

## The JOINT AFRICA - EU STRATEGY

### Trade Partnership: African Regional Integration, enhanced Trade and Development of Infrastructure

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#### Partnership with the Poor?

The overall and broad objectives of the Trade Partnership on Regional Integration, enhanced Trade and Development of Infrastructure in the Joint Africa-EU Strategy are appreciated.

However, the outlined focuses under the specific action priorities are narrow and rather constraining with regards to attainment of the overall objectives. The priority actions under its first action programme (2008 -2010) seem to refer to existing policy and programming priorities that are now compiled under the Joint EU Africa Strategy. To many civil society actors, this looks like 'old wine in new wine skins'.

Priority action 1 on supporting African integration describes important institutional processes and capacity building needs of intergovernmental bodies and private sector. It suggests a top down approach falling short to identifying and addresses the needs of a broader range of diverse social and economic actors in the private sector.

Significantly, the EPAs that lock in regional configurations and economic policy reforms are excluded from the EU Africa trade partnership. With this exclusion, the partnership is losing its potential of a political partnership, and becomes an aid programming and coordination tool. The one-sided export-orientated growth model through market opening is not challenged.

Regional integration is a complex process; and pushing for deep and rapid integration from the outside might have unintended consequences. For example, EPA process reinforced old and created new divisions in the Caribbean region between the small and the big: this tension was re-introduced although it was a hard fight and battle; whereas the EU is united and uses EPAs to promote a single path to development and a neo-liberal approach (APRODEV, 2007).

Actions and resources under the priority action 2 strengthening African capacities are allocated to meeting EU-set standards by actors in the formal economy; much in line with the outward-looking and extracting trade patterns supported by EPAs.

Priority action 3 on implementing EU Africa infrastructure does not take account of social and political dimension of regional integration and fails to address access to basic infrastructural needs and human rights like right to food, access to water, energy, information or mobility. This is key to reaching out to actors in the informal economy that is the source of the majority of African citizens for their livelihoods and survival strategies.

## **I Priority Action: Support African Integration Agenda**

A key issue for NGOs has been calling for preventing too quick and too extensive market opening, of not overloading the agenda of African countries with issues that are highly controversial such as introducing competition policies, intellectual property rights, and government procurement in trade agreements – that undermine WTO positions of developing countries and take advantage of Africa countries' weaker negotiation power in bilateral EU trade negotiations.

EPA campaigners continue to alert and call for providing alternative solutions to the problems faced in EPAs and to provide duty free and quota free market access for all African countries, LDCs and non-LDCs alike.

CONCORD calls for not introducing any new trade related priorities at this stage and for respecting a "goods only" agreement that clarifies all contentious issues on a mutual agreeable basis (CONCORD 2009).

This call is supported by increasing research and importance given to the potential of intra-African trade and regional market building. It is clear that giving precedence and preference to market opening to the EU will be in conflict with prioritising and sequencing of local and regional market building.

The potential of intra-regional trade lies with the strengthening of demand and supply for local, national, regional produced, processed and traded goods. Intra-regional trade includes strengthening of domestic demand and consumption of locally produced or processed food.

The advertisement campaign by the Jamaican agricultural ministry launched in 2008 for consumption of local bananas in response to changes to the banana regime and cuts to MFN and preferential tariff levels that means pushing small Caribbean States out of international banana business ([www.go-localjamaica.com](http://www.go-localjamaica.com))

### **Intra-African Trade and Regional Market Building (UNECA 2009)**

AU has a vision of a common continental market for goods and services, which makes sense for Africa's 53 mostly small and vulnerable economies. More trade within Africa could allow to retain more wealth and to make trade an engine of growth.

Africa's export and import patterns show that the highest intra-Regional Economic Communities (REC) exports are 21% in IGAD (Intergovernmental Authority on Development, Eastern Africa). Highest REC export to the rest of Africa is UEMOA (Union Economique et Monétaire Ouest Africaine) with 18.6% exports. Highest intra-REC imports are in SADC (Southern African Development Community) with 31.1%, highest import from rest of Africa is 35.5% in CPGEL.

