

Economic Partnership Agreements: Implications for Southern Africa

Development through Trade Project

**Presentation at the 9th ATF-FES Public
Dialogue on Trade, Windhoek, 15.11. 2006**



OVERVIEW

- A. African Development Challenges
- B. What Contribution Could EPAs Make?
- C. Should There be a “Plan B”?

A. African Development Challenges...

A. Supply-side Deficiencies

- i. Inadequate infrastructure
 - i. Physical
 - ii. Financial
 - iii. Institutional
 - iv. Technological
- ii. Weak private sectors
- iii. FDI unforthcoming, especially in services

African Development Challenges ...

B. Market Access Problems

- i. Commodity exporting development paths
 - Locked in through preferences
- ii. Market access barriers to diversification
 - But others have overcome this (East Asia Inc.)
- iii. Supply-side problems inhibit export expansion
 - Core infrastructure services liberalization could help substantially

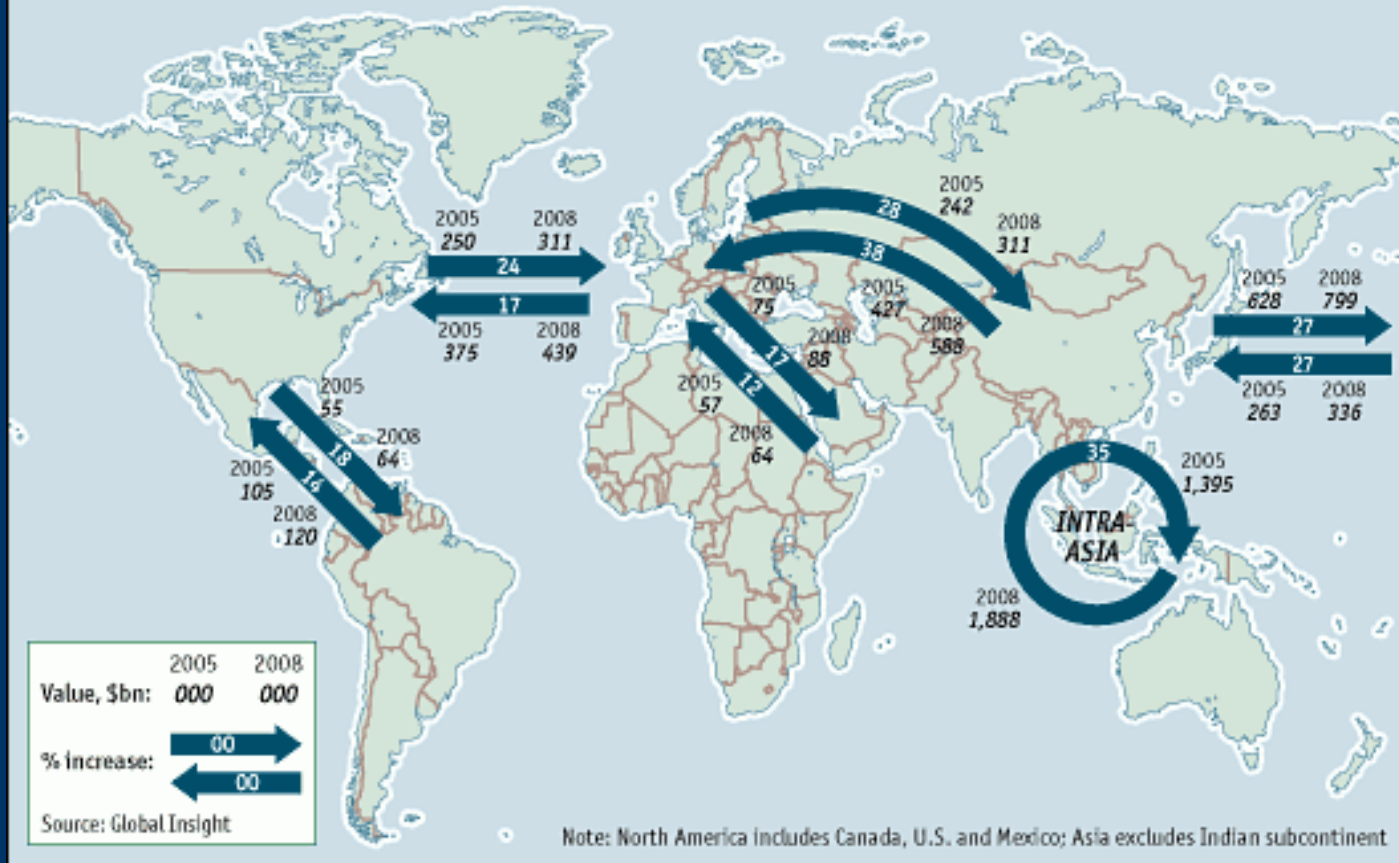
African Development Challenges ...

