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The views expressed are those of the authors and do not necessarily reflect those of the United Nations.
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Abstract

Were African countries caught off-guard when they agreed to sign interim Economic Partnership Agreements (EPAs) towards the end of 2007? Are African countries hiding their head in the sand like the proverbial ostrich as they negotiate comprehensive EPAs? These are some of the crucial questions that need to be answered in order to understand the dynamics of the EPAs negotiations and the direction they are likely to take as pressure builds for countries and regions that initialled interim agreements to sign and ratify them and for those countries and regions that did not initial to expeditiously conclude comprehensive agreements.

In a departure from some previous studies on the EPAs negotiations that have focused on economic analysis; this paper starts from the premise that for the EU, the EPAs are international trade policy tools in the same line as its previous regional trade agreements (RTAs). In order to support the premise that the EPAs are classical RTAs after all, the paper provides results of a legal audit of the interim EPA agreements that were signed in the different African regions, despite there being in existence a common African position on the minimum elements of the agreements. In particular, the paper zeroes in on the African common position with respect to some of the issues such as the regional integration agenda, and argues that in a globalizing world, EU national interests could have overridden the African Union integration agenda leading to the fragmentation of the previously defined EPA groupings. By looking at the legal provisions of the interim agreements, the paper shows that the balance is tipped in favour of the trade elements with weak development provisions, as one would expect from a framework that from a strategic point of view is framed to eventually create free trade areas.

But should Africa be worried if EPAs are classic RTAs and should the African negotiators change tact as they expend energy towards conclusion of comprehensive EPAs? This is the other major contribution of the paper as it looks at previous agreements of a North-South nature that the EU has entered into as part of its international trade policy and analyses the kind of outcomes that have been achieved especially by the developing countries partners. By drawing lessons from EU-South FTA agreements with selected African and Latin American countries, especially those that have completed the transition periods of the agreements, the paper shows who should worry and who should not and why with regards to EPAs. The paper also points at those areas where the African negotiators should focus on, based on the analysis of economic and social outcomes of already existing FTAs between the EU and its other trading partners in the South.

I. Introduction: What Africa expected from the EPAs

The Economic Partnership Agreements (EPAs) are only the last of a series of agreements regulating the political and economic relations between the EU and the ACP countries. The first of those was signed in 1976 and then followed by similar five-year agreements, known as the Lomé Conventions, granting preferential access to the EU market for ACP exporters, without requiring them to reciprocate. As noted in Meyn (2008), the major reasons for the limited success of the Lomé Agreements were identified in the supply-side constraints of the ACP countries, the missing emphasis on 'good governance' and institution building and the unilateral character of the preferences, which contributed to highly protected, non competitive economies. In 2000 the EC proposed a new trade and development regime, the Cotonou Agreement, with the central objectives of reducing poverty, and promoting the sustainable development and gradual integration of ACP countries into the world economy. The Cotonou Agreement, which covers the period 2000-2020, comprises of cooperation in three pillars: political; development; and economic and trade cooperation. Under the economic and trade pillar, the EU and ACP agreed to conclude new trading arrangements compatible with WTO provisions, which would be called EPAs.

The expectations of the African countries on the EPAs are built upon their guiding principles, which should be (Levantis et al. 2005; Karingi et al. 2005):

- Development: EPAs should be oriented towards facilitating sustainable development and reducing poverty in the ACP countries.
- Reciprocity: all trade restrictions between the parties are to be progressively removed, leading to a bi-regional free trade area.
- Regionalism: increased regional integration within groups of ACP countries is seen as a step toward greater integration in the world economy and this principle guided the idea of having groupings of ACP countries to negotiate with the EU.
- Differentiation: the EPAs are to include a strong component of special and differential treatment, taking into account differing circumstances and stages of development for ACP countries.

Consequently, the specific objectives of the EPAs are to focus on development, market access, regional integration, and to establish a legal framework for promoting trade and investment. As this study will show, such principles hold some promises for ACP countries, but also some risks, and the final outcome will depend on what the final EPAs weighed more between the development and regional integration dimension and the market access question.

In particular, in the EC vision, the reciprocity of preferential access under the EPAs would bring a wider variety of cheaper goods and services to consumers in ACP countries, while guaranteeing the

compatibility with the WTO rules on the basis of a different principle from the ‘enabling clause’,¹ (South Centre 2007b and 2007d). Nevertheless, such reciprocity has been shown to lead to trade diversion. This trade diversion has been of two forms (see Perez and Karingi 2007 and Karingi et al. 2005). On the one hand, trade between ACP countries in the same EPA grouping is likely to be displaced. At the same time, without coordination of the common external tariffs and list of sensitive sectors, intra-ACP groupings trade is also diverted. On the other hand, some of the trade between non-EU and ACP countries will also be diverted to the EU.

As to regional integration, the EU claims that the EPAs could bring some progress on the issue of overlapping membership and persistent barriers to intra-regional trade. By requiring the negotiating groups to adopt single starting lines or common external tariffs on the basis of which to make their market access offers to the EU, regional EPAs should contribute towards economies of scale, stimulate investment and increase domestic competition and promote the diffusion of technology. Moreover, the presence of EU within each EPA grouping should enhance the credibility of integration initiatives and increase the attractiveness of ACP economies, while the incentives of financial aid and technical assistance should encourage political support for regional integration (South Centre 2007a). However, if African countries do not establish regional markets before opening to the EU imports, there is the risk to substitute previous efficient regional suppliers with less competitive EU markets and to undermine any opportunity to develop industries in goods that can be traded regionally (Christian Aid 2007).

From an African perspective, the EPAs must be ‘economically meaningful, politically sustainable and socially acceptable’ (Bilal & Grynberg 2007). Specific details on what the African countries want from the EPAs are contained in a set of decisions and declarations known as “the Common African Positions”.² As ECA 2008 legal audit of the interim EPAs has shown, the negotiations did not always adhere to all the aspects of such Common African Positions, with the result that there are differences in key areas of the agreements that may not necessarily reflect regional specificities. The main problem faced by all African groups is that of different trade regimes within a negotiating group. For example in the case of SADC EPA, South Africa has been treated differently in many issues, because the EU considers it to be relatively advanced in development over the other countries and it already has trade relations with the EU under the TDCA. The key element of the Common African Position can be summarised as follows:

¹ The ‘enabling clause’ provides for the granting of trade preferences so long as they differentiate between countries according to their level of development.

² The Common African Position is based on the Declarations on Negotiations for EPAs, adopted during the Conferences of Trade Ministers of the African Union held in Mauritius (2003), Cairo (2005), Nairobi (2006) and Addis Ababa (2007, 2008), and on some decisions on EPAs endorsed by the African Union Executive Council of Foreign Ministers and the Assembly of Heads of State and Government.

Main accent on the development dimension

The EPAs should serve as instruments for development and poverty reduction, as agreed in the Cotonou Partnership Agreement.³ Most ACPs agree that larger regional markets and increasing export opportunities are necessary but yet not sufficient factors of potential development. The emphasis should be placed on the need for urgent and easily accessible substantial additional resources for building supply capacity, infrastructure development, diversification, competitiveness of African economies and to deal with anticipated adjustment costs (AU 2005). Furthermore, in order to maximize the benefits from market access opportunities more attention should be paid to agriculture and to building competitiveness of African countries (AU 2006). The EPAs should also foster the adoption of trade institutional reforms, which are an indispensable precondition success in the African countries, constrained by excessive regulations that hinder them from taking advantage of trade (Borrmann & Busse 2006). However, as noted by some authors, the EPAs limit their action to establishing binding regulations in the areas of trade, investment and other trade-related issues, but do not consider effective institutions to be a prerequisite for gaining from EPAs (Meyn 2008).

Priority to own economic integration programmes

If priority shifted to EPA away from the other integration programmes, the integration process could stagnate or be set back. Projections are that with reciprocal trade under EPAs, intra-Africa trade will be reduced by up to 16%; and that European imports will displace intra-regional exports (AU 2007). If the negotiating groups adopted single starting lines as proposed by the European Union, or became customs union under EPAs, this would undermine or conflict with the programmes for the recognised RECs, whose membership does not follow the EPAs grouping. According to the African Union, the preferred scenario would be for Africa to have a common front in relation with third countries including the European Union. In practical terms, this would require an African Customs Union or Common Market as envisaged in the Abuja Treaty, or at least an all-Africa EPA configuration, as second best. Above all, Africa has called for the consolidation of regional markets, including building of regional infrastructure, promoting of inter-connectivity, and strengthening of common markets through elaboration of regional regimes in trade-related areas such as investment (AU 2007).

³ According to the Cotonou Agreement the EPAs should be devoted among other things to 'enhance the production, supply and trading capacity of the ACP countries as well as their capacity to attract investments; strengthen the ACP countries trade and investment policies ; improve the ACP countries' capacity to handle trade-related issues (Cuello Camilo, 2006).

Flexibilities in according trade preferences

Article XXIV of GATT⁴ needs to be appropriately amended to allow for necessary special and differential treatment, less than full reciprocity principle and explicit flexibilities that are consistent with the asymmetry required to make EPAs pro-development. On this point, the Nairobi declaration denounces the fact that market access openings have been significantly undermined by health, sanitary and phytosanitary, technical and market standards requested by the EU partners, well beyond what would be legitimately appropriate (AU 2006). Conversely, services and the other three Singapore issues of investment, competition policy and transparency in government procurement should remain outside the ambit of the WTO - EPA negotiations (AU 2005).

Additional Financing and an adequate pace of negotiations

Since the implementation of the EPAs will require significant adjustment efforts within a relative short timeframe, there is the urgent need to mobilise adequate resources on a stable and predictable basis in addition to the European Development Fund, which is constrained by existing priorities and complex procedures (AU 2007). The proposal is to create an additional EPA financing facility at national and regional levels, which should provide funds for dealing with the loss of fiscal revenues, restructuring of the domestic industries and promoting the institutional development required to meet the high costs associated with food and safety standards (Bilal & Grynberg 2007). As to pace of negotiations, in a recent proposal to the WTO, ACP governments have also asked a transition period of 18 years, considered as the minimum to let the negotiating groups harmonising the EPAs' texts.

⁴ Such article allows WTO members to enter a trade relationship with the obligation of liberalising trade between them without extending benefits of that relationship to all other WTO members.

II. What have the Interim EPAs offered?

The EPAs negotiations launched in September 2002 were set to conclude by the end of 2007. However, the first three years passed without significant progress, as the two sides could not agree on basic points of principle. Each of the four negotiating groups of Africa negotiated separately with the European Commission, with the risk of concluding group EPAs that are inconsistent with each other or even that contradict the continental programmes for economic integration. As of June 2008, 35 ACP countries out of 79 had initialled the new trade arrangements with the European Union, with the scope to replace the Cotonou preferential trade regime, supposed to expire on 31 December 2007.

UNECA (2008) provides a comprehensive analysis of the existing interim EPAs initialled by the EU with SADC, ESA, Ghana, Cote d'Ivoire, Cameroon and EAC countries. They are full international agreements, legally binding, under WTO rules and cannot be challenged by WTO Members. Each interim EPA is unique because it was negotiated with specific ACP region with its own unique mix of LDCs and non-LDCs, particular interests and integration plans. The extent of regional coverage also varies as well as the degree of comprehensiveness (EC 2008). Nevertheless, all the interim EPAs have provisions on objectives and principles, trade in goods and development cooperation. They all address also the mandate for continuation of the negotiations, institutions and dispute settlements.⁵

As underlined in UNECA (2008), the present interim EPAs all share the same objectives, which focus on:

- development aspects, such as poverty eradication, gradual integration into the world economy, economic adjustment and diversification, building trade policy and trade related capacity, establishment of legal frameworks consistent with WTO rules;
- maintaining and promoting market access for ACP products into the EU markets;
- promoting regional integration in ACP regions;
- a legal framework for promoting trade and investment; and
- promoting solidarity and mutual interest between ACP countries/regions and EU.

The fundamental principle shared by all the Interim EPAs is that they should build on the achievements of the Cotonou and previous ACP-EU agreements, especially for what concerns the areas of regional cooperation and integration and trade and economic cooperation. In addition, the EAC EPA includes also the principle of contributing to addressing the production, supply and trading capacity of the EAC,

⁵ ESA and EAC have substantive chapters also on fisheries, with the aim of promoting investment, capacity building and improved market access into the EU for the fishery sectors of East African and Southern African countries.

without referring to special and differential treatments for LDCs, as contained in ESA EPA. The SADC EPA additionally contains the principle that for South Africa the TDCA shall apply.

As to development issues, there are clear different approaches identified in the UNECA (2008) study. The ESA interim EPA comes out as the most detailed in provisions on economic and development cooperation.

Besides the development issue, the market access provisions on trade in goods are fundamental in all the interim EPAs. They are aimed at ensuring the continuation of importation into the EU markets of ACP products on terms that were better than those that would have applied in the absence of the agreement. As UNECA (2008) argues, the market access provisions directly affect the regional integration processes, especially for the establishment of free trade areas and customs unions at the regional level. In particular, the scheduling of tariff elimination for EU imports varies from EPA to EPA.

