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The Limitations of European Union's Interregionalism: The Example of the Economic Partnership Agreements in Sub-Suharan Africa

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Abstract[1]

The European Union is not only a model for other regional arrangements; as a regional entity itself it has also built specific links with other regional groupings in Asia, Latin America and Africa. In the case of the African-Caribbean-Pacific (ACP) countries, the EU has devised interregional strategies that have been subject to recurrent controversies, from the Lomé and Cotonou Conventions to the Economic Partnership Agreements (EPAs). The EPAs introduce rules that markedly differ from the previous preferential arrangements, i.e. Free Trade Areas and reciprocity between the EU and ACP regional groupings. EPAs involve several explicit objectives that work via different linkages and channels, such as promoting development, integration in world markets and reinforcing regional integration. The paper argues that in poorer regions such as Sub-Saharan Africa, EPAs are characterised by intrinsic discrepancies between *ex ante* objectives and *ex post* outcomes. EPAs are confronted with a series of features and constraints that prevent the achievement of their goals and explain the difficulty of the negotiations: i) a conceptual framework that remains debated (e.g., the links between FTAs and growth, the theory of the suboptimal character of South-South arrangements); ii) the multiplication of other regional arrangements; iii) the lack of complementarity between countries within regional groupings, the distorted export structures of Sub-Saharan African countries (commodity dependence, narrow industrial bases) and unbalanced trade relationships with the EU: with such economic structures, reciprocity with the EU entails risks; benefits can be assessed only on a country-by-country and sector-by-sector basis; this is also aggravated by weakly institutionalised political economies, which distort trade flows.

Keywords: European Union; Sub-Saharan Africa; regional integration; Economic Partnership Agreements.

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Introduction

The European Union (EU) is not only a model for other regional arrangements; as a regional entity itself it has also built specific links with other regional groupings in Asia, Latin America and Africa. In the case of the African-Caribbean-Pacific (ACP) countries, the EU has devised interregional strategies that have been subject to recurrent controversies, from the Lomé and Cotonou Conventions to the Economic Partnership Agreements (EPAs), launched in 2002. The EPAs introduce rules that markedly differ from the previous preferential arrangements, i.e. Free Trade Areas and reciprocity between the EU and ACP regional groupings. EPAs involve several explicit objectives that work via different linkages and channels, such as promoting development, integration in world markets and reinforcing regional integration.

The paper argues that in poorer regions such as Sub-Saharan Africa (SSA), EPAs are characterised by intrinsic discrepancies between *ex ante* objectives and *ex post* outcomes. EPAs are confronted with a series of features and constraints that prevent the achievement of their goals and explain the difficulty of the negotiations: i) a conceptual framework that remains debated (e.g., the links between FTAs and growth, the theory of the suboptimal character of South-South arrangements); ii) the recent multiplication of other regional arrangements; iii) the lack of complementarity between countries within regional groupings, the distorted export structures of Sub-Saharan African countries (commodity dependence, narrow industrial bases) and unbalanced trade relationships with the EU. With such economic structures, reciprocity with the EU entails risks; benefits can be assessed only on a country by country and sector by sector basis - this is also aggravated by weakly institutionalised political economies (porous borders, corruption), which distort trade flows.

The paper is structured as follows. It firstly examines the context of the Economic Partnership Agreements, i.e. the spectacular increase in regional trade agreements. It secondly presents the EPAs and situates them among the other interregional arrangements devised by the EU. It then analyses three key constraints – reliance on controversial theoretical frameworks, multiplicity of existing agreements, partner countries' distorted export structures -, which explain the discrepancy between EPAs' *ex ante* claimed objectives and actual outcomes in Sub-Saharan Africa. The final section shows the relevance of these constraints, as they are confirmed by EPAs' mixed outcomes.

The context: the intensification of regionalism

Regional trade agreements (RTAs) are now a prominent feature of the multilateral trading system and display a steep increase since the early 1990s.

Clarifying the variety of regional trade arrangements

There are different types of regional trade agreements as well as trade liberalisation. In order to understand the EPAs, their context and impacts, it may be relevant to clarify the differences between these agreements.

Box 1: Regional trade agreements and types of trade liberalisation

Following WTO convention, the term *regional trade agreement* encompasses both reciprocal bilateral free trade or customs areas and multi-country (plurilateral) agreements. Regional and bilateral trade agreements provide for one type of trade liberalisation, and they must be seen in a broader context of alternative methods of liberalisation.

Members of RTAs liberalise trade on a *reciprocal and preferential* basis. While programs such as the U.S. African Growth and Opportunity Act (AGOA) and the EU's Everything But Arms (EBA) also liberalise trade preferentially (i.e., different trade partners receive different treatment), the United States and EU extend these preferences *unilaterally* rather than reciprocally. In contrast to both of these types of preferential liberalisation, countries often lower trade barriers in a *non-discriminatory* fashion for all trade partners. They might do so *multilaterally*—through GATT/WTO negotiating rounds—or *autonomously*.

RTAs are commonly divided into several basic categories, according to the degree of economic integration they provide. The canonical taxonomy of RTAs contains the following four levels of integration:

1. In a ***Free Trade Area****,* members eliminate barriers to trade in goods (and increasingly services) among members, but each member is free to maintain different MFN barriers on non-members. This latter characteristic requires members to develop rules of origin to prevent imports from third countries from being transshipped through the member country with the lowest tariffs.
2. A ***Customs Union*** moves beyond a free trade area by establishing a common external tariff on all trade between members and non-members. Customs unions typically contain mechanisms to redistribute tariff revenue among members.
3. A ***Common Market*** deepens a customs union by providing for the free flow of factors of production (labour and capital) in addition to the free flow of outputs.
4. In an ***Economic and Monetary Union****,* members share a common currency and macroeconomic policies.

The international experience with RTAs is much richer than this simple taxonomy suggests. NAFTA and other more recent agreements establishing free trade areas contain provisions governing domestic labour standards and other regulatory issues, which one traditionally associated with agreements for deeper integration. On the other hand, many free trade agreements exclude important categories of goods (notably agriculture) from trade liberalisation. In some cases customs unions still levy tariffs on trade between members.

Table 1: Method of implementation of trade liberalisation

Scope of beneficiaries	Reciprocal	Unilateral
Preferential (selected countries)	NAFTA, EU, COMESA, EPAs, other RTAs	GSP, AGOA, EBA, Cotonou
Non-discriminatory (MFN): all countries	GATT/WTO multilateral agreements	Autonomous liberalisation

Source: World Bank (2005).

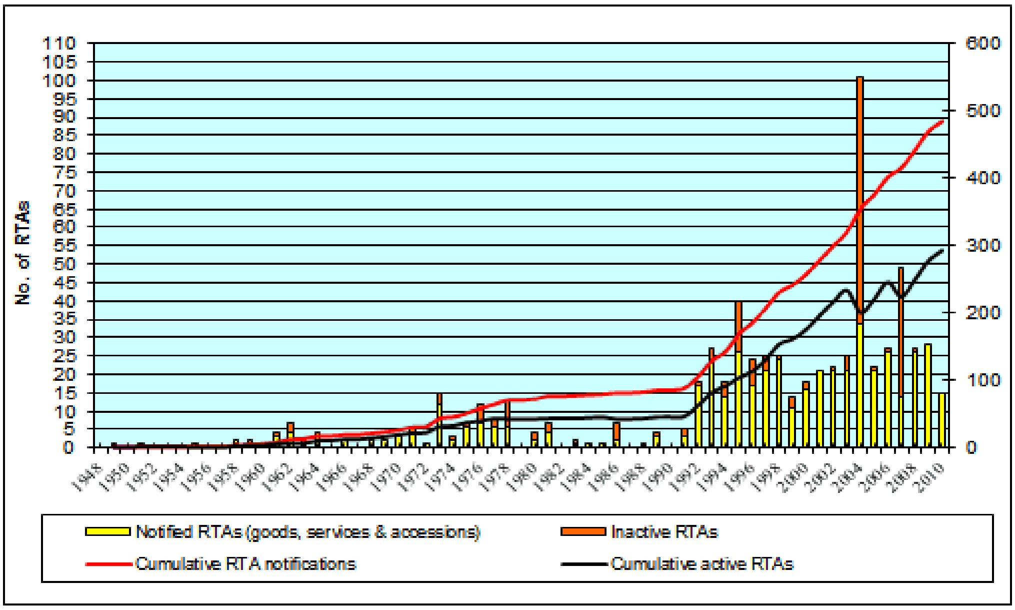
The increase in regional trade arrangements

According to the WTO[2], as of 15 May 2011, some 489 RTAs (counting goods and services notifications separately), have been reported to the GATT/WTO, and 297 agreements were in force. These figures correspond to 380 physical RTAs (counting goods and services together), of which 202 are currently in force. Of these RTAs, Free Trade Agreements (FTAs) and partial scope agreements account for 90%, while customs unions account for 10%.

The new form of trading arrangements increasingly include rich and poor countries: they are 'North-South' and aim at securing a 'deep integration' of economic activities. Historically, after WWII, there was a global move towards trade multilateralisation and simultaneously a global move towards regional integration. Key dates were the creation of the WTO in 1995 and the third enlargement of the European Community in the 1990s (Burfisher *et al*., 2004). The number of RTAs has risen six fold in two decades (World Bank, 2005).

The following figure shows all RTAs notified to the GATT/WTO (1948-2011), including inactive RTAs, by year of entry into force. According to the WTO Annual Report 2011, in 2010, 26 new notifications involving 18 regional trade agreements were received by the WTO. Of the 484 RTAs reported to the WTO as of 31 December 2010, 293 were in force. RTAs include bilateral and inter-regional free trade agreements. Under WTO rules, the goods and services aspects of RTAs have to be reported separately and are counted separately. Putting the two together, the 484 notifications at the end of December 2010 involved 376 individual RTAs, of which 198 are in force.

Figure 1: Regional trade agreements notified to the GATT/WTO (1948-2011)



Source: http://www.wto.org/english/tratop_e/region_e/regfac_e.htm; WTO Annual Report 2011, p. 54. See also Pomfret (2007).

[2] Source: WTO website: http://www.wto.org/english/tratop_e/region_e/region_e.htm

This process has been coined the 'rush to regionalism', which may be partially explained by a 'domino effect' - FTA negotiations reacting to one another: indeed, FTAs disadvantage non-members, and every time one is signed there is pressure from non-member exporters to engage in integration (Baldwin, 1993).

The increase in trade agreements may also be explained by the fact that trade (and investment) agreements are 'hand-tying' devices, which enhance the credibility of a government's commitments to market actors and to other governments (Simmons, 2011) – this may be particularly relevant for developing countries' governments, which are often characterised by weak institutions and policy credibility.

An important point concerns the compatibility of regional trade agreements with WTO rules, i.e. multilateral trade liberalisation. As shown by the WTO (2007, chap. XI), the different regulatory regimes put in place through RTAs may undermine the principles upon which the WTO stands, i.e., transparency, predictability and non-discrimination.

