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Economic Partnership Agreements and African Regional Integration:
Have negotiations helped or hindered regional integration?

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List of Acronyms

ACP	Africa, Caribbean and Pacific group of states
AEC	African Economic Community
AfT	Aid for Trade
AGOA	African Growth and Opportunity Act
AU	African Union
BLNS	Botswana, Lesotho, Namibia, Swaziland
CEMAC	Communauté Economique et Monétaire de l'Afrique centrale
CET	Common External Tariff
CPA	Cotonou Partnership Agreement
CFA franc	Communauté française d'Afrique franc
COMESA	Common Market for Eastern and Southern Africa
DDA:	Doha Development Agenda
DRC	Democratic Republic of Congo
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EPA	Economic Partnership Agreement
EU	European Union
FEPA	Framework Economic Partnership Agreement
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
iEPA	Interim Economic Partnership Agreement
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
ODA	Official Development Assistance
MAR	Market Access Regulation
MFN	Most Favored Nation
REC	Regional Economic Community
SACU	Southern African Customs Union
SADC	Southern African Development Community
WAEMU	West African Economic and Monetary Union

Foreword

The European Union (EU) and regions composed of African, Caribbean and Pacific (ACP) countries have been negotiating Economic Partnership Agreements (EPAs) for ten years now, with varying levels of progress. Not unlike the multilateral Doha trade round, most EPA negotiations have not yet been concluded and their future conclusion is by no means guaranteed. Although a great deal has been said and written about the stumbling blocks encountered in the EPA negotiations, summarized well in this IPC Discussion Paper, no clear resolution seems to be within sight. The large number of countries (27+79) involved and the "North-South" dimension of these negotiations, clearly merit their examination by IPC's membership, a group of international food and agricultural trade experts, that promotes a more open and equitable trading system. A draft of this paper was discussed at IPC's Plenary meeting held in Washington in May 2011. We note in this foreword that there was not one clear IPC position on the path forward for these negotiations – testament to the difficult and protracted nature of the talks. It is difficult to do justice to the rich discussion, but we do want to highlight three different key points raised at the discussion:

Some IPC members expressed their concern over the impasse over market access that has emerged in the EPA negotiations and pointed out that, from a pure negotiating standpoint, it is clearly a tough sell for the EU to insist on reciprocity after decades of one-way preferences. This is compounded by the fact that LDCs in the ACP block can be assured of duty free, quota free access to the EU market under the Everything But Arms (EBA) initiative, and therefore have no incentive to open their markets in order to maintain their access to the EU market.

A number of IPC members referred to the ACP proposal to the WTO for a more precise clarification on "Special and Differential Treatment" (SDT) within Article XXIV for North-South Agreements, calling for the introduction of development thresholds into the "substantially all trade" requirement and objectively verifiable development indicators to be used to determine timeframes and product coverage. These members emphasized that while a clarification of how SDT should be treated in Article XXIV for North-South agreements would be helpful given the proliferation of RTAs, the difficult debate in the Doha Round around special products and the Special Safeguard Mechanism, and the likely difficulty to more broadly define Article XXIV, do not bode well for a swift consensus on this point.

While not discouraging efforts towards arriving at a more differentiated view of SDT, several IPC members expressed their concern that the very concept of SDT – along with the mercantilistic approach generally taken in trade negotiations where parties seek to maximize gains and minimize concessions – contributes to the unfortunate perception that trade liberalization imposes costs and hardship. All countries – including least developed countries – stand to gain significant benefits from trade liberalization, and, if appropriate and helpful, should use multilateral or regional negotiations to advance those benefits.

Carlo Trojan
IPC Chairman

Charlotte Hebebrand
IPC Chief Executive

Introduction

The European Union's Economic Partnership Agreements (EPAs) are trade and cooperation agreements establishing a new trade regime between the European Union (EU) and regions of African, Caribbean and Pacific states (ACP). They are designed to create WTO-compatible, development-oriented reciprocal trading arrangements between Europe and its traditional developing country trading partners, while encouraging regional integration and drawing improved trade capacity building and other aid interventions into the developing partner regions. The agreements aim at covering not only trade in goods but also in services and other trade-related areas including competition, intellectual property rights, sanitary and phytosanitary (SPS) measures and investment.

EPAs participate to the overall European development policy designed to meet the needs of the poorest countries in Africa, Asia, Latin America, Caribbean and Pacific. The policy encompasses financial assistance, cooperation in a large array of domains and preferential market access. The EU is the world's largest donor with more than half of global official development assistance (ODA). In 2008, the EU together with its member states delivered $70 billion of ODA representing 0.42 percent of the combined Gross National Income (GNI)[1]. In order to reach the millennium development goals, the EU committed itself to nearly double development aid and to reach the target of 0.7 percent of GNI by 2015. European financial assistance is channeled through the member states' national budgets, the European Development Fund (EDF) and the European budget. The trade regime is a Generalized System of Preferences (GSP) unilaterally granted to 176 developing countries on a quasi permanent basis since 1971 (renewal occurs every ten years)[2]. Since 2001, as part of the GSP, the 49 least developed countries benefit from a complete access to the EU market (duty-free and quota-free). The 2000 Cotonou Partnership Agreement (CPA) sets the framework for development policy in favor of the 78 ACP States.

In Africa, eight years after the start of the EPAs negotiations, the impact on regional integration is disappointing. The poor results are particularly striking in Western and Central Africa, where negotiations did not create the hoped-for group dynamic. Negotiating momentum in 2007 resulted in the conclusion of three country-specific—as opposed to regional—agreements, driven by the need for three non-LDCs to avoid trade disruption.[3] Efforts to reinvigorate the negotiations in the post-2007 period have been largely fruitless. In the rest of Africa, the 2007 results were highly encouraging, with the conclusion of three regional interim EPAs (iEPAs). However, discussions in 2008-2010 to reach comprehensive agreements show that the opportunities offered by the EPAs are not sufficient to motivate further regional integration. In fact, the forces that oppose African integration seem to have spilled over into the EPA negotiations, rather than the latter bringing about an integration impetus.

The objective of this paper is to analyze why the trade and cooperation discussions with the EU have not made further progress towards the objective of African regional integration. This paper first presents an overview of the EPAs negotiations and outlines the main debates about EPAs. It then looks into regional integration in sub-Saharan Africa. It goes on to describe the precise integration objective associated with EPAs and how results have generally been disappointing in meeting the objective of furthering regional integration. The conclusion section proposes recommendations on how to boost the negotiation process.

This paper focuses on African regions. The comprehensive EPA between the EU and the Caribbean states is mentioned in the discussion as a reference, and the Pacific region is only mentioned

1 The United States rank second with $26 billion of ODA and 0.18 percent of GNI. Source: OCDE-DAC 2008 figures.

2 On 10 May 2011, the European Commission proposed a reform of the current GSP. The proposal seeks to concentrate preferences on the developing countries most in needs, i.e. approximately 80 countries, in order to take into account the emergence of more advanced developing countries. Once approved by Council and Parliament, the new Regulation would apply as from 2014.

3 In Western Africa Ivory Coast signed a bilateral iEPA, Ghana initialed but did not sign a bilateral iPEA. In Central Africa, Cameroon signed a bilateral iEPA. The different implications of EPAs for LDCs versus non-LDCs are discussed in more detail below.

in the overview on the negotiations. The paper contemplates EPAs mainly through their trade provisions and in particular trade in goods. EPAs provisions on cooperation, trade in services and investment receive less focus.

1. Overview of the EPAs negotiations 2002-2010

The EU proposal for new trade and cooperation regime with ACP partners includes two novelties: the trade preferences will be reciprocal, albeit asymmetrical; and the agreements will be regionally based. The former proposal stems from the disappointing development impact of more than 30 years of non-reciprocal trade preferences. With EPAs, the EU wants to initiate an innovative and ambitious strategy for the development of ACP countries. The EU was also motivated by fear of being found WTO non-compliant were it to continue its existing trade regime vis-à-vis the ACP.

While reciprocity is both a political choice and a necessity in order to meet WTO requirements on free trade areas (FTAs), the regional emphasis is a purely political decision. Most ACP countries subscribed to the regional option as long as ACP would have sole responsibility for determining the negotiating groups and the process would respect existing regional initiatives. ACP states sought and obtained guarantees on both counts in the Cotonou Agreement, which established the EPAs framework.[4] Accordingly the ACP countries formed six regional configurations: Caribbean Zone, Pacific States, Western Africa, Central Africa, Southern Africa, and Eastern and Southern Africa.

After a first phase (2002-2003) during which the entire ACP group led the discussions in the name of all six regional configurations, the regional negotiations between the EU and each regional negotiator officially started. At this point, negotiators were ready to engage on region-specific issues such as liberalization schedules and rules of origin. However, from 2004 to early 2007, the talks did not progress because both parties concentrated their energy on trade and policy issues outside of the EPAs process—with nonetheless major impact on EU-ACP relations. The Doha Round was moving forward with a deadline announced first for January 2005 and then for December 2005; the EU had committed itself to introduce a new import regime for bananas from 1 January 2006; and a 2005 WTO ruling against EU sugar exports led to an overhaul of the EU's internal and external sugar policy.

