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From an eroding model to questioned trade relationships:
The European Union and Sub-Saharan Africa

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From an eroding model to questioned trade relationships:
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Executive Summary

The paper analyses two key questions: the EU as a model of regional integration for developing countries (including Sub-Saharan Africa); and the EU as a trade partner. It argues that these two dimensions have been questioned since the mid-2000s and that this questioning stems from common interrogations on the credibility and the efficiency of the EU’s policy choices. The first step of the argument is that while the EU has represented a paradigmatic model of ‘developmental’ regional integration arrangements, the EU’s adherence to specific theoretical assumptions has eroded the credibility of its model (competition, fiscal discipline) as an optimal tool of growth and welfare. The second step of the argument is that these assumptions have influenced the theoretical framework and trade policies devised for developing countries, notably the Economic Partnership Agreements, which appear to be inefficient as tools for these countries’ growth. This theoretical framework has not only weakened the credibility of the EU as a model of a developmental regional integration, but also weakened the economic efficiency of its trade policies – and, in turn, the credibility for Sub-Saharan African countries of the assertion by the EU that its trade policies could be a tool of development.
Introduction

The paper’s perspective is anchored in development economics and development studies, and, in particular, in the current debates on the impact of the European Union (EU) on Sub-Saharan African countries’ economic growth and regional integration. The paper analyses two key questions: i) the EU as a model for developing countries (including Sub-Saharan Africa/SSA) of a regional integration that is the most achieved and the most capable of fostering growth; and ii) the EU as a trade partner for these countries. The paper argues that these two dimensions have been deeply questioned since the mid-2000s and that this questioning stems from common interrogations on the legitimacy, or, in economic terms, on the credibility and the efficiency of the EU’s policy choices - both in academic debates and public opinions.

The first step of the argument is that while the EU has, since its creation, represented for many developing countries (e.g., the WAEMU in SSA) a paradigmatic model of successful and ‘developmental’ regional integration arrangements throughout its successive phases of deepening, the EU’s increasingly explicit adherence over the last two decades to specific theoretical assumptions and policies has eroded the economic credibility of its model and of the associated policies as an optimal tool of growth and welfare. These assumptions include the affirmation of the benefits of competition, limitations to state aid, trade openness, economic stabilisation, and fiscal adjustment as the only routes towards growth. This erosion has taken place both inside the EU for many of its citizens and outside the EU for many developing countries’ governments that seek to enhance their regional integration. This erosion of the credibility of the EU model as a model of ‘developmental’ regional integration for other countries was compounded by the 2008 financial crisis, the subsequent crisis of the eurozone’s southern members and the weak performances of the EU countries for the past decade. Moreover, this erosion has been compounded by the fact that other economic theories, as well as the spectacular growth of some East Asian countries (Korea, China) have demonstrated that different theoretical frameworks and policy choices (e.g., industrial policies, selective protection, public support to targeted sectors) have been efficient and are therefore more credible. The growth of many SSA countries since the mid-2000s, driven by high international commodity prices and emerging countries demand (e.g., China), has also contributed to the erosion of the preeminence of the EU as a model of development.

The second step of the argument is that the increasing adherence to the above-mentioned theoretical assumptions and associated policy choices - notably that trade liberalisation and openness foster growth - has been a key element in the evolution of the external trade relationships of the EU with developing countries: while EU trade relationships with Least Developed Countries (LDCs) still follow a model of preferential agreement motivated by development assistance (e.g., the EU-GSP ‘Everything but Arms/EBA initiative removing all tariffs for LDCs products excepting arms), these assumptions have influenced the evolution of the theoretical framework and trade policies devised for the African, Caribbean and Pacific (ACP)
countries, from the Lomé Conventions to the Cotonou agreement (2000) and then the Economic Partnership Agreements (EPAs) (2007). In contrast with the preferential arrangements of the Lomé Conventions, the EPAs promote reciprocal free trade between the EU and the ACPs via the claim that the latter will have developmental impacts and foster ACPs groupings own integration: the wide criticism of EPAS and the resistance to them since their launch, particularly from SSA countries and groupings, as well as the important delays in their implementation, demonstrate that the EU has made policy choices regarding its trade policies towards developing countries, which appear to be inefficient as tools for these countries’ growth.

