VOICES OF THE SOUTH ON GLOBALIZATION

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EU'S 'EPA' TASTES SOUR TO ACP

In this issue

Voices of the South on Globalization is a monthly newsletter intended to inspire a meaningful North-South Dialogue by raising awareness for global interdependences and by offering a forum for voices from the South in the globalization debate. Each edition will present short analyses or commentaries from a Southern perspective on one particular issue of the globalization process.
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SUSPENSE CLOSE TO DEADLINE

While EU-ACP negotiations for the Economic Partnership Agreements (EPAs) are behind schedule in all the six regions, different options are being explored on how to move forward in the light of the deadline of December 31, set by the Cotonou Agreement as well as by the expiry of the World Trade Organisation (WTO) waiver covering the Cotonou trade preferences. The trade preferences are contained in an agreement concluded in 2000 in Cotonou, Benin, between the EU and almost 80 African, Caribbean and Pacific (ACP) countries.

The six EPA groupings the EU is negotiating with are: West Africa, Central Africa, East and Southern Africa (ESA), Southern Africa (SADC), Caribbean (CARIFORUM) and Pacific (PACP). While the Caribbean is expected to sign a comprehensive EPA by the end of this year, the Pacific and the EU agreed to conclude a goods-mainly interim agreement by November 9 and continue negotiations on other issues towards a more comprehensive EPA in 2008.

A joint ministerial meeting with the Central African grouping on October 29 did not lead to the signature of an EPA; instead both parties agreed to intensify negotiations in the coming month.

Following consultations held on October 23-24, the East African Community (EAC) and Common Market of Eastern and Southern Africa (COMESA) secretariats issued a joint statement declaring that both the EAC countries and the Eastern and Southern African (ESA) countries excluding the EAC countries will submit separate market access offers to the European Commission (EC). The EAC countries are to offer their market access to the EC under the EAC Customs Union framework using the EAC list of sensitive products.

Earlier in October, West African governments urged the EU not to insist that the proposed economic partnership agreement be finalised by the deadline of December 31. Ablasse Ouedrago, a leading trade official with the Economic Community of West African States (ECOWAS), said the region "is not ready" to sign such a trade liberalisation deal at this stage, reflecting concern that impoverished farmers and nascent industries would be severely damaged if they had to compete with an influx of cheap goods from Europe.

As an alternative to an EPA, West Africa has asked that current preferences granted by the EU to imports of their goods should be maintained for up to two years. While those preferences enjoy a waiver from rules set by the WTO, the exemption will expire at the beginning of 2008.

The EU's executive, the European Commission, has refused to accept the West African request that it seek WTO approval for an extension of the waiver. According to Peter Mandelson and Louis Michel, the European commissioners for trade and development aid respectively, any effort to prolong this deal will be challenged by poor countries outside the ACP bloc.

Latin American banana producers, for example, are unhappy with the preferential market access that the EU has given to fruit grown in the ACP. ➤➤➤ *(Continued on page 6)*

DEVELOPMENT OR EXPLOITATION?

By Sue Scott

Europe's paternal trading relationship with African states threatens to end in an almighty family fall-out if they fail to sign the economic partnership agreements by the end-of-year deadline.

European Union trade commissioner Peter Mandelson went on the second half of October, accusing non-governmental organizations of ''ignorance or prejudice'' in ''wholly misrepresenting'' the aims of the deals.

The EPAs, he argues, are desperately needed by African, Caribbean and Pacific (ACP) countries to move out of poverty. So what is there not to like?

Aggressively promoted by Europe as necessary to meet its commitments under World Trade Organisation rules, but attacked by critics as a Trojan horse that could wreck Africa's economic progress and do little for its political self-determination, the EPAs are likely to remain a bone of contention way beyond the January 1, 2008 deadline.

No one disputes that the preferential trade arrangements historically enjoyed by Europe's former colonies are in need of reform. But it is contested whether reciprocal trade agreements in the form of EPAs will be an improvement.

The delays in the EPA talks have to a large extent been blamed on the EU's inclusion of the so-called ''Singapore issues''. A far-reaching set of institutional reforms that Europe linked to market liberalisation, they were first introduced into trade negotiations by rich nations at the WTO meeting in Singapore in 1996.

The ''Singapore issues'' are ''new generation'' or behind-the-border regulatory reforms that address the areas of investment protection, competition policy, government procurement and trade facilitation. Developing states managed to get them off the WTO agenda, only to find them reintroduced in the bilateral EPAs.

While the EU has since agreed that concluding the ''trade in goods'' section of the EPAs by the year-end deadline would be sufficient, the ''Singapore issues'' will remain on the table for conclusion later on.