In April 2007, the negotiations entered a crucial phase, with the EU releasing its market access offer. The EU offered to remove all tariffs and quotas from 1 January 2008, with longer transitional periods for rice and sugar. In order to comply with the WTO requirements regarding free trade agreements set out in GATT Article XXIV, the EU expected that the ACP states would remove tariffs on at least 80 percent of their tariff lines over a period of 10 to 15 years. The ACP liberalization schedules became the core of tense discussions between the two parties.

In mid-2007, it became apparent that negotiations would not be completed by the deadline of 31 December 2007. This meant that a replacement regime would not be in place in time for the expiration of the EU's old trade preference system for the ACP states, known as the Cotonou Regime. As of 1 January 2008, the non-LDC ACP states would qualify only for the Generalized System of Preferences (GSP), which would result in much higher tariffs for several agricultural products. By contrast, ACP LDCs' trade with the EU would not be affected, since they enjoy duty free access to the EU market under the 2001 "Everything but Arms" (EBA) trade preference initiative. The EU informed its partners that seeking an extension of the 2001 Doha waiver, which was granted to give the EU time to develop an ACP trade regime that was WTO-compliant, would not be considered as an option. Instead, the EU offered to allow the ACP states to conclude partial agreements focusing on market access for goods with those countries willing to sign. Broader agreements in scope and in membership would then be negotiated

4 Article 37.5 "Negotiations of the Economic Partnership Agreements will be undertaken with ACP countries which consider themselves in a position to do so at the level they consider appropriate and in accordance with the procedures agreed by the ACP group, taking into account regional integration process within the ACP."

and concluded in a second phase.

The growing pressure for accelerated negotiations brought about an evolution in African configurations. The five countries of the East African Community (EAC) decided to split from the larger Eastern and Southern Africa configuration and to form a separate negotiating group, giving way to five African configurations.

In September 2007, the EU denounced the Sugar Protocol, a 1975 agreement between the EU and 18 sugar-producing ACP countries under which the ACP signatories could supply sugar annually to the EU and the EU had to buy it at the intervention, or guaranteed, price. The Protocol managed regime (quotas per country, guaranteed price) was not any more compliant with the recently reformed EU sugar policy (no more domestic price support). The EU proposed to switch to a free access with, however, a special safeguard on volume until 2015 in order to take into account the sensitivity of sugar. The new arrangement offered new opportunities for ACP exporting countries. A financial envelope (€1,284 million for 2006-2013) had been previously agreed to support the modernization of the sugar industry in ACP producing states. A compromise on sugar was found in the 2007 EPAs, in particular with the EU introducing a minimum import price for ACP sugar imports until 2012.

By December 2007, intensive negotiations had yielded the conclusion of eight agreements, encompassing a total of 36 countries out of the 78 ACP states.

Of these, the CARIFORUM group of states concluded a full regional EPA encompassing cooperation in trade-related areas and liberalization in goods and services. The agreement concerns the 15 ACP partners in the Caribbean zone. Haiti, the only LDC in the zone, joined the process at a later stage and added its signature in December 2009. This agreement characterizes the successful potential outcome of EPA negotiations. Their success results from regional cohesion,[5] a common interest in the market access offer (14 countries are non-LDCs), the importance of sugar and banana exports, and the interest in the liberalization of services (in particular tourism) as an important development vector.

In Africa, the 2007 outcome consists of three regional partial agreements, with the Southern African configuration (SADC-EPA group), the East African Community (EAC), and the Eastern and Southern Africa grouping (ESA). In Western and Central Africa, regional arrangement proved elusive and the EU concluded three separate partial agreements with the Ivory Coast, Ghana and Cameroon respectively. Altogether, the agreements concern a total of 19 states out of the 47 African ACP countries. The 28 countries which did not conclude interim EPAs are almost all LDCs, with the exception of Gabon, Nigeria, Congo and South Africa.[6]

The African partial EPAs include provisions for access to the EU market, access to the ACP market and rules of origin. They provided for a second stage of negotiations to be completed by the end of 2008, or mid-2009 in the case of EAC, and covering services, investment, and cooperation. See Annex 1 for details on the six EPAs.

In the Pacific, Fiji and Papua New Guinea signed one interim EPA with two distinct liberalization schedules. Both countries secured their duty-free exports to the EU, mainly fisheries. The rest of the zone is made up of 12 micro island states with very limited and erratic commercial flows with the EU. There is no regionally based integration process in the Pacific zone, meaning that the prospect of achieving an EPA encompassing all countries is slim.

New negotiating rounds took place in 2008. Deadlines set for 2009 were postponed, and new deadlines for the end of 2010 were also missed. From 2008 onward, the negotiating efforts of the EU have been set on the three African regions where the interim EPAs gave

5 CARICOM enforces a comprehensive economic integration between 14 Caribbean States. The Dominican Republic is not a member of CARICOM (while it is a member of the CARIFORUM group).

6 South Africa is an ACP country, however with a higher level of economic development. The EU states that it is not in a position to offer free market access to South Africa and that differentiated treatment within the EPA will apply to the country. South Africa's trade with the EU is governed by the EU-South Africa TDCA, apllying as from 2000, which includes gradual and mutual liberalization. In the TDCA, both parties exclude certain sectors, from liberalization.

promising results. Meanwhile, the African countries' strategy has been of a different nature. Considering that there is no time pressure for concluding the negotiations and that there is no immediate market access gain to achieve in a full EPA, they are asking for the revision of certain clauses of the interim EPAs (namely export taxes, safeguards, the standstill clause and the most favored nation [MFN] clause). Since 2008, some of the countries[7] have been refusing to sign the initialed texts until those contentious issues are resolved.

A specific mention on the Market Access Regulation[8] (MAR) is necessary. From a strictly legal point of view, the conclusion of EPAs in November and December 2007 occurred too late for the initialed texts to be enforced from 1 January 2008. Indeed, the translation, signing and entering into force of trade agreements takes several months. However the EU Council adopted a Market Access Regulation, which unilaterally granted free access to the EU market for the goods originating in the countries which initialed or signed an agreement before 31 December 2007. The purpose of the MAR is to avoid trade disruption between the end of the Cotonou regime and the entry into force of the iEPAs/EPA. The transitory legal basis is valid until the relevant iEPAs/EPA enter into force and supersede the Council Regulation.

2. Review of the debates and contentious issues on the EPAs

The EPAs gave rise to intense policy debates among policymakers and academia, often attracting sharp criticisms. The main criticisms concerned the ability of the strategy proposed by the EU to deliver its development benefits.

The first critique was articulated by the ACP side and concerned reciprocal liberalization. ACP states are primarily concerned with the risks that tariff removal pose for their domestic producers and industries. ACP economies are characterized by high production costs due to factors including poor infrastructure for transport, resulting high cost for inputs and small production units. ACP countries asserted that locally produced goods, including agricultural commodities, would not be able to compete with duty-free European goods, which would lead to the dismantling of local industries and negative social and economic consequences. Additionally, ACP countries were concerned that the gradual removal of tariffs would reduce budget revenues and hence decrease governmental support for social and economic programs. As a consequence, ACP states' negotiating positions centered around the following: postponing and limiting liberalization for European products; introducing the legal basis for safeguard measures, in particular for agricultural products and infant industries; securing financial aid to offset the budget impact of tariff removal; and obtaining development support to modernize the economy and increase the competitive performances of local products.

The EU maintains that the former trade system of non-reciprocal preferences did not produce satisfactory results. The ACP zone underperformed compared to other developing countries in terms of attracting investment and participating in global trade. Thus the EU strategy for trade and cooperation involves ambitious liberalization, expected to deliver dynamic results over time. Specifically, the opening of the European market for ACP goods creates new export opportunities. ACP states should be able to seize them thanks to EU development support that will specifically target supply-side constraints and the diversification and expansion of export sectors. In parallel the EPAs promote regional economic integration and contribute to larger local consumption markets as well as new trade opportunities among regional partners. Finally, an improved regulatory framework for services and trade-related issues (competition, intellectual property, standards, public procurement) will be conducive to a better business climate in the region and help attract domestic and foreign investments. The reduction of duties for European imports and liberalization in services will reduce the cost of inputs and manufactured goods.

The debate on the benefits and risks of reciprocity was compounded by a legal debate about the

7 Namibia, Zambia, Comoros, Ghana and the five EAC countries have not yet signed.

8 Council Regulation (EC) No 1527/2007 of 20 December 2007, JOL 348 31.12.2007

requirements of GATT Article XXIV. The Article allows two or more parties to eliminate duties and other restrictive regulations on commerce between their territories, without expanding the preferential treatment to the other WTO members, but only if the elimination covers “substantially all trade” and is implemented over a “reasonable period of time.” The EU interpreted the requirement on “substantially all trade” to mean 90 percent of trade between the parties and the “reasonable period of time” as not exceeding 15 years. The EU proposed “asymmetrical liberalization,” namely the immediate removal of 100 percent of EU duties and the gradual removal of 80 percent of ACP duties. The EU interprets such flexibility to be allowed by the GATT text.

