

# African Trade Agenda

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Dear friends,

We are pleased to be back after all this while. We hope to continue to provide you with timely updates on, and relevant analyses of, trade and development issues from an African perspective. Thanks for your continued encouragement and support.

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## FALL-OUT FROM EPA NEGOTIATIONS

# Africa on the brink of disintegration

by Tetteh Hormeku, TWN-Africa

Pressures in the negotiations for the Economic Partnership Agreements (EPAs) with the European Union have, over the past two weeks, pushed two more regional economic groupings in Africa to the brink of disintegration. This adds to the two other regions which have already been under stress since the beginning of 2008.

On June 4 in Brussels, the EU signed an interim economic partnership agreement with Botswana, Lesotho, Mozambique and Swaziland against the wishes of Angola, Namibia, and South Africa. This has made imminent an acrimonious break-up of Africa's oldest customs union, the Southern African Customs Union (SACU).

Such an eventuality also raises doubts over the merger, scheduled for next year, of SACU and the Common Market of Eastern and Southern Africa (COMESA) into a single customs union under the Southern African Development Community (SADC).

On its part, the Economic Community of West African States (ECOWAS) is facing the unwelcome prospect of another key member country, Ghana, giving in to pressure to go it alone in a partnership agreement with the European Union. The sub-regional grouping concluded in May that disagreements between it and the EU meant that the June deadline for concluding its comprehensive EPA could not be met.

After the signature of a similar stand-alone agreement between Cote d'Ivoire and the EU, a decision by Ghana to sign its own EPA with the EU would undermine the region's attempt to have a common agreement with the European Union which meets the differential development levels and needs of countries in the region. As the ECOWAS Commission President, Ibn Chambas warns, West Africa would feel the pain if they fail to have a common agreement. "Our region will have different trade agreements with the European Union that will adversely affect our regional integration process", he stated.

Meanwhile, the decision on June 8 by the Common Market of Eastern and Southern Africa (COMESA) to adopt a common external tariff is set to run the gauntlet of the contradictions generated by the grouplets into which the community has split around the EPAs. Each of the two grouplets is working out its own tariff arrangement with the EU. Experts believe that this

situation will lead to the same tensions among member countries over tariff revenue which have now exploded in SACU (see below)

And in Central Africa, resentment still persists over Cameroon's failed bid to foist its bilateral interim EPA with the EU on the rest of the region.

In a word, in all the regional economic communities which are meant to serve as the building blocks of Africa's economic integration, the corrosive potential of the EPAs is coming into effect at a frightening speed. All this is a far cry from the high-minded declarations with which all parties opened the negotiations in 2000 - with claims that the EPAs would be instruments for deepening Africa's regional integration.

Reacting to the signature of the interim agreement by the four Southern African countries on June 4, South Africa declared that it would tighten its border controls with Botswana, Lesotho and Swaziland (who, together with South Africa and Namibia, form SACU). The country also raised the need for reassessing the distribution among the member countries of revenues from the customs revenue pool.

South Africa's actions are legally supported under SACU rules which prohibit members from striking new trade deals with third parties without the consent of the other members.

South African Trade Minister Rob Davis said that tightening border controls was necessary to prevent European goods enjoying easier rules of origin or lower tariff levels in the signatory countries from entering South Africa as a result of the SACU regime.

The Minister was particularly concerned with the textile sector, which the country is keen to protect. Here changes in rules of origin could, in the view of the Minister, lead to European products entering the South African market without undergoing any more transformation than the addition of buttons or change of labels.

"We would not be allowing them to come into the SA market, and if that means that we have to introduce border controls issues with Botswana, Lesotho and

Swaziland and they have to do likewise, then so be it," the Minister is reported to have said.

Review of the distribution of the customs revenue would be necessary because the countries which have signed the interim agreement will be letting goods into the community at a lower customs rate, thereby reducing their contribution to the customs revenue pool. This will logically affect their share of the pool.

Reduction of the revenue could devastate the treasuries of the countries concerned. Lesotho earns about 60% of its state revenue through the SACU revenue-sharing arrangement; while Swaziland earns as high as 70%. Compensating for such loss through taxation could lead to a doubling of VAT rates and the tripling of corporate taxes.

Even relatively affluent Botswana earns about a third of revenue from customs transfers. Diamond on which the country heavily depends is also hit by the global crisis. On Wednesday June 3, the African Development Bank extended its biggest ever loan facility, of \$1.5 billion loan to Botswana to help the country cope with the financial crisis. The country may still be in discussion with the World Bank for similar support.

Clearly for these countries, the cost of the signing the IEPAs is getting to crisis proportions.

The other members of SACU (South Africa and Namibia), together with Angola (the other member of the Southern African configuration negotiating EPA with the EU), refused to sign the interim agreement with the European Union because the EU was unwilling to integrate a memorandum of understanding reached by the parties as a legally binding part of the agreement.

Though by a different route, ECOWAS seems headed in the same direction as SACU.

The ECOWAS region as a whole is locked in disagreement with the EU over fundamental elements of the EPA.

Key among these differences is the percentage of European goods that the region is prepared to allow in duty free entry, as well as the period over which such liberalisation should take place. While the EU insists on 80% being allowed in duty-free entry over a period of 15 years, West Africa insists on 60% over a period of 25 years.

Other issues of conflict concern the Most Favoured Nation Clause, by which the EU is demanding any favourable treatment that the region subsequently grants other major economies should be automatically extended to the EU, as well as how to deal with issues such as services, investment and intellectual property.

West Africa's fundamental disagreement with the EU over these issues was affirmed at the May 12-16 meeting of the EPA Ministerial Monitoring Committee in Abuja, Nigeria, which concluded in view of this that the June deadline was not realistic.