The paper thus argues that for developing countries the adherence by the EU to the above-mentioned specific theoretical framework (e.g., growth as an outcome of trade liberalisation) has not only weakened the economic credibility of the EU as a model of a developmental and welfare-enhancing regional integration, but also weakened the economic efficiency of its trade policies – and, in turn, the credibility for SSA countries of the assertion by the EU that its trade policies, including the EPAS, could be a tool of development. Interestingly and paradoxically, in destabilising fragile local industries and strengthening the century-old trade pattern of SSA countries that trade more with the ‘north’ than between themselves, export commodities and import manufactured products from the ‘north’, the adherence by the EU to a particular theoretical framework (free trade) prevents SSA regional groupings from achieving what is a key successful outcome of the EU, i.e. the very high level of its intra-regional trade. Both processes - credibility and efficiency -, of both the model and policies, retroact on each other.

This argument is substantiated by an analysis of the economic theoretical framework that underlies EU policies as well as by a key example of EU trade policies vis-à-vis SSA, i.e. the EPAs and their various impacts on SSA countries and regional groupings. The paper is therefore organised in two main sections. It shows that a series of common theoretical choices may explain firstly the erosion of the credibility of the model built by the EU, and secondly the questioning of trade arrangements’ efficiency.

The European Union as a model of regional integration? The eroding credibility of the economic conceptual framework

The EU has been a model of the most successful regional integration but the policy choices made over the 2010s have weakened the credibility of the model, both inside and outside the EU, and notably for developing countries.

The European Union as a model of regional integration

As is well-known, the objectives that underlain the foundations of the project of the European Union were of a political nature, and in particular driven by the desire to put an end to the wars that plagued European countries during centuries until the tens of millions of deaths in WWII. In parallel with the enlargement to an increasing
number of countries, its progressive transformation from a common market in an economic union was achieved progressively, with milestones being the Maastricht Treaty (1992), which for a sub-group of countries transformed the EU from an economic union to a monetary area, and the Lisbon treaty (2007). The prosperity of the EU after the WWII, along with the originality of its governance and its pluri-level pattern, and the building of its institutions made it so that the EU has represented an attractive model of political and economic integration, suggesting the benefits of the final goal of the achievement of a full economic and political union for the rest of the world, including developing regions in Asia, Latin America and Africa. Since its creation, the EU has embodied the most achieved and ‘developmental’ model of regional integration, i.e. an economic and (for the eurozone) monetary union, throughout its successive phases of deepening and enlargement, and it is still a source of inspiration for many regional integration agreements.

This is the case for Sub-Saharan Africa (SSA), notably for a regional arrangement such as the West Africa Economic and Monetary Union (WAEMU), and more generally the Franc Zone (as it includes not only the WAEMU, but also the Central Economic and Monetary Community/CEMAC). Templates for an economic and monetary union such as the WAEMU have preceded the WWII and the creation of the EU, the Franc Zone being a legacy of a monetary zone and of capital controls established in 1939 by France and its colonies with the rest of the world (Gerardin, 1990). The Franc Zone followed a reverse process compared to the EU under the aspect of the monetary union, as it started as a (colonial) monetary zone, and, e.g. for the WAEMU, culminated in an economic and monetary union: yet after WWII the architecture of the EU became a model of regional integration for the Franc Zone, particularly the architecture of its monetary union (the Eurozone), e.g., the notions of coordination and surveillance of macroeconomic policies across member states, despite obvious problems of replicability (Claeys and Sindzingre, 2003). The latter may be explained by several factors, notably the radically different export structures between EU countries and SSA, SSA’s poor infrastructure, or the weak rule of law prevailing in SSA states (and the subsequent porosity of borders, Sindzingre, 1998).