All interim EPAs provide for some general, security and taxation exceptions as detailed in the legal audit of these agreements (see UNECA 2008). Regarding the dispute settlement, the EPAs take two main approaches: a brief one as in the case ESA and EAC and a more detailed one in the case of the interim agreements. But as noted in ECA (2008), none of these approaches is as detailed as the WTO dispute settlement system.

A major critique on the interim EPAs initialled by African countries has been that they don't satisfactorily reflect the common African positions in some of the important aspects. Moreover, the European Commission negotiators don't seem to have shared the same understanding as the African negotiators on key issues.

First of all, the two sides have arrived to the negotiations with differing interpretations of the development component (Katjavivi 2007; Meyn 2008).

The EC view development mainly as a process of trade liberalisation and of adopting rules that prohibit discrimination against foreign investors. Therefore, the EC has insisted on African negotiating groups adopting common external tariffs and eliminating tariffs to all imports from the EU (AU 2007). On the other hand, Africa has argued that economic liberalisation by itself cannot guarantee development and that the current interim EPAs should address the development concerns regarding supply-side constraints, infrastructure bottlenecks and adjustment costs by providing adequate financial and technical resources, full market access to European market for African goods and services providers and policy space and flexibility for implementation of development programmes (AU 2006). But the request of the ACP countries for binding commitments on EU development support, aimed at responding to supply-side constraints and diversifying the production base, has not yet been fulfilled.

Moreover, several concerns had been raised by the Caribbean, as the EPAs do not address most of the main developmental problems. So, the EPAs do not guarantee a special protection to the agricultural sector, nor the regulation of migration flows and a special program supporting the SME. They neither address the lack of adequate infrastructures and appropriate institutions (Taubira 2008).

Despite various provisions which make explicit reference to the issue, such as those that provide for harmonisation of customs legislation and standards at the regional level, the question of regional integration in Africa is negatively affected by the differences from one interim EPA to another, especially where countries in different groupings are also engaged in a common integration agenda under the regional economic communities.

As EC 2008 argues, the new trade arrangements ensure that there's a new duty-free trade regime covering the vast majority of ACP countries, with no more differences within the region among LDCs paying no duties on their exports to the EU and other non-LDCs paying such duties. But in practice, the regional component of the EPAs betrays an inherently Eurocentric view of the world and does not take into account the unique difficulties faced by the ACP countries (Meyn & Stevens 2007). Indeed, despite the Cotonou Agreement, which clearly states that the EPAs should be negotiated with regions 'which consider themselves in a position to do so at the level they consider appropriate', the EC is pushing ACP regions to submit uniform regional liberalisation offers which at a minimum require countries to have agreed on a common external tariff.

A valid perception and fear though is the lack of coherence between the EPA agenda and the regional integration processes in Africa. This is exacerbated by difference in membership in the EPA groups to that of the regional economic communities. In addition, the splintering of existing regional groups and the pace of the negotiations is causing difficulties in the harmonisation of liberalisation schedules and product exclusions lists (South Centre 2007a). In some of the sub-regions such as West and Central Africa, not all the countries in the respective EPA grouping initialled the respective EPAs. In which case, those that initialled might be obliged to meet their preferential offer commitments to the EU. The EAC is an exception in that the five members have agreed to the same liberalization schedules, something that has the potential to strengthen integration of its economies. But in all the other cases,⁶ the lack of integration among signatories countries could potentially undermine regional harmonisation and result in new barriers to intra-regional trade. For example, if Kenya does not liberalise flour while Ethiopia removes all duties, traders may circumvent Kenya's restrictions by transporting cheap (and

⁶ For example, in Southern and Eastern Africa, countries that are party to the SADC Trade Protocol have split into three EPA groups: SADC, ESA and Central Africa. Sixteen of the member states of SADC and COMESA are negotiating with the EU under the banner of the Eastern and Southern Africa (ESA) Group; the Democratic Republic of Congo is negotiating in the Central African Group; while the remaining members of SADC (Southern African Customs Union members Botswana, Lesotho, Namibia, and Swaziland, together with Angola, Mozambique, and Tanzania) are negotiating a completely separate EPA in the SADC Group.

possibly dumped) goods imported from the EU across the border from Ethiopia. In the event that ACP countries are unable to agree upon common exclusion lists, which is very likely since ACP countries have different priorities regarding the sectors they wish to protect from import competition and to preserve for the generation of tariff revenues, rigorous border controls would have to be maintained to differentiate between goods originating regionally and goods originating from the EU. The imposition of these time-consuming customs procedures and costly rules-of-origin checks would reinforce barriers to intra-regional trade rather than reduce them. Under these circumstances, an EPA could result in the creation of greater barriers to integration. Moreover, also the presence of both LDC and non-LDC countries within EPA negotiating groups is likely to produce difficulties for regional integration initiatives, since the LDCs already part of the EBA arrangement have little incentive to sign a further free trade agreement. But in practical terms, LDCs that chose to remain outside an EPA would only be able to prevent the de facto liberalisation of their markets if they also erected barriers against their neighbours.

The hidden dangers that free trade agreements with the EU pose for regionalism are illustrated by the following cases.

Although South Africa is a member of SACU, it has signed a free trade agreement with the EU — the Trade, Development and Co-operation Agreement (TDCA). While the agreement did not formally include the other members of SACU — Botswana, Lesotho, Namibia, and Swaziland — it has had a clear impact on them, making them de facto members. Because of the SACU's common external tariff, the four countries will be forced to reduce their tariffs on imports from the EU at the rate agreed by South Africa, unless they are able to retain robust and costly border controls to filter out EU-originating goods coming into their country via South Africa, a task which requires great human and institutional resource.

Moreover, Namibia has expressed several fears about the SADC EPA negotiations, as besides possible damages to the agro-industrial sector, it requests the free movement of goods within the SADC EPA states, without taking into consideration the current regional trade arrangements under SACU (Rumpf 2008). Similarly, ECDPM (2008) observes the fact that Cote d'Ivoire and Ghana have signed an Interim EPA as the principal challenge for regional integration for Central and West Africa. Countries, which currently do not belong to an EPA, will reduce none of their tariffs towards the EU, maximizing the incompatibility between their trade regimes and those of Cameroon, Cote d'Ivoire and Ghana. Similarly, the Eastern and Southern Africa (ESA) and the Southern African Development Community (SADC) states have initialled a single agreement but there is considerable dissimilarity in the country liberalisation schedules and exclusion baskets.

In the area of trade-related issues, in particular competition policy, South Centre (2008b) observes that the provisions of the interim EPAs are too narrow and detrimental for developing countries. Despite being a fundamental instrument in the promotion of more transparent, efficient and open markets, too

strict competition provisions are not good in early stages of development given that developing countries are affected by strong information asymmetries and lack of mature markets, well-developed independent private actors and the capacity and the resources to enforce contracts, conduct investigations, monitor markets and impose sanctions.

As underlined in the ACP submission to the WTO on April 2004, the EPAs should incorporate a special and differential treatment (SDT) for ACP countries, according to their level of development, providing a sufficient 20 years or more transitional period, a favourable methodology or lower threshold levels for measuring the final trade coverage, special discipline for the sensitive sectors, and asymmetry in terms of timetables for tariff dismantling. On the other hand, the EC and WTO members have replied that a strict adherence to art XXIV of GATT is more development-friendly than the asymmetry claimed by the ACP countries, that this article provides already a certain level of flexibility with respect to the MFN principle and that the introduction of SDT should be discussed only once the substantive core discipline will be defined (Onguglo & Ito, 2007).

Another controversial issue is the lack of improved market access. Even though 97.6 % of ACP exports entered the EU market in 2006 as duty -free, the EU was not prepared to grant full duty and quota free market access to ACP countries in 2008. Moreover, the EC failed to present its 'simplified rules of origins'.

In addition, ACP countries failed to agree on 'WTO plus' commitments. Many countries were reluctant to submit a compatible services offer and also raised concerns over binding provisions for public procurement, investment and capital movement, competition policy and intellectual property rights. In their view, none of these provisions were necessary for bringing EU-ACP relations into line with the WTO commitments and should therefore be negotiated on a case-by-case basis.

III. Why EPAs are classic RTAs

The resilience of RTAs

Despite major multilateral liberalization being considered as superior, powerful actors like the EU and the US are also engaged in regionalism which tends to be controversial in economic and policy circles, especially for reasons linked to the fact that preferential trade arrangements are by their very nature discriminatory.

Plummer (2007) provides a good picture of the existing debate on regionalism versus multilateralism especially why countries adopt FTAs, which are second-best policies, when the first best policy can be achieved through multilateral negotiations. Yet, regionalism and multilateralism could be consistent and even reinforcing, as is the case in Africa. As some of the studies have shown, some regional agreements can create more trade than they divert, and this might have supported the expansion of regional trading blocks. Furthermore, most of the regional trading agreements have been negotiated in the recent past, when international trade and investment have boomed, suggesting that they are not incompatible with multilateralism.

One need not forget the argument as elaborated in Lee and Park (2005) that an RTA can act as a building block to multilateral free trade if they involve a net trade creation effect, which is highly dependant on the choice of the right partner. Including the largest possible grouping of countries that have a higher share of pre-RTA trade and a non-uniform pre-trade tariff structure could lead to net trade creation effect, an argument that supports the idea of the EPAs. Other preconditions are the non-discriminated tariff reductions among members, following a definite time schedule and without raising barriers against non-members, and a deeper integration that mitigates potential causes of conflict between RTAs and multilateral trade arrangements.

Pomfret (2007) downplays the concern with the proliferation of RTAs by observing that the dramatic increase in regionalism are based on faulty measures, such as, the increase in number of RTAs notified to the WTO or the share of world trade conducted under the RTAs. However, Pomfret (2007) avers that the new form of regionalism, which the study refers to as deep integration, has the potential to be welfare-improving by reducing non tariffs barriers to trade and by cutting behind-the-border trade costs. Moreover, the study also notes the added advantage in establishment of regional agreements as they allow controversial areas to be agreed compared to in global agreements. Bradford et al. (2006) argue that bilateral and regional free trade agreements increase the trade among members both through trade creation (increased trade as a result of relative efficiency) and through trade diversion (increased trade as a result of privileged access). And so, as underlined by Bergstrand et al. (2008), while most free-traders would argue that multilateral free trade in goods and services and barrier-free foreign direct investment is

optimal for the world, the reality is that regionalism has developed hand-in-hand alongside multilateral liberalisations promulgated under the GATT.

An important point worth noting is that RTAs have important disadvantages, such as the involvement of interest groups in the design of the agreement. Interest groups can shape the RTA to their own benefit, which is not necessarily the national benefit. Moreover, as Pomfret (2007) observes, trade diversion is often more politically acceptable than trade creation, as the losers from trade diversion (domestic tax payers and non-preferred foreign suppliers) have little impact on the policy making process. On the other hand, the costs from trade creation are borne by domestic producer interest. But one of the main disadvantage of RTAs is the concern with the 'spaghetti bowl' character of regionalism especially in Africa because of the attendant problems in terms of geographical space coverage, diversity, overlap and contradictions associated with a country's having many different preferential trading agreements. However, through observance of Article XXIV of GATT, some of these problems can be minimized. But, it is worth noting that diversity of WTO membership ranging from LDCs to advanced developed economies has meant that harmonization of rules and policies under the WTO as in the case of those rules governing RTAs has proven to be extremely difficult. Furthermore the regional agreements are supported because of their ability to drive integration and cooperation in areas that have been neglected by the WTO, in terms of tariff, non-tariff and non-border measures. Yet it is these WTO-plus issues that are major areas of contention in regional trade agreements such as those involving developed and developing countries together.

Plummer (2007) also highlights the arguments that non-discriminatory unilateral liberalisation could lead to trade creation and no trade diversion. But quickly adds the contrarian argument that the fact that foreign markets are left untouched would suggest that the welfare gains would be limited. Thus, the FTA could be superior to unilateral liberalisation if the gains in terms of increased national welfare due to foreign reductions in tariff barriers were greater than the losses due to trade diversion. This argument is well captured in Wonnacott et al. (2005) who underline the reasons why a single country engages in RTAs rather than simply cutting trade barriers unilaterally. Essentially, an FTA provides economic benefits that the unilateral move cannot, namely the economic gains on the export side from reciprocity because of the removal of foreign barriers between partners. It is true that in theory unilateral initiatives can lead to a reduction in barriers against imports also from non-partner countries and insure against the FTA trade diversion. In an RTA however, a small country with no unilateral terms of trade influence can improve its terms of trade, by persuading its large partner, whose barriers do affect the terms of trade, to reduce its tariff. In addition, a FTA can be preferred because of the stronger support from exporters eager for improved market access and the lower adjustment costs deriving from the less competitive pressure.

The EU EPA template informed by global RTA “best-practices”

Review of the arguments as to why FTAs exist even though they are second-best lead Plummer (2007) to conclude that the FTAs are appealing because they are able to generate significant gains in terms of economic efficiency, beyond what any realistic multilateral approach could possibly hope to generate, if “best-practice” is adopted in their design. And what are those best practices? These include the comprehensive coverage of goods and services. The believers of regionalism would then urge that the priority be given to telecommunications, financial and education services, which are traditionally very difficult to liberalise multilaterally. Then, they also advocate for low and symmetrical rules of origins and minimal barriers to trade.