The trend towards comprehensive regional agreements: the concept of 'deep integration'

According to the WTO Annual Report 2011, a recurrent feature of modern RTAs is the broadening and deepening of their coverage. While some agreements are limited to reducing barriers to trade in goods, agreements tend to be more comprehensive, with provisions on market opening in services and in other areas such as investment, competition policy, trade facilitation, government procurement, intellectual property rights, electronic commerce and sometimes, labour and the environment. Most regional agreements are therefore also investment agreements. Most agreements are also bilateral, giving rise to an increasingly complex regime of different trade regulations.

These overlapping regional trade regimes may make international trade more complex and undermine WTO non-discrimination principles. The WTO Annual Report of 2007 also underscored this issue, notably the accumulation of layers of preferential trading relations at the bilateral, regional, continental and cross-regional level and among partners irrespective of their level of economic development. These agreements may be coined as 'tariff plus' agreements (Whalley, 2008).

The European Union's Economic Partnership Agreements

With regard to the African-Caribbean-Pacific (ACP) countries, the EU has devised interregional strategies that are subject to recurrent controversies, from the Lomé Conventions and Cotonou Partnership Agreement to the Economic Partnership Agreements (EPAs).

Economic Partnership Agreements result from the evolution of thought about trade preferences in the last decades of the 20th century. The economic rationale of trade preferences is that of infant industry protection, in the historical context of decolonisation (Keane, 2010). As highlighted by Francois *et al.* (2006), UNCTAD recommended in 1968 the creation of a 'Generalised System of Preferences' (GSP) under which industrialised countries would grant trade preferences to all developing countries on a non-reciprocal basis, in order to modify the GATT MFN clause "via the partial exemption of developing countries from this obligation and a recommendation to developed countries of discriminating in favour of imports from developing countries": the key principle of such 'special and differential treatment' was 'non-reciprocity', as for UNCTAD, "treating unequals equally simply exacerbated inequalities". Although preferential regimes have been declared incompatible with GATT, then WTO's principles, non-reciprocal preferences granted in 1971 for former colonies as an exception to MFN treatment were thus extended. In 1979 the GATT Enabling Clause permitted preferences for all developing countries and special treatment for LDCs, which established the legal framework for the GSP (Keane, 2010).

The context of the Economic Partnership Agreements: the preferential trade arrangements of the European Union with developing countries

The relationships between the EU and ACP countries (79 countries)[3] are organised by the Cotonou Partnership Agreement – which is also the basis for the EPAs – and also by the Joint Africa-EU Strategy. As BOND-ECDPM (2010) have underscored, EU-Africa relationships have evolved in important ways, which have reflected the deepening of integration processes, the difficulty of EPA negotiations and the new focus on mutual accountability and ownership.

The EU has elaborated a series of schemes that organise preferential trade relationships with countries outside the EU: besides the Cotonou Partnership Agreement (which is a contractual agreement), there is, in particular, the EU GSP scheme (which is unilateral). The basic EU GSP grants unilateral tariff preferences to 178 developing countries, which are lower than the Most-Favoured-Nation (MFN) levels: it grants products imported from beneficiary countries duty-free access or tariff reductions over cycles of 10 years, depending on the sensitivity of the product. The GSP includes rules of origin, i.e. requirements for products covered by the GSP to be met for being considered as originating in the exporting country. The EU launched in 2005 a GSP+ organising preferential access to the EU market, which adds products and includes additional tariff reductions for vulnerable non-LDC countries that comply with a list of international conventions on human and labour rights and conventions on good governance and the

[3] See the list in Appendix 1.

environment. The GSP+ tariff preferences are more attractive than the regular GSP preferences[4]. The EU has considered reviewing the GSPs rules of origin, which are often criticised as barriers to trade.

For the Least Developed Countries (LDCs, 48 countries[5]), there are special arrangements, in particular, the 'Everything But Arms' (EBA) initiative, launched in 2001, which is the most favourable treatment[6]. The EU EBA initiative for LDCs is a preferential trade arrangement in the EU revised GSP scheme: it grants unrestricted duty-free, quota free access to EU markets to all LDCs products, excluding arms and ammunition. The EBA has a longer transition for the phasing-out of customs duties on three sensitive products, bananas, rice and sugar. The outcomes of EU preference regimes are mixed: according to a mid-term evaluation (Gasiorek *et al.*, 2010), there is little evidence that these regimes have led to a diversification of exports into new products.

In addition, the EU launched in 2000 the Cotonou Partnership Agreement for ACP countries, which include many SSA countries. It has replaced the Lomé Conventions (launched in 1975), which gave ACP countries preferential access to EU markets on a nonreciprocal basis. The Lomé Conventions' contribution to beneficiary countries' growth, trade integration and export diversification has been very mixed, and this model has been questioned due to its weak developmental effects and because of its lack of compatibility with WTO rules. The Cotonou Agreement has therefore envisaged the removal of non-reciprocal trade preferences granted to ACP countries after a transition period (2000-2007): the EU provided ACP countries non-reciprocal duty-free market access, except South Africa until 2008. The resulting agreements, the EPAs, were negotiated between the EU and ACP countries between September 2002 and the end of 2007, following which they came into force[7]. The Cotonou Partnership Agreement organised EU trade preferences with ACP countries with the aim of mutually reinforcing the effects of trade cooperation and development aid.

Several factors have fostered the evolution of such preferential schemes. François *et al.* (2006) underscore that the developing countries that were granted the fewest preferences in the 1960s, notably those in East Asia, grew the fastest, and that conversely, those granted the deepest preferences, in particular SSA LDCs, witnessed per capita income stagnation and did not diversify their exports over the last forty years.

These schemes have also evolved due to the problem of the low utilisation of previous trade preferences, stemming in particular from administrative burdens or the problems of rules of origin. Portugal-Perez (2008) shows that in the sector of apparel, which is a key sector for LDCs, the EU EBA initiative and the Cotonou Agreement in fact restrain beneficiary countries' exports due to rules of origin that are too strict (e.g. yarn to be woven into fabric and then made up into apparel in the same country or in a qualifying country). For some studies, however, trade preferences are utilised. For Candau and Jean (2005) rules of origin indeed appear to limit significantly the value of the GSP scheme, which is under-utilised in the manufacturing sector, even when the receiving country is not eligible for any other preferential regime:

[4] Source: EU Trade website on GSPs: http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences

[5] See the list in Appendix 2.

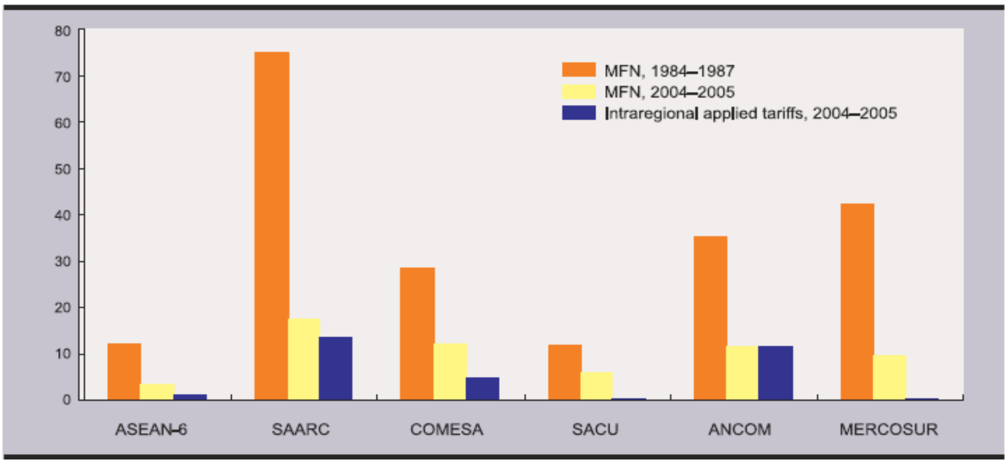
[6] Source: EU website on the EBA: http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences/everything-but-arms

[7] See the ACP countries website: http://www.acpsec.org/en/about_us.htm

SSA LDCs have under-utilised the EBA initiative, because they preferred exporting under the Cotonou regime, which is very favourable both in terms of rates and of associated constraints.

Another factor in moving to reciprocal trade relationships has been the WTO rules and a general move towards a reduction of trade preferences. As underscored by UNCTAD (2007), multilateral trade liberalisation and substantial reduction of MFN tariffs over the past 20 years have reduced the potential for preferences to advance regional integration.

Figure 2: Trade-weighted tariffs in selected regional agreements (per cent)



Source: UNCTAD (2007a), fig. 4.1. UNCTAD note: Due to incomplete data, MFN tariffs for COMESA are estimated on the basis of the tariffs of Burundi, the Democratic Republic of the Congo, Ethiopia, Kenya, Madagascar, Malawi, Mauritius and Sudan; MFN tariffs are thus not entirely comparable to the intraregional applied tariffs. MFN tariffs for SACU in the period 1984–1987 are those of 1988.

The main features of the Economic Partnership Agreements

In this context, following a process that started at the signing of the Cotonou Partnership Agreement in 2000, the EU proposed to ACP countries the Economic Partnership Agreements, which replaced the unilateral preferences and shift to reciprocal preferences. The Cotonou Partnership Agreement stipulates that the negotiations on EPAs, started in 2002, should be concluded on the 31 December 2007 (Bilal and Braun-Munzinger, 2008). Trade was to be progressively liberalised in a reciprocal way as of 2008.

The EPAs introduce rules that drastically differ from the previous preferential arrangements: they propose Free Trade Areas and reciprocity between the EU and ACP regional groupings: the EPAs between the EU and groups of ACP countries that are members of regional trading arrangements offer ACP countries preferential access to EU markets, but on a reciprocal basis. EPAs involve explicit objectives that work via different channels, such as promoting development, integration in world markets and reinforcing regional integration within ACP countries.

As stated by the European Commission DG Trade website[8], EPAs focus on ACP countries development and include assistance to help these countries implement the Agreements. EPAs opened up EU markets (unilaterally by the EU since 1st January 2008), but allowed ACPs 15 years (and up to 25) to open up to EU imports while providing protection for the sensitive 20% of imports, and provide scope for trade co-operation on areas such as services and standards (for a review, Sindzingre, 2008). Some countries have initialled 'interim' EPAs, more focused on the trading of goods, while others have agreed to 'full' EPAs, which also cover trade in services and a variety of trade-related aspects[9].

The ACP states that do not belong to an EPA have access to the EU via the GSP: its favourable EBA sub-regime in the case of LDCs, and the less favourable standard GSP for Nigeria, the Republic of the Congo and Gabon (and some Pacific countries) (Stevens *et al.*, 2008; UNCTAD, 2003), or for South Africa, the Trade, Development and Cooperation Agreement (TDCA), which was launched in 2004 and establishes preferential trade arrangements between the EU and South Africa, with the progressive introduction of a Free Trade Area[10].

Box 2: **Key features of Economic Partnership Agreements**

The Cotonou Partnership Agreement (CPA) sets out four core elements around which the EPAs should be developed:

Development**:** EPA negotiations must be placed in the context of the overall development objectives of ACP countries and of the CPA. To be of benefit to the ACP, EPAs must be 'economically meaningful, politically sustainable, and socially acceptable'. Hence, EPAs are not just ordinary agreements on trade. Rather, they are intended to be development-oriented trade arrangements to foster development and economic growth in ACP countries which will ultimately contribute to poverty eradication.

