

## THE EPAs AND RISKS FOR AFRICA: LOCAL PRODUCTION AND REGIONAL TRADE

### SYNOPSIS

One of the main contentious issues in the Economic Partnership Agreements (EPAs) between the EU and African countries is the level of trade liberalization which Europe is asking for. This issue is certainly one of the most critical for Africa. At its heart is the question of whether the elimination of tariffs for a majority of tariff lines in the EPAs will destroy local industries and their productive capacities as well as the extent to which regional trade may be disrupted.

This paper concludes that

- Sub-Saharan African (SSA) countries are more competitive vis-à-vis the EU on only a very small segment of products (ranging from 3 - 14% of total tariff lines).
- The majority of products that are currently produced will be put at risk due to tariff elimination in the EPA, and the EU being more competitive than SSA countries.
- Furthermore, regional trade takes place for most of the products which are locally produced.
- A short list of these locally produced products which are likely to be put at risk due to liberalization and EU competitiveness, and where regional trade could be disrupted is provided for each sub-region. Some sectors common to most of the sub-regions include: processed oil products; chemical products; intermediate and final industrial products; vehicle industry products; agricultural products.
- Future production is also mostly being liberalized in the EPAs. This could likely curb the rise of new production capacities.

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## I. EXECUTIVE SUMMARY

1. Despite many African countries and regions stating that they want lower levels of liberalization, the EU continues to maintain that at least 80% of trade must be liberalized. This contentious issue is certainly one of the most critical for Africa. At its heart are the following concerns:
  - i. Whether the reduction of tariffs in the EPAs will destroy **local industries** and their productive capacities.
  - ii. Whether **regional trade** will be disrupted and undermined. If the EPA is signed with the EU, EU products could take over the regional markets. This will be another blow for African producers, who may rely on national markets, but increasingly also on regional ones.
2. This Analytical Note sets out to assess the extent to which sub-Saharan Africa's domestically produced products will be impacted by the tariff elimination induced by the EPAs, and the extent to which regional trade will be negatively affected.
3. The findings of the paper are as follows:

*(NB: The tariff lines referred to in the paper are based on the Harmonised Commodity Description and Coding System (HS) of tariff nomenclature. The total number of tariff lines is 5051 on a 6-digit level)*

### A. EAC EPA

- The EAC is more competitive than the EU on only 10% of total tariff lines.
- 51.3% of tariff lines / products where there is current local production will be put at risk, perhaps even damaged (1,100 tariff lines out of 2,144 ) as these are lines where liberalization will take place *and* the EU is more competitive on these tariff lines than the EAC.
- Taking into account potential future production (tariff lines where there is no current production), 2,366 tariff lines will be liberalized making the possibility of having future production in these products questionable.
- In total, 68.6% of all tariff lines or products could be put at risk (current and future production).

- A short list of sectors where there is current production which could be jeopardised and tariff lines where there is at present regional trade which could be compromised by the EPA as the EU is more competitive includes:
  - processed oil products;
  - chemical products for agriculture;
  - commodity chemicals;
  - medicines, vaccines and antibiotics;
  - intermediate industrial products;
  - final industrial products;
  - vehicle industry;
  - agricultural products; and
  - books, brochures and other printed material.

## **B. ECOWAS EPA**

- ECOWAS is more competitive than the EU on only 6% of total tariff lines.
- 54.1% of tariff lines/ products where there is current local production will be put at risk (986 tariff lines out of 1,822). These are lines where liberalization will take place *and* the EU is more competitive than ECOWAS.
- In terms of future production, 2,388 lines will be liberalized making the possibility of having future production in these products questionable.
- In all, 66.8% of total tariff lines or products are at risk as a result of the EPA liberalization (current and future production).
- A short list of sectors where there is current production that the EPA puts at risk, and tariff lines where there is regional trade which could be compromised because the EU is more competitive includes:
  - processed oil products
  - chemical products
  - cement clinkers
  - intermediate industrial products
  - final industrial products
  - parts of machines
  - vehicle industry
  - agricultural products
  - food processing

### C. SADC EPA

- SADC EPA countries are more competitive than the EU on only 14% of total tariff lines.
- 80.5% of tariff lines / products where there is current local production could be jeopardized (3,144 tariff lines out of 3,907). These are lines where liberalization will take place and the EU is more competitive than SADC.
- In terms of future production 1,125 tariff lines will be liberalized making the possibility of having future production in these products problematic.
- In all, 84.5% of total tariff lines are at risk (current and future production) due to liberalization
- A short-list of sectors where there is current production that the EPA puts at risk, and tariff lines where there is regional trade which could likely to be compromised include:
  - processed oil products
  - chemical products
  - intermediate industrial products
  - final industrial products
  - parts of machines
  - vehicle industry
  - Portland cement
  - processed agricultural products
  - medicines
  - textile and clothing

### D. Central African EPA

Without taking into account the market access and exclusion lists for Central Africa, the following analysis makes the assumption that all products and tariff lines where there is local production in that sub-region, and where the EU is more competitive, could be at risk:

- Central Africa is more competitive than the EU on only 3% of total tariff lines.
- Of the 913 tariff lines where there is local production, the EU is more competitive in 772 of these i.e. 84.6% of what is locally produced could be at risk.
- The EPA, if signed, is likely to lead to the liberalization of the majority of future production tariff lines: the majority of 4,588 lines.

- A short list of products where there is current production and regional trade which could be compromised as a result of the EPA (because the EU is more competitive) includes:
  - processed oil products
  - chemical products
  - light industrial products
  - processed agricultural products
  - Portland cement

#### E. ESA EPA

As the ESA EPA is made up of individual countries' market access schedules and sensitive lists, the following analysis does not take into consideration the different schedules and exclusion lists. It assumes that all products and tariff lines where there is local production and where the EU is more competitive could be at risk:

- The ESA EPA countries<sup>1</sup> are more competitive than the EU on only 10% of total tariff lines.
- Of the 1,839 tariff lines where there is local production, the EU is more competitive in 1316 of these. That is, 71.6% of local production could be at risk (without taking into consideration the different exclusion lists).
- The EPA will lead to tariff elimination for the majority of future production tariff lines: the majority of 3,662 lines.
- A short list of products where there is current production and regional trade which could be compromised as a result of the EPA liberalization, and as the EU is more competitive, includes:
  - processed oil products
  - processed agricultural products
  - medicines
  - light industrial products
  - cement clinkers

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<sup>1</sup> The countries considered under 'ESA EPA' in this paper are the 6 countries that have initialed or signed the ESA EPA - Comoros, Madagascar, Mauritius, Seychelles, Zambia and Zimbabwe.

