

## Documentation

# The art of 'fair' trade. The EU economic agreements with Africa and the alternatives

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### **Welcome and introduction by Marcus Strohmeier, ÖGB**

I would like to welcome you to the event centre of the ÖGB, the Austrian Trade Union Federation. My name is Marcus Strohmeier and I am the head of the International Secretariat of the ÖGB and “weltumspannend arbeiten” (working globally), the development policy project of the Austrian Trade Union Federation.

Some time ago, we had another event with the Congolese trade expert Bonifacio Mabanza about free trade agreements of the European Union with Africa and its consequences and alternatives. Over 100 people attended this debate. Many visitors told us that they would like to get more information about the trade policy with Africa and other regions. In Austria, as the examples of TTIP and CETA show, trade agreements are discussed within a broad public.

The agreements with Africa do not reach the same attention and took place behind closed doors. Many African countries have been forced to sign the Economic Partnership Agreement. We, from the ÖGB, learned through a call from the African organisation International Trade Union Confederation (ITUC) about the consequences of the agreement. ITUC Africa has warned that through the loss of tax and duty revenues even the little budgets for social expenditures, health and education are endangered.

For the event tonight I would like to thank our partner, the VIDC, for the good cooperation. We have a very exciting panel with Jane Nalunga, a trade expert from SEATINI Uganda, with Siham Ahmed from the Trade Union Association of Tanzania (TUCTA) – our contacts with TUCTA goes back to the 1960ies – and with Remco Vahl, a trade expert from the European Commission. The panel is chaired by Michael Wögerer, the head of “weltumspannend arbeiten” (working globally), which I have mentioned already.

For us from the ÖGB, trade is nothing malign. Austria is an export country and many jobs depend on it. But the question is under which conditions trade is taking place. If the present conditions will be changed in favour of the development of countries and the wealth of the people, also African countries will agree.

I wish you an interesting evening and promise that it will not be the last event about this subject.

## **Welcome and introduction by Franz Schmidjell, VIDC**

Dear excellencies, dear ladies and gentlemen, dear colleagues. I would also like to welcome you in the name of the VIDC to the discussion about the African European trade relations. My name is Franz Schmidjell and I am in charge of the African policy desk at the VIDC. I also would like to welcome our guest speakers on the panel, Siham Ahmed, Jane Nalunga and Remco Vahl.

I would like to thank our partners, the Austrian Trade Union Federation (ÖGB) and the initiative “weltumspannend arbeiten” for their cooperation, the Austrian Development Agency (ADA) for the financial support and my colleagues from VIDC for their support in organizing this event.

Please allow me also some remarks about the EPAs, the trade agreements between the European Union and African, Caribbean and Pacific countries, the so-called ACP countries. The negotiations were already launched in 2002 to replace the longstanding preferential access regime for ACP countries to the European market. The new agreements should also allow EU exporters a duty free and quota free access to the ACP countries. This reciprocity in trade agreements was required by the rules of the WTO, the World Trade Organisation.

The second reason was more political: With the beginning of the new century, Europe’s historical dominance on African markets was threatened by new emerging powers like China or India. The EPAs should continue to tie up the former colonies closely with Europe. On the African side, there was and is a growing resistance against the EPAs. The past negotiations were largely driven by the interests of European export industries and did not take into account at the same level the objections by African governments, trade unions and civil society.

Tonight, we have the chance to listen to some of these objections and have a closer look at EPA discourses in East Africa, especially in Tanzania and Uganda. What is the impact of the EPAs on industrialization, employment, tax revenues and regional integration? What are alternative trade policies from an African perspective and what is the response of the EU? Is an EPA moratorium, like demanded by many CSOs and experts, a way forward?

Now, I would like to hand over to our moderator Michael Wögerer. Michael is project manager at “weltumspannend arbeiten”. He studied political science at the University of Vienna and history and philosophy in Havana (Cuba) and graduated with a master’s degree.



**Michael Wögerer:** Thank you, Franz, thank you Markus, for the introduction. I am really honoured to moderate the talk about “The art of fair trade, the EU economic agreement with Africa and the alternatives”. The participants of our panel are experts in their fields and we are very glad that they came to Vienna.

I warmly welcome on my left side Jane Seruwagi Nalunga, Country Director of the Southern and Eastern Africa Trade Information and Negotiations Institute, SEATINI-Uganda. She is an expert on trade, investment and fiscal policy related issues and has more than 20 years of experience in trade related policy research, analysis and advocacy. She has offered a number of studies and articles. Ms Nalunga sits on several national policy-making bodies and advises the Government and Parliament on trade-related matters. She holds an Honours Bachelor of Arts degree and a diploma in Education from Makerere University and a Masters of Arts from the University of London. Welcome to Vienna.