- iv. Therefore current intra-regional trade is limited
- v. But imports are good too, especially if you don't produce them
 - Capital goods and other imports build productive capacities
 - Imports promote specialization and efficient resource utilization

Global merry-go-round

Trade (exports) between main regions, growth forecasts 2005-08

Source: The Economist

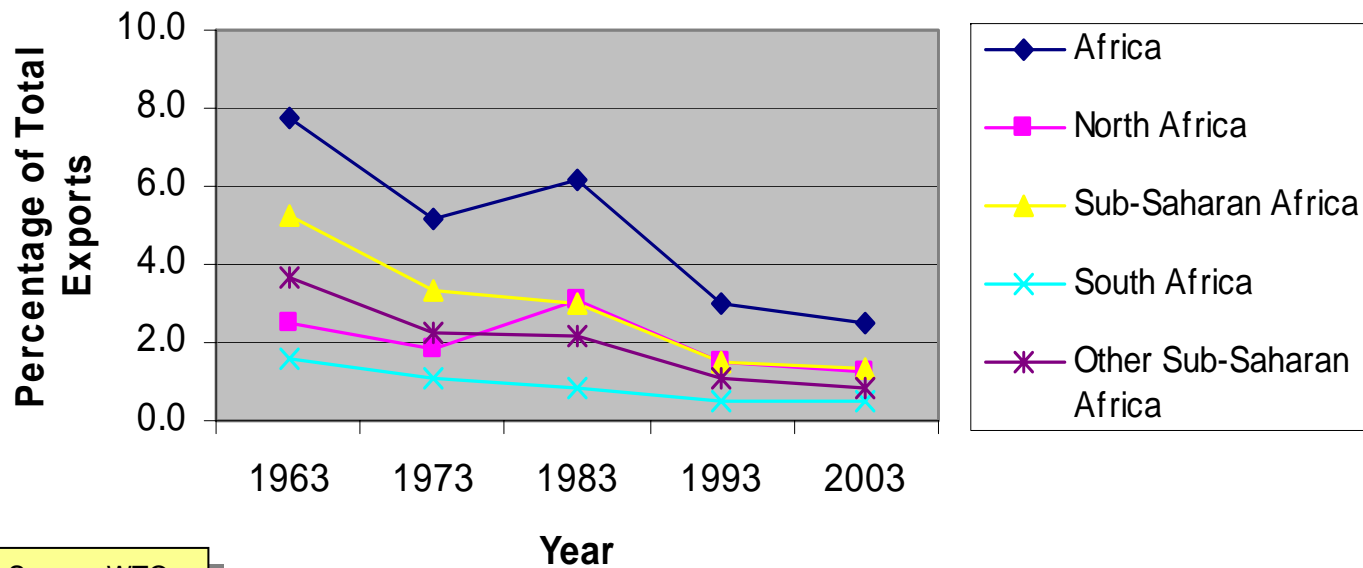


Africa is relatively marginal in global trade

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Western Europe: Exports to Africa, 1963-2003



Source: WTO

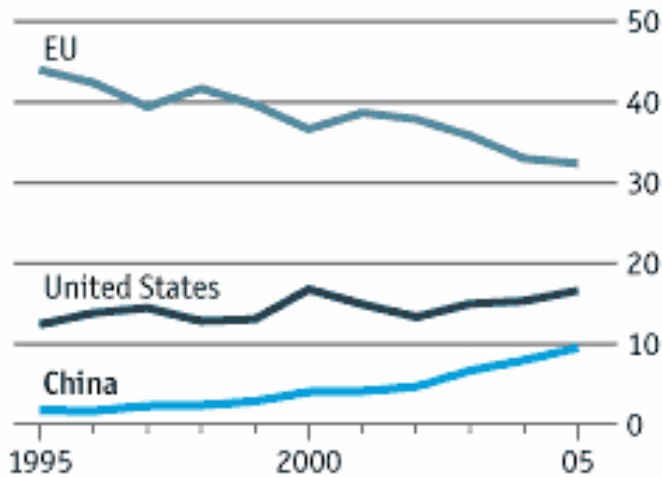
Is the EU losing interest in Africa? Is the EU FTA strategy evidence of this?



