

## **Policy brief. Economic Partnership Agreements and the African Continental Free Trade Area**

**Date: 1<sup>st</sup> July 2016**

As of June 2016, the Economic Partnership Agreements (EPAs) have been concluded – but not signed and ratified – in three (3) African regions, namely the East African Community, the Southern African Development Community and Western Africa. In addition, two (2) interim EPAs – the Central Africa and Eastern and Southern Africa EPAs – are being provisionally applied by Cameroon since 2014 and Madagascar, Mauritius, the Seychelles and Zimbabwe since 2012.

The EPAs will deliver uneven outcomes with, on the one side, gains for some African countries, mostly those that are not least developed countries, in a few agricultural sectors; and, on the other side, more generalized gains for the EU. Furthermore, studies show that the EPAs may have adverse effects on intra-African trade and could generate significant trade revenue losses for African countries. Nonetheless, efforts are being made throughout the EPAs to address these issues and mitigate the effects of liberalization of revenues, notably through the proposed setting up of EPA implementation funds in most of the African EPA regions.

At this juncture, under the Western Africa – EU EPA a commitment has been made to allocate around 6.5 bn EUR for the period 2015-2020 as aid for trade support to the Western African region.

### **POLICY SPACE FOR REGIONAL INTEGRATION**

Anchored in the economic and trade cooperation chapter of the Cotonou Agreement<sup>1</sup>, the EPAs pursue the objectives and principles of the former – as enunciated in the respective preambles – including by aiming “to foster smooth and gradual integration of the ACP States into the world economy, especially by making full use of the potential of regional integration and South-South trade”.

It is to be noted that provisions are laid down under the EPAs to maintain policy space for African States to conclude a free trade area between themselves without necessarily triggering the obligation to extend or deepen preferential treatment to the EU. However, due to significant differences arising from the different negotiations which established different degrees of liberalization commitments and lists of products excluded from liberalization, it may be difficult to align all the commitments when reaching the integration stage leading to an African customs union. At this point, renegotiation may be needed to ensure policy coherence.

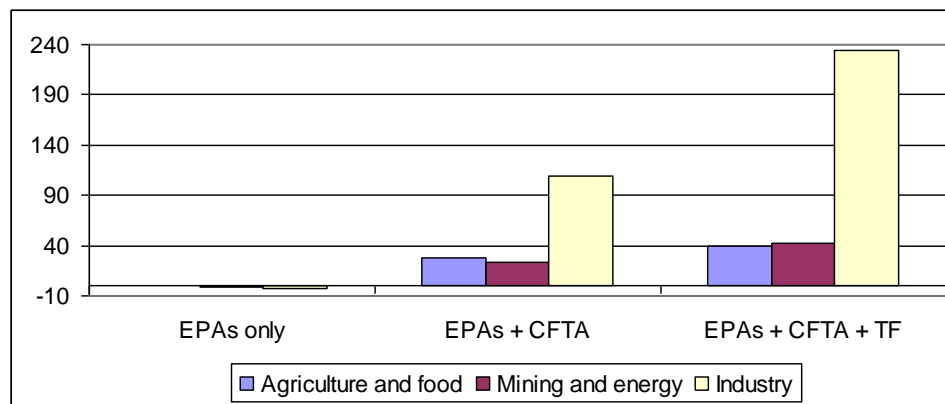
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<sup>1</sup>The ACP – EU Partnership Agreement, referred to as the Cotonou Agreement, was signed in 2000 in Cotonou, Benin, by 79 ACP States and the EU. The Agreement was revised in 2005 in Luxembourg, Luxembourg, and in 2010 in Ouagadougou, Burkina Faso.

## SMART SEQUENCING

The 2015 *Economic Report on Africa* by the United Nations Economic Commission for Africa (ECA) shows that deepening African economic integration in the context of the proposed Continental Free Trade Area (CFTA)<sup>2</sup> prior to the full implementation of the EPAs could offset the negative effects of those agreements on intra-African trade. However, this implies that the transition periods provided for under the EPAs are used to fast-track the regional integration of agenda of the African countries.

### Changes in intra-African trade by main sectors following EPAs vs. EPAs+CFTA vs. EPAs+CFTA+TF – USD bn - 2040



Source: Mevel et al (2015)

Detailed analysis on the impacts of the EPAs within the African context shows that, if fully implemented, not only would the CFTA offset the negative impacts on regional trade but would also boost regional trade with main gains in the industrial sectors. Should the CFTA be complemented by trade facilitation measures, it would further boost the positive effects and improve competitiveness of Africa's products.

## POLICY RECOMMENDATIONS

Maintaining policy space whilst negotiating international trade and investment agreements is crucial in order not to compromise the structural transformation efforts on the continent. This is especially relevant when negotiating bilateral and regional agreements with developed countries. In this light, Africa may consider adopting and using a continental negotiations template for such extra-Africa negotiations.

<sup>2</sup>The CFTA negotiations were launched during the Summit of Heads of State and Government of the African Union that was held in Johannesburg in June 2015. The negotiations aim at establishing a continental -wide free trade area by October 2017.

### FOR FURTHER READING

ACP - EU. (2010). Cotonou Agreement. *2nd revision*. Brussels, Belgium: European Commission.

AU, AfDB, & UNECA. (2016). Assessing Regional Integration in Africa VII. Addis Ababa, Ethiopia: UNECA.

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ECA. (2015). Economic Report on Africa. Addis Ababa, Ethiopia: UNECA.

ECA. (Forthcoming). Comparison on the provisions of the Economic Partnership Agreements. Addis Ababa, Ethiopia: UNECA.

ECA, & AU. (2015). Report on Economic Partnership Agreements. *African Ministers of Trade held in Addis Ababa, 8-12 May 2015*. Addis Ababa.

Mevel, S., Valensisi, G., & Karingi, S. (2015). Implication of EPAs for Africa's Continental Integration. Addis Ababa.