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Regional Integration, EPAs and the Trade & Development Agenda: Africa–EU relations reconsidered

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Trade & Development

Introduction

Regional integration processes, at the pan–African and sub–regional levels, are high on the African political and development agenda. The European Union (EU) has been a strong proponent of regional integration initiatives and a key role model for many. But how do Africa–EU relations contribute to foster regional integration processes in Africa and strengthen the trade and development linkages? This paper looks at the initiatives adopted jointly by African countries and the European Union and critically assesses their impact on the regional integration dynamics in Africa.

In the context of the Cotonou Agreement, the Economic Partnership Agreements (EPAs) process has contributed to stimulate attention to the trade and development nexus and enhanced the focus on integration in several African regions. However, the EPA process, and more broadly the role of the EU in supporting development and regional integration, has come under increasing scrutiny and criticism, as EPAs are often perceived as restraining African development and generating both systemic and practical impediments to regional integration.

The Joint Africa–EU Strategy (JAES), adopted at the Lisbon Summit in December 2007 to foster political dialogue on strategic issues, has the potential to coordinate and rationalise support to regional integration initiatives, as well as to better strategise trade and development concerns. However, it has so far failed to rise to the political challenge of addressing key trade and development divergences between the EU and Africa. On the contrary, the JAES has carefully avoided to address any politically sensitive issue, such as the coherence of African regional integration initiatives, the EPA process, and integration with Mediterranean countries, as well as the coherence between regional integration, trade and development initiatives supported by the EU in Africa. Nonetheless, the African, Caribbean and Pacific (ACP)/Africa–EU frameworks (such as the Cotonou Agreement, the JAES and the EPAs) and the EU instruments – including the European Development Fund (EDF) with its national and regional indicative programmes – have the potential to play a more effective role in fostering regional integration in Africa and the linkages between trade and development. It is up to the partners to rise to this challenge.

EU support to regional integration, trade and development

The drive for regional integration should be understood as part of a broader strategy to exploit the many links between trade and development. International trade has long been recognised as a key factor of economic growth, development and poverty reduction. The creation of effective regional markets,

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encompassing not only institutional arrangements but also physical integration, policy coordination and the pooling of resources, can be decisive to stimulate production capacities, trade, investment flows and thus stimulate economic growth and development. In the current context of global recession, with its impact being felt hard in some developing countries (e.g. decline of trade and investment flows, lower remittances, lower and more volatile commodity prices, unemployment, etc), it becomes more urgent to unleash the potentials of regional integration processes.

Nowhere are the economic growth and development benefits of trade and development links more necessary – nor are they probably as much a tale of missed opportunities – than in Africa². Intra African trade has remained at very low levels since independence. Not only are African economies mainly oriented towards developed and emerging countries, therefore producing few goods that could be traded regionally, but the barriers to trade amongst African countries also remain very cumbersome. The infrastructure necessary to support regional trade is also woefully underdeveloped; transport costs in Africa are estimated to be amongst the highest in the world.³ Regional integration is seen as part of a remedy to these ills by encouraging intra African specialisation and by shifting the overwhelmingly North–South pattern of trade flows in Africa. Nevertheless, reducing tariffs, custom procedures, harmonising national standards and providing the necessary infrastructure to sustain intra–regional trade are perhaps the most daunting tasks facing regional groupings.

Principle and action

The European Union has a long tradition of promoting the ideal of regional integration and supporting effective integration processes, namely through political support on the principles of regional integration. But besides this ‘political support’ and experience sharing, the EU has also committed a sizeable share of its development aid and technical assistance to support regional integration and cooperation, which is one of the six priority areas of its development assistance.

In the framework of its partnerships with the ACP and Mediterranean countries (MEDA), the EU has jointly elaborated regional indicative programmes in complement of its national support.

It has also undertaken comprehensive free trade agreements with regional groupings, which cover not just trade, but also trade–related regulatory issues, development concerns and institutional aspects, as is the case of the EPAs with ACP regional groupings, in the context of the Cotonou Partnership Agreement.

While the EU has inspired many of the regional integration processes around the world and provided active support for several of such initiatives, it is generally

² See for instance UNECA (2010), *Assessing Regional Integration in Africa IV: Enhancing Intra-African Trade*, Economic Commission for Africa, Addis Ababa. www.uneca.org/aria. See also UNCTAD (2009), *Economic Development in Africa – Report 2009: Strengthening Regional Economic Integration for Africa's Development*, New York and Geneva: United Nations Conference on Trade and Development. www.unctad.org/Templates/WebFlyer.asp?intItemID=4923&lang=1

³ See for instance World Bank (2008), *Transport Prices and Costs in Africa – A Review of the Main International Corridors*, and World Bank (2008), *Trade Costs in Africa: Barriers and Opportunities for Reform*. www.worldbank.org

not at the origin of those integration agendas, which have been embraced by national leaders. There is an endogenous belief by many African leaders that regional integration will foster development and strengthen their position. This is not to say that the EU has not been active in promoting and supporting regional integration, and to some extent actively contributed to export its model. The European Community has indeed dedicated significant effort and resources to effectively support regional integration in Africa,⁴ as well as in other parts of the world.

EU efforts do indeed go beyond a mere liberalisation agenda and recognise the need for trade capacity building, e.g. designing harmonious intra-regional regulations, helping producers seize the opportunities offered by the opening of neighbouring markets, developing infrastructural necessities. EU and regional groupings can and do cooperate in this area.