The ACP countries argued that EU asymmetrical liberalization was not legally founded and did not sufficiently address the need for special and differentiated treatment, demanding larger exemptions (40 percent of trade) and longer implementation periods (25 years). They wished to reach an agreement in the Doha Development Agenda (DDA) talks on reform of Article XXIV to include specific provisions for North-South Free Trade Agreements.[9]

Another critique arose from free trade advocates and concentrated on the partial and incomplete opening of markets under the EPAs. The supporters of overall trade liberalization—e.g. the World Bank[10]—largely share the EU view that trade liberalization will induce dynamic development benefits in ACP countries. They recommend a development strategy based on export-oriented sectors and maintain that largely free access to highly remunerative western markets is a precondition to success. For these critics, the regret is that the ACPs’ market opening will be limited to European goods. This will entail trade diversion, instead of trade creation, that would benefit EU imports to the detriment of more competitive non-EU goods. In addition, it is likely to create a transfer of the foregone duties from the ACP governments to European exporters in cases where they enjoy a monopolistic pricing situation. Both diversion of trade and transfer of revenue could be highly detrimental to the expected dynamic development gains, based on low input prices for local industries. According to these critics, the EU should relax and reform the rules of origin so that the ACP countries could take better advantage of the opening of the EU market.[11]

These economists recommend that ACP countries implement a reduction of MFN duties to minimize trade diversion and transfer of revenues. In addition, they advocate reform of the governance and business environment in the ACP economies, and fiscal reform that would move the revenue-raising burden from duties to domestic taxes.

A third, more specific, criticism relates to the development benefits to be expected from regional integration. The same World Bank report estimates that in the short and medium term the impact on African development cannot but be modest. The first reason is that despite the proliferation of preferential trade agreements, substantial policy barriers to intra-regional trade remain, including protectionist rules of origin and other non-tariff barriers. The second reason is that African economies have similar structures for production and trade. They mainly export primary commodities and import manufactured goods, equipment and machinery. Other than South Africa, only a few African countries have limited capacity to supply manufactured goods, in most cases simple consumer goods, to regional markets. In the medium term, Africa’s current imports of manufactures, machinery and equipment cannot be domestically produced. At the same time, the commodities that most African countries are currently able to export are not in demand as imports in other African countries. Therefore the scope for intra-regional trade expansion is small. Trade complementarities will only

9 In 2004, the ACP group submitted to the relevant WTO working group a proposal to introduce development thresholds into the “substantially all trade” requirement. Instead of liberalization schedules on predetermined time frames and product coverage, they would be based on objectively verifiable development indicators.

10 See World Bank (2008). “Africa: Economic Partnership Agreements between Africa and the European Union: What to do now?” Report No. 45945-AFR. Washington, DC, USA

11 The 2007 EPAs maintained the rules of origin of the Cotonou agreement with however targeted relaxations for textiles and clothing, fish and a few processed agricultural products. The interim EPAs call for a rapid review of the provisions on origin with a view to further simplification. In November 2010, the EU revised the rules of origin for imports under the GSP Regulation (EBA regime and regular GSP). The revision introduces simplier and more development-friendly rules. The new rules do not apply to imports under EPA.

slowly evolve as economies develop.[12] Still, the report mentions that "effective regional trade integration can, however, provide limited additional opportunities for some small African countries, particularly landlocked ones."[13] This is true also for agricultural products for which trade possibilities exist due to geographic and climatic differences among regional partners (for example in West Africa, maize grows at different seasons in different countries).

In addition to the debates on the appropriate development strategy, the EU-ACP discussions came up against a few technical hurdles: the so-called contentious issues (in particular, export taxes provision, the MFN clause and the standstill clause) as well as the level of financial assistance required.

The EU imposed the inclusion in each agreement of a provision to discipline export taxes, specifically that existing export taxes should not be increased and new export taxes should not be introduced. The EU position is motivated by the legal requirement of Article XXIV: the elimination of barriers concerns both import and export measures. ACP countries, however, oppose the provision. They consider export taxes to be an essential policy tool, mainly used to protect domestic manufacturing industries by securing their access to local raw material as well as to address food security concerns. In addition, export taxes are a way to levy taxes and increase government revenues. The ACP countries characterized removing or disciplining the use of export taxes as an attack against ACP sovereignty.

The MFN clause is also included in all EPA texts. It stipulates that any more favorable tariff preference granted to any "major trading economy" (more than one percent of global goods exports) will automatically be granted to every party of the EPA. The clause protects EU commercial interests against more favorable treatment granted to competing third countries, in particular Brazil, China or India. It is worth noting that in general, the EU had no aggressive trade interest in the negotiations. However a red line was drawn with the MFN clause ("We are generous but not naïve," explained Louis Michel, former Development Commissioner).[14] On the ACP side, the clause is seen as undermining their scope for future trade negotiations with third countries. ACP states assert that the clause will affect their integration in the world economy. Like the discipline on export taxes, the MFN clause is resented as infringing on their sovereignty.

The standstill clause binds ACP countries' tariffs at applied rather than bound tariffs at the time of entry into force of the interim EPA. The EU argues that the clause will better achieve trade liberalization. ACP insists that the clause prevents ACP countries from adjusting to changing economic circumstances, especially fluctuations in world markets.

Finally, there is also a debate over development funding. EU support to the ACP, included in the 10th European Development Fund (EDF), provides for a significant envelope of €17.8 billion over the six years between 2008–2013. The programs were finalized in 2007 and take into account the specific challenges related to EPAs. In addition, following the WTO Doha Round Hong Kong meeting in 2005, the EU committed to provide developing countries with Aid for Trade (AfT), i.e. support dedicated to develop the capacity to trade. AfT is delivered both by the EU and by the European member states. Total EU and member state AfT commitments have steadily increased over the period 2004–2007, to reach €7.2 billion in 2007 (€4.74 billion from EU member States and €2.43 billion from the EC). The stated European commitment to reach €2 billion (€1 billion from EC and €1 billion from the member states) in Trade Related Assistance (a sub-category of AfT) annually by 2010 was nearly met as early as 2007.

The criticisms concerned the level and timing of support. ACP countries requested a financial envelope to address specific EPA challenges—liberalization

12 For more information and an emerging theoretical view on capability development through regional integration, see Cesar A. Hidalgo (2010), "Discovering Southern and East Africa's Industrial Opportunities," published by the German Marshall Fund of the United States.

13 World Bank (2008).

14 The use of a MFN clause in FTAs is not uncommon. Among North-South FTAs, the North American Free Trade Agreement, the U.S.- Dominican Republic Central American Free Trade Agreement, Japan-Mexico, Thailand-Australia and U.S.-Morocco include such a clause. The EPAs represent the first time that the EU has included the MFN clause in its FTAs, at least with the developing world (FTAs between EU-Chile, EU-South Africa and EU-Mexico do not contain such a clause).

and transition toward a new fiscal regime—that would be supplementary to the EDF. They contested that AfT was additional support because the accounting is not fully reliable and might include double counting, especially from the member states. The ACP also wished to receive financial support *prior* to any commitment to liberalization. The EU insisted that EDF assistance together with AfT were fully addressing the development objectives and challenges associated with EPAs. Regarding the timing, the EU viewed financial support and liberalization as mutually supportive. Support, for example for upgrading infrastructure and production lines, could only have a real impact if a dynamic private sector existed, which in turn requires the enabling environment that EPAs help to establish.

3. Overview of Regional integration in sub-Saharan Africa

Integration in sub-Saharan Africa largely started in the 1960s among the newly independent states. Today, numerous African regional organizations pursue economic (e.g. common market for goods, capital and persons) and/or political (security and defense) objectives. They also implement cooperation programs in a wide range of sectors including agriculture, environment, transport, education and health.

Six regional communities have comprehensive objectives for economic integration. In Western Africa the Economic Community of West African States (ECOWAS) has 15 members. In Central Africa, the Communauté Economique et Monétaire d'Afrique Centrale (CEMAC), with six countries, is the most active organization, while the Economic Community of Central African States (ECCAS) has wider membership (CEMAC plus Angola, Burundi, DRC, and Sao Tome and Principe) but has been less active. In Eastern and Southern Africa, the Common Market for Eastern and Southern Africa (COMESA) is the largest African community with 19 members, and the East African Community (EAC) is a small but highly integrated bloc of five countries in the Great Lakes region. In Southern Africa, the Southern African Development Community (SADC) brings together 15 States. Annex 2 presents an overview of the achievements of the six communities, and Annexes 3–8 give detailed information about each.

For the sake of comprehensiveness it is necessary to briefly cite the other regional organizations with cooperation or integration activities. IGAD (Intergovernmental Authority on Development) focuses mainly on conflict resolution, food security and water management. IOC (Indian Ocean Community) has a mandate for economic and trade cooperation. SACU (Southern Africa Custom Union) is an efficiently working customs union (CU) between South Africa and Botswana, Lesotho, Swaziland and Namibia (known as BLNS). ECGLC (Economic Community of the Great Lakes Countries) supports narrow cooperation in political and economic matters. OHADA (Organisation pour l'harmonisation en Afrique du droits des affaires) aims at creating a uniform system of business laws between sixteen countries in West and Central Africa.