Reciprocity**:** The most important element of an EPA is the establishment of an FTA, which will progressively substantially abolish all trade restrictions between both parties (CPA Art. 37.7). This is a radically new element in ACP-EU trade relations and also a necessary requirement to make the EPAs WTO-compatible, in line with Article XXIV of the General Agreement on Tariffs and Trade (GATT). For the first time, ACP countries will have to open up, on a reciprocal basis, their own markets to EU products in order to retain their preferential access to the EU market. The rationale for reciprocity rests on the principle that liberalisation of ACP markets towards the EU will increase competition within ACP economies, thereby stimulating local and foreign (including EU) investment and the necessary adjustment of their economies, leading to growth and development.

Regionalism**:** The EU clearly envisages negotiations with ACP regional groupings which are in a position to do so, though it has not ruled out the possibility of concluding agreements with single countries in exceptional cases. The principle of basing future trade cooperation on regional integration stems from the conviction that regional integration is a key stepping stone towards further integration into the world economy, as well as an important instrument to stimulate investment and lock in the necessary trade reforms (CPA Art. 35.2).

[8] Source: EU DG trade website: http://ec.europa.eu/trade/wider-agenda/development/economic-partnerships
[9] See the comparative analysis of the EPA texts by Meyn and Kennan (2010), appendix 1, for details on provisions.
[10] On the TDCA, see the EU website: http://europa.eu/legislation_summaries/development/south_africa/r12201_en.htm

Differentiation: Considerable weight is given to differentiation and special treatment, which affirms the North-South nature of the relationship. The CPA states that EPAs will take into account the different levels of development of the contracting parties (CPA Art. 35.3). Hence, EPAs should provide sufficient scope for flexibility, special and differential treatment and asymmetry. In particular, LDCs, small and vulnerable economies, landlocked countries and small islands should be able to benefit from special and differential treatment.

Source: Stevens *et al*. (2008).

A rationale underlying the EPAs is that they are compatible with WTO rules: preferential schemes are replaced by trade liberalisation between the two parties. Instead of the unilateral, non-reciprocal and discriminatory trade preferences of the Lomé Convention, the EPAs propose a trade regime based on free trade between ACP countries and the EU.

In addition, ACP countries were incited to sign an EPA because of the potential loss of preferences granted by the EU. Meyn and Kennan (2010) reveal that ACP exporters of beef, processed fruits, sugar, rice, bananas, citrus and horticulture would have been the most severely affected by the loss of the Cotonou preferences, and most ACP countries had initialled an EPA by the end of 2007 - the developing countries that did not sign were not exporting to the EU or exporting only a few agricultural items facing tariff increases. Likewise, Meyn and Kennan underscore that the previous regime was already liberal. In 2006, 97.6% of ACP exports had entered the EU market free of duty, therefore full duty-free quota-free (DFQF) market access offered only limited additional gains (in particular because sugar, the most valuable item for which quotas exist, remains restricted until 2015).

EPAs are also intended to foster existing regional integration among the ACP countries: indeed, the EU views regional integration as the key to the incorporation of the ACP countries into the world economy. The EPAs are thus based on ACP regional groupings that have already made progress with the integration of their economies. ACP countries have been divided into seven regions that are the basis for the negotiations. These countries export different products - oil, metals, agricultural products: most of them, however, have in common an export structure that relies on primary commodities.

Box 3: The regional groupings of the Economic Partnership Agreements

Southern African Development Community (SADC): Angola, Botswana, Lesotho, Namibia, Mozambique, Swaziland and South Africa.
Main exports to the EU: diamonds, oil, fish, beef, sugar, tobacco
Main imports from the EU: machinery, vehicles, chemicals.
Eastern and Southern Africa (ESA): Comoros, Djibouti, Eritrea, Ethiopia, Madagascar, Malawi, Mauritius, Seychelles, Sudan, Zambia and Zimbabwe.
Main exports to the EU: copper, raw cane sugar, textiles, tobacco, processed tuna, coffee
Main imports from the EU: machinery, vehicles, chemicals.
East African Community (EAC): Burundi, Kenya, Rwanda, Uganda and Tanzania.
Main exports to the EU: plants, cut flowers, coffee, vegetables, fish, tobacco
Main imports from the EU: machinery, chemicals, vehicles.
Economic Community of West African States (ECOWAS): Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, The Gambia, Ghana, The Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo, Mauritania.
Main exports to the EU: oil, gas, cocoa, iron
Main imports from the EU: machinery, vehicles.
Economic Community of Central African States (CEMAC): Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon, Democratic Republic of Congo (DRC) and São Tomé and Príncipe.
Main exports to the EU: oil, wood products, diamonds, cocoa, bananas
Main imports from the EU: machinery, vehicles, chemicals, iron and steel, pharmaceuticals.
Pacific Islands Forum (PIF): Fiji, Cook Islands, Micronesia, Niue, Kiribati, Nauru, Samoa, Palau, Papa New Guinea, Marshal Islands, Vanuatu, Solomon Islands, Tonga and Tuvalu.
Main exports to the EU: palm oil, sugar
Main imports from the EU: machinery, transport equipment
Caribbean Forum of Caribbean States (CARIFORUM): Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago. The UK and Dutch Overseas Country Territory (OCTs) i.e. Anguilla, Aruba, British Virgin Islands, Cayman Islands, Montserrat, Netherlands Antilles, Turks and Caicos Islands have observer status while active cooperation is pursued with the French Overseas Departments (DOMs).
Main exports to the EU: fuel, chemicals, agricultural products (e.g. mangoes, bananas, rice, rum, sugar).
Main imports from the EU: machinery.

Source: adapted from Sukati (2011).

The Economic Partnership Agreements in Sub-Saharan Africa

In SSA, the EPAs involve five regional groupings: West Africa; Central Africa; Eastern and Southern Africa (ESA); the Eastern African Community (EAC); the South African Development Community (SADC).

Table 2: Overview of Economic Partnership Agreements (February 2010)

Country/Region	**Negotiating Directives**	**Current Status**	**Next Steps**
West Africa: - 15 members of **ECOWAS**: Benin, Burkina Faso, Cape Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo; - Mauritania Two regional groupings: ECOWAS and UEMOA	All ACP EPA negotiations: Draft directive adopted by the Commission: April 2002; Council Decision on 17 June 2002 1st phase 'all ACP' launched on 27 September 2002 2nd phase 'regional negotiations' began in October 2003	West Africa: interim EPA with Côte d'Ivoire in December 2007 and with Ghana in December 2007 Côte d'Ivoire interim EPA signed in November 2008 (Ghana pending)	Negotiations continue to achieve regional EPA
Central Africa: 8 countries: Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo (DRC), Equatorial Guinea, Gabon, Sao Tome and Principe	Idem	Central Africa: interim EPA with Cameroon in December 2007 Cameroon interim EPA signed Jan 09	Negotiations continue to achieve regional EPA
Eastern and Southern Africa (ESA): Djibouti, Eritrea, Ethiopia, Somalia, Sudan, Malawi, Zambia and Zimbabwe, Comoros, Mauritius, Madagascar and Seychelles: all members of **COMESA**	Idem	ESA: interim trade agreement with the Seychelles and Zimbabwe in November 2007, with Mauritius in December 2007, with Comoros and Madagascar in December 2007 ESA group countries (Mauritius, Seychelles, Zimbabwe and Madagascar; Zambia and Comoros pending) signed in August 2009	Negotiations continue to achieve regional EPA
Eastern African Community (EAC): Kenya, Uganda, Tanzania, Burundi, Rwanda	Idem	EAC: interim EPA with EAC (Kenya, Uganda, Tanzania, Rwanda, Burundi) in November 2007	Negotiations continue to achieve regional EPA Signature of interim EPA ongoing

South African Development Community (SADC): Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa are negotiating their EPAs through the SADC EPA Group. The other six members of the broader SADC region – Democratic Republic of the Congo, Madagascar, Malawi, Mauritius, Zambia and Zimbabwe - are negotiating EPAs within other regional groups	Idem	SADC: interim EPA with Botswana, Lesotho, Swaziland, Mozambique in November 2007 and with Namibia in December 2007 SADC countries Botswana, Lesotho, Swaziland and Mozambique signed in June 2009 (Namibia pending)	Signature of interim EPA pending (Namibia)

Source: adapted from http://ec.europa.eu/trade/wider-agenda/development/economic-partnerships/negotiations-and-agreements/#_west-africa; and European Commission website: http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf

The EAC and the CARIFORUM are the only regions where the countries have agreed on joint schedules, whereas most other EPAs are in fact bilateral agreements between the EU and single ACP states. Indeed, disparities among countries in terms of protection and therefore tariff levels have inhibited a joint approach to regional EPA negotiations: in Central Africa, Cameroon was the only signatory country to the CEMAC EPA, and in West Africa, two countries (Côte d'Ivoire and Ghana) signed two separate agreements (Meyn and Kennan, 2010). For Meyn and Kennan, interim EPAs have aggravated these problems, as a regional EPA may imply for a country having signed an interim EPA to implement a revised liberalisation schedule covering all countries in the region. Moreover, most non-signatory countries are classified as LDCs and may always export duty-free to the EU.

A first constraint on Economic Partnership Agreements: the reliance on conceptual frameworks subject to debates

The effects of EPAs have been the subject of much controversy since their inception, negotiations have stumbled due to many disagreements, and the EU and ACP countries have expressed their divergences regarding their principles and practical implementations. EPAs have not progressed as initially planned, and several countries remain under the regime of interim EPAs.

As underscored by Carbone (2011), the 2000s witnessed a renewed interest in Africa from the EU, resulting from the EU objectives to become a more influential global actor and implement a more coherent external policy, with Africa being a region where traditional development goals could be associated with political objectives. Yet these goals and policies have become confused due to the multiplicity of players within the EU. In particular, there is a gap between the *ex ante* objectives and *ex post* outcomes.

Among the many mechanisms that account for these gaps, a first problem is that the assumptions and causalities that give them theoretical legitimacy are not immune from questions. The EPAs rely on theoretical frameworks that remain subject to heated debates. In particular, their conceptual hypotheses assume the existence of positive relationships between FTAs and growth. They also favour theoretical views for which South-South regional arrangements are suboptimal and less growth-and-trade-enhancing than North-South arrangements.

For the IMF (2011), for example, regional integration brings about many positive outcomes for developing countries: it helps achieve economies of scale and improves the capacity to compete more efficiently at the global level – the typically small SSA markets are indeed less competitive, less prone to productivity gains and their business environment is more risky due to the existence of monopolies and opportunistic behaviour.

These theories are questioned, however, and may hold only in specific conditions that are not always met in countries, or groupings of countries, that display diverse characteristics - in terms of initial conditions, levels of development, geography (being landlocked or coastal) - and distorted export structures - exporting mainly primary commodities and exhibiting limited industrial sectors.

Theoretical uncertainties: the *ex ante* ambiguous outcomes of regional trade agreements

Regional trade agreements are preferential and discriminate in favour of their members. Collier and Venables (2007) explain the two key elements of trade preferences schemes: the trade preference - the granting of market access at reduced tariff rates - and the constraints on participation, which define eligible countries and products and impose rules of origin. There is an intrinsic tension between them, as the constraints, particularly for manufactured products, reduce the developmental effectiveness of preferences. Trade preferences bring about benefits according two mechanisms: a transfer of rent to recipient countries and an export supply response, which create employment in developing countries, particularly trade preferences in manufactures.