By having a closer look at these best practices and what the provisions of the interim EPAs currently portend, one is left with no doubt that they are classic RTAs. In deed, the experience of the EU from negotiating FTAs whence it could have been able to build institutional capacity on an FTA “best-practice template” may be seen as likely influencing its negotiating stances in most of its regional trading agreements, including in the EPAs and its desire to include WTO-plus issues, such as government procurement, competition policy, and investments.

A quick review of the best-practices as captured in the literature for efficient and optimal FTAs vis-à-vis common African positions on EPAs clearly show some areas where best practice run counter to some of the positions. Suffice to note that in some aspects they are compatible, such as the requirement that the rules of origin should be as low as possible and symmetrical. But this has remained an issue of contention in the EPAs negotiations. This despite the empirical results suggesting that stringent rules of origin could have important trade diversion and investment diversion effects, with potentially high costs to non-partners. They would also be distortionary in terms of technology choices and may result in investment decisions being based on locations rather than efficiency.

A reflection based on the legal audit of the interim EPAs point clearly to attempts to have the agreements aligned to all the other best practices. For instance, customs procedures should follow global best practices and GATT/WTO consistent protocols. The intellectual property right protection guidelines should be non discriminatory and consistent with TRIPS and related international conventions. In this respect, regional trading agreements are seen as opportunities to lock-in policy reforms or as instruments to modernize customs laws, regulations, administrative guidelines and procedures as the US-Vietnam Bilateral Trade Agreement attest. The EU could also be seeing the EPAs as instrument to achieve similar outcomes in the African countries.

Another perceived global best practice is in the issues of investments whereby provisions related to FDI should embrace national treatment and non-discrimination. This is evident in the interim EPAs. The interim EPAs also point to the desire to have transparent and fair anti-dumping procedures, and hope

that the comprehensive agreements could achieve well-specified and effective process e.g. in Government procurement.

Similarly, in classic RTAs driven by the perceived global best practice, competition policies should aim at creating a 'level playing field' for both locals and partners and they should not put non-partner competition at a disadvantage. This is clear in the direction that the EPAs negotiations have taken. The technical barriers to trade should be kept to a minimum, with clear and transparent mechanism for determination of standards. This way, RTAs in as far as they involve few countries, are seen to possess the potential to achieve far deeper means of integration and progress in this area.

Interestingly, once the EPAs are concluded in the philosophy of classic RTAs, it will not be difficult to have them institutionalized. Indeed, there is political economy analysis derived evidence that points to the fact that the interim EPAs and subsequently the comprehensive EPAs could be quickly institutionalized to avoid reversal and this may explain the urgency to initial, ratify and sign agreements. Lusztig and James (2006) using an expected utility model explain why controversial free trade agreements so often become institutionalized. Essentially, they show that reversing to a less free trade policy in this case would lead to political benefits obtained from the general public's perception of consistency and honesty in policy articulation. Moreover, other benefits would be safety against left-wing outbidding, support from the inflexible rent seekers and macroeconomic benefits from re-employment in once protected industries. However, such benefits are more than counterbalanced by the associated costs. First of all the macroeconomic losses from distorting trade, reduce standing with the business community, potential right wing outbidding and retaliation by former partners to trade liberalisation. One would then expect that to avoid policy reversal, EPAs would become quickly institutionalized, even as classic RTAs.

There is also a political economy motivation why the EPAs, even as classic RTAs are likely to be quickly institutionalized. This motivation is well captured by Estevadeordal and Suominen (2008) arguments on how interstate cooperation can enhance further cooperation. Using a dataset of trade and cooperation agreements, involving especially EU and US, they find that all states today belong to a cooperation agreement of some kind, even though states cooperate disproportionately more in the domain of trade than in other domains. Alluding to political economy arguments, at least three reasons are advanced why trade agreements can be a vehicle of future cooperation in other domains, pointing to a motive for agreeing and even implementing EPAs even as classic RTAs.

First, the EPAs as contemporary trade agreements are also likely to be multifaceted than are many other types of international agreements, so that they could open ample opportunities for states to engage in issue-linkages and log-rolling. Secondly, the positive externalities of trade agreements, such as expanded markets, can augment the policy salience of regional rules and regulations, awakening latent interests in the member states to demand further cooperative agreements. Moreover, if and when trade agreements spur institutional efficiency in the member states they can render the members increasingly attractive as

future cooperation partners. Thirdly, trade agreements can produce negative externalities, such as border congestion and air pollution, which can give rise to demands for cooperation in other domains, such as for regional transportation networks or environmental protection. Lastly, trade agreements can then spur demand for a host of regional public goods which, given their public goods characteristics, require formal frameworks for regional cooperation.

Egger et al. (2007) explain the rationale behind the attested preference for bilateral trade and investment agreements. In this model, multilateral liberalisation is preferable for both developed and less developed economies only if the latter are endowed well enough with capital. This is not the case for the African countries. Otherwise Egger et al. (2007) argue that the developed countries will prefer bilateral liberalisation with developed economies, which can let them attract FDI and reduce the risk that foreign firms would relocate their plants to a third economy. Similarly, the developing countries oppose further promotion of multilateral trade, as it inevitably leads to a redirection of trade and investment to the capital abundant countries. As an alternative, the developing countries engage in bilateral agreements as they could help them to exploit their comparative advantage at the largest possible extent, through a consistent trade redirection effect. Moreover, developing countries expect to gain from bilateral liberalisation with other developing countries only if capital and skilled labour are not too scarce in either of them, so as to stimulate bilateral FDIs. But the EPAs are bilateral agreements between developed and developing, which make the results in Egger et al. (2007) uncertain.

Interim EPAs mirror characteristics of previous RTAs involving the EU

As of November 2005, 40 out of the worldwide-notified RTA notified to the WTO directly involve the EU. Maur (2005) gives an exhaustive overview of the main characteristics shared by all the RTAs signed by the EU. An evaluation of the EU RTAs provides some basis upon which to conclude whether the EPAs are basically classic RTAs. As classic RTAs, then the negotiations would have to be concluded with the expectations of such agreements in mind, rather than the current view that they will be development tools, as interpreted by the ACP countries, including the African region. Maur (2005) provides a useful reference point for understanding the interim EPAs by looking at the characteristics of some of the RTAs that EU has entered in the past. This evaluation vis-à-vis the audit of the interim EPAs (see UNECA 2008) confirms that the EPAs could be pointing towards classic EU negotiated RTAs. So, what are some of the characteristics of the RTAs that the EU has negotiated in the past?

As Maur (2005) notes, all the European RTAs set as fundamental objective regional trade cooperation among partners. This is seen in the Euro-Mediterranean Association Agreements (EMAAAs), where the signing of South-South RTAs was set as the pre-condition for further concessions in the EMAAAs. The Cotonou agreement of June 2000 also sets 'the regional trade integration process within ACP countries' as one of the conditions for negotiating Economic Partnership Agreement (EPAs) with Europe.

In addition, the EU imposes its classification of products and the same set of preferential rules of origin in all its trade agreements. This can be understood as an effort to minimize the costs of implementation. The EU is also trying to make partner countries to use similar rules of origin within regional agreements. An interesting result of this trade policy aspect has been the creation of tariff quotas where they did not exist (e.g. Algeria, Egypt, and Chile). In the area of trade facilitation, the EU offers access to its standards and procedures but the provisions are limited to the simplification of customs procedure.

The EU FTAs also hope to achieve a harmonization with the EU technical barriers to trade (TBT) regulation and procedures. In the aspects of sanitary and phytosanitary measures (SPS), such harmonization is not specific in EU legislation. And in the contentious area of competition policy, most European agreements envisage more extensive coordination of competition standards, with reference to EU model and law enforcement mechanisms. And with regards to the trade-intellectual property rights, the provisions contained in the EU agreements go beyond what is required by the TRIPS agreement and call for the adherence to the highest international standards.

The observation that one makes from the foregoing is that the influence of EU is limited to what can be seen as its classical trade issues, i.e. issues contained in its existing trade agreements and which seem to be informing the EPAs negotiations. Furthermore, given the uncertain outcome of negotiations at the multilateral negotiations under the Doha Development Agenda, the EU could find the EPAs as an appropriate framework in its participation in the regionalism movement, which happens to currently constitute the most significant trend in international commercial policy.

Antkiewicz and Whally (2005) capture the likely direction that the EU might steer the EPAs. The study notes that the present international negotiations are a two-tier trading system. On the top tier is the common multilateral disciplines involving all countries and largely reflecting the interests of large powers in their arrangements with each other. In the second tier are the regional disciplines going beyond multilateral arrangements and reflecting the dominant interest of large power in any given smaller market. And in recent times, besides the EU and US typology, a third set of agreements seem to characterize the early Chinese regional negotiations, which are considerably more focused on the conventional WTO spheres of trade in goods and services, without paying attention to special sectoral arrangements, possible tax harmonization, innovative dispute settlement, coverage of environment and financial integration.

It is not surprising therefore to conclude that the interim EPAs, based on the foregoing are classic FTAs as suggested in UNECA (2008). Similarly, Stevens et al. (2008) draw the conclusion that the present interim EPAs are simple FTAs lacking efficient provisions in term of broader development. From the perspective of the EU, and in line with the global best practices in FTAs, EPAs will foster development mainly through trade liberalisation and the creation of the right policy framework to attract investment. In addition, by building on the ACP regional integration processes, EPAs should contribute to the establishment of effective regional markets in the ACP, thus attracting and stimulating both domestic and foreign investment, a necessary condition for sustainable development.

Yet, the African countries, in line with the ACP perspective, do not see how classic RTAs as interim EPAs point towards, could foster development. While most of the ACP states would agree with the EU on the development opportunities offered by an EPA, they tend to consider trade liberalization and regional integration as necessary, yet far from sufficient conditions to foster development and alleviate poverty. As Stevens et al. (2008) note, if an EPA is to promote development, this objective must permeate all aspects of the EPA agreement. The EPA must also be accompanied by appropriately arranged financial support to address supply-side constraints as well as measures to mitigate the related adjustment costs. These are conditions that are not part of the global best practice on RTAs. It is therefore not surprising that while the EC recognises the structural and institutional constraints impeding ACP countries' productive and trading capacities, the interim EPAs were not categorical on development financing issues especially with binding commitments in the legal text of each EPA for the existing or additional resources covering EPA-related costs. All this said, Stevens et al. (2008) conclude that although the interim agreements offered ACP countries an opportunity to temporarily safeguard market access, they are de facto simply FTAs.

Also Akamanzi (2007) considers the EPA negotiations leading to simple FTAs, with likely negative systemic implications such as trade diversion, destruction of infant industries, loss of revenue, and reduced economic development of ACP countries.

Brewster (2008) makes an analysis of all the not-pro-development provisions contained in the interim EPA text.

The trade regime is indeed not constructed in a way that links the degree of liberalisation to a positive correlation with expected country economic and social outcomes, such as income and poverty levels, developmental needs, economic openness, or even trade shares with the EU. Yet, balanced growth and poverty reduction do not necessarily flow as automatic outcomes from the liberalisation processes, but must be actively promoted by targeted policies. Moreover, countries that have successfully used trade to promote development have also adjusted progressively their production structures and improved their competitiveness by shifting trade specialisation towards higher value-added goods and services (ICTSD and Aprodev 2007).

The Interim EPAs provide also for extremely complex rules of origins, which require that the value of extraneous material should not exceed 15 to 30 percent of the ex-works price of the product. Such conditions are too restrictive for an agreement, which aims to be development oriented and to integrate the ACP countries into the world economy. In addition, development oriented interim EPAs would have used the Special and differential treatment in such a way to promote a new generation of exports or rather the growth of dynamic exports sectors. Similarly, the agreement to apply the Most Favoured Nation Treatment is an anti-development provision as it places developing countries at a disadvantage in expanding trade among themselves, and with strategic partners undermining potential South-South dynamics. Finally, the EC prescriptions in terms of Sanitary and Phyto-Sanitary measures went beyond

the international recommendations and risk to be applied in an arbitrary, unilateral and discretionary way, which leads to additional and unnecessary costs. Certain provisions under 'non-tariff measures are therefore anti-development, such as the prohibition on applying internal taxes or other charges to afford protection to like domestic products and the prohibition against applying any new subsidy program upon exports of agricultural products. These provisions destroy the most effective 'infant industry' measures, often necessary in developing and least developed countries to build new productive capacity.

As to the 'development provisions', it is very significant that the interim EPAs are nearly silent on any concrete partnership measures that could be undertaken to improve and diversify the productive capacity, productivity and competitiveness in those sectors on which development is critically dependent, namely agriculture, forestry, fisheries, primary commodities and manufacturing, despite all the problems, which afflict these sectors.

Similarly, the EPAs provisions on food security are insufficient to address the production problems that afflicts the staples and which are at the root of food shortages. They allow import restrictions when importation leads to major difficulties, but the procedures behind this are too complicated. Food security could also be jeopardized by the prohibition of restrictions to exports, which should be invoked instead when ensuring local consumption become a national or regional priority.