Cohesion policies have also been an indisputable source of strength for the EU, which helped many European countries, e.g., Italy and Portugal, to reach higher income levels and build infrastructures that had positive impacts on their long-term growth. Regarding developing countries, and notably in SSA, however, most SSA regional arrangements did not go beyond the level of trade arrangements - preferential trade agreements or customs unions. These countries have not yet reached these key dimensions of a regional integration arrangement such as the EU, especially redistributive objectives and development goals that common cohesion policies can foster vis-à-vis poorer member states (Sindzingre, 2013a).

In regard to the EU as a model of trade integration, the process of ‘globalisation’ that expanded from the 1990s onwards has also constituted another key strength of the EU model, with the rise of global production networks and global value chains (GVCs).  

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1 A table explaining the successive phases of the deepening of regional trade integration is presented in annex 1.
driven by multinational enterprises, and the associated stalling of the WTO negotiations and rise in bilateral investment agreements (instead of global trade negotiations). At the end of the 20th century, the process of multilateralisation (as embodied by the WTO) has weakened, which has led to an increasing move to regionalism under the form of what is coined ‘deep regionalism’ or ‘comprehensive’ agreements, i.e. encompassing issues that go beyond trade, such as investment, competition policy, trade facilitation, government procurement, intellectual property, electronic commerce and, in some cases, labour and the environment (WTO, 2014). The reorganisation of trade in GVCs, especially the increase in intra-firm trade and trade between multinationals and their affiliates have created new trade and tax issues (Keane, 2014a). GVCs, or ‘supply chains’, involve ‘trade in tasks’ more than ‘trade in goods’ (Bayoumi et al., 2013), and multinational firms have to connect factories across countries, thus making more crucial domestic policies (Baldwin, 2011a, b). This reorganisation of global trade has led to an explosion of the number of regional agreements (see annex 2) and has generated strong incentives for the establishment of ‘deep regionalism’. It has therefore boosted the number of bilateral investment treaties viewed as more apt to protect multinationals firms’ investment in many different countries along the production networks.

The multiplication of regional trade agreements throughout the world has induced increasing overlaps, which have been coined ‘spaghetti bowls’ (Baldwin, 2006). Indeed, most agreements being bilateral, they give rise to an increasing number of differing trade regulations. The EU has thus also established many bilateral agreements with a great number of countries or other regional groupings. Though it may be also viewed as suffering from the ‘spaghetti bowl’ problem in its own architecture (see annex 3), the EU has, on this score, been a paradigmatic model of successful ‘deep integration’.

The EU as a model is eroding, however, with the EU becoming a less attractive model for developing countries. Indeed this was already shown in the early-1990s by Daniel Bach, who underscored the ‘regionalism without co-prosperity’ of the model of the Lomé Conventions; he revealed that these Conventions have been less instruments of development for the developing countries involved than a ‘deriving anchor’ (Bach, 1993a, b) and pointed at their irrelevance in the context of weak states and borders (Bach, 1997).

**A contested conceptual framework and the subsequent erosion of credibility**

The enlargement, the complexification of the governance and the power relationships of member states reasoning in terms of national interests, the financial crisis in 2008 and subsequently the treatment of the Eurozone sovereign debt crisis from 2010 onwards have put at the forefront the defects of the EU.

In particular, the credibility of the assumptions of the economic model and of policies defended by the EU institutions has eroded. The developmental objectives that were still preeminent at the end of the 20th century (and, e.g., embodied by a
socialist at the head of the Commission) have progressively dissolved over time under the pressure of member states governments and societies that increasingly leaned to the ‘right’, in the context of a disappearance of the so-called ‘Keynesian’ paradigm in the 1980s. From the Maastricht Treaty (1992) onwards, treaties witnessed a general move towards deregulation and increasing fiscal discipline, with the Stability and Growth Pact (1997) (fiscal discipline being an inherent part of the design and establishment of a common currency for the Eurozone member countries in 1999), then the reform of the Stability and Growth Pact (2011) in the direction of more budgetary discipline (with the so-called ‘six-pack’), then the Treaty on Stability, Coordination and Governance (2012), pursuing the reforms of EU governance in a similar direction (with fiscal discipline even more strengthened with the so-called ‘golden rule’) (Degryse, 2012).