As is well-known, Jacob Viner (1950) laid out the theoretical foundations of the welfare economics of trading blocs. He introduced the concepts of 'trade creation' and 'trade diversion' and demonstrated that discriminatory tariff liberalisation has ambiguous welfare effects. As highlighted by Mayda and Steinberg (2006), Viner showed that the welfare impact of preferential trade arrangements (PTAs) is inherently ambiguous: preferential trade liberalisation can either result in trade creation – replacing inefficient domestic production with low-cost imports from member countries – or in trade diversion - substituting low-cost imports from non-member countries with less efficient imports from member countries. Under trade diversion preferential trade arrangements induce changes in trade patterns that have ambiguous effects, which in large open economies combine with terms-of-trade changes. The net welfare effect is therefore very difficult to assess *ex ante*.

Mayda and Steinberg also underscore the ambiguity of the consequences in terms of the causal relationships between regionalism and multilateralism. Under trade creation, in view of the gains thus generated, preferential trade agreements are more likely to foster consensus and be building blocks for multilateral trade, while the opposite holds in the case of trade diversion, where the industrial sectors that are hurt by imports from more efficient PTA member countries will feel threatened by multilateral trade liberalisation.

The impact of regional arrangements may be analysed under a static perspective (trade creation-diversion) and a dynamic one, which focuses on increasing returns to scale and imperfect competition (issues analysed by economic geography, Hoekman and Schiff, 2002). Key effects include effects of economies of scale and competition – via the removal of trade barriers and market enlargement – and trade and location effects: the propensity to cluster and the preferential reduction in tariffs induces purchasers to switch demand toward supply from partner countries at the expense of both domestic production and imports from non-member (trade creation and trade diversion effects) (Venables, 2001).

The economic effects of regional arrangements are therefore ambiguous and imply both benefits and costs. Their welfare effects on their members depend on the balance between trade creation and diversion (Schiff and Winters, 2003).

Indeed, examples from SSA show the variations in trade creation-diversion effects, as revealed by Wanjala Musila (2005) regarding the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States/ECCAS and the Economic Community of West African states (ECOWAS) for the years 1991-98, the variations stemming from size factors (level of GNP, population) and distance.

Are North-South agreements more optimal than South-South ones?

There are conditions for regional agreements to succeed, e.g., some convergence of economies in term of macroeconomic policies and per-capita incomes, and shocks that are not too asymmetric across member countries. The economic literature hence underscores the superiority of North-South over South-South regional trade arrangements, regarding the question as to whether developing countries should seek trade arrangements with industrial countries or among themselves (Puga and Venables, 1997). The fact that costs and benefits of regional integration depend on the comparative advantage of member countries relative to each other and relative to the rest of the world is the basis of the trade creation and trade diversion argument, but also constitutes a strong argument for North-South rather than South-South agreements, the latter being prone to trade diversion (Venables, 2001).

Regional trade arrangements create winners and losers, and the benefits and costs are divided between member countries (Venables, 2003): outcomes depend on the comparative advantage of member countries, relative to each other and relative to the rest of the world. Development in just one of the member countries may imply a divergence in economic structure and income between member states (Venables, 2001). Trade integration between low-income countries leads to divergence of member country incomes. Agreements between high income countries cause convergence: developing countries should therefore implement 'north-south' rather than by 'south-south' free trade agreements (Venables, 2003): 'north-south' agreements increase their prospects for convergence with high-income members of the free trade area, while South-South trade is limited by asymmetries and polarisation (Venables, 1999).

Changes induced by comparative advantage may be amplified by the effects of agglomeration. Regional agreements may lead to agglomeration effects and increase divergence. Relocation of production effects, which are determined by the comparative advantages of member countries, are forces for countries' income convergence/divergence. As shown by Venables (1999), labour-intensive production may move toward lower-wage countries, raising wages there. Yet relocations can be a force for divergence. Divergence is more likely in 'South-South' regional agreement schemes between small low-income countries, which create tensions that lead to failure of the agreement.

Puga and Venables (1997) emphasise that the changing comparative advantage of newly industrialised countries shows that the pattern of comparative advantage is potentially flexible and that less developed countries can converge to industrial economies. Patterns of trade, however, are determined by history and cumulative causation, which has created concentrations of industrial activity in particular locations (industrial countries) and left other areas more dependent on primary activities. Different trading arrangements may have a major impact on development and change the attractiveness of countries as a base for manufacturing production. Relocations are determined by agglomeration or clustering effects - cumulative causation -, by technology transfers and knowledge flows (e. g. global production chains or production networks). The export structures of the countries under consideration matter. As shown by Venables (2009), the effects of regional integration for remote and/or landlocked countries, and where foreign exchange earnings come from natural resource exports, differ from those occurring in countries with other types of endowments and export structures.

Economic activity migrates over time to cities, coasts and dynamic clusters in the absence of public policies, regulations and incentives, and is also reallocated over time across sectors in the economy. The first East African Community (EAC), a customs union, has been an example of divergence in economic performance (Venables, 1999): the Nairobi region gained at the expense of manufacturing in Uganda and Tanzania. By 1958, 404 of the 474 companies registered in East Africa were located in Kenya. By 1960 Kenya's manufacturing sector accounted for 10% of its GNP, 4% in Uganda and Tanzania, which led to the collapse of the EAC in 1977. A new EAC was launched in 2001 and established a customs union in 2005 (McIntyre, 2005).

Mayda and Steinberg (2006) similarly argue that the ambivalence of the effects associated with trade creation and trade diversion imply that South-South arrangements between small countries tend to produce little gains for their members and lead to trade diversion, for three reasons: firstly, developing countries usually trade little with each other because low-income countries often have similar relative factor supplies – and hence less incentive to trade than dissimilar countries – and have a comparative advantage in the same sectors; secondly, small and low-income member countries are less likely to produce efficiency gains that are linked to economies of scale and enhance the competitiveness of local producers, because South-South arrangements offer access to smaller markets than in North-South ones (firms being also more competitive in the North); and finally, the loss of tariff revenue may have an adverse impact on fiscal balances, which is particularly detrimental because developing countries are characterised by a high dependence of domestic revenues on taxes on external trade. Mayda and Steinberg thus analyse the static effects of South-South preferential trade agreements via the example of the impact of the COMESA on Uganda's imports between 1994 and 2003 and show that COMESA's preferential tariff liberalisation has not considerably increased Uganda's trade with member countries.

The superiority of North-South arrangements is supported by economic geography. Deichmann and Gill (2008) thus underscore that where transportation costs have fallen, firms have increased scale and specialisation, and that the key driver in developing regions is intra-industry trade (mostly of parts and components), which is more sensitive to transportation costs than trade in primary goods and final products. In the world's largest markets, intra-industry trade represents an increasing share of total trade but is close to zero in Africa. Customers for final products may be anywhere, but suppliers of inputs tend to be nearby. Over the 20th century trade increased between neighbours, and this 'vertical disaggregation' of production was made possible by falling transportation costs. East Asian performances can be explained by specialisation supported by falling transportation costs, in contrast with Africa, where countries are too small to generate sufficient scale and capacity to attract productive investment in labour-intensive manufacturing, borders between countries persist, and growth spillovers are absent.

Regional agreements have other economic effects, e.g., reduction of policy uncertainty for investors or integration through regulatory cooperation. Regional arrangements also include non economic objectives, such as improved governance or reducing foreign policy tensions. North-South regional integration arrangements may be superior to South-South ones for these objectives.

Ambiguous relationships between regionalism, multilateralism and growth

Similarly, the relationship between regional trade arrangements and growth is ambiguous. Traditionally in international economics, preference is given to broad liberalisation, which is supposed to generate faster growth than regional trade agreements. For international financial institutions such as the World Bank or the IMF, multilateral liberalisation is more beneficial than regional trade arrangements, though regional integration may allow member countries to gain policy credibility for trade reforms. As underlined by Draper and Qobo (2007), however, the WTO is very cautious about RTAs, as the administration of these schemes is complicated by their preferential rules of origin and with particularly onerous costs for small firms and hence for developing countries.

Yet regional trade agreements continue to exist alongside the multilateral trading system. The existence of imperfect competition, market power, product differentiation and increasing returns has highlighted the benefits of regional integration arrangements via economies of scale. Many countries are too small for activities subject to large economies of scale to reach efficient size (Schiff and Winters, 2003).

There are heated debates as to whether multilateralism at a global scale is preferable to regionalism. As asked by Jagdish Bhagwati in 1991: are free trade agreements 'building blocks' or 'stumbling blocks' for free trade? (Baldwin, 2011). For some studies, free trade agreements violate the Most-Favoured-Nation (MFN) principle and are disincentives for multilateralisation. Likewise, are preferential trading arrangements superior to multilateral liberalisation, or at least an alternative when multilateral liberalisation proceeds slowly? For other studies, regional integration is a step in global integration, and fosters the production of goods and services for the world market from within regional value chains.

A key theoretician such as Richard Baldwin (2006) has thus put forward the concept of 'multilateralising regionalism'*:* regional trade agreements are not the best way to organise world trade. Moving to global duty-free trade will require a multilateralisation of regionalism, based on fuzzy trade blocs, whereby offshoring encourages the multilateralisation of regionalism. Baldwin (2008) likewise contrasts 'small think regionalism' focused on Viner's question as to whether a country gains from joining a trade bloc with 'big think regionalism'. 'Multilateralising regionalism' is defined by Baldwin and Low (2008) as "the non-discriminatory expansion of preferential trading arrangements to additional trading partners (..) either by inclusion of new members in existing arrangements, or by replacing existing arrangements with new ones that extend to new members". For UNCTAD (2010), however, the cost would be borne mainly by countries that are not party to any economically significant FTAs. Similarly, for Draper and Qobo (2007), 'multilateralising regionalism' may be difficult to implement for developing countries, as they resist the regulatory convergence or 'standards harmonisation' promoted by developed countries. SSA countries in particular resist changes in the structures of global production and services which increasingly shape regional trade integration, their mistrust of EPAs being an example of this resistance.

Tensions between 'regionalism' and 'multilateralism' have fluctuated. The 1990s witnessed a move from 'closed regionalism' to a more open model. Trading blocs between developing countries in the 1960s-1970s were based on a model of import-substitution, and many regional agreements exhibited high external trade barriers. The wave of regional trade arrangements since the 1990s onwards is more outward-looking and regionalism has been viewed as complementary to multilateralism (World Bank, 2005).

The 1990s renewed the reflection with the concept of 'new regionalism' - which has stemmed from some disappointments with the slow progress of multilateralism -, and the concept of 'deep integration'. The trade-investment-services nexus and the increasing complexity that characterise the 21st century have been a key factor in the demand for deeper economic integration rules (Baldwin, 2011). Free trade agreements here are a way to enhance trade liberalisation in the context of stalled WTO negotiations, and FTAs may also be a basis for new trade rules in the areas that are not covered by the WTO, such as investment and intellectual property (UNCTAD, 2010). ‘New regionalism’ fosters ‘deep integration’ and mostly involves North-South Trade Agreements (Burfisher *et al.*, 2004).