The region's insistence on 60% of tariff liberalisation is meant to cope with the needs of countries as diverse as the Gambia and Nigeria. For small Gambia, which depends heavily on import revenue, and which has very little by way of export capacity, the scope of tariff liberalisation is critical since the effect will be one-sided destruction of its revenue, with nothing to gain in return by way of exports.

Nigeria represents about 60% percent of the region's market and its manufacturing capacity and potential, and yet exports mainly petroleum products to the EU. Thus it is keen to protect its economy from being a dumping ground for cheap European goods with devastating consequences for the manufacturing sector and its future.

Maintaining the regional balance has been under strain since December 2007 when, under what observers have described as undue and sometimes illegal bilateral pressure from the EU, Cote d'Ivoire and Ghana agreed interim EPAs with the European Union. The terms of these agreements were contrary to the West African common position. Both of them provided for 80% of tariff liberalisation for EU goods over a period of 15 years. The deals also accepted other controversial EU demands such as MFN and export taxes.

Both countries have looked to the subsequent conclusion of an ECOWAS-wide agreement as a means for alleviating some of the onerous terms of their interim agreements. Especially in the case of Ghana which, unlike Cote d'Ivoire has still not signed the interim agreement it initialled in 2007, the prospect of a better ECOWAS deal has served as means for the new government to avoid having to sign and implement a deal agreed by an earlier regime, and whose terms seem to contradict the policy options and perspectives for which it was voted into power.

The new government has faced mounting pressure since it assumed office in January from the EU to sign the interim deal. The passing of the June deadline for the ECOWAS-wide deal has brought the prospect of Ghana succumbing to EU pressure a step closer.

Such a development would not only unravel the efforts so far by the ECOWAS Commission and key member countries like Nigeria and Senegal to reconcile the pressures on Cote d'Ivoire and Ghana within a collective regional perspective.

Furthermore, if Ghana succumbs, then with Cote d'Ivoire having already signed its interim EPA, the second and third largest economies in the region will be open to influx of duty-free EU goods. Nigeria's concern over the effects of EU goods on its domestic market would then inevitably increase. Experts worry that Nigeria's response will be a legitimate resort to a practice it has used in the past: restricting entry of identified goods into its market, in an attempt to stem the inflow of cheap EU goods. The last time it applied a similar measure, Ghanaian manufactures felt more than an unwelcome pinch in uncomfortable places. Indeed on some calculations, over two-thirds of manufacturing jobs in Ghana are in enterprises whose major export market is Nigeria.

In addition, differential tariff regimes between the EU and Ghana, the EU and Cote d'Ivoire, and between the EU and the other countries of West Africa pose undue complication and actual dangers to the application of the ECOWAS common external tariff which have just been adopted, especially over the question of revenue sharing and the question of equitable support for small and vulnerable economies within the zone that this implies.

A similar but more advanced situation confronts COMESA. The region has just adopted a common external tariff. However, as a result of the interim EPAs, the member countries are now split into two groups, EAC and the ESA, each of which has different tariff arrangements with the EU.

For both regions, the emerging acrimony in SACU over tariff revenue and its sharing may be a mirror of their future disintegration.

The possibility of such a future is itself evidence that the far higher cost of the EU's push to conclude EPAs at all cost is the fate of Africa, its countries and people and their individual and collective needs.

Namibian Industry Minister Hage Geingob spoke for many when he denounced the EU's methods and

approaches which led to Botswana, Lesotho, Mozambique and Swaziland breaking ranks with the rest of SACU. "We might be small, but we are still a sovereign state. You cannot smoke cigars in boardrooms in Brussels and bulldoze us," he said.

For EU Trade Commissioner Baroness Ashton, on the other hand, the agreement which came into being through splitting a once solid regional grouping in two was "a vote of confidence in the process that we have put in motion to build a strong and lasting economic relationship". All par for the course of getting a good deal for Europe.

[\*With material from IPS reports of June 4, 5, 8.]

UNCTAD PUBLIC SYMPOSIUM

## Regionalism – the south's exit strategy from the global crises

by Gyekye Tanoh, TWN-Africa

UNCTAD Secretary-General Dr. Supachai Panitchpakdi has strongly emphasized regionalization in the global south as an overriding priority in the current global crisis.

Speaking at UNCTAD's first ever Public Symposium held 18 and 19 May 2009 on: 'The global economic crisis and development – the way forward', Supachai gave particular prominence to regional-based initiatives such on regional trade integration in Latin America and Asian financial integration.

He stated: "I cannot emphasize enough the need for regional activities at this moment. I certainly would attach the greatest importance to regional initiatives for integration, not Free Trade Areas. More integration at the regional level, including financial integration – local payment systems, pooling of reserves, and the swap system among central banks – these are all

important aspects of regional financial integration measures. More of these are needed".

Supachai cautioned against developing countries over-reliance on global responses such as those proposed and being implemented by the G20 and the IMF, recalling that "having experienced past crises in Asia, I know how far enthusiasm at the global level can be maintained – not long!"

The UNCTAD Secretary-General's views, which were central in his discussion of an "exit strategy" from the global crisis, were in consonance with the overwhelming consensus among the 360 representatives from civil society, the private sector, academia and parliamentarians drawn from every continent, as well as UN member states and key UN agencies who participated in the conference.

This emphasis on regionalism by the conference was in sharp and explicit contradistinction to processes – such as free trade areas (FTAs) – that envisage regional arrangements as simply locking in regional economies and markets as spheres for ‘business as usual’ globalization of free markets and uncontested neo-liberal policies and practices.

It was also a significant departure from uncritical calls to complete the ‘Doha Round’ of the WTO, and the undifferentiated chorus against ‘protectionism’ by all countries – North and South, which were among the outcomes of the April G20 summit in London, the IMF and World Bank ‘spring meetings’ in Washington DC later that month, and previously echoed by the Committee of Ten African Finance Ministers and Central Bank Governors set up to lead Africa’s response to the global crisis. The African committee also endorsed further financial liberalisation.

