

**Keynote Address  
by Sir Ronald Sanders**

**at EU-ECOWAS Economic Partnership Conference in Abuja, Nigeria  
28-29 July 2015**

**organized by Africa Today in partnership with the Bank of Industry**

This is an extremely important and timely conference.

I thank ***Africa Today*** and its distinguished publisher, Kayode Soyinka, for the invitation to address such a distinguished audience.

This is not only a conference about the Economic Partnership Agreements (EPAs) and the prospects for EU-Africa trade

It is a Conference about the future of the African continent, her abundant resources, and her great people.

ooOoo

There is no doubt that Africa is today the “rising continent”.

In recent years, there have been vast improvements in Africa’s economic growth and development prospects.

Africa’s enormous reserves of raw materials, 60 per cent of the world’s unused arable agricultural land, a young growing population, a rising middle class with considerable purchasing power together with urbanisation, are among the factors that could see Africa emerging as the next leading source of global economic growth.

This vision of a peaceful, prosperous, and integrated Africa underpins the African Union’s “Agenda 2063”, which sets the developmental pathway for Africa over the next five decades.

Africa must not underrate itself or its collective bargaining strength.

ooOoo

It is important to emphasise that the EPA is not an agreement between the 28-nation EU collectively and Africa as a whole.

It is a legally binding bilateral contract between the 28 nations of the EU collectively and each country in Africa **individually**.

This is an important point and one that should be borne in mind throughout this conference and in the discussions that each African government will have within its own councils as it seeks to determine what arrangements should be settled with the EU.

There is a dispute settlement mechanism in each of the EPAs that have been presented by the EU collective to the six regional groupings into which the African, Caribbean and Pacific States have been divided.

In the event of a dispute arising from the terms of the EPA, individual African, Caribbean and Pacific countries – mostly with very scarce resources – would have to contend against the combined capability of the 28-nation EU collectively.

To cast that situation in stark terms, the GDP of the EU last year was US\$18.526 trillion.<sup>i</sup>

By comparison, on the African mainland, the smallest country is The Gambia whose GDP in 2013 was US\$903 million – a miniscule fraction of the GDP of the EU.

Even if we compare the GDP of Africa's largest country by population – Nigeria – with the EU, Nigeria's GDP is US\$521.8 billion while the EU's is US\$18.526 trillion.

From these figures alone, it is obvious that, in the event of a dispute, the much larger resources of the EU collective would so dwarf the capacity of any African, Caribbean or Pacific country that it would surrender to the EU long before the fight could begin.

Realistically, therefore, the dispute mechanism has not much value beyond the paper on which it is written.

ooOoo

Already, what is emerging is the inequality of the relationship between the EU collective and the individual nations of Africa, the Caribbean and the Pacific with which agreement is being sought on the basis of reciprocity.

If a burden of equal magnitude is placed on one who is weak and another who is strong, it requires no high intellect to work out that that you have enlarged their relative inequality.

'Reciprocity', as a principle, has a ring of fairness about it; but that is as between equals.

Between factors of unequal strength and capacity, 'reciprocity' is more than unfair; it is unjust.

If you put a heavyweight and a featherweight in a boxing ring have you staged an equal contest?

Is the short-sightedness of this demand for reciprocity, not obvious?

You would have thought the Europeans would know better; and of course they do.

Centuries ago, Aristotle in his 'Ethics' propounded the doctrine that: as between unequals, equity requires not reciprocity but proportionality.

The African, Caribbean and Pacific Group have long fought for proportionality.

It was at the heart of the Lomé and Cotonou agreements between the EU and the ACP.

It was at the root of the call for ‘special and differential’ treatment for developing countries.

It is the central principle of fairness that requires movement towards ‘proportionality’ by special developmental measures in trade agreements between rich and poor countries.

But, in the EPA, advantages to the EU of reciprocity have triumphed over the imperatives of development for the ACP countries.

