, seem to foster kleptocratic and autocratic governments and create poverty traps where natural resources and predation mutually reinforce themselves (Charap and Harm 1999). These processes may be compounded by social fragmentation, the latter being reinforced by political systems where 'the winner and his social group take all'. This creates 'defensive voting' along ethnic lines, which in turn reinforces social fragmentation (Bratton and Kimenyi 2008 on Kenya; Posner 2001).

This kind of political economy is likely to erode the effectiveness of trade arrangements, in particular if it characterises all partner countries, but also when they are implemented with more accountable and democratic countries, as it limits the scope of negotiations and their possible developmental outcomes. Political commitment is indeed crucial for trade integration and the success of trade arrangements.

Indeed, François and Manchin (2007) on a panel of bilateral trade flows from 1988 to 2002, reveal that infrastructure and institutional quality are essential factors not only of export levels, but also the likelihood that exports take place at all. They show that export performance, as well as the propensity to participate in the trading system, depend on the quality of institutions and that of transport and communications infrastructure. These factors appear to be much more important than variations in tariffs in explaining variations in North-South trade. François and Manchin infer from these findings that policy should focus less on developing country market access than on trade facilitation.

Political economy also matters in the sense that inter-country rivalries and the lack of solidarity have often been important obstacles to regional integration, as shown by Zafar and Kubota (2003) on the example of the CEMAC countries, e.g., rivalries between Cameroon and Gabon and competing aspirations for leadership.

Infrastructure represents a key constraint to the effectiveness of regional trade agreements in SSA. For Rodriguez and Rodrik (1999), trade policy in SSA works as it does elsewhere - trade restrictions are obstacles to exports and their reduction improved trade performance in SSA -: SSA poor performance is explained by its poor infrastructure, its geography, its dependence on a limited number of primary products. Although trade reforms may raise trade volumes, their influence on growth is weaker.

In the CEMAC in 2003, for example, the road network represented less than 3,500 km (Zafar and Kubota 2003). As underlined by UNCTAD (2007b), among the 24 countries of West and Central Africa, five are landlocked (Burkina Faso, the Central African Republic, Chad, Mali and Niger), but transit trade is often beset by administrative, technical and logistical problems, which are aggravated by the proliferation of checkpoints (appendix 8).

For the IMF (2007), SSA's inability to diversify is due largely to a lack of infrastructure and the high costs of doing business. The very poor infrastructure in SSA has a very detrimental impact on trade and transport – e.g., road and telecommunication infrastructure -, though the telecom sector has improved in the last decade due to privatisation and FDI.

The World Bank also insists on the detrimental effects of poor infrastructure and transport inefficiencies. On the example of the procedural requirements for exporting and importing a standardised cargo of goods, from the contractual agreement between the two parties to the delivery of goods in 126 countries, Djankov *et al.* (2006) (and the World Bank *Doing Business 2006* report), highlights the negative impact of long delays on trade: on average, each additional day that a product is delayed prior to being shipped reduces trade by at least 1%. Delays have an even greater impact on developing country exports and exports of time-sensitive goods, such as perishable agricultural products. A day's delay reduces a country's relative exports of time-sensitive to time-insensitive agricultural goods by 7%[13]. For the World Bank report, many countries in SSA cannot benefit from duty-free access provisions or from trade liberalisation in OECD markets if their export procedures are not simplified. This is compounded by corruption and checkpoints at each step of the transport chain within and across borders, which significantly hinders SSA intra-trade.

Likewise, the gravity model elaborated by Nordås and Piermartini (2004) reveals that quality of infrastructure is an important determinant of trade performance, with - among

[13] According to Djankov *et al.* (2006), it takes 116 days to move an export container from the factory in Bangui (Central African Republic) to the nearest port and fulfil all the customs, administrative, and port requirements to load the cargo onto a ship. It takes 71 days to do so from Ouagadougou (Burkina Faso) and 87 days from Ndjamena (Chad) – but 5 days from Copenhagen, 6 from Berlin, 16 from Port Louis (Mauritius), 20 days from Shanghai, Kuala Lumpur or Santiago de Chile.

all indicators of infrastructure - port efficiency having the largest impact on trade. UNECA (2004) also views infrastructure as a key problem for competitiveness in SSA: infrastructure and export diversification are correlated, particularly power and rural electrification (but also transport, telecommunications, etc.). Transportation costs are much higher in SSA than any other region of the world: they accounted for some 60% of the total price of cassava in Central African countries (IFAD roundtable 18-1-2005) (Sindzingre 2000).

Similarly, for Limão and Venables (1999), problems of infrastructure, geography and therefore transport jointly explain the relatively low levels of trade in SSA, landlocked countries suffering from high transport costs: they show that the elasticity of trade flows with regard to transport costs is high (-2.5) and that the median landlocked country has only 30% of the trade volume of the median coastal economy. They calculate that halving transport costs would increase the volume of trade by 5. Many SSA countries are unfortunately landlocked or transit countries: a regional approach to transport infrastructure and transit systems is therefore crucial for trade and investment (such as in the corridor approach in the SADC).

This negative impact of poor infrastructure affects the whole of SSA economic activities, and therefore SSA intra-trade. Coulibaly and Fontagné (2004) show with the example of WAEMU that the very low intra-SSA trade is explained by the size of the exporting and the importing economies, but this 'missing trade' is also explained by geography, and especially the very high trade costs of being landlocked and poor.

Likewise, for Bouët, Mishra and Roy (2007, 2008), the decline of SSA share in world exports may be explained by poor infrastructure: their initial question is whether the observed pattern of exports from SSA is consistent with the predicted level of trade (i.e. explained by SSA GDP, geographic distance, and access to foreign markets). Their model shows that SSA is an 'under-trading' continent, an under-exporter. Transport and communication infrastructure reduces the under-trading effect for Africa. Another model reveals significant non-linear impacts of infrastructure on trade for a large number of SSA countries, as well as complementarity across transport and communication infrastructure. They find that local trade-related infrastructure (air and road transportation, communications infrastructure) in SSA is a potential factor in lower

than expected trade flows, and especially the interaction between road density and cell phone density. For Bouët *et al.*, this poses the key question as to whether enhanced preferences would raise SSA exports. Even if preferences were to enhance export levels, trade of SSA countries may remain low due to low levels of trade-related infrastructure.

There are, however, counter-examples: in their econometric assessment of the success of the AGOA trade preferences offered by the US, launched in 2000, which generated significant increases in imports from SSA by the US, Frazer and Van Biesebroeck (2007) reveal that none of these limitations - poor infrastructure, distorted product and credit markets, high risk, poor public services - proved to be binding constraints to expanding exports under AGOA.

The low level of trade integration between Sub-Saharan African countries

In SSA, the EPAs are implemented in an environment that is characterised by a great number of regional trade agreements, which are both 'South-South' - including SSA countries -, and 'North-South' schemes, e.g., involving the EU and specific groups of SSA countries.

SSA countries are characterised by weak trade integration, despite the existence of many formal regional arrangements. Trade within SSA regional groupings represents a small fraction of each country's total trade, in contrast with other parts of the world (table 2). It has remained roughly constant, though a slight increase is noted in the early 1990s, from 8% in 1989 to 12% in 1995 (Yeats 1999). This trade involves very little manufacturing or intra-industry trade (half of this trade is accounted for by petroleum, cotton, live animals, maize and cocoa).

The figures provided by the World Bank *World Development Indicators* confirm the very limited level of exchanges within trade blocs (being defined as groups of countries that have established special preferential arrangements governing trade between members). The EAC exhibited in 2005 the highest level of intra-bloc exchange (15% of its exports within the bloc), followed by the West African Economic and Monetary Union (UEMOA) (13.4%), the Cross-Border Initiative (14%), the SADC (7.7%) and

the Economic Community of West African States (ECOWAS) (9.5%). The other blocs exhibit lower levels (appendix 5).

Table 2: World network of trade, 2004

	Europe	NAFTA	Asia	MiddleEast	Africa	S&CAmerica	World
Europe	33%	7%	8%		2%		45%
NAFTA		8%	9%				15%
Asia			13%	3%			27%
Middle East							4%
Africa							**3%**
S&CAmerica							3%
World	44%	21%	23%	3%	**2%**	3%	100%

Source: Baldwin (2006); his note: The inter-regional flows are summed over both directions, so there are no entries in the lower triangle of the matrix. All flows are taken as a % of world trade and numbers less than 2% are zeroed out for clarity's sake.

The level of SSA intra-trade is very low. There is a debate as to whether the actual levels of SSA intra-trade are lower than their potential. Some studies argue it has the expected level, and that there is little unexploited potential for intra-SSA trade (Goldstein 2002). Gravity models comparing the actual trade and what the model predicts show that in the absence of trade restrictions, the scope for SSA intra-trade is intrinsically modest. Integration schemes did not increase intra-regional trade: indeed, the latter is low not because of trade restrictions, but because of incomes and geography. Trade potential depends on total economic size (GDP) and trade intensity (trade/GDP), which is affected by geographic and economic determinants (proxied by GDP per capita); trade attraction is determined by the total costs of bilateral trade (e.g. transports costs), policy choices and history (Foroutan and Pritchett 1993). In the case of North-South trade, SSA trade with industrial countries is not unusually low. SSA trade levels with industrial countries are explained by economic size, geographical distance and population (Coe and Hoffmaister 1999).

A limited integration despite a multiplicity of intra-regional arrangements

Regional agreements and organisations have multiplied in SSA, and they often overlap[14]: there are now more than 30 arrangements in SSA (Yang and Gupta 2005). Such a proliferation of agreements – 'spaghetti bowl'–, with multiple objectives and overlapping memberships is not likely to be efficient or attract FDI (appendix 6 and 7).

Regional integration is confronted with many obstacles and is undermined by the similarity of problems among countries. Many countries exhibit the same market structures, they mostly export commodities, they have undiversified export structures and lack complementarities, their comparative advantage lies in primary products and perpetuates the post-colonial 'small open economy model' - imports of manufactures from developed countries, exports of primary goods to these countries (Hopkins 1973).

Regional trade arrangements in SSA did not modify export structures, and did not foster trade and FDI (Yang and Gupta 2005). Relatively high external trade barriers and low resource complementarity between member countries limit both intra- and extra-regional trade. Small market size, poor transport facilities and high trading costs make it difficult for SSA countries to reap the potential benefits of RTAs.

The Central African Economic and Monetary Community (CEMAC) is a case in point: it is characterised by low growth, high dependence on oil, volatility resulting from dependence on commodity exports, very limited intra-regional linkages, political instability, in addition to infrastructural and transit problems, low complementarities in goods and factor of production, and export of similar products (Zafar and Kubota 2003).

Likewise, in West Africa, ECOWAS has been ineffective in promoting trade among its members. Hanink and Owusu (1998) show that trade flows are strong when considered on a relative basis, but the same pattern existed before ECOWAS: the agreement did

[14] The World Bank *World Development Indicators* (2006) list regional trade blocs in SSA: the Economic and Monetary Community of Central Africa (CEMAC); the Economic Community of the Countries of the Great Lakes (CEPGL); the Common Market for Eastern and Southern Africa (COMESA); the Cross-Border Initiative (CBI); the Economic Community of Central African States (ECCAS); the Economic Community of West African States (ECOWAS); the Indian Ocean Commission; the Mano River Union (MRU); the Southern African Development Community (SADC); the Central African Customs and Economic Union (UDEAC, formerly Union Douanière et Economique de l'Afrique Centrale); the West African Economic and Monetary Union (UEMOA); East African Cooperation; the Southern African Customs Union (SACU).

not introduce significant changes. On the example of groundnuts exporters, Badiane and Kinteh (1994) also underscore the ineffectiveness of associations of countries in defending their exports.

A crucial point is that SSA regional arrangements have had a limited effectiveness precisely because of the export structure of many SSA countries, and at the same time, they had a limited effectiveness in modifying this export structure. A CGE (computable general equilibrium) model of Madagascar's economy elaborated by Hallaert (2007) reveals that the SADC FTA has had a limited impact on Madagascar's real GDP because liberalisation affects only a small share of its total imports. The model, however, suggests that the trade and production patterns may change and benefit the textile and clothing sector. Interestingly and in line with the theories that view multilateralism as more efficient than regionalism, Hallaert shows that gains from the SADC FTA become substantial only when the regional liberalisation is accompanied by a multilateral liberalisation.

The North-South preferential schemes involving Sub-Saharan Africa – GSP, EBA, AGOA - and their variable outcomes

Non-reciprocal trade preferences have long been granted to various developing countries, early in the history of the GATT, reflecting past colonial trade ties (François *et al.* 2006). In 1968, UNCTAD recommended the creation of a 'Generalised System of Preferences' (GSP) under which industrialised countries would grant trade preferences to all developing countries on a non-reciprocal basis, in order to modify the most-favoured-nation (MFN) clause of the GATT by (partially) exempting developing countries from this obligation, while encouraging developed countries to discriminate in favour of imports from developing countries. A key principle is that such 'special and differential treatment' has to be granted on the basis of 'non-reciprocity'.

Many preferential market access schemes exist between North and South countries under unilateral trade preferences. The most important 'North-South' preferential schemes for SSA are the Generalised System of Preferences (GSP), the EBA (incorporated into the EU GSP regulation) - and the AGOA. The GSP schemes are

tariff preferences granted by developed countries to let certain manufactured and semi-manufactured goods from developing countries enter their markets at lower tariffs than from other developed or developing countries.