## II. EPAS AND THE THREAT TO LOCAL PRODUCTION

4. Despite many African countries and regions stating that they want lower levels of liberalization, the EU continues to maintain that at least 80% of trade must be liberalized. This is not the only issue holding back the Economic Partnership Agreement (EPA) negotiations. Others include export taxes, the most-favoured nation (MFN) clause, development cooperation and whether or not new money is forthcoming. However, this issue is certainly one of the most critical for Africa. At its heart are the following concerns:
  - i. Whether the reduction of tariffs in the EPAs will destroy **local industries** and their productive capacities.
  - ii. Whether **regional trade** will be disrupted and undermined. If the EPA is signed with the EU, EU products could take over the regional markets. This will be another blow for African producers, who may rely on national markets, but increasingly also on regional ones.
5. The present tension in the EPA negotiations over the level of liberalisation is no accident. Since the outbreak of the financial and global economic crisis, as well as the food crisis of 2008, the discourse on trade liberalization has changed – certainly within some political processes. Two elements have become much more widely acknowledged as being important :
  - Domestic markets are important. Even though globalization has led many to believe that external markets would suffice, there is increasingly an understanding that domestic markets are critical to development. External markets are at best complements, but they cannot substitute the domestic market, even in smaller countries. (The validity of this argument depends in part on the size of the country). Domestic markets are in fact constitutive of the development process – when domestic markets function well, ordinary people have purchasing power.<sup>2</sup> In economies where agriculture and farming provides employment for half or more of the people, well-functioning domestic markets mean that farmers are able to sell their produce on the local markets and obtain decent prices. This is also true of the manufacturing sector – jobs in manufacturing need to provide decent wages. Ordinary people then have purchasing power. They become instrumental in the process of development because they can drive processes of growth on the demand side. This is the road towards fueling economic transformation and diversification.

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<sup>2</sup> Nayyar D 2012 Statement by Prof Deepak Nayyar at the South Centre Workshop on the State of the Global Economic and Recent and Future Multilateral Negotiations, 2-3 February 2012, Geneva.

This realization has become increasingly clear as developed countries' markets become stagnant, and it is also clear that China and the other emerging economies do not have the capacity to be substitutes for the slow-down in the developed world. According to economist Deepak Nayyar, *'China and the other emerging economies can at best provide some stimulus as the old engine of growth (industrialised economies) slows down... These countries are complements not substitutes... And this stimulus might have only (mainly) regional dimensions'*.<sup>3</sup>

- The state must play a critical role in managing the economy. The market cannot substitute for the state. The state must be proactive, in trade policy, industrial policies as well as food policies. What is more, the relationship between the state and the market cannot be defined once and for all. It must change and adapt as time and circumstances change.
6. It cannot therefore be assumed that once tariffs and other trade barriers have been removed, the economy will function better and more efficiently, therefore social goals such as employment can be attained. The state must manage tariffs and other trade policies and commitments in order to support industrial development, the objective of increasing food production, provision of employment etc.
  7. The EPAs and the demands of the European Union collide at the very heart of these issues. As African governments are trying to strengthen and build their production capacities, they are increasingly seeing the importance of trade policy to support industrial development and food security goals. Tariffs are especially important as they do not have resources like the EU to shield domestic producers. These countries are therefore mindful of the role of the state in creating the right conditions for the developmental path ahead.
  8. This explains the continuing tension in the negotiations. Two contradictory paradigms regarding how to attain development is at play. Europe argues that liberalization will help increase efficiency and hence economic growth. <sup>4</sup> Many African countries, particularly after their structural adjustment policy experiences of the 1980s and 1990s,

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<sup>3</sup> Nayyar D 2012 Statement *ibid*.

<sup>4</sup> However, the EU does not always have the same perspective on liberalisation. When it comes to requesting for a waiver at the WTO so that it can give non-reciprocal preferences to its neighbours, the EU has argued that 'Moldova is the poorest country on the European continent (...) and does not have the competitive strength to take reciprocal obligations of a free-trade agreement with the European Communities' (WTO document G/C/2/592 29 February 2008, p.3). In 2011, when asking for a waiver for non-reciprocal preferences for the Western Balkans, the EU has said that 'Terminating the trade preferences [and replacing it with a free trade agreement] would have a negative impact on the overall economic performance of the Western Balkans, with consequent negative repercussions on their domestic reform and transition processes. Moreover, given the current worldwide economic slowdown, the Western Balkans' economic recovery could be seriously jeopardized. In line with its WTO obligations, his delegation had submitted a request for the extension of the current waiver for an additional five years, this meant until 31 December 2016' (Minutes of the WTO's Council for Trade in Goods, 7 November 2011 WTO, G/C/M/108, 31 Jan 2012).



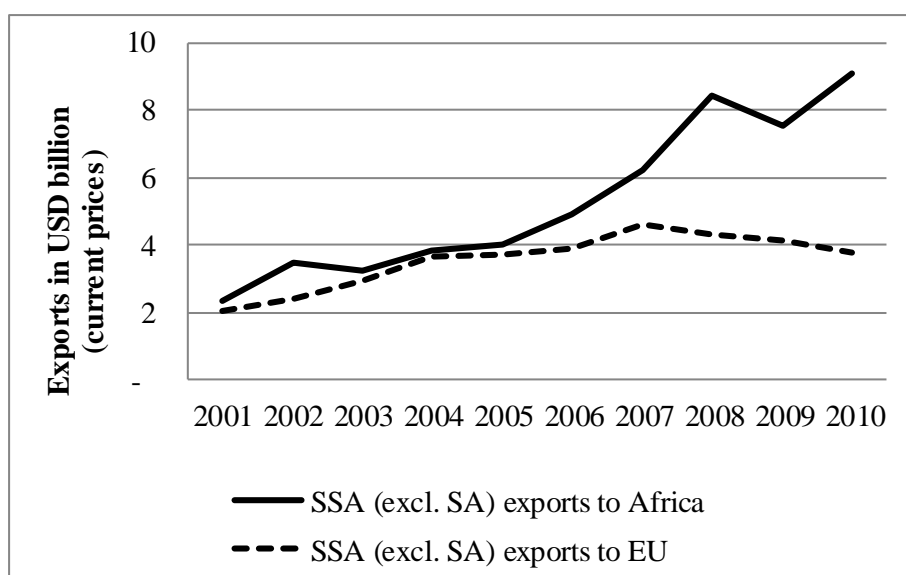
where premature liberalization led in many cases to deindustrialization, are not so convinced.

9. The other argument some European Commission officials have used is that African countries should not fear opening up to EU products because there is limited competition between EU and Africa. They say that the EU produces different products, or products with a high level of sophistication.
10. This argument is flawed. This paper illustrates that there are in fact many tariff lines for products which Africa produces, where Europe also exports to Africa. Nevertheless, for the higher value added products Africa does not currently produce, it aspires to do so. Opening up to the EU is likely to prevent African countries from developing production capacity in those higher end products.

### III. EPAS AND THE THREAT TO REGIONAL TRADE

11. Regional trade in Africa is in fact increasing at a faster pace than Africa's trade with the EU or US. The bigger regional market is very important for African producers – especially in industrial products. Most industrial products produced in Sub-Saharan Africa are sold in Africa.