The EU is also a strong supporter of the aid for trade (Aft) international agenda⁵ and a significant contributor to the initiative. It has contributed to the development of Aft concepts, reaching internationally agreed definitions on the substance of Aft at the World Trade Organisation (WTO) and in areas like monitoring of commitments. It worked with the ACP Group, and notably African countries and regions, to identify their Aft needs and mobilise development assistance to meet them. In the context of the EPA negotiations, both the EU and the ACP acknowledged at an early stage that tariff liberalisation and new commitments in trade-related areas will carry certain adjustment and implementation costs.⁶ In a clear demonstration of its commitment to the Aft agenda, the EU adopted in October 2007 a joint Aid for Trade Strategy, which lays down a set of broad principles and activities to guide a coherent, EU-wide approach on Aft. These included the existing commitment to provide support – of at least €2billion collectively (€1billion from the Commission and €1billion from the member states) per year in the ‘narrow’ Aft area of trade related assistance – but also commitments in other areas to improve donor expertise and coordination, which equally have the potential over time to transform the approach to the provision of aid, along the lines envisaged in the Paris Declaration on Aid Effectiveness and Accra Agenda for Action. The EU is committed to complement the ACP–EU instruments such as the European Development Fund with additional initiatives and support from EU member states.⁷ Furthermore, Aft is considered as a key component of the support to regional integration initiatives, notably in Africa.⁸ This has been illustrated for instance with the recent EU commitment to support the West Africa Aft agenda related to EPAs⁹. The extent to which these commit-

4 See for instance Dinka, T. And W. Kennes (2007), *Africa's Regional Integration Arrangements: History and Challenges*, ECDPM Discussion Paper 74, Maastricht: European Centre for Development Policy Management. www.ecdpm.org/dp74

5 See namely De Lombaerde, P. and M. Schulz eds. (2009), *The EU and World Regionalism: The Makability of Regions in the 21st Century*, The International Political Economy of New Regionalisms Series, Ashgate; and Wilson, J. S. and B. Hoekman (2010), *Aid for Trade: Building on Progress Today for Tomorrow's Future*, Policy Research Working Paper Series No. 5361, July. http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469372&piPK=64165421&menuPK=64166093&entityID=000158349_20100719153619

6 Lui, D. (2008), *The Aid for Trade Agenda and Accompanying Measures for EPAs*, ECDPM Discussion Paper No. 86, Maastricht: The European Centre for Development Policy Management. www.ecdpm.org/dp86

7 Bilal, S. and F. Rampa (2009), “What Does the European Experience Tells us on Aid for Trade”, in De Lombaerde, P. and L. Puri eds., *Aid for Trade: Global and Regional Perspectives*, 2nd World Report on Regional Integration, United Nations University Series on Regionalism 2, Springer. Ch. 4, pp. 63–85.

8 See Mackie, J., S. Bilal, I. Ramdoo, H. Hohmeister and T. Luckho. (2010), *Joining up Africa Support to Regional Integration*, ECDPM Discussion Paper 99, Maastricht: ECDPM, www.ecdpm.org/dp99

9 ECDPM (2010), *The EU Commitment to Deliver Aid for Trade in West Africa and Support the EPA Development Programme (PAPED)*, ECDPM Discussion Paper No. 86, Maastricht: The European Centre for Development Policy Management. www.ecdpm.org/dp96

ments are translated into practice and effectively implemented, along the lines of the Paris and Accra agenda, remains a major challenge.

The EU also believes that in parallel to regionalism among developing countries, regional integration between developed and developing countries and regions can be complementary and beneficial. This is part of the underlying rationale for the EPAs negotiated between the EU and six regional ACP groupings. As proposed by the European Commission (EC), they should be essentially enhanced, development-oriented Free Trade Areas (FTAs) between ACP regional groupings and the EU. They should cover not only trade in goods and agricultural products, but also in services, and should address tariff, non-tariff and technical barriers to trade. Other trade-related areas should also be covered, by extending cooperation between the EU and the ACP to areas such as competition, protection of intellectual property rights, standardisation and certification, sanitary and phytosanitary measures, investment, trade and environment, trade and labour standards, consumer policy regulation and consumer health protection, food security, public procurement, etc.¹⁰

A basic principle of EPAs contained in the Cotonou Agreement is that they should build on and reinforce the regional integration process of the ACP. According to the EC, by building on larger well-integrated regional markets, regional EPAs should contribute to foster the integration of the ACP in the world economy, provide for economies of scale, stimulate investment and contribute to establish and pursue necessary trade reforms. The regional partnership with the EU should therefore help to increase the credibility of regional integration processes, in particular in Africa. On the other hand, the EPAs would also benefit from deeper integration within the regions, allowing them to conclude more comprehensive agreements with the EU, which the EC believes would bring further benefits to the regions.¹¹

Stronger regional groupings will in turn be able to provide stronger support to the African Union (AU) process. While the European Commission envisages differentiated specific provisions for each EPA, their general structure should be common. Ultimately, as explicitly indicated in the Commission negotiating mandate from the EU member states, EPAs could over time be merged among regions in Africa to become larger entities. A common EPA for all African ACP countries could thus be envisaged in the long run. This would then be compatible, and perhaps in fact reinforce the pan-African integration process.

While the EU is strongly pledging its support to open regionalism among developing countries and has embarked on bi-regional EPA agreements building on regional integration process, the EU support can be a double-edge sword. EPAs could well complicate or disrupt the regional integration process for some regions, and in several cases have already done so, as discussed in Section 3. In seeking to strengthen regionalism, the EU may put regional integration processes under unwarranted pressures.

