



Outcomes of the Trade Union Conference on Economic Partnership Agreements – Africa/EU

Lomé, Togo
9-10 October, 2017

The Conference gathered 35 participants, comprising leaders from African trade union centres, the ITUC-Africa, ETUC, and ITUC, and experts from civil society and academia. African and European trade unions discussed labour provisions in EPAs, past experiences of liberalisation, the expected impact on African labour, on women, on agriculture and on industrialisation. A session was dedicated to the Continental Free Trade Agreement. The Conference finished with a press conference.

Summary

Although each EPA has its own elements and content, the Trade Union Conference on EPAs concludes that African Parties and the EU should not pursue the EPAs, especially in their current form. Analysis shared at the Conference suggests that the EPAs will not promote the rights and interests of workers in Africa. In summary, the Conference identified the following concerns:

1. Labour rights commitments are poor and decent work creation is not guaranteed. The monitoring of the agreements does not follow the EU's approach found in other EU trade agreements.
2. The EPAs are expected to affect women workers adversely more than men workers. There is no gender impact assessment yet and certainly, the impact on women workers has not been taken into account in the negotiations.
3. The EPAs could have negative consequences on agro-food production in African countries as tariffs on agricultural imports are to be decreased over time. Safeguard measures are included but not easy to trigger.
4. The share of manufacturing in Africa's GDP has declined since the 1990s due to previous liberalisation through the WTO and trade agreements. The EPAs would further shrink policy space and Africa's industrialisation goal would be harder to achieve. Rendezvous negotiations in the future could push further liberalisation in areas most African countries are not (and will not) be ready to open up.

The Conference makes these recommendations:

1. Independent impact assessments should be prepared for each regional integration process, taking into account gendered impact.
2. We urge that any future negotiations respect African regional integration processes and policy space, and take into account the development concerns of African countries. The current EPA negotiations should stop; signed EPAs should not enter into force in their current form; and interim EPAs should be repealed.
3. African governments should improve their trade and industrial policy together, and take into account the analysis for different models of integration before rushing into a Continental Free Trade Agreement.
4. African governments should take measures to improve their capacity to negotiate and create their own impact assessments, so that future negotiations are informed.

Labour rights commitments are poor and decent work creation not guaranteed at all

In their current form, the EPAs do not include any references to fundamental labour rights. A few weak references to labour rights appear in the texts but in a way that certainly do not create legal obligations to the Parties. This is in sharp contrast to what the EU has achieved in other bilateral agreements, such as the EU-Korea and EU-Central America FTAs.

The monitoring of the EPAs is also weaker than what is observed in other EU FTAs. The Joint Consultative Committees (JCCs) in the East Africa Community (EAC) and West Africa (WA) EPAs do not guarantee the participation of independent interest groups (including trade unions). Participants hoped that unions would be invited to participate in these bodies, if the EPAs were ratified. The EPA with the South African Development Community (SADC) does not establish a monitoring body with the participation of civil society. Instead, there is a reference to dialogue on decent work, which “may involve other relevant authorities and stakeholders”. In general, based on past experience, Joint Consultative Committees do not guarantee a process that could lead to actionable results, steps for improvement in fundamental rights at work or anything that increases political will to uphold core labour standards.

Participants also stressed that, either way, a broader perspective is needed in the consideration of the materialisation of labour rights - one that takes into account the principles of decent work, productivity, job creation, industrialisation and other factors. A particular concern was that the EPAs would lead to the destruction or displacement of jobs in the manufacturing sector, especially if concerns about de-industrialisation materialise. The quality of any created jobs would be expected to be low, especially if the EPAs expand the current trade patterns (export of raw materials and agricultural products).

The EPAs will affect women more than men

We already observe the feminisation of (precarious) labour which is also due to trade liberalisation, the emergence of global supply chains as the new production model and the continuation of gendered work patterns.

Access to economic and social resources can be affected by trade agreements. For instance, the elimination of tariffs also means that governments lose revenue with which they can fund public services and social welfare on which women tend to rely more than men. For West Africa, Professor Jacques Berthelot's¹ estimates² show cumulative losses of €32.2 bn³ from T5⁴ to T20.

There have been no gender impact assessments for the EPAs and these agreements were not negotiated based on informed analysis about their repercussions. Trade agreements, like all economic policy, are judged on whether they promote gender equality, whether they are gender responsive, and whether they promote socially transformative views of gender. For instance, the impact of EPAs on the unpaid work of women should be taken into consideration but it is not. Also, gender responsive export promotion policies are currently not embedded in EPAs. There is certainly a gap in such analysis regarding EPAs and therefore, there is no guarantee that EPAs would promote gender parity or, at the very least, avoid harming women.

Another major gap is the lack of a capacity-building mechanism with targeted resources for women, especially women workers and small producers, and a compensating mechanism (similar to Trade Adjustment Mechanisms).

The EPAs would have negative consequences on food sovereignty in Africa

Food security in Africa is problematic due to decades of liberalisation. Africa is facing a food deficit of almost €5 bn, which is much higher with the exclusions of tea, cocoa, coffee and other crops that are not used for nutrition. The EAC stands out as the most food secure and sovereign region in Africa due to the traditional protection of its agro-food sectors with high tariffs and other measures that have enabled the domestic agro-food market to grow.