Economic integration in sub-Saharan Africa enjoyed renewed momentum in the 1990s. Existing communities adopted new treaties with enhanced agendas and institutions (SADC in 1992, ECOWAS in 1993, CEMAC in 1994, COMESA in 1994). A new community appeared at the end of the decade (EAC in 1999).[15] In addition, economic integration became part of a continental ambition. In 1991, in the form of the Abuja Treaty, African Heads of State stated that a single African Economic Community (AEC) is the ultimate goal for African integration and that existing Regional Economic Communities (RECs) are considered to be building blocks towards the AEC.

For each organization, the path towards a full-fledged economic union involves a free trade area (removal of intra-regional tariffs), a customs union with a common external tariff (CET), and a common market for goods, capital, labor and services. The last stage is a monetary union. The sequencing varies among regions. For example, in Central and Western Africa, the first step was a monetary union based on the CFA franc, inherited from the colonial era, and a fixed exchange rate vis-à-vis the euro.

The six most comprehensive communities have institutional frameworks largely inspired by the EU institutions. The decision-making power rests with

15 A first EAC existed from 1967 to 1977.

Heads of State and Governments and a Council of Ministers. The latter's decisions are taken either by consensus or by majority vote in the absence of consensus. With the exception of SADC, the communities have a Court of Justice. The binding decisions of the Councils of Ministers and the actions of the Courts of Justice are intended to form the core of a working integration process.

All of the RECs have made important progress. In West Africa, recent progress has been achieved among the smaller group of eight countries that form the West African Economic and Monetary Union (WAEMU). WAEMU was created in 1994 around a single currency. It includes a surveillance mechanism to guarantee sufficient macro-economic convergence. WAEMU countries launched a CU in 2000. ECOWAS and WAEMU are coordinating their programs in order to reach the ultimate objective of convergence between the regions and organizations.

In Central Africa, the original monetary and customs union collapsed in the 1980s. In 1994 the integration policy was overhauled and CEMAC started a new monetary union with an improved multilateral surveillance mechanism. A free trade area was implemented in 1998. In 2009, CEMAC launched a CET.

In Eastern and Southern Africa, COMESA and SADC launched free trade areas in 2000 and 2008 respectively among those members willing and ready to take that step. The communities are currently working on extending of their FTAs to remaining members and on the transformation into CUs. They are also exploring the possibility of a "Tripartite" FTA among COMESA, SADC and the EAC.

The most convincing pace is that of the EAC. Due to the small size of the community and homogeneity of the countries, the five partners have been able to achieve a customs union with a CET in 2005 and to eliminate internal tariffs as from 2010. The common market was officially launched in 2010 but still requires full enforcement and implementation. EAC ultimately aims at a political federation. The EAC integration process appears to be the most effective and swiftly implemented on the African continent. It demonstrates a strong political commitment on the part of the partner states.

However, the five RECs still have to overcome major challenges in order to complete effective economic integration. The gap between the commitments and their implementation is the main challenge. The states' leaders have been able to politically agree on far-reaching and general objectives in the Treaties. However, the concrete decisions needed for the establishment of free trade areas, CETs and customs procedures have proven difficult to secure. Several deadlines have been postponed. In the best cases where steps were completed on time, the effective enforcement by member states is highly imperfect. For example, the regional internal and external tariffs are not properly enforced due to flexibilities and exemptions and insufficient harmonization of customs procedures. In that context, the effective implementation of a free market for goods, labor and services represents a considerable challenge for all the communities, including the EAC.

Furthermore, the regional institutions and secretariats lack the resource to function adequately. Most of the secretariats are underperforming due to insufficient staff and capacity. The Courts of Justice have not yet played their role in promoting a timely and effective enforcement of decisions taken by the member states. A stable and permanent financing resource is also missing from some of the communities, which mainly rely on financial transfers from national budgets. Frequent non-timely payments cause problems, and the reality is that many REC secretariats are dependent on donor funding. The recent introduction of a Community levy in CEMAC, EAC and ECOWAS is a first step to address these financial difficulties.

In Eastern and Southern Africa, overlapping memberships and conflicting commitments constitute an additional challenge. Eight countries are simultaneously members of SADC and COMESA.[16] The five members of the EAC are simultaneously either members of COMESA (Burundi, Rwanda, Uganda, Kenya) or of SADC (Tanzania). The five members of SACU are all members of SADC, while Namibia

16 Democratic Republic of Congo (DRC), Malawi, Mauritius, Namibia, Seychelles, Swaziland, Zambia, and Zimbabwe.

and Swaziland add to this double membership an additional COMESA membership. Considering that EAC and SACU are two separated customs unions and that SADC and COMESA are preparing customs unions, the overlapping memberships cannot but lead to incompatible tariff commitments. Overlapping membership also presents significant capacity challenges, since already-limited human capital and funds are necessarily divided between memberships.

The existence and pattern of SACU make progress towards regional free trade area a particularly sensitive issue. The long-time established customs union between South-Africa and the BLNS surrounding countries features rather high external tariffs. Over recent years SACU initiated a selective opening of its market through FTAs or PTAs with the EU, the United States, EFTA (Norway, Lichtenstein, Iceland, and Switzerland), MERCOSUR members and India.

Although less acute, overlapping membership also concern Central Africa, with Angola, Burundi and DRC being simultaneously members of ECCAS and either COMESA or SADC.

The multiple initiatives have not yet been sufficient to paint a convincing picture of stable groups steadily moving towards economic integration. In Central and Western Africa, the economic performances of the countries are particularly alarming and the integration progress is slow. In Eastern and Southern Africa, a small and successful integration community, the EAC, is to be hailed. It provides a model and raises high expectations for the rest of the region. Yet the overall picture remains that of a "spaghetti bowl"[17] with overlapping memberships and conflicting commitments. It will require either a drastic overhaul or gradual streamlining to create a coherent zone for trade and economic development.

4. Regional integration objectives associated with EPAs

This section strives to determine the precise regional integration objective associated with the EPAs. It addresses the following questions: how does the promotion of regional integration align with other EPAs objectives? Does regional integration target a specific form or a minimum size? What are the means dedicated to reaching the regional integration objective?

In sub-Saharan Africa, the regional framework for trade arrangements with Northern countries is a novelty. The previous EU-ACP trade relationship was established between the EU on the one hand and the group of the 78 ACP States on the other hand.[18] The United States, which is the second largest trading partner for Sub-Saharan countries, does not generally include regional objectives in its trade policy, although the U.S. African Growth and Opportunity Act (AGOA), which grants unilateral preferences to 48 potential beneficiary countries in sub-Sahara Africa, does relax distinctions between LDCs and non-LDCs in order to facilitate cross-border production.

The Cotonou Agreement reflects the EU-ACP vision for support of regional integration. It presents two basic principles: regional integration is an instrument for integration into the world economy; and ACP countries have full sovereignty over their regional integration process.[19] The latter principle is firmly reiterated in the 2007 CARIFORUM and SADC group agreements.

In all the 2007 agreements, regional integration ranks second in the list of EPAs objectives (after development goals and before integration into the world economy). In both the CARIFORUM and SADC texts, it is "an integral element of the partnership between the two parties" and is "a powerful instrument to achieve the objectives of this agreement." The prioritization

17 World Bank (2003), "The Cotonou Agreement and its Implications for the Regional Trade Agenda in Eastern and Southern Africa," WPS 3090, Washington, DC, USA.

18 Some Protocols concerned only some of the ACP states. For example, the Sugar Protocol concerned 18 ACP sugar producers. The sugar group is built on a common interest in a single commodity. It does not imply geographic continuity.

19 Article 35.2 "Economic and trade cooperation shall build on regional integration initiatives of ACP states, bearing in mind that regional integration is a key instrument for integration of ACP countries into the world economy" and Article 37.5 "Negotiations of the economic partnership agreements will be undertaken with ACP countries which consider themselves in a position to do so at the level they consider appropriate and in accordance with the procedures agreed by the ACP group taking into account regional integration process within the ACP."

of regional integration can be interpreted as sign of preeminence over the objective of world integration. This interpretation, however, is at odds with the vision of regional integration as an instrument serving other objectives, in particular integration into the world economy. The EPA wording signals a tension and possible contradiction between regional integration and inclusion in the global economy. It also reflects divergent visions between the parties on which is the most important objective.

According to the CARIFORUM and SADC group texts, the precise goal for integration is the establishment of a regional regulatory framework (Article 1b: "EPAs will promote regional integration, economic cooperation and good governance establishing and implementing an effective, predictable and transparent *regional regulatory framework for trade and investment* between the parties and *among the [ACP participating] States*."). The goal is consistent with the ACP sovereignty principle in the sense that it is compatible with any form or degree of economic integration (i.e. FTA, CU, common market, monetary union). It is worth noting that the agreements contain no prescription about the intensity of integration that is required to enter into EPA negotiations or that should be attained at the end of the EPAs process.