10 For an analytical synthesis, see Makhan, D. (2009), *Linking EU trade and development policies: lessons from the ACP-EU trade negotiations on economic partnership agreements*, Studies 50, Bonn: Deutsches Institut für Entwicklungspolitik / German Development Institute. [www.die-gdi.de/CMS-Homepage/openwebcms3_e.nsf/\(ynDK_contentByKey\)/IANES-7YUFTE?Open&nav=expand:PublikationenStudies;active:PublikationenStudiesIANES-7YUFTE](http://www.die-gdi.de/CMS-Homepage/openwebcms3_e.nsf/(ynDK_contentByKey)/IANES-7YUFTE?Open&nav=expand:PublikationenStudies;active:PublikationenStudiesIANES-7YUFTE)

11 See European Commission (2008), *Communication on Regional Integration for Development in ACP countries*, COM(2008) 604 final/2, 6 October 2008. http://ec.europa.eu/development/center/repository/Communication_on_Regional_Integration_COM-2008-604_en.pdf

The Trade, Regional Integration and Infrastructure (TRII) partnership of the Joint Africa–EU Strategy

At the continental level, the EU has articulated its strategic partnership with Africa in an ambitious political framework, the Joint Africa–EU Strategy.¹² Its main objectives are to enhance a strategic political dialogue, strengthen institutional ties and to address common challenges through a partnership of equals. In line with the principle of policy coherence for development, the implementation of this partnership is expected to bring positive complementarities between sectoral policies and strategies, and between existing frameworks and initiatives, not least in the area of trade and support to regional integration. EU and African priorities and ambitions in this particular area of EU–Africa relations are articulated in the *Trade, Regional Integration and Infrastructure (TRII) partnership*, one of the pillars of the JAES.¹³

Although the JAES implies a dramatic change of approach to the African continent by treating 'Africa as one', in practice the divide between North Africa (under the Union for the Mediterranean, integrated into the European Neighbourhood Policy) and sub-Saharan Africa (under the Cotonou agreement) persists in EU approach and policy rationale, and pan-African integration is not addressed – it is striking that the European Neighbourhood and Partnership Instrument (ENPI) is not mentioned in the roadmap of the TRII partnership.

This is reflected namely in the different programming processes for the two regions and the two different financial instruments of the EDF and the ENPI, with wider implications for activities trying to bring together actors from the whole of Africa. For instance, the EU–Africa Business Forum does not involve North Africa because it is financed under the EDF. Information sharing on regional integration and exchanges of best practices, defined in the TRII partnership as priorities for fostering regional integration, are still difficult to develop because of such financing constraints. Also in terms of strategic rationale, EU policies and approach towards Northern African and Sub-Saharan African countries are different. The ENP aims at a broad MEDA–EU agreement building on bilateral association and cooperation agreements (i.e. FTAs) with each of the Mediterranean countries. Regional integration among Mediterranean countries is pursued as a next step, the EU thus playing a role of catalyst to effective regional integration among Northern African developing countries. The Cotonou Agreement aims instead at fostering regional integration in the rest of Africa (as in the Caribbean and Pacific) by building on the existing regional agreements and sign with them, or with other self-defined regional groupings, economic partnership agreements. Furthermore, the trade regimes of African countries with the EU still varies across the regions, with countries still falling under the Generalised System of Preferences (GSP), the 'Everything But Arms' (EBA) regime, or under various forms of Free trade Agreements such as interim EPAs, Mediterranean Agreements or the Trade, Development Cooperation Agreement between the EU and South Africa. The differentiated instruments and approaches therefore call for actions to increase coherence which would be the added value of the TRII partnership.

¹² The Africa–EU Strategic Partnership, A Joint Africa–EU Strategy, December 2007.

¹³ For a general assessment of the JAES, see Bossuyt, J. and A. Sherriff (2010), *What next for the Joint Africa–EU Strategy? Perspectives on revitalising an innovative framework*, ECDPM Discussion Paper 94, Maastricht: ECDPM, www.ecdpm.org/dp94. On the TRII, see also Colin, S., Walker, A., *The Trade, Regional Integration and Infrastructure partnership: current state of affairs, Background Note for the 18th Inter Regional Coordinating Committee meeting (IRCC), 26 May 2009, Nairobi, Kenya*; and Colin, S., M. Bouyer and S. Bilal (2009), *The Trade, Regional Integration and Infrastructure Partnership of the Joint Africa–EU Strategy: Assessment and way forward*, ECDPM note.

Three priority actions for the TRII partnership were identified in the first Action Plan (2008–2010) of the JAES:

1. Support to African integration agenda;
2. Strengthen African capacities in the area of rules, standards and quality control;
3. Implement the EU–Africa infrastructure partnership.

The first priority action ('Support to the African integration agenda') is expected to increase synergies between African integration processes, the EPAs, the Euro–Mediterranean Partnership and bilateral trade agreements. It raises, however, a number of sensitive issues already contentious at the regional level, namely: the integration of the so-criticised EPAs into the JAES, and the Minimum Integration Programme (MIP).

