

# Southern Africa – Europe

## Trade & Development Update

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### **SADC split by EU trade talks**

The Southern African Development Community (SADC) has been split by the need to form regional groupings to negotiate 'Economic Partnership Agreements' (EPAs) with Europe. The EU's insistence that the 77 African, Caribbean and Pacific (ACP) countries divide into smaller blocs has proved particularly divisive in Southern Africa due to the tangle of existing regional integration initiatives.

#### *'East and Southern African' group*

One group of sixteen countries has now decided to go into EPA talks, which are taking place under the Cotonou Agreement, as the 'Eastern and Southern Africa' grouping (ESA). This new alignment sees SADC members Zambia, Malawi, Zimbabwe, Mauritius, DRC and the Seychelles negotiating alongside Kenya, Ethiopia, Burundi, Djibouti, Comoros, Sudan, Eritrea, Madagascar, Rwanda and Uganda. The ESA group will be supported by a joint Secretariat comprising various existing regional institutions. At a meeting in the corridors of the WTO Ministerial in Cancun the COMESA Secretariat was mandated to submit the relevant notification to the European Commission and ACP Secretariat on behalf of the ESA group. The group then met in late November to discuss a draft negotiating mandate, again prepared by the COMESA Secretariat. Formal negotiations are likely to be launched in Mauritius in February.

#### *'Rest of SADC' group*

The seven remaining SADC countries will also negotiate an EPA. This group is made up of four countries that are tied to South Africa through the Southern African Customs Union (SACU) - Botswana, Lesotho, Namibia and Swaziland, and three other SADC members: Mozambique, Angola and Tanzania. A meeting of SADC Trade Ministers in Malawi on 21 November approved negotiating guidelines for a SADC EPA and a roadmap for the negotiation process.

Trade specialist Paul Goodison from the European Research Office told TDU, "The split in SADC is an almost inevitable consequence of the process the EU set in train when it refused South Africa full membership of the EU-ACP Agreement." South Africa was forced instead to negotiate the Trade and Development Co-operation Agreement (TDCA) – a bilateral free trade agreement with the EU.

Although the TDCA is signed only by South Africa, as a result of the lifting of all border controls within SACU, European goods have duty-free access to the markets of Botswana, Lesotho, Namibia and Swaziland. The question of 'reciprocal' market opening, which will be the most hotly contested issue in EPA negotiations with most other regions, does not therefore arise for these countries which are already being flooded with European goods. Because the three remaining states in the SADC group are all least developed countries, and thus already have duty free access to European markets under the EU's 'everything but arms' initiative, they have little to gain by offering 'reciprocity' to the EU.

Rob Davies MP, who chairs the South African Parliament's Trade and Industry Committee told TDU, "The fact that the SADC group is basically SACU plus the SADC LDCs should make it a straightforward

negotiation, focused on improving market access for SADC states to the EU. Whether the EU itself sees it that way is another matter."

#### *Reviewing the EU-South Africa free trade deal*

The TDCA itself is due for re-negotiation in 2004 and some East African states believe that South Africa is attempting to use the EPA process as a means to lever influence for these talks. The TDCA provides for the establishment of a Free Trade Area (FTA) by 2012, whereas EPAs will translate into FTAs only in 2020, a factor that might prove an attraction for South Africa.

South Africa might indeed have liked to draw more SADC countries into its orbit, an approach that has caused ructions with those attempting to build a joint SADC-COMESA position. COMESA's own press release, announcing the ESA group, recognised that, "It is an open secret that this historic decision has not been welcomed in some quarters whose preference is that EPA negotiations with the EU should be on the basis of a regional organisations." Erastus Mwencha, Secretary General of COMESA, has argued in the East African Financial Standard Newspaper, "While South Africa is not a party to these EPA negotiations, except as an observer, she is openly advocating a SADC EPA... SADC countries with a real stake in EPA negotiations - mainly the non-SACU countries - have opted to negotiate under ESA in spite of intense pressure from South Africa. If SACU states are put under pressure to go with South Africa, the states that face serious challenges are the three non-SACU states: Angola, Mozambique and Tanzania."