Instead, the UNCTAD forum drew attention to the threats posed by WTO financial services negotiations (under GATS) to developing countries’ capacity for crisis response and exit, and suggested a suspension as well as a roll-back of the current GATS agenda.

Elaborating further, other speakers pointed out that FTAs, such as the EU-Andean ‘Economic Partnership Agreement’ prohibited Andean states from setting up micro-credit banks. In contrast, EU banks operating in the Andean region are liberated from the obligation of setting up subsidiaries that require thresholds of investment, equity, capital requirements and liabilities, as well as other performance requirements to make their operations more complimentary to Andean countries’ financial policy. Rather, under the ‘EPA’ EU banks need not commit more than setting up a ‘skeleton branch’, with little local commitment or regulatory control, reminiscent of the liberalization that allowed Lehman Brothers’ branch in Britain to export all its capital back to the United States, just as it was in the process of declaring insolvency on September 14, 2008.

Africa and other developing regions are experiencing huge repatriations and retrenchments of financial resources from western banks to their original home bases. As a result of these reversals and losses in flows, together with loss of trade earnings, developing

countries as a whole face losses of more than \$2 trillion for this year.

The conference agreed that genuinely appropriate policies now demanded greater leeway for public policy interventions, mediation and coordination across the board – from financial sector reform, through to development finance policy and institutions, to capital controls and coordination to stabilize currency exchange rates and rationalize the accumulation of foreign reserves and their beneficial deployment towards developing countries’ fiscal and investment needs. Another requirement was the removal of IMF loan conditionalities and an overhaul of their pro-cyclical monetary and fiscal policies.

Regional and national level initiatives had to be complemented by radical reform of international financial institutions and finance circuits to give these countries greater weight and space for autonomy. As a first step, there had to be complete moratorium on external debt payments by developing countries. Dr. Supachai asserted that this “is just compulsory, not only necessary”.

Demba Dembele, a civil society campaigner from Africa demanded the complete cancellation of African and LDCs debt, a demand that resonated with many participants.

Pedro Paez, member of the Stiglitz Commission and former Minister of Economic Coordination for Ecuador, emphasized that the ‘reciprocal liberalization and national treatment’ requirements of FTAs/EPAs is effectively and always ‘active discrimination against the local’ (i.e. local economic actors and entities from the South) not just in finance and other services, but in the goods market as well, citing the uneven impact of the food crisis on developing countries agricultural sector and their food security as compelling evidence.

“The trade-related issues [such as rules on Investment and Government Procurement] in FTAs attack all the possible foundations for automatic stabilizers in developing countries’ balance of payments. These distortions are what ‘Free Trade’ means today. [On this basis], the future of North-South relations is completely unsustainable” he added.

African civil society, represented by the Africa Trade Network (ATN), called for a halt to the EU-ACP Economic Partnership Agreements, and joined the conference in stressing the re-orientation of North-South trade on the basis of “non-reciprocal and preferential market access for LDCs and other developing countries”. The forum questioned “the wisdom of unregulated integration into the global economic and financial system”, given its severe unevenness and imbalances and the pronounced vulnerability of developing countries and regions that were “the most open and the most dependent on external trade and foreign investment (FDI)”, pursuing the latter in a “race to the bottom”.

For Africa, this over-dependence on external trade, especially of export reliance on a narrow basket of primary commodities and a narrow range of external markets, such as the EU in particular, has resulted in a 40% collapse in Africa’s trade. According to the African Development Bank, this translates into a loss of export earnings of \$251 billion in 2009 rising to \$277 billion in 2010. African government revenue’s will suffer decline of \$18.6billion from losses in trade taxes this year alone.

A projected 28 million ‘formal sector’ jobs will be lost on the continent during the current crisis, and an additional 27million will become absolutely poor, adding to the tens of millions of Africans pushed into

this state because of the food crisis of 2008, and the hundreds of millions already subsisting on less than \$1 a day, who will also suffer further drastic cuts in their ‘incomes’ and living ‘standards’. The situation of women as well other low income and disadvantaged groups such as the urban poor trapped in the informal economies, rural agricultural populations and the youth were particularly urgent and should become the main focus not just for crisis responses but also as the reference point for longer term ‘systemic reform and transformation’ for sustainable development.

In his closing remarks, Supachai returned to these themes with an even stronger accent. He warned that the mainstream crisis packages from OECD countries and the IFIs would only address imbalances in the North by creating even more imbalances for the South, referring to existing indications of a new and devastating imbalances in food supply and energy security, among others. He recalled the ‘post-Financial crisis in Asia [in 1997/1998] was a return to business as usual, and “see where we are now, only 12 years later we are facing the mother of all recessions, because this [boom and bust cycle] is the nature of the market”.

He ended with a call for comprehensive change based on work in the regions and on prioritizing elements of redistribution including social safety nets which were in “serious shortage” during and after the Asian crisis of the nineties.

# EPA Negotiations

## REGIONAL STATE OF PLAY

by Christabel Phiri, TWN-Africa

### CENTRAL AFRICA

Countries in the Central Africa region negotiating with EU on the Economic Partnership Agreement include Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo, Equatorial Guinea,

Gabon, and São Tome é Principe. In 2007, Cameroon initialled the interim EPA and signed the IEPA in 2008, whilst the rest of the countries continued to access EU markets through Everything but Arms for

Least Development Countries and EU Generalized System of Preferences for developing countries.