On my right side, Siham Ahmed. She is director for TUCTA Trade Union Congress of Tanzania Women, Gender and Youth development directorate and is responsible for promoting gender and equality issues in trade union work and employment. She is in charge of youth development and employment and child labour. As a director, she coordinates women and gender activities of affiliate unions with the aim of promoting gender mainstreaming and equality issues in trade union work and in employment and labour issues. As part of her duties she has been a member of women structure of both regional and international trade union organisations such as the international trade union confederation Africa region ITUC. Mrs Ahmed is a graduate of the university of Dar es Salaam having been awarded Bachelor education upper second in 1987. Thanks for coming to Vienna.

Next to her, Remco Vahl is senior expert at the European Commission Directorate-General for Trade. His unit deals with economic partnership agreements in seven African Caribbean and Pacific regions, having negotiated EPAs in all ACP regions. The unit is now implementing and monitoring the agreements. Remco Vahl has worked on ACP trade matters in a commission for twenty years. He holds a PhD from the University of Leiden on the role of the European Commission in EC-decision making. Thanks for coming to Vienna.

We start with Remco Vahl. Cecilia Malmström, the EU Commissioner for Trade said: “Trade helps spur economic growth and development. By doing so, it has already helped lift millions of people out of poverty. And with EPAs, we are preparing the ground to continue that process”. Dear Mr. Vahl, please give us a quick overview of the goals of the Economic Partnership Agreements between the

European Union and African Caribbean and Pacific countries from the standpoint of the European Union. What is the actual status of the negotiations, especially on behalf of the East African community?

**Remco Vahl:** Thank you very much. I am delighted to be here, to be given the opportunity to give the EU a point of view. But when I start talking about the objectives of the Economic Partnership Agreements you must understand that they were joint objectives which were negotiated and discussed among the partners. Basically, I think we all want the same thing. I would say it's three-fold. The ACP countries and the EU want to use trade as a tool for sustainable development. Nowadays this doesn't sound as controversial as twenty years ago when this started but that is the basic idea, that trade can be, as was apparent from the quote from Commissioner Malmström, a force for good.

Secondly, we wanted to use the Economic Partnership Agreement to help the ACP countries to integrate more fully to the world economy and to benefit from that integration. This is what nowadays we would call global value chains or regional value chains.

And finally, the third objective remains, given the framework in which we work, that we want all this to alleviate poverty, to contribute to poverty eradication.

How were we going to achieve this? First, the EU decided to give free unrestricted access to its market. In the description of the evening it was written "a large number of products". It was all products. The EPA countries can export to the EU any product without tariff and without quota. So, trade could be used as a tool for development: free access. It's not the same as free trade because on the ACP side we were not and we are still not asking for the same thing. This is what sometimes is called the asymmetry of the agreements: the EU taking more obligations and implementing them quicker than the ACP side. But this is the second aspect. Creating a partnership with rights and obligations for both sides.

This doesn't sound very revolutionary, perhaps, but the approach was different in the past. The EU opened its market, not completely, and the assumption was that the ACP countries would be able to use it. I think the failure of that approach, (much more than any shenanigans in the World Trade Organisation), the failure of past policies to diversify and increase ACP exports, is at the root of the Economic Partnership Agreements.



This brings me to a third lever that we want to use. It is investment. The EPAs are special because they combine a degree of trade liberalisation with aid for trade, with development aid. There aren't many agreements that do this in the same way. But there is also a realisation that the needs of the ACP countries, and Africa in particular, go well beyond what is available as public aid, as public development finance. We need to bring in and promote private investment, domestic and foreign. The EPAs will contribute to that investment through trading opportunities, an improved investment climate and in general an incentive for responsible investment. Now that's a big debate in a very short time and we can come back to that, I suppose.

The debate tonight, I hope, will also manage to shift from the EPA is "good / bad" to: How do we make the most of this? What are the effects, not the theoretical ones, what can we observe already? What can we see? Now a few numbers: there are seven EPAs that are being implemented today: one in the Caribbean region, one in the Pacific region and five in Africa including a regional agreement in Southern Africa, a sub-regional agreement in the Indian Ocean involving also Zimbabwe, and three agreements with Cameroon, Côte d'Ivoire and Ghana. And the question is: How can we make sure that it is beneficial and that is something we have to monitor.

With the East African Community, we also negotiated an EPA but it is not at implementing stage. My fellow panellists will go into detail. But I can just perhaps be factual. We are in a situation where this agreement has been signed by 28 members of the European Union, Kenya and Rwanda, but three signatures are still missing: Tanzania, Uganda and Burundi. Now, it's going to be a sovereign decision of the countries involved whether the deal that's on the table with all the explanations and reassurances that the EU has been able to give, whether it is good enough from their point of view. Thank you.

**Michael Wögerer:** Thank you very much. Jane Nalunga, as an expert on trade, investment and fiscal policy, do you agree with the descriptions, with the remarks of Mr. Vahl? Does the European Union reach its goal to ensure the sustainable development of ACP countries with the new model of partnership agreement? Please also make some remarks on the discussion on EPAs in Uganda.



