

Conference Report

Policy Lunch November 2020 – Online

sef:

EU-Africa Trade Arrangements at a Crossroads: How to better promote development and intra-African trade

Michèle Roth

The European Union is Africa's most important investor and trading partner but, in the sixty years of the post-colonial period, the role of Africa mainly as an exporter of commodities to the EU has remained constant. The strengthening of intra-African trade therefore seems to be key to Africa's economic development. Great hopes are placed in the African Continental Free Trade Area (AfCFTA), which is due to come into force at the beginning of 2021. Does the EU's trade policy support Africa's efforts to develop on its own, based on the establishment of a continental market? Or does it rather undermine regional integration on the continent? These questions were discussed at the sef: Policy Lunch on 17 November 2020 and proved to be controversial.

Due to the ongoing pandemic, the sef: Policy Lunch had to be held online for the first time. Nevertheless, the head of the Representation of North-Rhine Westphalia to the EU in Brussels, Mr Hans H. Stein, took the opportunity to welcome the participants with some opening remarks. From the start, he emphasised that a robust single continental free trade area could be the most important driver for economic development in Africa. This view was shared by Professor Melaku Geboye Desta, Principal Regional Advisor at the Regional Integration and Trade Division of the UN Economic Commission for Africa (ECA), Addis Ababa. He summarized the main findings of a sef: Global Governance Spotlight that he had co-authored with David Luke and Simon Mevel.



Opening by Hans H. Stein

EPAs: Incentives impeding regional integration

While the EU is by far the most important trading partner for Africa, Professor Desta stated that this was not due to historical or geographic factors alone but also to deliberate policy choices in the post-colonial period. Africa-EU trade relations had been underpinned by special arrangements for over half a century, he added, with preferential, non-reciprocal market access being a key instrument in this regard. This arrangement had come to an end in 2008, leading to a patchwork of often bilateral free trade agreements in the form of Economic Partnership Agreements (EPAs), based on the principles of reciprocity and non-discrimination. The EPAs, in Desta's view, had impeded African regional integration "by provid-

ing perverse incentives to African countries to work against their own commitments at subregional level”. In essence, he claimed that the problem lied in the different incentives the EU offers for developing and least developed countries (LDCs) respectively, with the latter being eligible for the Everything but Arms scheme – granting them free access to the EU Single Market for all products (except arms). According to



Melaku Geboye Desta

him, studies on the effects of EPAs show that while the EU in particular benefits from better access to African markets, intra-African trade tends to be weakened.

Overcoming the internal division of Africa

So far, intra-African trade has remained low anyway. But while its exports to the EU are concentrated in the area of commodities, intra-regional trade has a much larger share of manufactured products. And here, according to Professor Desta, the promise of the African Continental Free Trade Area (AfCFTA) lies. Furthermore, the AfCFTA has potential to overcome the old and damaging division of Africa in North and South, he said. The EU should also start to deal with the continent as one entity. This could mean, for example, merging North African trade agreements with the EPAs concluded with sub-Saharan African countries.

Finally, the EU should also be aware of its global leadership role, Desta said. In his view, the EU’s turn away from unilateral preferential trade agreements has weakened Africa’s starting position in negotiations with other trading partners who insist on the same market access as the EU. To sum up, Professor Desta called upon the EU to pause and reconsider its trade policy towards Africa, pointing to the disconnect between the EU’s trade policy and its development policy. “An Africa that trades increasingly with itself, will be likely to be a more peaceful, more stable and more prosperous and responsible partner,” he concluded.

Towards a more coherent approach by the EU

In her response to Professor Desta, Dr Sandra Bartelt, Deputy Head of Cabinet of the EU Commissioner for International Partnerships, Jutta Urpilainen, said that the different strands of EU’s policy towards Africa were gradually coming together. Under her mandate of international partnerships, her Commissioner was ensuring this coherent approach both as far as the new strategy with Africa and the post Cotonou negotiations were concerned. As an example, Dr Bartelt mentioned the integration of the European Development Fund into the EU budget as a landmark achievement. This would bring the geographic cooperation with the ACP States within the Neighbourhood, Development and International Cooperation Instrument (NDICI) under the new Multiannual Financial Framework, thus allowing the Neighbourhood South and sub-Saharan Africa to be financed under one instrument. This will help to develop a coherent continent-wide approach, she said.

Dr Bartelt welcomed the establishment of the AfCFTA as a flagship project of the AU, which will take some time to its full operationalisation. The AfCFTA is



Sandra Bartelt

fully supported by the EU and in its strategy towards Africa, the EU was counting on the AfCFTA to foster growth, jobs and investment. She also acknowledged the fact that the establishment of the AfCFTA has led to a debate on the opportunity of a continent-to-continent free trade agreement. But she warned against taking the third step prior to the first, pointing to the still very fragmented African landscape, e.g. with regard to the different regional economic communities. She also pointed to the fact that for negotiating a continental free-trade agreement with the EU, the AU would first have to receive a corresponding mandate from its members, which so far has not happened. The EPAs would therefore remain the foundation of the trade relations with the EU.

The decision lies with the African states

Escipión J. Oliveira Gómez, Assistant Secretary-General in the Department of Structural Economic Transformation and Trade at the Organisation of African, Caribbean and Pacific States, underlined the EU's great commitment to supporting and funding the establishment of the AfCFTA and the necessary underlying structures, such as facilitating the movement of people and goods and the setting up of financial systems. He also pointed to the fact that the EPAs were trade and not development agreements, and that



Escipión J. Oliveira Gómez

it was up to each country to decide on its way forward. The EPAs originally aimed at a regional approach, he said, but for the least developing countries, the Every-

thing But Arms scheme offered countervailing incentives. From his perspective, however, it is not the EU that is to be blamed. It is up to the African states to forge their future and to decide which path they want to take. With regard to the post-Cotonou agreement, he stated that its major advantage lies in South-South cooperation. It is not contrary to the African Union, he added, since the AU itself has been very active in the post-Cotonou negotiations.

Consider market asymmetries on the continent

Several participants expressed doubts as to whether a trade agreement between the continents would actually contribute to Africa's development as a whole. They referred to experiences in Europe that a common market with very differently developed members can particularly benefit the more advanced members, while the weaker ones continue to fall behind. The EU has developed various mechanisms to counteract this development. One proposal, therefore, was that the EU could support Africa in developing such mechanisms.

Professor Desta clarified that the intention of the Global Governance Spotlight was not to blame the EU but to make clear that the EPA approach provides incentives for African states to conclude free trade agreements with the EU that sometimes go against their regional commitments. What he was calling from the EU to do was to help these countries to make the right choices rather than to give them incentives to make the wrong ones. At the same time, the paper was an appeal to the African states not to abandon their long-term goals in favour of short-term advantages.

Global Governance Spotlight 3|2020

EU-Africa Trade Arrangements at a Crossroads. Securing Africa's External Frontier

David Luke | Simon Mevel | Melaku Geboye Desta
October 2020; 4 pages

In Global Governance Spotlight 3|2020, David Luke, Simon Mevel and Melaku Geboye Desta call for a new direction in trade policy between the EU and Africa. They argue that the current highly asymmetrical trade relations are unsustainable and damaging to intra-African trade. The goal of trade with the EU should be to strengthen Africa's economic integration. To achieve this, the EU must give priority to the realization of the African Continental Free Trade Area and postpone the conclusion of further bilateral free trade agreements with individual African states.

<https://www.sef-bonn.org/en/publications/global-governance-spotlight/32020>



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