**Graph: For Sub Saharan Africa (excluding South Africa),  
 Africa has become a more important market for manufactured goods**



12. The wider regional market can therefore be the most important market for regional producers. These regional markets, in some cases are already well developed. For instance, the pasta producers in Ghana supply also to the Nigerian market. If Ghana signs the EPA, but Nigeria does not, it may be that some pasta producers in Ghana could still survive. Their local production for the Ghanaian market may be displaced due to more competitive imports from the EU, but they may still survive based on access to the regional market (Nigeria). A regional EPA however, could destroy the existing opportunities of regional trade, if it leads to a greater demand in both Nigeria and Ghana for more competitive EU pasta over the Ghanaian pasta. The loss of the regional market could therefore be a second blow for Ghanaian producers.
13. Several studies show that EPAs will definitely harm intra-African trade, an outcome that is going to be contrary to the principle of deepening regional integration anticipated by the Cotonou Partnership Agreement.<sup>5</sup> A study of the SADC region by Tekere and Ndlela (2003) clearly showed that non-EU countries currently exporting into the SADC region will lose trade to EU producers and exporters in spite of the latter not necessarily being the most efficient. The same conclusion is arrived at in the case of COMESA where it is found out that imports coming from the region will be substituted by imports coming from the EU leading to reduced regional production and levels of economic activity.<sup>6</sup> Milner et al. (2002) reached a similar conclusion with respect to the EAC. Trade diversion within the EAC would negate not only the integration efforts but also accelerate de-industrialisation. This study indicated that Kenya was going to lose significant amounts of its market share in the two economies of Uganda and Tanzania.<sup>7</sup>

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<sup>5</sup> [http://www.uneca.org/eca\\_programmes/trade\\_and\\_regional\\_integration/documents/KAringi.pdf](http://www.uneca.org/eca_programmes/trade_and_regional_integration/documents/KAringi.pdf),

Will the Economic Partnership Agreements foster the SubSaharan African Development? By Romain Perez and Stephen Njuguna Karingi, United Nations Economic Commission for Africa

<sup>1</sup> <https://www.gtap.agecon.purdue.edu/resources/download/2532.pdf>

<sup>6</sup> Tekere, M. and D. Ndlela, 2003, Impact Assessment of Economic Partnership Agreements on Southern African Development Community and Preliminary Adjustment Scenarios, Final Report, Trade and Development Studies Centre, Harare, Zimbabwe.

<sup>7</sup> Milner, C., O. Morrissey, and A. McKay, 2002, "Some Simple Analytics of the Trade and Welfare Effects of Economic Partnership Agreements: The Case of the EU-EAC", mimeo, CREDIT, University of Nottingham. Morrissey, O., C. Milner, and A. McKay, A Critical Assessment of Proposed EU-ACP Economic Partnership Agreements, CREDIT Research Paper, University of Nottingham.

#### IV. ASSESSING THE THREATS TO LOCAL PRODUCTION AND REGIONAL TRADE

##### A. How much local production is there in sub-Saharan Africa?

14. In order to assess which products are at risk as a result of the EPA, we need to first establish the products that are locally produced by African EPA regions. The following regions are distinguished:

- ESA EPA region: Comoros, Madagascar, Mauritius, Seychelles, Zambia and Zimbabwe (taking only those ESA countries that have either initialed or signed the EPA)
- Economic Community Of West African States (ECOWAS): Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo
- East African Community (EAC): Kenya, Tanzania, Uganda, Rwanda, Burundi
- Central Africa EPA region: All six members of the Economic Community of Central African States (CEMAC): Cameroon, Central African Republic, Chad, Congo Brazzaville, Equatorial Guinea, Gabon, plus the Democratic Republic of Congo and São Tomé and Príncipe.
- SADC EPA region: Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa

15. Local production data is difficult to obtain. A good alternative is formal trade statistics that provide an insight into local supply capacities. When an imported good is recorded as originating from one of the African countries in an EPA configuration by any country in the world, it means by definition that the imported good is locally produced by at least one country in that region.

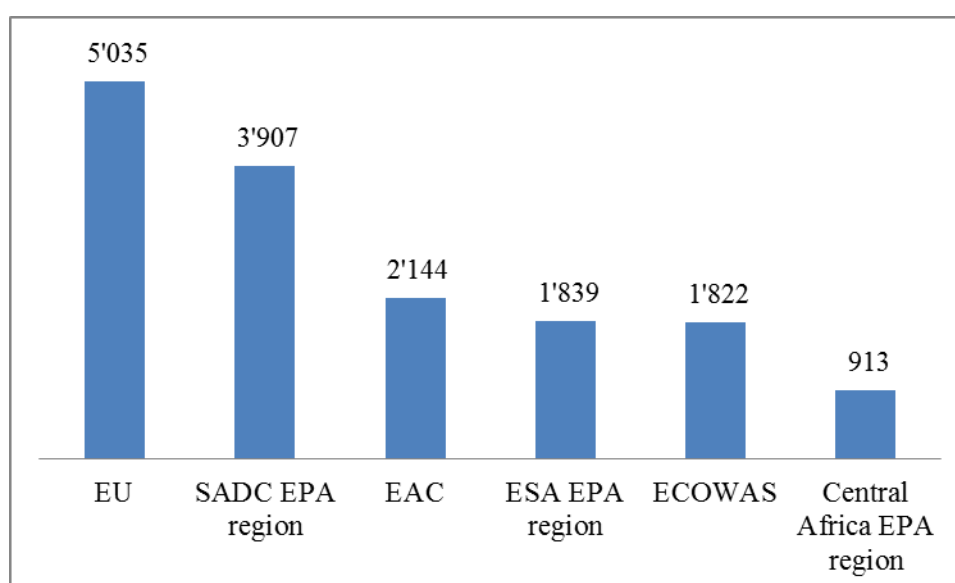
##### **Box: Methodology – Calculating ‘local production’**

In this Note, we consider a product as being locally produced when the world imports a ‘substantial’ amount of that good from an EPA region or EU. We use a threshold value of USD 100,000: when this amount was exceeded in one of the last three years for which data is available, the product is considered locally produced. A threshold value was used to filter out ‘noise’ in the trade data. In the case of ECOWAS we use the years 2007 and 2010 as no trade data is available for the years 2008 and 2009. All trade data is based on ITC Trade Map and on a six-digit level in the Harmonized System (HS6).

ITC TradeMap contains trade data for 5,052 tariff lines on six-digit level, 5,051 tariff lines if we do not consider HS 99999 (commodities not elsewhere specified). We find that the EU virtually produces almost all classifiable products locally (5,035 tariff lines, i.e. 99.7 percent). The products not produced by the EU are chemical substances such as DDT and asbestos, live whales and bluefin tunas, meat offal, thorium ores and coca leaf.

16. While countries in the EU produce and export almost everything, SADC countries produce and export 3,961 different products (counted in terms of tariff lines). EAC, ECOWAS and ESA EPA region produce and export (intra-regionally and to the world) around the range of 1,800-2,200 products in terms of tariff lines. Central Africa has the least diversified production structure: it produces and exports only 941 different products locally (see graph below)

**Graph: Number of different products locally produced (HS six-digit level)<sup>8</sup>**



#### **B. When can current local production be compromised by the EPA?**

17. Local production is considered to be 'at risk' in cases where a certain product is not excluded from liberalization in the EPA and the EU is currently a more competitive supplier than the African region for that product. The EPA will lead to elimination of tariffs and thus to increased competition. This puts local production that is already not competitive under further strain.

18. *Products excluded from liberalization (sensitive list).* Local production of goods excluded from liberalization would in principle not be compromised.

<sup>8</sup> Based on the USD 100,000 threshold, we found that SADC as well as ECOWAS produce two products not locally produced by the EU: 1) chemical wood pulp, sulphite, coniferous unbleached and 2) Crocidolite asbestos.