Indeed, as underscored by UNCTAD (2007a), the agreements concluded over the past twenty years have been mainly bilateral and between developing and developed countries (UNCTAD notes that ‘new regionalism’ is an ambiguous term because most of the trade agreements are bilateral and involve countries that are not necessarily in the same geographical region). The agreements increasingly include provisions aimed at ‘deep integration’ and the harmonisation of national policies in order to give more freedom to market forces – including the freedom of movement of multinational firms – and reduce government intervention.

If a bilateral FTA with a developed country provides developing countries with opportunities to promote investment and exports, UNCTAD (2010) underscores, however, that the coverage and the contents of a North-South FTA are often dominated by the developed country’s agenda and interests, which has a greater negotiating power than the developing country. Similarly – East Asia being an example here – the main objective of deep integration is to improve economic efficiency (e.g. reducing transaction costs) by harmonising the regulatory framework (e.g., the rules of origins). UNCTAD emphasises, however, that a close integration of the businesses alone would not automatically lead to a balanced economic integration among neighbouring countries, and economic gaps may persist between FTA member countries.

Significantly, Sub-Saharan Africa remains at the periphery of this wave of bilateral FTAs due to its low level of development and the small size of SSA markets. For UNCTAD, the contribution of bilateral FTAs to an increased integration of SSA to international trade remains uncertain, while the proliferation of FTAs in other parts of the world may further marginalise SSA countries from global production networks and maintain them to remain as suppliers of commodities (fuels, metals and others).

The ambivalent fiscal effects of regional trade agreements: the reduction in trade taxes

Regional trade agreements have direct effects – tariffs on intra-trade are reduced – and indirect effects: importers switch from external imports subject to tariffs. Governments may therefore lose tariff revenue. The overall effect on national income may be positive or negative, depending on the costs of alternative sources of supply and on trade policy toward non-member countries.

Keen and Mansour (2009) thus show that trade liberalisation in SSA since the early 1980s has mainly taken the forms of free trade areas and customs unions (with a common external tariff). Though revenue losses from trade liberalisation depend on many country-specific factors, such as trade patterns and their evolution, Keen and Mansour reveal that trade tax revenue declined by 20-30% in all SSA regional groups.

Table 3: Trade taxes and collected tariff rates by trading bloc in SSA (in percent of GDP)

	Number of countries	Total tax revenue	Non-resource tax revenue	Trade tax revenue	Collected tariff rate (%)	Indirect tax revenues	Income tax revenue
1980-82							
COMESA	14	16.7	15.7	5.8	25.7	3.9	4.8
EAC	5	10.7	10.7	3.1	22.8	4.1	3.0
SADC	12	19.9	19.0	7.9	17.1	4.1	5.9
CEMAC	6	17.6	12.3	6.7	31.3	2.0	2.9
WAEMU	8	14.5	14.1	6.3	20.1	3.3	3.6
2003-05							
COMESA	14	19.6	17.8	4.2	12.0	6.9	5.5
EAC	5	14.0	14.0	2.0	9.9	7.1	4.2
SADC	12	23.5	21.8	6.1	12.3	6.9	7.4
CEMAC	6	21.1	7.8	1.8	10.5	3.0	2.4
WAEMU	8	13.6	13.6	3.9	15.0	5.9	3.2

Source: Keen and Mansour (2009). Note: figures are simple averages across countries and time.

For some studies, however, such losses may be limited, and reducing trade barriers in economies where tariff revenue is a key source of revenue just complicates the inter-temporal tradeoff between the short-term loss of revenue and the expected long-term benefits from regional integration (Geda and Kebret, 2008).

A second constraint: Economic Partnership Agreements as an addition to multiple and often inefficient regional agreements

As highlighted by the WTO Annual Report (2007), African regional trade agreements come closest to the traditional concept of regional integration based on the geographical proximity of the members of the arrangement.

Sub-Saharan Africa is characterised by a multiplicity of regional agreements and organisations.

The multiplicity of regional arrangements

One of the schemes of integration has achieved monetary integration and its currency is pegged on a currency of a regional grouping of the North: the Franc Zone uses the CFA Franc that is pegged on the euro and includes the WAEMU/UEMOA and the CEMAC. These regional economic groupings exhibit different degrees of integration.

Table 4: Major Sub-Saharan African economic communities

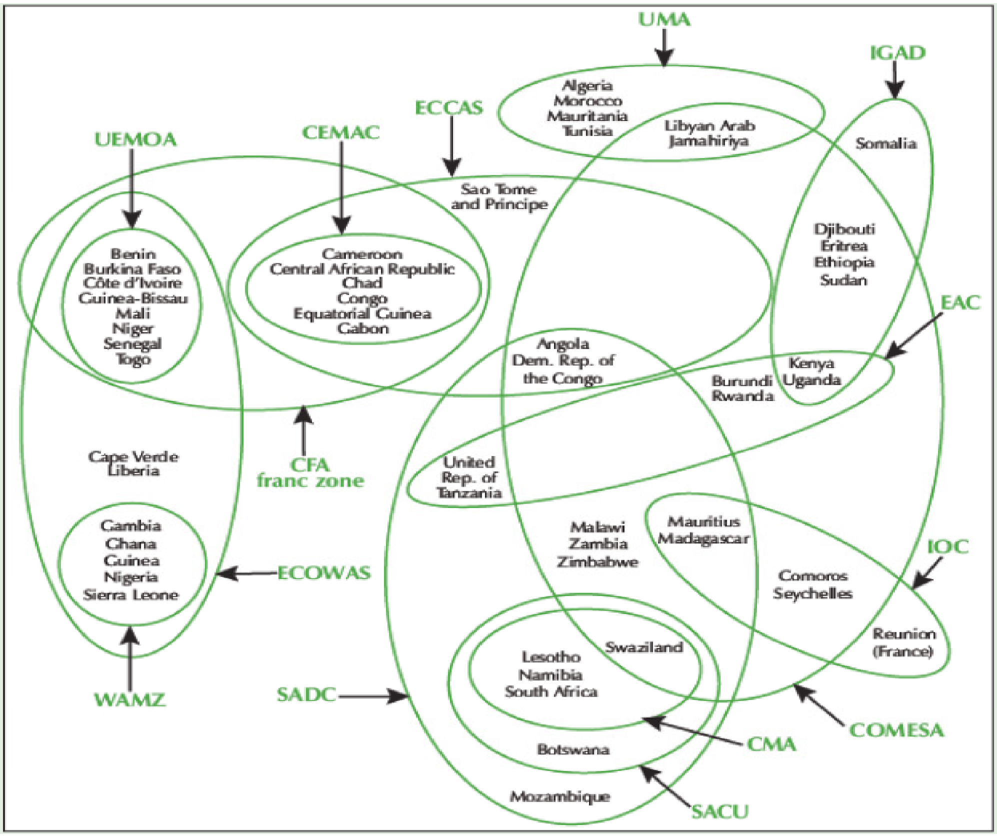
Major Regional Economic Communities (RECs)	Type	Areas of integration and co-operation	Date of entry into force	Member States	Specified objective
Common Market for Eastern and Southern Africa (COMESA)	Free Trade Area	Goods, services, investment, migration	8/12/1994	Angola, Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe	Common market
Community of Sahel-Saharan States (CENSAD)	Free Trade Area	Goods, services, investment, migration	4/2/1998	Benin, Burkina Faso, Central African Republic, Chad, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Gambia, Libya, Mali, Morocco, Niger, Nigeria, Senegal, Somalia, Sudan, Togo, Tunisia	Free trade area and integration in some sectors
Economic Community of Central	Free Trade Area	Goods, services, investment,	1/7/2007	Angola, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic	Full economic union

African States (ECCAS)		migration		Republic of the Congo, Equatorial Guinea, Gabon, Sao Tome and Principe, Rwanda	
Economic Community of West African States (ECOWAS)	Free Trade Area	Goods, services, investment, migration	24/7/1993	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo	Full economic union
Inter-Governmental Authority on Development (IGAD)	Free Trade Area	Goods, services, investment, migration	25/11/1996	Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, Uganda	Full economic union
Southern African Development Community (SADC)	Free Trade Area	Goods, services, investment, migration	1/9/2000	Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia, Zimbabwe	Full economic union
Economic and Monetary Community of Central Africa (CEMAC)	Customs Union	Goods, services, investment, migration	24/6/1999	Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon	Full economic union
East African Community (EAC)	Customs Union	Goods, services, investment, migration	7/7/2000	Kenya, United Republic of Tanzania, Uganda, Rwanda, Burundi	Full economic union
Southern African Customs Union (SACU)	Customs Union	Goods, services, investment, migration	15/7/2004	Botswana, Lesotho, Namibia, South Africa, Swaziland	Full economic union
West African Economic and Monetary Union (UEMOA)	Customs Union	Business law harmonised. Macroeconomic policy convergence in place	10/1/1994	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo	Full economic union

Source: UNCTAD (2009), table 1.

These many arrangements overlap with each other, creating what has been coined a 'spaghetti bowl'. The efficiency of arrangements is affected by the multiplicity of schemes and objectives, overlapping memberships and limited political commitment, as is the case of Southern Africa where SADC, COMESA, SACU overlap and create contradictory rules.

Figure 3: Overlapping membership in regional integration groups



Source: UNCTAD (2009). Comoros is also a member of the Communauté financière africaine (CFA) franc zone. The EAC is the regional intergovernmental organisation of Kenya, Uganda, Tanzania, Burundi and Rwanda. Rwanda and Burundi acceded to the EAC Treaty on 18 June 2007 and became full members of the community on 1 July 2007.

The limited effectiveness of the regional arrangements involving Sub-Saharan African countries only

The effectiveness of these numerous and overlapping arrangements has moreover been limited, which may confirm the theories of the better efficiency of North-South regional arrangements. This limited effectiveness is expressed by the low-level of intra-regional trade (official statistics, however, may be very unreliable).

Table 5: SSA merchandise exports within blocs: percentage of total bloc exports

	1970	1980	1990	1995	2000	2005	2008	2009
CEMAC	4.8	1.6	2.3	2.1	1.0	0.9	0.8	1.2
COMESA	9.6	6.4	4.2	5.4	3.7	3.4	5.3	7.2
EAC	16.9	10.2	13.4	17.4	20.5	15.1	19.2	18.9
ECCAS	9.6	1.4	1.4	1.5	1.1	0.6	0.4	0.6
ECOWAS	2.9	10.1	7.9	9.0	7.9	9.3	8.5	9.9
IOC	8.4	3.9	4.1	6.0	4.4	4.6	5.7	5.8
SADC	8.0	2.0	6.8	9.2	9.4	9.2	10.3	11.0
UEMOA	6.5	9.6	13.0	10.3	13.1	13.4	15.9	13.2

Table 6: SSA total merchandise exports by trade bloc: percentage of world exports

	1970	1980	1990	1995	2000	2005	2008	2009
CEMAC	0.2	0.3	0.2	0.1	0.2	0.2	0.3	0.2
COMESA	1.6	0.6	0.8	0.5	0.6	0.6	0.8	0.7
EAC	0.3	0.1	0.1	0.1	0.0	0.1	0.1	0.1
ECCAS	0.6	0.3	0.3	0.2	0.3	0.4	0.7	0.5
ECOWAS	1.1	0.4	0.6	0.4	0.6	0.6	0.7	0.6
IOC	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
SADC	2.2	1.6	1.0	0.8	0.6	0.8	1.0	0.9
UEMOA	0.3	0.3	0.1	0.1	0.1	0.1	0.1	0.1

Source: World Bank World Development Indicators, annual series, 2005-2011, table 6.7 (there are important modifications from one WDI to the next). ECCAS: Economic Community of Central African States; IOC: Indian Ocean Commission; UEMOA: WAEMU. Trade blocs: groups of countries that have established special preferential arrangements governing trade between members. Exports within bloc: the sum of exports by members of a trade bloc to other members of the bloc. Total exports by bloc as a share of world exports: the ratio of the bloc's total exports (within the bloc and to the rest of the world) to total exports by all economies in the world.