#### *Who negotiates, who signs?*

The question of who negotiates, and who signs, the EPAs also remains very tense. Few Southern African countries trust the Secretariats of the regional bodies to negotiate effectively on their behalf, and so most are concerned to identify and secure their own interests. Many are also concerned that the large number of foreign experts brought into the Secretariats via EU technical assistance risks the establishment of a 'shadow EU negotiating team' within African states own structures.

It is also not yet clear whether members of the new groupings will sign any eventual EPA as individual countries, as one single customs union, or in a range of multi-country unions. This decision is being delayed until 2008 when EPAs are due to be concluded, and will be judged at that point according to the state of various regional integration processes. This 'non-decision' is designed to allow countries breathing space, rather than forcing hasty choices between membership of different groupings.

It is therefore possible that the current configurations will shift. The ESA group describes itself as an open configuration. In other words, other countries might chose to join the group at a later stage. Mozambique and Angola, but particularly Tanzania, which is already part of a customs union with Uganda and Kenya, now face difficult decisions about which groups to align themselves with.

In amongst a great deal of confusion, one thing is clear. The WTO process has taken up enormous amounts of energy amongst Southern African negotiators, and the tough deadlines being enforced by the EU for decisions on regional configurations look likely to achieve what many ACP commentators have been worrying about for some time – dividing and conquering the bloc. Civil society groups in Southern Africa are now urging the SADC states themselves to agree a common bottom-line position, based on national negotiating positions. Many are also calling for a joint SADC-COMESA Ministerial meeting to hammer out an agreement between the two new negotiating blocs.

*A special annexe to this edition of TDU provides a diagram illustrating overlapping regional groupings in Southern Africa. If you cannot access the attachment, please contact [alastair.fraser@actsa.org](mailto:alastair.fraser@actsa.org)*

## ACP juggles WTO-Cotonou agendas

A series of meetings in late November brought together trade ministers and negotiators from the entire African, Caribbean and Pacific (ACP) group to discuss the aftermath of the Cancun WTO Ministerial meeting, and to review progress in the EU-ACP 'Cotonou' trade talks. The WTO Director-General, the President of the World Bank, and the Secretary-General of UNCTAD were all also present.

Botswana's Ambassador to Brussels HE Sasara Chasala George told the gathering that it was time to "overcome the blame game" for the failure of Cancun. Ambassador George confirmed that the ACP countries remain opposed to talks on the controversial Singapore issues and urged progress on the agenda laid out by African negotiators at Cancun ahead of the WTO General Council in Geneva on 15 December.

### *Cancun hangover*

Following the World Trade Organisation's Ministerial meeting in Cancun in September, the EU and US have been trying to lay the blame for the failure of the talks at the feet of developing countries, who they accused of not being open to compromise. The talks were notable for the unity and strength demonstrated by developing countries. Two major alliances were formed – the G20, which included South Africa, and the G90, a massive alliance formed by members of the African Union (AU), the African Caribbean and Pacific (ACP) Countries, and the Least Developed Countries (LDCs). Despite the departure of some Latin American members, the G20 group appears robust, and an urgent meeting is being convened in Rio de Janeiro in December ahead of the WTO General Council meeting.

This unity seems to have paid off, with EU Trade Commissioner Pascal Lamy recently declaring that he would be willing to "show flexibility" in some areas, in order to address some of the concerns of developing countries. One area where Lamy's positions has altered is with the 'Singapore Issues', where he has agreed to negotiate each of the four issues separately, and has acknowledged that not all states will want to implement a deal in these areas.

Developing countries are now attempting to place development issues back in the centre of the WTO negotiations. They are particularly concerned that, while the Chairman of the WTO General Council has chosen agriculture, non-agricultural market access (NAMA), the Singapore issues and cotton for urgent consultations, this agenda excludes two of the core development issues; Special and Differential Treatment and Implementation.

### *A shift to bilateralism?*

There was concern that, when rich countries found their agendas blocked in the multilateral forum of the WTO, developing countries would be pressurised into accepting unpopular EU and US policies through bilateral agreements, including the EU-ACP 'Cotonou' talks. While protesting that they remain committed to a multilateral approach, the European Commission has confirmed that it sees WTO Agreements as a baseline from which to start negotiating further liberalisations (a 'WTO plus' approach). For example, EU representatives continue to insist that even though there is no agreement to discuss 'Singapore issues' in the WTO, these issues will be discussed in EPAs as EPAs are WTO plus arrangements.