**Box: Methodology – Assessing when local products are ‘at risk’: liberalization and measuring competitiveness**

*EPA liberalization and local production at risk.* Products slated for liberalization under the EPA could be at risk (if the EU is more competitive). We have used the exclusion/sensitive lists of the West African EPA (as of November 2011 which is still under negotiation), the EAC interim EPA and the SADC interim EPA to find out which products will be liberalized and which will not. The exclusion lists of the EAC and SADC interim EPAs are contained in EU documents.<sup>9</sup> We did not have access to the current Central Africa market access offer. We also did not take into account the exclusion list under the ESA EPA, as there is no single regional market access offer.

The SADC interim EPA has a complex market access schedule. It distinguishes more than twenty groups of products, each with different tariff reduction schedules. Customs duties on imports into Botswana, Lesotho, Namibia and Swaziland of products originating in the EU that have been listed as ‘Agriculture List 4’ or Industry List 6’ are excluded from liberalization: i.e. the sensitive list seems to contain only 125 tariff lines in total.

*Measuring competitiveness of EU vis-à-vis African regions.* There are several methods to establish the relative competitiveness between two countries (or regions) in a certain product. In this Note we use a relatively straightforward measure of competitiveness: the trade balance between EU and African EPA regions. When the EU, during the last three years (2008, 2009 and 2010), has sold more of a particular product to an African region than the African region sold the EU, we assume that the EU is more competitive in that particular product.

For some products, no trade was recorded between EU and African regions in 2008, 2009 or 2010. The ‘competitiveness’ of the EU vis-à-vis African regions can therefore not be calculated. For instance, the EU and ECOWAS region did not trade coniferous wood in chips, copra and tanks and other armored fighting vehicles (in 2008, 2009 or 2010). In this Note we assume that such products are not at risk because there is no objective basis for determining the risk.

19. The tables below summarise the local production that is at risk for those regions where we took into account the EPA exclusion list. The conclusions are as follows:

- The EAC EPA would put at risk 1,100 locally produced goods (counted in terms of tariff lines) or 51.4% of all locally produced goods as these are the lines the EAC will liberalise and where the EU is more competitive than the EAC.

<sup>9</sup> For the EAC exclusion list, see Council of the European Union document 17462/08 ADD 5, ‘Annex IId to the Agreement establishing a framework for an Economic Partnership Agreement between the European Community and its Member States, on one part, and the East African Community Partner States, on the other part’. The SADC market access offer is contained in Council of the European Union document 14062/08 ADD 5. ‘Annex 3 to the Interim Agreement with a view to an Economic Partnership Agreement between the European Community and its Member States, of the one part, and the SADC EPA States, of the other part.’

- The ECOWAS EPA would put at risk 986 products / tariff lines, or 54.1% of locally produced products. These are the tariff lines ECOWAS liberalizes in, even though the EU is more competitive than ECOWAS in these products.
- The SADC EPA would put at risk 3,144 products (in terms of tariff lines) currently produced by the SADC EPA countries or 80.5% of all current production.

Annex I contains more detailed tables.

**EAC: Of the 2,144 Tariff Lines where Local Production Takes Place, 1,100 Lines are At Risk (No. of tariff lines at six-digit level)**

	Status under EPA		Total
	Sensitive list (excluded from liberalisation under EPA)	To be liberalized under EPA	
EU is less competitive than EAC	161	175	336
EU is more competitive than EAC	551	<u>1,100 AT RISK</u>	1,651
No trade between EU and EAC	32	125	157
<b>Total</b>	<b>744</b>	<b>1,400</b>	<b>2,144</b>
<b>Percentage of local production at risk</b>			<b>51.3%</b>

**ECOWAS : Of the 1,822 Tariff Lines where Local Production Takes Place, 986 Tariff Lines are At Risk (No. of tariff lines at six-digit level)**

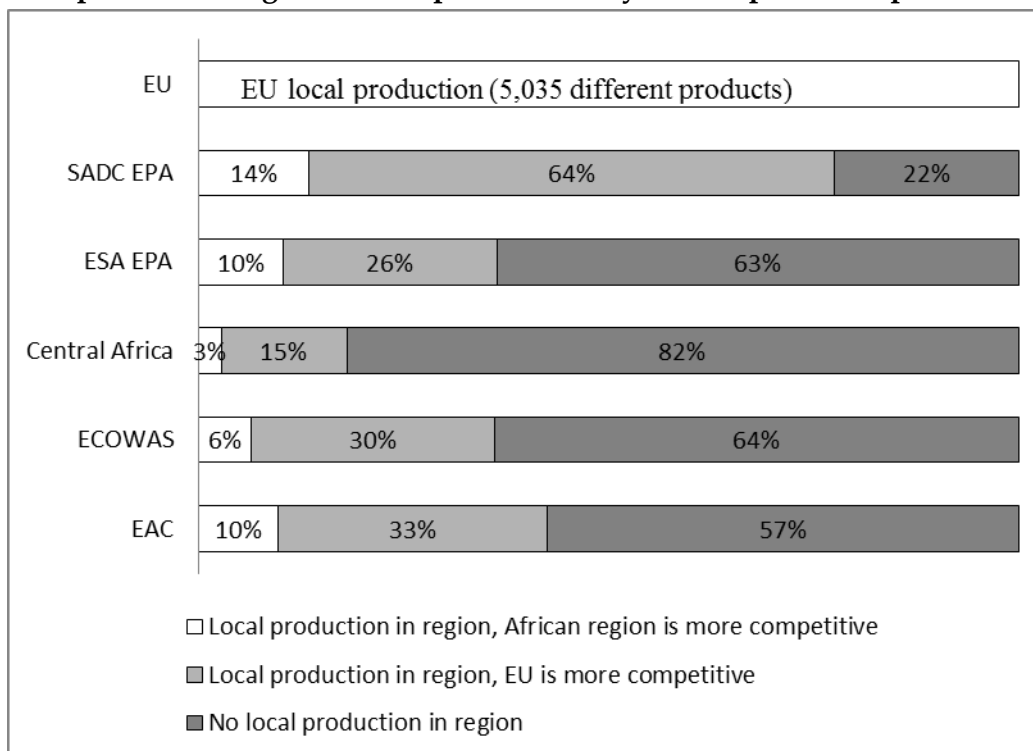
	Status under EPA		Total
	Sensitive list (excluded from liberalisation under EPA)	To be liberalized under EPA	
EU is less competitive than ECOWAS	85	199	284
EU is more competitive than ECOWAS	514	<u>986 AT RISK</u>	1,500
No trade between EU and ECOWAS	8	30	38
<b>Total</b>	<b>607</b>	<b>1,215</b>	<b>1,822</b>
<b>Percentage of local production at risk</b>			<b>54.1%</b>

**SADC EPA: Of the 3,907 Tariff Lines where Local Production Takes Place, 3,144 Tariff Lines are At Risk (No. of tariff lines at six-digit level)**

	Status under EPA		Total
	Sensitive list (excluded from liberalisation under EPA)	To be liberalized under EPA	
EU is less competitive than SADC EPA region	18	621	639
EU is more competitive than SADC EPA region	83	<u>3,144 AT RISK</u>	3,227
No trade between EU and SADC	3	38	41
<b>Total</b>	<b>104</b>	<b>3,803</b>	<b>3,907</b>
<b>Percentage of local production at risk</b>			<b>80.5%</b>

20. The figure below illustrates that there are very low percentages of tariff lines/ products where Africa is more competitive vis-à-vis Europe. The SADC EPA region is more competitive than the EU in only 14 percent of total tariff lines. This is already higher than the other sub-regions: 10% for each of the EAC and ESA EPAs, 6% for ECOWAS and only 3% for Central Africa. In the vast majority of products, the EU is either more competitive (light grey bars in diagram below) or the African sub-regions do not currently have local production capacity (dark gray bars).