These groupings, however, are obviously heterogeneous in terms of number and types of countries. For example, for the IMF (2011, chap. 3), the EAC includes among the fastest growing economies in the world during 2005-09 (annual average GDP growth rates of close to 8%).

Moreover, it should be noted that SSA groupings' performances in terms of share of world trade do not fare so poorly in comparison with other regions, and firstly reflect countries' growth performances: according to the World Bank World Development Indicators 2011, if a performing region such as the ASEAN represented in 2009 6.6% of world exports, Mercosur represented 1.7% of world exports. Since the wave of independence in the 1960s, SSA exhibits an impressive record of growth of its intraregional exports.

Table 7: Intraregional exports as a percentage of total exports, 1960–1962 and 2004–2006

	1960-1962	2004-2006	Growth in %
Africa	5.58	8.68	55.43
North Africa	2.81	2.45	-12.75
Sub-Saharan Africa	4.08	11.41	179.94
Developing America	15.97	18.54	16.11
Developing Asia	21.06	45.54	116.28
Developed America	26.64	39.80	49.41
Developed Europe	61.28	71.38	16.47

Source: UNCTAD (2009).

As underscored by UNCTAD (2009), since the early 2000s, the proportion of intra-African merchandise trade has stabilised at about 10%. The absolute value of intra-African trade, however, has not necessarily stagnated or declined: the stagnation of the proportion is due to the fact that SSA trade with the rest of the world increased much faster than intra-African trade.

It may be relevant to know whether the actual levels of SSA intra-trade are lower than their potential. Indeed, some studies argue SSA intra-trade has the expected level and show that the scope for SSA intra-trade is intrinsically modest (Foroutan and Pritchett, 1993; Goldstein, 2002), not because of trade restrictions but given factors such as incomes and geography.

Likewise, with a focus on COMESA, Geda and Kebret (2008) show that regional groupings had insignificant effect on the flow of bilateral trade, and that the performance of regional blocs is constrained by problems of initial conditions, political commitment, overlapping membership, policy harmonisation, lack of diversification and poor private sector participation. On the case of WAEMU, Coulibaly and Fontagné (2006) show that the main determinant of this 'missing trade' is geography: being landlocked and poor leads to very high trade costs.

The Economic Partnership Agreements as additional causes of incoherence and transaction costs

Economic Partnership Agreements add to the multiplicity of existing agreements and the 'spaghetti bowl'. They overlap with the other regional arrangements, and this generates additional transaction costs and incoherence in a context that is already characterised by many problems of excessive complexity. In contrast with their official objectives, the EPAs may undermine regional integration, as they cross pre-existing regional arrangements: they undermine the coherence of the ACP group of countries in separating those countries according to regional groupings.

Indeed, reciprocity between the EU and ACP countries threatens intra-regional trade in ACP groupings, including in SSA. As revealed by Morrissey *et al.* (2010), the removal of external tariff protection vis-à-vis European exporters may induce a direct threat of displacement for existing regional suppliers; an indirect threat is the displacement by European exporters of domestic production in ACP domestic markets and therefore the possible reduction of regional production capacity.

As underscored by the WTO (2007), EPAs are supposed to strengthen existing regional integration arrangements. While this may be the case in Western and Central Africa, where negotiations take place with the ECOWAS (which is a customs union with a Common External Tariff since the 1st January 2005) and CEMAC, it may not be the case in Eastern and Southern Africa where the EPA negotiations foresee two configurations (East and Southern Africa/ESA and SADC minus[11]) with members from four distinct regional integration scheme - the COMESA, the SADC, the EAC and the SACU. The WTO report notes that, given that each of these RTAs is either already a customs union (EAC and SACU), or planning to become one (SADC and COMESA), the ESA and SADC EPAs may clash with the integration agendas of the existing regional trade arrangements. There are other examples of such conflicts, e.g., Tanzania is in a customs union with Kenya and Uganda, and negotiates with the SADC EPA while Kenya and Uganda have opted for the ESA EPA. Conversely, SADC members Malawi, Mauritius, Zambia and Zimbabwe have chosen to negotiate with ESA while COMESA members Angola and Swaziland (the latter is also a SACU member) have opted for the SADC EPA configuration. This complexity is compounded by South Africa, which is a member of SACU (and SADC) and has a FTA with the EU (the Trade and Development Cooperation Agreement-TDCA).

ACP countries within the EPAs have different commitments regarding the opening of their markets and have therefore different liberalisation schedules: countries in the same region may liberalise different products and thus create new barriers to intra-regional trade: in Central and West Africa countries are at different stages of the process, leading to incompatibility between their trade regimes; Eastern and Southern Africa (ESA) countries and the SADC sub-group (SADC-minus) states have signed to single agreements, but their liberalisation schedules and exclusion baskets differ (Bilal and Braun-Munzinger, 2008).

Likewise, this undermining of existing integration arrangements is shown for the SADC region by Erasmus (2011). He argues that the EPA with the SADC will fragment the 15 member countries of SADC, since these countries have different statuses (LDCs, non LDCs, the special status of South Africa) and therefore will have trade relationships with the EU under different arrangements: in the case of SADC, 5 different arrangements, the Trade and Development Cooperation Agreement (TDCA), the SADC EPA, the 'Everything But Arms' (EBA) initiative, the EAC and the ESA EPA group. The SADC, which includes all the SACU member states, is consolidating its Free Trade Area, and the EAC has started a common market, which was launched in mid-2010. In addition, the 26 member states of SADC, EAC and COMESA have agreed to establish a Tripartite Free Area.

Similarly, the simulations made by Ben Hamouda *et al.* (2006) for Ethiopia and the ESA EPA find that the gains for Ethiopia are limited and not proportional to the cost of the agreement, not only in terms of fiscal losses, but in terms of trade diversion in favour of the EU and away from Ethiopia's African trading partners: the EPA reinforces Ethiopia's integration with the EU instead of deepening regional integration within SSA.

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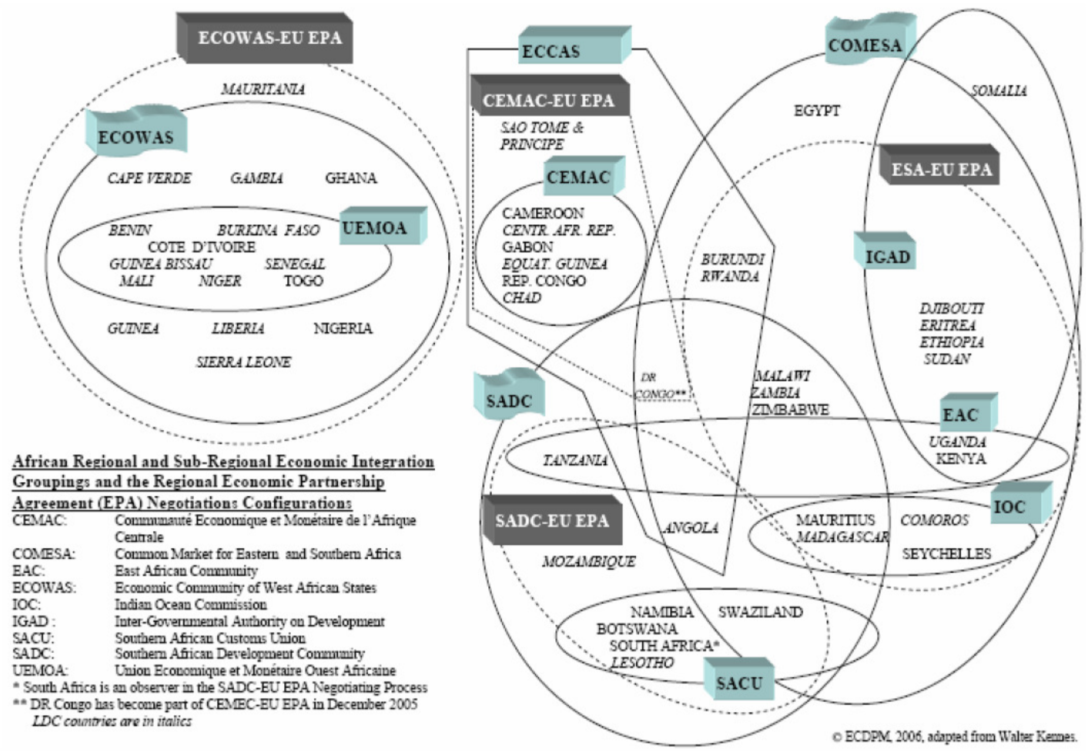
[11] The SADC-minus group includes Angola, Botswana, Namibia, Swaziland, Lesotho, Mozambique, and Tanzania and South Africa: see http://saiia.org.za/images/upload/Feb07_SADC-minus_EPA_RoD_web.pdf

Figure 4: The overlaps between regional arrangements and EPAs groupings (before 2007)



Stage II of negotiations: 2003 – 2007: Regional negotiations. ECOWAS+: West Africa; CEMAC+: Central Africa; ESA: East and Southern Africa; SADC: Southern Africa. Source: Bilal (2007).

This contribution of EPAs to existing arrangements that are already multiple and overlapping explains the intrinsic difficulty of negotiations. Hoekman (2005) thus highlights that EPAs go beyond merchandise trade and include trade in services, which create significant challenges for ACP countries. EPAs are not bilateral, but between the EU (a common market) and ACP regional blocs. Many SSA preferential trade agreements are free trade areas that incorporate smaller customs unions and include both LDC and non-LDC members. Differences in priorities across members of these preferential trade agreements make negotiations difficult. The EU prefers to negotiate with customs unions, implying that members of the preferential trade agreement must also agree on a common external tariff for each partner. For Hoekman, this is complicated by different 'sensitivities' in terms of the products that countries protect.

A third constraint: Sub-Saharan African countries' distorted export structures

Among the constraints that prevent the EPAs in achieving their goals and explain the difficulties in negotiations between the EU and SSA governments, there is the lack of complementarity between economies within regional groupings and the distorted export structures of SSA countries - commodity dependence, narrow industrial bases -, as well as unbalanced trade links with the EU. With such economic structures, free trade areas and reciprocal trade with the EU entail significant risks, while benefits can be assessed only on a country-by-country and sector-by-sector basis.

Lack of complementarity, similar exports structures

Sub-Saharan African countries are still affected by their colonial history, path dependence and the resilience of the 'small open economy' model (Hopkins, 1973), which was based on the imports of manufactures from the colonising countries and exports of primary goods.

