Bread for the World, KASA, Third World Network Africa and SOL

Bilateralism versus multilateralism?
Lessons from the EU-ACPs EPAs for a WTO reform

The deadlock of the Doha Round since 2001, due to the developed countries' only objective of enlarging their market access while refusing the developing countries (DCs)' requests for a Development Round, has led the first to multiply their bilateral free-trade agreements (FTAs) where they impose their rules to DCs.

The Economic Partnership Agreements (EPAs) between the EU and 7 Regional Economic Communities (RECs) of ACP countries, of which 5 in Sub-Saharan Africa (SSA) represent the worst type of FTAs given the extreme inequality of the partners, the EU per capita GDP being 23 times larger than that of the West Africa (WA) regional EPA in 2016.

The financial and non-financial harmful impacts of the SSA EPAs demand to repeal them and to devise a strategy to reach the SDGs but also the main changes to the WTO rules to prevent these harmful impacts on DCs, even for the other EU FTAs.

Agriculture at the origin of EPAs

Since their independence, the former European colonies of African-Caribbean-Pacific countries (ACPs) have benefited from trade preferences with the EU, where their exports were not taxed although they could tax EU exports.

In 1995, the banana exporting countries of Latin America (LA) sued the EU with success at the WTO for discrimination because their banana exports were taxed.

The EU could have maintained discrimination on the basis of development levels since the per capita GDP of the nine LA countries exporting bananas was in 1995 2.3 times higher than that of the three sub-Saharan African (SSA) exporting countries – Côte d'Ivoire (CI), Ghana & Cameroon – and 4.7 times higher in 2014.

The development level had justified the EU GSP (General System of Preferences) in 1971 lowering by 30% the ad valorem tariffs charged to Developing countries (DCs) exports to the EU and its Everything But Arms (EBA) Decision of 2001 granting duty-free quota-free (DFQF) tariffs to Least Developed Countries (LDCs) which could continue to tax their imports from the EU.

Agriculture at the origin of EPAs

Besides the "banana war" was buried by an 2009 agreement at the WTO, where the EU lowered its tariffs on LA bananas, with another reduction in the FTAs concluded since 2012. Furthermore the US had got in 2000 a WTO consensus for its trade preferences with SSA countries (AGOA), renewed in 2015 until 2025.

Agriculture was also at the origin of the EPAs for two other reasons:
to minimize the huge EU deficit in food products and because of French agri-food companies controlling food exports from WA to the EU.

The lobbying of the EU agri-business controlling WA food exports to the EU

The family-run agribusiness firms, mainly French, pressured both WA and EU politicians to sign the WA EPA and CI and Ghana's interim EPAs:

- Robert Fabre's Compagnie Fruitière produces and exports most bananas and pineapples of CI, Ghana and Cameroon on its own banana cargos;
- the Mimran Group, owner of the Great Mills of Abidjan and Dakar (and the Sugar Company of Senegal) before selling them to a Morocco's firm lobbied to reduce to 0 the import duty on wheat;
- Thai Union Europe controlling most exports of canned tuna from CI to the EU;
- the Bolloré Group involved in transport of WA food products to the EU.