The Generalised System of Preferences and the 'Everything But Arms' initiative

The EU offers preferential market access to developing countries under the Generalised System of Preferences (GSP) (preferential access to 178 developing countries), and as part of the GSP, the 'Everything But Arms' initiative (EBA) (quota and duty free access for products from the 50 LDCs) (European Commission 2005) (appendix 9). The EU GSP grants unilateral tariff preferences: it grants products imported from GSP beneficiary countries duty-free access or a tariff reduction (lower tariffs than the Most Favoured Nation/MFN level) levels. It includes rules of origin, i.e. requirements for products covered by the GSP, to be met for them to be considered as originating in the exporting country.

In 2005, the EU launched a GSP that includes incentives towards sustainable development and 'good governance' and grants additional tariff reductions to countries with good governance, conventions on human rights, labour rights and environmental protection. There are therefore three 'levels' of GSP tariff: the standard (for all ACP that are not LDCs), the EBA regime for all LDCs (including those that are ACP countries), and the GSP+ (for which no ACP are currently eligible) (Stevens 2007).

The EU GSP rules of origin, however, are sometimes viewed as high barriers to trade (Stevens 2006). Rules of origin are indeed often criticised for inducing an underutilisation of trade preferences (UNCTAD 2003c, UNCTAD 2002). Rules of origin are required by any preferential agreement, North-South or South-South, in order to authenticate that goods claiming tariff preferences are produced in an eligible country: they stem from valuable objectives of fostering clusters of linked industries within the grouping; however, when the size of markets is small and the industrial sector is not diversified, they may result in protection and discouraging FDI, as shown by Flatters and Kirk (2003) on the example of SADC.

The EU 'Everything But Arms' (EBA), initiative, launched in 2001 for LDCs is the most favourable treatment: it is a preferential trade arrangement, which grants unrestricted duty-free, quota free access to EU markets to all LDCs products, excluding arms and ammunition (with a transition for the phasing-out of customs duties on three 'sensitive' products, bananas, rice and sugar). The full implementation of EBA is expected for end-2008, with the complete phase-out of duties for rice, sugar and bananas). The EBA, however, cannot bring about dramatic changes, not only because of the complexity of its rules, but because over 99% of EU imports from the LDCs are of products which the EU had already liberalised (the MFN duty is zero) (Brenton 2003): for Brenton, encouraging export diversification is therefore the condition of effectiveness of the EBA.

The evaluation of the EBA initiative by Gallezot and Bureau (2006) emphasizes that the literature exhibits contradictory criticisms - very limited impact of the EBA or, on the contrary, the important risks of trade diversion effects it represents. It has to be noted that only a small number of studies have relied on original measures and satisfactory data. The majority of these believe that the main effects of the EBA are to be found only in a few sectors, and in particular sugar.

Implemented in 2001, the EBA intervenes in a context where the EU already granted to LDCs the benefit of very advantageous preferences. These were granted since 1995 within the framework of the GSP's special regimes. In addition, the African and Caribbean LDCs could also benefit from the Lomé agreement (and then Cotonou) reserved for ACP countries.

Gallezot and Bureau identify 1224 products for which the EBA generated a more favourable access to the European market for LDCs than under previous agreements. These 'EBA products' are mainly sensitive agricultural and food processing products that are not included in the preferences granted to LDCs prior to the EBA initiative. Due to initial preferences more favourable to SSA LDCs under the Cotonou Agreement, the advantages of the EBA are more important for Asian LDCs. Gallezot and Bureau estimate that the 'EBA products', for which the EBA introduces a preferential advantage, represent 1.8% of the LDCs' total exports (broken down into exports to the EU - 0.4% of LDCs' total exports -, intra- LDC trade -0.4% -, and

exports towards other countries of the world - 1%). The EBA therefore facilitates access for products which represent a small share of the total exports of LDCs. However, as argued by Gallezot and Bureau, the advantage generated by the EBA for LDCs concerns above all agricultural and food-processing product exports. The share of EBA products in the LDCs' total agricultural and food-processing exports to the EU was 11% in 2003: these agricultural products benefiting from the EBA enjoy a doubling in the volume of their exports to the EU. In some cases, the EU has become a substantial market for 'EBA products'. Exports to the EU now represent more than half of the value of 'EBA products' exported worldwide for some countries such as Malawi (56%), Zambia (78%), Bangladesh (51%) or Burkina Faso (59%) - though in spite of EBA tariff exemptions, some countries still export very little to the EU (e.g., Sudan, Togo, Niger).

The Africa Growth and Opportunity Act (AGOA)

The AGOA (Africa Growth and Opportunity Act) (2000) is a North-South preferential scheme, which has been an amendment of the US GSP. It is an exchange of policy reform for preferential access for SSA exports to the US. It is not restricted to LDCs and provides duty-free and quota-free market access to certain SSA products, e.g. textiles and apparel, until 2015.

AGOA has had positive outcomes. Kaplinsky and Morris (2008) reveal the critical impact of AGOA on SSA's global (including intra-regional) clothing and textile exports: it led to a rapid expansion of trade (e.g. in Kenya, Lesotho, and Swaziland), and almost all exports to the US were under the AGOA preferential scheme. Collier and Venables (2007) also underscore the success of AGOA trade preferences, available to 38 African countries, including Kenya, Nigeria and South Africa.

Likewise, for the period 1991-2006, Tadesse and Fayissa (2007) show that AGOA has fostered the initiation of new - and the intensification of existing - U.S. imports from SSA eligible countries in both manufactured and non-manufactured goods – especially the initiation of imports. Frazer and Van Biesebroeck (2007) show via an econometric analysis that the import responses to AGOA have been very large for apparel products:

imports by the US increase on average by 53%. The causal impact of AGOA for the exports in the key AGOA product categories (apparel, agriculture, manufactures) was a 34% increase. These import responses grew over time and were the largest in product categories where the tariffs removed were large. AGOA did reduce exports to Europe in these product categories, and the U.S.-AGOA imports did not result from a diversion from elsewhere.

Madagascar developed a textile industry thanks to low labour costs and the AGOA (Nicita 2008). Similarly, Lesotho was SSA's largest exporter of apparel to the US but its performance has relied heavily on Asian investors and trade preferences associated with the AGOA. Apparel production suffers from low productivity, poor skills and weak local links and its prospects after AGOA are highly uncertain (Lall 2005).

The success of the AGOA has been affected by a downturn and a destabilisation of the SSA apparel sector stemming from the end of the Multi-Fibre Agreement in 2005 (appendix 14) and the elimination of quotas, which has exposed SSA to greater competition. The AGOA fostered industrial performances, which are, however, fragile and risk collapsing as soon as the agreement comes to an end.

AGOA is an example of the limitations of this type of scheme, due in particular to the condition of rules of origin that restrict market access. Inputs must be from AGOA countries or the US (Mattoo *et al.* 2002). Olarreaga and Orden (2004) have highlighted other AGOA limitations: apparel exporters received in fact only 1/3rd of the 'tariff preference rent' (i.e. the tariff which was previously collected by the US) and smaller exporters received less than larger ones, because of the market power of US importers vis-à-vis their SSA exporter counterparts. Many schemes aim to improve market access to developed countries, but this market remains protected: a better access would produce substantial gains for SSA (Ianchovichina *et al*. 2001).

The disappointing results of the EU-ACP non-reciprocal preferential schemes and the debate on trade preferences effectiveness

The Cotonou Partnership Agreement for the ACP countries, launched in 2000, which includes many SSA countries (47 countries), has replaced the EU-ACP countries' Lomé

Conventions. The ACP countries consist of 77 countries – developing countries, least-developed countries (LDCs), landlocked countries and small islands developing states (appendix 2). The Cotonou Agreement implemented EU trade preferences with ACP countries via preferential duty regime (Bilal 2007a), a non-reciprocal duty-free market access to all ACP countries, except South Africa, until 2008.

The DG Trade website[15] underscores that for most of the ACP countries - and almost all African ACP countries - the EU is the main trading partner. The main products traded are: for ACP exports, petroleum, followed by diamonds, cocoa and wood; as regards EU exports, machinery, followed by vehicles, ship/boats, oil, medicines. Trade between the ACP and the EU has remained important for the ACP, but marginal for the EU.

For the European Commission, these trade regimes have been very favourable to poor countries, and in particular SSA: as argued by the Commission White Paper on Market Access (European Commission 2005), the EU had in 2005 the most open regime vis-à-vis SSA and the other ACP countries: in 2003 ACP countries paid full duty on only 3% of their exports to the EU. The remaining 97% entered at zero duty or at reduced rates of duty. It also argues that the EU is the most open market in rich countries for the 50 LDCs. In 2003 the EU absorbed 63% of LDCs exports to Japan, EU, US and Canada – more than 70% for agricultural products.

In SSA, the successive Lomé Conventions did not significantly improve growth, trade integration and trade diversification. This has been an argument for the EU for reconsidering trade preferences. The effectiveness of preferences and therefore the impact of their erosion on SSA remain nevertheless subject to debate (appendix 10). Preferences have brought about mixed outcomes and gains for countries that mostly export commodities – mineral, oil or agricultural.

Indeed, the impacts of preferences as well as of their erosion can be assessed only on a case by case basis, depending on countries, sectors and products. UNCTAD (2005) states that nearly 20 primary commodities crucial to LDCs are exported to the EU, US and Japan without enjoying preferential treatment, as these products are MFN duty-free (or subject to a very low MFN tariff), while about 18 products have been exported by

[15] http://ec.europa.eu/trade/issues/bilateral/regions/acp/index_en.htm.

LDCs under significant preferential margins in the same markets (appendix 11, 12 and 13).

For Stevens (2005), preferences are a feature of the trading system since the 1960s and their impacts remain controversial: many beneficiaries, such as most SSA states, have failed the 'reasonably efficient supply' requirement. He underscores that preferences are a relative matter: some supposedly preferred countries are unable to benefit, especially in SSA, as shown by the constraints imposed by the rules of origin of the EU and until 2000 the requirements by the US of a competitive textile industry supplying inputs as well as a clothing industry. Similarly the new EU GSP (June 2005) removes some old discrimination for almost every product but creates new ones. François *et al.* (2006) confirm that preferences are underused because of administrative burdens (4% of the value of goods traded) – which reduces the losses for countries affected by preference erosion. For François *et al.* (2006), a key point is that the developing countries that were granted the fewest preferences in the 1960s, those in East Asia, have grown the fastest. Conversely, those granted the deepest preferences, including SSA LDCs, exhibited low growth rates. For François *et al.*, tariff reductions in OECD countries will translate into worsening export performance for the least developed countries, the erosion of trade preferences may become a stumbling block for multilateral trade liberalisation.

As argued by the European Commission (2006b), models (general or partial equilibrium) show that fears of preference erosion are exaggerated and that developing countries have more to gain from multilateral liberalisation than they lose from preference erosion. It also argues that multilateral liberalisation is the best mean of offsetting preference erosion. Preference erosion should affect a limited number of countries, with small impacts. It acknowledges, however, that a few countries will be negatively affected, in particular small and poor countries, e.g. those depending on distorted markets (sugar, textiles).

As underlined by Gavin (2007a), the preferential access has been exaggerated, because many primary commodities that are exported by ACP countries do not receive preferential treatment in the EU market, these products being MFN duty-free (75% of

imports from LDCs into the EU are duty free on an MFN basis): preferences have been under-utilised - as in the case of the EBA.

Similarly, Bouët, Roy and Mishra (2007) underscore that on average, market access for SSA countries is better than that for Latin America, Asia and the Pacific, despite significant variations within SSA. Trade preferences will potentially increase exports from SSA for a few countries only, which stems from the export structure of these countries. The benefit to SSA occurs due to specialisations in oil, gas, and mineral products or commodities that are not highly taxed throughout the world. Exports from Benin, Malawi, Mauritius, Swaziland, and Togo are penalised because they have specialised in highly protected products, which preferences only partially compensate. In contrast, Angola, Chad, the Democratic Republic of Congo are advantaged.

Some studies, however, find that preferences have been utilised. A prospective analysis of the impact of the end of Cotonou preferences on Botswana exports (ODI 2007) emphasizes its harmful effects: Botswana could even stop its exports of beef to the EU, as the end of Cotonou tariffs means that Botswana pays the full MFN tariff, equivalent to 80% of the revenue obtained from sales to the EU. The end of preferences is also likely to hurt Namibia or Kenya. As underscored by Stevens (2007), in Namibia secure access to the EU beef market has allowed paying high prices to farmers and developing the sector; its beef exports to the EU would pay tariffs equivalent to 142% if Namibia lose the preference, which would threaten the whole sector. The Kenyan horticulture industry will also have difficulty exporting to the EU under the GSP since its major competitors face zero tariffs.

Similarly, Candau and Jean (2005) show that in 2001, EU preferences to developing countries have been utilised, especially in SSA, and that for several SSA countries, the value of EU tariff preferences is worth a significant proportion of their world exports: in 2001, 48.9% of EU's imports were dutiable, i.e. involving products for which the MFN duty is not zero. Among these dutiable imports, 56.5% were eligible to a preferential regime, and the benefit of a preferential regime was requested for 81.3% of eligible imports. The utilisation rate is high in the case for SSA LDCs: they did not use the EBA initiative, rather using the Cotonou regime, which is already very favourable both in

terms of rates and of associated constraints. Candau and Jean find that for SSA in 2001, the utilisation rate of the Cotonou scheme amounted to 94% of imports by the EU.