The overall intra-Africa trade picture shows persistently small intra-African trade, consistently fewer than 15 %, with high dependence on developed countries and heavy export reliance on fuels and minerals.

The challenge to intra-African trade is the nature of African economies and supply side constraints with its inadequate trade related infrastructure, and trade facilitation challenges.

Some estimates suggest that the value of unrecorded/informal exports could be as high as 25% of total formal exports. (See for example, informal cross-border trade survey report by Uganda Bureau of Statistics, June 2006).

Basic fact about the African informal sector is that it consists mainly of unregistered trade across borders based on popular demand and supply; it is often referred to as illicit trade or classified as smugglers. Participants and beneficiaries are usually people and communities along border lines and adjacent areas, and goods traded include agricultural products, clothing, shoes, and electronics. Informal sector traders are often subjected to harassment by customs officers and police, and seizure of goods. Financing of informal trade is mostly through own savings and credits from friends and relatives, as bank loans are not easily accessible to small traders. Informal trade sustains livelihoods and meets basic needs.

#### Reality check

However, unregistered trade is often perceived as a highly sensitive issue since this trade is often not reported in national accounts and may often not pay tax. And the line between formal and informal is not sharp. Once in the country, goods traded “informally” often find themselves in licensed and registered shops by registered traders.

This makes it necessary to ensure that policy responses are discussed with affected social and economic groups. This is necessary to avoid pushing the majority of working poor operating in already precarious conditions into more exploitative or risky business practices.

#### **Women's Informal Cross Border Trading - WICBT (UNIFEM 2009)**

In the SADC region, informal cross border represents 17.6 billion US \$ per year and contributes 30-40% to intra-SADC trade. 70% of informal cross border traders are women trading main foodstuffs like maize, rice and beans.

Trade is the most important source of employment among self-employed women of SSA providing 60% of non-agricultural self-employment (ILO 2004). In West and Central Africa, Women in Informal cross border trading “employ 1.2 people in their home businesses; support on average 3.2 children as well as 3.1 dependants who were not children or spouses.” (Oculi n.d.: 8). Contribution to national GDP: 64% of value added in trade in Benin; 46% in Mali and 41% in Chad (Charmes 2000, cited in ILO 2004). WICBT address vital issues of livelihoods such as food and income security. Yet they are neglected by mainstream trade policies and institutions, thus undermining the profitability of their activities.

Is this evidence and findings been taken into account? Is the trade partnership taking account of and responding to concerns and constraints faced by women traders, for example, strengthening weak trade-related institutions, services and resources such as checkpoints, poor roads, insecure and expensive transport, communication facilities, long distance, poor accommodation and storage facilities, sexual harassment, double taxing, etc.?

#### Reality check

As a first step, governments should formally acknowledge women’s informal cross border trading as an integral part of regional integration and should design policy responses that improve and support income opportunities from informal cross border trade.

#### **Development Prospects of Regional Market Integration (UNCTAD 2009)**

The very low level of intra-African trade is to some extent still influenced by the colonial legacy, when African countries were used to produce commodities feeding colonial powers' industries. (UNCTAD 2009: 21). Today’s Raw Materials Strategy of the EU and its aggressive stance on

export restrictions seem to push unfairly for the same extracting and outward- oriented pattern of trade that were favoured by European colonial rules.

A disaggregated look at the nature of intra-African trade, when compared with its exports to the rest of the world, suggests that expanding intra-African trade could yield significant benefits to African countries in terms of diversifying their production to non-traditional products and especially manufactures. A closer look at the data reveals that for 80% of African countries, manufactured products represent a larger share of exports to Africa than they do in total exports. Although intra-African trade is more diversified than trade with the rest of the world, it remains highly concentrated not only in geographical terms but also with respect to a few strategic commodities. Removing some of the obstacles that impede the expansion of intra-African trade can be expected to change this situation. (UNCTAD 2009:32-33).