The fundamental challenge with “reciprocity” is that Africa and Europe are not equals in the economic domain.

It is a case of giants and dwarves, or sharks and sardines.

This very region – West Africa – is about eighty times smaller than the EU in terms of GDP.

By contrast, Europe holds most of the cards: market power<sup>ii</sup>, financial power<sup>iii</sup>, and negotiating power<sup>iv</sup>.

In short, the EPAs could see African countries being swamped by European goods for despite the talk about “reciprocity”, it simply is not possible for African companies to compete within their own countries (let alone Europe) with much larger and well-resourced European companies.

The relative fairness of the Lomé and Cotonou agreements – the latter will expire in 2020 – is being abandoned by the EU in favour of the unfairness of reciprocity in the EPA.

It is an abandonment made easier because the three regions of the ACP group that previously negotiated as one, allowed themselves to be divided into six – then sub-divided into individual countries.

The unity that was their strength became division and their weakness.

ooOoo

It is against this backdrop that Africa has emerged as the centrepiece in a great new game of courtship between the established and emerging global players.

Indeed, securing access to Africa’s growing markets and resources, amid rising competition from countries like Brazil, China and India, have undoubtedly been among the key factors propelling Europe’s mercantilist push for reciprocal EPAs with African countries.

The political and economic pressures on African countries, among them most of the world’s LDCs, to sign EPAs was relentless.

The EU’s decision to unilaterally withdraw market access from 1 October 2014 in the absence of substantial EPA progress hung like the “Sword of Damocles” over the heads of many vulnerable African nations.

In the end, it took more than a decade to reach the current situation where we have three final agreements that have been initialled by some countries in the Southern African Development Community (SADC)<sup>v</sup>, West Africa<sup>vi</sup>, and the East African Community (EAC)<sup>vii</sup> groups.

Some countries in the Central Africa<sup>viii</sup> and the Eastern and Southern Africa (ESA)<sup>ix</sup> groups are provisionally applying their interim agreements.

But they do so, not out of faith but out of fear – fear that higher tariffs will be applied to their exports into the EU market that would make their products uncompetitive, leading to loss of jobs and foreign exchange.

ooOoo

We should also be mindful that the collection of government revenue from trade taxes may be adversely affected by the EPA with the EU.

Because trade relations between Africa and Europe will be based on reciprocity, the EU will liberalise all imports from African countries<sup>x</sup>, except for arms and munitions, BUT African countries will – gradually but eventually – reduce tariffs on 75 per cent and higher of imports from Europe, including significant manufactured products that many African nations aspire to produce for their own domestic and regional markets.

A study by the UN Economic Commission for Africa, for instance, found that Nigeria alone will account for over 21 per cent of an estimated aggregate revenue loss of over US\$2 billion that will be incurred by the African EPA regions in the first year of the EPA's implementation.<sup>xi</sup>

This may lead some African governments down unpopular paths by raising value added tax and income tax, or indebting themselves through further borrowing on international markets.

Further, while under the EPAs, African non-LDCs may formally improve their market access into Europe for a small range of agricultural products such as dairy, rice, sugar and meat; it is well-resourced European companies and subsidised agro-industry and farmers that will benefit the most from the bulk of these tariff cuts.

Local companies, commercial and subsistence farmers, and informal women traders in African countries could be faced with competition before they are ready to cope with it and, as a consequence, find themselves squeezed out of their own domestic markets.

Unless carefully managed, therefore, some EPAs may even provide more favourable treatment to a number of EU imported products compared to similar African products.

In this way, European products may end up displacing intra-African exports, notably in the manufacturing, oil, and food sectors.

And, while EU agricultural products will eventually flood African markets, the effect could dislocate local farmers who would not be able to compete.

In turn, rural communities will be adversely affected and so will the capacity of African countries to produce their own food.

Thus, a great dependency on imported food may arise and Africa will lose food security.

ooOoo

Of more immediate concern now to Africa - as it has become for the Caribbean - is the implication of the EPA with the EU for trading relations with other countries and regions.