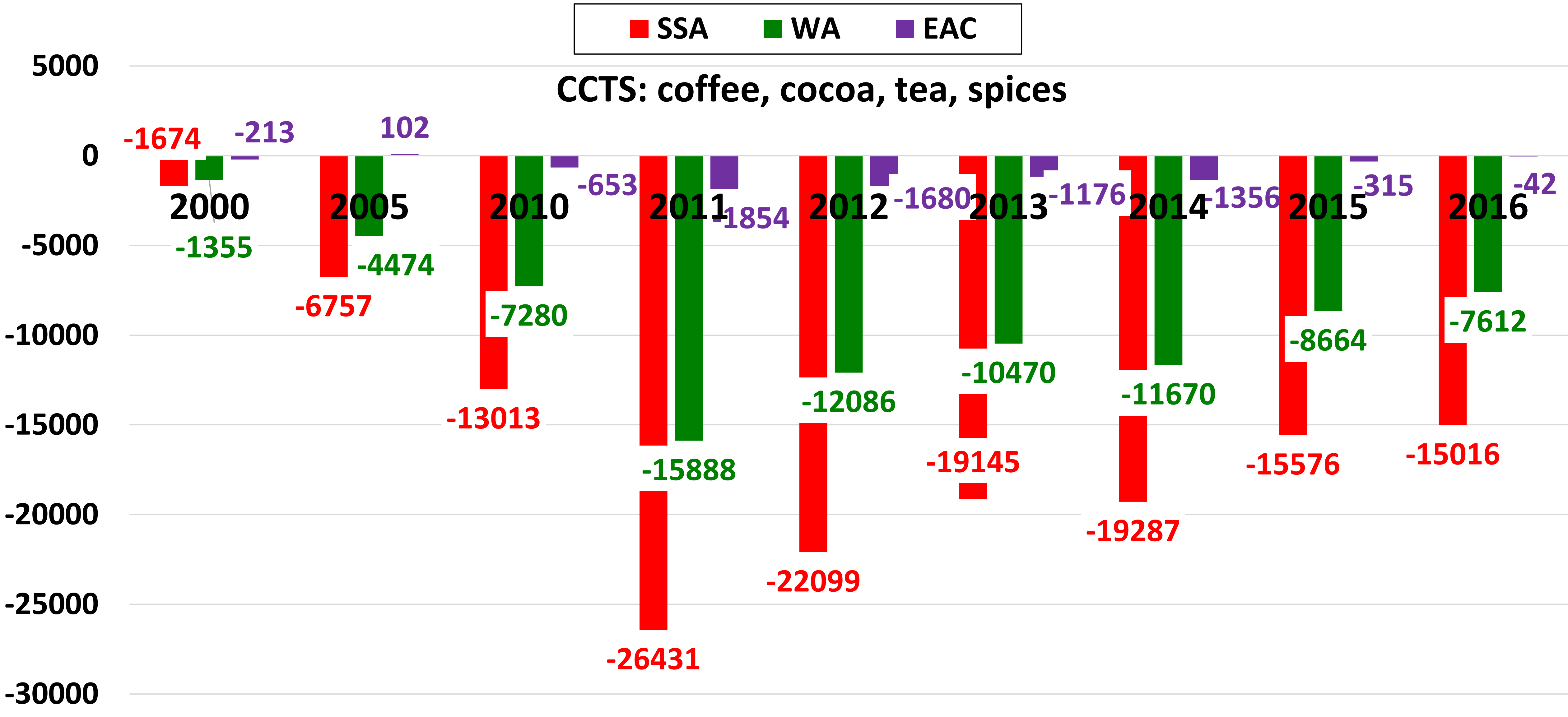
SSA food deficit is rising fast, especially without trade in cocoa, coffee, tea and spices which are not basic staples

The following graphs show SSA and WA are facing a large food deficit even if it has decreased from 2011 owing to the lower prices of food imports – especially for cereals, dairy, sugar and meats – and the rise in the prices of exports of cocoa, coffee, tea and spices (CCTS).

The second graph shows that, without considering the trade in CCTS – which are not basic staples in SSA –, the food deficit would have been higher in 2016 by about $10 billion in SSA and by $7 billion in WA.

The EAC is a special case as it has maintained a food trade surplus from 2000 to 2016 and its deficit remains insignificant even without exports of CCTS as it has higher tariffs, especially on dairy and meats, than in SSA and WA.

Balance of food trade (minus beverages and CCTS) of SSA, WA, EAC in $ million, 2000-16