Although support to regional integration is one of the objectives of the EPAs, there has been no political and technical dialogue on EPAs within the JAES, this has instead been addressed at the level of the EPA regional groupings and in the framework of the Cotonou Agreement. Both the European Commission and some African stakeholders (e.g. the South African Co-chair) have shown reluctance to deal with the EPAs within the TRII partnership. It is feared that addressing the many contentious issues and tensions raised by the EPA negotiations can undermine and even impede progress in the partnership. But can there be any progress in the areas of regional integration and trade without taking the EPAs into full consideration? To consider that the TRII partnership should avoid these sensitive issues in order to make progress puts the partnership at risk of losing its substance.

Another sensitive issue in the implementation roadmap of the TRII partnership is the Minimum Integration Programme (MIP) of the African Union. The MIP consists of a set of activities, as defined by the RECs, which should be adopted and implemented promptly to speed up the integration process at the regional and continental levels.¹⁴ Although considered a key activity for implementing the regional integration priority action, the MIP is not a consensual initiative. Significant discrepancies between the reality of regional integration and the MIP's proposal for the rationalisation of the African Regional Economic Communities (RECs) at pan-African level have raised strong concerns among many African and European actors about the feasibility of the MIP's objectives. However, the MIP is first and foremost an African issue, discussed mainly at the African level and amongst African stakeholders, with the AUC seeming to be reluctant to engage with the EU on a dialogue on this issue. It is therefore difficult to grasp what the TRII partnership could bring to the MIP and how the TRII could deliver on the MIP at this stage.

Nonetheless, if the TRII is set to avoid the difficulties of the African integration agenda and focus only on those areas which it is likely to deliver better and more quickly on, its added value will remain limited. It will be left with the less sensitive second priority area on 'Strengthening African capacities in the area of rules, standards and quality control'. While important, these issues are mainly technical, and can be (and are already) addressed in other fora, at the national and regional levels. The strategic value added of the TRII partnership cannot rest on

¹⁴ African Union Commission (2010), *Minimum Integration Programme*, www.africa-union.org/root/arl/index/MIP%20Big%20Doc%20English%20Version%20Web.pdf

these technical questions. The third priority area, linked to Infrastructure, is also implemented largely in parallel to the JAES through the Infrastructure Partnership, raising once more the question of the value addition of the JAES priority of action. However, the TRII partnership could foster cooperation between the different actors who could use this continental approach to contribute to the EPA process and to adjust the MIP by using the EU integration experience. Unless it does so, the JAES may have little relevance in fostering regional integration in Africa.

Impact of EPAs on regional integration

From its inception, the EPA process aimed at strengthening regional integration in ACP countries. Negotiations were envisaged between the EU and a limited set of regional groupings of the ACP; they were not meant to be on a country-to-country level. Despite the problem of overlapping membership in African regional groupings, the ACP countries had to decide on the regional configuration they would adopt to negotiate an EPA with the EU. In the first phase of the EPA negotiations (September 2002–September 2003), the European Commission and the ACP Group as a whole engaged mainly in an exchange of views and clarifications from both parties. A second phase of negotiations started at the regional level in view of concluding regional EPAs, with each of the main ACP regional groupings entering into negotiations with the EU.¹⁵ These negotiations were thus intended to build on and foster the regional integration process of the ACP groupings. However, a common perception expressed by many countries during the independent review of the negotiations (as stipulated in article 37.4 of the Cotonou Agreement), and illustrated by the partial conclusion of interim EPAs, is that there is too little coherence between the EPA agenda and the regional integration processes in Africa. Unless the current EPA negotiations process redresses this incoherence, EPAs may end up undermining, rather than promoting regional integration in some parts of Africa.

So far, and in spite of the good intentions, the EPA process has added an additional layer of complexity to the already intricate picture of regional integration in Africa,¹⁶ and has put African countries in the difficult position of having to speak with one voice within their regional grouping during their negotiations with the EU.