To begin with, the EPA will become the benchmark agreement for every other region or country with which Africa deals.

Africa will have no choice but to grant the same concessions to others as it gives to the EU.

As an example, negotiations between Canada and the Caribbean for a Free Trade Agreement came to an unsuccessful end last year when Canada insisted on terms no less than those accorded to the EU under the EPA.

The Caribbean simply could not afford it.

The Caribbean should expect that the United States – its largest trading partner – will adopt a similar stance, insisting on the terms accorded to the EU.

Africa's experience can be no different.

Therefore, let it be fully understood; the EPA is not just an agreement with the European Union - it is an agreement with the world.

ooOoo

There are three other points of immediate concern for Nigeria and for ECOWAS.

The first is the Most Favoured Nation (MFN) clause in the EPA. As the National Association Nigerian Traders has pointed out:

*the MFN clause means that the region cannot grant a more favourable tariff treatment to fellow developing countries especially in a bid to foster South-South co-operation for development. Countries affected by this MFN clause include India, China, Mexico, Thailand, Malaysia etc. And these and the G8 are countries that Nigeria is presently working with for potential increase to balance her trade<sup>xii</sup>.*

It is clear that the enforcement of the MFN clause will limit Africa's capacity to explore beneficial relations economic cooperation with other developing markets of the South, as it has limited the Caribbean's.

The irony is that, through the EPA's, the EU has more advantageous relations with Africa and the Caribbean separately than Africa and the Caribbean have with each other.

ooOoo

Chair, seven years ago, a consultation similar to this one, was held in Guyana in the wake of negotiators for the Caribbean initialling an EPA with the EU.

In Guyana – as in Nigeria – senior representatives of the government, opposition political parties, the trade union movement, the private sector, religious bodies and other non-governmental organisations unanimously called on the Caribbean leaders not to sign the EPA.

Unlike the EPAs now signed with many African countries, the EU-Caribbean EPA was a “full EPA”.

That is to say that it covered not only trade in goods; it included trade in services and the so-called “Singapore issues” – investment, competition and government procurement – which remain contentious and unsettled in the World Trade Organization, and for which the Caribbean was ill-prepared.<sup>xiii</sup>

Of special importance – as it is here in Africa – was the threat to regional integration.

The Caribbean had announced its intention to establish a Single Market and Economy and its governments were working on it, but it was by no means complete – and it still isn't.

But, as is well known now, Caribbean countries, including Guyana, eventually proceeded to sign the full EPA.

At that time the EU Commission held out the threat that failure to sign the EPA would result in their losing preferential access to the EU markets for crucial exports.

So many signed out of fear not faith.

According to NANTS, the same was done with ECOWAS.

NANTS has stated unequivocally that:

*the EU disintegrated the ECOWAS region by forcing and railroading Ghana and Cote D'Ivoire to initialing (an) Interim EPA in 2007 on the threat of loss of their access to the EU market. The result of this single action was the existence of four different trade regimes in West Africa.<sup>xiv</sup>*

A similar challenge of the future of African integration now faces African countries.

It is pertinent that even though the Southern African Development Community (SADC) concluded negotiations with the EU for an EPA, the South African Trade and Industry Ministry Dr Rob Davies observed that:

*Our overriding concern remains that conclusion of separate EPAs among different groupings of countries in Africa that do not correspond to existing regional arrangements will undermine Africa's wider integration efforts. If left unaddressed, such outcomes will haunt Africa's integration project for years to come.<sup>xv</sup>*

The reality is that the conclusion of separate EPAs with groupings of countries in Africa that do not correspond to existing Regional Economic Communities (RECs) may undermine Africa's integration efforts.

The fact that different groups of countries in Africa have negotiated separate EPAs with different tariff phase down commitments, both in terms of products and time frames; different exclusions lists; and different rules of origin; will undoubtedly complicate intra-regional trade as new controls will be required at borders in order to enforce EPA commitments.