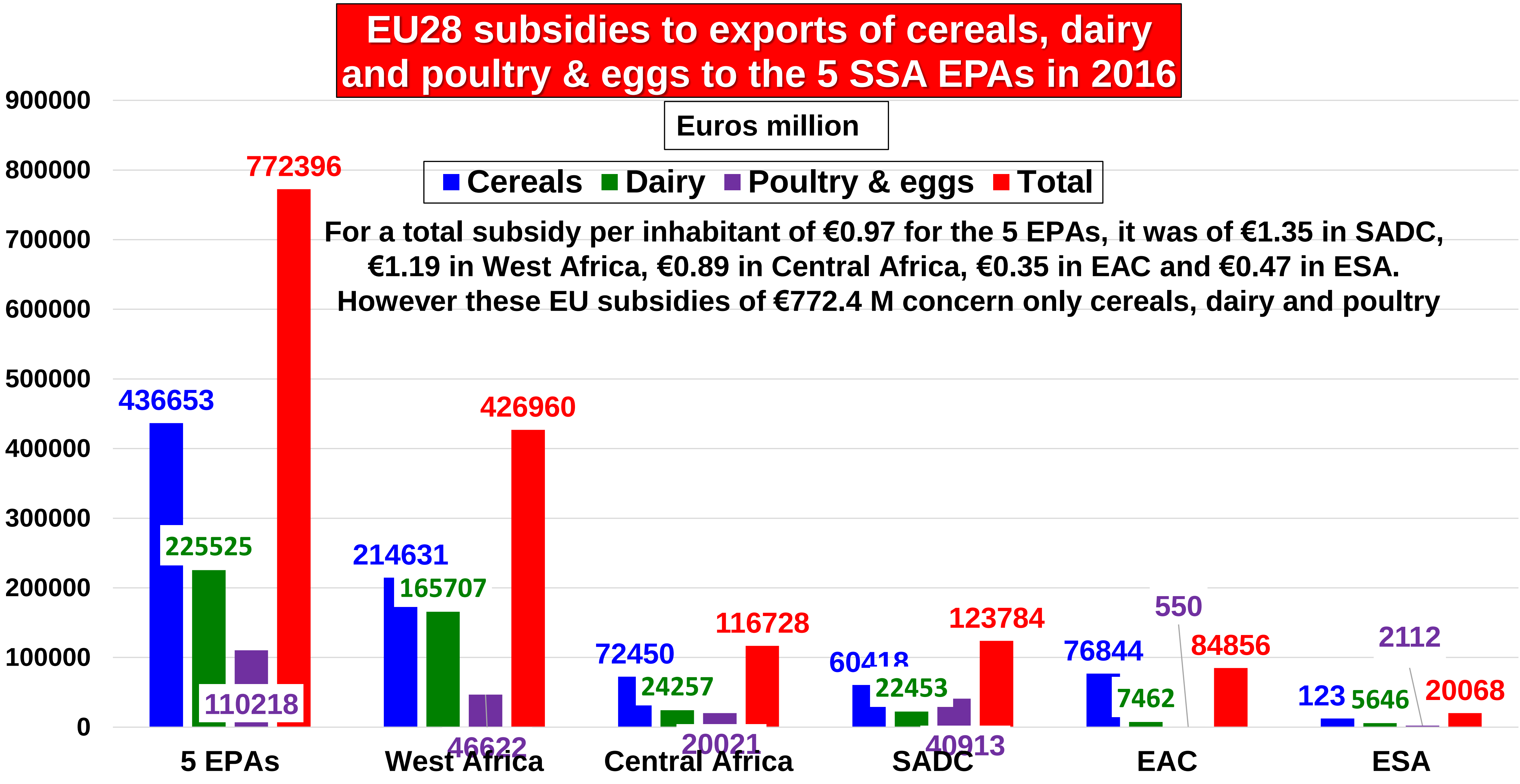
SSA food deficit is largely due to the highly subsidized imported food, especially from the EU, combined with low agricultural tariffs

The EU28 subsidies to exports of cereals to WA were of € 214.6 M in 2016 for 3.375 M tonnes (Mt, of which 919,414 t in processed products)