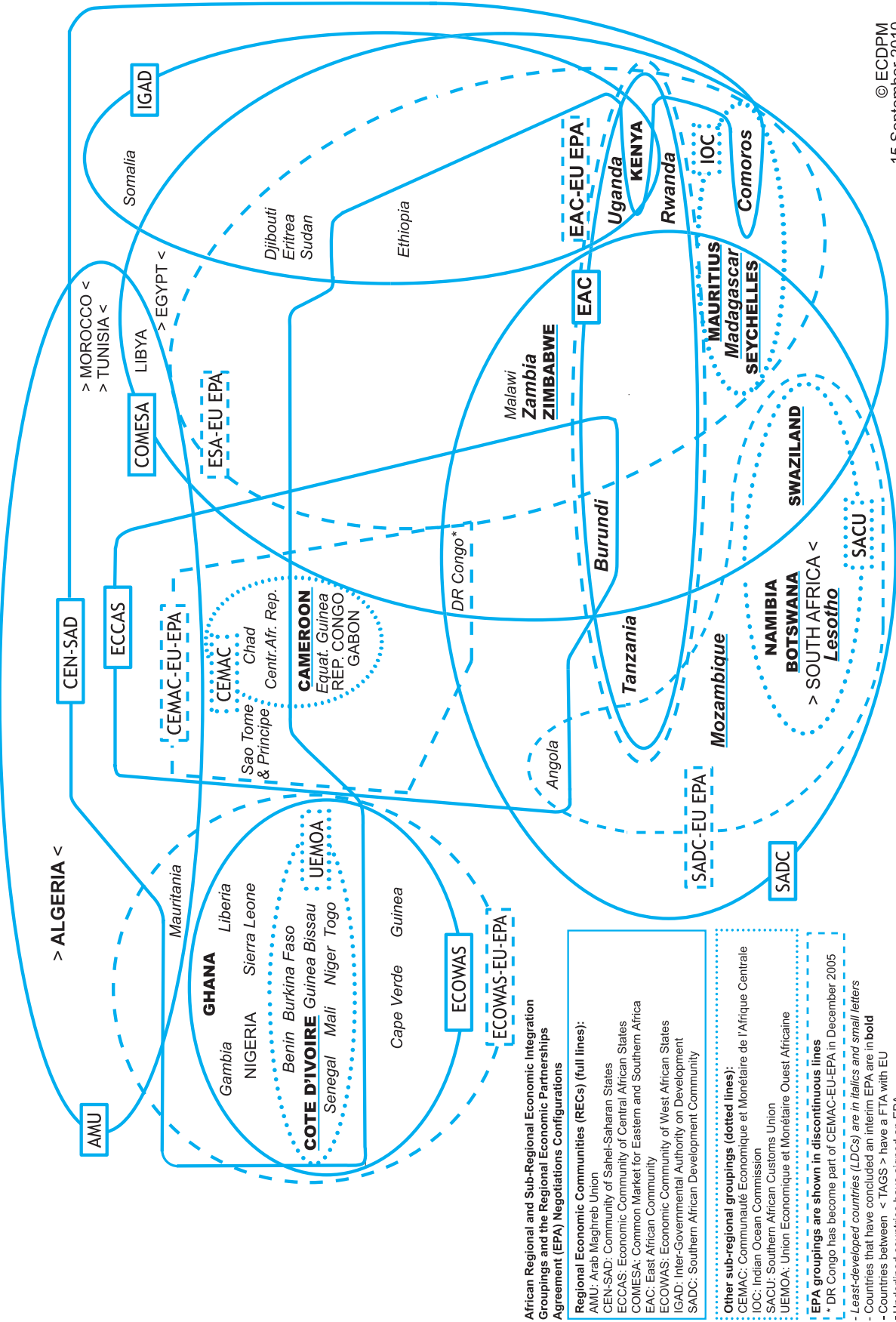
With the exception of the East African Community (EAC), the regional groupings within which African countries chose to negotiate their respective EPAs, did not match the contours of the formally recognised RECs to which they belong.¹⁷ Some regional sub-groupings¹⁸ are more fully integrated than the broader EPA configuration within which they are negotiating with the EU. Besides, many African countries are members of more than one REC with often conflicting objectives and obligations. Graphic 1 illustrates the intricate web of membership overlap between RECs, regional groupings and the configurations of EPA negotiations.

15 Central Africa (CEMAC-plus) and West Africa (ECOWAS-plus) in October 2003; Eastern and Southern Africa (ESA) in February 2004; the Caribbean (CARIFORUM) in May 2004; Southern Africa (SADC-minus) in July 2004; and the Pacific in September 2004.

16 Bilal, S. and C. Braun-Munzinger, "EPA negotiations and regional integration in Africa: Building or stumbling blocs", Paper prepared for the 3rd TRAPCA Annual Conference *Strengthening and Deepening Economic Integration In Developing Countries: Current Situation, Challenges and Way Forward*, Arusha, Tanzania, 13–14 November 2008. www.ecdpm.org/bilal.

17 The EAC decision to negotiate an EPA as a bloc was made as early as 2002, but this was not concretised until late 2007 when the region initiated an interim EPA with the EU. Until then, the region negotiated within the ESA configuration. In the current state of play, the EAC is the only coherent regional configuration to have initiated an interim EPA in Africa.

18 Notably the West African Economic and Monetary Union (UEMOA in its French acronym) within ECOWAS, EAC within ESA, and the South African Customs Union (SACU) within SADC.



The EPA process has also clearly exposed the weak regional cohesion in most EPA regional groupings, with national interests prevailing over regional integration agendas and conflicting interests generating tensions within the region. Conducting interim agreements bilaterally provided the opportunity to safeguard market access in those regions where regional solutions were not possible in the remaining time. However, the bilateral approach adopted by the EC and some ACP counterparts is clearly at odds with a key objective of the EPAs, i.e. to build on and reinforce regional integration.

While regional integration in Africa has often seen uneven progress and has been hampered by various obstacles and challenges, both internal and external, little consideration seems to have been given to the complexity and importance of existing regional integration efforts in the context of the EPA negotiations. Many African countries, in particular in Eastern and Southern Africa (ESA), opted to favour national interests over commitments to regional solidarity and agenda when considering which regional EPA grouping to join, with some countries shifting from one configuration to another a few years into the negotiations (e.g. Democratic Republic of Congo, Tanzania). Whether a regional integration process can be driven or supported by external forces such as the EU, or whether it should be internally driven in order to be sustainable is a question that can ultimately only be answered by the African countries themselves.

In assessing the impact of EPAs, consideration must be given to the consequences of the parallel implementation of EPAs and of endogenous regional integration initiatives in the ACP. In the context of the ongoing EPA negotiations, EC proposals for tariff harmonisation and liberalisation, cut across or even pre-empted existing regional integration initiatives. Indeed, ACP countries were pressured to negotiate on trade-related issues, such as investment and government procurement, in cases where there is little capacity or incentive at either regional or national level to enter into commitments in such areas. This has raised the concern that the agenda and pace set by the EPA negotiations left little time to focus on internal factors relating to autonomous regional integration. In fact, it has on some occasions undermined such efforts. At the same time, it has been recognised that the EPA negotiations process provided some impetus for further focus on regional integration agendas (e.g. EAC, ESA and West Africa regions) and revived otherwise somewhat dormant economic co-operation initiatives (e.g. the Indian Ocean Commission). Yet, calls for integration at the regional level before opening up to the EU under an EPA remained unanswered.