The Cameroon Interim EPA includes trade in goods, development cooperation, rules of origin and the commitment to negotiate trade related areas. The text on trade in goods still contains points of divergence such as on export taxes, regional levies or the MFN clause. Central Africa has tabled a common market access offer for goods that is being used as a basis for negotiation as well as its own draft text on development cooperation.

Negotiations on Development cooperation provisions are still continuing. There are still divergences between the expectations of the Central African Region and feasible linkages with existing European Community and EU Member States development cooperation instruments, including Aid for Trade packages under which the EU will support accompanying measures to the EPA

#### **EASTERN AND SOUTHERN AFRICA (ESA)**

The ESA configuration negotiating the EPA with European Union had initially 15 countries before 4 countries broke away to form the East Africa Community (EAC) configuration. The remaining eleven (11) countries negotiating under the ESA configuration now include Madagascar, Comoros, Ethiopia, Zambia, Zimbabwe, Mauritius, Malawi, Djibouti, Seychelles, Sudan and Eritrea.

Six of these countries- Comoros, Mauritius, Madagascar, Seychelles, Zambia and Zimbabwe - have initialled an interim EPA with the EU. The rest do not have interim EPAs but, as least developed countries, are enjoying the Everything But Arms Status.

(In effect, of the 15 countries that started the original negotiations with the EU as ESA in 2003, we now have three different groups.)

The content of interim agreements includes market access, fisheries, and rules of origin, development, and trade defence and dispute settlement mechanism.

Negotiations on the comprehensive EPA have continued since 2008 and have included trade related issues competition, intellectual property, investment, public procurement and sustainable development. There are some contentious issues in the IEPA still under discussion between ESA and the European Union. ESA has been pushing for revision on articles on quantitative restrictions, export taxes, standstill clause, and protection of future infant industries and

also rules of origin especially on the aspect of cumulation with all ACP states.

Another area of contention is on the special safeguard clause for agricultural products; ESA has proposed automatic mechanisms based on price and volume triggers to deal with price fluctuations and import surge. On "Substantially All Trade" the EC has insisted that the 20% exclusion is sufficient to protect sensitive sectors in ESA states. ESA has reiterated that the specific needs of LDCs should be taken into account in the negotiations.

On services negotiations, a joint text has been tabled and negotiations are still on-going. ESA has attached importance to mutual recognition, mode 4 and temporary labour mobility issues ("enhanced Mode 4") and has rejected to negotiate investment in services

On transparency in public procurement, ESA has indicated to the EC that it will not take any obligations, whilst the EC has stressed it is looking for concrete rules on transparency. On the other trade related areas negotiations and exchange of views intellectual property, sustainable development, investment, competition, negotiations and exchange of views are still ongoing.

ESA has confirmed its decision to host the signature of IEPA in Mauritius; the date for signing will be considered at the ESA council meeting scheduled for the 4<sup>th</sup> of June 2009.

#### **EAST AFRICAN COMMUNITY (EAC)**

The EAC group, comprising Uganda, Kenya, Rwanda, Burundi and Tanzania, initialled the interim agreement in 2007. This interim agreement covers trade in goods and fisheries A commitment was taken by both parties to continue negotiations on services, investment, agriculture, rules of origin, Sanitary and Phyto-sanitary Standards (SPS), Technical Barriers to Trade (TBT), customs and trade facilitation and other trade-related rules in order to conclude a full EPA.

Over the next 25 years, EAC will liberalize 82.6% of imports from the EU by value (65% by 2010, 80% by 2023 and the remainder by 2033).The EAC interim agreement is the only IEPA which preserves the EAC right to continue levying existing export related taxes.

EAC has launched negotiations on the comprehensive EPA and are hoping to conclude by July 2009. The negotiations cover services, investment, competition, development intellectual property rights and transparency on public procurement.

## **ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)**

The ECOWAS region plus Mauritania are negotiating the EPA with the EU. ECOWAS region includes the following countries (Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea Bissau, Ivory Coast, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo). In 2007, two countries, Ghana and Cote d'Ivoire, initialled the interim agreement. Cote d'Ivoire signed the agreement end of 2008. Ghana has not yet signed its "stepping-stone" agreement and is under immense pressure to do so. It is expected that a full regional EPA agreement will supersede these two agreements

The interim agreement for Ghana and Ivory Coast include trade in goods, development cooperation, trade defence, Technical Barriers to Trade, SPS measures, and trade facilitation and dispute settlement.

The West African region is still preparing its common market access offer for goods and draft texts on services and development cooperation are also under preparation. Negotiations over Rules of Origin are also ongoing. ECOWAS negotiators are looking for simplifications that could help West Africa develop, such as the "simple transformation" for textiles products (already contained in Council Regulation 1528/2007).

Negotiations on other trade related rules such as competition or consumer protection are moving slowly. ECOWAS remain opposed to including chapters on social issues, environment and public procurement.

In the recent ECOWAS Ministerial Monitoring Committee, ECOWAS officials have demanded a financing plan for development projects from the EU before signing the agreement. Unresolved issues include the 0.5 per cent community levy, which the EU wants removed but which constitutes the financial livewire of ECOWAS. The EU also insists that the Most Favoured Nations (MFN) clause craved by ECOWAS is against the spirit of the EPA.

The ECOWAS region is also demanding a secure unequivocal commitment from EU member-states to contribute to the funding of development programmes to ameliorate the effects of the pact on the sub-region. The committee also proposed that contributions to the EPA Development Programme (PAPED) should be "adequate and accessible" beyond the commitment already made in the European Development Fund (EDF). ECOWAS ministers of trade and finance also

called for the "rapid mobilization of resources to implement priority projects" that will improve the competitiveness of the sub-regional economy as it opens to EU goods.