**Graph: African region are competitive in only a small portion of products**

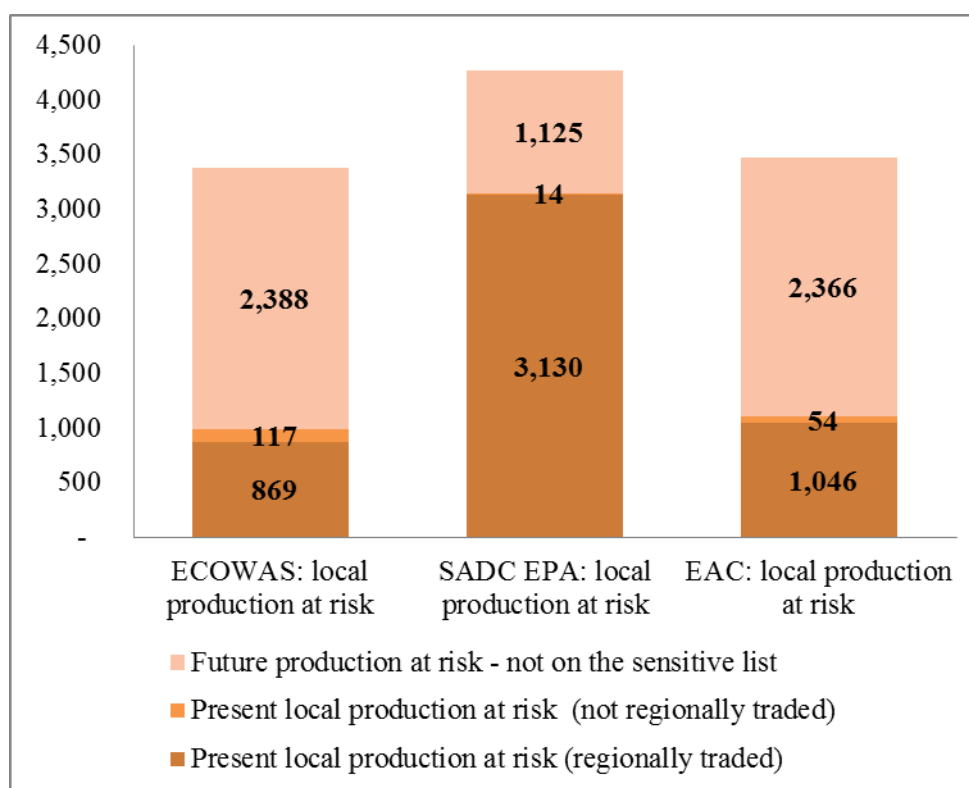


**C. How much of future local production is at risk?**

21. Usually, exclusion lists contain mainly products that are currently produced in the region. For instance, in the case of SADC EPA, around 106 out of 125 tariff lines on the exclusion list concern products for which there is current local production. This implies that the SADC EPA region can protect 19 future products/ tariff lines. In total there is no current production for 1,144 products / tariff lines in the SADC EPA region (see also Annex I). In other words, tariffs on 1,125 (i.e. 1,144 - 19) products representing possible future production would be eliminated. That is, the exclusion list of the interim-SADC EPA covers less than 2 percent of future production - 98% of all possible future production is at risk. The same predicament also applies to the other regions. Most of the sub-regions' future production will be liberalized, and therefore is at risk in terms of countries not being able to produce on those lines.
22. Taking into account the sensitive lists of ECOWAS, SADC and EAC, the graph below illustrates that future production at risk ranges from 2,388 tariff lines for ECOWAS to 2,366 tariff lines for EAC and 1,125 tariff lines for SADC.



**Graph: Local production at risk**



**Table: Local production at risk**

	ECOWAS	SADC EPA	EAC
Present local production at risk (regionally traded)	869	3,130	1,046
Present local production at risk (not regionally traded)	117	14	54
Future production at risk - not on the sensitive list	2,388	1,125	2,366
Total no. of products at risk (present and future production)	3,374	4,269	3,466
Percentage of tariff lines at risk (present and future production out of the total 5,051 tariff lines)	66.8%	84.5%	68.6%

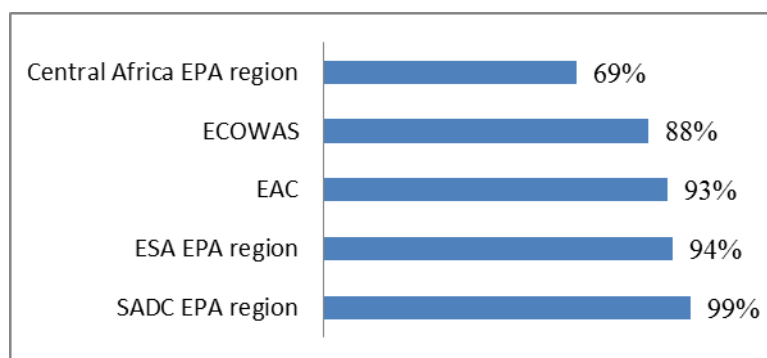
**D. What is the extent to which locally produced products are regionally traded?**

23. The vast majority of locally produced products in sub-Saharan Africa are regionally traded. However, exceptions exist. For instance, in the case of ECOWAS, locally mined metals such as nickel, lead, uranium, titanium, niobium and tantalum are not traded within the region. Other examples are frozen seafood (crabs, lobsters, and swordfish), fresh cut roses, cocoa paste and natural rubber latex. In the EAC, locally produced

products which are not regionally traded include mainly raw materials such as fluorspar, cobalt, diamonds, copper ore, but also agricultural products such as eggplants (aubergines) and cauliflowers which are destined for foreign markets.

24. The graph below shows the percentage of tariff lines whereby locally produced products are also regionally traded. A product is considered regionally traded if the recorded value of intra-regional exports is at least USD 1,000. The following trading blocs were used to determine whether products were traded regionally: COMESA for ESA EPA, SADC for SADC EPA region, ECCAS for Central Africa region.

**Graph: Percentage of tariff lines where locally produced products are also regionally traded**



#### E. Which regionally traded products are at risk?

25. Below is a non-exhaustive listing of some key products which are at risk:

- Tariff lines are subject to liberalisation; and
- EU is more competitive; and
- These products are traded within the region.

Annex II lists the Top 25 products at risk (measured by value of intra-regional trade).

#### 26. West-Africa (ECOWAS)<sup>10</sup>

- Processed oil products: light petroleum distillates, aviation spirit, petroleum bitumen, lubricating oil.
- Chemical products: fertilizers, urea, polyethylene, ammonium nitrate, polyesters, polyvinyl chloride, polyethylene, chemical preparations, propylene copolymers, polypropylene.