They involve a raft of provisions, the implications of which may not be fully appreciated by many African countries, says Dr Sanoussi Bilal, co-ordinator of the European trade co-operation programme for the European Centre for Development Policy Management (ECDPM). He was an observer during recent EPA negotiations.

Bilal has deep reservations about the pace and extent of the EPAs, which, he says are in danger of being passed by default. Even of central Africa, the region closest to concluding the deal, he remarks: ''I don't know if they understand what they are signing.''

While the main plank of the EU argument is that economies outside of the ACP are growing at a faster rate than those within the group because they are more attractive to foreign investors, NGOs counter that FDI can bring costs as well as benefits.

Indeed, some elements of the EPAs are prescriptive enough to restrict African countries' ability to strike strategic deals. Opponents talk of a ''loss of policy space'', which may limit pursuit of development objectives outside of the EPA regime.

Some are as critical of opportunities missed as much as liberties taken, particularly in the fraught legal area of intellectual property rights, arguing that potentially positive measures around intellectual property rights are absent from the EPAs.

These include the transfer of technology, joint ventures, prevention of biopiracy and misappropriation of traditional knowledge by EU companies.

But that involves a level of detail way beyond the capacity of many of the resource-restrained African negotiators to fully engage with, says Dr Mareike Meyn, research officer in the international economic development group at the Overseas Development Institute, based in London.

''When it comes to competition policy, for example, some countries have not even drafted a competition bill, let alone implemented it, so committing them to build up a regional competition authority (as foreseen in some EC drafts) is very difficult. There are fears among African policymakers that they are not able to make those commitments.''

Bottom-up, bespoke documents are needed take into account African states' different levels of economic development, rather than a top-down template for reform, says Meyn.

''In the case of east Africa and southern Africa, we have 15 highly heterogeneous countries. Some of them are economically integrated at the sub-regional level but for most economic integration is in its infancy. Plus, some are in a conflict or post-conflict situation.

''If the EU is interested in promoting economic development with EPAs, they should take countries' different development levels into account and not overextend them.

''It doesn't make sense to include issues that a partner fundamentally objects to and yet argue it is development friendly,'' Meyn argues. ☑

'EU UNDERMINING AGRICULTURE IN AFRICA'

By David Cronin

Europe is undermining its own efforts to strengthen African agriculture by foisting free trade on the continent, a Ghanaian farm leader has complained.

The European Commission recently issued a strategy paper which commits to giving an unspecified amount of financial and logistical support to programmes for improving agriculture devised by Africa's own governments.

Titled 'Advancing African Agriculture' (AAA), the paper also states that the free trade deals EPAs proposed by the EU are meant to "enhance" trade opportunities for farmers. The Commission has called on almost 80 countries in Africa, the Caribbean and Pacific to sign EPAs by the end of this year.

But Kingsley Ofei-Nkansah from the General African Workers Union of Ghana suggested that the EPA agenda is in contradiction with the Commission's stated desire to help farming in Africa.

"The AAA strategy is meant to give African players the policy space to do what is best for them," he said. It is riding on the back of a very uncertain future because the EPAs will take away a lot of policy space. They will make it more difficult for African growers to have the kind of production they need for food security. With EPAs, African governments will be forced to open up their markets to European goods, knowing very well that European agriculture is extremely subsidised.

"European agricultural and food imports in Ghana increased by 100 to 400 percent between 1993 and 2005. How can we sustain agriculture in Ghana with an increasingly large influx of food and agricultural produce from Europe?"

The AAA strategy has been criticised, too, in a new report by Luisa Morgantini, vice-president of the European Union's only directly elected body, the European Parliament.

While the Commission has recognised that women play a vital role in agriculture, its paper does not outline any specific measures on how to assist them, Morgantini has said.

This is despite how 70 percent of the 1.3 billion people living in extreme poverty are female. Her report berates the Commission for failing to address the impact of economic liberalisation on African farming or to suggest policies to counter how heavily subsidised European exports to Africa are damaging the livelihoods of the continent's food producers.

About 75 percent of the population in Africa lives in arid of semi-arid regions. Yet Morgantini alleged that the Commission "misses a seemingly obvious point" -- that EU aid should be directed as a priority to areas that are less favoured for geographical or environmental reasons.

Furthermore, she warned that the EPAs would restrict the possibility of using tariffs to shield locally grown crops from foreign imports, thereby putting small farmers in jeopardy.