Rising in the East

Source: The Economist

Sub-Saharan Africa's trade with China, EU and United States as % of total trade



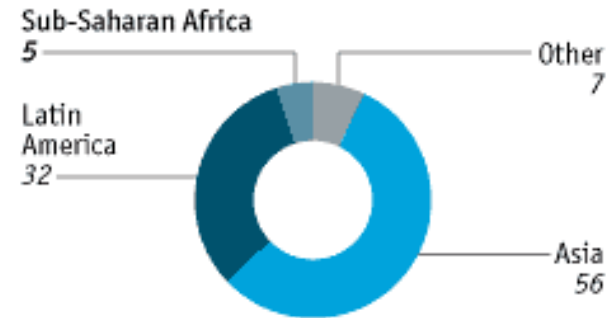
Source: IMF

Relative to China?

Small...

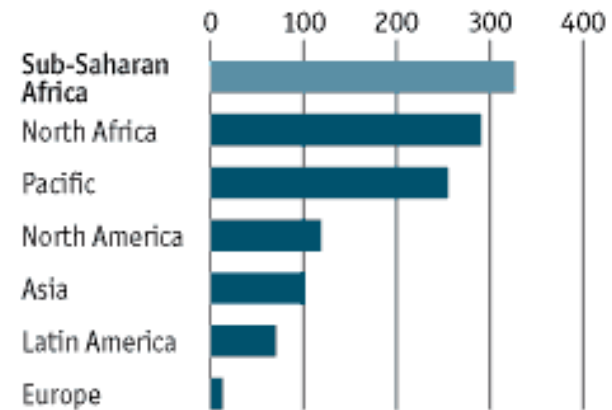
Source: The Economist

FDI flows from China, % of total, 2004