The EPAs: replacing unilateral preferences by 'North-South-South' free trade agreements

In this context, the EU and ACP countries have implemented new trading arrangements that rely on trade liberalisation between the two parties: the EPAs (Economic Partnership Agreements)[16]. Formal negotiations started in September 2002. In October 2003, regional negotiations got under way with West Africa and Central Africa, in February 2004 with Eastern and Southern Africa, and in April 2004 with Caribbean. They are based on four pillars: partnership, regional integration, development and link to the WTO (as stated in the DG Trade website[17]). EPAs were scheduled to enter into force by the 1st of January 2008.

EPAs replace the unilateral, non-reciprocal, discriminatory preferences in trade in goods of the Lomé Conventions and their associated development cooperation programmes, by WTO-compatible free trade agreements involving reciprocal commitments by both parties (the article XXIV of the GATT allows agreements that progressively implement free trade between two parties). The trade regime of the EPAs relies on free trade between the ACP countries and the EU on the basis of regionally integrated groupings. Regional integration is here conceived as a basis for the integration of the ACP countries into the world economy. Trade barriers were due to be progressively removed before 2008. The EPAs shift the non-reciprocal EU trade preferences vis-à-vis ACP countries to domestic market access for almost all products from the EU within a 12-year period (2008-2020).

[16] The amount on policy, think thanks and academic documents on the EPAs is huge and daily progress is presented in details in several websites, in particular the EU DG Trade, as well as ICTSD, ECDPM, ODI or ACP-EU-trade.org.
[17] http://ec.europa.eu/trade/issues/bilateral/regions/acp/nepa_en.htm.

Box 1. Key features of EPAs (source: Stevens *et al.* 2008).

The Cotonou Partnership Agreement (CPA) sets out four core elements around which the EPAs should be developed:

Development: EPA negotiations must be placed in the context of the overall development objectives of ACP countries and of the CPA. To be of benefit to the ACP, EPAs must be 'economically meaningful, politically sustainable, and socially acceptable'. Hence, EPAs are not just ordinary agreements on trade. Rather, they are intended to be development-oriented trade arrangements to foster development and economic growth in ACP countries which will ultimately contribute to poverty eradication.

Reciprocity: The most important element of an EPA is the establishment of an FTA, which will progressively substantially abolish all trade restrictions between both parties (CPA Art. 37.7). This is a radically new element in ACP-EU trade relations and also a necessary requirement to make the EPAs WTO-compatible, in line with Article XXIV of the General Agreement on Tariffs and Trade (GATT). For the first time, ACP countries will have to open up, on a reciprocal basis, their own markets to EU products in order to retain their preferential access to the EU market. The rationale for reciprocity rests on the principle that liberalisation of ACP markets towards the EU will increase competition within ACP economies, thereby stimulating local and foreign (including EU) investment and the necessary adjustment of their economies, leading to growth and development.

Regionalism: The EU clearly envisages negotiations with ACP regional groupings which are in a position to do so, though it has not ruled out the possibility of concluding agreements with single countries in exceptional cases. The principle of basing future trade cooperation on regional integration stems from the conviction that regional integration is a key stepping stone towards further integration into the world economy, as well as an important instrument to stimulate investment and lock in the necessary trade reforms (CPA Art. 35.2).

Differentiation: Considerable weight is given to differentiation and special treatment, which affirms the North- South nature of the relationship. The CPA states that EPAs will take into account the different levels of development of the contracting parties

(CPA Art. 35.3). Hence, EPAs should provide sufficient scope for flexibility, special and differential treatment and asymmetry. In particular, LDCs, small and vulnerable economies, landlocked countries and small islands should be able to benefit from special and differential treatment.

Box 2: The WTO and a framework EPA (source: Stevens 2007)

For an EPA to be WTO-compatible, the minimum requirement is that it complies with Article XXIV of GATT 1994, which requires duties to be eliminated on 'substantially all the trade' with 'a plan and schedule for the formation of the trade agreement within a reasonable length of time.' In other words, to reach a WTO compatible trade agreement by the end of this year, an EPA must provide a 'schedule' for reciprocal tariff liberalisation – but not necessarily a list of which item falls into each of the sequential tranches provided in the schedule. Nor does an EPA need to include an agreement on services or trade-related issues to ensure WTO compatibility (source: Bilal 2007b).

EPAs initially involved six ACP regional groupings, then seven with the EAC (East African Community), of which four (now five) are in SSA (appendix 16) (Stevens and Kennan 2006). In an EPA between the EU and a regional grouping, the latter negotiates as a single block. The non-LDC ACP countries that do not belong to regional groupings and which implement an EPA, can implement a Free Trade Agreement with the EU, as South Africa's FTA (the TDCA, or Trade, Development and Cooperation Agreement) or access to the EU via the GSP, which is, however, less favourable (UNCTAD 2003b).

The EPAs were due to be concluded by 31 December 2007, the date set for the WTO waiver for the Cotonou preferences to expire. Some studies predicted that this deadline would be difficult to respect for some ACP regions (Bilal 2007b), and this has been the case. Stevens *et al.* (2008) mention that by October-November 2007, no region in SSA and in the Pacific was in a position to conclude a full EPA. They evoke 'tension and frustration on both sides': little progress had been made in most negotiations a few months before the 31st December 2007 deadline, with the European Commission and ACP negotiators having difficulty in reaching a common understanding of EPAs.

Indeed, the EU-Africa Lisbon summit of December 2007 that was supposed to launch the EPAs became a place where the disagreements of several SSA countries have been publicly voiced, including in the media[18]. Alternative trade regimes for ACP countries not signing an EPA were limited, however: for the LDCs, the EBA, for others the GSP, but the latter offers less favourable conditions. The ACP therefore asked for an alternative regime that would maintain market access in 2008 and thereafter. Some countries accepted the EU proposals and initialled 'Interim EPAs', e.g. Ghana or Côte d'Ivoire. The latter were finalised in a hurry in order to respect the end-2007 deadline.

The WTO waiver for the Cotonou preferences was due to expire at the end of 2007: as underscored by Rob Davies, Deputy Minister of Trade and Industry of South Africa (2008), there was therefore a threat that if a WTO-compatible alternative was not agreed upon on the 1st of January 2008, many ACP countries would trade with the EU on less advantageous terms. In May 2008, the Caribbean is the only region to have signed a full EPA, several other regions and individual countries implementing interim EPA's. Many ACP countries, including South Africa, have signed neither. Some of these will trade with the EU EBA arrangement devised for the LDCs, some under specific arrangements, e.g. the South Africa's Trade, Development and Cooperation Agreement. Others will therefore trade under the far less favourable terms of the EU's GSP.

According to Stevens *et al.* (2008), in SSA 18 countries (most non-LDCs and some LDCs) have initialled interim EPAs (appendix 15). The remaining ACP countries, apart from South Africa, export to the European market under the EU GSP: the EU favourable EBA sub-regime for LDCs, and the less favourable standard GSP for Nigeria, Republic of the Congo, and Gabon. South Africa continues to export under its own FTA with the EU, the Trade Development and Cooperation Agreement (TDCA).

Are there alternatives to EPAs?

The EPAs are intended to enhance development cooperation and access to the EU market for the ACP countries, but they have raised much controversy. Their possible

[18] As summarised by the Africa Research Bulletin (vol. 44, n°12, 15 January 2008) reviewing the Africa–EU Lisbon Summit: '''No'' to EPAs'.

negative impacts and the subsequent resistance from some ACP countries are the subject of substantial literature, not only academic but also from think tanks such as ODI, ECDPM, the South Centre, Oxfam or ICTSD[19]. Many studies have therefore reflected on possible alternatives to EPAs, which appear to be difficult. For Stevens (2007), a WTO waiver is not likely, but he states that in the Cotonou Agreement EPAs are not the only options. Article 37(6) commits the EU to consider providing countries that do not join an EPA with a "new framework for trade which is equivalent to their existing situation…and which would be 'in conformity with WTO rules', and for Stevens, the GSP+ could be a possible option.

For the South Centre (2007d), the opportunity cost of not signing an EPA is limited since LDCs enjoy the EBA initiative. If an EPA is not concluded, ACP exports will be affected by the more restrictive rules of origin requirements and by preference erosion on a few key products for ACP countries, especially the Commodity Protocols for bananas, beef /veal, and sugar. For the South Centre, however, these Protocols are already being eroded by the EU's internal market reforms and even under an EPA, ACP countries will lose part of their current preferences for these commodities. An EPA may not substantially improve market access for ACP countries compared to the market access they currently enjoy, but an EPA may improve market access for ACP exports through the liberalisation of tariff lines that are excluded under Cotonou (for non-LDC ACP).

EPAs have thus been presented as the only choice. This lack of alternative to EPAs and GSP due to the obligations contained in the WTO articles, offered as the only option by the EU, has been disputed by Bouët, Laborde and Mevel (2007), who argue that contrary to the conventional view that the GSP is the only alternative to the EPA, there are other options. For Bouët *et al*., new trade preferences can be designed if extended to all non-ACP small and vulnerable economies, a clear pro-development strategy for the EU; or the ACP countries could carry out a certain degree of multilateral liberalisation in order to benefit the rest of the world: a dose of multilateralism can be introduced in order to boost exports from third countries and reduce trade diversion. Exploring

[19] These think tanks produce many useful documents, e.g., the ECDPM Overview of Regional EPA Negotiations InBrief series for 2006-2008, the ICTSD Monthly News and Analysis, the Oxfam briefings on the EU approach to FTA, among others.

alternatives is important as EPAs affect many more countries than those directly involved in the negotiations.

Delpeuch and Harp (2007) also questioned this apparent lack of alternative: given the risk of trade diversion for many ACP countries and challenges for regional integration will not be fostered, they consider that the WTO could in fact be flexible - the WTO allowing flexible solutions if none of its members disagree. ACP countries have some room for manoeuvre regarding the meaning of trade liberalisation, which may be defined as a more or less uniform bound tariff structure. Delpeuch (2007) thus develops the three meanings of trade liberalisation: the diminution of all applied tariffs by a certain percentage (the U.S. version); the elimination of a percentage of applied tariff lines (the EU version); the diminution of certain tariffs and the (eventual) increase of others, leading to an overall decrease of bound tariffs. She argues that the only option envisaged in EPA has been the second, focusing on the percentage of trade volume to be liberalised and on the choice of the sensitive products that will enjoy tariff protection: the third meaning, however, of moving towards free trade might be more adapted. Moving towards a more or less uniform bound tariff structure (which might actually imply increasing some tariffs) is not often considered as liberalisation: but such a "re-balancing" of bound tariffs at a level close to the applied tariff rates can be viewed as freer trade as it increases trade predictability and diminishes distortions, and from a multilateral perspective, may receive support in the WTO.

Similarly, Messerlin and Delpeuch (2007) consider that EPAs will be very costly to the ACP countries. If EU products enter the ACP markets duty-free, they may be priced above world market prices, which implies losses for the ACP consumers and governments. They argue that ACP countries should propose a plan in the Doha Round context, which would deliver a more balanced liberalisation: they should cut their bound tariffs and offer better access to their markets to non-EU WTO members, thus limiting the preferential liberalisation towards the EU. It would also enhance diversification in the ACP economies and reinforce industrial sectors.

3. Benefits or adverse effects? The uncertain outcomes of EPAs

The outcomes of EPAs continue to be the subject of a great amount of controversy, and many economic and econometric studies highlight their uncertain outcomes.

There are also methodological issues, as many studies rely on simulations based on general or partial equilibrium models. According to the comment of the European Commission (External Trade website) on the Fontagné, Laborde and Mitaritonna Impact Study (2008), partial equilibrium methodologies are useful for issues that are easily quantifiable, e.g. identifying products vulnerable to import surges or losses in tariff revenue. Such methodologies are difficult to use in analyses of the total effect of EPAs: the latter is expected to be positive due to an increase in ACP activity fuelled by goods liberalisation, services liberalisation, increases in investment, productivity gains and trade facilitation, which are difficult to quantify with this methodology. Aid effectiveness is also uneasy to quantify, e.g., the reinforcement of the ACP productive capacity, the reinforcement of institutions and trade capacity.

EPAs carry benefits for SSA countries

EPAs may be associated with benefits for SSA member countries. On the EU side, the failure of previous preferential schemes was a legitimate justification for rethinking its relationships with the ACP countries; putting at the forefront a reciprocity that is based on free trade was a mean to achieve this. EPAs are meant to increase competitiveness in a globalised world where the latter is a necessity, as well as technology transfers. Stevens *et al*. (2008) underline that since EPAs are WTO-compatible free trade arrangements, the interim EPAs have removed the risk that the end of the Cotonou waiver would result in some ACP countries losing their preferential EU market access. Without the pressure to meet WTO commitments, the ACP countries and the EU can continue the negotiations towards more comprehensive and developmental EPAs.

In line with the traditional World Bank position, however, Brenton *et al*. (2008) emphasize that the EPAs must foster SSA international competitiveness: for this the EPAs must be designed in a way that supports integration into the global economy. SSA countries should therefore reduce external tariff peak barriers on a most favoured

nation basis to ensure that when preferences for the EU are implemented after transitional periods, they do not lead to substantial losses from trade diversion.

EPAs may increase ACP exports to the EU. The model elaborated by Fontagné *et al.* (2008) thus forecast that under the WTO-compatibility conditions of at least 90% of bilateral trade fully liberalised, ACP exports will be 10% higher with the EPAs than under the GSP/EBA option. They estimate the benefits from trade creation to be approximately twice as large as the losses from trade diversion for the ACP as a whole. At regional level, the effects are largest for Central Africa which will see almost three times more trade created than diverted and smallest for SADC where trade creation is 1.5 times greater than trade diversion. This indicates (but does not confirm) positive welfare impacts of the EPAs. The volume of ACP exports to the EU in 2022 is expected to increase by close to 11% compared to the situation under the GSP. Compared to the current situation, the increase would be about 5.5%. In percentage terms, the largest gains would accrue to exporters in the livestock sector (exports forecasted to increase by 140%) and vegetable products and textiles (exports forecasted to increase by 40%).