**Jane Nalunga:** Good evening, Ladies and Gentlemen. I'm happy to be here.

I will start with the objectives of the EPAs. As Mr. Vahl has pointed out, the mentioned objectives of the EPAs are true and we discussed them, between ACP countries and the European Union. They are noble objectives: promote sustainable development, reduce poverty, and I think one of the objectives you didn't mention, is promoting regional integration. These are good objectives. But the question is: Why have we been negotiating this agreement for the last fifteen years? Why haven't most of the countries signed, up to now? Even those countries which have signed and ratified, like Kenya, signed because they were pressurised by the European Union. Kenya signed not because they wanted the EPAs, but because the European Union said they were going to increase and actually increased taxes on their flowers. Even today, when you ask the Kenyans why they signed, most of them say: We don't know but our flowers have to go to Europe without taxes.

East Africa is made of six countries. All those countries, apart from Kenya are the poorest of the poor countries in the world. So, we need trade. We would be the first people to sign a trade agreement, because I believe trade is a tool, a kit tool, if a country wants to get out of poverty. But when you look at the EPA, what the European Union is demanding from poor countries like Uganda, is a very extensive liberalisation. They tell us that the liberalisation is going to happen over a period of 25 years and that there are some products which have been set aside as sensitive products, where we are not going to liberalise. But 25 years is a very short time for an economy to be able to grow its industries and to be able to withstand competition from established economies like the European Union. Europe grew their economies behind protected tariffs. Today when we talk about protectionism, it has almost become a dirty word. Everybody is talking about opening up. But I want you to understand the situation in Africa. We liberalised too early and too fast under the structural adjustment programmes. All our industries collapsed. So, we need to look at the EPAs from that context. We need to ask ourselves: Can the EPAs help us grow our industries? Because unless we industrialise, we are not going to create jobs. And that is the challenge today: we have no industries to absorb young people and to create employment. With a liberalisation of 82% in the EPAs we can't grow our industries and that's a fact. Tariffs are a very important tool for a country to industrialise because tariffs are used to control the inflow and to protect certain sectors.

I will go to another issue, the issue of export taxes. In the EPAs, the European Union is telling us that we are going to use export taxes under very stringent conditions. Export taxes help our country limit the outflow of raw materials because of the taxes on raw materials. That is also very important if you

want to industrialise. We are talking about WTO-compatible EPAs. However, the World Trade Organisation doesn't talk about limiting countries to use export taxes.

Another very important issue is the issue of regional integration. As I said, the EPAs aims to promote regional integration. Africa has started looking out for regional integration. The East African region is a regional economic grouping and went into the EPA-negotiations as a region. Because we know that if we are to survive in this hostile very competitive global economy, we need to be united as a region, we need to be united as Africa. Now what the European Union is doing is telling Kenya to sign, on its own. Kenya signed and ratified because of the flowers and the European Union accepted that. Now, what is going to happen to the regional economic grouping and the common economic external tariff? Tanzania is not signing. We don't know whether Uganda will sign or not. What is going to happen is that either the region will break up if Kenya is to implement the EPAs as it signed and ratified it, or Kenya will have to give up the EPA.

The European Union was saying that they wanted to promote regional integration. But the challenge is not just in the East African Community. In West Africa, some countries signed, others didn't sign. Nigeria didn't sign, Gambia didn't sign, while others signed. In central Africa, I think, it was only Cameroon which signed. Look at that uncertainty. The countries which signed were pressurised, Cameroon with the bananas, Kenya with the flowers.

Lastly, there is the issue of investment. I agree. In Africa, we need investors. In the EPAs, we haven't yet discussed the issue of investment because investment will come in the second phase under the rendez-vous clause. But that is also one of the reasons why Africans are reluctant to negotiate the EPAs. Because under the rendez-vous clause, Europe is putting on the table issues which are not yet agreed on in the WTO. These are, among other things, investments, public procurement and competition policy. These are issues which are still debatable. The fear is that the moment the EU brings them into the EPAs, then they might be able to force Africa to sign an agreement that they don't want. These are also issues that we need to look at.

**Michael Wögerer:** Thank you very much. Now we come to Mrs. Siham Ahmed. Siham, some experts have expressed their deep concerns about EPAs in a seminar with the members of parliament in Dodoma, the capital of Tanzania. For example, Dr John Jingu from the National Economic Empowerment Council told MPs that the Partnership Agreement is "clearly in favour of Europe and it is against the spirit of regional and African integration." Dr Ng'wanza Kamata from the University of Dar es Salaam warned: "Currently we import less from the EU but signing this agreement will reverse



the trend and give them an unprecedented opportunity to dominate our market and flood it with their products.” Why is there such a big opposition against EPAs in Tanzania?