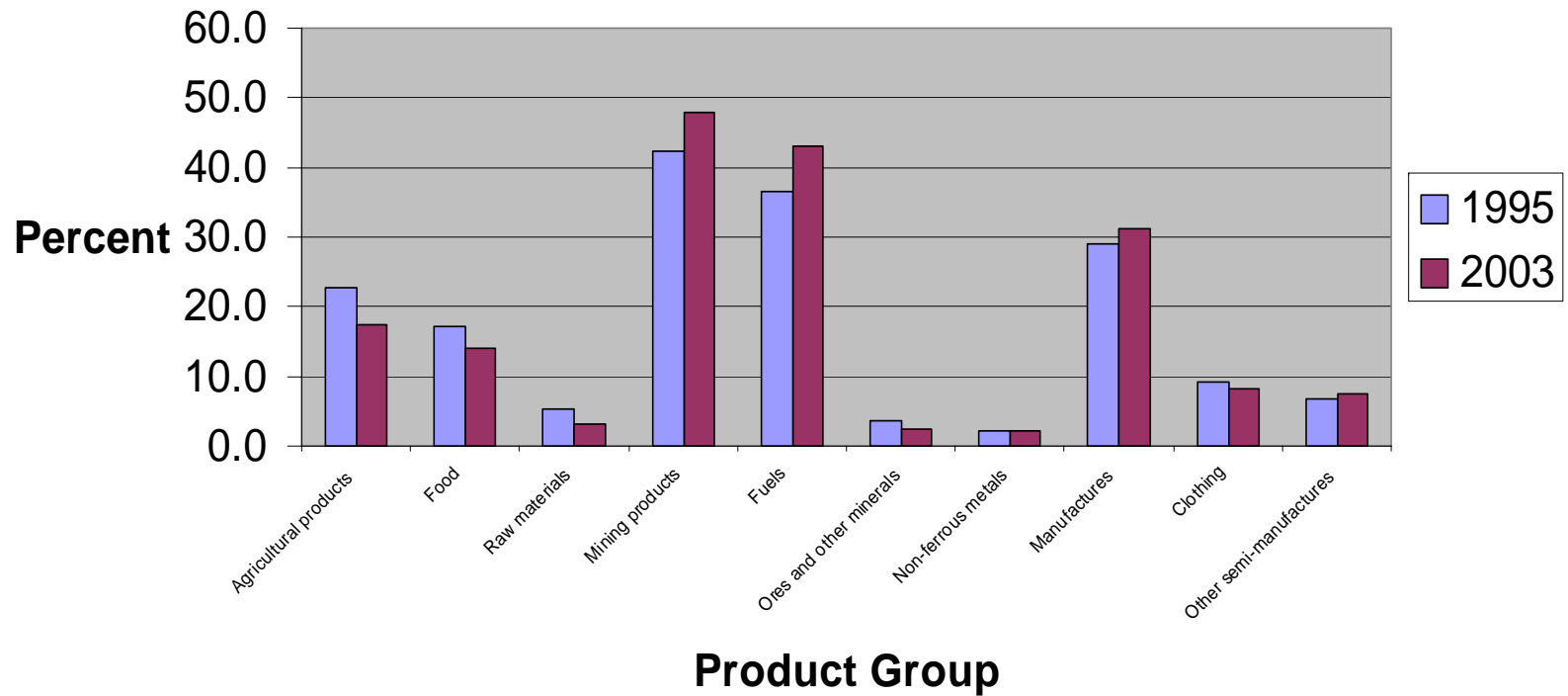
...but growing

FDI flows from China, % increase 2003-04



Source: World Bank, Africa's Silk Road: China and India's New Economic Frontier

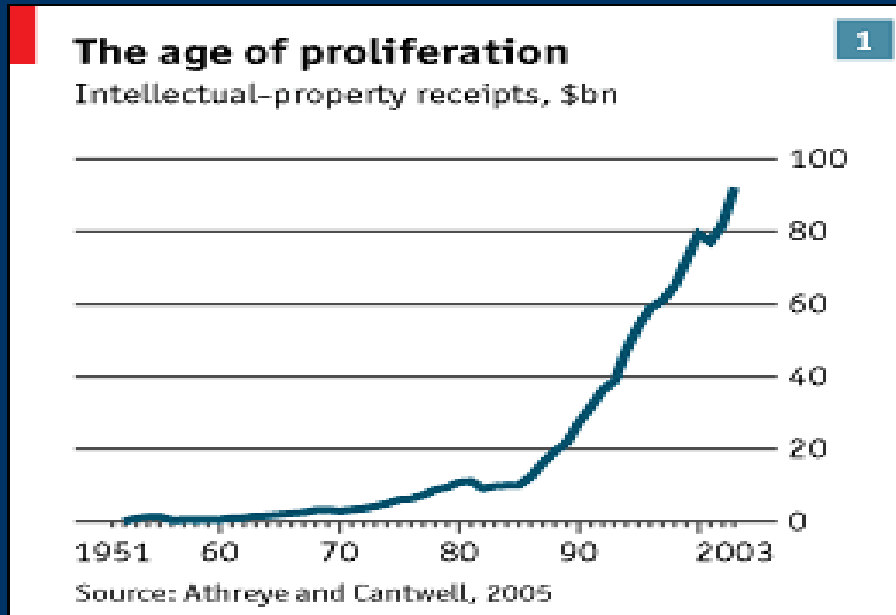
EU 15 Merchandise Imports from Africa



Source: WTO



It's not just about goods...