### **EPAs : Facing the Facts and Unintended Impacts**

In its trade negotiations with Africa, the EU keeps affirming that regional integration is one of the main objectives. There is agreement among all negotiators that only an economically integrated Sub-Saharan African region could offer the small, often landlocked or island based countries the opportunities to participate as competitive players in the twenty-first century world economy. Regionally based industries can have better chance of producing for their regions rather than for the international market since competition will not be as stiff. Goods produced and traded within the regions can use standards that are tailored to regional needs, realities and capacities.

Though, in many cases the trade agreements promoted by the EU frustrate regional integration efforts and have proven to be a stumbling rather than a building block. In the case of the interim EPAs, these impose rigid timetables, cement and precipice unresolved regional configurations and supersede African integration plans and schedules. They do not allow African countries the necessary policy space to sequence market opening in a way that respects their vision of an African Economic Community. EPAs fail to respect the prioritisation of building supply side capacity and to broaden and deepen intra-African integration *before* opening markets to the EU and the world economy.

However, if countries eliminate trade barriers on substantially all trade in EPAs with developed countries, it is likely that the goal of regional integration in terms of the building up of regional production capacities will not eventuate. Instead, such regional trade arrangements will lead to a hub and spokes arrangement, where rather than trading with one another, exports are directed toward the developed country and imports are also likely to originate from the developed country. The developing countries as spokes essentially become the providers of input and raw materials, whilst the bulk of the transformation in production takes place in the developed country. In this case, developing countries are likely to be strengthening their trade relationship with the developed country. The original development objective of regional integration would thus be lost and the development goals resulting from diversification would also not be achieved. (South Centre 2008)

#### Reality check

Bilateral signed interim EPAs pose serious regional tensions to the neighbouring countries in Central and Western Africa. The fragmented number of SACU members having signed on to EPA already shows trends of re-nationalisation where every country is pushed to legally fend for itself in order not to lose out in case of disputes.

The FES exercise of “Cotonou scenarios” on EPA negotiations between the EU and West Africa (FES 2009) outlines the current situation of one region with multiple trade agreements and zero integration. If the status quo of stalled negotiations prevails, the result would be three different trade agreements in one region with different bilateral EPA for Ghana and for Ivory Coast, a GSP

for Nigeria and EBAs for the LDC countries. This would lead to fragile industrial tissue, deteriorating agriculture and re-nationalisation of trade policies independent of regional interest.

The current EPA process is counter-productive to the vision of attaining the African Economic Community as foreseen in the Abuja Treaty. The major impediment is the current WTO rules which divide the SSA region between least developed and non-least developed (13 SSA) countries. The difference between LDCs and non-LDCs are based on UN definitions which do not measure trade competitiveness and which were not designed with African integration in mind. The definitions predate active African participation in the WTO as well as the current efforts by the SSA to deepen and amalgamate existing Regional Economic Communities.

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A prerequisite for any economic integration is the need for the trading community to treat the region as a single unit. WTO rules and the Duty Free Quota Free initiative to LDCs are just doing the opposite by dividing the region. An alternative would be to delay requiring SSA market access until RECs are in a position to make concessions as a group; a reasonable deadline would serve as an inducement to deepen economic integration in the region. (Lande & Carroll 2009).

The definition of criteria and benchmarking of development objectives could provide a flexible approach to assess when time is ready to meet a deadline.

However, the EU efforts to divide the RECs continue unabated – with a no-win situation as an outcome for economic integration in SSA. The compromised and premature opening of markets and trade diversion from more efficient supplies presents a return to pre-independence colonial trading systems – far away from any intent to provide Africa with opportunities to meet the challenges of the 21<sup>st</sup> century. (Lande & Carroll 2009).

## **II Priority Action: Strengthening African Capacities in Areas of Rules, Standards and Quality Control**

Actions and resources under this priority action are geared towards capacity building on meeting EU-set standards by actors in the formal economy with access to global markets. This perpetuates export-oriented and resource-intensive growth patterns as supported in the EPAs. It ignores systems analyses of what has led to the multiple intersecting crises (financial, economic, food and climate) and the call for necessary policy shift by international academic and civil society community towards sustainability frameworks.

73% of Africans Sub-Saharan population is living in rural areas. 90% of all agricultural production is done by small scale farmers with at average a 2 hectare land, The government holds 80% of land ownership while citizens and rural communities rely on very precarious and weak customary land titles.

