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Abstract: *EU- Africa Economic Partnership Agreements (EPAs) are on the brink. In February 2014 West African leaders agreed in principle to conclude an agreement. However, last-minute objections of the heavy-weight Nigeria which wants to protect its infant industries as well as promising trade relations with new global players are likely to prevent the deal. Whether the ECOWAS EPA in its current form would really create a win-win situation for both partners as asserted by the EU is open to question. Scholarly evaluation of the EPAs reveal double-talk and significant barriers to a sustainable development of African economies. The growing preparedness of African states to challenge EU mercantile interest has been effectively backed by agitation of civil society organisations.*

Keywords: *international trade, liberalization, West Africa, ECOWAS, EU, EPA, development, regional integration, civic agency*

JEL Classifications: *F13, F54, F63, H71, L51, N17, N47, N77, O24, O55, Z1*

Introduction

In view of the global run on African resources and the quest for promising new African markets the EU is at pains to conclude Economic Partnership Agreements (EPAs) with African states. Negotiations within the framework of the Cotonou Agreement, a cornerstone of ACP-EU Development Cooperation, drag on since 2002. The EPAs are meant not just to liberalize trade but also to promote economic growth in Africa. Officially, they aim at creating a win-win situation in a partnership on eye-level. However, many Africans suspect the EU of double talk and of promoting selfish export interest at the expense of inclusive growth in African countries. In April 2014 the European Parliament published a detailed study on different African positions (EP 2014). The ongoing controversy on EPAs with the Economic Community of West African States (ECOWAS)[1] will serve as example to highlight the issues at stake.

Long-lasting trade negotiations between the EU and West African countries on ECOWAS (EPAs) are on the brink. The EU plays a policy of stick and carrots. Brussels threatens to cancel the project if its imposed dead-line of 1 October 2014 will not be honoured. Otherwise the unilateral trade preferences enjoyed by Europe’s former African colonies would be

[1] Including the 15 ECOWAS members, Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo, plus Mauretania, which withdrew in 2000 to join the Arab Maghreb Union.

cancelled. The EU invokes the World Trade Organization (WTO) which urged to replace preferential trade deals with their former colonies, i.e. African, Caribbean and Pacific (ACP) countries. But evidently not all controversial provisions of the EPA as currently crafted were linked to WTO demands, like the most favoured nation clause (MFN) and trade related intellectual property sections. They were stipulated unilaterally by the EU to the detriment of regional integration and global trade perspectives of its African partners (UN ECA 2011:6). On the other hand the EU conceded seemingly attractive regulations of market entry and extensive adjustment packages to the tune of € 6.5 bn at the end of prolonged negotiations.

In February 2014 the contracting parties came short with concluding a deal, negotiated after long lasting delaying resistance of the African partners. However, Nigeria upheld last-minute objections. Nigeria's trade minister Olusegun Aganga upheld basically the protective tariff argument to promote infant industries in developing nations. He asserted that under the EPA in its current form ECOWAS would be stuck in a quasi-colonial cycle of exporting raw materials and importing finished goods (Donnan 2014).

Therefore, one month later the ECOWAS installed a committee with representatives from Ghana, Ivory Coast, Nigeria and Senegal to resolve controversial issues up to summer 2014. On 10 May the ad hoc committee recommended a cautious and conditional approval of the EPAs, including a review of the agreement every five years, a moratorium on liberalization during the first five years and safeguards giving each country the opportunity to protect its domestic production in necessary. Yet, whether all head of states will sign the EPA is open to question. Upcoming controversial presidential elections in Nigeria in February 14, 2015 make an approval of Nigeria's president Goodluck Jonathan unlikely. Internal resistance of business and civil society to EPAs in its present form is mounting which threatens the likelihood of re-election of the president whose position has been weakened already under the threat of growing terrorism of Boko Haram. At present, the most likely solution will be a split and separate deals of individual ECOWAS member countries with the EU.

ECOWAS-EPAs

The heterogeneity of ECOWAS with corresponding conflicting interests contributed to the difficulties. Nigeria, Africa's Number one, is by far the biggest ECOWAS member, with more than half of the population and with US $ 510bn (according to the overdue statistical readjustment in April 2014) more than two-third of regional aggregate GDP. Therefore, two decades ago, the Francophone West African Economic and Monetary Union (WAEMU/UEMOA) was created in 2000 within the ECOWAS to counterbalance the heavyweight of Anglophone Nigeria and Ghana and to upheld political and economic influence of France in its former colonies (Kohnert 2005). In addition, land locked countries like Burkina Faso, Mali and Niger exhibit significant different infrastructure than countries with access to the sea. Per capita GDP (PPP) in the region ranges from US$396 (Liberia) to US$3,650 (Cape Verde), etc. Last but not least, the divide between LDCs and non-LDCs within ECOWAS is growing. Last but not least, a differentiated EU trade policy for poor and middle income countries contributed to the growing rift. Ghana and Ivory Coast, two non-LDCs, made it already clear that it is not necessary in their interest to harmonise the view of all ECOWAS members. As for Nigeria, it exports already most of its exports (notably crude oil & gas) duty free to Europe. Its EU exports became less important anyway in view of mounting exports to India and China. In addition, Nigeria attaches great importance to guard its infant industry (Rommel 2012:22).