There is debate on the institutional reforms that should accompany the implementation of EPAs for the ACP countries to fully benefit from the trade opportunities opened by them, in particular in the four areas of trade facilitation, regulatory reform and support for investment, competition policy and government procurement, which have been proposed for possible inclusion in EPA negotiations: as underscored by Morrissey *et al.* (2007), however, their respective benefits are difficult to quantify.

The simulations of the impact of the EPA on SADC countries by Keck and Piermartini (2005) based on a general equilibrium model (an extension of the standard Global Trade Analysis Project/GTAP model) show that this EPA is welfare-enhancing for SADC and will lead to significant increases in real GDP. For most countries further gains may arise from intra-SADC liberalisation. At the sectoral level, the largest expansions in SADC economies take place in the animal agriculture and processed food sectors. Keck and Piermartini acknowledge that EU-SADC liberalisation will not promote manufacturing activities, which are rather fostered by multilateral liberalisation (e.g., textile, clothing and light manufacturing).

EPAs may also have positive outcomes at the sectoral level. EPAs may for example strengthen the negotiation capacity of some ACP countries in a sector such as fisheries: Ponte *et al*. (2007) reveal that while SSA countries are usually weaker in bilateral settings than in multilateral ones, and while regarding fisheries SSA countries are likely to lose from WTO negotiations, they may gain from EPAs. Given the EU need to import fish, the SSA countries have a bargaining power that may be improved by EPAs, which involves regional groupings. However, Ponte *et al.* underscore that this collective power will be limited by the division in EPAs sub-regions, with four (now five) in SSA.

The risk of contributing to the 'spaghetti bowl': the creation of additional boundaries and transversal groupings

EPAs group countries that have different export structures and therefore strategic interests, since their impact differs according to whether a country exports, e.g., wood, pineapples, cocoa, bananas or oil, and has a significant industry (e.g. in the agro-industrial sector such as breweries)[20]. For example, an oil-exporting country such as Gabon does not have the same interests as those of Cameroun: Gabon has little interest in a regional free trade area, in contrast with Cameroun where economic activities are much more diversified. EPAs may also have effects of trade diversion. They also may separate neighbouring countries when the latter belong to different EPA regional groupings.

In addition, the different EPAs of SSA include group of countries that exhibit higher degrees of integration than others, i.e. UEMOA within the EPA grouping of ECOWAS, EAC within ESA and SACU within SADC (Stevens *et al.* 2008), with some groups being customs unions and having already built a Common External Tariff (CET), such as UEMOA, or intending to do so (such as the Common Market for Eastern and Southern Africa/COMESA by December 2008) (Dimaranan and Mevel 2008). Simulations conducted by Ngeleza (2008) on an EPA with the CEMAC+ (including DR Congo and Sao Tome) highlight the ambiguity of EPAs regarding the opposed views describing regional preferential agreements either as building blocks for, or stumbling

[20] CommodAfrica, '*Demain, sans APE, c'est la douane'*, 5 December 2007.

blocks to, trade liberalisation; while a regional trade agreement may slightly raise welfare among its members, the cost for the non-members can be high.

The EPAs introduce additional complexity in the already complex 'spaghetti bowl' of trade arrangements in SSA. As underscored by Stevens (2008), the dominant impression is that "they are a mess", with their full implications being likely to take a long time to unravel, perhaps more than a decade – some negotiations were moreover "particularly tortuous" (such as in SADC).

The EPAs create additional sets of countries subjected to specific regimes, which may create trade effects (diversion or creation) (appendix 18). Similarly they rely on the classification of countries as ACP, which includes LDCs, non LDC countries, while in SSA there are countries that are not part of the ACP group.

According to the WTO Annual Report 2007 (XI. Committee on Regional Trade Agreements), EPAs are supposed to strengthen existing regional integration arrangements: this may be the case in Western and Central Africa, where negotiations are taking place with the ECOWAS and CEMAC, but not in Eastern and Southern Africa where the EPAs foresee two configurations (East and Southern Africa/ESA and SADC minus[21]) with members from four distinct regional integration schemes. Each of these RTAs is either already a customs union (EAC and SACU), or planning to become one (SADC and COMESA), which, for the WTO Report, makes it likely that the ESA and SADC EPAs will clash with the existing RTAs.

As highlighted by the ODI-ECDPM study (Stevens *et al*. 2008), the EPAs in SSA are all different and in only one region, the East African Community (EAC), does more than one country have the same commitments as the others. On the other hand, in West Africa, only two EPA countries have initialled significantly different texts with different liberalisation commitments. Similarly, Brenton *et al.* (2008) underscore that EPAs are currently a patchwork of agreements that will undermine regional integration. Countries in the same regional bloc have signed EPAs with the EU that have different product exclusion lists: this will necessitate strict controls on the movement of EU products within regional groupings to ensure that the exclusion of a product in one

[21] In Southern Africa, the 'SADC-minus' group includes the BLNS (Botswana, Lesotho, Namibia, Swaziland), Angola, Mozambique and Tanzania (Bach 2008).

country is not undermined by preferences for the same product in a partner country (EAC being the only exception).

The case of the ESA-EPA is particularly telling (appendix 17). The ODI-ECDPM study (Stevens *et al.* 2008) underlines that the post-2007 deadline for a new WTO-compatible trade regime between the EU and the ACP is problematic for the ESA (Eastern and Southern Africa) region because of the inherent disparity of the grouping. Five countries have initialled the ESA-EPA agreement, but with separate schedules for liberalisation (Comoros, Madagascar, Mauritius, Seychelles and Zimbabwe), and five others have initialled under the recently emerged EAC EPA grouping (Burundi, Kenya, Rwanda, Tanzania and Uganda). The remaining six countries are LDCs (Djibouti, Eritrea, Ethiopia, Malawi, Sudan and Zambia), which export to the EU under the EBA initiative since the 1st of January 2008 (though Zambia has initialled an interim ESA-EPA) For Stevens *et al*., this reveals that the ESA-EPA grouping does not have a regional character: moreover, the separate agreement by EAC partner states has created tensions within the grouping. Restoring the ESA configuration is further complicated by the high degree of variation between the liberalisation schedules of the different ESA and EAC signatories.

As underlined by Davies (2008) relying on the Stevens *et al.* ODI-ECDPM study (2008), the EPAs liberalisation schedules did not consider whether they were in line with those submitted by neighbours. In Southern Africa, members of the Southern African Development Community (SADC) have found themselves divided into five separate negotiating configurations, involving different obligations towards the EU. Even within the SADC EPA - five members of the Southern African Customs Union (SACU) plus Mozambique and Angola - three members of SACU and one other country initialled late last year, whilst one other did so later and under protest. Two have not signed on at all to an arrangement, which, for Davies, is not likely to enhance regional integration. The SADC EPA, by adapting the Trade Development and Cooperation Agreement (TDCA), signed by South Africa with the EU in 1999, and through the SACU extended *de facto* to Botswana, Lesotho, Namibia and Swaziland, reached agreement with the EU on a schedule for reciprocal liberalisation of trade in goods. Under this, most countries would receive duty-free quota-free access into the EU

market for all products except rice and sugar, while South Africa would have received some improved access for products that were not favourably treated under the TDCA. In return, SACU would have improved access for EU products in around 500 tariff lines over the arrangements agreed in the TDCA. At the same time, Mozambique, despite being an LDC, agreed also to reciprocate to the EU. In the SADC region, however, the EU moved the EPAs beyond WTO-compatible free trade agreements covering trade in goods, to agreements also embracing trade in services and new generation issues (investment, government procurement, competition policy). The interim EPA also included legal obligations that would extend EU competence on issues of economic governance in ACP countries. For Davies, technical provisions in the interim EPA legal text relating to the definition of parties, concerning protection of infant industries, export taxes, and a MFN clause, were key issues of dissent between all in the SADC EPA group and the EU.

The South Centre (2008) goes even further in arguing that interim EPAs with individual ACP countries in SSA not only will not foster regional integration, but could have the opposite effect. As shown by its graph (appendix 19) only the EAC has maintained a coherent configuration: but the impact of a separate interim EPA is uncertain since some EAC countries are also part of other regional integration processes, e.g., the case of Tanzania, which is a member of SADC, and of Burundi, Kenya, Rwanda and Uganda, which are also members of COMESA. A common market and custom union amongst COMESA countries is therefore threatened by the separate agreement by EAC countries as well as by individual COMESA countries.

Fiscal losses in the context of revenues that rely on trade taxes

As mentioned above, trade liberalisation in SSA has negative effects on public revenue and induces fiscal losses, because trade taxes constitute a key source of public receipts in SSA countries, which moreover are very limited – in most LDCs, around 15% of GDP, three times less than in many developed countries: and so do EPAs. The loss of tariff revenues from liberalisation has indeed been a key concern for ACP countries. These losses may be important and involve costs that go beyond temporary

adjustments, even if the EPAs consider trade-related aid in order to compensate fiscal revenue losses.

Indeed, these fiscal losses are highlighted by the detailed assessment of the impact of EPAs achieved by Fontagné *et al.* (2008), thanks to a dynamic partial equilibrium model that includes two alternative lists of sensitive products (one giving priority to the agricultural sectors, the other focusing on tariff revenue preservation) and the criterion of WTO-compatibility of EPAs, i.e. at least 90% of bilateral trade must be fully liberalised. The study separates the effects on tariff revenue into a direct effect arising from trade liberalisation vis-à-vis the EU and an indirect effect in terms of trade diversion. The results, which refer not to SSA alone, but to all ACP countries, reveal that on average ACP countries will lose 70% of tariff revenues on EU imports in the long run. ACP countries, however, will receive tariff revenue from imports from other regions of the world: therefore, if computed on total ACP imports, tariff revenue losses are limited to 26% on average in the long run and even less in certain conditions. Fontagné *et al*. find that the most affected regions are Central Africa and West Africa, with the least affected regions being the Caribbean and SADC. A key point emphasized by Fontagné *et al*. is that the final impact of EPAs depends on the weight of tariffs in government revenue and on potential compensatory effects that may occur given the specific trade structure of each ACP country. They find that the capacity of each ACP country to reorganise its fiscal base will be crucial in the mitigating of fiscal losses.

Kone (2008) analyses the economic and social effects of the EU-ECOWAS EPA in Cote d'Ivoire via the Global Trade Analysis Project (GTAP) model, and the impact of the progressive elimination of tariff and non-tariff barriers of this EPA. The simulation of potential revenue gain or loss resulting from the establishment of an EPA shows that full reciprocity will be costly for Cote d'Ivoire in terms of revenue losses. Deindustrialisation is expected, with significant adjustments costs. However, over the longer term, the model predicts that there may be positive gains for Côte d'Ivoire as it will enjoy unrestricted market access to the EU.

Other simulations based on the GTAP modelling reveal similar outcomes. On the example of ECOWAS, Adjasi and Kinful's (2008) simulation results show that with the exception of Ghana, the EPAs are associated with adverse terms of trade effects for the

rest of ECOWAS, which will suffer GDP and welfare losses. The model, however, forecasts gains for ECOWAS due to improvements in technology, in particular if technological changes have spillover effects. Goretti and Weisfeld (2008) also find that in the case of ECOWAS an EPA may result in trade diversion and revenue losses.

Likewise, Zouhon-Bi and Nielsen (2007) model the fiscal revenue implications of the prospective EPA between ECOWAS and the EU and find that eliminating tariffs on all imports from the EU would increase ECOWAS' imports from the EU by 10.5–11.5% for certain countries but that total government revenues would also decrease by 2.4–5.6% due to lower fiscal revenues, revenue losses differing between countries, however. Analysing the impact of EPA on Senegal, Berisha-Krasniqi *et al.* (2008) also confirm through a computable general equilibrium model that the EPA will generate a loss of tariff revenues from liberalisation.

Hinkle and Newfarmer (2005) confirm that for EPAs to have positive effects on SSA economies, they need to be associated with an improvement of domestic tax systems. Milner *et al.* (2005) measure the short-run welfare consequences and the static effects on trade flows and tariff revenue for ACP countries, which with EPAs retain preferential access to the EU market, but on a reciprocal basis: the case of the East African Cooperation (Kenya, Tanzania and Uganda) shows that the welfare effects (excluding revenue effects) are small, whether positive or negative: an important point is that ACP countries will experience short-run adjustment costs, especially in the form of revenue losses.

Models elaborated at the Overseas Development Institute (ODI) (Stevens *et al*. 2006; Cali and te Velde 2006) show that the impact of EPAs on goods is small compared to multilateral liberalisation (and if the potential exclusion of sensitive products is taken into account) The impact, however, is the greatest in SSA: welfare effects seem positive for almost all countries, but large tariff revenue losses may occur.

The intrinsic asymmetry between the two parties: a threat for African industrial and services sectors?

The spectacular asymmetry between the two parties is often underlined, not only in terms of economic development but also technical, human and financial capacities, e.g. capacities to negotiate and influence outcomes, which dampens EPAs potential benefits (South Centre 2007b; Oxfam 2006 on 'unequal partners'). Moving towards reciprocity with the EU and full liberalisation may challenge the viability of domestic producers and manufacturing activities in some sectors, on which knowledge remains uncertain (South Centre 2007c).