However, there is increasing body of literature and evidence that “trade liberalisation that opened developing country markets to international competition too quickly and too extensively further undermined the rural sector and rural livelihoods. Many countries have been left with weakened food production capacity, making them more vulnerable to international food price and supply volatility and reducing food security” (IAASTD 2009)

The need for food safety and health standards, for veterinary control and agricultural extension services is recognised but should also be directed towards local food storage facilities, participatory training and extension services, support to use traditional knowledge for resilient agriculture, and processing for safe food handling.

There are major differences about which areas should receive particular attention to get the development motor going. Is agriculture and rural development central to the challenge of Africa's and a people-centred development? And how should any identified focus area be supported and what channels are appropriate or will best deliver? And what should be the role of government, donors and the private sectors?

### Centrality of Agriculture and Rural Development

Increasingly, the centrality of agriculture and rural development for an effective fight against hunger and poverty and its importance as the foundation for economic growth is recognized and emphasized – in particular for Africa. However, the single-minded focus of the EU Africa strategy on meeting EU standards and quality controls seems to ignore this. It remains unclear how the strategy intends to address Africa's increased food dependency and trade deficit by the supported actions that follow the logic of outward-looking growth strategies.

A synopsis (Aprodev et al 2009) compares seven frameworks proposing agriculture and rural development strategies<sup>1</sup>.

Although small-scale agriculture is 'rehabilitated' and small scale farmers are put again on the international agenda in all or most of these frameworks, it remains unclear what role they are allowed to play. The AAA and IAASTD see small-scale agriculture as the foundation of any truly poverty- oriented development putting at the centre of programs for the production of basic foods and targeted public support. However, in CAADP, AGRA and WDR 08, small-scale agriculture is merely "accepted" and should be commercialized to meet future challenges. The lack of support to the multi-functionality of agriculture is best illustrated in a quote by Adesina, Vice President of AGRA: "There is a need therefore to promote agriculture as a business, not just as a way of life."

AAA and IAASTD put traditional methods of cultivation and care at the centre of their agricultural programmes. Diversification, focus on traditional staple foods, nurturing of local markets and subsistence farming are seen as important approaches to combating hunger and poverty. The strengthening of the public sector is seen as a necessity to implement thus approach.

However, priority actions under II seem to ascribe a central role to the global market (new markets, global value chain, etc.) for agricultural growth and food security; with an overall objective of competitiveness on the global market. In line with CFA, WDR 08 and CAADP, they suggest to assign a much smaller role to the public sector and see government solely as setting political frameworks and providing funds for PPP so that economic activities that are "risky" or "don't pay off" are made interesting for the private sector. This would be in line with EPA regime that views the role of government to set legal framework that encourages the business sector to invest (e.g. IPR). However, the EU's AAA and IAASTD support an active role of government in creating public goods in research and technology to ensure, for example, freely accessible seeds.

#### Reality check

There is increasing evidence that market driven demand and supply and market regulation in the current way is providing for just a part or 2/3 of our societies (global middle class) while it fails to include the poor and excluded groups. A 'people-centred' trade partnership must stress the universal human rights such as participation and non-discrimination. This becomes a prerequisite to ensure that those groups most threatened by poverty and hunger are at the centre of policy attention and participatory inclusive decision making processes. (Pronks, 2009)

<sup>1</sup> The seven frameworks are: *The EU Advancing African Agriculture, International Assessment of Agricultural Knowledge, Science and Technology for Development, Comprehensive Framework of Action, World Bank World Development Report, Comprehensive African Agricultural Development Programme, Alliance for a Green Revolution in Africa, Global Donor Platform for Rural Development.*

According to the UN Special Rapporteur on the Right to Food, Olivier de Schutter: “The question *for whose benefit* therefore, is at least as important as the question *how to produce more*? But there is a risk that the latter question will be treated as the more pressing [...]. This would be a historical mistake, with far reaching consequences.” (De Schutter 2009)

The narrow focus on formal private sector actors such as big business interested in export markets continues to marginalise and ignore the important role of micro, small or medium enterprises and women economic contribution. (VENRO 2009)

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Conventional economic statistics such as GDP failed to capture signs of the financial crisis. Any statistics support should take note of new sustainability frameworks and include not only aggregate GDP figures but tap into new and innovative measurement of economic well being (NEF 2009).