In contrast, ACP negotiators see existing WTO agreements, many of which they would like to reform or renegotiate, as a ceiling on the commitments they should have to make, and aim to secure more favourable treatment through Cotonou.

### *Cotonou focus shifts to regions*

In October, a report issued jointly by EU and ACP negotiators concluded that progress on Phase 1 of the ACP-EU trade negotiations was, "satisfactory with regard to the high degree of convergence reached". This

positive assessment surprised many commentators given the glacial pace of the year-old talks and ongoing profound differences listed in a statement issued by ACP Ministers on the eve of the talks.

#### *Relations between all-ACP talks and regional talks*

African diplomats have expressed disappointment that the EU refused to agree to a binding agreement with the whole ACP group. The report simply 'provides guidance' for Phase 2 negotiations, being conducted between regional groupings of ACP states. While 'all ACP' Phase 1 talks will continue to discuss issues of common concern, regional talks have already begun in Central Africa and West Africa. ACP representatives have expressed concern at the lack of capacity in Central Africa and the risk that an agreement that meets the EU's concerns could become the template for similar agreements with other regions. These concerns account for the importance attached by some ACP members to the follow-up mechanism designed to ensure coherence across the ACP. A monitoring committee "AllACPEC" will be created to maintain transparency of regional negotiations, both at a technical and at a political level.

#### *Levels of market opening*

The European Commission has reiterated its claim that the WTO regional trade agreement rules require reciprocal liberalisation of 90% of currently traded goods between the parties. The Commission pushed the same line in its negotiation of the EU-South Africa free trade deal. Although South Africa ended up reluctantly accepting 86% product coverage, this lent the lie to the supposed sanctity of the 90% figure. The idea of the Commission pushing 90% liberalisation for ACP countries that are much poorer than South Africa has raised major concerns.

#### *Changing WTO regional trade agreement rules*

As a result, the ACP is arguing that the WTO rules on regional trade agreements are inappropriate to trade agreements between rich and poor groupings. They want the rules changed before moving ahead in the Cotonou talks. However, Commission officials argue that Article XXIV of the GATT is sufficiently flexible to meet ACP demands and are not prepared to work with ACP to open this clause up for negotiation at the WTO.

#### *Degrees of market access*

A presentation by the EU Trade Commissioner Pascal Lamy at the launch of the West African talks also raised a host of concerns for ACP negotiators. Mr Lamy told West African states that the talks would offer market access '*as close as we can* to the system we operate for the least developed countries' (LDCs). This implies that tariff schemes available under EPAs would not be as beneficial to LDCs (which make up 12 of the 14 West African countries and a similar proportion in many other groups) as the benefits they already have under Europe's 'Everything but Arms' initiative. The only remaining attraction of EPAs would therefore relate to non-tariff barriers to trade, such as sanitary standards and rules-of-origin issues.

#### *Alternatives to free trade areas for non-LDC ACP members*

The EU have accepted that no ACP state should be left worse off "whether or not ACP countries participate in EPAs", but are stubbornly refusing to discuss any alternatives. At the launch of West African talks, Commissioner Lamy maintained that any other alternative to EPAs would be "inconceivable on a political level and irresponsible on an economic level."

#### *Member states under pressure*

Given the hard line being taken by the Commission, European campaigners are turning to European member states to "take the Commission in hand" on both the Singapore issues and the EPA negotiations. UK Trade Minister Patricia Hewitt told Trade and Development Update that, following lobbying in the UK,

"the UK will be arguing for duty and quota free access to the EU for all ACP countries in the Cotonou negotiations. The UK will also be arguing for real, flexible and effective Special and Differential Treatment for ACP countries, as we recognise that ACP countries are at different levels of development."

The question now is whether the member states are willing to commit sufficient negotiating capital to ensure that such policy pronouncements impact on an increasingly isolated European Trade Commissioner.