On liberalization, only between 60 per cent of the regional economy should be affected over a transition period of 25 to 30 years preceded by a five to seven-year period of moratorium. They also urged the ECOWAS Commission to ensure linkages between the market access and the commitment expected from the EC on the financing of the development projects. The conclusion of the full EPA has been pushed to October 2009.

## **SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)**

SADC has 15 member's states but only 7 member states out of the 15 are negotiating EPA with the EU. The seven countries include Mozambique, Angola, Swaziland, Namibia, Botswana and Lesotho. 5 of these, Botswana, Lesotho, Namibia, Swaziland and Mozambique, initialled an interim agreement with the EU. The interim agreement includes provisions on market access, commitment to continue negotiations of the full EPA and a development chapter.

The EU market access for the SADC EPA States that initialled the IEPA has been granted under an EU Council Market Access Regulation which was adopted on 20 December 2007. This regulation allows the preferences to continue as an interim measure pending the coming into force of the Interim EPA. Angola and South Africa did not initial the Interim EPA and continue to receive EU preferences under the EU's 'everything-but-arms' (EBA) initiative and the South Africa-EU Trade, Development and Cooperation Agreement (the TDCA).

Following the initialling of the Interim EPA in 2007, SADC EPA States were faced with a number of critical challenges regarding moving to the next stage of signing and implementing the Interim Agreement. In particular, it became necessary for Botswana, Lesotho, Namibia and Swaziland (BLNS) as Southern African Customs Union (SACU) members to explore options on how to implement the Interim EPA without South Africa, the remaining member of the SACU, in a manner that does not undermine the integrity of the customs union.

While it is possible for the BLNS countries to implement the IEPA without South Africa, the need to preserve the cohesion of the SADC EPA States became



imperative. The SADC EPA States instead opted to strive towards reaching a solution that would ensure a regionally coherent outcome that would accommodate all the SADC EPA States as a way forward on the EPA process. This agreement on the way forward is, however, based on the understanding that existing market access for those countries that have initialled the Interim EPA should not be undermined or compromised in the process. The SADC-EU EPA still has unresolved issues, including Export taxes,

Quantitative restrictions, Food security, Infant industry protection, free circulation of goods, most favoured nation clause, and Definition of Parties. Angola, Namibia and South Africa (ANSA) have raised concerns on some provisions of the IEPA, Despite these divergences and concerns with the IEPA, the four members of SADC region ~ Botswana, Lesotho, Swaziland and Mozambique ~ signed the interim EPA on 1<sup>st</sup> June 2009. Angola, South Africa and Namibia opted not to sign the IEPA.

# Advocacy File

(Statements of civil society organisations on burning issues of concern to Africa)

## I

### COSATU CALLS FOR REJECTION OF EU-SADC INTERIM ECONOMIC PARTNERSHIP AGREEMENT 30 APRIL, 2009

The congress of South African Trade Union commends the government of South Africa and Angola for refusing to sign the European Union-SADC Interim Economic Partnership Agreement (IEPA) negotiations for a free trade area between SADC member states and the EU. COSATU also urges Namibia, which is wavering to follow their lead and refuse to sign. The federation however condemns those governments including Botswana, Lesotho, Swaziland and Mozambique which have caved into the pressure of the EU and signed an agreement that is totally against the interests of the people of these poverty-ridden countries.

The purpose of the IEPA is purportedly to create a legal framework for trade relations between SADC and the EU because of the expiry of the Cotonou Agreement preferences in 2007, which was said to contravene the World Trade Organization (WTO) because it gave special tariff preferences to African countries and not to all WTO countries. The urgency of the agreement is allegedly based on the need to create certainty among investors and to avoid a WTO challenge.

However the hidden purpose of the agreement is to open SADC markets to foreign competition whilst the SADC countries including SA are not ready to compete on an equal basis with foreign industries.

COSATU's main concerns on the EU-SADC IEPA are:

- The entrenchment of the neo-liberal macroeconomic policy framework that undermines the rights of workers and the poor
- Fragmentation of efforts towards regional and continental integration
- Devastating effects on SACU
- Removal of policy space for countries to pursue industrial development
- The potential to worsen the impact of the economic crisis
- Non involvement of civil society and labor groups in the negotiations
- The clandestine nature in which the negotiations have been conducted

(For full text, go to: [www.cosatu.org.za](http://www.cosatu.org.za))

## II

### SEATINI STATEMENT TO THE COMESA SUMMIT ON THE ESA-EC ECONOMIC PARTNERSHIP AGREEMENTS NEGOTIATIONS, 1<sup>ST</sup> JUNE 2009

The Common Market for Eastern and Southern Africa (COMESA) held its 13<sup>th</sup> Heads of State Summit and Government in the resort town of Victoria Falls, Zimbabwe from the 28<sup>th</sup> May to 8<sup>th</sup> June 2009 under the theme *Consolidating Regional Economic Integration through Value Addition, Trade and Food Security*. In the run up to the summit SEATINI developed a statement as an input to the summit raising concerns and recommendations.

#### Concerns

- The ESA countries (as represented by their officials) have confirmed their decision to host the signature of the interim EPAs and that they are already considering discussing the dates of such a ceremony when the outstanding and contentious issues in the interim EPAs have not been addressed and resolved.
- The contentious issues arising from the interim EPAs include, inter alia, involve far reaching commitments on tariffs reductions the freezing of export taxes that ESA countries have been using, the requirement that ESA countries should not increase duties on products from the EU beyond what they have been applying (standstill clause), liberalising “substantially all trade”, bilateral safeguards (for infant industry protection)-all these issues are still under negotiations. We take the precautionary principle and reiterate that nothing is agreed until everything is agreed.
- The EC has insisted that the first priority should be the signature of the interim EPA. The EU main interest is in market access which they may achieve in interim EPAs. This limits the scope of focussing on the real issues of interest to ESA countries that need attention before the signature. ESA countries should resist the pressure of rushing to sign the interim EPA when it is clear they will be mortgaging national and public assets to the EC.