1 SOL, West Africa's losses of customs duties with and without the Economic Partnership Agreement (EPA) with the EU-UK, January 30, 2017, available at: <https://www.sol-asso.fr/wp-content/uploads/2017/01/West-Africas-losses-of-customs-duties-with-and-without-the-EPA-SOL-February-7-2017.pdf>

2 These estimations take into account tariff revenue loss from imports from the EU28-UK and the rest of the world and intra-WA due to trade diversion. These estimations are based on 2015 import data and exclude the UK trade.

3 These figures assume that the CET will be applied without leakages which is a reasonable expectation in the medium term.

4 From the fifth year after entry into force until the 20th year

The Conference expressed concern that the EPAs would exacerbate agro-food dumping into Africa. The EPAs would decrease African countries' tariffs on agricultural imports over time leaving the economies more exposed to cheap imports. For WA, the average dumping rate – value of EU subsidies related to the freight on board (FOB) export value – of EU exports has been at 34.7% in 2016 for cereals⁵ and of 20.8% for dairy products⁶. Participants took into account that the ability of EU countries to subsidise is higher than that of African countries.

Safeguard measures against import surges are included in the EPAs; however, triggering them is not easy. According to Article 22 of the WA-EU EPA for example, safeguard measures could only apply under the condition that serious injury is proven or when they cause disruptions in a sector of the economy, particularly where these disruptions produce “major” social problems.

Participants expressed concern over DG Trade's data reliability. For instance, DG Trade has claimed that WA exports of cereals would rise by 10.2% and those of red meat by 8.4%, if there were an EPA⁷. In fact, cereals and red meat are the largest food imports of WA. Also, DG Trade of the EU Commission refused to circulate three impact studies it had funded on WA EPA of April 2008, April 2012, and January 2016.

Overall, the Conference rejected the EPAs, at least in their current form, because they would make most Sub-Saharan food producers less competitive (due to cheap subsidised European exports) in their own markets, and would undermine the food sovereignty of EAC.

One practical recommendation is for each regional economic community (REC) to become a WTO Member in order to negotiate on behalf of its Member States⁸ and to reinforce their say in the WTO (and FTAs/EPAs negotiations). In order not to harm the majority of poor citizens each REC should implement a public stockholding programme, as India does.

The European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT) noted on the outcomes of this Conference that the Common Agricultural Policy (CAP), which has been criticised as undermining developing countries, preventing them from opportunities to sell to the EU, has been recently reformed. The reform has liberalised some European agriculture sectors (such as the European dairy and sugar sectors) including by eliminating production quotas. This allows these sectors to compete in the world market with an export price that corresponds to the world market price. Competition is fierce. We see a change in relative prices and a restructuring of the agricultural sector in Europe

The EPAs would shrink policy space and Africa's industrialisation goal would be harder to achieve

UNCTAD, UNIDO and World Bank data show that due to previous instances of liberalisation, the share of manufacturing in Africa's GDP fell from 15% in 1990 to 10.6% in 2015⁹.

The Conference concluded that EPAs, if agreed and entered into force, will have negative impacts on industrialisation¹⁰, regional trade and tariff revenue. Models consistently predict that EPAs will decrease intra-African trade, which tends to have higher manufacturing content. For instance, in the case of automobile industry, in the WA–EU EPA, the elimination of tariffs on a broad range of car parts can make it difficult to move beyond simple assembly plants to developing an integrated automotive supply chain within Nigeria¹¹.

The EPAs include flexibilities for African parties but not all of them will be used easily. For instance, in order to trigger a flexibility right regarding protection of infant industries under the WA-EU EPA, all 16 countries of West Africa (“the West African Party”) will have to agree to apply to EU for the flexibility to be triggered.

Other problematic clauses that appear in the EPAs and are expected to impact Africa's industrialisation process is the standstill clause (e.g. in the EAC-EU EPA), the prohibition of local content requirements, the prohibition or phasing out of export taxes, and the MFN clause (e.g., in WA-EU EPA). Standstill clauses freeze the current tariff rates and prohibit any increase of tariffs, including those that are below the WTO bound tariff level. Local content regulations are used in order to help domestic industry to grow its input in the production of goods. Although the wording in the three EPAs is similar to the GATT rules, the GATT exceptions for developing coun-

5 Jacques Berthelot, Table 2 in “*The subsidies to the EU exports of cereal products to West Africa in 2015 and 2016*”, March, 2017, available at: http://www.bilaterals.org/IMG/pdf/the_subsidies_.pdf

6 Jacques Berthelot, Table 9 in “*The huge dumping of extra-EU exports of dairy products and to the EPAs of West Africa, SADC, CEMAC and EAC in 2016*”, April, 2017, available at: http://bilaterals.org/IMG/pdf/the_huge_dumping.pdf

7 SOL's comments on “*The economic impact of the West Africa-EU Economic Partnership Agreement. An analysis prepared by the European Commission's Directorate-General for Trade*”, May 4, 2016, available at: <https://www.sol-asso.fr/wp-content/uploads/2016/03/SOLs-comments-on-the-DG-trades-report-on-the-West-Africa-EU-EPA-4-May-2016.pdf>

8 In this way, each REC would get bound duties at the average bound duties of their Member States weighted by the share of extra-REC imports.