A conceptual framework, which has put forward a specific set of economic causalities – close to what has been coined elsewhere as ‘orthodox’ economics, ‘Washington consensus’, ‘ultra-liberalism’, ‘neoliberalism’, or ‘austerity’ – has thus progressively become the only template for policymaking in economic domains within the EU. Key elements of this conceptual framework are that fiscal discipline and competitiveness are per se the overarching objectives that must be pursued, and with which member states’ domestic fiscal and monetary policies must comply. As is well-known, for the sub-group of Eurozone countries, ‘regaining competitiveness’, i.e. depreciating the real exchange rate must be done without depreciating the nominal exchange rate, i.e. at the price of an ‘internal devaluation’ relying on the lowering of prices, e.g., wages. A key argument justifying the economic conceptual framework centred on member states’ fiscal discipline, which could be defended by anyone beyond partisanship or economic school of thought, is that mounting debt cannot be good for growth, as it is an illegitimate burden on future citizens and fosters dependence on financial markets – this dependence, and more broadly the financialisation of economies, being viewed by heterodox economists as the primary culprit for the problems of the EU.

Similarly, in regard to trade policies the conceptual framework is that liberalisation and trade openness per se generate growth – which is in essence embodied by the project of the EU and the Common Market. Such a conceptual framework and affirmation of a causal link – and the associated objectives of trade liberalisation within the EU and between the EU as a bloc and other countries (or blocs) – are indeed substantiated by empirical observation. Over the long-term it may be argued that trade relationships and openness foster growth, as argued by Maddison for the last two millennia (Maddison, 2001). Similarly, there is no doubt that the very high level of intra-EU trade enabled by the Common Market has fostered the prosperity of the EU.

The adherence to the ‘Washington consensus’ from the 2000s onwards has triggered many criticisms. These criticisms centred, in particular, on the fact that the EU has been increasingly following the conceptual framework and the model of policies that are embodied by the International Financial Institutions (IFIs, the IMF and the World Bank), notably an unwarranted reliance on Pareto optimality (Fitoussi and Saraceno,
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2013) and the strengthening and binding character of rules vis-à-vis member states’ domestic policies, e.g. with the reform of the Stability and Growth Pact (2011).

The attractiveness of the EU model declined after the adoption of the common currency by a sub-group of member countries in 1999 - the most advanced stage of an economic and monetary union. The attractiveness further declined when the 2008 global financial crisis demonstrated that this achievement did not protect the currency area’s member countries from the crisis, and after the 2008 crisis, the critiques of the designers of the monetary arrangement increased. Key arguments, among others, were that the monetary union did not follow rigorous economic theory, that the Eurozone did not meet the conditions required for being an optimal currency area in the Mundell (1961) sense, notably the absence of large asymmetric shocks affecting member countries and the mobility of factors of production, capital and labour – though, interestingly enough, Mundell has been a strong supporter of the single currency (Swoboda, 1999). For other regions in the world that could be attracted by deepening a common market or an economic union with a monetary union, notably developing countries, the problems facing a monetary union of advanced countries with consolidated economic and political institutions such as the EU have underlined the difficulties associated with a deeper level of integration as embodied by the Eurozone, with some economists arguing that even in a grouping of advanced economies such as the EU, monetary integration may be not viable (Feldstein, 2011; for more nuanced views, Eichengreen, 2010) - or can be maintained only via internal devaluations with high social costs (Krugman, 2012). This has reduced the attractiveness of the adoption of a similar model of deeper integration. Indeed, meeting the criteria of an optimal currency area is difficult, e.g. covariate shocks, complementary economies, and the like. For example, there is no doubt that a currency area such as the Franc Zone has favoured international trade in reducing transaction costs and has limited inflation: however, the peg to a common currency – and in fine the French treasury - of Franc Zone economies that do not meet a currency area’s requirements (trade integration, synchronisation of business cycles) but are all based on the export of primary commodities, has induced many problems (Loureiro et al., 2012) – in particular, it has made IFIs adjustment programmes from the 1980s onwards more painful after the first shock on commodity prices and SSA terms of trade at the end of the 1970s (Guillaumont and Guillaumont-Jeanneney, 1996).