A good way to identify the content of the regional regulatory framework is to examine the provisions on regional integration in the CARIFORUM-EU EPA text. The text includes three legally binding provisions directly impacting the regional process: (1) a common commitment or schedule of the CARIFORUM countries to gradually reduce tariffs towards EU goods; (2) a common commitment to gradually liberalize some services sectors vis-à-vis the EU; and (3) a regional preference Article[20] which obliges each CARIFORUM state to grant to its regional partners advantages at least equivalent to those granted to the EU. The text includes significant flexibilities for the national implementation of the schedules and transitional periods for implementing the preferential area. But it clearly indicates that the core of regional integration as far as the EPA is concerned is the common liberalization schedules vis-à-vis the EU and a regional preferential area achieving an equivalent level of liberalization. The dispute settlement chapter offers a guarantee that the binding commitments will be effectively enforced.

The other provisions on regional integration in the CARIFORUM EPA are non-binding commitments from the EU and the CARIFORUM states to develop either regulatory frameworks or harmonized rules in the following areas: customs; agriculture and fisheries; removal of technical barriers to trade; SPS; intellectual property; environment; and social aspects. A non-binding provision[21] concerns the free circulation of EU imported goods within the region. Free circulation for imports is a major element of a CU. In the CARIFORUM region, which is not a CU and does not intend to become one, free circulation is an ambitious goal. It is introduced in the EPA as an objective towards which the region should endeavor.

In addition, the CARIFORUM EPA includes a commitment from the EU to financially support regional economic integration as well as EPA implementation needs at the regional level. In the African agreements, an equivalent provision takes the form of an EU commitment to participate in the effort by the regions to establish an EPA fund.

It can be inferred from the wide scope of non-binding commitments that the parties expect a regional dynamic to emerge from the negotiations themselves and result in additional integration initiatives. There are several expected channels of such an "EPA-driven" regional dynamic. First, the intensive negotiation process vis-à-vis the EU will stimulate the internal procedures for coordinating and establishing common positions within the regions. It will help to develop a culture of mutual and balanced compromises. Second, the decisions concerning liberalization towards EU goods should logically accelerate the internal negotiations for an *erga omnes* CET. Indeed, with the EU being the main import supplier, the tariff pattern for EU goods presents the most challenging common decision.

20 EU-CARIFORUM EPA, Article 238.2: "Any more favorable treatment and advantage that may be granted under this Agreement by any signatory CARIFORUM States to the EC Party shall be enjoyed by the each Signatory CARIFORUM States."

21 Article 18: "The parties recognize the goal of having customs duties levied only once on originating goods imported into the EC Party or into the Signatory CARIFORUM States. Pending the establishment of the necessary arrangements for achieving this goal, the Signatory CARIFORUM States shall exercise their best endeavors in this regard. The EC Party shall provide the technical assistance necessary for the achievement of this goal."

Third, the regional partners will be confronted with an urgent necessity to facilitate intra-regional trade in order to avoid a "hub-and-spoke" situation where the EU, with free access to the individual ACP markets, would reap most of the economic benefits (additional investment and trade) from the liberalization. To counteract the risk, the region should proceed to the removal of internal tariffs,[22] and address the issue of non-tariff barriers. In general, it is expected that the agreements with the EU will have a lock-in effect on integration decisions.

In addition, in Africa, the negotiations are hoped to force countries with double memberships (and in some cases triple) to make difficult but decisive choices in terms of regional inclusion, thus contributing to clarifying the regional configurations.

The regional integration process will also benefit from EU financial assistance. The 10th EDF includes an envelope for programs dedicated to regional cooperation. This regional envelop (€1.7 billion) is small compared to the national envelope (€16 billion). However, the regional envelope nearly doubled between the 9th (2002–2007) and 10th (2008–2013) EDFs. A 2009 report from the Court of Auditors on EDF support to regional integration in Eastern and Western Africa calculated that 75% of the 10th EDF regional envelope is specifically dedicated to regional economic integration.

In conclusion, the EU and ACP share a common vision that regional integration is a decisive objective of the EPAs. Respecting the ACP ownership principle, the EPAs do not require an initial degree of integration and do not prescribe a specific form for economic integration beyond liberalizing intra-regional trade at least to the same degree as the liberalization towards the EU. They include a regional framework in trade-related areas to be gradually set up through cooperation activities. Overall the EU and ACP expect a new regional dynamic to arise from the negotiating experience as well as from the liberalization commitments.

22 The requirement of GATT Article XXIV to liberalize trade "between the constituent territories" is interpreted by the EU as strictly applying to the exchanges between the two groups (EU on the one hand and ACP region on the other) and does not concern the intra-group exchanges.

5. Disappointing results on African regional integration

Three years after initialing, two African agreements (with Cameroon and Ivory Coast) are signed and in force. The other four remain potential agreements because at least one of the initialing countries has not yet signed. Consequently, assessing the extent to which they create stepping stones for dynamic integration is tantamount to a theoretical exercise. For the sake of the analysis below, it is considered that the refusal to sign is a negotiating stance and that some form of signed agreements between the parties will ultimately be reached.

Although the overall assessment suggests poor progress towards African integration, positive impacts do exist and need to be fairly underlined. They include an initial impetus, the EAC agreement, and to some extent the SADC-group agreement. The EPAs process, at least during its first phase, contributed to a climate conducive to integration initiatives and in particular to the announcement and first implementation of FTAs and CUs in all the RECs. EPAs also launched a strong signal that the overlapping memberships in Eastern and Southern Africa were not sustainable. The COMESA-EAC-SADC Tripartite task force set up in 2004 is a positive first step to streamlining the customs unions' agendas.

The EU-EAC agreement is a successful outcome for regional integration. It includes all the five EAC partners. The trade liberalization is based on a common schedule in line with the EAC CET. The prior achievements towards EAC integration contributed to the positive outcome of the discussions with the EU. In return, the trade agreement is likely to strengthen the small economic community. Positive outcomes in EAC occurred as a combination of this preexisting strong community with success in integration initiatives; the decisive role of a leading country (Kenya) with both an economic interest in the deal with the EU and strong regional leadership; and an appropriation of the development agenda and path proposed by the EU.

The agreement between the EU and the SADC group presents some potential for enhanced regional integration. Although there is not a single regional liberalization schedule, as Mozambique could not agree to the BLNS schedule, the text provides for harmonization of the two schedules.[23] The participating SADC countries agreed to liberalize among themselves at least to the extent that they consent towards the EU, and they endeavor to facilitate the free circulation of EU goods. The positive outcome is strongly rooted in SACU's efficient and long-lasting CU. The main shortcoming is the non-participation of the major political and economic players in the region, Angola and South Africa. With its strong regional influence and its SACU membership, South Africa has a decisive role in any regional outcome. Its trade regime with the EU is governed by the TDCA which provides for the gradual liberalization of 90 percent of reciprocal trade over a period of 12 year (1999-2011). The EU welcomes the participation of South Africa in EPA however through a "differentiated mandate" for market access (access to the EU market has to take into account South Africa comparatively higher level of development). So far South Africa does not accept the principle of a different access, in particular for the sake of regional integration. It calls for the same market access as its EPA neighbors and uses its regional influence to support that specific negotiating stance, thus playing a rather impeding role in the regional negotiation.

Aside from the EAC and SADC texts, the 2007 agreements lack the ability to generate regional impetus. More than half of the sub-Saharan African countries remained outside any form of concluded EPAs, which limits the geographical scope of possible integration dynamics that might stem from the agreed provisions. In the ESA negotiating configuration, where five out of 11 countries did not join the iEPA, the participating countries could not agree on common tariff schedules. The agreement contemplates six schedules, one per country. The text also does not include a provision to enforce a regional preference area. A single schedule is necessary to trigger the integration dynamic associated with EPAs. In the event where schedules could not be further harmonized,[24] the countries would not be able to apply a CET; internal border controls would be required and country-specific rules of origin needed. The same risk applies partly to SADC if harmonization of schedules is not completed.

In Western and Central Africa, the conclusion of bilateral agreements is at odds with the European objective of fostering regional integration. The unilateral decision to sign separate agreements with the EU created political tensions in both regions. Moreover, the three signing countries committed to tariff schedules which do not fully comply with the regional CETs. Cameroon's commitment will result in lower tariffs than the CEMAC CTE, however only in a transitory phase. Ghana and Ivory Coast's respective commitments preclude the decisions needed for a CET in WAEMU.

Of additional concern is the fact that the EPA process added a layer of new groupings to the already complex map of African integration. Except for EAC, none of the EPA negotiating configurations coincide with the African RECs. The same applies to the two sub-groups of states within the SADC and ESA configurations that concluded interim EPAs. Although intended to be transitory, these two sub-groups are likely to last for a not insignificant duration.

The poor progress so far firstly demonstrates that the African regional process is not mature. Economic integration still lacks genuine political support and commitment in Africa. The economic integration initiatives rub against the inability of individual countries to consent the necessary transfers of sovereignty. Insufficient institutional capacity and a failure to prioritize objectives pose additional obstacles.

EPAs are an ambitious and innovative attempt to use external leverage to strengthen economic integration. The question of whether regional integration can be propelled by an external actor is more relevant than ever. External proposals can certainly play a catalyst role, but they must act as a complement to a firm autonomous regional will and an appropriate strategy

23 In the EU-SADC iEPA, Article 26 provides for the merger "of the two tariff schedules into a single schedule at the time of Mozambique's introduction of the 2007 Harmonized System" for customs nomenclature.