These provisions could limit the trade policy options available to African countries in implementing their economic development agendas.

In some instances, there would even be the need to consult first with the EC before certain measures could be put in place.

In other words, African decision making is constrained by the need for EU approval in certain instances.

In these many ways, the EPAs are an unfair bargain.

And, that is not all.

In future, there may be further risks to Africa's policy sovereignty and autonomy.

For, even though African governments successfully rebuffed the EU's demand for binding rules on services, investment, competition, procurement and a range of other trade-related issues that would entrench Europe's commercial foothold in Africa, this may be short-lived.

The African EPAs all include so-called "rendezvous" clauses to re-visit these contentious issues in the future.

We can be sure that the EU will insist on doing so.

ooOoo

All of this appears to run counter to Africa's own vision of itself.

The African Union envisages a Continental Free Trade Agreement (C-FTA) as one of the key pillars of the African Union's "Agenda 2063" which sets the development vision and pathway for Africa over the next five decades.

It is entirely an African vision and an admirable one.

By one estimate, the implementation of the C-FTA among the 54 AU member states could lead to a 52 per cent (US\$35 billion) increase in intra-African trade by 2022, above a 2017 baseline scenario.<sup>xvi</sup>

This would provide a major boost to intra-African trade which, at 10-12 per cent, lags behind many other regions of the world economy.

But, there is no question that differing EPAs between the EU and regions of Africa will retard, if not derail, the broader developmental integration of the African continent and weaken, if not fatally wound, the objective to strengthen Africa's competitiveness in the 21<sup>st</sup> Century.

This is an issue to which Africa as a whole should give careful consideration, in the interest of African objectives and African goals.

The South African Trade Minister, who I quoted earlier, may have pointed the way when he said:

*It may also be necessary to establish a mechanism through which African governments reserve the right to address any impediment to Africa's regional integration that arises from commitments undertaken in the EPAs.<sup>xvii</sup>*

The question is: has that horse bolted, and is it too late to close the stable door unless all of Africa insists upon it?

ooOoo

Writing in the *Financial Times* in April 2012 before the final EPAs were initialled, the esteemed Nigerian economist and former Central Bank Governor, Professor Charles Chukwuma Soludo, very eloquently summarised these discontents and challenges.

He said:

*Africa is in trouble. Its future is once again on the diplomatic table and as so many times before in its troubled history, Europe holds the ace. The EU approach to Africa, via so-called economic partnership agreements, is the equivalent of the 1884-1885 Berlin Conference that divided the continent among the great powers. At stake is whether Africa should be allowed to conduct policies for its own development – or for the development of Europe.<sup>xviii</sup>*

Then, as now, that question remains pertinent and the answer just as clear.

This is undoubtedly Africa's century – and the EPAs should be designed, implemented and financed to advance Africa's development priorities, especially sustainable growth and development, structural transformation through industrialisation, and continental integration.

The reality, I fear, is that a very different picture is emerging in Africa.

A similar situation has unfolded in my own region – the Caribbean.

My own country, Antigua and Barbuda, is a small twin-island country of only 170 square miles with a permanent population of about 90,000 people.<sup>xix</sup>

In October 2008, despite our small size, we individually signed the CARIFORUM EPA with the collective EU-28.



The CARIFORUM EPA remains the only comprehensive EPA signed with the ACP.

It covers trade in goods and services, investment, trade-related issues like competition, innovation and intellectual property, as well as links to development cooperation.

So far, the CARIFORUM EPA has delivered few, if any, real commercial benefits, while promises of aid to implement the agreement has fallen short significantly.

Caribbean exporters have yet to experience significance market presence in the EU.

Our exports continue to face non-tariff barriers in the EU market, especially technical and sanitary and phytosanitary (SPS) barriers.

Furthermore, our service providers confront similar barriers related to mutual recognition standard issues and difficulties in obtaining visas.

This is not my personal view.