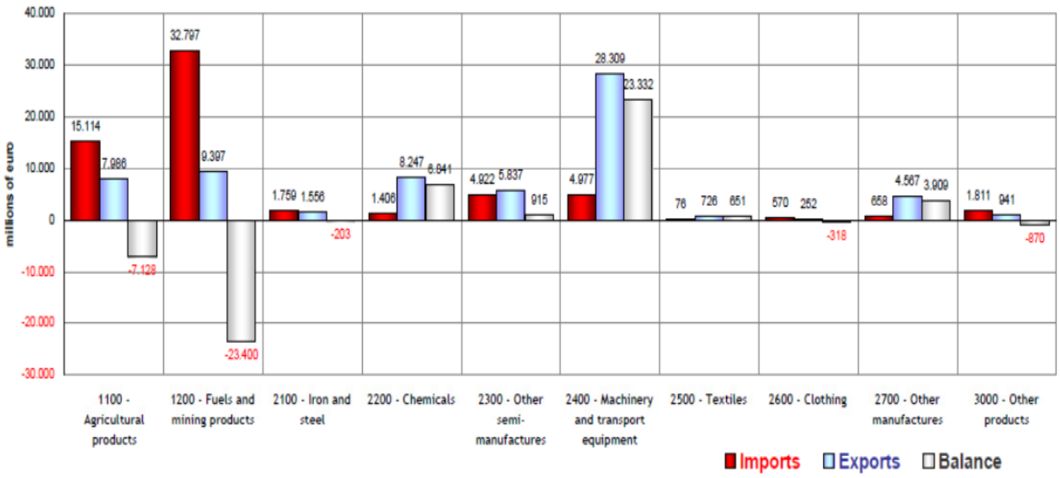
Regional integration requires preexisting high levels of intra-group transactions, complementarities in goods and factors of production and potential for product differentiation. Yet, export structures are broadly similar among SSA countries, and (outside South Africa), the constraints they face display many commonalities. Indeed, most SSA countries exhibit high levels of commodity dependence for their exports - increasingly on oil exports – and very limited industrial sectors (Sindzingre, 2010). Over the period 2003-2006, in almost half of African countries a single commodity has represented more than 50% of exports. Moreover, this proportion has aggravated compared with the 1995-1998 period (UNCTAD, 2008).

According to the World Bank World Development Indicators (2004, 2010), in SSA food represented 12% of merchandise exports in 2008, agricultural raw materials 3%, fuels 36%, ores and metals 16%, and manufactures 32%. This export composition is remarkably stable, as in 2001 food represented 16% of exports, agricultural raw materials 6%, fuels 31%, ores and metals 8%, and manufactures 33%. The CEMAC may be an example of these common features: low historical growth, high dependence on oil, volatility of fiscal revenues resulting from reliance on commodity exports, limited intra-regional linkages and political instability (Zafar and Kubota, 2003).

There is therefore a problem regarding the convergence of the economies involved in SSA regional arrangements, because they display little complementarities in goods and factor of production, export similar products, especially primary products, and are further constrained by small market size. Low resource complementarity between member countries limits both intra- and extra-regional trade (Yang and Gupta, 2005).

ACP countries trade structure with the EU exhibit similar distortions: ACP countries mostly export primary commodities to the EU – agricultural products and fuels – and import from the EU semimanufactured products, machinery and transport equipment. These imbalances call into question the expected gains from free trade between the two groupings.

Figure 5: EU trade with ACP countries in 2010



Source: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113340.%20South%20Africa.pdf

Additional constraints on regional integration: infrastructure and political economy

These constraints are aggravated by poor domestic and inter-country infrastructure, especially in the transportation sector - although telecommunications have spectacularly improved over the 2000s. For most studies in international and development economics, infrastructure is indeed a central determinant of both growth and international trade.

A regional grouping such as the CEMAC, for example, exhibits limited intra-regional linkages due to a very poor road system connecting Central African capitals and a "hub and spoke" situation: CEMAC economies are more linked to France than to each other (Zafar and Kubota, 2003). Similarly, except in Southern Africa, the rail network does not provide intraregional connectivity, because of the incompatibility of gauges and the isolated parallel corridors to the sea (Foster and Briceño-Garmendia, 2010).

Table 8: Average delivery time for containers from vessel to consignee

Gateway	Destination	Distance (km)	Transit time (days)
Mombasa (Kenya)	Kampala (Uganda)	1100	20
Mombasa (Kenya)	Kigali(Rwanda)	1700	27
Dar es Salaam (Tanzania)	Bujumbura (Burundi)	1800	21
Abidjan (Côte d'Ivoire)	Ouagadougou (Burkina Faso)	1200	7
Abidjan (Côte d'Ivoire)	Bamako (Mali)	1200	7
Dakar (Senegal)	Bamako (Mali)	1200	10
Cotonou (Benin)	Niamey (Niger)	1000	11
Douala (Cameroon)	Ndjamena (Chad)	1900	38
Lagos (Nigeria)	Kano (Nigeria)	1100	21

Source: Foster and Briceño-Garmendia (2010).

The World Bank indeed views poor infrastructure together with regulatory obstacles as key causes of the stagnation of developing countries, especially SSA. Time delays, in particular, hinder international trade, especially for exports of time-sensitive goods such as perishable agricultural products. The World Bank consistently emphasises that many countries in SSA will not benefit from duty-free access provisions provided by developed countries unless export procedures are simplified.

Table 9: Procedural requirements for exporting and importing a standardised cargo of goods

Economy	Documents to export (number)	Time to export (days)	Cost to export (US$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US$ per container)
East Asia and Pacific	6.4	22.7	889.8	6.9	24.1	934.7
Eastern Europe-Central Asia	6.4	26.7	1651.7	7.6	28.1	1845.4
Latin America and Caribbean	6.6	18.0	1228.3	7.1	20.1	1487.9
Middle East and North Africa	6.4	20.4	1048.9	7.5	24.2	1229.3
OECD	4.4	10.9	1058.7	4.9	11.4	1106.3
South Asia	8.5	32.3	1511.6	9.0	32.5	1744.5
Sub-Saharan Africa	7.7	32.3	1961.5	8.7	38.2	2491.8

Source: World Bank-IFC (2011): documents associated with every official procedure are counted, from the contractual agreement between the 2 parties to the delivery of goods, along with the time necessary for completion. Data completed in June 2010.

In addition, many SSA countries are landlocked or transit countries that typically suffer high transport costs: this calls for a regional approach to transport infrastructure financing, as in the 'corridor development' approach pioneered in the SADC (Limão and Venables, 1999).

Distortions and inefficiencies of formal integration agreements are aggravated by another feature that is common to most SSA countries, the weakness of their political and economic institutions and a political economy that impedes development – e.g., lack of rule of law, accountability and contract enforcement, opacity in public procurement, collusive practices, pervasiveness of corruption, porosity of borders coupled with cross-border smuggling, which slow and distort trade flows.

Much of inter-regional trade in SSA is unrecorded and includes high levels of 'informal' trans-border trade (Meagher, 2003). The Gambia is an example, among many others: it is enclosed within Senegal; yet official trade statistics show almost no trade between the two countries and ignore large-scale smuggling, which reflects the disparities in trade policies between the two countries and the subsequent cross-border price differentials for goods (Golub and Mbaye, 2009).

This is associated with 'informal' obstacles to formal regional trade agreements: despite the latter, the circulation of people and goods at borders is confronted with recurrent controls and requests for bribes from customs officials, which obviously impede trade and factors mobility - labour and capital (Zafar and Kubota, 2003). Checkpoints proliferate and toll fees each time extorted add up to important sums, which represent substantial losses for traders and road hauliers.

Table 10: Frequency of checkpoints on major transit transport routes in West Africa

Route	Distance (km)	Number of checkpoints	Frequency (km)
Lagos–Abidjan	992	69	14
Niamey–Ouagadougou	337	20	17
Lomé–Ouagadougou	989	34	29
Cotonou–Niamey	1036	34	30
Abidjan–Ouagadougou	1122	37	30
Accra–Ouagadougou	972	15	65

Source: UNCTAD (2007b) quoting the OECD-Sahel and West Africa Club (2005), Regional Atlas of Transportation and Telecommunication in the ECOWAS zone.

The Economist[12] has calculated that the 'official' checkpoints established by customs and police officers and bribes to pass through for four interstate roads crossing Mali, Ghana, Togo and Burkina Faso are so numerous that in Mali, a driver pays over $25 in bribes at some 4.6 checkpoints every 100km; in Burkina Faso, he pays $8.73 at two checkpoints.

[12] The Economist, 15 August 2007.

Confirming these constraints: the Economic Partnership Agreements mixed outcomes

The EPAs encountered much resistance and criticism from the ACP SSA governments and civil societies since their official launch, negotiations have been difficult and are beyond schedule, and they are the subject of much controversy.

Indeed, despite the EU optimistic forecasts and official objectives of growth and development for the involved ACP countries, most studies find ambivalent outcomes, which are positive or negative depending on the country and the sector analysed. The diversity of the findings of the case studies on EPAs in SSA demonstrates that effects can be assessed only on a country-by-country and sector-by-sector basis. Most studies rely on modelling and simulations, as the process is ongoing: findings depend on the selected methodology, which adds to the uncertainty of results.

The Economic Partnership Agreements positive outcomes under certain conditions

Analyses of the EPAs conducted by international financial institutions such as the World Bank tend to find positive effects. Hinkle and Newfarmer (2005) thus find that the EPAs could have a positive impact on trade and incomes in SSA as the EPAs provide enhanced market access to the EU and lower external and intra-regional trade barriers in the EPA groupings. They acknowledge, however, the intrinsic problems in the design of EPAs: tariff reductions on imports from the EU may induce trade diversion, monopolies, revenue losses, and different common external tariffs, with diverse levels of regional integration, coexist and overlap.

Effects obviously strongly depend on the regional groupings considered. The SADC, which includes economies that are more developed than in other parts of SSA, may exhibit positive impacts. The simulations made by Keck and Piermartini (2008) thus find positive effects of EPAs for countries of the SADC, which would be welfare-enhancing for SADC overall, in particular if reductions in unemployment are considered. Estimated gains, however, may be lower if agriculture liberalisation is not as far reaching as a reduction of import barriers for manufactures. The largest expansion in SADC economies would take place in the animal agriculture and processed food sectors, while manufacturing becomes less attractive following EU–SADC liberalisation. Similarly, another simulation of the effects of the EPA on the SADC grouping based on the GTAP[13] model find that SADC LDCs are likely to be winners while the SADC ACP countries could be possible winners - under certain conditions, however, i.e. promoting the industries where they have a comparative advantage (Sukati, 2011).

EPAs can also be a forum of negotiations that enhance the weight of some SSA countries, as shown by Ponte *et al.* (2007) in the case of fish industries in SSA and market-access for SSA fish exports: EPAs

[13] Global Trade Analysis Project : see https://www.gtap.agecon.purdue.edu

offer opportunities of collective bargaining power that may bring about positive outcomes in the medium term.