**Siham Ahmed:** Good evening. Thank you very much, Mike, for your question. I’m also very grateful to be invited to this very important debate. I want to say that in Tanzania, if there is any development issue that caused people to unite - be it the government, members of parliament, civil society, trade unions - to fight for their nation, it is the

issue of EPA. Most of the people in Tanzania, I mean the citizens, said no to EPA. The government commissioned the scholars from the University of Dar es Salaam to undertake a study and advise the government on the impacts of the EPAs if Tanzania signs this agreement.

The outcome of the study was presented to the members of parliament just to advise them on how our government should handle the issues of the EPAs. Hence the Tanzanian parliament called on all the East African country governments not to sign the Economic Partnership Agreement negotiated between the EU and the members of the East African Community, many of them pointing to the potential negative implications for Tanzania’s industrialisation strategy if the deal is inked in its current form. Members of parliament from both the ruling party and the opposition party called on the Tanzanian government to renegotiate the EPA on terms that would allow for better protection of domestic industry.

The Minister for Foreign Affairs in the east African corporation who is also in charge of the EPA affairs told the local media lately in Dodoma that the government of Tanzania would not sign the EPA agreement until crucial amendments are included in the deal. He further said that Tanzania wants to ensure that the country focuses on its industry and that the EU first needs to shed light on what will happen after Britain leaves. He also said that the signing by Kenya and Rwanda meant nothing as it was supposed to be signed jointly as a block and not as individual countries. I think my colleague earlier on talked about why Kenya has signed and why Rwanda has signed.

Tanzania has raised several issues including the implications not only for Tanzania but for the East African Community, issues related to development in general and particularly to industrialisation. Earlier on, Tanzania has requested the EAC to conduct a study on the impacts of the EPA. There was a feeling even among member states of East Africa that Tanzania is blocking the deal or is delaying the negotiations. But we also need to recall that at the beginning of the negotiations in 2004 the

government of Uganda conducted a study funded by the EU and the study highlighted some of the risks of the EPA that Tanzania is now questioning. The study notably highlighted the fact that locally protected industries will face competition from imported duty-free products from the EU resulting in loss of employment and deindustrialisation. The purpose of the highlighted risk at that stage was that the outcome of the EPA would include mitigation measures.

Another contentious issue that was raised by Tanzania is the issue of Brexit. Tanzania cited their economic and constitutional uncertainties arising from British voters' decision to leave the EU. Tanzania argued that with the exit of its core market from the EU, it had little to gain from the partnership agreement negotiation and that signing would harm its national interest.

Another contentious issue still, was related to agricultural products. The argument is that agricultural products are unlikely to compete favourably given the heavy European government subsidies, coupled with highly modernised European agricultural technology. This could result in untold harm for EAC farmers in the agricultural sector, which is the backbone of the East African member states' economy. East African countries, as my colleague has mentioned, are all Least Developed Countries (LDCs), except Kenya which is referred to as non-LDC. Being the least developed countries, they are guaranteed free access to EU, irrespective of signing the EPAs under "Everything but Arms" agreement (EBA). In other words, we can already export duty-free and quota-free to the EU market without providing the EU with similar market access terms. If we signed the EPAs, we would still get the same duty-free access but in return we would have to open up our market for export.

Another contentious issue for Tanzania is the issue of Burundi. At one of the meeting of the heads of the partner states, the president of the United Republic of Tanzania, who was at that time a chair of the EAC, has raised two pertinent questions: Why are we signing the agreement while the EU has imposed sanctions on Burundi? And why are we signing while the UK has pulled out of the EU? To the president, this is a very important point. And on the issue of Burundi, Tanzania further asked: What is the reason for Burundi to sign the EPAs while the EU has imposed sanctions on its export? Moreover, how will the EAC partner states avoid such a scenario of the EU unilaterally putting embargo on their trade, while article 136 of the EPA still refers to the same agreement as the one that the EU has used to put the sanctions on Burundi? Therefore, how will the EAC partner states operationalise the free movement of goods while there is no free circulation of goods in the region and no refund mechanism for custom duty paid to another partner state?

Another issue Tanzania raised is related to the Most Favoured Nation clause under the EPA on future agreements of the EAC with a third party. Tanzania asks: How will the EAC partner state hold the EU party liable, in case of failure to implement any of the EPA provision, when article 162 of the EPA does not define that the EU is one party, when it comes to the definition of parties in fulfilling the obligations? Again, Tanzania asks: How will the EAC partner states bridge the gap in the balance of trade with the EU, while continuing trading with raw materials, considering that the EPA has limited EAC policy space in instituting duties and taxes on export?

For us a trade union will think that any agreement or any deal has to take into consideration the social policy. It must touch the people. We want to know the outcome of the agreement, how it will impact employment and growth and how that will be translated into reaching ordinary people. These are some of the questions that still have no answers. Therefore, to this day Tanzania is not willing to sign the agreement.

