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Economic Partnership Agreements and beyond

Exclusives:

Commissioner De Gucht on Economic Partnership Agreements

Karel De Gucht, European Commissioner for Trade

The SADC EPA and beyond

Rob Davies, Minister for Trade and Industry, South Africa

Trade without trade-offs

Bernd Lange, Member of European Parliament

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Trade prospects between France and Africa: The EPA and the private sector

By Etienne Giros and Patrick Sevaistre

The recent approval of the Economic Partnership Agreement (EPA) between the European Union (EU) and West Africa (which only just preceded the EU–Southern Africa EPA) introduces fundamental changes to the prospects for trade relations between the two continents. In the present article, the Conseil Français des Investisseurs en Afrique (CIAN, French Council of Investors in Africa) outlines the methods and contents of the EPA, and describes the role that the private sector should play in implementing EPAs in the coming years.

The EU–ECOWAS EPA: a balanced agreement that puts an end to ten years of talks between the EU and Africa

The EPA between the EU and West Africa (the 15 countries making up the Economic Community of West African States (ECOWAS) plus Mauritania) was approved by the heads of state and government in Accra on 10th July. The agreement must now be ratified by the European and African national parliaments.

The EPA is a free trade agreement and includes a development component such that:

- for imports into the EU, there is a total opening of the markets to ECOWAS products;
- for imports into the ECOWAS, the opening of the markets to EU products is partial and gradual, with 75% of all tariff lines progressively being liberalised over a 20 year period; and
- the agreement is accompanied by a €6.5 billion EPA Development Programme (better known under its French acronym PAPED), funded by the EU. It will be developed and deployed by the ECOWAS from 2015 to 2020 for the purpose of bringing the region's production system up to standard. The PAPED is intended to maximise the EPA's impact and to minimise the risks it entails by:
  - supporting these countries' efforts to implement the necessary structural reforms (tax transition);
  - helping the region to create competitive advantages; and
  - financing necessary investments in regional infrastructure such as railways, roads, energy and telecoms interconnection.

After ten years of difficult negotiations, the two sides have reached an agreement that African political leaders now consider to be balanced in so far as:

- opening up their markets to a maximum of 75% over a 20 year period allows the ECOWAS to continue to protect industries and sectors exposed to competition, or products with a high tax impact – the choice is theirs;
- the EU undertakes to end its export subsidies;
- the agreement will be reviewed every five years, in accordance with the results of an impact assessment based on an economic analysis model;
- the ECOWAS will benefit from a five-year moratorium during which it will introduce no tariff reductions; and
- the safeguards of the ECOWAS Common External Tariff (CET) will be incorporated into the EPA, thus offering each country the opportunity to protect its domestic production if necessary.

Until recently, EPAs were unpopular, rejected outright by West Africa, which had no CET, no funding for a PAPED, nor a joint trade policy, much less a sensitive list. Now, however, all these elements have been put in place.

However, the private sector has not been involved in the EPA negotiation process and now finds itself presented with a *fait accompli*

The private sector, both in Europe and in Africa, which is supposed to be the main stakeholder in, and beneficiary of, the EPA, has never really been consulted or involved in the negotiations, unlike NGOs, which until now have

been alone in making their voices heard by denouncing the risks of blindly introducing free trade between the countries of the North and South, which are structurally asymmetrical.

To date, the private sector has not been informed precisely of what the terms of negotiation actually were with regard to:

- those tariff lines making up the 25% which will not be liberalised: what priority have the ECOWAS given to protecting products with a high tax impact or ECOWAS products exposed to competition, such as agricultural products?
- the calendar for liberalisation: all that is known is that the West African region has identified four product groups according to their degree of sensitivity:

  a) products liberalised five years after implementation of the EPA has begun;
  b) products liberalised 15 years after implementation has begun;
  c) products liberalised 20 years after implementation has begun; and
  d) sensitive products which will not be liberalised.

Until now, impact assessments of the EPA have focused more on the question of customs revenue than on those relating to sector protection and competitiveness, added value or jobs. Nevertheless, the ECOWAS industries which will be affected by the EPA are known. They are:

- cotton/textiles/clothing;
- agribusiness: fishing, animal husbandry and the food trade;
- cosmetics/fats/cooking oils;
- chemicals: pesticides, insecticides, fungicides and paint;
- the sack and bag trade, and packaging;
- building materials;
- matches, cigarettes; and
- the automotive industry: semi-finished products for cars, tyres.

It is therefore necessary that the private sector should be informed quickly of the full contents of the agreement to know exactly how these industries will be affected.

Under these conditions, three requirements are necessary with respect to the five-year transition period which has just commenced:

1) consulting the private sector on the contents of the PAPED, including those points which are deemed to favour companies, such as promoting investment, supporting intermediary organisations, training and strengthening human capital, providing access to financial services, improving the business environment, providing sector-based support and bringing companies up to standard;

> The private sector, both in Europe and in Africa, which is supposed to be the main stakeholder in, and beneficiary of, the EPA, has never really been consulted or involved in the negotiations.

2) informing companies about and quickly training them sector by sector in the scope and possible consequences of the EPA in order to bridge the communication gap from which professional organisations in both West Africa and France suffer where the EPA is concerned; and
3) developing scenarios to measure the impact by sector and by country, in a regional framework.

Côte d'Ivoire, which represents 50% of the economy of the West African Economic and Monetary Union (WAEMU) and whose economy is the most diverse, will be the first country affected by the new situation. The Confédération Générale des Entreprises de Côte d'Ivoire (CGECI, Business Confederation of Côte d'Ivoire) could, for example, play a role as regional leader of the private sector and as partner to the public services sector. After all, employers' organisations are better placed than public services to inform and train their members and to defend their interests.

What, in general, does the EPA contribute to the private sector?

- A widespread reduction in the price of consumer goods imported from the EU.
- Lower industrial production costs (duty relief on capital equipment and inputs imported from the EU).
- An opportunity to introduce major structural reforms, particularly with respect to taxation: an incentive to replace entry taxes (i.e. the taxation of imports and exports) with a modern domestic tax system (VAT).
- The end of European subsidies for agricultural products exported to West African markets (an undertaking to which the EU is committed).
- New opportunities for foreign investors interested in producing and selling duty-free to the EU and ECOWAS.

Although they have been explained poorly, if at all, by the EU, EPAs represent a real opportunity for African countries to adapt in order to take advantage of trade liberalisation at a global level. The trend towards a widespread reduction in customs duties will lead to the opening up and integration of African companies into global value chains.

Furthermore, EPAs provide a more stable legal framework and environment than the EU's unilateral rules do.

We can't turn back the clock. The issue today for companies is no longer knowing, as some NGOs continue to wonder, whether these agreements are good or bad for Africa, but knowing how they can benefit from them in practical terms. Moreover, Chinese industry seems to have understood this, taking immediate steps to relocate certain activities to West Africa in order to benefit from preferential access to European markets.

From this point of view, it is essential that French companies make their voices heard now and that a true dialogue between the public and private sectors is initiated with Brussels on the structural reforms needed to ensure that tariff reduction maximises the advantages of the EPA for African and European companies, as well as minimising the risks it poses.

In this context, a coalition of various representatives from the private sector, including the CIAN which, together with the French public authorities and the Agence Française de Développement (AFD, French Development Agency) must be formed urgently in order to make the voice of French companies heard to influence future decision-making and to develop a true dialogue with decision-makers in Brussels and in West Africa.

This article was originally written in French and has been translated to English at the request of ECDPM. To read the original version please visit our website.

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