24 In the EU-ESA iEPA, Article 12 provides for a possible revision of "the schedules of tariff liberalization with a view to harmonizing them, taking into account the regional integration processes."

for regional integration.

The EU strategy also bears some responsibility. The 2001 “Everything but Arms” initiative (EBA) offers free market access without condition to the 49 poorest countries in the world. Although many developed countries offer enhanced market access for poor countries, EBA is amongst the most generous trade regime for LDCs. It rightly stands at the forefront of EU development policy. Yet, when considering the EU objective to promote regional integration, it has to be noted that EBA reduced the incentive for LDCs to participate in EPAs and thus challenged the integration potential of the EPAs. It is no surprise that the most successful outcome concerns the Caribbean states, where EBA did not interfere with the EPA process. The potential contradiction was identified from the outset but it was not considered to be a real impediment, and the Cotonou Agreement announced both the new regional trade agreements and the non-reciprocal free access for LDCs. A 2003 World Bank report noted that the main challenge for EPAs would be “how to make the differentiation in favor of some countries compatible with the reinforcing and consolidation of regional integration processes.” [25] The answer to this question is still to be found if EPAs are to meet a positive outcome.

The EU agenda is ambitious in simultaneously striving for regional integration and greater participation in the world economy. The EU vision combines the two objectives with an outward-oriented regional economic space fostering both regional integration and insertion into the global economy. Yet some ACP countries, in particular in West Africa, consider that regional integration requires at least transitory preferential treatments and protection from third country competition. They call for a prioritization of regional integration over liberalization. Interestingly, San Bilal of the European Center for Development Policy Management (ECDPM) notes that the EU strategy in the Mediterranean region follows a different sequencing.[26] The EU first signed bilateral association and cooperation agreements, then regional integration was pursued, in particular through financial and technical assistance, and the ultimate goal is a broad MEDA-EU agreement. This comparison does not claim that the Mediterranean strategy should be transposed. It simply stresses the intensive pressure put on African states through the EPA choice to address simultaneously regional integration and enhanced globalization.

Conclusion: A need for ambitious action

EPA is an ambitious and innovative policy heading towards growth and development in ACP regions. For the ACP signatories, it combines immediate gains (market access, some relaxation of rules of origin, financial assistance targeted to EPAs needs), significant commitments (liberalization towards EU goods and services and within ACP regions, transparency and predictability of business rules) and medium-to-long term opportunities (in exports, investments and regional trade, enhanced cooperation). It is also associated with risks (business closures, budget reduction). As the EU is the biggest trade partner and the main donor for most ACP states, the strategy has the potential to impulse a significant development impetus. The EPA strategy is global and its various pillars – trade, services, regional integration, cooperation, aid – are mutually supportive. Therefore the partial African agreements which address trade in goods and some technical cooperation cannot achieve the development benefits attached to the overall strategy.

The EU and the ACP states agreed on the importance of regional integration both as a central objective and a tool to achieve other aims of the agreements. In respect of the sovereignty of ACP states, the EU did not attempt to promote any preferred grouping or path towards integration. The EU made sure that the trade commitments of ACP signatories would be supportive of regional integration and would not interfere with the ongoing processes. As a consequence, the limited outcome of EPAs negotiations in Africa so far largely reflects the weaknesses of the integration processes.

25 World Bank (2003). “The Cotonou Agreement and its Implications for the Regional Trade Agenda in Eastern and Southern Africa” WPS 3090, Washington, DC, USA.

26 San Bilal, European Center for Development Policy Management, “Regional Integration in Africa and the European Union.” Publication forthcoming.

After the successful outcome of negotiations with CARIFORUM States, the first phase of implementation is ongoing. This experience will demonstrate how opportunities materialize, how the potential risks are anticipated, prevented or dealt with. A smooth implementation and a positive development impact in the Caribbean will be decisive for the evolution of negotiations in Africa.

Recommendations range from proposals to simply push the ongoing discussions forward to significant moves capable of reinvigorating the EPAs and jumpstarting African regional dynamism. Below are some steps that should be taken to move the process in a more positive direction.

Due to the considerable misgivings about EPAs, a pedagogical approach on the part of the EU is recommended. The EPAs' strategy and achievements critically need to be explained to large audiences, including in particular the representatives of the private sector and of labor forces. Indeed, the need to expand the debates beyond the circle of official negotiators and to reach the representatives of civil society was identified at an early stage of discussions. Initiatives have multiplied in recent months. In 2009 and 2010 the EU organized information seminars and technical workshops inside the regions. The aim was to move away from direct negotiating confrontation and try to develop a shared view on impacts, benefits and challenges. Further similar initiatives are welcome.

Involvement of other actors is to be pursued. As a result of the Lisbon Treaty, the European Parliament (EP) has to be informed by the Commission on the negotiating process and to give its "consent" to trade agreements. The first enforcement of the new institutional provision concerned EPAs.[27] On 19 January 2011, the EP endorsed the EU-Pacific iEPA by granting its consent to the deal.[28] The EP should become a debating place for trade and development policy towards ACP. Similarly, the EU member states and their cooperation networks could be more informed and involved in the process of EPAs. They might contribute to the setting up of a smoother climate and a renewed trust between the parties.

27 In 2009, the EP gave its consent to the EU- CARIFORUM EPA, in anticipation of the Lisbon Treaty.

28 The EP consent followed the signature of iEPA by Papua New Guinea in July 2009 and by Fiji in December 2009.

African signatories to interim EPAs have to engage in the massive but critical reforms in governance, institutions and regulatory frameworks for competition services (finance, telecommunication, transport). The reforms should aim at upgrading the business climate. This would give a chance to private domestic and foreign investors to seize new trade opportunities and to expand and diversify production lines. This implies action from the governments at national and regional levels. Locking in the reform process in the EPAs is a good way to lend credibility to this difficult process.

On the EU side new moves could theoretically be envisaged to trigger substantial reform commitments from the African states. The concessions, which could work either separately or combined, concern the contentious issues, some additional financial aid, and further relaxation of the rules of origin. Each one of them represents a high political, financial and economic cost. However if those costly commitments were decisive in helping Africa states to engage into sustainable and comprehensive reforms they might be worth to consider.

Annex 1 The 2007 Interim EPAs with African Regions/Countries

Regions & Countries	Name of the agreement Initialing & Signature	Size of the agreement Main chapters	Second stage of negotiations	Liberalization for goods
SADC EPA group Bostwana, Lesotho, Namibia, Mozambique, Swaziland,	Interim EPA Initialed in Nov and Dec 2007 Signed in June 2009 Signature pending with Namibia	113 Articles (plus Annexes and Protocoles) Main chapters: Development cooperation, trade in goods, trade defense instruments, non-tariff measures, customs and trade facilitation, technical barriers to trade, SPS	To be completed by 31 Dec 2008 Coverage: Liberalization in services and investments. Namibia will not take part in the second stage. Possibility for other SADC EPA states to join (Art. 67) Accession of new states (Art. 111)	Two liberalization schedules: BLNS will liberalize 86% of their EU imports over 4 years or by 2015 at the latest. Mozambique will grant free access for 81% of EU imports gradually by 2023. Products excluded: Two different lists of exclusion, with agriculture products and textiles. Article 26 provides for the merger of the two tariff schedules into a single one, when Mozambique will introduce the HS 2007.
ESA Comoros, Madagascar, Mauritius, Seychelles, Zambia, Zimbabwe	Interim EPA Initialed in Nov and Dec 2007 Signed in August 2009 Signature pending with Zambia and Comoros	70 Articles (plus 4 Annexes and 2 Protocols) Main chapters: Trade regime for goods, Fisheries, Economic and development cooperation	To be completed by 31 Dec 2008 Coverage: 10 areas including matters related to trade in goods, services, cooperation (Art. 53) Accession of new states (Art. 66)	Each ESA State has an individual schedule : Comoros and Madagascar will liberalize 81%; Mauritius and Seychelles 96%; Zambia and Zimbabwe 80% over 15 years. The products excluded are defined on individual country basis. Article 12 provides for a possible harmonization of the schedules “taking into account regional integration processes.”
EAC Burundi, Kenya, Rwanda, Tanzania, Uganda	Framework EPA Initialed in Nov 2007 Signature pending	54 Articles (plus 2 Annexes and 2 Protocols) Main chapters: Trade regime for goods, Fisheries	To be completed by 31 July 2009 Coverage: 8 areas incl. area related to trade in goods, services, cooperation (Art. 37)	A common schedule provides for the liberalization of 65% of EU imports by 2010, 80% by 2023 and 82.6% by 2033. Products excluded: Agricultural products, wines and spirits, plastics, wood based paper, textiles and clothing, footwear, ceramic products, glassware, articles of base metal and vehicles.
Central Africa Cameroon	Interim EPA Initialed in Dec 2007 Signed in Nov 2008	108 Articles (plus Annexes and Protocols) Main chapters: Development, Trade regime for goods, Trade related Rules, Dispute Settlement	To be completed by 1 Jan 2009 Coverage: Trade in services and trade-related rules (Art. 54 to 65) Accession of new States (Art.101)	Cameroon will liberalize 80% of imports from the EU over 15 years. Products excluded: Agricultural and non-agricultural goods to protect sensitive local productions and industries.
West Africa Ivory Coast	Stepping stone agreement Initialed in Dec 2007 Signed in Nov 2008	82 Articles (plus Annexes and Protocols) Main chapters: Trade regime for goods, Dispute Settlement	To be completed before the end of 2008 between the EC and West Africa as a whole Coverage: list of 8 areas (Art. 44)	Ivory Coast will liberalize 81% of imports from the EU over 15 years. Products excluded: Agricultural and non-agricultural goods to protect sensitive local productions and industries.
West Africa Ghana	Stepping stone agreement Initialed in Dec 2007 Pending	Idem as above	Idem as above Coverage: list of 4 areas (Art. 44)	Ghana will liberalize 80% of imports from the EU over 15 years. Products excluded are not similar to the one of Ivory Coast.