It is confirmed by the EU itself.

The Joint Communique of the recent Joint CARIFORUM-EU Council notes that: “CARIFORUM States had not yet been able to fully convert the market access offered by the EPA into meaningful market presence”.<sup>xx</sup>

The signing of the EPA also coincided with the global financial crisis that adversely affected many Caribbean and African economies.

Hit by a decline in revenues from decreased tourism, high energy costs and little investment, the removal of tariffs on EU imports caused all governments to lose much needed income.

Notwithstanding these difficulties, the EU demanded full implementation of the EPA’s tariff cuts and intimated that non-compliance would lead to a dispute and costly arbitration; a prospect of David versus Goliath for CARIFORUM countries.

In hindsight, a responsible EU, concerned about economic stability in the Caribbean, would have acknowledged the difficulties that the region was facing – and continues to face.

A responsible EU would have tried to engage in a constructive dialogue with countries it claimed to be “partners” and opened the space for renegotiation – rather than arbitration.

And while the EU has procrastinated on the 5 Year Review of the CARIFORUM EPA, this should now be a priority to rebalance and renegotiate important terms and conditions of the agreement.

I share this CARIFORUM experience, since it may be the daunting reality for many of the African EPAs in the future.

ooOoo

In conclusion, I return to Professor Soludo's seminal question:

Do the EPAs allow Africa to conduct policies for its own development – or for the development of Europe?

The EPAs in their present form are more oriented towards supporting Europe's development, especially during a time of economic hardship and uncertainty, such as the future of Greece in the euro and its broader ramifications.

In as much as the European Commissioners may not want to hear it, and they would strenuously deny it, the risk is that these EPAs could well be the start of a new era in which African, Caribbean and Pacific countries are held in thrall to European companies.

Of course, while the EU is banging down doors to African markets, it is slamming shut its own doors to immigration from outside its own area.

ooOoo

Chair, I am sure Africa, like other developing regions of the world, greatly values its relationship with the EU, and with many individual EU countries that have extended hands of friendship.

We all want to engage the EU on a basis of fairness, of proportionality and of partnership that will endure long into the future.

That is what we all genuinely seek.

ooOoo

So, where does this leave Africa?

This is a decision for Africans, and whatever decision Africa makes, its friends will be as supportive as they can.

The suggestions I offer are given in that context.

First, the priority for Africa should be to advance its own integration agenda, especially the Continental FTA to be established by the "indicative date" of 2017.

Fast-tracking the implementation of this FTA will prevent the diversion of intra-African trade to Europe.

This integration agenda should be accompanied by concrete measures to promote industrialisation, including regional value chains, and trade-enabling infrastructure to connect people, goods, and markets.

Second, African countries should ensure that the EU provides sufficient Aid for Trade and development assistance to implement these agreements.

Robust Monitoring and Evaluation mechanisms should be established to monitor the delivery and effectiveness of these resources.

African countries will also require sufficient adjustment support to address any adverse impacts, including fiscal impacts, arising from the implementation of the agreements.

Third, to address the EPA puzzle in Africa, African countries should coordinate the finalisation of the EPAs negotiations across the five blocks (and possibly also with Northern African countries under the Euro-Mediterranean partnership).

There should be no encouragement of beggar-thy-neighbour policies that would cause companies to skip from one country to another so as to enjoy short-term access to the EU market.

African solidarity is vital.

African countries should seek to harmonise to the extent possible the various provisions, and minimise the obstacles to the regional integration agenda.

Finally, the global trading landscape is rapidly changing, especially with the emergence of so-called “mega-regionals” like the Trans-Atlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP).

African countries are not participating in either of these negotiations to its disadvantage.

To avoid being left behind and to ensure continued trade success in the 21<sup>st</sup> century, the priority for African countries should be to develop forward-looking strategies that build and - strengthen their productive capacity and enhance their international competitiveness.

ooOoo

It is no puzzle to me that Nigeria has expressed reservations about the EPA which it is being cajoled to sign.