9 Jacques Berthelot, “*The folly of the Africa's Continental Free Trade Area (CFTA)*”, June, 2017, available at: <http://www.bilaterals.org/the-folly-of-the-africa-s>

10 South Centre, *The EPAs and risks for Africa: local production and regional trade*, 2012, available at: https://www.southcentre.int/wp-content/uploads/2013/08/AN_EPA30_The-EPA-and-Risks-for-Africa_EN.pdf

11 South Centre, *Analysis of West Africa EPA*, November 2016

tries are not mentioned in the EPAs, leading to a tightening of the GATT commitments for these countries¹². Export taxes are used as a disincentive for exports of raw materials and in combination with other measures can lead to the creation of local processing capacity and, therefore, the creation of jobs. The MFN clauses appear relaxed as they exclude intra-ACP trade; however, they stipulate that the tariff reductions achieved in future FTAs between African countries and other countries (whose share in global trade is higher than 1.5%) need to be extended to the EU. The participants agreed that such clauses reduce the policy space that African countries enjoy.

Rendezvous negotiations would push further liberalisation in areas most African countries are not (and will not) be ready to open up

If liberalisation of government procurement is agreed to, after the Parties honour the rendezvous clause, it would deprive African countries of an important development tool. Government procurement accounts for a substantial percentage of the state budget, and it can be used instrumentally in order to support industrialisation, domestic enterprises, including SMEs, and geographically disadvantaged areas. Similarly, making commitments for the liberalisation of capital accounts (under the rendezvous negotiations) would make it easier for investors to drive earnings back to their countries (instead of re-investing them in investment-hosting countries). Finally, including investment in EPAs in the future would limit African countries' capability to screen investment, favour domestic capital and put in place local content requirements.

African governments should develop performance requirements for all investment so as to ensure that investment promotes decent work and development, and respects the environment. In particular, respecting freedom of association in the workplace and collective bargaining should be part of performance standards. Such standards should apply to all investment, be it European or other. African countries should work together to promote a framework for investment promotion and facilitation including incentives to increase investment in sustainable development and the green economy.

African governments should improve their trade and industrial policy together

The participants recommended the reallocation of factors of production from agriculture to industry with a robust industrial policy for African countries. Currently, trade policy of African countries is designed taking into account regional trade, and industrial policy is driven only by national goals. African leaders should correct this by launching regional industrial policy initiatives that promote back and front linkages with regional economic sectors.

Regional structures and communities should increase the capacity of their members to negotiate trade agreements with third parties. The capacity of Secretariats to run their own impact assessments with their own means is important in guaranteeing that African negotiators represent the interests of their citizens in an informed way.

¹² IFEAS, A proposal for renegotiation of the Economic Partnership Agreements between the EU and African regional economic communities, June 2017, available at: http://www.ifeas.uni-mainz.de/Dateien/Asche_EPAs.pdf

Discussion on Continental Free trade Agreement (CFTA)

The participants also engaged in a discussion on the Continental Free trade Agreement (CFTA).

The CFTA initiative is a project launched at the 25th AU Summit in 2015 in South Africa. It was agreed upon in the framework of the African Union's agenda 2063 to accelerate the free movement of goods and capital. The main objective of the CFTA is to promote continental trade liberalisation leading to a Continental Customs Union (CCU) by 2022 and the creation of an African Economic Community by 2028.

Are the advantages assigned to the agreement real, given the difficulties the eight RECs face in realising the free movement of goods, services and capital within these entities? Will the CFTA ensure successful regional integration when the REC have not really delivered industrial development, agricultural and services? In the current context of African economies, trade and investment strategies must promote the industrialisation and structural transformation of African economies so as to promote decent work.

Should regional integration processes at the level of the RECs not be consolidated in order to accelerate the growth of economies of scale at the regional level through the intensification of regional agricultural and industrial production and growth of consumption? Arguably, the development of regional value chains would be encouraged at the regional level to gradually replace imports and ensure strong links between the various sectors of the economy.

The conference went on to discuss briefly a series of other questions relating to funding the implementation of the CFTA, the Customs Union and the African Economic Community; whether the costs and gains will be distributed fairly among different countries and RECs; the participation of non-state actors, in particular trade unions, in the negotiations and the implementation; and whether the CFTA would create opportunities to fill the decent work deficit especially for women, young people and migrant workers and thus reduce poverty.

Participants recommended that unions increase their engagement with the CFTA negotiations. On policy, the conference recommends that, if the CFTA is to be agreed upon at all, the strongest players in intra-African trade should take the most commitments compared with other countries as they are likely to benefit more. Participants expressed worry for the analysis shared in the conference suggests that the internal liberalisation process within each REC would be jeopardised by the prospect of implementing the CFTA and even more a CCU. The shorter the time for implementation, the higher the risk for regional integration processes to be unsuccessful.