Conflicting market access commitments

Of particular concern is countries in the same economic region might liberalise different baskets of products and so create new barriers to intra-regional trade in order to avoid trade deflection. This concern has been vindicated by the interim EPAs agreed so far, where countries have sometimes undertaken conflicting market access commitments that may prevent further regional integration (e.g. ESA).

Having concluded interim agreements with one sub-region and some individual countries, it's not clear whether it will be possible to indeed extend interim agreements to full EPAs covering all the countries of each negotiating region. Instead of moving towards full EPAs at the regional level, different countries within the same region may make different choices of trade regimes:

1. a full and comprehensive EPA;
2. a narrow (or permanent interim) EPA;
3. the standard GSP (or GSP-plus); and
4. the EBA for Least Developed Countries (LDCs).

As only interim agreements have been concluded so far and all African ACP countries are still engaged in the negotiations of final EPAs, the possibility of reconciling regional groupings with the EPA configuration remains. Yet, some countries may chose otherwise. Box 1 presents possible consequences related to choices made in terms of the regional scope of any agreement.

Box 1. Scenarios regarding the regional coverage of the agreements

Scope of the agreements	Opportunities	Risks
Agreements at the regional level	<ul style="list-style-type: none"> • Provided all countries within a region can agree on a common liberalisation schedule towards the EU, it will foster regional integration dynamics and allow for the formation and implementation of customs unions with a common external tariff and trade policies. This could be the case both for existing customs unions (e.g. CEMAC, EAC, SACU and UEMOA) as for emerging/expected customs unions in COMESA, ECOWAS and SADC). • Even though varying degrees of commitment on services and trade-related issues are possible within an EPA, a common understanding across the region on coverage of these issues will be conducive to regional integration. 	<ul style="list-style-type: none"> • Possible difficulties in arriving at a regional list of sensitive products and a reduced opportunity to protect nationally sensitive sectors from EU competition. • Different positions and commitments on services and trade-related issues may create political tensions and weaken the cohesion of the regional grouping.
Agreements at the sub-regional level (leaving out some members of the negotiating group)	<ul style="list-style-type: none"> • Preserve narrow deeper regional integration, as is the case in EAC, SACU and UEMOA. • Offer the possibility for some countries in the region not to open their markets to EU imports (e.g. for LDCs that export under EBA or for non-LDCs that apply for GSP+). 	<ul style="list-style-type: none"> • Prevent broader regional integration, as in COMESA, SADC and ECOWAS.
Agreements with individual countries	<ul style="list-style-type: none"> • Offer the possibility for some countries in the region not to open their markets to EU imports (e.g. for LDCs that export under EBA or for non-LDCs that apply for GSP+ or opt for the standard GSP). • Market access offers at individual country level provide the largest policy room for determining sensitive products specific to each country's situation. 	<ul style="list-style-type: none"> • Counteract regional integration processes and create political tension, as is the case of Côte d'Ivoire and Ghana initiating interim agreements alongside the negotiations at regional level in West Africa. • Counteract regional integration processes, and create a need to introduce new barriers to trade and border controls within a region in order to implement rules of origin and avoid trade deflection.

The EPA process ought to avoid creating new barriers to African integration. This should be possible with goodwill and flexibility on all sides and a recognition that not all the details of the current texts are set in stone. As regional groupings move towards the agreement of full EPAs, new demands will arise and reinforce this need. In the process of designing a regional agreement, countries will have to determine a common regional position on market access in goods, services liberalisation and trade-related issues, based on the interests of each country, defined at the national level. Where differences of opinion prevail in a region, it is possible that on some issues a final EPA could contain regional provisions that would apply to all members of the group, and country-specific ones that would apply on an individual basis. This is most likely on services liberalisation or possibly on some investment and other trade-related provisions. This would allow a regional agreement to be concluded which is in line with existing integration dynamics, whilst respecting the choices made by individual countries.

However, if the *status quo* in some countries persists and regional partners continue to hold significantly different positions, the regional integration process could be seriously jeopardised. Regional cooperation and the dynamic of further integration would be interrupted: customs unions will be unable to apply the same Common External Tariff (CET); new border controls will be required; heterogeneous rules of origin might thwart production integration and political tensions could rise across the region. Nevertheless, preserving regional unity may not be a sufficiently strong argument to continue negotiations and conclude regional (potentially full) EPAs. Some countries may not find an EPA sufficiently in line with their development concerns and prefer to stay out. Indeed, strategic considerations on development –and not just preserving regional integration– should determine whether an EPA should be signed, and if so, what the agreement would entail.