#### Recommendation

- A moratorium be put in place on EPAs negotiations until the ESA countries have put in place adequate institutional mechanisms to deal with trade liberalisation as recommended by the African Union, UNCTAD, the United Nations Economic Commission for Africa among others.
- ESA countries focus on developing its regional market, steps that have already been taken by consolidating the gains of the COMESA FTA, the Customs Union and the move to form a single FTA with the East African Community (EAC) and the Southern African Development Community (SADC)
- In light of the high food and energy prices, the climate crisis and the current global recession triggered by the financial crisis, ESA countries **MUST** reverse most of the commitments they have agreed under the IMF/World Bank SAP policies, the World Trade Organisation and the so-called interim Economic Partnership Agreements. This will allow the countries to implement favourable home grown policies that are in tandem with their development priorities.

(for full text go to: [www.seatini.org](http://www.seatini.org))

## III

### DECLARATION BY CIVIL SOCIETY AT THE 2009 ANNUAL MEETING OF THE AFRICAN DEVELOPMENT BANK, DAKAR, MAY 12, 2009

We, representatives of African civil society organizations from more than 20 countries and their partners from the North, met in Dakar from 10 to 12 May 2009, on the occasion of the 44<sup>th</sup> Annual Meetings of the African Development Bank (AfDB). During that meeting, we reviewed the intervention of the AfDB in several African countries and its role in the resource mobilization for the continent’s development.

We analyzed the multifaceted international crisis which is hitting hard Africa and the role of the AfDB in mitigating the effects of that crisis. We also examined the AfDB's relationships with African civil society, with the African institutions and the international financial institutions, namely the World Bank and the International Monetary Fund (IMF).

Our analysis and in-depth discussions led us to the realization that the AfDB has strayed away from its original mission as an institution dedicated to the promotion of the welfare of the African populations and to the continent's development. In our opinion, the AfDB seems to transform itself into a clone of the multilateral financial institutions. Its criteria for project selection give priority to return on investment over the satisfaction of the basic needs of the African populations. It has adopted neoliberal theories and advocated market fundamentalism. It has contributed to promoting liberalization and privatization policies which have aggravated the economic and social crisis of the continent. In the African debt crisis, the AfDB took no significant initiative, contenting itself with endorsing the initiatives proposed by the World Bank and the IMF

In spite of the discredit of the neoliberal system, as illustrated by the ongoing deep international financial crisis, the AfDB continues to advocate policies that are rejected in many regions of the world, including in developed countries. We are of the opinion that the AfDB has a wrong reading of the financial crisis and of its consequences for Africa

The process that led the AfDB to stray away from its original mission is most likely associated with the opening of its capital to non African countries. The latter have an influence beyond their share in the capital. In fact, they have a real veto power on the orientation and policies of the AfDB.

Despite claims of good intentions, the AfDB does not have a real policy of dialogue with civil society, preferring non transparent policies in order to avoid critiques on the part of African citizens.

In light of these observations, we, the participants to the Dakar Forum, strongly think that a radical change is necessary in order for the AfDB to reclaim its original mission. In that regard, it must put an end to imitating the World Bank and the IMF. It must keep its autonomy relative to these institutions, in its thinking as well as in the design of its economic policies.

In a similar vein, it should break with the current policies whose failure is too obvious and whose consequences have been disastrous for the African continent. .

For this, the AfDB should proceed to a clear and courageous analysis of the real causes behind the failure of the neoliberal system and contribute to challenging it on the African continent. It should promote policies of food sovereignty and support family agriculture instead of encouraging investments in bio-fuel.

In short, the AfDB should move toward the search for an autonomous development paradigm for Africa. In cooperation with the Economic Commission for Africa (ECA) and the African Union Commission, it should help African countries recover their sovereignty on the design and implementation of their development policies. It should promote an autonomous thinking on Africa's development by integrating the contributions of African researchers and social movements. The institutionalization of civil society participation in the activities of the AfDB may contribute to the changes that are called for.

The Bank is a public African institution using African taxpayers' money. Therefore, it should be accountable to the African people. We, participants to the Forum, demand our involvement in the Bank's mechanisms in terms of project identification, monitoring and control.

We demand:

- The adoption of an effective information disclosure policy
- The reinstating of the independent evaluation mechanism on environmental issues
- Taking into account African countries' long term financing needs for sustainable development

Yes to a Bank in the service of the development and welfare of the African people!

No to a Bank acting as a clone of the World Bank and IMF!

# Dateline Africa

## BOTSWANA

### Botswana handed record \$1.5bn loan

(London, Financial Times, June 4) The African Development Bank on June 3 announced its biggest ever loan facility - a \$1.5bn (€1.06bn, £910m) loan to Botswana - in a deal that it said reflected the impact of the global financial crisis and economic slowdown in Africa.

Botswana, one of Africa's best-managed economies, has been devastated by the fall in the price of diamonds, its main export.

After several years of running budget surpluses the country faces a budget deficit equal to 13.5 per cent of gross domestic product in the current financial year. "The case of Botswana illustrates the impact that the financial crisis is having on even the best managed economies in Africa," said Donald Kaberuka, the AfDB's president.

"The crisis which is affecting African countries through different channels is increasing demand for support from international financial institutions.

"I am delighted that the bank has been able to respond quickly and flexibly in this unique case."

Although Botswana's situation is extreme, recent weakness in commodity prices and potential falls in income from economic aid and remittances paid by migrant workers have left a number of developing economies vulnerable to current account problems..

This is the first such borrowing from the AfDB by Botswana in 17 years.

Previously, Botswana had several times contributed to the replenishment of the African Development Fund, the soft loan window of the Bank Group.