However, in general ECOWAS countries are more vulnerable and dependent on external – predominantly European - trading partners than the EU. Just an estimated 10 to 15 per cent of registered aggregate ECOWAS trade is intra-regional and in addition it is dominated by Nigeria and Ghana. However, for smaller member countries like Benin, Burkina Faso, Senegal and Togo, regional trade is more important with respective 36, 55, 46 and 59 per cent (Uexkull 2012:2-3).

Certainly, 11 out of 15 ECOWAS countries, i.e. all its Least Developed Countries (LDCs), enjoy already full market access to the EU under the Everything but Arms (EBA) initiative since 2001[2]. The latter grants LDCs free access to European markets without being forced to open their own markets to EU imports. Therefore, these LDCs might think that they have little to lose if the EPAs would fail. The EU, however, made it clear that EBA is an unilateral arrangement granted by the EU which may be opened to LDCs outside the ACP[3] This, so it was said, could create fierce competition for major export products of West African countries on their hitherto protected EU markets, like cocoa, coffee, sugar, bananas (Bilal 2014)[4]. What could cause additional headache is that LDCs which are currently enjoying EBA benefits, would lose these advantages under the regime of an ECOWAS customs union (to be introduced in January 2015) if member countries like Ghana or Ivory Coast should opt for individual EPAs, which is more probably than not. The latter would result in free access of EU exports to the whole region(Rommel 2012:17,23). First, because individual countries could not decide independently on the common external trade policy of the customs union and second, because rigid border controls are unrealistic in view of predominant informal transnational trade in West Africa. Finally, EPAs may have important effects on the trade regime of major West African cotton exporters (e.g. Benin, Burkina Faso, Mali, Togo) to European markets. All in all, the EU says, the LDCs would be well advised to sign the EPAs which would not only regulate trade in goods but also that in services and investment. Thus, it would enhance prospects for economic growth in the region in creating competitive advantage vis à vis other emerging economies.

This EU induced EBA / EPA conundrum erodes the coherence of ECOWAS members and threatens regional integration further more (Bilal 2007:204). It thus counteracts decades of

[2] Of the four non-LDC members, Ghana and Cote d'Ivoire signed ‚interim EPAs' (which, however, never were ratified) in order not to lose their privileged market access. Cape Verde obtained the GSP+ status in 2011, granted unilaterally by the EU to developing countries committed to good governance and respect of human rights, while Nigeria fell back to less favourable EU market access under the Generalized System of Preferences (GSP) (Uexkull 2012:2).

[3] As stated by the EU-Delegation to Sierra Leone in its online contribution: The EU - ECOWAS Economic Partnership Agreement, accessed: 18 June 2014.

[4] These statements are difficult to follow literally because one of the major aims of EBA from the outset was to extend preferences that were granted until 2000 to ACP states only, to all LDCs, i.e. currently 49 LDCs worldwide. An aim which was fulfilled already after a transitional period for the most sensitive sectors, bananas, rice and sugar in 2009 (Young & Peterson 2013:506). What was probably meant by the EU was to extend these preferences not only to all LDCs but also to 'lower-middle income economies', like Ghana, Cote d'Ivoire, Cape Verde, but possibly also Guatemala, Guyana, Honduras and Indonesia. At least a statement of the European Commission (EC) points in this direction, namely that as of 1 January 2014 a new GSP would apply in the EU, strengthening the EBA by "focussing preferences on those that need them most (lower-income economies and LDCs), the new GSP will have fewer beneficiaries. This will reduce competitive pressure on LDCs and make the preferences for LDCs more meaningful—providing much more opportunity to export". (EC 2014: Everything But Arms (EBA) – Who benefits?, online, accessed: 18 June 2014).

EU aid policy meant to promote regional integration in Africa (UN ECA 2011:6). However, one could reasonably argue that ironically the long lasting consultations had had also positive effects. But more often than not these positive results were not intended and took effect rather indirectly, e.g. in improving negotiation capacity of West Africa governments and even more of Civil Society Organisations (CSOs), enhancing awareness on issues of free trade and development, and in introducing a common agricultural policy (ECOWAP) as well as a common external tariff (CET) (Olawale 2009). The decision of ECOWAS in October 2013 to introduce a customs union by January 2015 could be interpreted as outcome of these effects.

Political vs. scholarly assessment of EPAs

The negotiated ECOWAS-EPA compromise would guarantee African member quota-free access to EU market whereas the EU receives in return access to 75 per cent of a promising market of some 300 m consumers within a transitional period of 20 years. Brussels underlines unfatigued that the EPA would create a win-win situation, although its African partners would gain most by signing the agreement, last but not least because of the accompanying development package. The adjustment assistance of € 6.5 bn ($ 8.8 bn) is meant to compensate for losses in tariff revenues and to co-finance infrastructure investments of the 16 member countries in the next five years. However, this would hardly compensate losses in customs revenue as the region stands to lose $1.8bn in import tax revenues annually according to estimates of the South Centre (Birgören 2014).