<sup>10</sup> This list only considers tariff lines that are subject to liberalization amongst other conditions stated in para 30.

- Cement clinkers
- Intermediate industrial products: hot rolled bar/rod, irregular coils, plate and sheet with aluminium alloy, iron or steel cans, copper wire.
- Final industrial products: electric conductors, electro-magnets.
- Parts of machines: parts of boring or sinking machinery, parts of cranes, work-trucks, shovels, and other construction machinery.
- Vehicle industry: diesel powered trucks with a weight not exceeding five tonnes.
- Agricultural products: broken rice, milled rice, tobacco, maize (corn) seed.
- Food processing: mixtures of for the food or drink industries.
- Salt
- Frozen fish (tunas)

#### 27. SADC<sup>11</sup>

- Processed oil products: light petroleum distillates.
- Chemical products: fertilizers, soaps.
- Intermediate industrial products: structures & parts of structures, copper wire, tubes and pipes, cartons, boxes and cases.
- Final industrial products: pumps, electric conductors.
- Parts of machines: parts of cranes, work-trucks, shovels, and other construction machinery, parts of grinding machines for sorting, screening, mixing, crushing etc, parts of pumps.
- Vehicle industry: dump trucks designed for off-highway use, automobiles (1500 cc to 3000 cc), truck tractors, diesel powered buses with a seating capacity of > nine persons, tyres, motor vehicle parts.
- Portland cement
- Processed agricultural products: cigarettes, sunflower oil, mineral water.
- Medicines
- Textile and clothing: Womens/girls trousers & shorts, of other textile materials, not knitted, Mens/boys trousers and shorts, of other textile materials, not knitted.

#### 28. EAC<sup>12</sup>

- Processed oil products: light petroleum distillates, aviation spirit.
- Chemical products for agriculture: urea, fertilizer, fungicides, rodenticides.
- Commodity chemicals: diammonium phosphate, ammonium sulphate, silicates of sodium, carbon dioxide, polyethers.
- Medicines, vaccines, antibiotics

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<sup>11</sup> This list only considers tariff lines that are subject to liberalization amongst other conditions stated in para 30.

<sup>12</sup> This list only considers tariff lines that are subject to liberalization amongst other conditions stated in para 30.

- Intermediate industrial products: bars & rods, parts of boring or sinking machinery, articles for the conveyance or packing of goods (of plastic), insulated winding wire, co-axial cable and other co-axial electric conductors, angles, shapes & sections, tubes and pipes, hot rolled iron and steel, boards and panels.
- Final industrial products: Liquid dielectric transformers having a power handling capacity  $\leq$  650 KVA.
- Vehicle industry: Trailers and semi-trailers, wheeled tractors.
- Agricultural products: maize starch, seeds for sowing, barley
- Books, brochures, leaflets and similar printed matter

#### 29. Central Africa EPA region<sup>13</sup>

- Processed oil products: aviation spirit
- Chemical products: soap, paints and varnishes based on polymers
- Light industrial products: Taps, cocks, valves, aluminium plates and sheets, carboys, bottles, flasks, jars and other containers, casings and pipes for oil drilling use, sacks and bags of polymers of ethylene, matches, structures & parts of aluminum, veneer.
- Processed agricultural products: refined sugar, smoking tobacco, sauces, refined palm oil, beer made from malt, chewing gum, milk powder, grape wines, whiskies
- Portland cement

#### 30. ESA EPA region<sup>14</sup>

- Processed oil products: light petroleum distillates, liquefied butanes, aviation spirit.
- Processed agricultural products: milled rice, cigarettes, refined palm oil, beer made from malt, wheat flour, vegetable fats and oils, sugar confectionary, cheese, food preparations, food preparations.
- Medicines
- Light industrial products: co-axial cable and other co-axial electric conductors, plate, sheet & strip of refined copper, articles of iron or steel, insulated winding wire of copper, articles of plastics, products made of zinc, Cartons, boxes and cases, of corrugated paper or paperboard.
- Cement clinkers

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<sup>13</sup> As we have not taken into account the the EPA exclusion list, this list assumes that all products are to be liberalised. However, like the above lists for the other subregions, it only considers products that are regionally produced and regionally traded. The EU is also more competitive in these products than Central Africa.

<sup>14</sup> This list does not take into account the EPA exclusion list. It therefore assumes that all products are to be liberalized. It also only considers products that are regionally produced and traded.

## V. CONCLUSION

31. This paper shows that the EPA puts local production, current as well as future production; and also regional trade at risk. This is because

- There are many products which are currently produced by African sub-regions, yet the EU is more competitive than the sub-regions for those products and currently exports these products to the sub-regions.
- Under the EPA, tariffs will be eliminated in trade with the EU on the majority of these locally produced products. Hence, the EPA will have an impact on policy space available and this is likely to negatively influence Africa's local production or the potential of increasing current local production possibilities.
- Since most regionally produced products at risk are traded within the region, regional trade will be impacted too, when liberalization takes place and the EU is more competitive.
- Furthermore, most future production tariff lines will also be at risk as most of these tariff lines are not on the EPA sensitive list i.e., tariff elimination will take place, rendering the possibility of creating new production capacities questionable.

## ANNEX I – LOCAL PRODUCTION AT RISK (SUMMARY TABLES)

*Explanatory note:* The tables below show current and future production at risk (number of these tariff lines in italics and underlined).

The products classified as being ‘at risk’ under ‘Current local production’ are

- those products currently produced by the region; and
- those products where the EU is more competitive than the region; and where
- duties will be eliminated in trade with the EU.

The EPA is likely to have a negative impact on the local production of these ‘at risk’ products given EU’s competitiveness. Since most products at risk are also traded within the region, regional trade will also be impacted.

In addition, tariff lines ‘at risk’ under ‘future local production’ are those tariff lines where

- there is no current local production; and
- duties will be eliminated in trade with the EU.

Under the conditions of tariff elimination, it is assumed that creating new production capacities in these sectors could be very difficult.

ECOWAS

	Status under EPA		Total
	Excluded from liberalization	To be liberalized	
<b><u>Current local production</u></b> (no. of tariff lines at six-digit level)			
EU more competitive than ECOWAS	<b>514</b>	<b><u>986 AT RISK</u></b>	<b>1,500</b>
• Regionally traded	490	<u>869 (AT RISK)</u>	1,359
• Not regionally traded	24	<u>117 (AT RISK)</u>	141
ECOWAS region more competitive than EU	<b>85</b>	<b>199</b>	<b>284</b>
• Regionally traded	80	145	225
• Not regionally traded	5	54	59
No trade between EU and ECOWAS	<b>8</b>	<b>30</b>	<b>38</b>
• Regionally traded	7	13	20
• Not regionally traded	1	17	18
<b>Total no. of products where there is current production (by tariff lines)</b>	<b>607</b>	<b>1,215</b>	<b>1,822</b>
<b><u>Future local production</u></b> (no. of tariff lines at six-digit level)	<b>841</b>	<b><u>2,388 (AT RISK)</u></b>	<b>3,229</b>
<b>All products (total no. of tariff lines)</b>	<b>1,448</b>	<b>3,603</b>	<b>5,051</b>
<b>Total no. of tariff lines at risk</b>	<b>0</b>	<b>3,374</b>	<b>3,374</b>
<b>Percentage of tariff lines at risk</b>	<b>0.0%</b>	<b>93.6%</b> of tariff lines to be liberalised	<b>66.8%</b> of total tariff lines