The move of the EU to an IFI-like stance has been particularly exemplified by the sub-group of Eurozone countries, and accelerated by these countries sovereign debt crisis in the aftermath of the 2008 financial crisis. The so-called ‘troika’ was established in 2010 (outside of the Treaties) in order to cope with the sovereign debt problems that emerged in the southern Eurozone countries from 2010 onwards and monitor the conditional rescue financing to these countries. It has been accused of following the IFIs conditional model, i.e. exchange of financing for policy reform, however without success, while three decades of IFI lending in developing countries, typically SSA, had provided clear lessons regarding the failure of this conditional lending model. These conditionalities have been said by many studies to have put southern Europe countries in recession and high levels of unemployment (Portugal,
Greece), without addressing the root causes of these countries’ problems, e.g., among other causes, deindustrialisation under global competition and openness of their trade to developing countries with much lower wages and social protection. This pre-eminence of the goal of fiscal discipline has been criticised by defenders of ‘heterodox’ conceptual frameworks, which put forward different causal processes (often inspired by Keynesian economics and focused on demand): in particular, they argue that only economic growth, driven by public investment and industrial policies (and not solely fiscal discipline or calculations of debt sustainability), may solve the problem of public debt and European debt crisis – which may have been caused less by problems of public finances than by the recapitalisation of the banking system (Blyth, 2013) or financial markets’ speculation (Mathieu and Sterdyniak, 2010; 2013). Significantly, an audit of the European Parliament demonstrated the over-optimism of the troika’s economic forecasts, the poor results of policy prescriptions, and also its lack of democratic legitimacy (Karas and Hoang Ngoc, 2014). Within the ‘troika’, the policies recommended by the EU – e.g., fiscal restraint, cuts to public spending, privatisation, liberalisation - have been accused of being even more rigid and oriented towards the bail-out of the European financial system than those of the IMF, and of being more market-oriented than focused on employment and citizens welfare.

The economic models used by the ‘troika’ appeared to be erroneous, which was even revealed by one of its member, the IMF (in particular, the expected ‘multiplier’, Blanchard and Leigh, 2013). The acknowledgement of long lasting unemployment and low growth in the Eurozone has even induced a call for ‘growth-friendly overall fiscal stance for the euro area’ by the governor of the European Central Bank (Draghi, 2014). The EU fiscal rule of a threshold of 3% of GDP as a maximum budget deficit, for example, does not have an undisputable scientific justification. Similarly, while a threshold for debt (60%) is a central element of the conceptual framework and subsequent discipline for EU member states (debt thresholds being also put forward by mainstream economics and by international financial institutions debt sustainability frameworks), it has been shown that such a threshold may not rely on firm scientific grounds. Indeed, it appeared that some of the research on which it was grounded (Reinhart and Rogoff, 2010) was flawed (Herndon et al., 2014).

The ‘troika’ has been also said to weaken democratic local institutions. Governments that implemented labour law reforms under the pressure of the ‘troika’ bypassed parliaments, as in Greece and Italy. In Greece and Portugal, the implementation of the troika’s Memorandum of Understanding to get access to the ‘financial rescue’ took place without the parliament being consulted (Clauwaert and Schömann, 2012) – parliaments becoming ‘vicarious agents of the European Central Bank Governing Council’ (as coined by Sinn, 2014). Similarly, the EU has adopted a model of increasing intrusion in internal policies of member countries with the Growth and

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2 Disagreements of the IMF with the ECB, in particular on debt restructuring for Greece, starting as early as May 2010. See, for example, http://blogs.wsj.com/economics/2013/10/07/imf-document-excerpts-disagreements-revealed/

3 Even for the chief economist of The Economist Intelligence Unit, a ‘fiscal expansion’ is the policy that can address EU’s economic stagnation since the 2008 crisis (4th September 2014).
Stability Pact, i.e. intruding into fiscal policies over and above national parliaments – which is not coherent with the EU as a model of an union of democratic countries, and necessarily erodes this model’s credibility (Sindzingre, 2014a, b). In addition, the actual implementation has witnessed important variations and significant political bargaining with stakeholders and lobbies, and as recurrently mentioned, opacity of decision and even internal contradictions (Hartlapp et al., 2013).