Annex 2 Table of African Regional Economic Communities

Name, Number of Members and Year of Founding	Free Trade Area	Customs Union	Common Market	Monetary Union	Sectoral co-operations	Defense and Security
SADC 15 members Treaty signed in 1992, e.i.f in 1993	Officially launched in 2008 Deepening phase 2008-2012	Official objective is implementation by 2010 Lagging behind schedule	Official objective is 2015 Signature of Protocols for Trade in services (2008), movement of persons (2005), and finance and investment (2006)	Official objective is 2016 In 2002, MoU on Taxation and on a MoU on macroeconomic convergence	Yes	Yes Started in 1996 with the Organ. The Protocol was signed in 2000.
COMESA 19 members Treaty signed in 1993, e.i.f in 1994	Officially launched in 2000 Concerns 13 members	Officially launched in 2009 (initial target was 2004) CET with 4 bands Flexibilities to address specific needs	Official objective is 2014	Full Monetary Union with a single currency is a long term objective: 2025	Yes	No
EAC 5 members Treaty signed in 1999, e.i.f in 2000	Internal tariffs fully removed by 2010	Effective as from 2005 CET with 3 bands + higher tariffs for a limited number of sensitive products	Free movement for persons, goods, capital and services is effective from 2010.	Official objective is 2012	Yes	As part of the final objective to form a political union
ECOWAS 15 members Treaty signed in 1975, revised in 1993	Incomplete implementation of ECOWAS Trade Liberalization Scheme over 1990-2000.	Implementation by 2008 has been postponed. Agreement on a four-band CET. WAEMU Customs union was launched in 2000.	Limited achievements: ECOWAS passport, roads.	Effective within WAEMU 8 members. Non-WAEMU members form the second monetary zone.	Yes	Yes Noticeable outcomes
CEMAC 6 members Treaty signed in 1994, e.i.f in 1999	Preferential trade area in 1994 Free trade area as from 1998	As from 1994 with a Common External Tariff with four bands	Specific objectives and achievements (CEMAC passport for 2010)	Yes Based on the franc CFA, BEAC, UMEAC, surveillance mechanism since 1994	Yes Transport plan (2004)	No

Annex 3 Central Africa: CEMAC (and ECCAS)

The CEMAC Treaty was signed in 1994 between six countries: Cameroon, Central African Republic, Chad, the Republic of Congo, Equatorial Guinea and Gabon. The Treaty, ratified in 1999, established a full-fledged economic and monetary union, strengthening the previous customs and monetary union which originated in the colonial era.

The CEMAC is not populous (32 million inhabitants). Cameroon and Gabon are the two leading countries in the zone and the only ones which are not classified as LDCs. The region is richly endowed with natural resources including oil (the primary source of revenue); mineral (tin, bauxite, iron) and forest products. Together with DR Congo its equatorial forest forms the second largest in the world.

The group of countries forming the CEMAC corresponds partly to the forgone French colonial ensemble of Afrique Equatoriale Française. When the countries became independent in the 1960s, they kept the CFA franc and a loose association of their Central Banks (Banque des Etats d'Afrique Centrale, BEAC). They also they created a customs union (Union Douanière des Etats d'Afrique Centrale, UDEAC). Confronted with severe external shocks (the collapse of oil prices) in the mid 1980s, the BEAC refused to devalue and contributed to a recession. Devaluation was finally allowed in 1994. The six community members recognized the need to overhaul the trade regime and to strengthen the central banking system. To that end, the 1994 Treaty creates an umbrella organization, the CEMAC, with four covenants concerning the Customs Union, the Monetary Union, the Banking Commission and the Court of Justice.

Major improvements to the monetary union came from a multilateral surveillance mechanism to ensure fiscal discipline and to promote macroeconomic convergence. The previous Customs Union was converted into a more outward-oriented, rational and functioning entity. The common external tariff has four bands (5 percent for essential goods; 10 percent for raw material and capital goods; 20 percent for intermediate goods and 30 percent for consumer goods). The duties are all ad valorem and there are no seasonal or variable duties, which make the system very transparent and predictable. As from 1998 a Free Trade Area is in place. In 2002, the Community integration levy of 1 percent was introduced to finance the CEMAC and ease the lingering financing difficulties of the Community.

CEMAC is not recognized as one of the RECs by the African Union.

For the EPA negotiations, the six countries of CEMAC together with Sao Tome and Principe (which has observer status in CEMAC) and DR Congo formed the Central Africa negotiating group. CEMAC is the negotiating interlocutor with the EU (together with ECCAS). DR Congo, which is also a member of COMESA, SADC and ECCAS, chose to join the Central Africa negotiating group.

Economic community of Central African States - ECCAS

ECCAS was created in 1983. It currently gathers ten countries: the six members of CEMAC plus Angola, Burundi, Democratic Republic of Congo, and Sao Tome and Principe. Rwanda left the Community in 2007. ECCAS aims at increased cooperation in economic and social activities. ECCAS was dormant during the 1990s, largely because seven of its members were caught in internal conflicts. Activities resumed slowly at the turn of the twentieth century. In 2007 it adopted a strategic vision for 2025 with priorities in peace, infrastructure, energy, water and environment. ECCAS is one of the eight RECs recognized by the African Union.

Annex 4 Eastern and Southern Africa: COMESA

Regional integration in Eastern and Southern Africa initially took the form of a PTA, with a treaty signed in 1981. The treaty establishing the pace towards a common market was signed in 1993 as a successor to the former PTA treaty. The new agreement established the institutional and legal framework that is meant to gradually lead to full-fledged economic integration. The COMESA Treaty entered into force in 1994 once it had been ratified by 7 countries.

With 19 Members (Burundi, Comoros, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe), the COMESA countries represent a population of over 400 million. Their combined GDP amounts to US $360 billion. Geographically, the group is heterogeneous, with Indian Ocean islands, countries from the Horn of Africa and some countries from Southern Africa. The global economic performance of the region is low, although a few countries (Kenya, Mauritius and to a lesser extend Zimbabwe) enjoy relatively high levels of development. The region has suffered from numerous conflicts and tensions including those between Eritrea and Ethiopia, the crisis in the border state of Somalia, and the conflict in Darfur.

COMESA's ultimate objectives are an economic union based on an internal FTA (2000); a CU (2008); a common market (2014); and a zone of monetary stability eventually leading to a monetary union with a single currency (2025). Full integration is viewed as a long-term objective. The short- to medium-term COMESA agenda focuses on the elimination of impediments to trade and investment and underpins an outward-oriented growth and development strategy.

The FTA was launched in 2000. It has been signed by 13 members of COMESA. The FTA had a positive impact on intra-COMESA trade, which grew from US $3.2 billion in 2000 to over US $10 billion in 2008. Nevertheless, the share of intra-COMESA trade to total COMESA trade remains at the low level of 4%.

The CU, initially scheduled for 2004 and then 2008, has still not been launched. The agreed CET has four bands: 0 percent for capital goods, 0 percent for raw materials, 10 percent for intermediate or semi-processed goods and 25 percent for finished or final goods. Flexibility will be provided for so that members will be able to address specific challenges or obligations.

In order to support the full implementation of the FTA and CU, COMESA has established a number of programs addressing trade facilitation and trade-related issues, such as a Customs System and Procedure Harmonization, transit and cross-border insurance schemes, and standards and SPS harmonization.

COMESA is one of the eight RECs recognized by the African Union. In 2004, the COMESA members entered into EPA discussions within three negotiating configurations. DR Congo chose to be part of the Central Africa configuration. Namibia and Swaziland (SACU members) decided to negotiate within the SADC-EPA group. The 14 remaining COMESA members[1] negotiated within the ESA configuration. In 2007, the ESA negotiating configuration split. On November 2007, the four COMESA-EAC members (Kenya, Uganda, Burundi and Rwanda) together with Tanzania formed a distinct EAC EPA with the EU.

1 Two COMESA countries, Egypt and Libya, are not concerned with EPAs as they are not ACP States.

Annex 5 Eastern Africa: EAC

The first EAC was established in 1967 and collapsed ten years later. The treaty establishing the current EAC was signed in November 1999 by Kenya, Uganda and Tanzania. It aims at a comprehensive integration process with the ultimate objective of forming a political federation. The transitional stages include a CU (2005), an FTA (2006–2010), a Common Market (2010) and a Monetary Union (2012).