SADC EPA region

	Status under EPA		Total
	Excluded from liberalization	To be liberalized	
<b>Current local production</b> (no. of tariff lines at six-digit level)			
EU more competitive than SADC EPA region	<b>83</b>	<b><u>3,144 (AT RISK)</u></b>	<b>3,227</b>
• Regionally traded	83	<u>3,130 (AT RISK)</u>	3,213
• Not regionally traded	0	<u>14 (AT RISK)</u>	14
SADC EPA region more competitive than EU	<b>18</b>	<b>621</b>	<b>639</b>
• Regionally traded	18	608	626
• Not regionally traded	0	13	13
No trade between EU and SADC EPA region	<b>3</b>	<b>38</b>	<b>41</b>
• Regionally traded	3	37	40
• Not regionally traded	0	1	1
<b>Total no. of products where there is current production (by tariff lines)</b>	<b>104</b>	<b>3,803</b>	<b>3,907</b>
<b>Future local production</b> (no. of tariff lines at six-digit level)	<b>19</b>	<b><u>1,125 (AT RISK)</u></b>	<b>1,144</b>
<b>All products (tariff lines)</b>	<b>123</b>	<b>4,928</b>	<b>5,051</b>
<b>Total no. of tariff lines at risk</b>	<b>0</b>	<b>4,269</b>	
<b>Percentage of tariff lines at risk</b>	<b>0.0%</b>	<b>86.6% of tariff lines to be liberalised</b>	<b>84.5% of total tariff lines</b>



EAC

	Status under EPA		Total
	Excluded from liberalization	To be liberalized	
<b><u>Current local production</u></b> (no. of tariff lines at six-digit level)			
EU more competitive than EAC	<b>551</b>	<b><u>1,100 (AT RISK)</u></b>	<b>1,651</b>
• Regionally traded	542	<u>1,046 (AT RISK)</u>	1,588
• Not regionally traded	9	<u>54 (AT RISK)</u>	63
EAC more competitive than EU	<b>161</b>	<b>175</b>	<b>336</b>
• Regionally traded	146	140	286
• Not regionally traded	15	35	50
No trade between EU and EAC	<b>32</b>	<b>125</b>	<b>157</b>
• Regionally traded	29	96	125
• Not regionally traded	3	29	32
<b>Total no. of products where there is current production (by tariff lines)</b>	<b>744</b>	<b>1,400</b>	<b>2,144</b>
<b><u>Future local production</u></b> (no. of tariff lines at six-digit level)	<b>541</b>	<b><u>2,366 (AT RISK)</u></b>	<b>2,907</b>
<b>All products (tariff lines)</b>	<b>1,285</b>	<b>3,766</b>	<b>5,051</b>
<b>Total no. of tariff lines at risk</b>	<b>0</b>	<b>3,466</b>	<b>3,466</b>
<b>Percentage of tariff lines at risk</b>	<b>0.0%</b>	<b>92.0%</b> of tariff lines to be liberalised	<b>68.6%</b> of total tariff lines

*Note:* We did not have the exclusion list of the Central Africa EPA region. In the case of ESA EPA region, each of the four countries that have started to implement the EPA has their own schedule of tariff liberalisation and, hence, their own individual exclusion list.

### Central Africa EPA region

<b>Current local production</b> (no. of tariff lines at six-digit level)	
EU more competitive than Central Africa EPA region	<u>758</u>
• Regionally traded	<u>567</u>
• Not regionally traded	<u>191</u>
Central Africa EPA region more competitive than EU	<b>133</b>
• Regionally traded	55
• Not regionally traded	78
No trade between EU and Central Africa EPA region	<b>22</b>
• Regionally traded	5
• Not regionally traded	17
<b>Total no. of products where there is current production (by tariff lines)</b>	<b>913</b>
<b>Future local production</b> (no. of tariff lines at six-digit level)	<b>4,588</b>
<b>All products (by tariff lines)</b>	<b>5,051</b>

### ESA EPA region

<b>Current local production</b> (no. of tariff lines at six-digit level)	
EU more competitive than ESA EPA region	<u>1,316</u>
• Regionally traded	<u>1,278</u>
• Not regionally traded	<u>38</u>
ESA EPA region more competitive than EU	<b>475</b>
• Regionally traded	426
• Not regionally traded	49
No trade between EU and ESA EPA region	<b>48</b>
• Regionally traded	31
• Not regionally traded	17
<b>Total no. of products where there is current production (by tariff lines)</b>	<b>1,839</b>
<b>Future local production</b> (no. of tariff lines at six-digit level)	<b>3,662</b>
<b>All products (by tariff lines)</b>	<b>5,051</b>

## ANNEX II – REGIONAL TRADE AT RISK

### ECOWAS – regional trade at risk (Top 25 ECOWAS exports to ECOWAS)

HS Code	Description	ECOWAS exports to ECOWAS (USD Thousands, average 2008-2010)
271019	Light petroleum distillates nes	1,249,208
890520	Floating or submersible drilling or production platforms	592,818
271011	Aviation spirit	277,721
271320	Petroleum bitumen	204,925
252310	Cement clinkers	92,203
310520	Fertilizers cntg nitrogen,phosphorus&potassium in packs weighg </=10kg	50,432
030379	Fish nes, frozen, excluding heading No 03.04, livers and roes	36,643
100640	Rice, broken	27,435
390120	Polyethylene having a specific gravity of 0.94 or more	26,581
843143	Parts of boring or sinking machinery, whether or not self-propelled	22,298
721391	Hot rolled bar/rod, irregular coils, <14mm diam	19,783
310230	Ammonium nitrate,whether or not in aqueous sol in pack weighg > 10 kg	18,698
390799	Polyesters nes, in primary forms	16,202
250100	Salt (includg table salt&denaturd salt) pure sodium chloride&sea water	14,748
310590	Fertilizers nes, in packages not exceeding 10 kg	10,276
100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	9,936
870421	Diesel powered trucks with a GVW not exceeding five tonnes	9,801
854449	Electric conductors, for a voltage not exceeding 80 V, nes	9,663
390422	Polyvinyl chloride nes, plasticised	9,337
760692	Plate, sheet or strip, aluminium alloy, exceeding 0.2mm thick, nes	8,612
252210	Quicklime	7,612
310210	Urea,wthr/nt in aqueous solution in packages weighg more than 10 kg	7,379
030342	Tunas, yellowfin, frozen excluding heading No 03.04, livers and roes	7,347
390110	Polyethylene having a specific gravity of less than 0.94	6,506
240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	6,231