## EGYPT

### Drop in tourism adds to Egypt's woes

(Cairo, Arab Finance, May 19) A slump in tourism is aggravating Egypt's economic woes and affecting the lives of those who depend on the industry for a living. About 20 percent of Egypt's foreign currency earnings come from tourism. In 2008, almost 13 million foreign tourists visited Egypt, taking in its pharaonic and Islamic sites along the River Nile. But now, the drop in

revenue is hitting the country hard. Tourism is the main source of foreign currency earnings, along with revenue from the Suez Canal and remittances from Egyptian workers abroad.

The trickle of tourists has some guides working, but economists say an 18 percent drop in the number of foreigners coming to Egypt, thus far in 2009, has hotels, tour operators, and even shop owners complaining.

Twelve-point-six percent of the total work force directly and indirectly works in the travel industry and from every \$100 that's generated to Egypt the tourism or travel industry share is \$19.30.

## GHANA

### Owning up to the credit bite

(Accra, IPS, Jun 9) Official statements at the outset of the global financial crisis that Ghana was insulated have been confounded. Finance and Economic Planning Minister, Kwabena Duffuor admitted in March "the downturn in the advanced economies in 2009 is expected to have a negative effect on the country's exports and thus our external balance. Weak demand for exports and weak commodity prices imply less export revenue.

Also expected are shortfalls in remittances, a slowdown in donor support and private capital inflows as a result of the global recession.

In May, the Central Bank governor, Paul Acquah, told journalists the bank's research showed inward transfers - to non-governmental organisations, embassies, service providers, and to individuals through banks in the first quarter of 2009 totalled 1.98 billion dollars, a 7.3 percent decline compared to the same period in 2008.

Sampson Akligoh, economic analyst at Databank Asset Management Services in Accra told IPS that the global credit crisis has imposed some direct and indirect effects on the Ghanaian economy, including the "tightening of inter-bank credit as most of the big banks are no longer offering credit," he added.

## NIGERIA

## Nigeria and Benin tackle the global financial crisis

(Lagos, Daily Independent, June 10) Nigeria and Benin Republic have directed their bi-national commission to map out strategies for ameliorating the effect of the global economic meltdown on the bilateral trade fortunes of both countries. The directive was given at the bilateral talks between President Umaru Yar'Adua and his Beninois counterpart, Boni Yayi, at the Presidential Villa, Abuja, on Tuesday.

After a closed door meeting between the two leaders, Yar'Adua told a joint press conference that the impact of the global meltdown was the sole item on the agenda of the parley between him and them.

## African Development Bank tries to triple capital base

(London, Financial Times, May 12 2009) The African Development Bank is seeking to triple its capital base to accommodate surging demand for emergency loans from African states and businesses hit by falling export income and sharp declines in foreign investment and remittances.

Donald Kaberuka, the AfDB's president, will put the plans to the bank's annual general assembly in Dakar this week in one of the first tests of developed countries' commitments to financing an economic rescue package for Africa.

The Group of 20 industrialised nations agreed at last month's summit in London to \$50bn (£33.1bn) of aid, on top of existing commitments, to mitigate the impact of the global downturn through increased lending from international financial institutions, including the

World Bank, IMF and AfDB. Economic growth across the continent will fall to 2.8 per cent this year, less than half the rate forecast before the global slowdown began, the AfDB said in its annual outlook for Africa, published with the Organisation for Economic Co-operation and Development on Sunday.

In an interview with the Financial Times, Mr Kaberuka said the better performing African states had, in the current climate, been priced out of international capital markets.

The AfDB was, he said, therefore being called upon to play a greater role in keeping the engines of growth going. It is setting up a \$1.5bn emergency liquidity fund to address short-term funding gaps.

By the year's end it must also replenish its concessional lending arm, the African Development Fund.

"Because we are being called upon to do more in the private sector as well as sovereign lending we need a stronger capital base. "But also there are countries that were beginning to access the capital markets. Now they are coming to us. We are able to go to the capital markets and raise the money and we can onlend to them," he said.

On 2008 figures, the bank, which owes its triple-A rating to its large capital base and a track record for prudent lending, had total capital of \$3.6bn. An increase would require foreign donor shareholders to stump up more funds.

The proposals, which Mr Kaberuka said should match commitments made to the Asian Development Bank, are likely to foster a heated debate among African member states and foreign donors over how funds are allocated and the lending conditions are attached.

# Global Round-Up

GENEVA

**Call for "global jobs pact" amidst rising job losses** (SUNS, Jun 2) The International Labour Organization's ninety-eighth tripartite conference gets under way from 3-19 June amidst the latest ILO labour market projections showing a further increase in the

number of unemployed, working poor and those in vulnerable employment.

The conference is expected to consider an emergency "global jobs pact" designed to promote a coordinated policy response to the global jobs crisis. "We are seeing an unprecedented increase in unemployment and the number of workers at risk of falling into poverty

around the world this year," said ILO Director-General Juan Somavia.

Some 4,000 representatives of government, and employers' and workers' organizations will be attending the ILO conference. The agenda of the conference has been re-organized at short notice in order to focus on the global jobs crisis. The conference will discuss a range of measures and policies to promote employment and enterprise development, and extend social and other protection to persons affected.

In its latest Global employment Trends Update of May, released ahead of the conference, the ILO has revised upwards its unemployment projections to levels ranging from 210 million to 239 million unemployed worldwide in 2009, corresponding to global unemployment of 6.5% and 7.4% respectively. The ILO report projects an increase of between 39 and 59 million unemployed people since 2007, as the most likely range.