Negative or uncertain outcomes: challenges for development, fiscal losses, weakening of regional integration

Many studies, however, find negative outcomes and detrimental effects regarding the loss of preferences. These negative outcomes stem from different types of causes and mechanisms, and notably the asymmetry of the EPA partners. EPAs are asymmetrical devices, with the possible result of the EU being the winner and some developing countries being the losers. In this perspective, despite their official objectives claimed *ex ante* by the EU, the EPAs may not foster the development of the ACP countries.

This may explain that the EU's request to eliminate export restrictions was one of the main 'contentious' issues in the EPA negotiations: this request has sometimes been perceived by ACP countries as firstly driven, for the EU, by the quest for secured and undistorted access to raw materials, and for many ACP countries, liberalisation and elimination of export taxes and other trade restrictions hinder policies these countries view as crucial for their development, such as the protection of infant industries and diversification (Ramdoo, 2011).

Moreover, it may even be argued that after the failure of the previous agreements (such as the Lomé Conventions) and in a context of a dilution of the focus of the EU towards SSA since the 2000s, the EU views SSA as a 'distant abroad', and 'partnership' is in fact a rhetorical expression (Bach, 2011). EPAs' official objectives of ACP countries' 'private sector development' may be examples of such rhetoric, which cannot hide the asymmetry in the EU-ACP trade ties (Langan, 2011).

Indeed, reciprocal trade liberalisation may threaten the sectors that in some countries cannot compete with EU imports, although sensitive products may be excluded from the agreements. Effects clearly depend on the country and the sector considered. For example, Stevens and Kennan (2006) show that the EPAs might affect the ability of 6 SSA countries to continue to provide protection to their domestic agrifood sectors if 'substantially all' trade with the EU is liberalised – for the EPAs to be compatible with WTO rules on regional trade agreements. Prospective scenarios suggest that EPAs may not require major changes in existing levels of border protection provided to domestic agriculture in Ethiopia, Lesotho, Mozambique and Zambia but effects on Tanzania and Uganda could be greater.

EPAs may induce trade diversion: simulations for Nigeria made by Andriamananjara *et al.* (2009) on the potential economic implications for Nigeria of an EPA regarding the effects of preferential tariff liberalisation with the EU show limited impacts of the EPA on total imports into Nigeria, because the EPA will likely allow the most protected sectors to be excluded from liberalisation, and where tariffs are substantial, much of the increase in imports from the EU will occur at the expense of other suppliers of imports. For Andriamananjara *et al.*, it is this trade diversion stemming from the discriminatory nature of the EPA, which generates a negative welfare impact of the tariff reform prescribed by the EPA (although Nigeria may lower this impact via trade policies such as the removal of its several import bans).

The loss of EU preferences was the decisive factor in signing EPAs, but the gains in terms of improved market access may be limited. Focusing on ACP agricultural markets, Meyn and Kennan (2010) show that if imports are liberalised, ACP agricultural markets are affected very differently. In some EPAs, import liberalisation includes agricultural products that compete with domestic production (as in Côte d'Ivoire), while in other EPAs, import liberalisation excludes most sensitive agricultural products (as in Ghana). For some countries and regions, the EPA will affect agricultural protection less than the implementation of regional tariff commitments – such as the common external tariff (CET) for the 5 EAC countries, or the COMESA CET for Zimbabwe. Meyn and Kennan underscore that exports may increase for some agricultural products (meat products, grapes, rice, possibly citrus), but this is temporary because the competitive advantage of duty-free-quota-free is time-bound and is not accompanied by improved rules of origin in relation to food processing. Thus the current rules most often do not allow an ACP state to process raw materials from third countries, making unlikely an increase of ACP supply capacity as a result of the duty-free-quota-free regime. The end of the Cotonou previous regime meant a threat of tariff increases that were much higher than the immediate benefit of improved market access: Meyn and Kennan emphasise that most non-LDC ACP countries have here lacked a key element of the bargaining power of a weaker party, i.e. the ability to leave EPA negotiations. With EPAS, ACP countries lose the capacity to use defensive trade policies and restrictions (including industrial policies), not only vis-à-vis the EU but for intra-regional trade.

In addition, the EPAs will induce significant fiscal losses for many SSA countries. Keen and Mansour (2009) argue that for most SSA countries, EPAs longer-run effects may be substantial, as revenues from EU dwindle and more heavily tariffed imports from outside the EU are displaced. They underscore that in 2005, around 32% of SSA imports came from the EU: in the long-term, about 1/3 of current tariff revenues could be lost from full trade liberalisation with the EU, and even much higher with potential trade diversion effects. Likewise, the analysis of the fiscal revenue implications of the prospective EPA between ECOWAS and the EU made by Zouhon-Bi and Nielsen (2007) show that eliminating tariffs on all imports from the EU would increase ECOWAS' imports from the EU by 10.5-11.5 % for selected ECOWAS countries (Cape Verde, Ghana, Nigeria and Senegal), which would imply a 2.4–5.6 % decrease in total government revenues - tariff revenue losses should represent 1.0% of GDP in Nigeria, 1.7% in Ghana, 2.0% in Senegal and 3.6% in Cape Verde.

Such fiscal losses have long been highlighted by several models (summarised in Stevens *et al.,* 2006): the impact of EPAs on goods may be small relative to multilateral liberalisation due to potential exclusion of sensitive products, but tariff revenue losses may be important. Similar losses are revealed by Fontagné *et al.* (2011) via simulations, which forecast that ACP exports to the EU will be 10% higher with the EPAs than under the GSP-EBA, but that ACP countries, especially African ones, will lose 71% of tariff revenues on EU imports in the long run. Imports from other regions of the world, however, will continue to provide tariff revenues: when tariff revenue losses are computed on total ACP imports, losses are limited to 25% in the long run. The final impact depends on the importance of tariffs in government revenue and on potential compensatory effects. Fontagné *et al.*, however, insist that this long term effect mainly depends on the capacity of each ACP country to reorganise its fiscal base. Revenues losses are also revealed by Milner *et al.* (2005) on the case of the EAC (Kenya, Tanzania and Uganda).

In fine, the outcomes of the EPAs remain uncertain, and this is shown by many models. A GTAP model devised by Perez and Njuguna Karingi (2007) thus confirms the concerns raised by free trade agreements and reciprocity between the EU and ACP countries that are highlighted by many studies. They underscore that SSA LDC exporters already enjoy duty-free access to the European markets via the Everything But Arms (EBA) initiative. In establishing free trade between the two regions, the EPAs will allow European exporters to increase their export to SSA and their penetration of SSA markets. The reverse, however, remains highly uncertain and ACP exporters may not be able to export to EU markets, less because of problems of access than high transaction costs and supply-side rigidities. Perez and Njuguna Karingi, among others, thus underline that the gains of the EPAs for SSA exporters may not only be limited but the costs may also be high: local and regional producers may lose market share to the benefit of EU exporters, resulting in a decline in output and intra-SSA trade. These costs are compounded by the losses in the customs revenues that before the EPAs were levied on imports from the EU.

EPAs create serious risks in countries, which are characterised by fiscal systems that strongly depend on taxes on international trade, and export structures that exhibit low levels of diversification and are based on unprocessed commodities. EPAs may threaten industrial sectors that are fragile and cannot compete with EU products due to high production costs (limited economies of scale, deficient infrastructures).

In contrast, the spectacular growth of East Asian 'developmental states' since the 1960s has been grounded on the capacity to use selective trade and industrial policies (protection, exoneration, subsidies, among others) (Sindzingre, 2007). The EPAs restrain ACP countries' 'policy space' and room for manoeuvre, and prevent them to implement similar growth strategies.

Conclusion

The paper has shown that, with regard to Sub-Saharan African countries, the long-term outcomes of an EU interregionalism such as the EPAs are uncertain. This uncertainty partially explains the difficulties of the negotiations between the EU and ACP countries since their onset.

In addition, it has revealed the gap between the promises and effective outcomes of this interregionalism: the *ex ante* objectives of the EPAs are not congruent with their *ex post* outcomes, due to three main reasons – the overreliance on theoretical frameworks that remain questioned, the complication and destabilisation of existing regional agreements that are already threatened by limited cooperation, political commitment and effectiveness, and the asymmetry between the EU and ACP countries vulnerable export and fiscal structures.

Discrepancies are important between official EU development objectives and the limited gains predicted by most studies. Their causes may be debated. For example, among many others, the devising of the EPAs may reflect particular interests within the EU (such as certain sectors and firms), or the EU's adherence, since its creation, to a specific conceptual framework that promotes economic liberalism and free trade whatever the context or possible inadequacy; or it may reflect an intrinsic expansion of international bureaucracies, with their rules and decisions driven by factors other than efficiency; or many other processes. The rationales that underlie the elaboration of these agreements by the EU remain important subjects for further investigation, as with their effective impact in developing countries over the next decade.

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Appendix 1: Composition of the African, Caribbean and Pacific (ACP) group

The ACP Group consists of 79 member states, all of them, save Cuba, signatories to the Cotonou Agreement which binds them to the European Union: 48 countries from Sub-Saharan Africa, 16 from the Caribbean and 15 from the Pacific.

List of ACP Countries

Angola - Antigua and Barbuda - Belize - Cape Verde - Comoros - Bahamas - Barbados - Benin - Botswana - Burkina Faso - Burundi - Cameroon - Central African Republic - Chad - Congo (Brazzaville) - Congo (Kinshasa) - Cook Islands - Côte d'Ivoire - Cuba - Djibouti - Dominica - Dominican Republic - Eritrea - Ethiopia - Fiji - Gabon - Gambia - Ghana - Grenada - Republic of Guinea - Guinea-Bissau - Equatorial Guinea - Guyana - Haiti - Jamaica - Kenya - Kiribati - Lesotho - Liberia - Madagascar - Malawi - Mali - Marshall Islands - Mauritania - Mauritius - Micronesia - Mozambique - Namibia - Nauru - Niger - Nigeria - Niue - Palau - Papua New Guinea - Rwanda - St. Kitts and Nevis - St. Lucia - St. Vincent and the Grenadines - Solomon Islands - Samoa - Sao Tome and Principe - Senegal - Seychelles - Sierra Leone - Somalia - South Africa - Sudan - Suriname - Swaziland - Tanzania - Timor Leste - Togo - Tonga - Trinidad and Tobago - Tuvalu - Uganda - Vanuatu - Zambia – Zimbabwe.

Source: http://www.acpsec.org/en/about_us.htm

Appendix 2: United Nations list of Least Developed Countries (LDCs)

Afghanistan	Malawi
Angola	Mali
Bangladesh	Mauritania
Benin	Mozambique
Bhutan	Myanmar
Burkina Faso	Nepal
Burundi	Niger
Cambodia	Rwanda
Central African Republic	Samoa
Chad	Sao Tome and Principe
Comoros	Senegal
Congo (Democratic Republic of the)	Sierra Leone
Djibouti	Solomon Islands
Equatorial Guinea	Somalia
Eritrea	Sudan
Ethiopia	Timor-Leste
Gambia	Togo
Guinea	Tuvalu
Guinea-Bissau	Uganda
Haiti	United Republic of Tanzania
Kiribati	Vanuatu
Lao People's Democratic Rep.	Yemen
Lesotho	Zambia
Madagascar	

Source: UNCTAD, http://www.unctad.org/Templates/Page.asp?intItemID=3641&lang=1&print=1