In terms of services, the EPAs do not guarantee anything more than the simple status quo already offered to other WTO members. With regards to investments, the EPAs are wholly concerned with the liberalization of entry conditions, covering such issues as commercial presence, market access and the grant of the most favoured nation. No attention is instead paid to those aspects more relevant to the ACP countries, such as adequacy, stability and nature of investment flows, decision-making governing access to them, their terms and conditions and their timely transfer and disbursement.

As to development finance, there is not commitment in the EPAs themselves and the EC financial support to ACP development is carried out in the framework of the Cotonou Agreement and provided from the European Development Fund. Social aspects are instead included in the EPAs, but often confined to marginal issues, such as the adherence to international labour organization conventions on collective bargaining and employment practices, without a clear commitment to the achievement of the MDGs.

IV. What then if EPAs are classic RTAs?

This is an important question that African countries in particular might need to reflect deeply on. The general perception is that anyway signing formal regional negotiations is a better way to transform the African primary-product based economies and to get new technologies, improve transport links and support the starting of competitive enterprises than relying on the goodwill of European governments to grant them preferences schemes (Christian Aid 2007). This does not mean that the EPAs as RTAs could not be improved. African countries need to ensure the establishment of a real partnership, which takes into account the inequalities in the economic and political power between Africa and Europe.

On the one hand, the on-going negotiations could be put back on the track of moving towards EPAs as development rather than trade policy tools (see proposals in Stevens et al. 2008). Wilson et al. (2005) show that tariffs are not the major impediment to South-to-North trade and even if they are more relevant for South-to-South trade, they are not the key factor to increase trade, especially in manufacturing good. There are other measures of trade facilitation, which seems to have a greater impact, as port efficiency, custom environment (import barriers and irregular extra payments), regulatory environment (control of corruption and transparency) and e-service sector infrastructure. So, guaranteeing market access and decreasing the barriers to trade is not sufficient to help African countries to build their manufacturing system and to integrate into the global trading system. They would have small export gains compared to the import gains, with probably negative consequence for their development. Anderson and Stevens (2006) argues that to be 'development agreements', the EPAs need to do more than merely increase trade as share of GDP or promote economic growth. A greater attention should be paid to the distribution of benefits from growth, supporting measures to improve supply capacity and diversification and enhance the poverty reduction effects of any increased trade. In terms of integration and liberalisation process, Akamanzi (2007) argues for a choice of sequencing, which prefers intra-regional liberalisation prior to inter-regional liberalisation as envisaged in the EPA process. This would allow the countries to develop capacity, both of supply and regulation domestically and within the various regional groupings and only in a second round to consider free trade areas with the EU. More in general, the author reckons that the EPAs should be changed from trade agreement to development and cooperation agreement, through which the EU can channel targeted technical and financial assistance.

But there has been a limited discussion on this possibility where EPAs end up being classic RTAs, an eventuality that so far appears to be more realistic going by the interim EPAs. African countries could look then at the historical record of the EU in the use of RTAs as part of its international trade policy instruments. In which case, the African countries would have to focus on having comprehensive EPAs with the clear ultimate objective to having FTAs in the classic sense. With such a view, then the natural thing to do is to look at how the EU RTAs have progressed. The ground on this alternative is well covered and documented, including most of the efforts to define EPAs as development rather than mercantilist-

instincts instruments. For instance, UNECA (2008) reckons that there is scope for the ACP groups to learn from each other and harmonize provisions in key areas drawing on the evidence from existing interim agreements.

Even with EPAs as classic RTAs, the African countries may still have some chance to reap some benefits, albeit minimal, compared to a situation where the EPAs were development tools. Referring to both theoretical arguments and empirical evidence, we can conclude that with EPAs as classic RTAs, the African countries should expect the following outcomes in each of the below listed areas.

Deep trade liberalization front-loading

Looking back, it is evident that European RTAs have transformed from simply autonomous preferential agreements or agreements concentrating mostly on eliminating tariffs on industrial goods into deep bilateral agreements, which include not only economic, but political and social dimensions. From the economic side, the EU uses initially the RTAs to obtain quick wins by exploiting the well known theoretical benefits deriving from trade liberalisation summarized as in Dornbush (1992): static gains from improved resource allocation; access to greater variety of goods, which raises productivity by providing less expensive or higher quality intermediate goods; availability of imported intermediate goods and technology, whether licensed or embodied in imported capital goods; a more economically rational market structure and related gains can also result from economies of scale that arise in wider markets; and finally transfer of know-how.

By having the EPAs as classic RTAs, the EU believes that as pointed in Greenaway et al. (2007), when implemented, they will likely promote efficiency in more ways than one. Allocative efficiency will be promoted by factors of production being reoriented towards those sectors in which the economy possesses a comparative advantage in trade. Technological efficiency is also likely to be an outcome through increased variety of choice of techniques of production. In any case, despite the uncertainty of trade liberalisation that the African countries will face, the expectation on EPAs as classic RTAs could be founded on Krueger (2005) who argues that there is plenty of evidence across countries and over time to support the view that opening up economies to trade is beneficial. The competition that the EPAs will bring will be the powerful force for increased economic efficiency via elimination of African monopolies and driving down prices.

However, as noted also by Mold (2003) as to the EMAAs, signing a FTA with the EU is not necessarily the best way to achieve a greater integration into the global economy, neither is it obvious that African countries need to integrate further into the world economy. Indeed, in relative terms the trade to GDP ratios are higher than 65 % for 29 countries, fluctuating from 33.7 % for Burkina Faso up to 209 % of Seychelles, compared to the average of 76 % for East Asia and Pacific, 72 % for the Euro Area, and the 46 % for Latin America and Caribbean and 37 % for South Asia (see World Bank's World Development

Indicators 2008). The EU emphasis on FTA as the instrument to reduce poverty could therefore be displaced, as the 'normal living standards are overwhelmingly determined by domestic factors rather than by some competition for world markets' (Krugman 1994).

More in general, the openness to international trade risks to turn only into an increased dependence of African countries on the EU market and therefore to a higher vulnerability to external shocks. Indeed, despite receiving trade preference from the EU since 1975, exports from ACP countries to the world and to the EU have declined in comparison with those from other developing countries. For example, in 2006 the EU bought 30 % of Sub-Saharan merchandise exports and provided it with nearly 32 % of its merchandise imports. For some regions these figures are even higher, as in COMESA and UEMOA (see Table 1). On the other hand, the Sub-Saharan exports share in the EU market has declined from 3 % in 1985 to 0.9 % in 2003 and 1.4 % in 2006, as a result of increasing competitiveness problems, supply-side constraints and the declining real prices of some primary commodities, as well as of the increasing use by the EU of non-tariff barriers, including health and safety standards and restrictive rules of origins (Hinkle & Newfarmer 2007).

Table 1: Share of African countries Exports and Imports (percentage of total and agricultural), by region in 2006

DESTINATION																		
EXPORTS	EU		Sub-Saharan		CEMAC		COMESA		ECCAS		ECOWAS		SADC		UEMOA		UMA	
	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR
Sub-Saharan Africa	30.1	29.2	13.1	9.5	0.01	0.6	3.7	2.0	1.7	1.2	3.6	3.0	7.6	5.3	1.9	1.5	0.4	0.3
CEMAC	21.8	20.7	3.1	2.7	0.01	0.5	0.6	0.5	1.3	1.0	1.1	1.0	1.3	1.2	0.6	0.5	0.3	0.2
COMESA	53.0	59.9	8.9	5.6	0.00	0.0	4.8	3.3	1.2	0.8	0.2	0.2	6.0	3.6	0.1	0.1	1.3	1.0
ECCAS	15.8	15.2	2.4	2.1	0.00	0.2	0.6	0.5	0.6	0.5	0.5	0.4	1.4	1.3	0.2	0.2	0.1	0.1
ECOWAS	29.6	28.4	16.1	14.5	0.01	1.4	0.2	0.2	1.6	1.6	9.2	7.4	5.3	5.7	5.5	4.1	0.4	0.3
SADC	33.2	33.2	13.1	7.6	0.00	0.1	5.4	3.0	1.8	1.0	1.1	0.5	10.8	6.6	0.2	0.1	0.4	0.2
UEMOA	38.7	38.7	36.5	34.4	0.02	2.1	0.9	0.9	3.1	3.0	24.0	20.2	9.7	11.7	12.7	9.5	1.8	1.6
UMA	62.7	62.8	0.6	0.3	0.00	0.0	1.2	0.8	0.1	0.1	0.4	0.2	0.1	0.1	0.3	0.2	2.0	1.4
IMPORTS																		
	EU		Sub-Saharan		CEMAC		COMESA		ECCAS		ECOWAS		SADC		UEMOA		UMA	
IMPORTS	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR	TOT	AGR
Sub-Saharan Africa	31.7	17.1	16.6	29.9	0.5	1.5	3.4	6.9	0.8	2.3	4.2	12.0	10.5	13.8	1.6	3.8	0.7	1.6
CEMAC	44.8	28.2	18.7	47.0	4.2	10.4	0.4	0.5	4.4	10.6	11.9	33.5	2.0	1.6	3.3	8.0	1.4	2.5
COMESA	27.8	17.7	14.1	17.5	0.1	0.2	5.9	9.2	0.2	0.5	0.2	0.5	11.4	13.1	0.2	0.5	2.1	3.7
ECCAS	40.9	29.8	21.1	43.3	2.4	6.3	5.6	9.5	2.6	6.9	6.7	20.9	9.0	11.4	2.3	6.7	0.8	1.9
ECOWAS	35.2	30.5	13.8	33.3	0.7	2.1	0.4	0.8	0.7	2.2	10.5	27.8	2.2	2.5	5.3	11.9	1.0	2.0
SADC	30.8	10.2	19.5	31.0	0.2	0.7	3.7	8.6	0.7	2.1	1.7	5.6	16.9	23.6	0.2	0.5	0.5	1.7
UEMOA	37.0	23.8	27.4	44.5	0.9	1.8	0.8	1.2	0.9	1.8	24.1	40.2	1.7	1.2	10.8	14.2	2.5	3.4
UMA	53.7	38.2	1.0	2.7	0.1	0.3	1.9	3.7	0.1	0.3	0.4	1.1	0.5	1.1	0.3	0.8	3.4	6.7

Source: Authors' calculations based on UNCTAD Handbook of Statistics, 2008

Economic outcomes will be uncertain hence policy sequencing critical

Unfortunately, EPAs as classic RTAs and in which the partners have different economic power are actually walking on well-trodden path where uncertainty is more the norm than exception. Santos-Paulino (2005), while underlining the methodological difficulties and hence the diverse interpretations encountered by all the studies on trade liberalisation and economic performance of developing countries, points to the uncertainty of possible outcomes, especially given the unclear estimates of the impact on the balance of trade and of payments. One set of uncertainty stems from the possible excessive import growth in contrast with the more modest export growth, which has fundamental policy implications, especially for the balance of trade and balance of payments. In deed, in a successive study (see Santos-Paulino 2007), trade liberalisation is shown to have greatest effects in terms of import growth than of export growth. In which case, if the African countries are to benefit from EPAs as classic RTAs, the issue of the sequencing of the liberalisation of exports and imports must be taken seriously. As Santos-Paulino (2007) urges, import liberalisation should be combined with the effective measures designed to improve competitiveness and to promote exports. If there will be no appropriate combination of domestic policies and liberalisation – both trade and financial- then balance of payment difficulties could leave the African countries worse-off.

Feenstra and Kee (2007) does however maintain that while the static gains from trade liberalisation have been widely studied and documented to be relatively small, the dynamic gains due to the expansion of export variety may well be more important. By comparing the average variety within each industry in Mexico before and after 1994, the year when the country joined the NAFTA which substantially lowered its tariffs to the US and Canadian markets, the authors found out there was a rise of 5.2 % in the agriculture industry and up to 21.4 % in the electronics industry. This might therefore imply that there is potential for export variety to evolve in the African economies even in EPAs that could be classic RTAs in a similar fashion to NAFTA.

In general, the literature using partial equilibrium models agrees that the main beneficiaries from EPAs are European exporters, as they experience a considerable rise in their sales to ACP markets, while the resulting import substitution could also bring an overall loss of economic efficiency to ACP countries (Fontagné et al 2008). South Centre (2007b) reaffirms the idea that the losses from substitution of third party producers for less efficient EU producers and from expansion of EU products within national borders, together with the tariff revenue losses, could have serious negative consequences. In particular, there have been arguments that the preferential reduction on tariffs should be done in conjunction with reduction in their Most Favoured Nation tariff levels, so as to avoid a costly diversions of trade from low cost (non-EU) to high cost (EU) foreign suppliers. On the other hand, if the firms in ACP countries are able to upgrade their quality and out-compete EU imports, they could even displace EU firms and expand their markets. Moreover, ACP sectors relying on imported capital goods are likely to benefit if the price of these inputs falls as a result of the lowering of tariffs. However, evidence shows that where

ACP producers are faced with direct competition from EU producers, it is highly unlikely that they will remain profitable, due to severe supply-side constraints. Tariff reduction is likely to result in ACP producers being out-competed by EU producers and forced to close down, especially when the ACP firms are unable to access inputs at a cheaper cost than EU firms (e.g. more expensive and erratic electricity supply and finance) or to upgrade production facilities and acquire technology to compete with the EU competitors. Besides these effects, the EPA will also affect an ACP country's future development by setting tariffs at a permanently low level and so curtailing its ability to use tariff policy as a mean of encouraging production, sheltering industries and nurturing them to move up the 'value-chain'.