## **Building South-South links**

In response to the difficulty of establishing development priorities in talks with rich states, developing countries have been establishing initiatives amongst themselves, negotiating on a South-South basis.

During a recent tour of Southern Africa, Brazilian President, Luiz Inacio Lula da Silva announced his commitment to joining forces with Southern Africa, and to the establishment of a free trade agreement between the MERCOSUR, the Latin American grouping, and the Southern African Customs Union (SACU). Both Lula and South African President Thabo Mbeki spoke of their desire for developing countries to achieve autonomy and to reduce their dependence on the decisions of developed countries.

Dismissing the idea that unity between developing countries was dwindling, both South Africa and Brazil expressed their commitment to the G20+ coalition. Saying the, "G20 had a big role to play in the context of the Doha round of trade negotiations and as an instrument to promote co-operation among developing countries in international fora."

### *Lula supports Southern African AIDS plans*

Lula also promised direct Brazilian support for Southern African development programmes. Whilst in Mozambique he promised to support HIV/AIDS sufferers by agreeing to help finance construction of a \$23 million factory which will produce generic versions of anti-retroviral drugs at a much lower cost than currently available.

Mozambique's President Joaquim Chissano said "The fight against HIV/Aids is one of the greatest challenges for us and we are confident that Brazil's... rich experience in this regard will be a valuable contribution to our struggle against the epidemic." Brazil has been congratulated for its approach on tackling HIV/AIDS, helping to ensure that the infection rate is less than 1% of the population. This has been explained in part by its aggressive and effective campaign promoting safe sex to the mainstream audience, but also through its pursuit of cheap generic drugs, much to the annoyance of global pharmaceutical companies. The success Brazil has had and the lessons learnt are now being used to help others within the developing world.

There have also been discussions taking place between what some have labelled as the G3 - South Africa, Brazil, and India – on issues including AIDS. Recent talks between the South African and Indian Health Ministers have also established links with Indian pharmaceutical companies to enable greater numbers of South Africans to gain access to cheaper generic AIDS drugs. This could extend the impact of a recent deal brokered by the Clinton Foundation. The deal involves three Indian and one South African generic drugs manufacturers.

## **Southern African Social Forum**

On 9-11 November Zambia hosted the first ever Southern Africa Social Forum. Though the meeting was dominated by participants from Zambia, a busload of activists arrived from Zimbabwe. Smaller groups also came from South Africa, Angola, the DRC, Malawi, Mauritius, Namibia, Swaziland and Tanzania.

The meeting, "unanimously agreed that the globalisation process, dominated by the giant transnational corporations from the North, is impacting negatively on the people in our region." The meeting also expressed concerns about Southern African Government policies, and South African corporate expansion throughout the region. The meeting consisted of a series of plenaries, interspersed with workshops on: gender, HIV/AIDS, trade, education, youth and peace and security.

The workshop on debt included presentations on campaigns against the PRSP in Zambia and for reparations in South Africa. While many participants were familiar with these issues, Zimbabwean debt campaigners also unveiled new work applying the concept of reparations to Zimbabwe.

Participants also discussed the challenge of building effective campaigning platforms in each country to link global debates with local realities. An Africa-wide consultation meeting in Maputo, Mozambique on 13-14 December will help plan African participation at the World Social Forum, in India from 16-21 January. There will be an African seminar in Mumbai including sessions on trade, the state, the AU, armed conflict, democracy and AIDS and access to medicines.

*Southern Africa Social Forum: <http://earth.prohosting.com/sasf2003/> or email [Thomas@mwengo.org](mailto:Thomas@mwengo.org)*

*African Social Forum: [taoufik@enda.sn](mailto:taoufik@enda.sn)*

*World Social Forum: [www.wsfindia.org](http://www.wsfindia.org)*

## **Trade Research**

### **Will EPAs divide SADC and COMESA?**

*TRADES Centre, October 2003*

Papers from the conference "COMESA and SADC preparation for Phase II of Economic Partnership Agreements (EPA) negotiations with the EU".

*[www.tradescentre.org.zw/conference%20papers.html](http://www.tradescentre.org.zw/conference%20papers.html)*

### **Reports on ACP-EC phase of EPA negotiations**

Official joint reports from Ambassadorial level meetings on the EPA negotiations.