The AAA strategy was debated at a conference held in Brussels Oct. 17. Angel Elias Daka, an advisor on food and nutrition to the Common Market for Eastern and Southern Africa (COMESA), said aid donors such as the EU haven't "paid much attention to the role of women" in agriculture. He urged that a comprehensive approach should be taken towards assisting female farm workers. Schemes aimed at supporting agriculture should work in tandem with those aimed at addressing major health problems, such as AIDS, he said.

"It is women who look after the sick in hospital, and agricultural work suffers overall because women are so heavily involved in care," he said. "We need to tackle the surrounding issues. Otherwise, all investment efforts will be in vain."

Lluis Riera, director for development aid in the European Commission, said that policy makers require a "more complex understanding" of rural society in Africa. "Agriculture is not about deciding what the price of rice is," he said. "It is much more complicated. We have to integrate health and education issues because we need to have healthy farmers."

Hansjörg Neun from the Technical Centre for Agricultural and Rural Cooperation (CTA), an EU-financed body promoting farming in ACP countries, argued that Africa should use public funds to help increase its production. Among the key reasons why Brazil, India and China have achieved considerable progress in agriculture is that each of them has devoted some 20 percent of national budgets to supporting it. "Brazil is now a world leader in ethanol," he noted.

John Okidi from the International Food Policy Research Institute in Addis Ababa said that some African countries have displayed the benefits of "targeted subsidies". Malawi's most recent grain harvest, for example, has reported a surplus production of 1.2 million tonnes, 400,000 tonnes of which is being given to Zimbabwe to address food shortages there. "This is because Malawi has decided to go back to subsidies," said Okidi. "Two years ago, five million people were living on food aid in Malawi. Today it is producing surpluses."

COMESA's member states have agreed to allocate 10 percent of their national budgets to farming by 2015. Okidi said that Ethiopia is one of the few African states to have already hit that target, as a result experiencing an agricultural growth rate of 4 percent. ." ☑

EPAs MAY STIFLE UGANDA'S STRUGGLING FLOWER INDUSTRY

By Alexis Okeowo

Uganda's flower industry needs government incentives and preferential European Union access to succeed, say members of the east African nation's floricultural sector.

Uganda is Africa's fifth-largest flower exporter, dealing solely in roses and chrysanthemum cuttings. The industry earns over 30 million dollars annually in revenue from over 7,500 metric tons of exported flowers. Some 142 hectares of roses and 32 hectares of chrysanthemum cuttings are currently under production.

In 1992, Uganda joined major African exporters such as Kenya and Zimbabwe in trading with the Netherlands, the world's largest fresh floricultural products exporter. Flowers grown domestically are primarily for export, given the high demand and better prices offered in the European Union than in local markets.

Like other African flower-exporting countries, Uganda ships its products to the Netherlands, where the flowers are then re-exported to the rest of Europe and the United States. The Netherlands is the centre of the global flower trade, accounting for 1.3 billion euros.

Costs are naturally higher in Europe, where growers have to invest in expensive facilities such as glass greenhouses that can withstand cold weather. To reduce expenses, many international floricultural companies have opened branches in African countries. Uganda is home to three Dutch flower firms.

In 1993, only three flower farms registered exports in Uganda, but there are now 19 registered exporting farms. Uganda's flower exporters have progressed significantly since the early 1990s when many pioneers lost their farms to commercial banks after failing to make a profit.

"The first problems we had related to the varieties of flowers we grew. Our climate was not suited to the Kenyan model that we tried to follow and we had poor returns," says Juliet Musoke, executive director of the Uganda Flowers Exporters Association (UFEA).

After many trials, growers decided that Uganda was most conducive to small roses, which are high-yielding but do not fetch as much money as bigger flowers.

Uganda's flower industry is capital intensive, requiring entrepreneurs to be able to invest an estimated minimum of 1.5 million to 2 million dollars. Flower investors say that they have had to back up their personal funds with hefty bank loans. The start-up costs go towards purchase of land, plant materials, greenhouses, irrigation equipment and airfreight charges. According to Stanley Mulumba, the proprietor of Ugarose Farm, the cost triples for an investor who wants their flowers grown in pre-fabricated greenhouses as opposed to wooden ones.

Mid-year a joint venture between the Uganda-based Madhvani Group and the Netherlands-based Flower Direct announced that it would start the nation's first chrysanthemum flowers farm. Madhvani Group said it expected to earn 1.4 million euros from 13 hectares in its first year.

The announcement is a key development for the Ugandan industry which has failed to attract new investors but needs to double its production to compete with other exporters in east Africa. According to the UFEA, the current total investment in the sector is at 50 million dollars. Eight farms are owned by foreign investors, three are jointly owned by Ugandans and foreign investors and seven by Ugandans.