UNCTAD (2007) adds that the principle of 'reciprocity' included in most North-South agreements, such as the EPAs, makes it difficult for local firms and farmers, used to high tariff, to compete with imported products. Moreover, in North-South bilateral agreement, the bargaining power of developing countries is weaker and has to face up with usually poor offers of increased market opening for imports of agricultural or sensitive industrial policies reflecting the lobby power of some interest groups in the developed world.

Brown et al. (2005), provides some evidence on what the African countries could possibly expect with EPAs that are classic RTAs. Brown et al. (2005) analyse the effects of the bilateral agreements the US signed with Central America, Australia and Morocco, using the Michigan model of World Production and Trade covering 18 economic sectors. Bearing in mind that the US applies the same framework to negotiate all its FTAs, and also noting that this negotiating template has much similarity to the EU framework as seen in the interim EPAs, the study shows that in all the three cases the effects in terms of global welfare are negligible. The results indicate that the bilateral removal of protection has led to welfare gains both for US and Central American countries (CAC) and Morocco. In particular, in the Central American Countries there were sizeable percentage increases in output in textiles, wearing apparel and leather products and footwear, sectors in which the CAC countries are said to have a comparative advantage. In Morocco however, there is evidence of a small reduction in exports of agricultural products and leather products while there are increases of three percent in the export of manufactures and of 4.7-21 percent in services. This reflects a similar trend in domestic production. On the other hand, Morocco's imports have increased in all sectors except metal products, with the largest increases in services. By contrast, there are negligible percentage changes in US import and exports, as well as in sectoral employment. The study notes that such effects of the bilateral elimination of barriers on agricultural products, manufactures and services are seen to be fairly small, given also the small size of the existing trade between US and Morocco.

The Sustainability Impact Assessments on West African countries finds that under full liberalisation the agro-industry would be negatively affected by import surges in the potato, onion, beef and poultry sectors. The study takes into account the reduction in the price of inputs such as machinery and packaging (all imported from the EU), but shows that since West African countries already apply low tariffs on these

inputs (a 5% applied tariff in the WAEMU), the benefits from full liberalisation are likely to be low (South Centre 2007b).

Ben Hammouda et al. (2007b) conclude that Sudan can expect only limited gains in consumer welfare from the ESA interim EPA. This would indeed lead to increased quantity and diversity of goods as well lower domestic price of foreign goods as a result of reduced tariffs, but such gains are not proportional to the cost of the agreement, first of all in terms of tariffs losses and rise in net imports. Moreover, to maximize the benefits from EPA, Sudan needs to design and implement more effective trade and industrial policies than it has done in the past, by consolidating its macroeconomic stability, improving its business environment and investment climate and encouraging economic diversification. On the other hand, the EU will gain significantly in terms of expanded trade with Sudan, most of all due to the trade diversion from the rest of the world and from the ESA grouping in particular. The EPA could therefore seriously undermine the gains that have been achieved so far in the integration process of the region. However, Sudan can substantially reduce the cost of the EPA with EU in terms of revenue loss and at the same time increase social welfare by expanding the coverage of maximum allowable proportion of sensitive products. Moreover, Sudan, as other African countries, should first focus more on deepening intra-African trade to build the requisite competitiveness.

Another study through the ATPC centre (Karingi et al 2006) shows that if African countries agree to integrate their regional without the immediate implementation of reciprocity, they can also have some benefits in terms of GDP, welfare and terms of trade, but these benefits can only be realised at the cost of significant and extensive macro-economic adjustments to counterbalance the serious losses in customs' revenue and the higher competition for the private sector enterprises. Moreover, it is in countries such as Mauritius and Kenya, which rely on strong trade relations, that most of these advantages will be felt.

Several studies have investigated the impact on the Mediterranean Arab countries of the Association Agreements (EMAAAs)⁷ stipulated since mid 1990s with the EU. The greatest positive effects have been assessed in Tunisia, Egypt and Morocco, that is those countries initially with the highest level of tariffs on manufacturing and agricultural products and more than half the share of imports and exports going to EU.

⁷ Signed in 1995 by the EU and 12 Mediterranean partner countries, the EMAAAs have replaced the cooperation agreements of the 1970s, which were characterized by non-reciprocal preferences accorded by the EU to developing countries. They are built around three pillars : economic reform, adherence to common political principles, and cultural cooperation. The main economic target is the creation of the EU-Mediterranean free trade area by 2010, which will constitute, when fully implemented, the world's largest free trade area. By the end of 2005, five –Algeria, Egypt, Jordan, Morocco and Tunisia – had ratified Associations Agreements with the EU.

Dennis (2006) estimates that the welfare gains from a RTA with the EU are twice as much as those from intra-regional integration, even though the distribution of welfare gains is skewed in favour of those countries, which have already a high proportion of trade with the EU. The issue is then not whether signing or not a FTA, but how to address the constraints that prevent the complete realisation of their full benefits. These include difficulties in meeting standards and technical regulations, rules of origin, and rigidities in domestic markets. Moreover, welfare gains can even be tripled if the FTA incorporates also specific trade facilitation measures, such as clear custom procedures, technical regulations and WTO harmonised technical barriers to trade and sanitary and phytosanitary standards.

Other authors argue that the benefits of such EMAAs for the Mediterranean Arab countries are modest, because they consist essentially of the reciprocal trade liberalization in manufactured products where the EU industrial tariffs are already low. Moreover, the manufacturing sector in the Mediterranean partners is not able to compete in the EU market (Deardoff 1996). From this point of view the arguments are the same as for the EPA: removing tariffs and other barriers to trade turns into imports diversion towards more imports from the EU and into a reduction of the domestic prices of imported goods, so that local industries risk being displaced by EU imports. On the other hand, since domestic producers use more imported goods as intermediaries, the domestic prices will fall, with an inverse proportion to market imperfections. The short-term net effect will therefore depend on the size of the producers and government, compared to the gains from consumers, who benefit from lower prices. However, in the long term the effect could be positive, due to competition pressures on domestic producers, but this depends on the extent to which the institutional framework will support the firms in raising their productivity or moving to other sectors.

Most studies agree that the EMAAs would be more beneficial to partner countries if they include also scheduled agricultural trade liberalisation, instead of simply calling for gradual and reciprocal liberalisation without offering significant new concessions to Mediterranean partners in terms of market access for their agricultural exports (Oxfam 2003, Mold 2003). Definitely, Arab countries find it difficult competing with European producers given the high protection that the EU offers its agriculture. Furthermore, the great dependence of Arab agricultural exports from a few products exposes them to a total blockage of their total agricultural exports even if the EU blocks entry only of a few commodities. Studies on the effects of a bilateral agricultural liberalisation within the EMAAs agree on the positive even though small impact, between zero and 0.5 % of GDP but there is contrasting evidence on the impact of rural and urban areas (European Commission 2006). Most of them conclude that the liberalisation between EU and partner countries will reduce the production in Mediterranean partners of cereals, other field crops, livestock and dairy, due to increased competition from EU producers, while raising the production of fruits and vegetables plus olive oil in Tunisia and sugar in Morocco and Egypt. Moreover, the agricultural liberalisation should also raise the Arab production of agro-food industries, due to improved market

access to EU. Muaz (2004) estimates that by meeting the EU demand of 5 horticultural products,⁸ Egypt, Jordan, Lebanon, Syria and the Palestinian Territories would gain 119000 new job opportunities and a value added to their economies of US \$ 756 million with a welfare increase of 2.7 % in Tunisia for rural households.

Table 2: Impact summary for trade liberalisation within the EMAAs⁹

Impact		industrial products			agricultural products			services		
		ST	LT	causal factor	ST	LT	causal factor	ST	LT	causal factor
Economic	welfare	+	+	↑ exports ↓ consumer and input prices	+	+	↓ consumer and input prices	+	+	↓ consumer and input prices
	government revenues	--	--	↓ tariffs	-	-	↓ tariffs			
	fixed capital formation	-	...	Prod. changes, firm closures			Farm abandonment	+	+	Barriers removal
Social	unemployment	--	...	Prod. changes	-	-	↑ competition product changes commercialisation	-	..	Small retailers phased out by competition
	wage rates	-	...	Prod. changes	...	+	Higher productivity	...	+	Better economic performance
	social support	-	-	↓ government revenue	-	-	↓ government revenue			
	health and education	-	-	↓ government revenue	-	-	↓ government revenue	+	+	More efficient services
	equity in income gains	-	...	↑ Consumer gains, ↓ government revenue	-	-	↑ Consumer gains, ↓ government revenue	-	..	Loss of employment in small retailers

Source: European Commission 2006.

Nevertheless Crawford (2004) argues that, despite their clear focus on development, the EMAAs have not driven regional development neither liberalisation and democracy, while they have certainly established a dependency relationship shaped by asymmetries in power and increased the instability of the Arab Mediterranean region. Indeed, the trade dependence of the Mediterranean Non European countries on the EU has increased in recent years to 52 percent, with the EU absorbing nearly 46 % of the agricultural exports of Arab countries compared to 2 % of European products destined to the Arab markets (Radwan & Reiffers, 2003).

⁸. Strawberry, grapes, dates, green beans, sweet melon.

⁹. + means a positive impact, - a negative one, -- a greater negative impact and ... that the impact has been evaluated as non significant. ST means short-term impact, LT long term impact.

Despite this contrasting evidence on the impact of EMAAs on Mediterranean partners (Table 2), Tunisia is usually looked at as a successful story, which brings new hopes for the African countries in reaping the benefits of the EPAs, given some similarity of initial conditions between Tunisia and the Sub-Saharan countries and the even higher dependency of Tunisia on the EU market (Table 3) and the common purpose and structures of the reciprocal FTA signed with the EU.

Table 3: Selected economic indicator for 2006

	1995	2006			
	Tunisia	Eastern Africa	Western Africa	Southern Africa	Middle Africa
Agriculture as % of GDP	12.6	31.2	32.5	3.4	14.5
Industry as % of GDP	32.5	19.5	37.1	31.8	56.8
EU's share of total exports	81	23.2	39.4	33.4	52.2
EU's share of total imports	73.4	23.5	35.2	32.1	41.8

Source: authors' calculations based on UNCTAD, Handbook of Statistics 2008

Indeed, Tunisia was the first country in the MENA region to sign an association agreement with the EU in 1995 and by 2004, tariff rates on imports competing with local production had been cut to 44 % of their level in 1995 and 55 % of the tariff reductions scheduled under the Association Agreement were in place. In 2000, Tunisia and EU have also agreed on measures to liberalise trade in specific agricultural products, such as olive oil, cut flowers, tomato, new potatoes and oranges (IFPRI 2007). Meanwhile, Tunisia has achieved very satisfactory performances. The economic growth has risen up to 5.2 % between 1997 and 2001, while during 2001-2005 the average annual economic growth rate was 4.5%, reaching 6% in 2004 thanks to the excellent performance of the agricultural sector and especially the strong growth in services. Poverty has been reduced from 8 to 4 % of population between 1995 and 2005 (WB 2007). There is no evidence that this was the direct consequence of the EMFTA, but it can be adducted as an example of how an effective national development strategy could reap the benefits of a FTA.

For instance, the World Bank states that the reforms carried out by the government and the Partnership Agreements with the EU positioned Tunisia as the leading economy in the region in terms of economic performance and succeeded to raise the economic competitiveness of the country (WB 2007). In face of an unemployment rate stagnating at around 15 %, Tunisia established both a National Employment Fund and a National Solidarity Fund, the former providing training to skill and unskilled labourers and help for potential entrepreneurs to start small business, the latter providing safety nets and assistance

to the poorest section of the population. Moreover, before starting to remove the barriers to industrial trade with the EU, the government of Tunisia introduced a program for renewing the industrial sector, by providing financial support to private firms to let them modernise their equipment and raise quality standards thanks to the partnership with nine technical centres. In addition, the anticipated decrease in government revenues was counterbalanced by several reforms to raise the domestic indirect and direct taxes, strengthen the tax administration and collection and improve the effectiveness of public spending (European Commission 2006). Such interventions have nearly erased the risk of trade diversion embedded in all FTAs, while the vast programme of privatization including also the financial and communication sectors has fostered the inflow of FDI (Ben Hammouda et al. 2007a)

Nevertheless, it is obvious that the substantial incongruity in the estimated benefits and costs of EU traditional FTA is in itself enough to worry about possible impact of the EPAs for the African countries. The net impact will depend on the net balance between trade creation and trade diversion effect, and on the extent to which the African countries will be able to take full advantages of the preferential access to the European market. With regard to this, Bilal and Grynberg (2007) point out that in the presence of high and distorted MFN tariffs, the reality in most African countries, the EPAs preferential reduction of tariffs risk to be not development oriented but subjected to protectionist interest, also of foreign firms benefiting from higher tariffs. As a result, the liberalised sectors will face trade diversion or monopoly price setting by EU suppliers, whereas the sectors for which tariffs are maintained may have little incentive to increase their efficiency and reduce monopolistic profits. In addition, the EPAs, by eliminating tariffs on EU imported inputs could further turn into higher effective protection rates for import-competing domestic industries.