A key point is that EPAs do not appear to significantly modify the existing market and export structure of SSA countries and excessive reliance on commodities for their exports. EPAs may in some cases have negative effects: they may threaten local agro-industrial or industrial sectors or create fiscal tensions via revenue losses, thereby maintaining the specialisation of SSA in primary products. EPAs may therefore at the same time not modify SSA unfavourable market structures and generate important changes in their fragile agricultural, industrial and service sectors. Local agricultural producers may also have difficulty in resisting competition from EU imports. These threats for local industrial sectors have long been noted in the literature. Non-agricultural market access liberalisation, for example, may give African producers a better access to developed country markets (Ben Hammouda *et al*. 2008): but it may also reduce the incentives to diversify their economies and be a cause of deindustrialisation.

EPAs uncertain outcomes are also highlighted by Perez and Njuguna Karingi (2007): SSA exporters enjoyed quasi-duty-free access to the EU through the Cotonou scheme for non-LDC ACP exporters, and via the EBA initiative for LDCs. European exporters will increase their sales in SSA markets, but whether ACP exporters will be able to do the same in the European markets is highly problematic, less because of market access issues than because producers face high transaction costs and supply-side rigidities. Symmetrically, the costs of the agreement could be high since local and regional producers may lose market shares to the benefit of European firms, resulting in a decline in output and shrinkage in intra-African trade, which may be aggravated by the

loss in revenues. This is why Perez and Njuguna Karingi view the integration of the intra-SSA markets (elimination of regional tariffs and the constitution of customs unions) as a prerequisite for EPAs.

In the cases of countries that already benefitted from the advantages offered by the EU EBA initiative, i.e. duty-free access to the EU, the positive aspects of EPA are mitigated. Berisha-Krasniqi *et al.* (2008) underscore that many SSA countries were not ready in December 2007 and expressed concerns that EPAs did not represent their interest. On the example of Senegal, they show via a computable general equilibrium model that the shift from preferential trade to free trade will imply dramatic changes. Senegal had a relatively good access to European markets (and to the U.S. through the AGOA) while applying a high domestic protection on imports. For Berisha-Krasniqi *et al*., this means that EPA therefore enhances access to foreign markets only for the EU, not for Senegal. In line with Viner's concepts presented above, they also predict that Senegal will suffer trade diversion effects, while EPAs will not create enough trade.

Analogous outcomes are found by the modelling exercise of Boysen and Matthews (2008), which examine the impact of an EPA between the EU and Uganda on poverty. Uganda benefits from the EBA scheme and its exports thus enter duty-free access to the EU. The main impact of the EPA is therefore the liberalisation of EU exporters' access to the Ugandan market. Boysen and Matthews explore the risks an EPA entails for the incomes of the poor through lower prices for agricultural commodities, the crowding out of vulnerable industries, and fiscal losses. The macroeconomic and poverty impacts of an EPA appear to be largely positive but very small, and the economic adjustment costs may therefore be very low. An additional qualitative analysis, however, shows that the trade liberalisation impacts will affect largely and especially the poor, but also that the scope for trade liberalisation with the EU is very limited.

Similarly, Stevens and Kennan (2006) build scenarios on the assumption that 'substantially all' trade with the EU must be liberalised if the EPAs are to be compatible with WTO rules on regional trade agreements: they show that EPAs may affect the ability of 6 countries in SSA to continue to provide protection to their domestic agro-food sectors. EPAs may not require major changes in existing levels of

border protection to domestic agriculture in Ethiopia, Lesotho, Mozambique and Zambia but the effects on Tanzania and Uganda may be greater.

EPAs aim to enhance market access for products in which ACP countries have comparative advantages (agriculture and labour-intensive services) and open ACP markets to EU exports. The benefit depends on the reforms that ACP countries will have to undertake and on the EU's support for these countries (Njinkeu 2005). There are benefits, but also risks, in giving preferential access to the EU in services sectors, where African countries are likely to import (Jansen 2006). The inclusion of not only merchandise but also trade in services in EPAs also represents for Hoekman (2005) a significant challenge for ACP countries.

Will the benefits of EPAs accrue more to the EU than African countries? Improving the developmental dimension

EPAs have been criticised as asymmetrical devices that are not genuinely focused on development, with the EU as a winner and the developing countries as losers.

In terms of negotiating power and power relationships, a crucial challenge is that EPAs are not bilateral, but between the EU (a common market) and ACP regional blocs that include heterogeneous groupings: some SSA PTAs are FTAs that incorporate smaller customs unions, and include both LDC and non-LDC members (Hoekman 2005). Differences in priorities across members of these PTAs make it more difficult to negotiate. The EU prefers to negotiate with customs unions, implying that PTA members also need to agree on a common external tariff, but countries differ in terms of products currently obtaining protection.

EPAs have the potential of fostering development. Trade reciprocity in itself does not bring development, but as suggested by Anderson and Stevens (2006), EPAs may enhance development in providing certainty: e.g., EPAs could increase certainty of implementation for the measures needed to improve the supply capacity of the ACP countries. They can be a framework for the EU to commit to deliver to ACP countries the resources necessary to manage the challenges of globalisation.

The developmental dimension of EPAs has been considered as insufficient by several observers, including the EPA 'sustainability impact assessment' launched by the European Commission at the beginning of the process. For the SIA (PriceWaterhouseCoopers 2007), development cooperation should focus on priority needs for diversification of production and exports towards higher value-added products, and reinforce the economic and industrial sectors impacted by the EPAs. For their part, many NGOs and think tanks consider that the EPAs are insufficiently focused on the industrial and technological development of ACP countries (South Centre 2007a).

In addition, these objectives regarding development mostly rely on the traditional instruments of aid, even if it is an 'aid for trade'. As shown by a huge literature, aid, including EU aid, has not been very successful in SSA – aid dependence is even sometimes viewed as one of the key factor of economic stagnation of SSA. The effectiveness of the EPAs development objectives is linked to the capacity of donors and recipient governments to avoid the well-known negative effects of aid and find innovative channels for aid to be effective.

EPAs are viewed as expressing or intensifying power relationships and bargaining power. For the ODI-ECDPM study (Stevens *et al*. 2008), countries obtain a deal that reflects their negotiating skills: countries able to negotiate hard, knowing their interests, have obtained a better deal than the others, which for their part will face serious adjustment challenges (Côte d'Ivoire will have completely removed tariffs on 60% of its imports from the EU two years before Kenya even begins to start reducing its tariffs as part of the EPA; Ghana will have liberalised completely 71% of its imports by the time Kenya is three years into this process which, after a further six years, will result in just 39% of its imports being duty free).

As underscored by Gavin (2007a), EPAs may reinforce the EU's economic leverage to impose comprehensive trade and investment liberalisation, which will benefit European firms but not contribute to the growth and industrialisation of the concerned countries. EPAs are sometimes viewed as a European 'offensive strategy': e.g., for Davies (2008), the inclusion of new generation issues and economic governance in the interim EPAs, i.e., the promotion, behind tariffs, of types of regulations that secure market access, are

less the expression of a desire to help ACP countries in attracting investment than global strategies to promote interests of European firms.

Indeed, for the EPAs to have a genuine development dimension, accelerate trade integration in SSA and be an effective opportunity for SSA countries to integrate into the global economy, Hinkle and Schiff (2004) thus view as a 'fundamental condition' that the EU uses the EPAs as instruments for development, which means for the EU to subordinate its commercial interests to the development needs of SSA countries. Since much greater tariff reductions will be made by SSA countries than by the EU, the EU must be generous in its treatment of SSA exports in the trade components of EPAs in non-tariff areas: Hinkle and Schiff suggest, e.g., the liberalisation of EU rules of origin, the extension of the EBA market access to the non-LDC countries in SSA, the eliminating of agricultural export subsidies and the decoupling of agricultural production support in products of particular interest to SSA.

A focus on the industrial capacities of SSA countries is here crucial. Mitigating the adverse effects of preference erosion thus relies, for UNCTAD (2005, referring to LDCs), on the extension of preferential treatment to policy areas other than market access preference, i.e. enhancing productive sectors and supply capacities in order to reduce LDC dependence on trade preferences.

In December 2007, some ACP countries expressed their fears that EPAs would focus more on trade than on development. EPAs bear the risk of being more the continuation of the previous paradigm, i.e. trade and aid, than helping SSA countries to build industrial capacities and foster genuine 'developmental' states as a prerequisite for international competitiveness, as did Asian countries (Sindzingre 2007b).

Conclusion

This paper has analysed the impacts of Economic Partnership Agreements between the ACP countries and the EU in the specific case of Sub-Saharan Africa. This is still an ongoing process, although the EPAs were supposed to fully enter into force on end-2007. In order to comply with the WTO requirements, the EPAs shift the previous

preferences enjoyed by the ACP countries to a free trade regime between the EU and regional groupings of countries.

EPAs have been examined in a series of contexts, in particular the theoretical underpinnings of trade liberalisation and regionalism respectively, and the increasing number of arrangements aiming at 'deep' regional integration at the global scale, which ensues from the disappointment of many developed and developing countries with multilateralism. EPAs have also been investigated in the specific context of SSA, which is characterised by a distorted trade structure, an excessive dependence on commodity exports, fragile industrial bases, as well as a mixed effectiveness of its many intra-SSA regional agreements. EPAs co-exist with other North-South preferential trade agreements, in particular the EU GSP, including the EBA, and the US AGOA.

It has been shown that EPAs will have very different outcomes depending on countries and their particular initial conditions, economic structures and regional context. It has also been revealed that these outcomes depend on many variables: e.g., global forces, international prices, domestic market structures, and the trade policies conducted by the EU, governments and the various trade agreements to which they belong. Outcomes of EPAs are therefore uncertain and can be assessed only on a case by case basis, at the level of countries, sectors and products. In addition, many impact assessments rely on models and simulations, and their results can never be held as certain.

EPAs may have beneficial effects on SSA countries and enhance their exports and competiveness. They may constitute a mode of integration that is more efficient than multilateral liberalisation, and *in fine* may be a more manageable step towards multilateralisation, especially in poor countries. However, EPAs exhibit several risks, e.g. diverting trade, augmenting the complexity of the already complex 'spaghetti bowl' of trade arrangements, creating fiscal losses in countries that suffer narrow fiscal bases and rely on trade taxes, eroding the existing industrial bases - which are fragile, threatened by more competitive developing countries, especially China, and often depend on the previous EU unilateral preferences – and benefiting more EU firms than those of SSA.

EPAs have the ambition to foster trade, improve regional relationships, deepen north-south integration and enhance development. These are multiple objectives, and

moreover countries may strongly differ: they can be reached if EPAs help countries to reinforce their capacity to conduct their policies – the 'policy space' -, control the effects of trade diversion and displacement of industrial activities that often accompany free trade agreements, and strengthen their industrial sectors, as did high-growth Asian countries.

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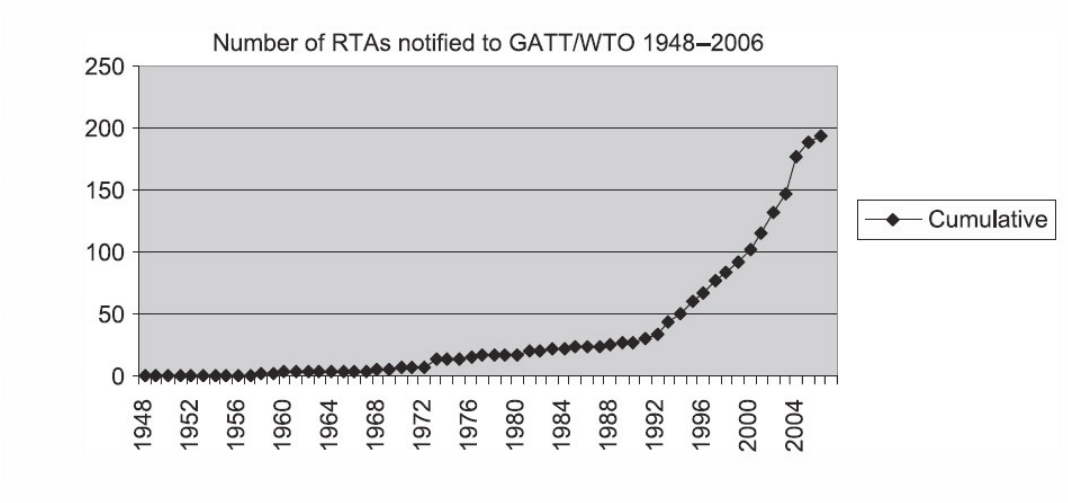
Appendix 1 (source: Pomfret 2007)