*[www.epawatch.net](http://www.epawatch.net)*

### **Report on EPAs**

*by Harlem Désir MEP (France) and Sharon Hay Webster MP (Jamaica)*

The paper is due to be voted on in February by the EU-ACP Joint Parliamentary Assembly's Standing Committee on Development, Finance and Trade.

*[www.europarl.eu.int/intcoop/acp/91\\_01/pdf/oj\\_eco\\_rome\\_en.pdf](http://www.europarl.eu.int/intcoop/acp/91_01/pdf/oj_eco_rome_en.pdf)*

### **Friedrich Ebert Foundation Cotonou Website**

*[www.fes.de/cotonou](http://www.fes.de/cotonou)*

### **"Post apartheid South Africa's corporate expansion into Africa"**

*by Jahn Daniel, Sanusha Naidu and Varusha Naidoo*

Includes maps, by sector, detailing South African business expansion north of the Limpopo.

[www.sarpn.org.za/documents/d0000556/index.php](http://www.sarpn.org.za/documents/d0000556/index.php)

### **"Regional integration and donors"**

*by Helena McLeod, DFID Pretoria*

[www.sarpn.org.za/documents/d0000594/index.php](http://www.sarpn.org.za/documents/d0000594/index.php)

### **Reforming the EU sugar regime: Will Southern Africa still feature?**

*TRALAC Working Paper by Daniel Malzbender, October 2003*

[www.tralac.org/pdf/WP\\_nbsp\\_12\[1\].2003\\_nbsp\\_Malzbender.pdf](http://www.tralac.org/pdf/WP_nbsp_12[1].2003_nbsp_Malzbender.pdf)

### **The real cost of the EU sugar regime**

*Massimo Geloso Grosso, 2003*

Biting critique of the EU sugar regime, written as if by a consultant to the fictional "Association of Sweets Industries of the EU."

[www.commercialdiplomacy.org/ma\\_projects/ma\\_eusugar.htm](http://www.commercialdiplomacy.org/ma_projects/ma_eusugar.htm)

### **The EU's Everything But Arms (EBA) Initiative and the Least-Developed Countries (LDCs)**

*Cernat, Laird, Monge-Roffarello and Turrini, June 2003*

Assesses world-wide gains and losses from EBA. The largest gains are in Africa. The EU sugar market is the single most important source of change. Increased market access for LDCs comes mostly at the expense of other preference-receiving countries.

[www.wider.unu.edu/publications/dps/dps2003/dp2003-047.pdf](http://www.wider.unu.edu/publications/dps/dps2003/dp2003-047.pdf)

## **Diary Dates**

### **December**

11 Joint ACP and EU Trade Ministers Meeting

12-13 European Council – Head of States Meeting, Brussels, Belgium

13-14 Africa-wide consultation on the World Social Forum, Maputo, Mozambique  
[Thomas@mwengo.org](mailto:Thomas@mwengo.org)

15 WTO General Council

## **2004: January**

- 1 Irish Presidency of the EU begins
- 16 – 21 World Social Forum, Mumbai, India, [www.wsfindia.org](http://www.wsfindia.org)
- 20-25 World Economic Forum 2004, Davos, Switzerland

## **February**

- 4 SADC Council of Ministers Meeting, Dar Es Salaam, Tanzania
- 17-19 7th session of the EU-ACP Joint Parliamentary Assembly and standing committees, Addis Ababa, Ethiopia

## **About ACTSA's Trade & Development Update**

Trade and Development Update is an initiative from Action for Southern Africa (ACTSA). It aims to help policy-makers, researchers and campaigners keep up to date with the latest news and policy developments in trade between Europe and Southern Africa. It particularly highlights Southern African initiatives and analysis. Produced quarterly, it is free and available by E-mail. If you would like more information, or to subscribe, comment or contribute, contact:

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## **About ACTSA**

ACTSA is a lobbying and campaigning organisation based in the UK. ACTSA challenges decision-makers in the UK, Europe and internationally to support peace, democracy and development across Southern Africa. Formed in 1994, ACTSA is the successor to the Anti-Apartheid Movement.

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