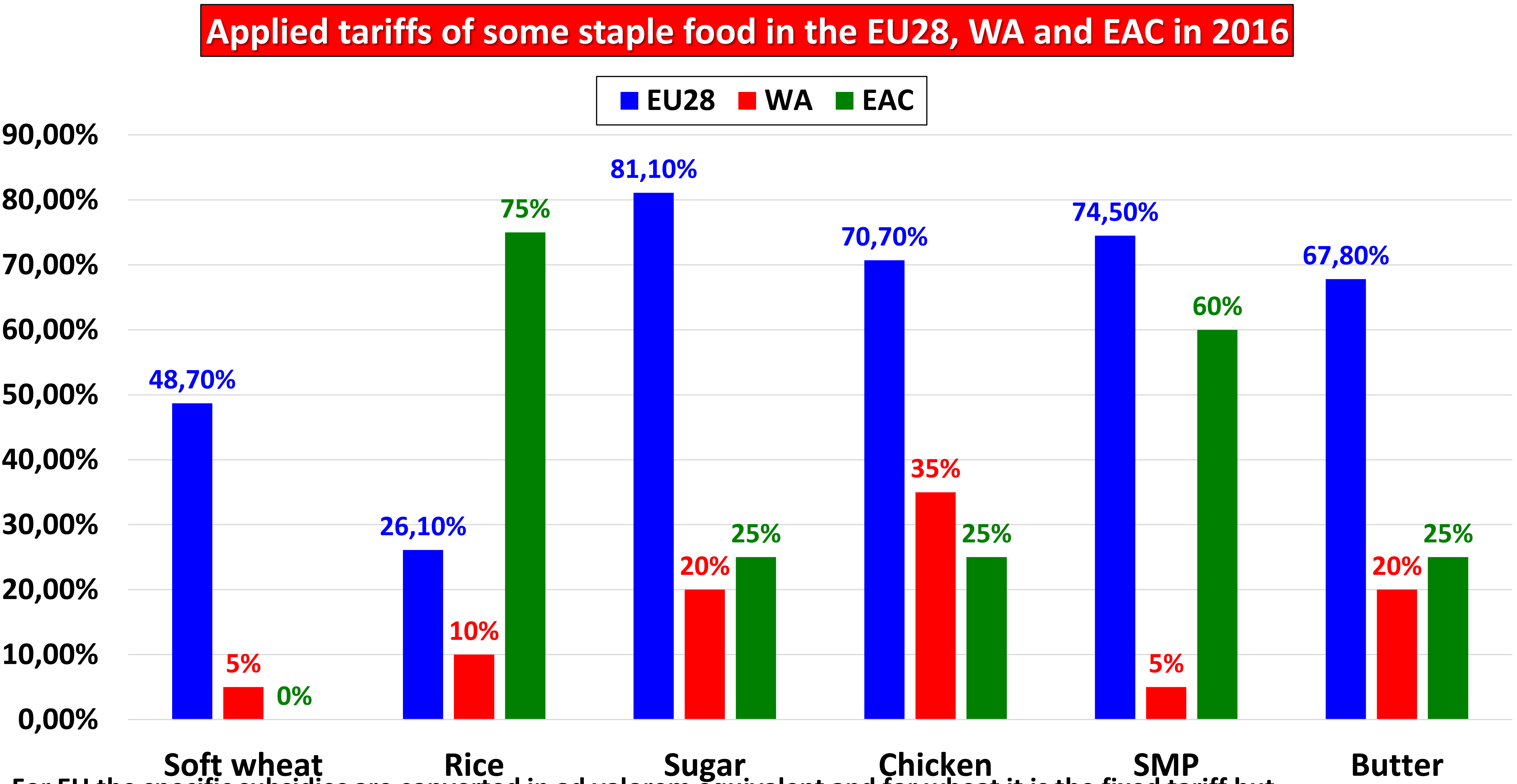
Similarly, EU subsidies to exports of dairy products to the four RECs of WA, CEMAC, EAC and SADC were of € 216 M in 2016 for 3.220 Mt of milk equivalent, of which € 168.6 M to WA for 2.5 Mt of milk equivalent.

The EU28 subsidies to its exports of poultry meat and eggs to SADC in 2016 have reached € 41.4 M and those to cereals € 60.4 M

Furthermore the EU has refused to deal with domestic subsidies in the EPAs, claiming that this issue can only be debated at the WTO where it refuses to change the rules, claiming that, besides, its subsidies being decoupled from production and notified in the WTO green box, they have no dumping impact.



EU28 subsidies to exports of cereals, dairy and poultry & eggs to the 5 SSA EPAs in 2016
Euros million
Cereals
Dairy
Poultry & eggs
Total
For a total subsidy per inhabitant of €0.97 for the 5 EPAs, it was of €1.35 in SADC, €1.19 in West Africa, €0.89 in Central Africa, €0.35 in EAC and €0.47 in ESA.
However these EU subsidies of €772.4 M concern only cereals, dairy and poultry
900000
800000
700000
600000
500000
400000
300000
200000
100000
0
436653
225525
110218
772396
214631
165707
46622
426960
72450
24257
20021
116728
60418
22453
40913
123784
76844
7462
550
84856
123
5646
2112
20068
5 EPAs
West Africa
Central Africa
SADC
EAC
ESA



For EU the specific subsidies are converted in ad valorem equivalent and for wheat it is the fixed tariff but, after deducting the reference price of 157.03 €/t, it is presently at 0

The huge losses of import duties and VAT with the EPAs

DG trade of the EU Commission refused to circulate 3 impact studies it had funded on WA EPA of April 2008, April 2012, January 2016 as they concluded to a negative impact for WA. DG Trade report of March 2016 is not reliable.