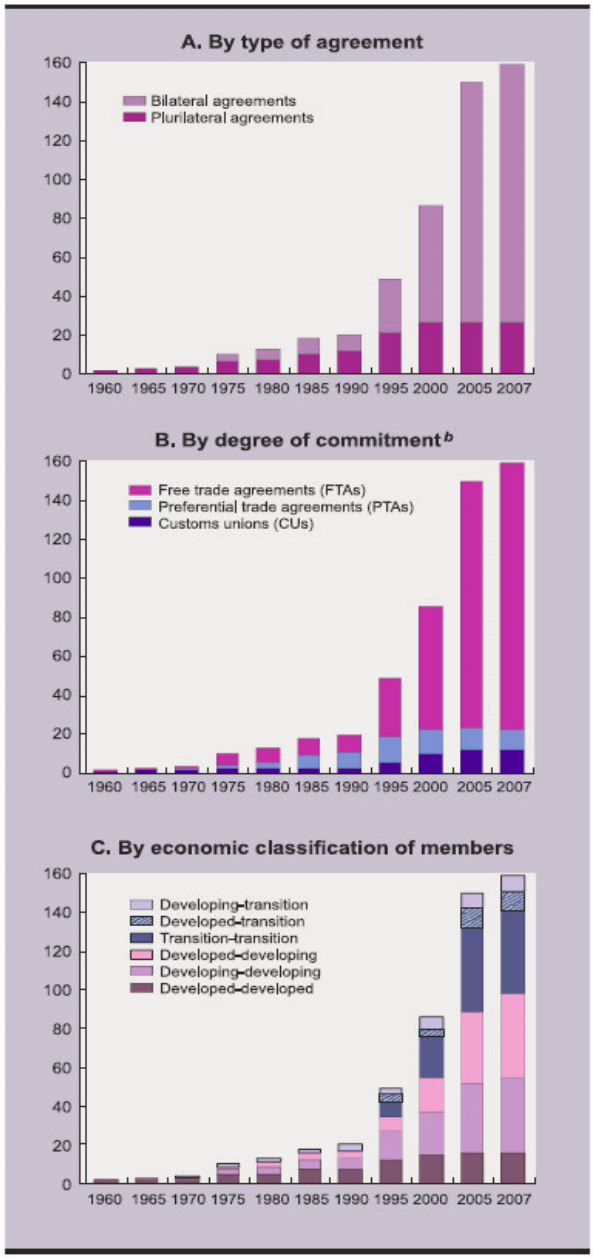
Appendix 2

ACP Countries: Africa List (source: European Commission, Directorate General Development: http://ec.europa.eu/development/geographical/regionscountriesa_en.cfm)

Angola Benin Botswana Burkina Faso Burundi Cameroon Cape Verde Central African Republic Chad Comoros Congo (Brazzaville) Democratic Republic of Congo (Kinshasa) Cote d'Ivoire Equatorial Guinea Eritrea Ethiopia Gabon Gambia Ghana Guinea-Bissau Guinea Kenya Lesotho Liberia	Madagascar Malawi Mali Mauritania Mauritius Mozambique Namibia Niger Nigeria Rwanda Sao Tome and Principe Senegal Seychelles Sierra Leone Somalia South Africa Sudan Swaziland United Republic of Tanzania Togo Uganda Zambia Zimbabwe

Appendix 3 (source: UNCTAD 2007a)

NUMBER OF PLURILATERAL AND BILATERAL TRADE AGREEMENTS, CUMULATIVE, 1960–2007[a]



Source: UNCTAD secretariat, based on WTO, 2007.

a Data include trade agreements notified to the GATT/WTO at the time they entered into force. Agreements on services and accessions of new members to existing agreements are not included.

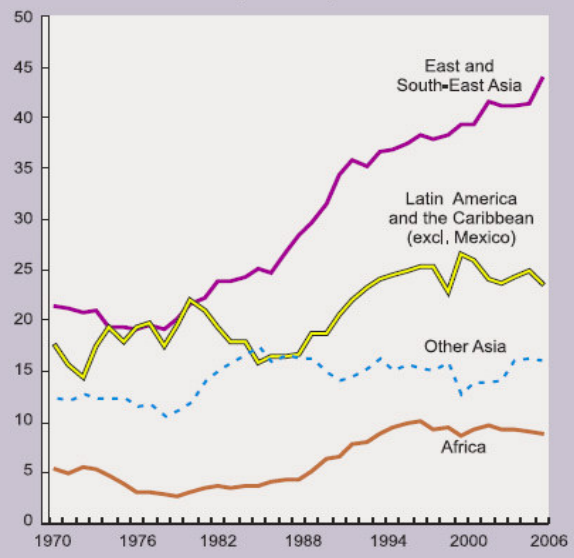
b Movements from one kind of agreement to another are taken into account.

Appendix 4 (source: UNCTAD 2007a)

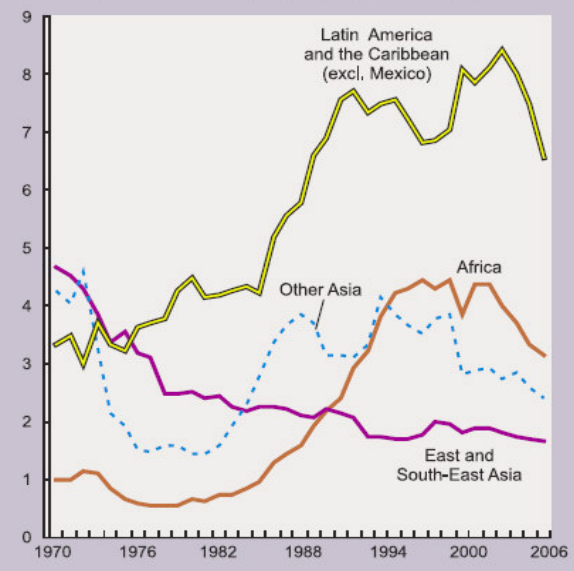
INTRAREGIONAL TRADE INDICATORS FOR SELECTED DEVELOPING REGIONS, 1970–2006

A. Share of intraregional trade in total trade[a]

(Per cent)



B. Intraregional trade intensity index[b]



Source: UNCTAD secretariat calculations, based on IMF, *Direction of Trade Statistics* database; and *UNCTAD Handbook of Statistics* database.

Appendix 5

SSA merchandise exports within blocs: % of total bloc exports

(source: World Bank, World Development Indicators 2005, 2006, 2007)

	1970	1980	1990	1995	2000	2003	2004	2005
CEMAC	4.8	1.6	2.3	2.1	1.0	1.4	1.3	0.9
CEPGL	0.4	0.1	0.5	0.5	0.8	1.3	1.2	1.3
COMESA	9.6	6.4	7.1	8.2	6.3	6.6	6.8	5.9
CBI	9.3	8.8	10.3	11.9	10.5	11.4	13.8	14.0
EAC	16.9	10.2	13.4	17.4	16.1	14.0	16.6	15.0
ECCAS	9.6	1.4	1.4	1.5	1.1	1.0	0.9	0.6
ECOWAS	2.9	10.1	7.9	9.0	7.9	8.6	9.4	9.5
IOC	8.4	3.9	4.1	6.0	4.4	6.1	4.3	4.6
MRU	0.2	0.8	0.0	0.1	0.4	0.3	0.3	0.3
SADC	8.0	2.0	4.8	8.7	12.0	9.8	9.5	7.7
UDEAC	4.9	1.6	2.3	2.1	1.0	1.4	1.2	0.9
UEMOA	6.5	9.6	13.0	10.3	13.1	13.3	12.9	13.4

SSA total merchandise exports by trade bloc: % of world exports

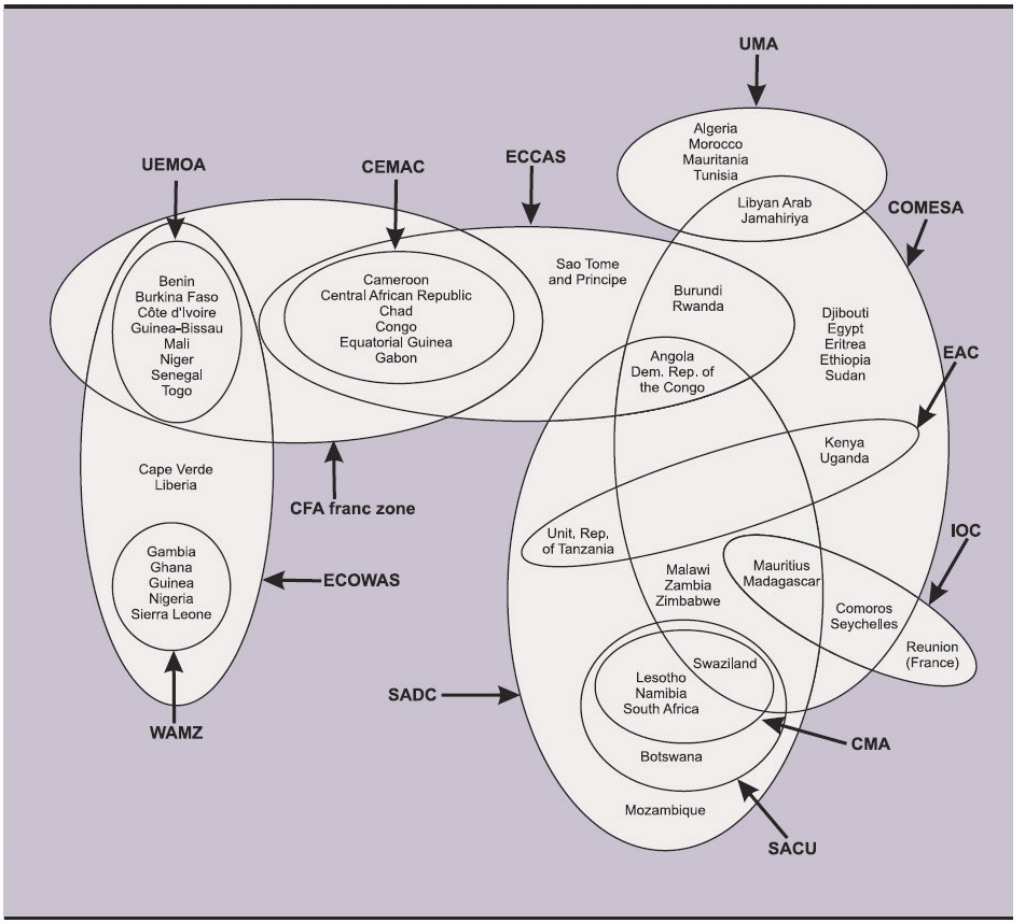
(source: World Bank, World Development Indicators 2005, 2006, 2007)

	1970	1980	1990	1995	2000	2003	2004	2005
CEMAC	0.2	0.3	0.2	0.1	0.2	0.1	0.2	0.2
CEPGL	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
COMESA	1.6	0.6	0.4	0.4	0.4	0.4	0.5	0.5
CBI	0.8	0.3	0.2	0.2	0.2	0.2	0.1	0.1
EAC	0.3	0.1	0.1	0.1	0.0	0.1	0.0	0.1
ECCAS	0.6	0.3	0.3	0.2	0.3	0.3	0.3	0.4
ECOWAS	1.1	0.4	0.6	0.4	0.6	0.5	0.5	0.6
IOC	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
MRU	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
SADC	2.2	1.6	1.0	0.8	0.6	0.7	0.7	0.8
UDEAC	0.2	0.3	0.2	0.1	0.2	0.1	0.2	0.2
UEMOA	0.3	0.3	0.1	0.1	0.1	0.1	0.1	0.1

Appendix 6

Source: UNCTAD (2007a).

AFRICA: OVERLAPPING MEMBERSHIP IN REGIONAL INTEGRATION GROUPS



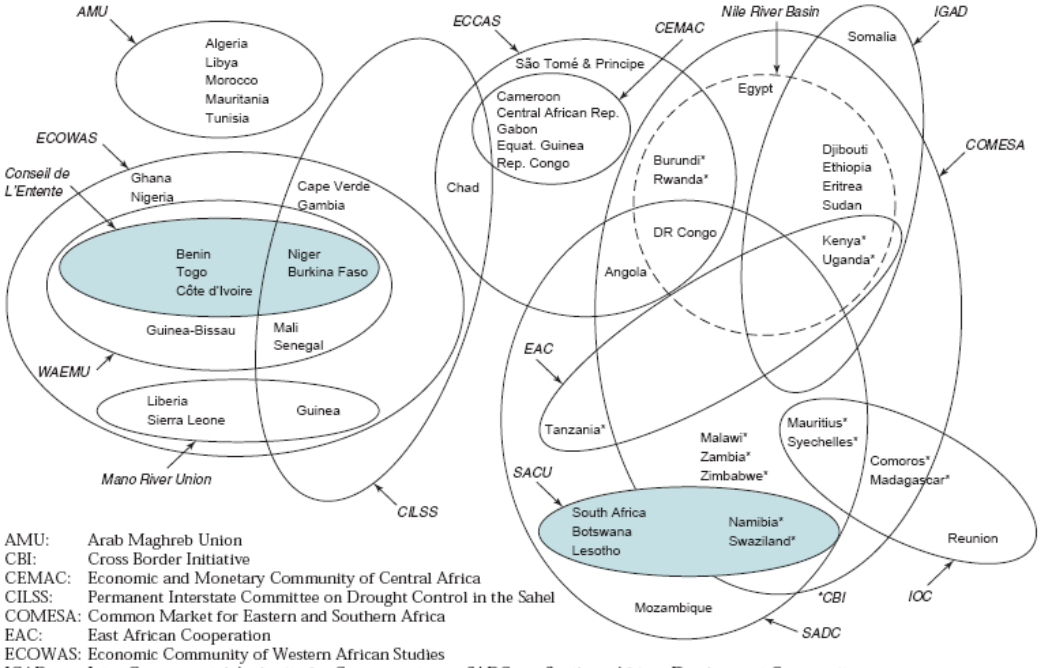
Source: UNCTAD secretariat, based on Tsangarides, Ewenczyk and Hulej, 2006: 26.
Note: Comoros is also a member of the CFA franc zone.