In addition, there is a reasonable fear that EU will maintain a sort of protectionism through the imposition of excessively demanding technical standards, such as certification test and phyto-sanitary measures (SPS), as well as through the strengthening of intellectual property rights (Mold 2003). The latter in particular is likely to have a disastrous impact in terms of access to medicines and agrochemical products, since the patent owners would be entitled to charge higher prices for their products. On the other hand, the incapacity to meet the high SPS requirement could prevent the African countries to benefit from export diversification and locally owned sector development, given that the cost of meeting SPS increase moving up the value chain. In particular, a considerable impact is felt in agriculture, due to the review of acceptable pesticides by the EU, which has withdrawn most of the pesticides traditionally used in African countries (Doherty 2007).

Deep regulatory frameworks reforms will possibly be based on EU template

One essential requirement for the success of an EPA as RTA is that African countries adopt necessary trade-related reforms, including the parallel MFN tariff reductions, revising the fiscal system and liberalising internal trade among regional EPA groups. From this point of view, EPAs are currently hard to see as

incentive to implement such reforms, due to the negative perception that most of African countries have about them. However, Maur (2005) observes that developing countries face obvious advantages in upgrading their existing regulatory framework along a European template. This is a proposition that the EU has underpinned in most of its discussions on the possible results from the EPAs. This is because the EPAs can help the African countries cope at a lower cost with market failures (competition, technical regulations, intellectual property rights and trade facilitation). A regulatory policy framework agreed in an EPA can also reduce the transaction costs duplication, by having one set of identical rule. Similarly, EPAs are seen to have a capacity to enhance prospects of market access by conforming in the domestic market to rules the EU requires on imports. Finally, EPAs can facilitate negotiations by adopting identical instruments to Europe.

On the other hand, Maur (2005) argues that there is pervasive evidence that entering into such agreements with Europe comes with, sometimes significant, limitations on the choice of trade policies.

Firstly, the EU is exporting its model of regional integration to all RTAs' partners by using conditionality and imposing prescriptions to ensure that the objective of South-South integration is respected. And as already argued above, regional integration should help to stabilize individually fragile neighbours by associating them more closely, promote regional stability and reduce trade diversion. The problem is that EU is not only promoting South-South RTAs but also seeking to shape them, by dictating the form of regional integration, indicating the members, offering prescriptions regarding the content of the sub-regional initiatives, just like the interim EPAs have shown. In retrospect, the Cotonou agreement five 'building blocks' for the negotiation of the South-South regional agreements¹⁰ would lead to an outcome similar to other EU RTAs.

Secondly, all the RTAs signed by the EU provide for a consultation mechanism, which entitles EU (through the contentious MFN clause) with the possibility of influencing the trade policy developments taken by the partners, in particular relating to the signing of RTAs or customs unions with other countries. Moreover, most of the standards and of the border measures imposed by classic RTAs are so complex to be unbearable by developing partner countries. Those that face severe institutional constraints are so prevented from engaging in different RTAs simultaneously, with the consequent fragmentation of liberalisation efforts and the decrease of marginal returns from bilateral liberalisation. And as UNECA (2008) implies, the EU is making use of its bargaining power to influence the membership of RTAs among the African countries. Indeed, the EPAs are biased by a strong power asymmetry, fed also by the complex and non-transparent regulatory measures. For example, the unification of rules of origin will reduce transaction costs but will also generate significant information asymmetries that favour the European private productive sector, which has a better knowledge of production and supply processes in each industry.

¹⁰. The 5 building-blocks are: liberalisation of trade in goods; services; trade rules; competition policy and state aid; regional policies on intellectual property, investment, procurement, labour, consumer rights and environment.

Regional integration might help assure some of the limited benefits

Several concerns have been expressed on whether the EPAs are evolving into an ‘hub-and-spoke’ system, where the EU is the hub and the African countries are the spokes. According to this view, when a strong region signs a FTA with various small countries and the latter do not sign FTA among themselves, it will be the strong region or country to benefit more because it has free access to all markets, while the small countries only have access to the hub market. This ‘hub-and-spoke’ effect will increase the incentives for exporters to invest in the strong region and not in the smallest and implies a consistent dependence on the European markets (Hinkle and Newfarmer, 2007; Mold 2003). The extent to which the European influence dominates a FTA depends upon the status of development, economic strength and dependence of partner countries on European market access (Maur 2005). This was the case in countries like Mexico, Israel, Egypt or South Africa that have retained more flexibility than others. Therefore, to take Stevens et al. (2008) discussions, if interests among countries within a region differ, an EPA might for instance include varying degrees of commitment on trade in services and trade-related issues. Anyway, such ‘hub-and-spoke’ effect could be significantly mitigated by emphasizing the regional integration aspects of the EPAs, since a group of developing countries is more able to attract FDI than a single one (European Commission 2006).

The intra-regional trade in Sub-Saharan Africa is considerably limited, amounting to mere 12 % of the average SSA merchandise exports and imports respectively (Table 4). Many African enterprises produce the same products as the others and therefore have a greatest interest in access to international markets than those of the neighbours. In particular the small economies have been argued not to be giving as much impetus as needed to regional integration, due to fears that large countries such as South Africa, Kenya and Nigeria will benefit most in terms of investments and income (Christian Aid 2007). These factors could in part explain the declining share of African intra-regional exports between 1997 and 2006 (Table 4).

Table 4: Intra-regional trade as percentage of the total trade

	EXPORTS (in % of total)				IMPORTS (in % of total)			
	Average 87-91	Average 92-96	Average 97-01	Average 02-06	Average 87-91	Average 92-96	Average 97-01	Average 02-06
Africa	4.94	9.14	9.61	9.13	4.80	7.62	9.02	9.31
Sub-Saharan Africa	4.46	8.29	12.36	11.77	6.88	10.06	11.93	12.08
UEMOA	11.00	10.45	12.36	12.99	7.94	7.27	9.02	9.50
SADC	2.34	9.02	10.39	9.55	4.56	8.66	9.79	9.46
ECOWAS	8.03	9.26	9.07	9.24	9.32	8.73	10.07	9.91
COMESA	3.57	5.50	5.85	5.02	3.17	4.32	4.00	4.74
UMA	2.46	3.46	2.65	2.22	2.57	3.68	2.98	3.11
CEMAC	2.86	1.61	1.68	1.17	3.34	2.61	3.46	2.99
ECCAS	1.78	1.22	1.40	0.83	2.06	1.87	2.76	1.83

Source: Authors' calculations based on UNCTAD Handbook of Statistics 2008

Nevertheless, several studies raise the conclusion that regional integration is the key ingredient necessary to reap the benefits of the EPAs.

Perez and Karingi (2007) give an exhaustive pictures of all concerns raised for African economies by the creation of FTAs between EU and the ACP countries, as the present EPAs are. In theory, the EPAs should benefit the ACP countries, which can maintain the preferential access of Lomé (with the commitment to reciprocate) and benefit further from the cuts in domestic tariffs as well as from the underlying economic reforms. As a result, the ACP consumers would enjoy price cuts and the most efficient ACP firms may improve their integration in the global supply chain.

However, the general equilibrium model developed by the two authors show that EPAs might not foster economic reforms, nor reinforce economic certainties and governmental credibility, as they are usually associated with major negative economic and social effects. First, EPAs will potentially create highly asymmetrical gains between African and European producers. Secondly, local and regional producers may lose significant market share to the benefit of their European counterparts, resulting in a decline in output and shrinkage in intra-African trade. Thirdly, as already indicated the adjustment costs would be even more unbearable given the inevitable loss of customs revenues currently derived from European imports. Fourthly, tariff reductions may not induce a decrease in prices in the ACP countries, due to their narrowness and the high transaction costs, which limit the substitutability among import sources and may induce the European exporters to increase their margins rather than cut their prices.

Taking all this into account, and if the EPAs remain as classic RTAs, then Perez and Karingi (2007) conclude that it is important to reshape the EPA initiatives, allowing a large level of asymmetry between European and African commitments, the duty-free access to all African imports to the European market, and putting the integration of the intra-African markets as a prerequisite for the implementation of the EPAs.

Kirk and Stern (2005) show the limits and the risks involved in engaging in external bilateral agreements without having consolidated regional integration, first. They focus especially on the new Southern African Customs Agreement signed on October 2002. Such agreement has opened new possibilities for a range of new SACU bilateral agreement, involving both EU and US. According to the authors, this can contribute towards but also require much closer integration within the SACU. Notably, the Trade and Development Cooperation Agreement between South Africa and the EU, provides for the establishment of free trade areas between the two signatories. Other members of SACU have the interim EPAs. While these developments might help to cement SACU as a unified trading bloc, Kirk and Stern (2005) notes that they might impede the efforts to integrate the members of SACU with other regional trade agreements.

And there are lessons from the European integration, which is the world's most successful regional integration experience by far. Its experience could inform the EPAs future results. There is caution however according to Baldwin (2008) who posits that the world has little to learn from the EU in terms of deepening economic integration, as the EU started its life in circumstances unimaginable in today's world and the adoption of a similar degree of supranationality is impossible to apply in African or America's countries. This notwithstanding, the lessons from the European experience are first of all that it is more important to get the regional integration started than it is to agree in advance all the integration steps that will follow. The integration itself will change the political economy forces in each nation, in a way that will make deeper integration easier. Moreover, as far as the widening of the integration is concerned, the European experience show that the key element of success is designing not a matrix of bilateral deals, but a coherent system according to which when one joins a FTA, one automatically grants and gains free trade access to all existing members. Such all-or-nothing proposition reinforces the domino effect and makes enlargement easier. In this regard, EFTA foresaw a common set of rules of origin and accumulation, reducing the difficulty of negotiating the entry of new members.

Galal and Hoekman (2003) as cited in European Commission (2006) point out that a regional agreement which allows the free entry into service activities can help the domestic companies in the service sector to build on their capacity on the regional market, to be then able to compete also on the world markets. The regional integration is therefore seen as fundamental for developing those transportation, financial and labour services which are seriously constrained by the lack of domestic resources and skills.

Therefore, regional integration is essential in order for African countries to benefit from the EPAs. Nevertheless, at their present form the EPAs could also worsen the already weak intra-regional integration

between African countries. In general terms, the EPAs put pressures on ACP countries to negotiate on trade-related issues, such as investment and government procurement, without taking into account that they lack the capacity and incentive to negotiate in this area, both at regional and national level. The resulting regional integration risks to be a too rapid and not autonomous process, with possible negative consequences on the local industry sector. For instance, when the Senegalese Government reduced the tariffs on imported chicken to align them with the common external tariff agreed within the WAEMU, the local poultry industry dropped by a third due to the increased subsidies-fed competition from EU (Christian Aid 2007). Moreover, a considerable cross-border trade interests some countries even though they belong to different regional EPA grouping (i.e. Nigeria and Cameroon; Republic of Congo and Democratic Republic of Congo etc.). Such cross-border trade will not benefit from the intra-regional liberalisation as designed in EPAs (Hinkle and Newfarmer 2007).

Moreover, the existing rules of origin under the EPAs are very complex and restrict the possibilities for diversification of the SSA's exports, undermining therefore the potential benefits of a quota-free market access to EU market. As noted with reference to the EMAAs, despite being necessary to ensure that the preferential access is granted only to those products which are internally sourced, too restrictive rules of origin could lead partner countries to buy inputs from Europe instead than from other regional members, destabilizing the process of regional integration between African countries (European Commission 2006; Mold 2003). Examples of the potential benefits from liberalising restricted rules of origins are provided by Hinkle and Newfarmer (2007). In particular, EPA's rules of origin have been found to be too restrictive especially for what concerns the textile and clothing production and the fisheries sector (Naumann 2007). On this point, the case of SADC countries stands as an example of how the presence of arbitrary rules of origin, by limiting flexibility in raw materials sourcing, could weaken the potential comparative advantages in the textile, tea, coffee and spices production. Indeed, some raw materials such as silk, synthetics and wool are not available or not competitive in terms of prices and quality, so that they need to be imported, especially from Asia. This will not only reduce the competitiveness of the final products, but will also harm the regional consumers, who would bear the ultimate costs of this inefficiency (Kalaba et al., 2006). The solution would be establishing a common system of rules of origin not so restrictive as those contained in the association agreements with the EU (European Commission 2006).

Furthermore, most regions negotiating EPAs encountered several difficulties in identifying their list of sensitive products at national and regional levels. Stevens and Kennan (2005b) found that within the four African EPA groups at the time, they agreed only on 1-12 % of high tariff products to be excluded from liberalisation. This makes it difficult to have a common list of products to be excluded by all countries in EPA groups, because such exclusion list usually reflects more national protectionist interests than efficient and developmental regional cooperation (Bilal and Grynberg 2007). Therefore, as to ESA group, not a single item is in the basket of excluded goods of all five countries and over three-quarters are excluded by only one country. While for Comoros and Madagascar two thirds of the excluded items are agricultural products, this proportion falls to 50 % in Mauritius, 37 % for Seychelles and 9.5% for Zimbabwe.