DG Trade is particularly unreliable when it states that with the EPA WA exports of cereals would rise by 10.2% and those of red meat by 8.4%. In fact cereals are the largest food imports of WA, with 16,1 M tonnes in 2013, of which 2,8 Mt from the EU (and 3.4 Mt in 2016). The EU has imported only 22 tonnes of bovine meat from WA to which it has exported 84 895 tonnes.

The huge losses of import duties (IDs) and VAT with the EPAs

In the first years of liberalization the EPAs generate annual and cumulative gains of customs revenues (IDs+VAT on imports) as VAT on imports rises more quickly than the losses of IDs.

If the WA EPA were finalized, SOL showed that WA would lose €66 M of IDs and VAT on imports from EU28-UK 5 years after entry into force and €4.6 bn in the 20th year, cumulative loss over 20 years being €32 billion, rising to €120 bn in 2050.

For CEMAC-6 EPA the annual IDs and VAT losses on imports from EU28-UK and from RoW and intra-CEMAC would rise from €41.5 M in 2016 to €1 bn in 2029 and €1.7 bn in 2050 with cumulative losses of €8.1 bn in 2029 and €36,4 bn in 2050.

For EAC the EPA generates first net customs revenues (DD + VAT) up to T10 (2025), with cumulative gains of €24.9 M to T14 (2021) but afterwards cumulative losses increase from €703.7 M in T20 (2035) to €1.510 billion in T25 (2040).

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The other non financial impacts of the EPAs

The European Commission says that EPAs are "win-win" agreements. Why then did many SSA countries refuse to sign them, of which Nigeria and Tanzania for which the EPAs would ruin their industrialization agenda?

Why then did the Commission refuse to circulate the three impact assessments it had funded on the WA EPA of April 2008, April 2012 and January 2016 as they concluded to a negative impact for WA?

Why does the Commission prides on the 6.5 billion euros of aids to the WA EPA for the period 2015-20, while its Directorate for Cooperation has written that it does not bring an additional euro to the funds normally allocated by the EU Development Fund, the European Investment Bank and Co-operation Budget?

While regional integration is being portrayed as the first objective of the WA EPA, why did Parliament ratify the interim EPAs of Côte d'Ivoire and Ghana as part of their duty-free imports from the EU will reduce the competitiveness of other WA States as there is little chance that the WA EPA will be finalized?

Conclusion and strategy for RECs to achieve the SDGs

Regional integration during at least one generation must be the first objective of each REC (Regional economic community), with minimal redistribution of REC budgets to the deprived States, areas and enterprises. Only when they would reach a minimum level of competitiveness could they engage in FTAs (EPAs) including CFTA (continental free trade area) & CCU (continental customs union).

Each REC should become WTO Member to negotiate on behalf of its Member States and to reinforce their say in the WTO and FTAs (EPAs) negotiations.

Each REC would get bound duties – the only ones negotiated at the WTO – at the average bound duties of their Member States weighted by the share of extra-REC imports. For ECOWAS this would be of about 85% for agricultual products.

Each REC could then transform its agricultual tariffs in variable levies in order to guarantee stable and remunerative prices to their farmers as the EU did.

To not harm the majority of poor citizens each REC should implement a large programme of domestic food aid along the lines of India, from foreign aid.

Main WTO rules to change to allow Members to achieve their food sovereignty

REAUTHORIZE GATT exceptions to allow import protection for agricultural produ

REFORM the definition of dumping in the GATT and the Anti-Dumping Agreemen

ABOLISH the distinction among subsidies according to their alleged level of trade distortion as written in the AoA

REWRITE the AoA article 9: *«All domestic subsidies to an exported product are properly export subsidies as well»*

CHANGE the AoA rules on public stocks