

## SESSION 4

### ECONOMIC RELATIONS BETWEEN AFRICA AND EUROPE: HOW CAN THEY CONTRIBUTE TO OVERCOMING INEQUALITY?

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Trade represents a potentially important factor supporting economic and social development in Africa that is crucial to overcome inequalities. The international level has proposed many objectives and instruments to harness that potential for the benefit of developing countries. Yet sub-Saharan Africa's exports are still overwhelmingly unprocessed raw materials that make little contribution to value added and development.

Decades of EU (and to some extent also US) trade preferences have produced little in the way of practical impacts for these countries, talks at the World Trade Organisation have progressed at snail's pace, and the promised development dividend has failed to materialise. Economic Partnership Agreements (EPAs) concluded with the European Union bring risks as well as opportunities.

Foreign trade represents the bulk of many sub-Saharan economies; for example, 89 percent in Ghana, according to the World Bank. If progress is to be made, strategies to reduce poverty and inequality and promote sustainable development must therefore grasp the opportunities potentially offered by foreign trade.

The international community has repeatedly committed to encouraging a diversification of exports from the poorest countries and improving their integration into the global economy, not least by the route of preferential trade agreements. But few countries have been able to use their preferences to step up domestic value creation and increase exports. Under the Cotonou Agreement the European Union abolished tariffs on 97 percent of all imports of goods from African, Caribbean and Pacific states (the ACP), while its Everything but Arms Initiative exempts all imports from the poorest countries from tariffs and quotas.

Yet still the countries south of the Sahara continue to export primarily raw materials: fuel, ores and metals together make up 70 percent of exports to countries outside the region, finished goods just 8 percent (2013 figures). It is therefore necessary to strengthen the contribution the foreign trade system makes to sustainable development through increasing value creation and creating jobs.

Here the EU-ACP Economic Partnership Agreements (EPAs) come into play. To some extent EPAs remain politically contested. Not everyone regarded the trade talks with the European Union as a normalisation of hitherto post-colonial relations, instead fearing that the partial liberalisation towards the European Union would harm their internal economies. Critics of the EPAs are afraid of disturbing the weaker African markets due to demanded tariff reductions by African countries. The EPAs are also controversial in Africa. Tanzania and Nigeria do currently not want to sign.

African countries should succeed in creating framework conditions such as legal certainty within transparent and participatory governance, building up infrastructure and dismantling corrupt bureaucratic structures. All this is more important than tariffs levels. For many products, tariffs are not the biggest hurdle, but the difficulty of meeting European technical and health standards. Only if these issues are addressed in the context of comprehensive reforms can access to the EU market contribute to industrialization and development that in turn provides African countries with the means to fight inequality.

Many African countries are extremely dependent on exports and imports, but they often export raw materials, which hardly create domestic value. The question is therefore how foreign trade can contribute to sustainable development. In this context, it is useful to maintain tariffs, which are important today for food security or employment. At the same time, imports should be liberalized for products which cannot be produced locally or whose input into their own production increases competitiveness. The EPAs ensure the necessary flexibility. For example, they provide that up to 25 per cent of trade in partner countries may be exempted from opening. It also allows the EPAs to protect emerging, infant industries or to raise social and environmental standards. Protection clauses are designed to prevent a sudden increase in imports from Europe destroying local markets. While the EPAs include a series of precautions for dealing with negative effects, such as flexible protective mechanisms, policy space for industrial development, and impact monitoring, these can only fulfil their purpose if impacts on local labour markets and small businesses are actually subjected to systematic scrutiny. Tracking the economic and social consequences of altered trade flows demands sophisticated systems, and the mechanisms provided in the EPAs are not yet fully developed. Stakeholders in the regions should play an important role in monitoring, because they are likely to enjoy rapid access to relevant information. These are, in principle, development-oriented regulations, which must first prove themselves in practice. The planned mechanism to constantly review the impact of an agreement must therefore be established quickly. At the same time, the EU must demonstrate that it is faithfully prepared to apply the provisions flexibly to the formulated development objective. Only in this way can problems of liberalization be reduced.

Trade liberalization does not automatically lead to development, but market opening can lead to unemployment and structural shifts in the short term. At the same time, however, no country has succeeded in gaining prosperity through protectionism. Successful were countries that opened up their markets moderately and supported this with reforms. As a rule, companies need support in order to exploit the potential for improved access to partner markets. The government must also help the losers of the trade policy to find employment again. That must include good education systems to prepare people for employment. However, developing countries often have neither capacity nor funding to embed trade reforms. Here, the support of trade-related development policy is needed. It is therefore important that the EU follow its promises.

A particular concern is whether EPAs undermine human rights and sustainability, the pillars of equality in any society. The African EPAs remain behind the human rights and sustainability standards of many other agreements, because the African partner countries rejected more ambitious formulations. However, without EPAs in place there may be no starting points for working together on these issues. The EPA institutions to be created, in particular the Consultative Committee, in which the civil society or trade unions are represented, and the parliamentary committee provide a good basis for pursuing the issues of the implementation of the agreement. All actors should use these institutions accordingly. In the ratification process, the parliaments could also work towards a declaration of interpretation accompanying the agreement, which further strengthens these issues. This is also where I see the main task for us here at this conference. Parliamentarians, politicians and above all civil society, comprising also businesses and trade unions, in African countries need to be aware of the upcoming challenges and opportunities the EPAs pose. And they need even more so be aware of the possibilities to have their voice heard in the mentioned EPA institutions, above all the Consultative Committees.