The UFEA wants a sector-wide expansion to 400 hectares by developing new farms, expanding existing farms and moving flower cultivation to cooler highland areas in eastern and western Uganda. But increased export volumes and earnings will depend on an investment incentive package offered by the government, Musoke says.

The pending economic partnership agreement (EPA) with the EU threatens the fragile industry. The EPAs require that the African, Pacific and Caribbean countries offer reciprocal market access to their EU trade partners.

Jabber Abdul, proprietor of the farm Mairye Estates, says, "We cannot compete freely yet because we are still not ready to do without trade incentives." Mairye Estates has been in existence since 1952 but has only recently become certified by Dutch standards, which include ensuring workers' welfare and adhering to environmental standards.

Most farms employ a minimum of 300 workers. The sector employs 6,000 Ugandans, 80 percent of them women. Workers on flower farms often endure harsh conditions from practices such as chemical spraying. "Relatively speaking, Ugandan workers are in acceptable conditions on the farms. Workers are given safety wear, there are clinics on the farms, training and information are given on how to protect themselves and some have housing allowances," Musoke says.

Airfreight charges have put a severe financial constraint on farms in recent months. One of the main challenges facing the industry is airfreight charges, which are now 2.40 dollars per kilogramme. The rate is uniquely high for Ugandan exporters. Kenyan growers pay 1.70 dollars per kilogramme and Ethiopians 1.50 dollars per kilogramme. The reason is that Uganda is a landlocked country which depends on the air carriers of its neighbouring states, given that it has no national airline. ☑

'AID FOR TRADE' MAY CUT HEALTH, EDUCATION FUNDS

By David Cronin

African governments are worried that funds from the European Union to help them increase their countries' share of world trade could be at the expense of other forms of development aid.

The EU's executive arm, the European Commission (EC), has been promising that substantial "aid for trade" will be available to African, Caribbean and Pacific nations, who are set to sign Economic Partnership Agreements with Brussels by the end of this year.

The aid is intended to address the ACP's limited trade capacity, a key factor behind why the world's poorest countries account for less than one percent of global exports. The funds would also help ACP producers meet the EU's often exacting veterinary and food safety standards.

In May, the EU's governments and the Commission committed themselves to granting 2 billion euros in annual aid for trade by 2010.

Although EU officials say that ACP countries will receive the bulk of that money, some African diplomats are unimpressed. They allege that the most powerful EU institutions have not yet explained precisely where the money will come from, or allayed concerns that it may not be additional to aid that could be used to finance sorely needed investments in health and education.

Substantially undefined

“The problem with aid for trade is that it is substantially undefined," an African diplomat, speaking on condition of anonymity, told IPS. "We don't know what money they are talking about. Could it essentially be a regurgitation of existing funds from the EDF (European Development Fund)?"

The diplomat said the EC is using promises of aid for trade to entice ACP countries into signing the EPAs, despite their concerns that the level of market opening required as part of those agreements would leave indigenous enterprises at risk from outside competition. "One has to assume that the Commission has the notion of aid for trade as some kind of calming medicine," the diplomat added.

Katrin Jansen, a programme assistant with the Brussels-based organisation Women in Development Europe, said EU officials have admitted that they plan to increase aid for trade without increasing the overall amount of development assistance provided by the Union.

"That means aid for trade will definitely be at the expense of other forms development assistance," she said. "We are very concerned about this and demand that aid for trade should not be shifted from sectors such as education and health because these sectors remain of primary importance for poor women's empowerment, as well as for livelihoods in developing countries." Moreover, there is a concern that the sums on offer may prove insufficient once distributed among the 79 ACP states. In a 2006 report, the Commonwealth Secretariat estimated that southern Africa alone will need over 1 billion euros to help it adjust to an EPA.

A new study by ICCO, a Dutch Christian organisation, concludes that the costs of adjusting to EPAs cannot be met unless money is diverted from programmes that have already been agreed between the EU and Africa.

It also argues that the EC has been unwilling to make more generous offers on aid for trade. Doing so would involve acknowledging that the challenges inherent in the EPAs are bigger for poor countries than it has been prepared to admit until now, thereby reducing the likelihood that these agreements will be concluded before the Commission's stipulated deadline of Dec. 31.

Anti-poverty campaigners have protested at how a proposal on aid for trade published by the Commission in April does not contain any measures designed to ensure that small producers are paid fair prices for their goods. This is despite how the 2000 Cotonou agreement, which underpins the EU's relations with ACP countries, committed the Union to improving the often paltry prices paid to producers.

Hilary Jeune, a policy officer with the Fair Trade Advocacy Office in Brussels, described as "worrying" a clause in the proposal which may require poor countries to devise national strategies aimed at integrating them into the international trading system. "It has been proven that to overcome poverty, you have to start at the local level and develop strategies for local needs," Jeune told IPS.