Moreover, Seychelles and Mauritius have excluded a limited number of items, accounting respectively for 2.5 % and 4.4 % of the value of imports from EU. Similarly, only one fifth of the items contained in the exclusion lists of Botswana, Lesotho, Namibia and Swaziland figure also in the exclusion list of Mozambique, which accounts for nearly 38 % of the value of imports from EU, mainly industrial inputs and processed agriculture (Stevens et al. 2008).

Moreover, two main arguments can be made against the 'MFN clause', which is contained in all the EPAs but not in all the EU FTAs. From a strictly neoclassical point of view, since it requires for granting automatically to any part of the EPA any tariff preference granted to other 'major trading partners' (i.e. accounting for more than 1 % of world merchandise exports), it would lead to a bad allocation of resources not reflecting the comparative advantages. On the other hand, such MFN clause risks to be also anti-developmental as it poses several constraints on future FTAs that the ACP would like to sign with other developing countries or emerging economies like India and China (Stevens et al. 2008). As underlined by Namibia this constraint is two fold. First, suppose for example that Namibia in the future will accord new trade preferences to China, which currently accounts for 5.7 % of total Namibian imports and for 3 % of total Namibian exports (WTO 2007). It is very likely that within this new FTA, Namibia will agree with China a more advantageous reduction in tariffs than to the EU, justified by the higher comparative advantage that Namibia has with respect to China than with the EU. The MFN clause would force Namibia to extend the same trade preferences also to the EU, despite the lower competitiveness of Namibia products on the European markets. Secondly, the MFN clause would provide a strong basis for other developing countries to pretend tariff elimination not lower than those made to the EU. This would affect for example the Botswana sugar's sector, as differently from the EU, the sugar sector in other developing countries such as Brazil is dominating the world markets (Rumpf 2008). The 'MFN clause' is then perceived by some African countries as the way the Europe will protect itself from the eventuality that Africa diversify its trading partners (ICTSD 2008). There is therefore a general consensus about the necessity for SSA countries to reduce their MFN tariffs before the EPAs preferential reductions with the EU take place (Hinkle and Newfarmer 2007).

Exploiting comparative advantages will be crucial to being competitive

The case of the ASEAN-China FTA provides some general insight on how African countries can maximize benefits in a classic RTA with a more developed country, which presents enormous economic opportunities as well as serious challenges (see Tongzon 2005). In the specific case, the same structure of exports (apparel and textiles, vegetable products, base metal and metal products and mineral products) means greater competition in both domestic and third-country markets. Whether ASEAN countries can win such competition and benefit from China's largest market depends on their competitiveness relative to China and their ability to gain entry or improve their share in the Chinese market. Surely, there would be readjustment costs in those industries where the ASEAN countries have no competitive advantage against China. However, China has a competitive disadvantage in all its major imports, particularly raw

materials and industrial components as well as food and agricultural products. ASEAN countries can tap into this potential, even though they have to face the competition of the more advanced countries, which have already established trade link with China. ASEAN can also benefit from service sector in China (tourism, banking, insurance, accounting, professional services, medical and educational, transport).

The general conclusion is that to fare better in competition with a more developed country partner in a trade agreement, developing countries should focus most of all on the specific product areas where they have significant advantages. The main goal should be to improve product and service quality, efficiency and reliability. This implies moving to higher-value products, developing own specialties and niches and the skills of own human resources and level of technology. Secondly, they can improve their cost competitiveness by compensating the wage cost disadvantage with other aspects of the production and distribution process, such as improvements in transport, delivery and bureaucracy.

With particular reference to African countries, in today's increasingly global environment, there is a general agreement that they need to diversify their export base and focus instead on the production of those products in which they have a comparative advantage.¹¹ Many authors concur that Sub-Saharan countries have a comparative advantage in exporting horticultural commodities, due to favorable climatic conditions, geographic proximity to European markets, abundance of cheap labor and absence of strict government control (Xinshen et al. 2003; Barret et al, 1997, in Dolan et al. 1999). This is also due to the diversified nature of the EU agriculture compared to the concentration of African exports in few agricultural commodities (Table 5). However, such kind of specialisation is hampered by both the EU's protective policies in agriculture and the current globalisation of value chains, which results in highest challenges to the African agriculture. From this point of view, the regional integration seems the best way to help the single countries to exploit their natural endowment potential and overcome their lack of the necessary resources and know-how to be globally competitive and to respect the increasing higher quality and safety international standards. By pooling the human, physical and financial resources present in the region, the African countries can catch a number of economies of scale they would have been unable to catch alone, maximize their resources' endowment, increase their bargaining power and improve the value added content of their export products and increase the institutional capacities for the provision of public goods that address market imperfections.

¹¹. Base index of revealed comparative advantage : { export of good i for country j / total world exports of good i } / {sum of exports of country j / total world exports}.

Table 5: Concentration indexes across different regions

Concentration index per geographical zones		Concentration Index per Sub-Saharan sub-regions	
EU	0.061583	Southern Africa	0.1425
Latin America	0.111083	Eastern Africa	0.143
Southern Asia	0.215667	Western Africa	0.566417
Sub-Saharan	0.32025	Central Africa	0.730083

Source: UNCTAD Handbook of statistics 2008

In addition, despite the challenges posed by the trade liberalisation, the competitiveness of African agricultural sector could be enhanced thanks to targeted investments to the sectors with the greatest potential and most likely to benefit from tariff reductions. Some successful examples are reported in table 6. Similarly, African countries can also create new comparative advantages in the production of manufactured goods, but they need strong interventions to strengthen the firm productivity and the market learning. Indeed, Africa has to face considerable production costs higher than for other poor developing countries, mainly due to higher labour, credit and transport costs (i.e. textile production costs are 3 times higher in Kenya than in Bangladesh) and the trade liberalisation are only one factor determining the net performance (UNCTAD 2008)

Table 6: Successful cases of agricultural exports competitiveness

SUCCESSFUL COUNTRIES	SUCCESSFUL SECTOR	FACTORS CONTRIBUTING TO THE SUCCESS
Ghana	Horticultural sector(pineapples, cashew nuts, pepper)	- National programmes to sustain the non-traditional agricultural exports
Cote d'Ivoire	agricultural exports crops (banana, pineapples)	- Huge investments in the agricultural exports
		- Policy devoted to crop-diversification
Benin	cotton	- Cotton Sector Reform Project (2002)
Malawi	Maize	- Government's fertilizer subsidy programmes

Source: UNCTAD 2008

Adjustment costs should determine policy sequencing

Bond (2008) analyses the role played by adjustment costs in determining the best way to structure an agreement between two countries when there are multiple sectors to be liberalized and also provides useful insights in a situation where the EPAs are classic RTAs. The conclusion is that a sequential liberalisation of trade must be preferred in the case of high adjustment costs, as those expected in the case of EPAs (Table 7). Indeed, sequential agreements are more likely to be self-reinforcing, as once resources are moved, countries will rarely deviate from the agreement in sectors that have already been liberalized. This approach to sequencing of trade agreements also yields predictions about which types of sectors are more likely to be liberalized first. Those where deviation incentives are low will be liberalized before the others. The existence of spill over effects between sectors creates two additional motivations for sequential liberalisation. One is the existence of congestion in the adjustment process, which would lead to greater adjustment costs when the two sectors are liberalized simultaneously. The other is the existence of complementarity in the deviation gains across sectors, so that liberalisation in one sector raises the return to deviation in the other sector, then sequential liberalisation will be more attractive because it reduces the payoff from deviation.

Table 7: Estimated EPAs' Adjustment Costs by African regions (million € at 2005 equivalent prices)

	Fiscal Adjustment	Export diversification	Employment Adjustments	Skills/ productivity enhancement	Total adjustment costs
CEMAC	270	257	153	200	880
ECOWAS	955	712	422	700	2789
ESA	825	752	415	695	2687
SADC	340	261	217	255	1073
Total for African ACP	2390	1982	1207	1850	7429

Source: Milner (2006)

The considerable amount of adjustment costs required for replacing any tariff revenue losses, developing exports products, compensating for unemployment and firm closure and increasing the competitiveness of the export sectors, brings the attention to the problem of EPA financing. The per capita amount of the financial assistance provided by the EU to ACP countries is considerably lower than those

granted to Euro-Mediterranean Partners through the MEDA,¹² which in addition to the funds from the European Investment Bank account for almost 90 percent of the EUR 14,580 million committed to the Mediterranean region between 1995 and 2006 (Brach 2006). On the other hand, the request of ACP countries to have a dedicated EPA financing facilities has not been fulfilled and they have to keep on relying on the EDF.

Table 8: Financial allocations under Lomé Conventions and Cotonou (million of €)

	4 EDF	5 EDF	6 EDF	7 EDF	8 EDF	9 EDF
	1975-1980	1980-1985	1985-1990	1990-1995	1995-2000	2000-2007
NOMINAL	3390	5227	8400	12000	14625	15200
REAL (1975=100)	2696	2586	3264	3514	3463	3131
Per capita REAL	8.46	6.65	6.74	6.41	5.06	3.99

Source: Grynberg & Clarke, 2006

However, recent trends show that despite a nominal increase of 348 % from the 4th to the 9th EDF allocations, there has been an 11.4 % decline in real EDF allocations between the 7th and the 9th EDF. Moreover, the EDF funding has not been able to cope with the increasing ACP populations, resulting in sharp fall of 15 % in real EDF per capita of ACP countries between the 7th and the 9th EDF (Table 8). In addition, payment rates have been always low, suggesting consistent bottlenecks in the commitment and disbursement of EDF funds (Grynberg and Clarke 2006). Taking into account the performance in terms of allocation of funds, the ratio payments/commitments for MEDA increased from 29 % between 1995 and 1999 to 87% between 2000 and 2006, while for EDF the percentage of total allocation used in the five years in which it was allocated increased only from 20 % to 27.9 % in the same time periods (Grynberg and Clark 2006; Euro-Mediterranean Statistics 2007)

As to the 10th EDF, covering the period 2008-2013, noted in Table 9, there is a 26 % increase over the 9th EDF in nominal terms, but several doubts remain on whether this is a sufficient increase in real and per capita terms. Moreover, this amount is considerably lower than the € 27.62 billion estimated by Clarke (2006) as the minimum for achieving the Gleneagles commitments. Moreover, only 30 % is devoted to economic growth, regional integration and trade.

¹² Mesures d'accompagnement financiers et techniques à la réforme des structures économiques et sociales dans le cadre du partenariat euro-méditerranéen.

Table 9: EDF 10 versus EDF 9 (in million of €)

	EDF9	EDF 10
1. National and regional cooperation	11933	17766
1.1 National indicative programmers		
A-envelopes (programmable funds)	9686	13500
B-envelopes (unforeseen needs)	1320	1800
1.2 Regional indicative programmes	927	1783
1.3 Reserves for unforeseen needs NIP/R IP allocations		683
2. Intra-ACP cooperation	3294	2700
3. Investment Facility (managed by the EIB)	2220	1500
Sub-total operational credits ACP	17447	21966
OCT	329	286
Support Expenditures	285	430
Total ACP+OCT+support	18061	22682

Source: EU-OCT Forum 2007: EDF10 programming, state of play, Brussels, 29.11.2007

Job displacements amid declining wages should be expected

In all RTAs, a greater attention should be paid to the short-term consequences of trade reform for employment structures across industries and industry wages. In this regard, Goldberg and Pavcnik (2005) analyse for the case of Colombia, which in 1985 started a gradual, trade reform involving all the sectors of the economy, especially the manufacturing sector is interesting. The removal of trade barriers was reflected in trade volumes, so that between 1984 and 1994 all industries experienced an increase in import penetration, with the largest absolute increase in transport equipment, professional and scientific equipment, electric machinery, industrial chemicals and textiles. The reduction by 40 percentage points of the manufactured tariffs from 1984 and 1994 led to bigger declines in relative industry wages in sectors that experienced bigger tariff cuts. Nevertheless, such trade shocks to large industries were not accompanied by a labour reallocation from the industries with the largest declines in tariffs to the industries with the smaller tariff reductions. Apart from the rigidities of the labour market in Colombia, this fact can be explained by the non-captured labour movement across firms within an industry. It is however plausible that when developing countries open up to trade, they change their product mix within industries in response to new exporting opportunities and/or increased foreign competition.

The Euro-Mediterranean partnership has been reported to have had some negative social impacts in the Mediterranean Arab countries, in particular an average rise of 8 % in the level of unemployment in

Tunisia, Morocco, Algeria and Egypt, especially concentrated in the food and beverages sector, textile and clothing, chemicals and wood products. In particular, the increased export opportunities will favour commercial farms rather than small-scale farmers. The short-run effects on wages depend on how the fall in wage rates associated with increased unemployment is counterbalanced by domestic policies, workforce mobility and the inter-sectoral transferability of skills (European Commission 2006). The already cited successful example of Tunisia suggests that the adoption of similar accompanying reforms is necessary to counterbalance the negative impact of trade liberalisation on the level of employment, which in Sub-Saharan is the second largest rate in the world after North Africa, standing at 9.8 % in 2006 (ILO 2008).