Source: The Economist

Knowledge is a key driver, but Africa is marginalised



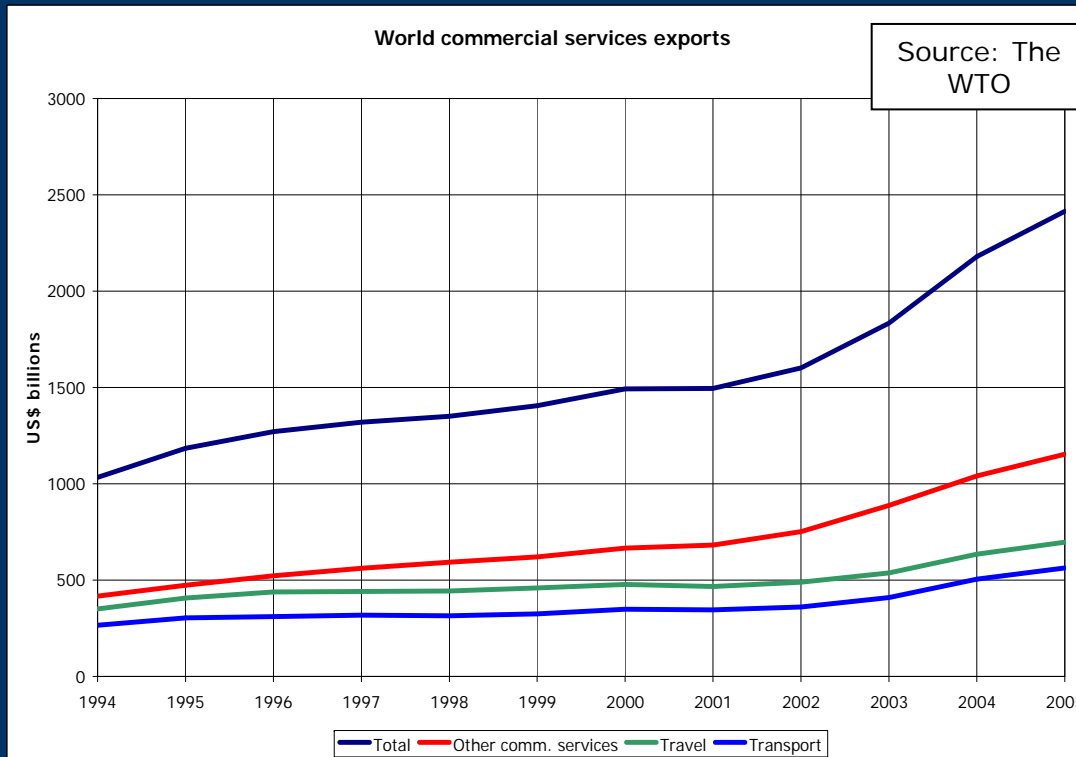
Slide 10

PD1

Need a chart showing importance of global services trade and if possible SA's external services thrust.

Peter Draper, 2006/07/31

It's not just about goods...



*Services exports
and FDI are
booming – but
not in Africa*

B. What Contribution Could EPAs Make?

1. Development Assistance

- a. Supply-side
- b. Technical capacities
- c. Institution-building
- Aid-effectiveness (donors and recipients)?

What Contribution Could EPAs Make?

- Giving content to “Aid for trade”?
 - New money vs old?
 - Distribution: via negotiating groups or established Secretariats?
- At what point will Africa move beyond Aid?

What Contribution Could EPAs Make?

2. Trade

- a. "Alternative EPAs"
 - How to structure a trade deal?
- b. Versus "Alternatives to EPAs"
 - Aid, not trade
- c. Building regional economic integration
 - EPAs are needed to meet the development challenges

What Contribution Could EPAs Make?

3. Focus: Alternative EPAs

- a. Market access issues:
 - i. Meaning of “substantially all trade”?
 - ii. Revenue losses (and compensation)
 - iii. EC agriculture subsidies
 - iv. Negotiating configurations (and regional integration)

What Contribution Could EPAs Make?

- b. Services:
 - i. Market access?
 - ii. Or regional harmonization?
 - Latter problematic
 - Former in Africa's interest but requires management

What Contribution Could EPAs Make?