### **III Priority Action: Implement the EU Africa Infrastructure Partnership**

Infrastructure development should be a democratic participatory process that takes account of the interests of the affected communities. Infrastructure is a public goods and its development should remain the responsibility of public policies that ensure equitable access and non-profit solutions. Infrastructure development that limits discussion of public goods to infrastructure of roads is missing the point of developmental globalisation.

Infrastructure is not just about building a road or laboratory, infrastructure development and partnership must take look at issues and questions of accessing existing or future infrastructure of transport, water, capital, energy etc. Effective access to infrastructure won't come without participation and control and transparency and participation in decision-making (VENRO 2009).

Infrastructure development is crucial to guaranteeing people basic human rights like the right to food, access to clean water, health care, education, mobility, information, the right of association.

Building domestic markets and regional integration to “foster sustainable economic growth and development” cannot be done without participatory, people-driven and human centred development. This must include freedom of mobility, social security, strengthening of women and workers rights in the informal economy and rural development. Regional integration must incorporate economic, social and political dimensions as stated in the Abuja Treaty. (VENRO 2009)

Basic infrastructure for an enabling policy environment should prioritise access to fertile land and water for smallholders and in particular women farmers, extension services and financial services including credit, support to farmer cooperatives and other forms of collective engagement in agricultural value chains, investment in research, development and use of local seed varieties and guarantee of farmer's right to save seeds, development of local storage and gender-sensitive transport infrastructure, reliable access for small producers to local, national and regional markets in order of priority, establishment of local and regional market institutions.

Opening national agricultural markets to international competition can offer economic benefits, but can lead to long term negative effects on poverty alleviation, food security and the environment without basic national institutions and infrastructure being in place (IAASTD 2009: Rec17).

Impetus of climate change and depletion of natural resources is to re-direct infrastructural development to support ecological sustainable production. Many of the challenges facing agricultural markets currently and in the future will require more innovative and integrated applications of existing knowledge, science and formal, traditional and community-based

technology, as well as new approaches for agricultural and natural resource management (IAASTD 2009: Rec16&17).

### Reality check

Currently, infrastructure development in the Joint Africa EU Strategy is a top-down process that neglects the impact on local communities – losing out in competing for access to natural resources and clean water.

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NGOs, particular social movements from the rural South, have spoken out in the past few years on many topics central to agriculture and rural development infrastructure. Calls for agricultural and land reform and free access to public goods (seed and water for instance) are ignored.

When setting the course of policy or developing macroeconomic concepts, the participation of civil society is still ignored or limited to implementation at project level. However, it is at policy levels that past decisions have been made that had particularly negative impacts on precarious groups such as small-scale farmers and indigenous people.

Trade policy is a typical example. Such policies were not developed with, but rather for those groups affected most by the rural crisis. These groups are usually not allowed to have a say until the end of the decision making process, when the strategies have already been developed.

Rising food prices and the new agrofuels market have aggravated land speculation, expulsions and displacement of local farmers and food production. Changing land titles and property titles introduced by agricultural reform have paid little attention to requests from smallholders, landless movements, women farmers and NGOs.

The loss of biodiversity and ongoing depletion of natural resources by industrialised agriculture is ongoing. Women depend disproportionately on natural resource while having no decision making power. The importance of biodiversity for cushioning the effects of climate change and ensuring stable, sustainable food production is not mentioned in the infrastructure development.

What about infrastructure development of local food markets to improve hygiene, storage facilities and provide utilities affordable to local market women and traders? What about basic veterinary services that advise smallholders on their traditional breed and prevention of animal disease such as bird flu? What communication infrastructure is put in place to provide local communities in their local languages on basic knowledge through radio programmes? What public de-centralised laboratories are set up to meet with local farmers cooperative and respond to location-specific needs and improved knowledge?

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