Implications of the global crisis

The EPAs approach and negotiations must also feature in the impact of the current context of concomitant crises (financial, economic, food, energy crises), and the implications of the uncertainty and pessimistic growth forecasts on both the EU and African leaders' attitude towards regional integration and the EPAs. While the impact of the crisis in developing countries may be an opportunity to advance the regional integration agenda in Africa, with a greater sense of urgency and in search of alternatives to an economic growth stimulated from dependence on developed countries economies (now in recession or stagnation), attitudes towards the liberalisation agenda may be more cautious and affect their perception on the potential benefits arising from new trade agreements like the EPAs. The EPAs will be ultimately beneficial only if they can also contribute to the objectives of regional integration.¹⁹

Lower international demand and a fall in global trade will negatively affect the exporting opportunities of African ACP countries²⁰, lead to a loss of customs revenues and put further strain on national budgets. As many African economies

¹⁹ See Bilal.S., P. Draper and D.W. te Velde (2009), "Global Financial and Economic Crisis: Analysis of and Implications for ACP-EU Economic Partnership Agreements (EPAs)", ECDPM Discussion Paper 92, Maastricht: ECDPM. www.ecdpm.org/dp92

²⁰ This phenomenon of dampened prospect for export-led growth by developing countries was recently described in *The Economist* as "export fatalism" ("Fatalism v fetishism: How will developing countries grow after the financial crisis?", 11 June 2009).

heavily rely on export-generated revenues, domestic employment as well as development and social programmes are likely to be negatively affected. As a result, African ACP policy-makers are likely to see less positively the perceived cost-benefits of reciprocal trade liberalisation. Domestic protectionist pressures are likely to rise in several African countries (as in developed countries²¹), including against market opening for EU products in the context of an EPA. In parallel, lower demand in Europe may alter the perception of preferences granted by the EU to EPA countries: while some ACP countries may become even more dependent on the preferential margin granted to their exports by the EU (e.g. in products for which the EU preferential market remains dominant), and therefore more interested in the speedy conclusion of an EPA, others may see less value in preferences whose benefits are reduced due to the fall of EU demands for those products (in which case other markets and product diversification away from Europe might become more attractive). Thus, while some may put a greater emphasis on the positive conclusion of the EPA negotiations in some cases on a comprehensive agenda, others may reconsider their interest in concluding an EPA.²² Disparities of situations according to countries and sectors suggest that specific measures may also be required.

Other elements must be kept in mind when considering the possible impact on the global crisis on the EPA approach and its objective of supporting regional integration:

1. Comprehensive EPAs aim at liberalising not only trade in goods, but also trade in services, possibly including the financial sector. If there is one general lesson from the financial crisis, it is that the financial sector needs careful and appropriate regulation.²³ But the type of regulation required and the reforms needed are less clear.²⁴
2. More broadly, the financial crisis has stressed the importance of effective regulatory frameworks. Comprehensive EPAs offer to cover a number of trade-related issues (competition, investment, procurement, etc.) for which rule setting are required to reap the benefits from market opening.
3. Accompanying support will be required to address EPA adjustments. Europe is taking this issue seriously and has undertaken a number of commitments to this end, notably in the context of aid for trade, with significant Official Development Assistance (ODA) attached to it.²⁵ It is however unlikely there will new additional money in the near future, as donors

21 On protectionist pressures, read for instance WTO Director-General Pascal Lamy "Retreating from market opening is not a solution to the economic crisis", 24 April 2009 in http://www.wto.org/english/news_e/sppl_e/sppl122_e.htm, and see the new initiative to monitor policies that affect world trade in <http://www.globaltradealert.org> (namely the publications by S. J. Evenett).

22 For instance, the new government in South Africa seems to favour a more sector-based industrial policy that may require tariff increase (see Draper, P. and N. Khumalo, "On the Future of the Southern African Customs Union", *Trade Negotiations Insights*, Vol. 8, No. 6, July-August 2009, ECDPM/ICTSD, www.acp-eu-trade.org/tni). Namibia seems to weigh the future potential of beef exports to the EU compare to new regional market opportunities. Botswana seemed to prioritise its relations with Europe by moving ahead with the signing of its interim EPA and advancing in negotiations towards a full EPA. Its only in refocusing on their regional integration objectives that the SADC/SACU grouping has been able to realign on common ground its position on the on-going EPA negotiations.

23 IMF, *Lessons of the Financial Crisis for Future Regulation of Financial Institutions and Markets for Liquidity Management*, 4 February 2009. <http://www.imf.org/external/np/pp/eng/2009/020409.pdf>

24 See for instance "Brussels' plans for financial reform need work", *Financial Times*, 8 June 2009 and in the US context "Doubts over plan for systemic risk regulator", *Financial Times*, 11 June 2009, <http://www.ft.com>.

25 Lui, D., and Bilal S. (2009), *Contentious issues in the interim EPAs: Potential flexibility in the negotiations*, ECDPM Discussion Paper 89, Maastricht: European Centre for Development Policy Management. www.ecdpm.org/dp89

will most likely not meet collectively their existing ODA commitments, let alone go beyond.

4. The creation of effective regional markets may contribute to foster development and thus partially alleviate some of the negative impacts of the global crisis. However, the state of regional integration in Africa, though with great potential, remains deficient as mentioned earlier. In addition and as already mentioned, the EPA negotiation process has so far mainly contributed to strain regional integration processes in Africa, notably with the conclusion of interim EPAs with individual countries or groups of countries cutting across RECs.