## LONDON

### Poor harvests keep tea on the boil

(Financial Times, June 8) Tea prices have hit record highs, rising almost 35 per cent in the past 12 months, because of the impact of simultaneous droughts in the main exporting countries. Sharp output falls in India, Kenya and Sri Lanka have come as demand remains robust in spite of the impact of the economic crisis, exacerbating last year's deficit. "Major black tea producing countries have continued to record lower production ... owing to dry weather conditions," said Sicily Kariuki, managing director at the Tea Board of Kenya, the industry regulator.

## MANAGUA

### Nicaragua can't afford to cut poverty rate

(IPS, Jun 9) The global recession, internal economic contraction and loss of vital international aid are further distancing Nicaragua, one of the poorest countries in the Americas, from the Millennium Development Goals (MDGs).

In late 2008 the president of the Central Bank, Antenor Rosales, forecast three percent GDP growth for 2009. In January he revised the estimate downward, to between one and two percent.

The non-governmental Nicaraguan Foundation for Economic and Social Development (FUNIDES) predicted in March that GDP would shrink by between 0.4 and 1.7 percent. It also estimated that between 30,000 and 50,000 people would lose their jobs, and

between 33,000 and 64,000 people would sink into poverty this year.

In this Central American country of 5.7 million, 47 percent of the populations live on less than two dollars a day, according to the United Nations.

The Nicaraguan economy is based on agriculture and livestock, and its main sources of revenue are exports of grains, meat and meat products, textile manufacturing, tourism, and remittances from workers living abroad.

## NEW DELHI

### India's cheapest car

#### rides on government subsidies

(IPS, Jun 5) India's Tata Motors, makers of the 'cheapest car ever made', say they have received more than a million bookings for the first batch of cars said to roll out of its factory in a few months.

But an internal document that was leaked to the media says the Gujarat government is providing Tata Motors subsidies worth a substantial six billion dollars for locating its plant in the western Indian state.

The company is a part of the Tata Group, an industrial empire with interests in steel, hotels, chemicals, computer software, telecommunications, energy and various consumer products, with an annual turnover exceeding 60 billion dollars.

The Nano is a rear-engined, four-passenger car aimed primarily at the Indian market. Pitched at between 2,500 and 3,500 dollars, the manufacturers claim the car provides affordable transportation together with a low carbon footprint.

Environmental activists and concerned citizens have argued that these would be tantamount to supporting relatively privileged sections of the second-most populous country on the planet and would go against principles of equity in the world's largest democracy.

With per capita income at 1,000 dollars, a bicycle is even today a prized possession for the poor while a two-wheeled scooter or motorcycle is what many middle-class Indians aspire for. While petrol is not directly subsidised, car owners (mainly middle and upper classes) pay very little or almost nothing for parking, on road tax or for cleaning the environment - in other words, their personal transport is indirectly subsidised.

**WASHINGTON****One in five American children sinking into poverty**

(IPS, Jun 3) U.S. children's quality of life is expected to decline through 2010 due to the impacts of the financial crisis, said a new report by the Foundation for Child Development (FDC), released on Wednesday. According to the report, progress in U.S. children's quality of life has fluctuated since 2002, and began a decline in 2008 as a result of the recession.

The Child Well-Being Index (CWI) is an annual evidence-based composite measure of trends over time in the quality of life for U.S. children from birth to age 18 conducted by Duke University's Foundation for

Child Development Child and Youth Well-Being Index Project. It tracks changes as compared to 1975 base year values.

This year, the Project also produced a Special Focus Report that offers projections of the impact the recession is likely to have on children's well-being through 2010, based on analysis of past recessions.

"America is doing a really bad job relative to other countries," said Reihan Salam, a fellow at the New America Foundation, referring to the well-being of U.S. children. The percentage of children in poverty is expected to peak at 21 percent and more than eight million children, or 27 percent, are expected to have at least one parent working full-time year-round in 2010

## Notice Board

**11<sup>TH</sup> ANNUAL STRATEGY MEETING OF AFRICAN INITIATIVES ON MINING, ENVIRONMENT AND SOCIETY (AIMES) JUNE 24<sup>TH</sup>-26<sup>TH</sup>, NAIROBI KENYA** The meeting will analyze developments in the mining sector such as the current policy initiatives in the mining sector, the effects of the global crisis and its implications on Africa development

**UN CONFERENCE ON THE FINANCIAL CRISIS JUNE 24-26, NEW YORK** The United Nations is convening a three-day summit of world leaders at headquarters to assess the worst global economic downturn since the Great Depression. The aim is to identify emergency and long-term responses to mitigate the impact of the crisis, especially on vulnerable populations, and initiate a needed dialogue on the transformation of the international financial architecture, taking into account the needs and concerns of all Member States.

**AFRICA UNION SUMMIT, JUNE 24-JULY 3, SIRTE, LIBYA** The theme of the 13<sup>th</sup> Ordinary Session of the African Union Summit of Heads of State and Government is: "Investing in Agriculture for Economic Growth and Food Security"

**G8 SUMMIT, JULY 8-10, LA MADALENA ITALY** The main agenda to be considered at the summit include dialogue with emerging countries, the achievement of millennium development goals, negotiations on climate change and the development of Africa on four (4) main issues (food security, global health, water, education)

**12<sup>TH</sup> AFRICA TRADE NETWORK ANNUAL MEETING JULY 28<sup>TH</sup>-31<sup>ST</sup> ACCRA, GHANA** The Africa Trade Network (ATN) will host a continental meeting of civil society on 'Africa and the Global Economic Crises'. The meeting aims to share analysis and build capacity of ATN members and fraternal African civil society organizations working on the issues of finance, trade and economic development in Africa on the converging and escalating crises of the global economy and their implications for Africa

**AFRICAN UNION WORKSHOP FOR PARLIAMENTARIANS AND CIVIL SOCIETY ON EPA, JULY 29-30, ADDIS ABABA**

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