Appendix 7

The 'spaghetti bowl' in Sub-Saharan Africa (source: World Bank 2005)

Figure 2.2 Spaghetti and rigatoni: Multiple, overlapping RTAs, 2004

a. African agreements are overlapping



AMU: Arab Maghreb Union
CBI: Cross Border Initiative
CEMAC: Economic and Monetary Community of Central Africa
CILSS: Permanent Interstate Committee on Drought Control in the Sahel
COMESA: Common Market for Eastern and Southern Africa
EAC: East African Cooperation
ECOWAS: Economic Community of Western African Studies
IGAD: Inter-Governmental Authority for Government
IOC: Indian Ocean Commission
SACU: Southern African Customs Union
SADC: Southern African Development Community
WAEMU: West African Economic and Monetary Union
* Indicates membership in CBI regional grouping

Source: Schiff and Winters 2003.

Appendix 8

Frequency of checkpoints on major transit transport routes in West Africa

(source: UNCTAD/LDC/2007/1. **I.** Transport infrastructure for transit trade of the landlocked countries in West and Central Africa: an overview, Geneva, UNCTAD)

Route	**Distance (km)**	**Number of checkpoints**	**Frequency (km)**
Lagos–Abidjan	992	69	14
Niamey–Ouagadougou	337	20	17
Lomé–Ouagadougou	989	34	29
Cotonou–Niamey	1036	34	30
Abidjan–Ouagadougou	1122	37	30
Accra–Ouagadougou	972	15	65

Source: OECD/Sahel and West Africa Club.

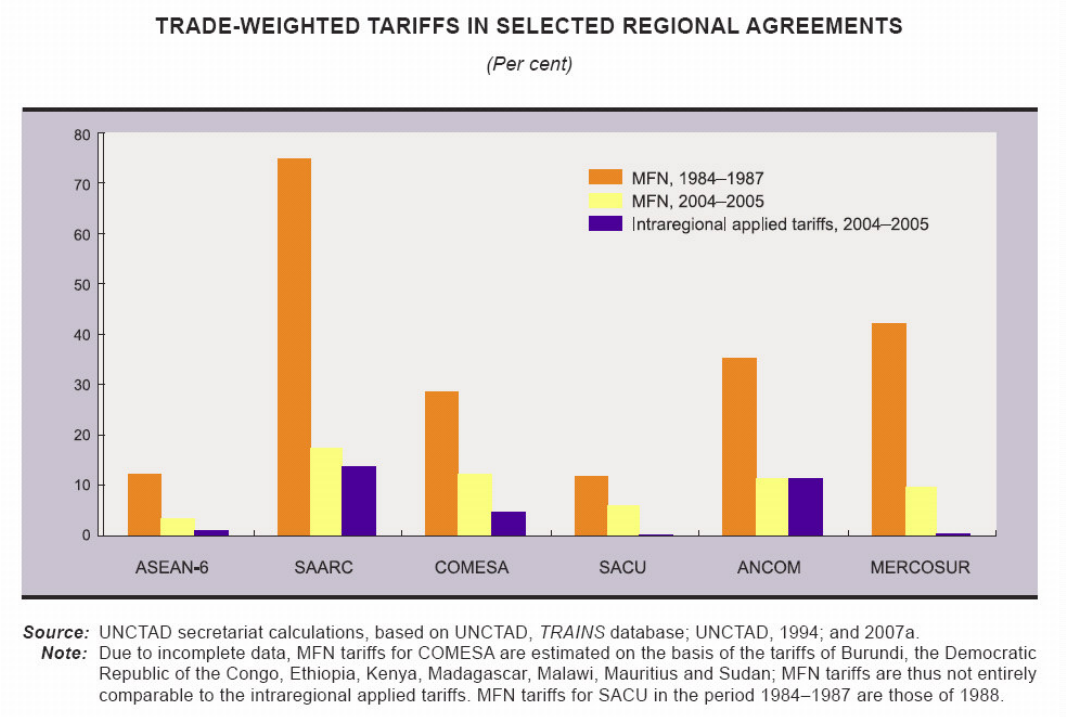
Appendix 9

The EU Agreements including tariff concessions (source: Jean and Bureau 2008)

Types of preferences	**Country**
EU Custom Unions	San Marino; Vatican ; Andorra ; Feroe Islands Turkey
EU Free Trade Agreements	Norway, Iceland and Lichtenstein under the Espace Economique Européen Trade agreement with Switzerland and Licthenstein Ceuta and Mellila Interim trade agreement with Croatia (2005) Association agreement with Former Yougoslavian Republic of Macedonia (2004) Albania (signed in 2006) Montenegro (signed in 2007) Bosnia Herzegova Agreements under the Barcelona process • Algeria (2001) • Egypt (2004) • Lebanon (2002) • Jordan (1997, major extension in 2006) • Tunisia (1995, arrangements since 1956) • Morocco (1996) • Israël (pre-existing agreements since 1964) • Palestinian authority (1997) • Syria Mexico (2000) South Africa (1999 but partially delayed until 2002) Chile (2003) *Note: the dates are those of actual implementation, not signature*
Other concessions	GSP, including the Everything But Arms component for LDCs and GSP+ (mainly Central America and Andean countries). Cotonou agreement with ACP countries Overseas territories

Appendix 10

Source: UNCTAD (2007a): **reduction in the potential of preferences to advance regional integration with multilateral trade liberalisation and the reduction of MFN tariffs over the past 20 years**



Source: UNCTAD secretariat calculations, based on UNCTAD, *TRAINS* database; UNCTAD, 1994; and 2007a.
Note: Due to incomplete data, MFN tariffs for COMESA are estimated on the basis of the tariffs of Burundi, the Democratic Republic of the Congo, Ethiopia, Kenya, Madagascar, Malawi, Mauritius and Sudan; MFN tariffs are thus not entirely comparable to the intraregional applied tariffs. MFN tariffs for SACU in the period 1984–1987 are those of 1988.

Appendix 11

Main primary commodities, among products of interest to LDCs, not receiving preferential treatment (MFN duty-free) (source: UNCTAD 2005)

Commodities	Suppliers
Aluminum ore	Guinea, Mozambique
Animal skins	Burkina Faso, Djibouti
Cobalt ore (9)	Dem. Republic of the Congo, Zambia
Cocoa beans	Equatorial Guinea, Haiti, Sao Tome and Principe, Sierra Leone, Solomon Islands
Coffee (unroasted)	Angola, Burundi, Central African Republic, Dem. Republic of the Congo, Ethiopia, Malawi, Rwanda, United Rep. of Tanzania, Uganda
Copper (10)	Dem. Republic of the Congo, Zambia
Copra	Kiribati
Cotton seeds	Benin, Burkina Faso, Central African Republic, Chad, Guinea-Bissau, Mali, Sudan, Togo, Uganda
Diamonds	Angola, Central African Republic, Dem. Republic of the Congo, Guinea, Sierra Leone
Gold (11)	Dem. Republic of the Congo, Ethiopia, Mali, Sudan
Gum arabic	Chad, Sudan
Iron ore	Mauritania, Togo
Jute	Bangladesh
Petroleum oil (12)	Angola, Dem. Republic of the Congo, Equatorial Guinea, Sudan, Yemen
Pharmaceutical plants	Sudan, Vanuatu
Phosphates	Togo
Natural rubber	Cambodia, Liberia
Sesame seeds	Burkina Faso, Ethiopia, Myanmar, Sudan, United Rep. of Tanzania
Tea	Burundi, Malawi, Rwanda, Uganda
Wood (non-coniferous or tropical)	Cambodia, Central African Republic, Equatorial Guinea, Guinea-Bissau, Lao People's Dem. Republic, Liberia, Myanmar, Solomon Islands, Vanuatu

9 The MFN duty on unwrought cobalt (HS 810510) imported into the United States is 1.5%.
10 The MFN duty on cathodes and sections of cathodes of refined copper (HS 740311) is 1% in the United States and 2% in Japan.
11 The MFN duty on unwrought gold (HS 710812) is 2.1% in the United States.
12 Japan and the United States apply specific duties to imports of crude petroleum oil (HS 270900) on an MFN basis, while Australia, Canada, the European Union and Switzerland import that product under zero MFN tariff.

Appendix 12

The 20 LDCs benefiting most from market access preferences in the EU, Japanese and US markets in recent years (source: UNCTAD 2005)

Countries	Relevant products
Angola	Crude petroleum oil and preparations thereof; cuttlefish and squid
Bangladesh	Frozen fish, shrimps and prawns; urea; leather; jute fabrics and bags; garments; linen; tents; footwear; hats
Madagascar	Frozen shrimps and prawns; vanilla; cloves; preserved tuna; garments
Senegal	Fresh and frozen fish and fish fillets; cuttlefish and squid; octopus; crude groundnut oil; preserved tuna; leather footwear
Cambodia	Garments; leather footwear
Nepal	Wool carpets; garments; hats
Democratic Republic of the Congo	Crude petroleum oil and preparations thereof
Myanmar	Garments; leather footwear
Mozambique	Frozen shrimps and prawns
Mauritania	Fresh and frozen fish; cuttlefish and squid; octopus
Malawi	Tobacco
Tanzania, United Republic of	Fresh and frozen fish fillets; octopus; fresh cut flowers; tobacco; preparations of petroleum oil
Uganda	Fresh and frozen fish fillets; fresh cut flowers; tobacco
Sudan	Crude groundnut oil
Equatorial Guinea	Crude petroleum oil
Solomon Islands	Preserved tuna
Yemen	Preparations of petroleum oil
Lao People's Democratic Republic	Garments
Zambia	Fresh cut flowers
Guinea	Fresh fish

Source: Ranking of countries and identification of products are based on UNCTAD data on foreign exchange earnings from exports of goods and services.

Appendix 13 (source: UNCTAD 2005).

Key LDC products imported under the preferential schemes of the European Union in 2002

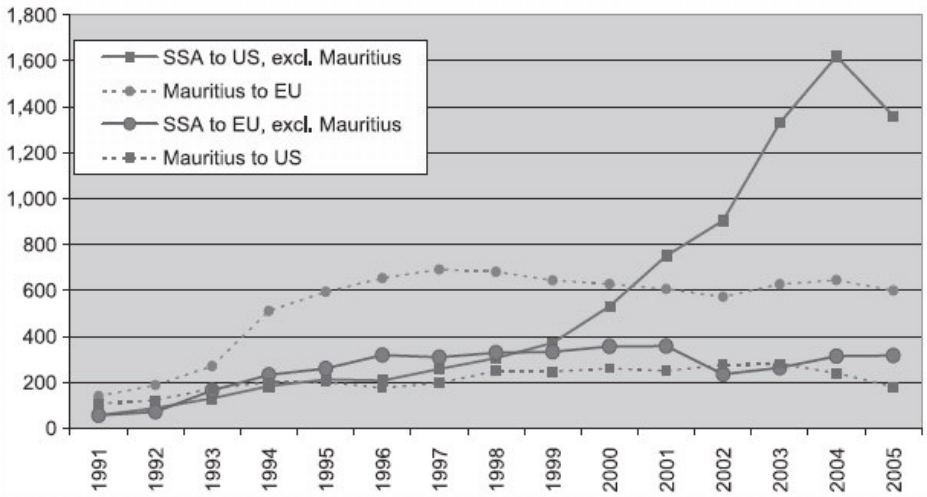
Product description	Tariff rates			Imports in thousands of US$				Share of all relevant preferential trade	Main supplier and its share of total relevant imports
	MFN	ACP	LDC	Total imports from relevant sub-group of LDCs	Dutiable imports from relevant sub-group of LDCs	Imports of goods covered by relevant preferential treatment	Imports of goods effectively receiving relevant preferential treatment		
Main imports of agricultural products from ACP LDCs under Cotonou preferential terms									
Tobacco	18.4% (min. 22 euros, max. 24 euros per 100 kg)	0.0	n.a.	69 713	69 713	69 713	68 303	20.9%	Malawi (84.7%)
Crude groundnut oil	6.4%	0.0	n.a.	74 462	74 462	74 462	67 254	20.5%	Senegal (78.9%)
Vanilla	6.0%	0.0	n.a.	72 739	72 739	72 739	60 400	18.5%	Madagascar (83.8%)
Total relevant imports				402 269	402 269	402 269	327 296	100%	
Main imports of non-agricultural products from ACP LDCs under Cotonou preferential terms									
Aluminium	6.0%	0.0	n.a.	404 792	404 792	404 792	397 820	34.0%	Mozambique (100%)
Frozen shrimps and prawns	12.0%	0.0	n.a.	191 272	191 272	191 272	181 524	15.5%	Madagascar (55.3%)
Fresh or chilled fish fillets	9.0%	0.0	n.a.	142 333	142 333	142 333	103 493	8.9%	Tanzania (64.6%)
Total relevant imports				1 292 093	1 292 093	1 292 093	1 168 374	100%	
Main imports of agricultural products from non-ACP LDCs under GSP preferential terms									
Other vegetables, fresh or chilled	12.8%	n.a.	0.0	7 063	7 063	7 072	7 030	64.8%	Bangladesh (99.7%)
Total relevant imports				11 341	11 341	11 349	10 845	100%	
Main imports of non-agricultural products from non-ACP LDCs under GSP preferential terms									
T-shirts	12.0%	n.a.	0.0	549 776	549 776	549 503	495 424	25.9%	Bangladesh (95.5%)
Jerseys, pullovers, etc., of man-made fibres	12.4%	n.a.	0.0	472 989	472 989	473 366	335 758	17.6%	Bangladesh (72.9%)
Jersey, pullovers, etc., of cotton, knitted or crocheted	12.4%	n.a.	0.0	171 148	171 148	171 197	117 598	6.1%	Bangladesh (61.5%)
Frozen shrimps and prawns	12.0%	n.a.	0.0	90 354	90 354	90 382	89 355	4.7%	Bangladesh (99.1%)
Men's or boys' trousers, breeches, etc., of cotton	12.4%	n.a.	0.0	181 662	181 662	181 598	88 446	4.6%	Bangladesh (82.3%)
Total relevant imports				2 981 430	2 981 430	2 981 522	1 912 475	100%	

Source: UNCTAD.