**Michael Wögerer:** Thank you, Siham. Well, now there is a possibility for you to ask factual questions or questions that aim to further your understanding of the subject.

**Question 1:** I have a question for the representative of the European Commission. Firstly, what is it that you mean when you speak of development, because that is the alleged goal of the EPAs. And what is the evidence so far that liberalised trade has led to development among very unequal trading partners?

**Question 2:** Did the partners negotiate within the EPAs about fair prices?

**Question 3:** Also a question for Mr. Vahl: You mentioned 29 countries that were implementing the EPAs, out of how many that were involved in the negotiating process? And why have unions and other civil society forces not been involved in the negotiations?

**Question 4:** Mr. Vahl stressed responsible investment. What are the criteria for responsible investment and how do you guarantee responsible investment as we know that responsible investment is used for CSR and doesn't give any guarantee? Maybe the African representatives could tell you from their point of view what responsible investment would be?

**Michael Wögerer:** Thank you very much. Now I give Remco the possibility to answer the questions but I will also give Jane and Siham the possibility to make some remarks afterwards if they want to.



**Remco Vahl:** Thank you very much and thank you very much for the questions, which are all factual and, I think, relevant. Development, I think, is very much framed in terms of sustainable development, with these three pillars: economic growth, socially responsible and environmentally sound and sustainable. Now, the evidence question is more difficult to answer because

what we are trying to do with the EPAs is quite innovative and looks different from any other free trade agreements. What we have done to try to answer this question are two things: There was a reference already from one of my fellow panellist: We have given money to our negotiating partners to do ex-ante studies of what the outcome of the negotiations might be. They have also put their own funds there because this makes sense: you try beforehand to do some ex-ante studies. Given limited resources on the ACP side, we have funded but not influenced these studies and so, sometimes made our own lives more difficult but sometimes not.

The second thing that we have done is that as soon as negotiations were finished, we commissioned studies by experts to see the parameters, the elements of the deal. What was the expected impact? I don't know whether you are an economist or something else but all these things are, of course, based on models and you have to do an approximation. These studies, which are also publicly available, show modestly positive effects, certainly not the doomsday scenarios that have also been tabled. Because you don't want to leap into the abyss. And the third aspect therefore, but I will come back to that later, is that now that we are implementing, we want to monitor so we have facts to say that it is good or bad or can be improved.

The short answer to the question of fair prices is that the agreements cannot regulate the pricing of the products. It is one of the many things, by the way, and I am grateful for the question, that needs to be somehow regulated or assessed in parallel. EPAs are part of an approach of sustainable development where you need to bring in other things, notably domestic policies and reforms.

There are 79 ACP countries today. Out of these, 50 countries have negotiated the Economic Partnership Agreements with the EU to the point that we shook hands and agreed. Of these 50 countries, 29 have gone to the stage of signing, ratifying and implementing them. In the other 21, you'll find the countries of the East African Community who are either still deciding whether to ratify and implement or have signed but cannot implement. Because I want to be very clear: the last thing

that the European Union wants to happen in the East African Community is to break up the regional integration. Either we do it all together or we don't do it at all. At the moment, the pendulum is going to the side of "we don't do it at all".

There was another question which reminded me of Mr. Strohmeier's comment that these negotiations are conducted behind closed doors. It is totally true to the extent that even your government, the Austrian government, is not sitting at the negotiating table. There is a question of principle there: How are these deals made and how are negotiations conducted? I think today we would accept that we need much more transparency, much more debate, much more outreach than was traditionally the case. If you think how the GATT agreements were negotiated or even the World Trade Organisation was set up, that is all, let's say, the old model.

Last but not least, responsible investment. Yes, I wanted to use that word because it is true that it is a relatively new concept. You will not find it in the text because when we were drawing up the EPAs, those terms weren't really used in that way but I have used it because it is the same as with free trade. EPAs are not about unbridled unlimited free trade. And there are also not about anything-goes investment, because the overarching objective is sustainable development. So, how do we ensure that? Fortunately, increasingly, we have international standards for what responsible investment is. Increasingly, we are able to monitor the effects of what we are doing.

**Jane Nalunga:** One point is the issue of implementation. What I wanted to find out from Mr. Vahl is what is exactly going to be implemented? For example, the CARIFORUM, the Caribbean is the only region which signed and finalized the EPAs in 2008 but up to now maybe Mr. Vahl can tell us exactly what has been implemented and how the region is benefitting.

Two, I always hear about how the EPAs are different but I don't see how different they are. It is a free trade agreement and it is telling us to liberalise. It goes back to the whole issue about development, because it was a very big debate. At the end of the day, I just think that our EPA, the EAC's, it ended up coming to a development matrix. We have a development matrix listing a number of projects and infrastructures but the position of the European Union was that they would help us to fundraise, to be able to implement that development matrix. But I think development should be within the agreement itself. You can't put development aside. If an agreement is forcing you to liberalise, if an agreement is killing your production, is killing your industrialisation, then there is no development.