The financial crisis that started in 2008 has accelerated the dismantling of the European social model, with the assumption that the ‘welfare state’ and social policies are no longer viable and that labour market ‘flexibility’ is more efficient. Even if such arguments may have been coherent with fiscal discipline as main goal, they may be viewed as biased, i.e. asserting that unbalances in public finances and fiscal deficits had been created by legal protections for employees and social protection schemes more generally. EU policies have been viewed as increasingly normative, unacceptably intrusive in social policies (requiring radical reforms in key sectors such as labour, wages, health pensions), with the sustainability of public finance having become, after the crisis, preeminent over social objectives, as argued by Degryse et al. (2013).

The EU’s inefficient treatment of the aftermath of the 2008 crisis and the subsequent Eurozone crisis, the reforms of EU governance towards more intrusive and stringent fiscal rules, the criticisms against policies viewed as unable to resume growth, all these elements have accelerated the loss in credibility - credibility being defined as capacity to commit -, and generated some ‘indecipherability’ of the EU political project itself (Degryse, 2012). The credibility of the conceptual framework and policymaking of the EU has eroded not only for internal public opinions but outside the EU for many developing countries’ governments that seek to enhance their regional integration, as doubts could emerge regarding the developmental dimension of its policies and its objectives of promoting growth and welfare for its member states.

Regarding EU trade policies, they have relied on an organisational architecture that has also become increasingly questioned by European public opinions, for example external trade policy as a competence of the Commission. Equally, the conceptual framework that underlies these policies, in particular the assertion that ‘trade liberalisation is good for growth’- within a regional trade agreement or between trade blocs –, has also been subject to criticisms and has therefore generated problems of policy credibility. It may be noted that it is typically a ‘Washington consensus’ type of assumption, defended, e.g., by World Bank research (Dollar and Kraay, 2001). The World Bank indeed explicitly argues that the enhancement of competitiveness is crucial for developing countries growth. In SSA countries (and those relying on the export of primary commodities), the policy that is said to best

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4 For example for ‘mega’-agreements such as the Transatlantic Trade and Investment Partnership (TTIP).
5 The World Bank has put forward an Agenda and newsletter on the theme of ‘Trade and Competitiveness’: see, e.g., http://blogs.worldbank.org/trade/competitiveness-key-trade-and-development-africa
improve competitiveness is, as has been argued, e.g., for a copper-based economy such as Zambia, an ‘aggressive reduction’ in the fiscal deficit, which includes ‘agricultural subsidies, fuel subsidies, the wage bill, and public investment’, along with the reduction of the costs of crossing borders and regulatory costs (World Bank, 2014). Indeed, as mentioned above, it may be argued that external trade may have a positive impact on growth and welfare; similarly, several studies have pointed out that low-income countries, and especially SSA, exhibit the highest trade costs compared to all other groups of countries (Arvis et al., 2013). It has also been shown that poor infrastructure and high transaction costs for trade and transportation are also detrimental to trade diversification and therefore growth (Hummels, 2007), and in particular in SSA where transportation costs are among the highest in the world (Portugal-Perez and Wilson, 2008; Freund and Rocha, 2009).

The theoretical causal assertion that trade liberalisation per se is beneficial to growth, however, is not substantiated either by theory or empirical observation (Rodriguez, 2006). The World Bank studies asserting an ex ante causation between trade openness and growth have been subject to criticisms even within the World Bank (in an internal evaluation, Deaton et al., 2006). At the empirical level, the analysis of historical data does not confirm such a correlation, which strongly depends on other determinants and must be put in broader contexts. For example, in Latin America, despite high level of protection, the period in the 20th century preceding the WWI witnessed high growth rates, while Asia had the worst growth performance despite low tariff barriers. Historical data show that high tariffs were associated with high growth before the WWII, and an opposite relationship prevailed afterwards (Clemens and Williamson, 2002a, b).