The Egyptian government has recently prepared a paper on aid for trade, which is currently being discussed at the WTO in Geneva. It recommends that one of the key objectives for an effective international strategy on aid for trade should be to develop a monitoring and evaluation mechanism to ensure that the spending has the intended results.

An Egyptian diplomat said that the idea that aid for trade is additional to other forms of development assistance is "an important and fundamental issue."

An EU official handling development issues denied that the Commission is seeking to "recycle" previously committed money. The official explained that the latest version of the European Development Fund is only due to become operational in January 2008, while aid for trade funds could come into circulation before then. ☑

AFRICAN INDUSTRIALISTS OPPOSE EPAs

By Jaya Ramachandran

Nearly one hundred industrialists from Western and Central Africa, organised in the African Industrial Association (AIA), have signed the petition against the EPAs.

"This demonstrates the huge concern of local actors regarding the establishment of free trade between Europe and our regions. This feeling is shared by other organisations of African Industrialists in other parts of the continent and must not be ignored by the negotiators" declared Pierre Magne, the President of the AIA.

The signatories reject the EPAs as proposed by the EU, notably the principle of reciprocal market opening between the EU and the African regions. They consider that the conclusion of the EPAs end of 2007, under the proposed conditions would have as a consequence the destruction of African industries. These industries are often young and fragile, but they are also a key factor in the creation of wealth and jobs on the continent, a press note said October 4.

The African industrialists call for the global negotiations and the sector-by-sector approach to take into account the existing gap between the EU and Africa.

They ask for the principle of asymmetry in the commercial relationships to be maintained, for an aid to upgrade the African economies and for support to favour the effective functioning of the regional integration and investment, notably the private one.

The industrialists want negotiations to come up with a partnership between Africa and the EU which contributes to the development of the strong potential of the emerging African industry through a special and differential treatment.

"The actual conditions of the EPAs are not foretelling positive outcomes for the development of the African industries and the creation of jobs in our countries. If they are not deeply modified, we are going to see the African industrial sectors disappear one by one.

The African and European decision makers know that we cannot face the competition and the strength of European industries. We urge African and European decision makers to negotiate a credible agreement based on a "win/win" strategy which will offer real development prospects to Africa," concluded Magne.

It is necessary to negotiate a credible free trade agreement based on a "win-win" strategy. In particular, there is a need to support, as a priority, regional integration and investments, especially private investments. "We want the future partnership between Africa and the EU to contribute to the development of the strong potential of the emerging African industry through a special and differential treatment," the African industrialists say. ☑

(Continued from page one)

In a letter, the Commission claimed there would be "no legal basis" to do so, arguing that moves in that direction will tarnish the reputation of both the EU and West Africa. "We are now at the end of a road and requesting a waiver would change our credibility internationally," read the letter.

"We have had seven years to conclude the EPA negotiations. The European Commission cannot maintain illegally a regime which we jointly promised to bring to an end seven years ago," according to the letter.

Dated October 11, the letter has been sent to 16 governments, including those of Ghana, Nigeria, Burkina Faso, Ivory Coast, Mali and Benin. Yet, despite ruling out the West Africans' request, the commissioners have indicated that they would be willing to sign a less ambitious EPA than the one they had previously sought. The letter states that, ''as a minimum'', a deal relating to trade in goods should be completed this year. This would be a ''stepping stone towards a full EPA'', the commissioners added, ''for which negotiations would continue in 2008''.

Until recently, the EU side has argued that EPAs covering a wide range of issues should be concluded by December 31. Along with trade in goods, the topics put forward by the Commission had included services liberalisation, competition, investment, government procurement and intellectual property.

The EU's 27 governments agreed on a strategy on October 15 which involves spending 2 billion euros in annual ''Aid for Trade'' by 2010. About half of this assistance will be used to help ACP countries adapt to free trade, the governments declared.

But Berhane Gebre-Christos, Ethiopia's ambassador to the EU, said that the development dimension of the EPAs is wider than the ''Aid for Trade'' dossier. Many ACP countries have not been able to take full advantage of preferences offered by the EU because of capacity constraints, he said, arguing that these shortcomings need to be addressed in the negotiations.

''If we undertake reforms, there will be a cost to it and that has to be covered. This requires resources,'' he told IPS. ''There is a political commitment on the part of the ACP in general to sign EPAs this year,'' Gebre-Christos added. ''People are open-minded and willing to conclude the deals but what we actually achieve will depend on the outcome of the negotiations. "

- David Cronin | Ramesh Jaura ☑