Lastly, there is the question of responsible investment. We already have bilateral investment treaties with most of the European countries. And what we are looking at is to have rights and obligations in those BITs (bilateral investment treaties). But the investor should have rights but also obligations. And the state should also have rights and obligations. When you look at the bilateral investment treaties we have today, it is lopsided. The investors have all the rights, pre-establishment rights. They come in, they want to go where they want, they do what they want, they take out all the money they have made. So, what we want in the bilateral investment treaties is to balance those rights and obligations.

**Siham Ahmed:** I want to respond to the question on whether the negotiations have put a price and tariff. This is important but not enough. When you look at the final document of the EPA, it misses out the human face. When we talk about development and what we want to see in the outcome of the document is the development strategy that will pull people from Africa out of object poverty. The document doesn't even have the development index or benchmark index of where at a time you would want to measure, during implementation, how much has been achieved. So, I think percentage tariff is important but it is not enough.

On the civil society participation and voice, there were so many civil society organisations including trade unions that have come up with views but most of them were not considered during negotiations. Still, the civil society in Tanzania tried to take opportunity to sit with the government officials, to sit with the members of parliament to explain what the impact of the EPA will be if the government signs. So, participation, especially trade unions', is important but it has not been considered as an important key actor in the negotiations process.

**Michael Wögerer:** Thank you, Siham. Now we come to the second round for the panellists and we will discuss what's next, what's coming up, maybe alternatives for the EPAs. Back to Jane Nalunga, what trade regime is necessary, from your point of view, to promote sustainable industrialisation and youth employment and reduce poverty?

**Jane Nalunga:** What kind of trade can lead to industrialisation and poverty eradication? I think any trade agreement between two parties has to be a win-win situation. One matter which is very important is the whole issue about reciprocity. Any trade arrangement has to recognise the inequality between the parties. The EPAs must recognise that they are dealing with poor countries like Uganda or poor regions like the East African Community. The question is, how reciprocal should a trade arrangement be?



Another very important issue in a trade arrangement is the issue of policy space. African countries need policy space to be able to do what Europe did way back in the 17th and 18th century, to be able to grow their industries, to be able to produce at value and to trade. Then there is the whole issue of promoting regional markets and domestic markets. Today we can't even compete in our own market because the things that come from Europe are even cheaper than local products, since you subsidise very heavily. With the combination of the very heavy subsidies and the liberalisation, we can't compete. We need space, we need to grow our domestic and regional market.

Another issue is an issue which we have discussed: the issue of meaningful investment. Today, most investments in Africa bring more harm than good. I am not saying that it is the problem of the European Union. It is a problem internally in Africa, internally in Uganda. We have just given a twenty-five tax holiday to a company. And what are they going to do? To grow palm trees. They have destroyed the whole vegetation, the whole forest just to put their palm trees while we are giving them tax holidays and allowing them to expatriate all their profits, because we have liberalised our capital account. So, the challenges of Africa are not just outside. There are also challenges within Africa.

Lastly is the issue of regional integration. And we are working on that because we already have regional economic groupings, like the East African Community and we have concluded the continental free trade area. I think we are moving in the right direction because we need to trade within Africa. We don't implement the EPAs for the time being until we concretise our continental free trade area and then, after that, we can negotiate with third parties, not just the European Union, but the US and China. But we need to trust in ourselves as Africa so that we can be able to deal with third parties on very strong grounds.

**Michael Wögerer:** Siham, regarding EPAs, the trade union movement in Tanzania is concerned about trade and economic integration, the impacts on employment and decent work and cooperation in order not to lower the working conditions and standards of living of the people. Keeping in mind especially the gender and inequality issues, what are your critics to EPAs and what are the alternatives?

**Siham Ahmed:** I think my colleague will agree with me that gender was not a subject of negotiations. There is no specific chapter on gender in the EPA in the way that there is for sustainable development issues. This is something for both parties to take into consideration. Why should we talk about gender? Gender relations interact with trade relations. Gender inequality may limit the gains from the trade through its negative impact on the process of innovation in export oriented manufacturing or by undermining supply response in agriculture among others. Also, there should be trade policies in terms of gender differentiated effects because of women's and men's different economic roles and control over productive resources. The gender distribution of EPAs' effects will depend on a number of factors. Whether an increase of EU imports will affect female jobs or male jobs in a country depends on the gender composition of the labour force in those sectors and is specifically sensitive to import competition. As for revenue effects, loss of government revenue from reduced tariff might undermine gender equality if it leads to reduced provision of social services such as health, education, water sanitation and other infrastructures to meet housal needs. Even if the government manages to replace tariffs with alternatives, indirect taxes such as VAT or excise duty may have a greater gender differentiated impact that needs to be assessed. In Tanzania about 89% of women engage in small business in informal economy. These women are doing small entrepreneurial work for their survival. They are not able to compete with any products that are imported from the EU. This will affect their business and hence their livelihood and their household. Therefore, when we are negotiating without considering the differential impact to both men and women and on the sectors that are growing in Africa, this might undermine the efforts of the government, the effort of the people and the effort of women to engage in entrepreneurial work.