The global crisis could thus heighten the tensions around EPAs and their potential disrupting effects on regional integration and on development. A successful EPA must not be defined only by the signing of the agreement. It should strengthen the capacity of regional actors to act collectively, through enhanced cooperation and where necessary harmonisation, so as to establish regional frameworks for some *inter alia* economic activities and policies, institutional arrangements and infrastructures, as well as other appropriate policy issues. The form and scope, depth and speed of integration may (in fact should) vary according to the respective conditions and priorities of each regional process. However, an EPA should not undermine it, nor prevent or preclude the creation of regional markets and of regional regulatory and institutional frameworks that could help address some of the negative consequences of the global crisis. As it stands however, EPAs could prove very divisive for some African ACP regions. The extreme tensions raised in Southern Africa by the conclusion and recent signing by some Southern African Development Community (SADC) countries of an interim EPA are an illustration of this danger.²⁶

With the global crisis in full force, most African countries can ill afford to become inward looking and neglect the synergies and economic benefits that effective regional economic integration could bring about. It is thus imperative that the conclusion of EPAs preserves the regional integration processes in place. This is likely to require in some regions that the EU adjust its demands and introduces greater flexibility in its approach, as suggested above, so as to bring on board all countries of a regional grouping and hence preserve regional cohesion.

Practical proposals for the future of Africa-EU relations

Despite their development objectives, Economic Partnership Agreements have become a source of continued tension between the EU and Africa. How does an instrument that was conceived to foster economic development and enhance the partnership between the EU and the ACP/Africa risk turning into a liability in their strategic relations? And how can this be avoided? Not only have the EPAs lost momentum, but if the existing tensions are not resolved, the process may also have lasting negative consequences on the overall economic and political relationship between Africa and the EU.

²⁶ See Walker, A. (2009), "The EC-SADC EPA: Moment of truth for regional integration", *Trade Negotiations Insights*, Vol.8, No.6, July-August, ECDPM/ICTSD, www.acp-eu-trade.org/tni, as well as Draper and Khumalo, 2009.

The EPAs have been presented as advanced and far-reaching instruments for binding trade and development. At the same time, it is important to acknowledge the political repercussions that EPAs have on the relations between the EU and Africa. A failure to deliver on these development promises would be a serious setback to the EU trade and development agenda, including in the context of the Doha Round and of the JAES. To find a way out of this impasse, the EU must propose concrete options to its partner countries. Similarly, it is high time for all African countries and regions to assess whether they want to conclude a final EPA – if so, then they must decide by when and under what conditions. Such decisions should be based on their own development strategy and their level of ambition for their domestic and regional reform agenda. Reaching an agreement on EPAs will require concessions from both sides and a more strategic vision towards the Africa–EU relationship, grounded on pragmatic implementation principles and greater flexibility in the EU approach. The following are some concrete proposals:

- To start, all parties must *recognise that the EPA process is first and foremost a political issue*, not a technical one that should be left to trade negotiators alone. To progress in the EPA negotiations, notably on the contentious issues, it is crucial for the parties concerned to reach an agreement that both reflects the development ambitions of the ACP, articulates with integration processes, and can be jointly defended at the WTO. This will require a careful assessment and strong political guidance for possible technical remedies by negotiators.
- *A more flexible approach* – one that acknowledges concerns expressed during the negotiations, even at the price of reduced ambitions – may thus prove a more effective way forward than the imposition of too-tight deadlines by the EU. The latter risks making implementation illusory and souring relations with the EU. Furthermore, speeding up the conclusion of final EPAs could seriously disrupt regional integration processes if a particular region is split on how to move forward. It could also have detrimental effects on development if a deadline forces some countries or regions to endorse an EPA agenda that does not match their domestic development strategies. It would be crucial to recognise that some ACP countries may not yet be ready or willing to conclude an EPA.
- It would thus be important to *conduct a reality check, and assess which type of agreement is most likely to effectively support the regional integration objective* where possible. While a coherent approach on EPAs must be preserved across ACP/African countries and regions, it is important to recognise the diversity of situations and interests across African countries (and the ACP in general) and the difference of opinions on the development merits of some of the contentious provisions in an EPA. Various options can be followed in different regions or countries, based on the driving strategic objectives –including strengthen regional integration– and specific development needs of each region or country. While the EPA process cannot be a substitute for an endogenous regional agenda by ACP groupings, the conclusion of EPAs should not undermine the regional integration processes.

- *The implementation of the JAES provides opportunities for both parties to enhance coherence between their policies and approaches to regional integration, trade and development.* For the EU, it is an opportunity to start a reflection on enhancing coherence of its support to regional integration, trade and development policies through existing cooperation instruments and approaches. The identified priorities of the Strategy should in the first place be mainstreamed into all EU-Africa cooperation instruments. Although the programming cycles and the period of the agreements impede any major change in the near future, the opportunity of the mid-term reviews of the EDF and ENPI instruments should be used to re-programme and align the different resources with the objectives of the JAES (provided this could be jointly agreed by the EU EDF Committee and the ACP Committee of Ambassadors).
- Within the JAES, the *TRII partnership* should also be used as a tool to enhance coherence if given the chance *to play a role in clarifying the links between the existing processes at sub-regional level –including the EPAs– and the activities carried out at the continental level in the framework of the JAES.*²⁷ EPA negotiations and related assessment needs should remain at the bilateral level. However, meetings between different regions could be encouraged in the framework of the JAES to exchange on the progress in EPA negotiations, on best practices in assessment needs and to allow the identification of regional complementarities. Identifying such bridges is likely to increase further the perception of an added value of the TRII, by the actors currently not fully involved.

²⁷ The European Parliament has also drawn attention on the coherence issue. As stated in the Report Maertens, *One Year after Lisbon: the Africa-EU partnership at work*, of 19 February 2009: "the Joint Strategy should also address issues which, although formally belonging to a different institutional architecture, have a profound influence on the future of Africa and which shape the relationship between the two continents".