Nigeria – like the rest of Africa - has an obligation to itself to protect its own destiny.

It has the responsibility to determine its path not only for the present, but for the future and for generations yet unborn.

Africa is on the cusp of a great opportunity to seize this Century to rise, and rise and rise.

African countries should do so together.

I thank you.

## End Notes

- 
- <sup>i</sup> GDP (PPP) of US\$18.526 trillion in 2014
- <sup>ii</sup> the world's biggest market, with a combined GDP of US\$18.5 trillion
- <sup>iii</sup> development assistance through the European Development Fund and other aid facilities
- <sup>iv</sup> considerable diplomatic resources and experience from having negotiated a series of FTAs – with 39 agreements currently in-force.
- <sup>v</sup> The SADC consists of the Southern African Customs Union (SACU) countries, namely Botswana, Lesotho, Namibia, South Africa and Swaziland, and Mozambique. Angola has an option to join the agreement in future.
- <sup>vi</sup> West Africa consists of the 15 ECOWAS countries – namely Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea Bissau, Ivory Coast, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo, plus Mauritania, which is not an ECOWAS member.
- <sup>vii</sup> The EAC consists of Kenya, Burundi, Rwanda, Tanzania and Uganda.
- <sup>viii</sup> Central Africa consists of Cameroon, the Central African Republic, Chad, Congo, the Democratic Republic of Congo, Equatorial Guinea, Gabon, Sao Tome and Principe.
- <sup>ix</sup> The ESA consists of Indian Ocean islands (Comoros, Madagascar, Mauritius and Seychelles), countries from the Horn of Africa (Djibouti, Ethiopia, Eritrea and Sudan) and landlocked countries of Southern Africa (Malawi, Zambia and Zimbabwe).
- <sup>x</sup> Only South African imports into Europe are treated differently to all other African countries. There are longer phase-in periods on specific products, for instance. Nevertheless, the SADC EPA still improves South Africa's market access when compared to its bilateral Trade, Development and Cooperation (TDCA) Agreement with the EU, signed in 1999.
- <sup>xi</sup> This involved four African EPA Groups at the time. Karingi, S. et al (2005) "Economic and Welfare Impacts of the EU-African Economic Partnership Agreement", ATPC Work in Progress, No. 10. UNECA, Addis Ababa.
- <sup>xii</sup> Press Release of National Association of Nigerian Traders (NANTS) *The Hasty Conduct and contents of the concluded ECOWAS-EU Economic Partnership Agreements (EPA): A decision time for Nigeria*", para 2, NANTS/TRADE-ECON/EPA/0159 Policy Advocacy Series
- <sup>xiii</sup> *Stakeholders Consensus Statement: Guyana-EPA Consultations*, Guyana International Convention Centre, Georgetown, 5 September 2008
- <sup>xiv</sup> Op.Cit, Note xii, para 3
- <sup>xv</sup> *The SADC EPA and beyond*, Dr Rob Davies, in [Great Insights: Economic Partnership Agreements and Beyond: Volume 3 –Issue 9, October/November 2014](#)
- <sup>xvi</sup> UNECA 2014. This estimate is based on tariff liberalisation accompanied with efforts to improve trade related infrastructure and customs procedures and reduce transit and other trade costs, cited in Commonwealth Secretariat discussion paper, *Regional Integration in Africa: Managing Multiple Partnerships, Towards a "development integration" approach*.
- <sup>xvii</sup> Op.cit, Note xv
- <sup>xviii</sup> Chukwuma Charles Soludo, "Africa needs Honesty from Europe over Trade Deals", *Financial Times*, 11 April 2012
- <sup>xix</sup> At the 2011 census (2014 estimate is 91,295 people).
- <sup>xx</sup> See Point 6 of the "Joint Communiqué of the Third Meeting of the Joint CARIFORUM-EU Council", 16 July 2015, Georgetown, Guyana.