Appendix 14

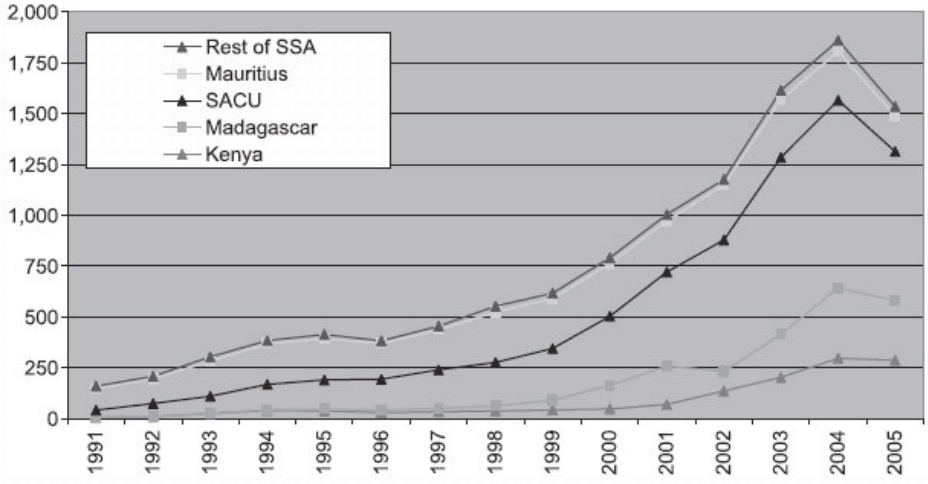
The impact of AGOA (source: Collier and Venables 2007)

FIGURE 1
Apparel Exports from SSA, $Mn



Source: UN Comtrade.

FIGURE 2
Apparel Exports to the US from SSA, $Mn



Source: UN Comtrade.

Appendix 15: **Overview of EPA signatory states** (source: Stevens *et al*. 2008)

	Members	**Signatory states in Dec. 2007**	**Countries falling into EBA/standard GSP**	**Proportion of signatory countries**	**Number of liberalisation schedules**
ESA EPA	Comoros Djibouti Eritrea Ethiopia Madagascar Malawi Mauritius Seychelles Sudan Zambia Zimbabwe	*Comoros* *Madagascar* Mauritius Seychelles Zimbabwe	Djibouti Eritrea Ethiopia Malawi Sudan Zambia	45%	5
EAC EPA	Burundi Kenya Rwanda Tanzania Uganda	*Burundi* Kenya *Rwanda* *Tanzania* *Uganda*	**---**	100%	1
SADC EPA	Angola Botswana Lesotho Mozambique Namibia South Africa Swaziland	Botswana *Lesotho* *Mozambique* Namibia Swaziland	Angola	71%	**2**
CEMAC EPA	Cameroon Chad Cent. Afr. Rep. Congo DR Congo Eq. Guinea Gabon S.Tomé/Principe	Cameroon	Chad Cent. Afr. Rep. **Congo** DR Congo Eq. Guinea **Gabon** S.Tomé/Principe	12.5%	1
ECOWAS EPA	Benin Burkina Faso Cape Verde Côte d'Ivoire Gambia Ghana Guinea Bissau Liberia Mali Mauritania Niger Nigeria Senegal Sierra Leone Togo	Côte d'Ivoire Ghana	Benin Burkina Faso Cape Verde (b) Gambia Guinea Bissau Liberia Mali Mauritania Niger **Nigeria** Senegal Sierra Leone Togo	13%	2

Notes: (a) Countries in italics are classified as LDCs. In the table compiled by the Commission (http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/15&format=HTML&aged=0&language=EN&guiLanguage=en), Somalia and Timor Leste are listed as LDC non-signatories (in the ESA and PACP groupings respectively). Since neither has played any part in the negotiation of EPAs, they are omitted here. (b) Cape Verde has been classified as non-LDC since January 2008 but will be able to export to the EU under the EBA initiative for a transitional period of three years.

Appendix 16

The EPAs in Sub-Saharan Africa (source: PriceWaterhouseCoopers SIA website (http://www.sia-acp.org/acp/uk/index02.php#bottom)

Appendix 17

EPAs Groupings (source: DG Trade: bilateral trade relations: http://ec.europa.eu/trade/issues/bilateral/regions/acp/regneg_en.htm)

- West Africa: **16 countries ECOWAS + Mauritania, of which 8 members of UEMOA.**

- Central Africa: CEMAC + Sao Tome et Principe.

- Southern African Development Community (**SADC**): **Angola, Botswana, Lesotho, Mozambique, Namibia, South Africa, Swaziland and Tanzania.**

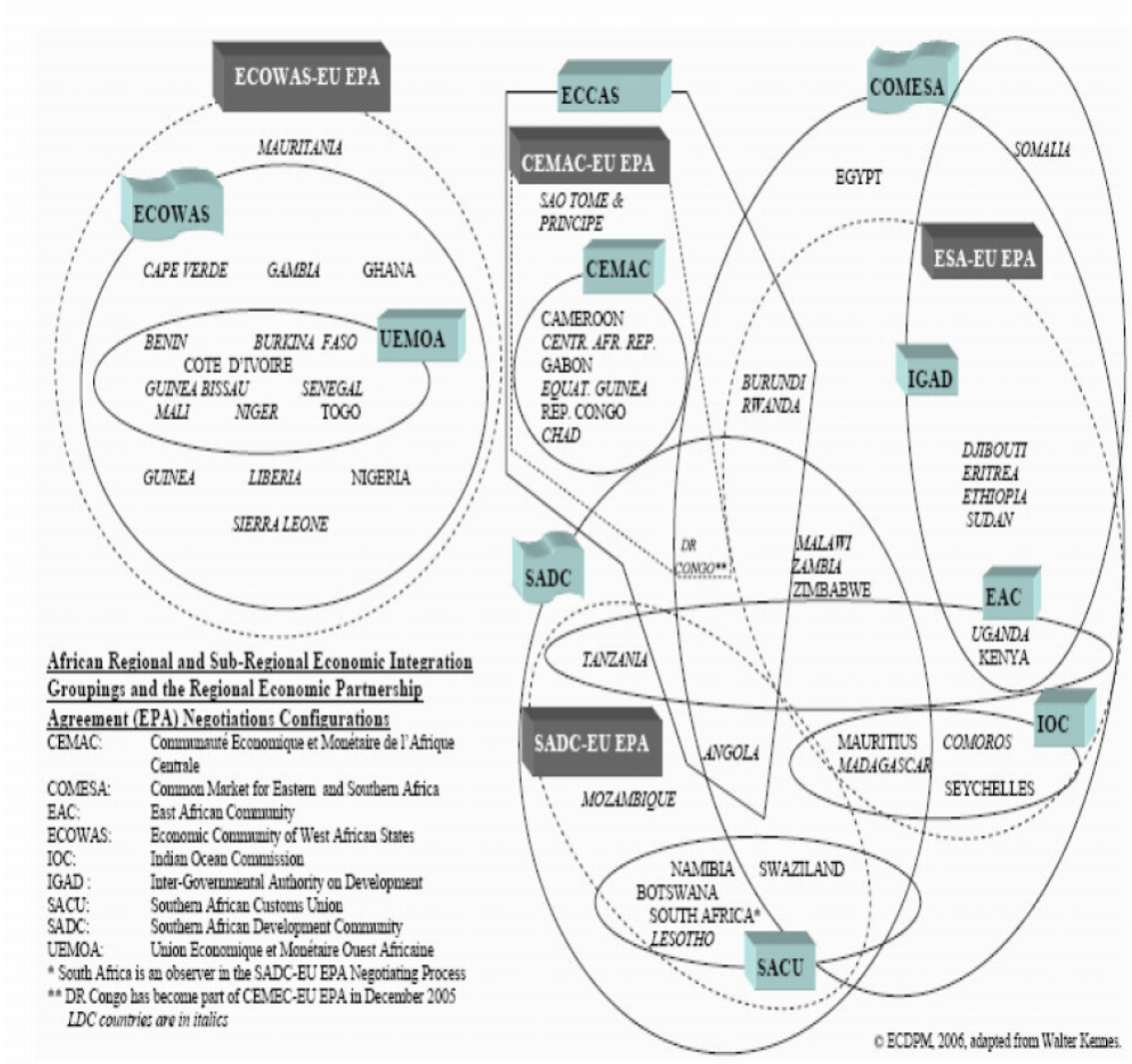
- **ESA**: *see the comments below (from DG Trade, 2006, A new approach in the relations between European Union and Eastern and Southern Africa Countries: http://trade.ec.europa.eu/doclib/docs/2006/february/tradoc_127347.pdf)*

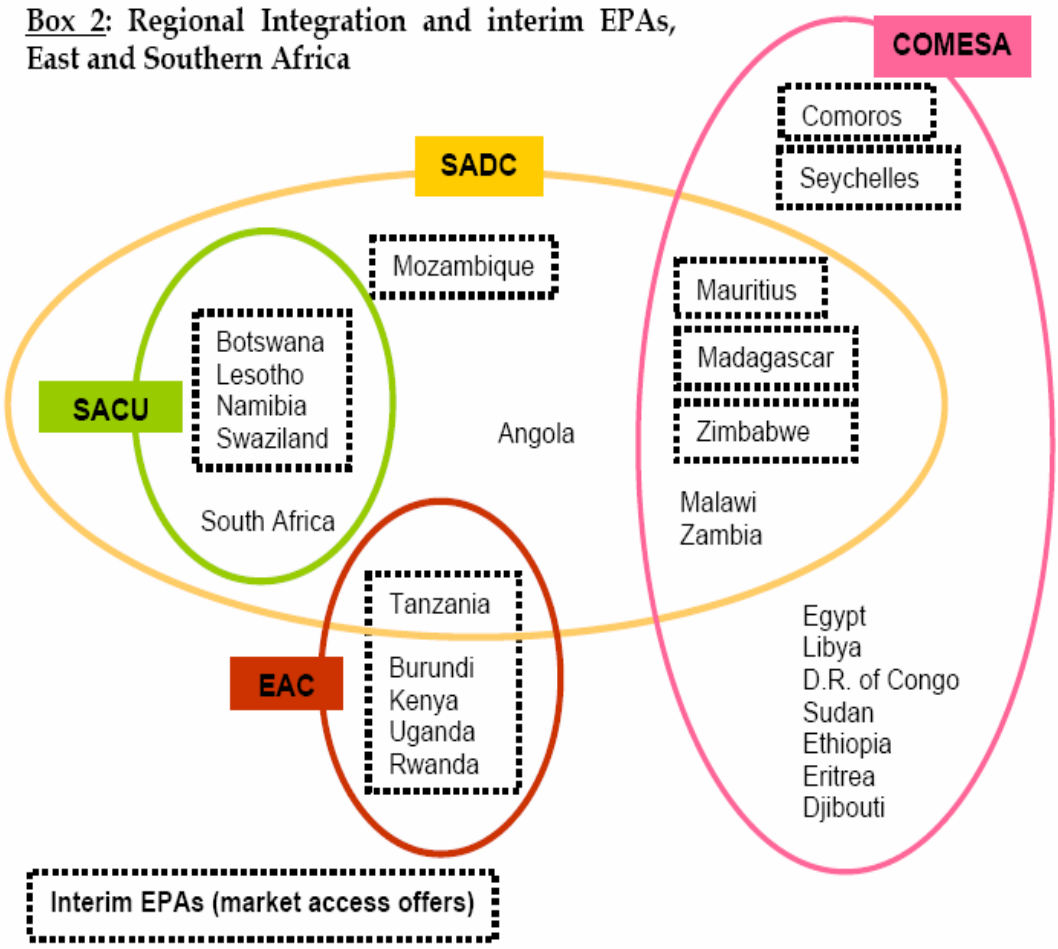
Eastern and Southern Africa (**ESA**)**. Overlapping regional integration initiatives in ESA.** ESA is confronted with at least four overlapping economic integration schemes with different political and economic priorities. The main regional integration arrangements with a trade policy agenda are the Common Market for Eastern and

Southern Africa (COMESA), the East African Community (EAC), the Southern African Development Community (SADC) and the Southern African Customs Union (SACU).
COMESA has a Free Trade Area with 11 members and is working towards a customs union in 2008. EAC has launched its customs union in January 2005.
SACU's customs union exists already for a long time but has been renewed through internal reforms.
And SADC has planned a Free Trade Area in 2008 and a Customs Union in 2010. The Indian Ocean Commission (IOC) and the Intergovernmental Authority on Development (IGAD) are other important regional organisations, but are sub-groups of the larger COMESA integration scheme, pursue therefore only limited trade integration policies and follow COMESA's overall regional integration agenda.
16 ESA countries, of which 6 SADC members: Dem. Rep. Congo, Malawi, Madagascar, Mauritius, Zambia And Zimbabwe. End of 2005, Democratic Republic of Congo decided to suspend its membership in the ESA EPA configuration and change to the Central African EPA configuration. This leaves the ESA EPA group with 15 members.

Appendix 18

The EPAs in SSA (source: Bilal 2007a)



Appendix 19

Source: South Centre (2008)