So how can the EPA integrate gender issues? A provision about gender within the text will not be helpful. But gender should be integrated all along the process of negotiations. For example, the EC has not formulated request for service liberalisation and has left scope for good liberalisation to allow the ACP to protect sectors that are important for women. Similarly, fiscal impact could be reason for excluding a sector. But when we talk about growth and development, the principle of development coherence and coherence with social development goals must underpin the EPAs. As a trade union, we insist on that. The sustainability of development depends on addressing inequality, including gender. If trade agreements are not contributing to this goal, then they need to be revisited.

**Michael Wögerer:** To finalise the second round, it is up to Remco Vahl. My last question: There are a lot of ideas circulating in the European Union concerning Africa. Some countries, for example Germany, are now discussing to stop the negotiations on EPAs and build a new "Marshall plan".

What are the future plans of the EU commission, respecting the points of criticism coming from African countries and respecting the criticism coming from this stage?

**Remco Vahl:** I read the German situation completely differently. In fact, I think that what the German government have been trying to do, call it a “Marshall plan”, is about massively increasing investment in Africa. It is what the European Union is trying to do with the External Investment Plan. It is what the EPAs are trying to contribute to by creating trading opportunities and an improved business environment. What is interesting in the German positioning is their emphasis on the fact that we should monitor what happens with the EPAs that we implement, which is totally part and parcel of the approach. You cannot, to answer an earlier question, do such ambitious North-South agreements and not worry about the impact or not be interested in the impact. I think that has been a very helpful positioning by the German Government but it has nothing to do with stopping EPAs.

We believe and our analysis suggests that EPAs, far from undermining industrialisation, can contribute to it. And why is that? Industrialisation brings me back to the issue of investment, massive investment. What EPAs do to contribute to that is to create export opportunities. There is an interesting article from an African scholar from the London School of Economics arguing that we need the export markets if we want to encourage industrialisation. But to export competitively we need import competitively. EPAs provide that. It is combined with a sizeable chunk of trade which will not be liberalised. We can argue whether the protection clauses and the infant industry clauses are sufficient. What we need to do and why we are there is to allow an element of protection that is part of any industrialisation strategy, but not the only part. You cannot industrialise behind closed doors.

The East African Community EPA gives the lowest effective rate of liberalisation of all EPAs ever. And in fact, the 82%, which was not forced on the partners by the EU but agreed on with them, means an effective liberalisation of 17% over 25 years. Why? Because there have been liberalisations in the past and that means that to the whole world, 65% of EAC imports are already free.

I could speak more about the rules of origin: if it is too technical, these are the rules that decide if a product qualifies for preferential market access. Arguably, if you make these rules too strict then you can't use them and if you make them too loose, the partner countries are going to be just a transit country for the product. The EPAs strike very interesting balance, because they want the rules of origin to contribute to industrialisation in the partner countries.

On agriculture, I just wanted to say that much of the exclusions from the EPA, the EPA with EAC, is not an exceptional concern. This is perfectly understandable and acceptable. It was an issue in previous times when agricultural policy led to the dumping of agricultural products in developing countries. Different studies, like from OECD, show that the current subsidies do not give an incentive to export and they do not distort trade. Now we can argue why African farmers don't have the same subsidies. But the idea that we are flooding African markets is simply not true. Stories that we get about chicken wings and tomato paste are not new problems. But they are invariably not the result of the EPA for the simple reason that we haven't started implementing them and they are not the result of EU agricultural policy. They point to larger problems, where countries like China, Brazil and India will also have to be part of the solution.

**Michael Wögerer:** Thank you Remco. Now we come back to you again, to the floor.



**Question to Jane Nalunga:** You mentioned China and I think that China in Africa is a problem particularly in those sectors where developing countries do have a chance to develop their industries, for instance in textile or shoes. How do you see the comparison between what we are discussing here, the EPA, and the relationship with China?

**Question to Siham Ahmed:** There are high customs on cars. You need cars in Africa. But there is no car industry in Africa which means you need to import. Does the European Union support this?

**Question to Remco Vahl:** Do the EPAs consider or support the goals of the Paris agreement?

**Siham Ahmed:** It's true that we import a lot of cars but second-hand cars especially from Japan, not only from the European Union. When you look at the economic development of Tanzania, we used to have a lot of small industries but most of them were privatised due to the structural adjustment programmes. Now, the new government administration is focusing on developing industry and our vision is to make Tanzania an industrialised economy by 2025. The country is now trying to attract investors to come and invest in various areas, agriculture, manufacturing, etc. Our neighbouring country Kenya has started to assemble cars. They have the industry to assemble cars. But it's not that we only import cars. We import a lot of other things as well. What we used to see as a luxury is no longer a luxury.