**SADC - regional trade at risk (Top 25 SADC exports to SADC)**

HS Code	Description	SADC exports to SADC (USD Thousands, average 2008-2010)
730890	Structures&parts of structures,i/s (ex prefab bldgs of headg no.9406)	160,955
310520	Fertilizers cntg nitrogen,phosphorus&potassium in packs weighg </=10kg	111,256
740811	Wire of refind copper of which the max cross sectional dimension > 6mm	107,891
843149	Parts of cranes,work-trucks,shovels,and other construction machinery	94,346
847490	Pts of sortg/ screeng/ mixg/ crushg/ grinding/ washing/ agglomer atg mach etc	94,203
870410	Dump trucks designed for off-highway use	90,540
271019	Light petroleum distillates nes	88,774
252329	Portland cement nes	79,470
220300	Beer made from malt	76,211
240220	Cigarettes containing tobacco	72,507
271111	Natural gas, liquefied	72,435
721420	Bars & rods,i/nas,hr,hd or he,cntg indent,ribs,etc,prod dur rp/tar,nes	71,508
330210	Mixtures of odoriferous substances for the food or drink industries	63,821
731029	Cans, iron or steel, capacity <50 litres nes	60,476
210690	Food preparations nes	60,234
151219	Sunflower-sed/safflower oil&their fractions refind but nt chem modifid	59,698
870323	Automobiles w reciprocating piston engine displacg > 1500 cc to 3000 cc	49,454
854449	Electric conductors, for a voltage not exceeding 80 V, nes	48,780
841381	Pumps nes	48,326
842959	Self-propelled excavating machinery nes	44,388
870120	Road tractors for semi-trailers (truck tractors)	44,187
300490	Medicaments nes, in dosage	43,623
262190	Slag and ash, incl. seaweed ash "kelp" (excl. slag, incl. granulated,	43,111
870210	Diesel powered buses with a seating capacity of > nine persons	42,591
620469	Womens/girls trousers & shorts,of other textile materials,not knitted	42,270

**EAC: regional trade at risk (Top 25 EAC exports to EAC)**

HS Code	Description	EAC exports to EAC (USD Thousands, average 2008-2010)
271019	Light petroleum distillates nes	85,911
300490	Medicaments nes, in dosage	34,163
850421	Liquid dielectric transformers havg a power handlg capa </= 650 KVA	18,088
721420	Bars & rods,i/ nas,hr,hd or he,cntg indent,ribs,etc,prod dur rp/ tar,nes	13,454
310530	Diammonium phosphate, in packages weighing more than 10 kg	13,327
310229	Ammonium sulphate/nitrate mixtures/ double salts in pack weighg > 10 kg	13,282
871640	Trailers and semi-trailers nes	11,251
310210	Urea,wthr/ nt in aqueous solution in packages weighg more than 10 kg	10,381
271011	Aviation spirit	9,238
843143	Parts of boring or sinking machinery, whether or not self-propelled	7,781
721499	Bars & rods, iron/nas, forged etc., nes	7,489
310520	Fertilizers cntg nitrogen,phosphorus&potassium in packs weighg </=10kg	7,324
392390	Articles for the conveyance or packing of goods nes, of plastics	6,891
722860	Bars & rods, as, o/t stainless, nes	6,318
283919	Silicates of sodium nes	6,176
850211	Generatg sets,diesel/semi-diesel engines,of an output not exceed 75 KVA	6,111
854419	Insulated (including enamelled or anodised) winding wire, nes	6,089
391590	Plastics waste and scrap nes	5,847
854420	Co-axial cable and other co-axial electric conductors	5,645
281121	Carbon dioxide	5,106
870190	Wheeled tractors nes	4,612
271113	Butanes, liquefied	4,601
721650	Angles,shapes&sect,i/ nas,nfw thn hot rolld/ drawn/extruidd,hght>/=80mm	4,351
551110	Yarn,>/=85% of synthetic staple fibres, o/t sewing thread, put up	4,223
730820	Towers and lattice masts, iron or steel	3,878

**Central Africa EPA region: regional trade at risk (Top 25 ECCAS exports to ECCAS)**  
(contains products which might figure in the sensitive list of EPA)

HS Code	Description	ECCAS exports to ECCAS (USD Thousands, average 2008-2010)
271011	Aviation spirit	126,123
890510	Dredgers	38,065
848180	Taps, cocks, valves and similar appliances, nes	30,842
170199	Refined sugar, in solid form, nes	22,031
340119	Soap&orgn surf prep,shapd,nes;papers&nonwovens impreg w soap/prep,nes	21,986
890520	Floating or submersible drilling or production platforms	15,612
240310	Smokg tobacco,whether o not cntg tobacco substitutes in any proportion	15,211
843143	Parts of boring or sinking machinery, whether or not self-propelled	13,726
210390	Sauces and preparations nes and mixed condiments and mixed seasonings	13,585
151190	Palm oil and its fractions refined but not chemically modified	12,158
760611	Plate,sheet or strip,aluminium,not alloyd,rect or sq,exceedg 0.2mm thk	10,725
701090	Carboys, bottles, flasks, jars, pots, phials and other containers, of	10,483
252329	Portland cement nes	8,439
220300	Beer made from malt	8,139
210410	Soups and broths and preparations thereof	6,923
180690	Chocolate and other food preparations containing cocoa nes	6,702
240220	Cigarettes containing tobacco	4,562
847989	Machines & mechanical appliances nes having individual functions	4,517
730429	Casings,,tubing, drill pipe, for oil drilling use	4,276
392321	Sacks and bags (including cones) of polymers of ethylene	3,378
330499	Beauty or make-up preparations nes; sunscreen or sun tan preparations	2,909
890400	Tugs and pusher craft	2,883
170410	Chewing gum containing sugar, except medicinal	2,695
252390	Hydraulic cements nes	2,506
843049	Boring or sinking machinery nes, not self-propelled	2,422

**ESA EPA region: regional trade at risk (Top 25 COMESA exports to COMESA)**  
(contains products which might figure in the sensitive list of EPA)

HS Code	Description	COMESA exports to COMESA (USD Thousands, average 2008-2010)
252329	Portland cement nes	227,443
271019	Light petroleum distillates nes	150,891
271113	Butanes, liquefied	116,166
100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	110,908
240220	Cigarettes containing tobacco	98,039
282200	Cobalt oxides and hydroxides; commercial cobalt oxides	96,232
854420	Co-axial cable and other co-axial electric conductors	85,260
740911	Plate, sheet & strip of refined copper, in coil, exceeding 0.15mm thick	82,303
151190	Palm oil and its fractions refined but not chemically modified	73,282
300490	Medicaments nes, in dosage	70,532
271011	Aviation spirit	65,042
220300	Beer made from malt	62,846
740919	Plate, sheet & strip of refined copper, not in coil, exceedg 0.15mm thick	59,333
732690	Articles, iron or steel, nes	56,873
110100	Wheat or meslin flour	47,873
151620	Veg fats & oils & fractions hydrogenatd, inter/re-esterifid, etc, ref'd/not	45,758
854411	Insulated (including enamelled or anodised) winding wire of copper	42,827
170490	Sugar confectionery nes (includg white chocolate), not containg cocoa	41,732
870323	Automobiles w reciprocating piston engine displacg > 1500 cc to 3000 cc	41,610
040690	Cheese nes	41,237
690810	Tiles, cubes and sim <7 cm rect or not etc, glazed ceramics	39,388
392690	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	37,525
100510	Maize (corn) seed	36,882
071350	Broad beans & horse beans dried, shelled, whether or not skinned or split	36,182
721041	Flat rolled prod, i/nas, pltd or ctd w zinc, corrugated, >/=600m wide, nes	35,073



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