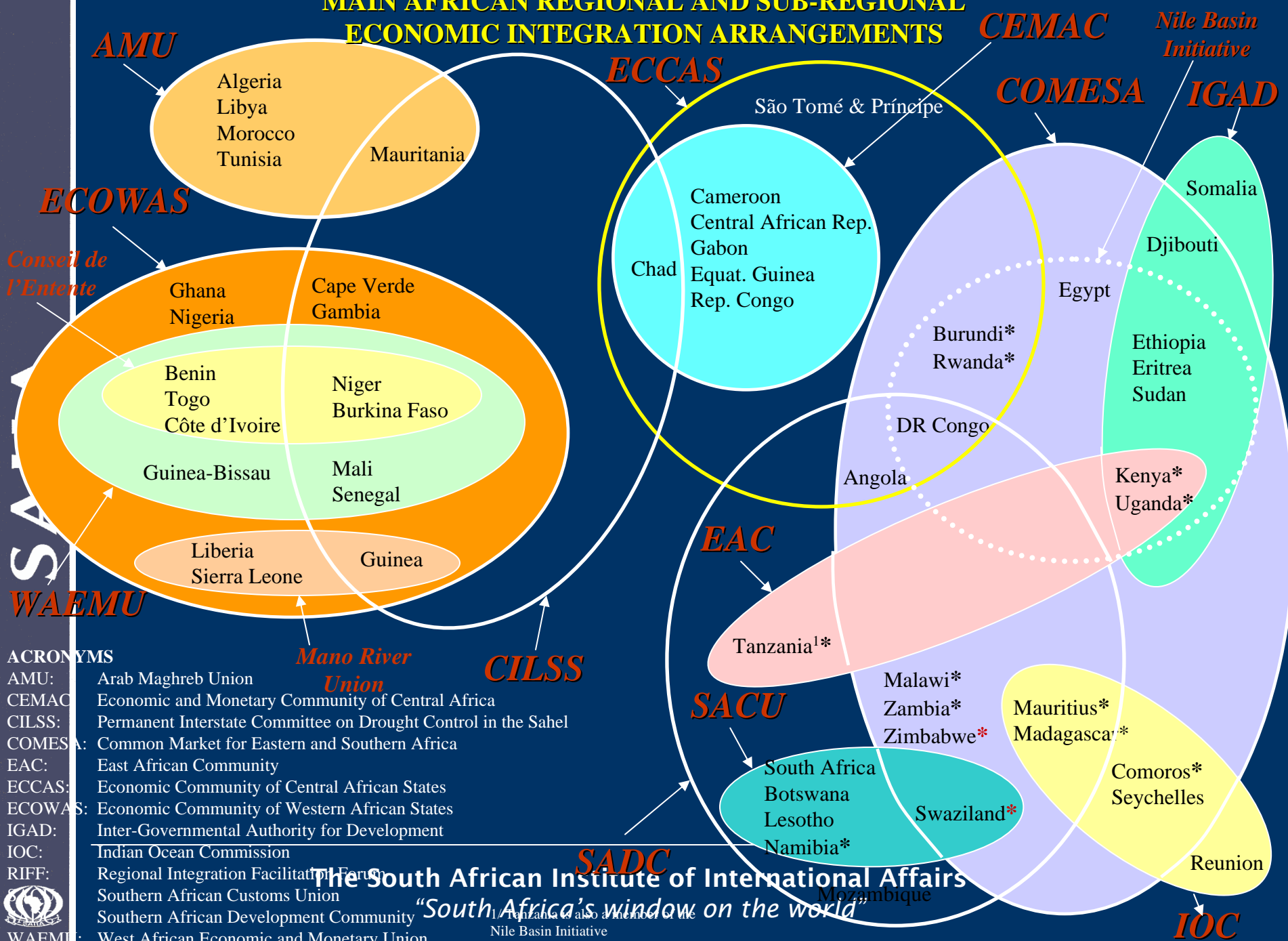
- c. Singapore issues:
 - i. Investment
 - Investor protections
 - Regional harmonization?
 - ii. Government procurement
 - Market access vs transparency
 - iii. Competition
 - small markets make this desirable
 - Are regional approaches feasible?
 - iv. Trade facilitation
 - “aid for trade” not a simple proposition

What Contribution Could EPAs Make?

d. Building Regional Integration?

- i. Whose model?
 - Is the EU externalising its model?
 - Is Africa ready for it?
- ii. Intra-regional trade levels are low
- iii. And the region is, err, confused!

MAIN AFRICAN REGIONAL AND SUB-REGIONAL ECONOMIC INTEGRATION ARRANGEMENTS



- ACRONYMS**
- AMU: Arab Maghreb Union
 - CEMAC: Economic and Monetary Community of Central Africa
 - CILSS: Permanent Interstate Committee on Drought Control in the Sahel
 - COMESA: Common Market for Eastern and Southern Africa
 - EAC: East African Community
 - ECCAS: Economic Community of Central African States
 - ECOWAS: Economic Community of Western African States
 - IGAD: Inter-Governmental Authority for Development
 - IOC: Indian Ocean Commission
 - RIFF: Regional Integration Facility of Francophone Africa
 - SACU: Southern African Customs Union
 - SADC: Southern African Development Community
 - WAEMU: West African Economic and Monetary Union

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¹ Tanzania is also a member of the Nile Basin Initiative