The final statement I want to make is that the EPA should be made to be not just a trade agreement but also a development strategy to pull people of Africa from object poverty, to respectable human development index. The logical and fair way to achieve this objective is to benchmark EPA with clearly defined development indicators. Discrimination under the EPA between the export of the Least Developed Countries and not Least Developed members of the same custom union or free trade area could undermine regional integration efforts in sub-Saharan Africa. The most development friendly would be for the EU to provide market access under EBA instrument, the “Everything But Arms”-instrument, to all countries signing the EPAs. African countries should insist on the exclusion of some sensitive products which will be exposed to severe competition from relatively cheaper EU tools. This includes tools which are produced by infant industry and products which attract high tariff revenue for the government. With a reckoned growth of several emerging markets like China and India, African countries can also explore the opportunity of a more enhanced trading relationship with these countries.

**Remco Vahl:** There was a very good question about the Paris agreement which postdates most of the economic partnership agreements and fortunately I think there is a solution to that. The EPAs are not completely self-standing. They are free trade agreements, international treaties and all that, but there is a framework agreement, the Cotonou Partnership Agreement. These issues like the social dimension or human rights, we are trying to settle through the framework agreement.

My final statement is that if I have given the impression tonight to think that the EPA is perfect then I have utterly failed my mission. There are three things that we need to do now. We have the opportunity to bring in stakeholders. What we are trying to do with the EPA is so massive that the European Commission in Brussels cannot hope to implement it by themselves. We need to bring all stakeholders together and I personally think that there is a special role to play for trade unions there. If we want to monitor the social impact of our agreements, are there many organisations that have more expertise on this than the trade unions? We need them and we need also the European trade unions. Another thing that we can and must do better, and I am conscious that this may sound a little critical in the Austrian context, as the EU, including member states, we need to engage more with our partner countries. If we really want EPAs with poorer countries to succeed, we must build capacities. To build capacities costs money and the money cannot only come from private investors. It also has to come from the EU member states. Thirdly, we need to verify what is happening on the ground as a result of the EPAs. The monitoring also needs to be done by all the stakeholders, simply because from our offices in Brussels and from the government offices in the African capitals we

cannot know everything that happens. So, one big plea would be for people who may be critical of the EPAs not just to sit on the thing but come in and have this discussion.

**Jane Nalunga:** Regarding the issue of China: China is a challenge in Africa. China is trade aggressive and very ruthless. But for Africa it shouldn't be either China or the EU or the US. Because it does not matter whether our industries are destroyed by the dairy products from Europe or from Chinese textile imports. It is a reality that African industries and sectors are being decimated by either Europe or China or the US. Recently, the East African countries have agreed to revive the textile industry so they want to increase some taxes on the textile imports including second hand clothes. But the US protested because we have the AGOA , the "African Growth and Opportunity Act" which gives us market access to the US. The US said to the African countries that if they increase taxes, they will lose the market access. That is also a reality. We need to protect and grow our industries whether it is against China, the European Union or the US.

I think my last words is that I wish the EC and Europe could listen to Africa. This is what has been happening: Solutions are made in Europe and Africa is being told: "this is good for you; the EPAs are good for you". When Tanzania refused to sign, the East African Community commissioned a study that was to be done by the UNECA (United Nations Economic Commission for Africa). This study brought it out that you can't industrialise if you open up and sign the EPA. The European Union has all these studies but even today they keep telling us: "the EPAs are good for you. You will be able to develop and to create jobs.", against all evidence.

Mr. Vahl was talking about implementation. But if you implement a flawed agreement, what will come out of it? I have seen it in the Caribbean. The CARIFORUM was the first to sign and ratify the EPA in 2008. I would like to know of just one benefit they have had from it after all these years. I don't know when it was implemented but I haven't heard that any Caribbean country has increased their export to EU and increased the number of jobs. What I am asking for, and I go back to what my sister was saying: a moratorium not to implement it. Because the implementation is about opening.

What we need are alternatives like it was provided in the Cotonou Partnership Agreement. Remember that article? It was removed when the CPA was revised. Article 36 provided for an alternative for those non-LDC countries which will not be able to sign the EPA. For the LDCs there would be an alternative with the EBA. I am saying this because we already have the post-Cotonou negotiations because the present CPA is ending in 2020. My request is that we look at the relationship between Africa and Europe holistically: the trade, the political, the financial aspect. We

need to look at it holistically instead of now implementing the EPA. And then in 2020, we will negotiate another relationship. That is my concluding word and my request to the EC. Thank you so much.

**Michael Wögerer:** Thank you to all the panellists for this good discussion. Thank you for coming. We now invite you to some refreshments and the possibility for networking and further discussions. Have a nice evening.