Consumption benefits will be unevenly distributed in society

Beaulieu et al. (2005) underline the fact that, while free trade may result in aggregate consumption gains, these gains are not necessarily distributed among the members of the society. Indeed, it is possible that certain groups will be worse off in a situation of free trade than in an autarky or restricted trade situation. This calls for proper analysis and redistribution policies. The authors in particular take into account 17 countries in Latin America, finding that skilled workers are more likely than unskilled workers to support trade and this difference is statistically significant if all the 17 countries are taken into account together. While considering country by country, such difference is statistically significant only in 8 countries. Indeed, empirical results show that unskilled workers are not more supportive of trade even in the most unskilled-abundant Latin American countries, apparently in contrast with the Stolper-Samuelson theorem.

Similarly, the Sustainability Impact Assessment (SIA) on the Euro-Mediterranean Partnership underlines the risk of a greater vulnerability of poor households to fluctuations in the world market prices for basic foods and the adverse effects on the health and living standards of rural women, as the progressive conversion from traditional to commercial agriculture and the increasing competition have been resolved at the expense of women (European Commission 2006). More in general, the significant loss in government revenues, estimated at 2.4 % in Tunisia and 2 % in Morocco (Oxfam International 2003), could lead to a reduced expenditure on health, education and social support programmes (European commission 2006).

The Sustainability Impact Assessments (SIAs) commissioned by the EU for each EPA grouping confirms such uncertain expectations about the impact of the EPA tariff liberalisation in terms of consumer welfare. In particular, in countries such as Congo, Mauritius and Togo, the drop in government revenue from trade liberalisation under an EPA is estimated to be nearly equivalent to the government expenditure on education (South Centre 2007b).

Deepening South-South Cooperation will help in reaping the benefits of a North-South FTA

Fugazza and Vanzetti (2008) provide important results on what one could expect in terms of potential gains from liberalisation of South-South trade when compared with the impacts of developed countries opening their markets. Despite previous studies, according to which the production patterns in Southern countries induced by the trade agreement are unlikely to correspond to their true underlying comparative advantage, the results of the authors' simulation suggest that there are significant potential gains from South-South trade liberalisation. In terms of exports, the gains in export revenues from South-South liberalisation far exceed the benefits of further access to Northern markets, as well as the benefits from regional integration. But most importantly, the main differences between North-South and South-South liberalisation are however in terms of production structure. Looking at the developing countries as a group, production in agricultural goods increased in the scenarios under study, but it is more than 10 times higher when access to Northern markets is liberalized. Moreover, production in manufacturing goods falls for all developing country groups including Asian countries in the North-South liberalisation scenario, while it increases or decreases in the case of SSA countries in the South-South scenario. Nevertheless, Fugazza and Vanzetti (2008) recognize that regional agreements among developing countries should face the great limitation deriving from the fact that the economies are not so different and that the potential gains from differing relative factor endowments and costs are not forthcoming. For individual developing countries, obtaining further access to developed countries' markets is particularly beneficial if preferential access is obtained, but this at the expense of other countries that are shut out.

On this point, UNCTAD (2007) highlights that while the economic gains from a North-South cooperation agreement for developing countries are neither guaranteed nor long lasting, the loss of policy space is certain. First, the elimination of trade barriers means giving up important and powerful tools of industrial and agricultural policy, which are fundamental to develop the supply capacity of the country and reap the benefits from trade liberalisation. Secondly, the accelerated liberalisation of services auspicated for example by the EPAs could hamper the establishment of a coherent national strategy for services, by not excluding from the liberalisation all the relevant sector with a present or future potential. Thirdly, most bilateral North-South FTAs reduce the options to design specific development-driven investments policies, limiting the scope of setting conditions for foreign investments.

Another problem arising from the establishment of North-South cooperation agreement is underlined by Adam and Moutos (2008). The paper evaluates the trade effects of the EU-Turkey customs union agreement of 1995. They found that the salient features of the EU-15 countries and Turkey are conducive to making the effects of the EU-Turkey custom union, signed in 1995, asymmetric. In particular, the more contiguous an incumbent country is to the joining country in terms of technological sophistication, the larger will be the crowding out of this country's exports to the other incumbent countries as a result of the custom union expansion. After the signing of the agreement there was a reduction in exports of

the southern group (EU countries with the lower level of technological sophistication) to the rest of the EU-15. By contrast, the effect on the exports of the northern group to the rest of the EU-15 has been economically negligible and statistically insignificant. The increase in the Northern group's exports to Turkey was equal to the corresponding variable for the southern group.

Given all this, South-South cooperation appears as a necessary complement to North-south cooperation, since 'no single country, even the most advanced among the developing countries, has much hope of reaching individually expected growth and development and influencing outcomes of international agenda' (Marrakech Declaration 2003). As in the case of regional integration, dealing with partners that are more or less at the same level playing field is the first and more reasonable step to increase own capabilities, negotiating power and attractiveness to FDI. All these elements are the key to benefit the most as possible from North-South bilateral agreements. This is the basis of the new dominant "South-South-North" approach, which combines the strong points of North-South integration with the positive ones of South-South integration and help in reducing the 'hub-and-spoke' effect (EU-Presidency Statement 2005).

In particular, taking into account the consistent volume of exports towards developing Asia (16%), almost tripled between 1992 to 2006, and the increasing emergence of countries such as China, India, Brazil and Russian Federation as new drivers of the international economy, UNCTAD (2008) concludes that the African countries should increase their participation in South-South arrangements and encouraging foreign direct investments into their agricultural sectors.

Conclusion

This paper has looked at what the interim EPAs offered the African countries vis-à-vis the expectation of the African countries based on their understanding of the principles of the Cotonou Agreement. The analysis of the interim EPAs suggest that the template used by the EU contained a built-in agenda that is informed by the global best practices in establishing classic RTAs. In which case, the comprehensive EPAs are likely to contain provisions more in line with the EU international trade policy. The paper has then looked at the evidence of existing RTAs and indicated what the African countries should expect. With these expectations, the African countries should awake to the reality that in order to benefit from EPAs that are essentially RTAs, more is expected from them in terms of assuring the benefits that developmental EPAs were expected to provide.

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Annex A: Summary of the results from previous studies on the impact of EPAs on African ACP countries

	Source	TRADE	FISCAL	WELFARE
ACP African	Fontagné et al. 2008	- By 2022, African exports towards EU increase by 10.8 %, imports by 16 %. Largest gains in livestock (+ 140 %), and in vegetable products and textiles (+ 40 %).	- Forecasted losses amount to 1 % of GDP in Ghana, 1.3 % of GDP for Congo, 1.4 for Mauritius and 2.4 in Togo	
	Perez, Karingi 2007	- Asymmetrical gains. ACP countries raise exports to EU by 3.5 USD billion, the EU by 11.1 USD billion. Deterioration of African balance of trade by USD 1.8 billion.	- If African countries could retain 20 % of their tariffs, fiscal losses estimated at USD 2.1 billion, that is at 1 % of GDP	+ If African countries could retain 20 % of their tariffs, welfare increases by USD 211 million. If all tariffs are eliminated, welfare decreases by USD 584 million
	Perez 2006	- Deterioration of the terms of trade in all ACP (0.5 % for SSA), especially in heavy, light-med and agro-processed industries.	- Fiscal losses at 1 % of GDP, 0.4 % for SADC	- Welfare losses of USD 0.6 billion in SSA, while EU gain USD 1.7 billion. Drop of 1.4 % in the GDP of SSA
	Karingi et al. 2006	- Trade balance decrease by USD 1.8 million. Specialization in production of primary products		- Welfare losses of USD 564 million, due most of all to deterioration of terms of trade
	UNECA (2005)	- USD 0.8 billion of trade displacement, due to increase in EU exports (+ USD 4 billion). USD 48 million of regional trade would be replaced by European imports	-- Revenue public losses in Africa amounting to USD 2.9 billion.	+ Significant improvements for consumers in all RECs, ranging from USD 26 million in SADC to USD 240 million in ECOWAS
COMESA	Fontagné et al. 2008	+ Exports to the EU increase by 25.5 %, imports by 20.7 %	- Average loss of tariff revenue on EU imports of 62% in 2022.	
	UNECA (2005)	+ Trade creation outweighs trade diversion in all countries. Net trade effects from USD 7.5 million in Rwanda to USD 122 million in Mauritius and 150 million in Kenya	-- Decrease in revenues between USD 5 million in Rwanda up to USD 73 in Sudan and 107 USD in Kenya	+ All countries benefit from consumer gains ranging from USD 875.000 in Rwanda up to USD 30 million in Kenya and USD 57 million in Mauritius
	Meyn (2004)	+ Trade diversion outweighs trade creation in Botswana, Mauritius and Mozambique		
	EURO-STEP (2004)	- 75% of industries in Ghana will disappear following an EPA with the EU		
	COMESA (2003) and COMESA (2002)	+ Positive exposure of local industries to competition. NO quantification of these potential benefits	-- Governments lose 25 % of trade taxes and about 6 % of total trade revenue	- Small negative effect for all countries

	Source	TRADE		FISCAL		WELFARE
EAC	Milner et al. 2005	- TC smaller than TD for Tanzania and Equal to TD for Uganda	- -		-	Small negative for Tanzania; Positive but negligible for Uganda. Kenya would incur a welfare loss.
SADC	Fontagné et al. 2008	- Exports to EU increase by 6.6 %, imports by 10.6 %	-	The lowest fiscal losses for African countries, near 58 %		
	Perez 2006		-	Losses of 0.4% of GDP		
	Keck, Piermartini 2005 GTAP	- Exports do not change much (average +3.4 %). Imports rise (average + 11.4 %). Imports increase more than exports in all countries, with the exception of Tanzania (exports + 6%, imports + 3.8 %) and Botswana (exports +0.7 %, imports – 1.3)			+/-	Welfare of region increases by USD 1.5 billion, but real GDP decreases in some cc (from 0.06 % in Botswana to 0.17 % in Zambia), in others increases (0.22 % for Zimbabwe, 0.28 % for the “Rest of SACU” region and 0.87 % for Malawi)
	UNECA (2005)	+ Trade creation outweighs trade diversion in all countries. Net trade effect from USD 456,000 (Lesotho) to USD 135 million (Angola)	-	Decrease in revenues between USD 256,314 in Lesotho up to USD 103 million in Angola	+	All countries benefit from consumer gains between USD 68.492 (Lesotho) and USD 14 million (Angola)
	Tekere and Ndela (2003)	+ Trade creation outweighs trade diversion in all countries. Net trade effect of 4.3 for Malawi, 14.5 for Mozambique, 49 for Mauritius and 60 for Zimbabwe and SACU (USD million). Cereals, food processing, textile and clothing adversely affected.	- -	In Mauritius, Tanzania and Zimbabwe losses represent over 30% of total import revenues. Tanzania experience public revenue losses of 36 %, Namibia of 24 %, Malawi of 17 % and Botswana of 7.7 %	+	Majority of consumers in SADC would have net benefits of reciprocal free trade. The impact will be large positive in the EPA with regional integration

	Source	TRADE		FISCAL		WELFARE
ECOWAS	Fontagné et al. 2008	- Exports to EU increase by 4 % - imports by 15 %	--	The most heavily affected regions, with losses of 82 % of tariff revenue in 2022		
	UNECA (2005)	+ Trade creation outweighs trade diversion in all countries. Net trade effects from USD 2.5 million in Guinea Bissau to USD 165 in Cote d'Ivoire and 444 million in Nigeria	--	Decrease in revenues between USD 1.9 million in Guinea Bissau up to USD 193 million in Ghana and USD 426 million in Nigeria	+	All countries benefit from consumer gains ranging from USD 221.876 in Guinea Bissau up to USD 71 million in Ghana and USD 113 million in Nigeria
	Busse et al (2004)	+ Trade creation exceeds trade diversion in all countries. / - Net trade effect from 5.2 % in Guinea Bissau to 20.8 % in Nigeria (as of preferred imports). Some trade diversion exceeds trade creation in Ghana in petroleum oils. Clothing, footwear, light manufacturing, sugar and cereals the most sensitive sectors	--	Decline in import duties between USD 2.2 million in Guinea-Bissau and USD 487.8 million in Nigeria. Average public revenues decline of USD 943 million, and by 22 % in Gambia, 20 % in Cape Vert, 11 % in Senegal and 10 % in Ghana. Budget deficit worse by 4.1 % in Cape Vert and 3.5 % in The Gambia	+	
CEMAC	Fontagné et al. 2008	- Exports to EU rise by 7.3%, imports by 17.2 %	--	Loss of 71% of tariff revenues in 2022		
	UNECA (2005)	+ Trade creation outweighs trade diversion in all countries. Net trade effects from USD 6.9 million in Central African Republic to USD 228 million in Cameroon	-	Decrease in revenues from USD 5.8 million in Central African Republic up to USD 75 in Congo Republic and USD 149 million in Cameroon	+	All countries benefit from consumer gains ranging from USD 1 million in Central African Republic up to USD 30 million in Cameroon

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