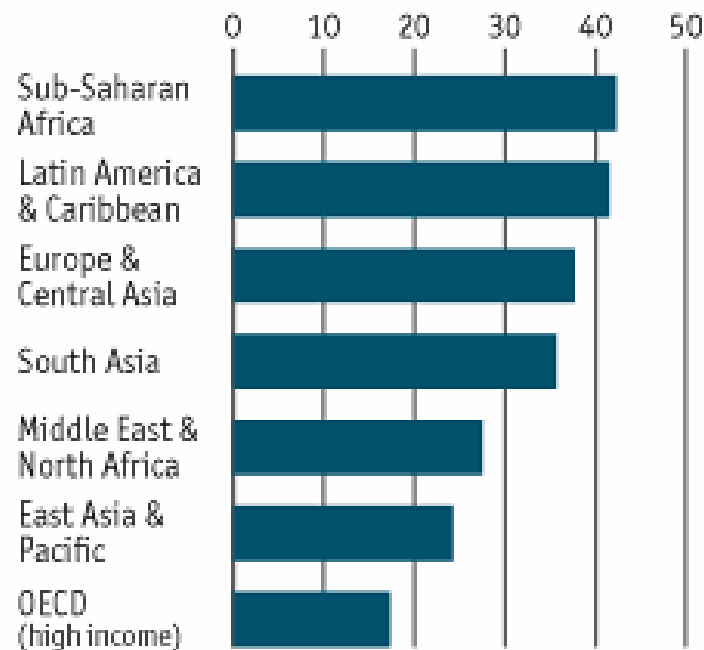


Does Africa have a basis for formal regional economic integration?

Just an informality

Source: The Economist

Informal economy as % of official GDP, 1999-2000



Source: IFC

Intra-SADC trade as a % of total exports

	1980	1990	2002
Intra-SADC trade	0.4	3.1	8.8
Extra-SADC trade	99.6	96.9	91.2
Rest of Africa	7.18	6.42	17.99

Intra-COMESA trade as % of total exports

	1980	1990	2002
Intra-COMESA trade	5.7	6.3	5.6
Extra-COMESA trade	94.3	93.7	94.4
Rest of Africa	6.19	4.78	7.29

The Trade Facilitation Agenda is Large

Region or Economy	Documents for export (number)	Signatures for export (number)	Time for export (days)	Documents for import (number)	Signatures for import (number)	Time for import (days)
East Asia & Pacific	7.1	7.2	25.8	10.3	9	28.6
Europe & Central Asia	7.7	10.9	31.6	11.7	15	43
Latin America & Caribbean	7.5	8	30.3	10.6	11	37
Middle East & North Africa	7.3	14.5	33.6	10.6	21.3	41.9
OECD	5.3	3.2	12.6	6.9	3.3	14
South Asia	8.1	12.1	33.7	12.8	24	46.5
Sub-Saharan Africa	8.5	18.9	48.6	12.8	29.9	60.5

Source: World Bank
(DoingBusiness)

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From Spaghetti to Cannelloni?

1. The EC wants to negotiate with single economic regions, but:
2. Many grand plans in the region
 - a. SACU already a customs union
 - b. SADC customs union (2010)
 - c. COMESA customs union (2008)
 - d. EAC customs Union (current)
 - Negotiating groups not aligned with these RECs
 - European Commission may fund negotiating groups, not RECs

From Spaghetti to Cannelloni?

3. Issues:

- a. Membership in only one CET possible
- b. Strain on scarce institutional resources
- c. Confusion for business (rules of origin; tariff schedules)

From Spaghetti to Cannelloni?

- d. Reconciling the TDCA with EPAs?
 - i. Lesotho's EBA access if TDCA adopted?
 - ii. Or EBA access for South Africa?
 - iii. Rules of origin?
 - iv. BLNS defensive interests and the TDCA?
 - v. Will South Africa negotiate new generation issues?
 - vi. If not, would this be in BLNS interests?

From Spaghetti to Cannelloni?

4. What will happen in the medium to long term?
 - a. EPA process may force rationalisation
 - b. Potential US FTAs (US-SACU FTA; US-EAC FTA?) increase the pressure
 - c. What happened to domestic/regional ownership?
5. Will SACU expand (Mozambique; Zambia; Zimbabwe post-Mugabe)?
6. Perhaps the EAC too (Burundi and Rwanda)?
7. If so do SADC and COMESA have a future as trade arrangements?

What kind of design?



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C. Should There be a “Plan B”?

1. WTO waiver expires end 2007
2. Southern African EPA unlikely to be in place

Is There a "Plan B"?

3. What next?

- a. Extend waiver?
 - but who pays?
 - What if other regions (eg Caribbean) are ready?
- b. Graduate to GSP?
 - But non-LDCs would be worse off
 - And GSP is being reviewed
- c. EBA in case of LDCs
 - Rules of origin problematic
- d. Programming EDF 10
 - How closely will it be linked to successful EPAs?

4. This will go down to the wire!