The fourth EU-Africa summit in Brussels in April 2014 nevertheless largely shunned the subject. Though, negotiations probably continued behind closed doors. But this again points to a fundamental flaw in the EPA negotiation process, the lack of rights of co-determination and of democratic agency of all stakeholders involved. Agenda setting by Brussels left it with full-bodied declarations on partnership on eye-level, development orientation, promotion of inclusive growth and regional integration with due attention to WTO compatible regulations. According to the EU 'Roadmap 2014 to 2017' (EU 2014) all this would be realized by exemplary EPAs until 2017.

However, double talk of the EU in this respect is well known (Kohnert 2008). This is not just the opinion of possibly biased opponents of the 'diabolic EPA deal' (Kunateh 2014) like the Association of Ghana Industries (AGI) and of African CSO. Recent scholarly analyses of the subject reveal remarkable congruence in the following points:

(1) EU assistance for regional integration in Africa displays startling dissonance between declared development orientation on the one hand and selfish export interest of EU member states on the other. Apparently, discrepancies exist not only between pretence and practice of EU aid (including the 'Aid for Trade' agenda) but also between divergent discourses of opposed directorates, namely DG Trade vs. DG development, as well as underlying conflicting interest of EU member states (Holden 2014; Langan 2014; Young & Peterson 2013).

(2) There is an increasingly effective disposition of African states to challenge the EU in a prolonged discourse on the base of normative negotiation strategies. Empowered by

a globalised world and international social networking, African governments take Brussels at its words, i.e. to deliver on its promises concerning development orientation and partnership of equals (Hurt et al 2013; Langan 2014).

(3) Painstaking case studies of civil society agency in West Africa show how and why CSO gained unpredicted influence on the implementation of inclusive, sustainable and participatory trade politics. These analyses provide a welcome corrective to conventional wisdom disregarding grass-root movements as locally restricted and irrelevant. On the contrary they even influenced the trade agenda of transnational power elites significantly (Trommer 2014).

(4) Apparently the EU and other major actors of the Post-Washington consensus did not honour sufficiently lessons learned of failed neo-liberal structural adjustment reforms of the 1980s and 1990s in Africa. For example, budget aid, meant to promote inclusive growth according to OECD guidelines for 'country ownership', was used against official promises to force intractable African states into liberalisation programs of the second generation. Case studies from Tunisia, Ghana and Uganda demonstrate that EU budget aid was used strategically to enforce liberalisation demands on the expense of the poor and premature trade opening (Langan 2014a).

(5) Potential gains of reciprocal of elimination tariffs and non-tariff trade barriers could not compensate welfare losses in view of enduring low African labour productivity. Resulting negative terms of trade effects for African economies would eat up most of potential gains of liberalised trade. Short and medium term aid packages included in the EPAs in order to counteract these losses fall short of the mark. West Africa's gains from tariff elimination would mainly come (if at all) from long-term endowment effects and improved resource allocation (Rakotoariso et al 2014).

(6) The reform of the Generalised System of Preferences (GSP), a cornerstone of EU trade and development strategy, which is aimed officially to refocus assistance to the 'neediest' countries, apparently serves in practice foremost to give leeway for free-trade negotiations on a global scale. The developmental trade agenda of the EU and major members states is increasingly subordinated to commercial imperatives (Siles-Brügge, 2014).

(7) Current EU-US negotiations on a Transatlantic Trade and Investment Partnership (TTIP) will have unprecedented but hitherto neglected ramifications on EU-African trade relations. Africa, which currently takes just two per cent of global trade, urgently requires better access to markets on a global scale and not just to EU markets. West African states that share Atlantic seaways with the EU and the United States as well as the problematic legacy of economic and political relationship with its former colonial masters will be especially affected. ECOWAS will lose ground by the TTIP agreements if it will not become involved and go against possible negative effects pro-actively (Mutamba 2014).

Conclusion:

In view of the global run on African resources and the quest for promising new African markets the EU is at pains to conclude Economic Partnership Programs (EPAs) with African states. Officially EPAs claim creating a win-win situation in a partnership on eye-level. However, many Africans suspect the EU of double talk and of promoting selfish export interest at the expense of inclusive growth in African countries. Taking the proposed ECOWAS EPAs as example, analyses reveal surprising contradictions on multiple levels. First, apparent political tensions in the long-lasting negotiation process are due to a significant disparity between discourse and practice of EU trade and aid policy. Second, this divergence has been reinforced by diverging and often hidden interest between EU directorates (e.g. DG trade vs. DG development) and underlying self-centred mercantile and political concerns of individual EU member states. Third, the growing preparedness of African governments to challenge the EU on trade and development issues is not only due to African power elites trying to consolidate its economic base. To a significant extend their delaying resistance against unfair EPAs has been provoked by long lasting proactive agitation of civic organisations and NGOs inside and outside of Africa.

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