Membership was enlarged in 2007 to include Burundi and Rwanda. The five EAC countries have a population of 133 million people. EAC GDP amounts to US$ 75.5 billion. Kenya is the most developed country in the zone.

The CET, effective as from February 2005, has three tariffs bands: 0 for raw materials and capital goods; 10 percent for intermediate products; and 25 percent for finished goods. The members still apply country-specific rates above the maximum rate of 25 percent for a few products considered to be sensitive (maize, rice, cement, cotton, sugar, milk and dairy). The CET represents a liberalization of the previous trade regimes since the average applied tariffs have come down in all partner states.

The elimination of internal tariffs was asymmetrical and gradual (2006–2010). Imports from Uganda and Tanzania to Kenya and to each other's territories were duty-free from the outset of the CU. Duties on imports from Kenya to Uganda and Tanzania were gradually phased out. The 2006–2010 schedules were abided by and from 1 January 2010, internal tariffs have been fully removed. Efforts to streamline the customs rules still need to be strengthened. In particular, the rules of origin are not properly and uniformly applied.

As a result of the FTA and CU, internal trade increased for the three partner countries, with Kenya benefiting most from the regional market. Kenyan exports to Uganda and Tanzania are mainly industrial goods while Tanzania and Uganda export agricultural commodities to Kenya. Trade between Uganda and Tanzania remains very low. Direct foreign investment and external trade have grown. Despite initial fears, customs revenues grew due to an improvement in trade activities and an improvement in tax administration.

The EAC is one of the eight RECs recognized by the African Union. On behalf of its five partner states, the EAC initialed an EAC framework EPA (FEPA) with the EU on 27 November 2007. The signature is still pending.

The EAC established a Partnership Fund in 2006. It is a basket fund which receives contributions from development partners. In 2008, the EAC established a development fund whose aim is to compensate for the revenue lost as a result of the CU.

Annex 6 Western Africa: ECOWAS (and WAEMU)

The treaty establishing ECOWAS was signed in Lagos, Nigeria in 1975. The Economic Community of West African States promotes regional political cooperation and economic integration with the aim of eventually establishing an economic union. The revised Treaty in 1993 introduced new institutions (Court of Justice, Parliament, Economic and Social Council) and significantly improved the financing of the Community through a community levy.

Over the years ECOWAS membership has remained very stable, with only country joining (Cape Verde in 1977) and one withdrawing (Mauritania in 2002). The current membership includes 15 countries: Benin, Burkina Faso, Cape Verde, The Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leona and Togo. The population in ECOWAS is more than 250 million people. Its combined GDP is US $125 billion. Nigerians constitute half of ECOWAS population and the ECOWAS-wide economic averages are dominated by developments in Nigeria. Ivory Coast and Ghana are two other important economic actors in the region. So far ECOWAS has reached greater results on the political front, with well-developed mechanisms for peace-keeping and conflict prevention and resolution standing out as notable achievements.

With regard to economic integration, the main achievements have taken place within the subgroup of the Western African Economic and Monetary Union (WAEMU). In 1994, the WAEMU countries (Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal and Togo[1]), already sharing a common currency and a central bank, established a monetary union and decided to pursue sub-regional integration at a faster pace. WAEMU's main achievements are a surveillance mechanism for the convergence of economic and budgetary policies and a CU, launched in 2000. The CU covers the elimination of internal duties, a CET with four bands (0, 5, 10, and 20 percent) and new taxes designed for Community purposes: a statistic duty (1 percent) and a community levy (1 percent). However, its implementation still suffers from severe flaws: some members apply non-compliant external tariffs; the internal removal of tariffs is incomplete; and quantitative restrictions remain in place.

Positive outcomes of WAEMU gave new momentum to the ECOWAS integration agenda, though so far with uncertain results. A so-called Second Monetary Zone provides for monetary cooperation among non-WAEMU countries (with the exception of Cape Verde and Liberia). However, the timeline for introducing a common currency has been pushed back on several occasions. ECOWAS countries agreed to launch a CU, largely inspired by WAEMU's. However, agreement on the classification of certain products has not been reached and implementation has been postponed. Concerning the move towards a common market, the ECOWAS passport and the building of an important road network are positive outcomes. As from 1999 ECOWAS and WAEMU have engaged in a cooperative process to harmonize their integration schedules and agendas.

ECOWAS is one of the eight RECs recognized by the African Union. The ECOWAS members form a negotiating configuration for an EPA. Mauritania joined the configuration.

1 Guinea Bissau joined in 1997.

Annex 7 Southern Africa: SADC

Integration in the Southern region of Africa started during the colonial era as an initiative of the Frontline States (Angola, Botswana, Mozambique, Tanzania and Zambia) willing to unite efforts for the political liberation of the region. At the end of the 1970s most countries had achieved political independence and the project evolved into a Southern African Development Coordination Conference (SADCC). At the 1980 Lusaka Summit, the Heads of State adopted a declaration titled "Southern Africa: Towards Economic Liberation." It set up a program of coordinated development directed against economic dependence on apartheid South Africa.

In 1992 the members decided to change the SADCC (Coordination Conference) to SADC (Community), thus moving away from a loose association into a legally binding arrangement. With the end of the apartheid regime the objective also shifted to focus on economic integration.

New accessions during the 1990s brought the members to 15: Angola, Botswana, DR Congo (1997), Lesotho, Madagascar, Malawi, Mauritius (1995), Mozambique, Namibia (1990), Seychelles (1997), South Africa (1994), Swaziland, Tanzania, Zambia and Zimbabwe. Although richly endowed in minerals and oil (Angola), the region has a low per capita income. South Africa and Mauritius are the leading economies in the zone.

SADC has a political and security agenda. The Community also defines and implements development projects in a wide range of areas (trade, industry, communication, agriculture, social policies, health and education).

The establishment of a FTA is governed by a SADC Trade Protocol signed in 1996 and entered into force in 2000. The FTA was formally launched at a summit in August 2008. From 2008 over 85% of SADC trade should be duty free. The SADC Protocol on Trade is being implemented by 11 SADC member states: Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Gradual removal of tariffs took place during 2000–2008 with each member deciding its own pace and commitment schedule. Deepening of the FTA agenda includes the gradual elimination of remaining tariffs (2008–2012), the adoption of common rules of origin, the harmonization of customs rules and procedures, the elimination of non-tariff barriers and the liberalization of trade in services.

SADC economic integration ultimately aims at achieving a CU (2010) and subsequently a Common Market (2015) and a Monetary Union (2016).

Preparations for the CU are lagging behind schedule.

SADC is one of the eight RECs recognized by the African Union.

SADC members engaged in the EPA negotiations within four different EPA groups: SADC-EPA negotiating group; EAC; ESA; and Central Africa for DR Congo.

Annex 8 Southern Africa: SACU

The Customs Union in this region was initially established in 1910 between South Africa and the British High Commission territories. The agreement was renewed in 1969 with the newly independent states of Botswana, Lesotho and Swaziland and South Africa. With the independence of Namibia in 1990 and the end of apartheid in South Africa in 1994, SACU members embarked on new negotiations which culminated in a new SACU agreement in 2002.

The five members are referred to as BLNS (Bostwana, Lesotho, Namibia, Swaziland) and South Africa.

From the outset of the union, the objectives have been to create an FTA for goods manufactured within the union and to implement a CET for goods imported from outside the union. SACU's objective is strictly defined as a regional trade agreement. It has no agenda for further economic integration. Accordingly, it is not one of the eight Regional Economic Communities recognized by the African Union.

Up until the 2002 agreement, SACU had no institutional setting and its tariff rates were unilaterally decided by South Africa. The original CET maintained high duties and restrictions on goods coming from outside the union that were also manufactured in (and that would compete with) South Africa. It thus guaranteed a regional market for South African manufactures while other members were relegated to producing primary commodities. South Africa negotiated bilateral trade agreements with third countries with direct implications for SACU.

South Africa was also in charge of collecting the duties and excises for the common revenue pool and redistributing it according to a revenue sharing formula. The formula has evolved over time (1969, 1976 and 2002). The formula's objective has always been to give a higher share to the small and lesser developed countries (BLNS).

The 2002 agreement introduced new institutions to foster more equal participation among members; in particular a common negotiating mechanism facilitates negotiations with third parties. Recent efforts concern a gradual tariff reduction and rationalization process. Initiatives in trade facilitation include a single administrative document and one-stop border arrangement.

SACU initiated a selective opening of its market through FTAs or PTAs with the United States, with EFTA (Norway, Lichtenstein, Iceland, and Switzerland), with MERCOSUR members (renewal) and with India.

All members of SACU are part of SADC.

The five SACU members together with Angola and Mozambique formed the SADC-EPA negotiating group. In December 2007, Bostwana, Lesotho, Namibia, Swaziland and Mozambique initialed an interim EPA with the EU. Angola, Namibia and South Africa identified concerns that prevented them from concluding an EPA at that stage. The negotiations for a full EPA attempt to address their concerns.

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