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Contact :

To : Philippe de Buck CC : xxx

FROM : International Department

SUBJECT : State of Play of EU-African Trade Relations

BACKGROUND NOTE FOR THE PARALLEL SESSION ON TRADE AND INVESTMENT

The Session will be co-chaired by Philippe de Buck of BUSINESSEUROPE and Azad Jeetun of the Pan-African Confederation of Employers.

Introduction

As business, we remain firmly committed to progressively liberalising trade and investment between the EU and Africa as a means to foster stronger economic development, growth and competitiveness in both regions. For business, open and transparent markets with clear rules are essential to encourage investment over the long term. Considering these shared views of EU and African business, we are deeply concerned by the poor state of relations between EU and African trade negotiators in the WTO and Economic Partnership Agreement (EPA) negotiations.

1. WTO Doha Round Negotiations: The final phase

The Doha Round is entering its most critical phase as draft agreements have now been put on the table for agricultural tariffs and subsidies and industrial tariffs. While we support further negotiations on the basis of these texts, we call for a number of additional elements.

On agriculture, negotiations should move forward to clarify the subsidy reductions and/or elimination and substantial tariff reductions. The liberalisation of this sector is important for many African food exporters and will also provide more predictability for the EU food industry.

On industrial tariffs, negotiations should lead to real market opening in developed and emerging countries for companies while providing adequate flexibilities for small and vulnerable economies and least developed countries (LDCs), many of which are located in Africa, to stage tariff reductions in line with development strategies. Another fundamental issue is the growing concern over non-tariff barriers to trade among the business community. African and European companies share concerns about



complicated rules and procedures which prevent them from unleashing their export potential.

We also call for draft negotiating texts to be released on the remaining key issues: services liberalisation, trade facilitation, non-tariff barriers. The WTO just released a draft agreement on anti-dumping/anti-subsidy which includes many new ideas to reduce trade distortions and subsidies.

In addition, we strongly support the development specific agreements to be adopted such as the duty-free/quota-free agreement for products from LDCs, a fair solution for African cotton exporters and effective aid-for-trade programmes to give developing countries the tools to take advantage of trade liberalisation.

Action Point: We call on EU and African trade negotiators in Geneva to join forces to conclude an ambitious Doha Round for the benefit of EU and African business communities.

2. EPA negotiations: Grave concerns

Business is very concerned about the slow progress in the EPA negotiations linked with the expiry of the WTO waiver for the Cotonou preferential trading arrangement. If the EPA negotiations are not concluded by January 2008, EU and African companies will face a lot of uncertainty regarding tariffs. Therefore, we urge our trade negotiators to redouble efforts to conclude these negotiations rapidly while seeking a balanced outcome for both sides.

A balanced outcome on needs to cover tariffs, where we expect the EU to liberalise tariffs more rapidly than its EPA partners, non-tariff barriers (including technical regulations and standards) and trade facilitation based on binding commitments to reduce delays and hence costs. In addition, we underscore the importance of services and investment liberalisation as a tool to encourage investment in the development of more efficient services provision in the EPA regions.

Effective aid-for-trade is an essential component of the EPA negotiations to ensure that EPA partners can invest in improved procedures and equipment to take advantage of new trade opportunities. In that light, business appreciates the €1 billion commitment by the EU toward its EPA partners. To make this aid-for-trade effective, the Forum calls on the EU and EPA partners to keep the private sector closely involved in the programmes and where possible to include public-private-partnership opportunities.

Action point: Given the urgency, business calls on the EU and EPA negotiators to commit substantial resources to conclude negotiations as rapidly as possible while keeping in mind the importance of covering all major negotiating issues. In a second phase, EPA partners should engage in meaningful negotiations on services and investment liberalisation to encourage higher investment flows into Africa.