Economic theory argues that structural change, notably industrialisation, is the key route towards long-term growth (Hausmann and Rodrik, 2006; Rodrik, 2009). Protection may be necessary for infant industries – and even more so in developing countries, as was shown by the 19th century economist Frederick List (Shafaeddin, 2000). The exclusive focus on competitiveness and disqualification of industrial policies and state aid by the Commission is a risk for EU economies as, in the context of GVCs, it is an incentive to outsourcing and may destroy EU industries - indeed such policies have not been implemented in other parts of the world, including in the EU’s main competitors, the US and China. As is well-known, the spectacular growth in East Asian developmental states, and notably in China, has been based on state intervention, public support of targeted sectors, ‘distortions’, selective protection, industrial policies, ‘picking winners’, building industrial champions, regulation of foreign direct investment (Wade, 1990; Evans, 1995; Huff et al., 2001; Aoki et al., 1996; Kohli, 2004) and they have laid the bases of alternative conceptual frameworks and policies. The apparently beneficial character of competitiveness has been unable to protect the EU from the 2008 crisis and appears also unable to replace member countries back on the path of employment and long-term growth.

In developing countries in particular, trade policies may have limited efficiency, especially in countries that rely on the export of primary commodities (Rodrik, 1992). Growth, as well as policy change, in commodity-based economies is deeply
influenced by the movement of international prices, as in an export structure dominated by commodities, incentives are provided by international prices more than trade policies (e.g., the high price of oil is typically an incentive for an exporting country to remain an oil exporter) while policies that liberalise trade between developed and developing counties may destroy local industries because the latter cannot be competitive. Here the growth episode of many SSA countries since the mid-2000s, which has been driven by the boom in international commodity prices stemming from emerging countries’ demand (mainly China), has also contributed to the erosion of the EU and its policy choices as a model of development.

Growth is strongly determined by the export structure, and many studies have shown that whatever the trade policy - the trade policy implemented by a country or by its trade partners -, commodity-based economies suffer from lesser growth over the long-term. Among many factors, they are indeed more exposed to terms of trade shocks and fiscal shocks stemming from the inherent volatility of commodity prices (Maizels, 1994; Nissanke, 2011). This has been shown at a historical scale: in the 19th century terms of trade volatility was much greater in the ‘poor periphery’ than in the ‘core’, which explains the process of divergence that started then between developed and developing regions (Blattman et al., 2004; Williamson, 2008). At a historical scale, ‘poor periphery’ industrialisation from 1870 onwards is better explained by real exchange rates and changes in commodities-manufactures terms of trade than by tariff policies – as a fall in the relative price of primary products implies a rise in the relative price of manufactures, and is thus a stimulus to manufacturing (Williamson, 2011). An increase in the relative price of commodities is for a country an incentive for remaining in a commodity-based export structure. Indeed, the fact that economies are based on commodities makes structural change more difficult (McMillan et al., 2014).

In addition, regarding regional arrangements that liberalise trade, e.g. preferential or free trade arrangements, the canonical theory of Viner (1950) has demonstrated that regional trade integration is not beneficial in all contexts, and that it strongly depends on whether or not the regional trade arrangement induces trade creation or trade diversion. Such impacts of trade creation vs. trade diversion depend on many factors, for example export structure, geography, comparative advantage and the like. As explained by Mayda and Steinberg (2006), preferential trade liberalisation can induce the replacement of high-cost domestic production with low-cost imports from member countries - i.e., trade creation - or the substitution of low-cost imports from non-member countries with less efficient imports from member countries - i.e., trade diversion.

The choices of such an economic conceptual framework, and the policies that stemmed from it, have made that in fine the credibility of the EU as a model of successful integration is questioned, with the mixed results of the European elections in 2014 having been a signal. As coined by an economic historian such as O’Rourke (2014), ‘Europe is now defined by the constraints it imposes on governments, not by the possibilities it affords them to improve the lives of their people’. Even within think-tanks that are close to the EU, there are voices
underscoring that the Commission is characterised by problems of ‘efficiency’ and ‘accountability’, and that it should enhance its ‘legitimacy’ (Defraigne, 2014). Mainstream economists have also expressed their worries (Defraigne et al., 2013).

The crisis of what has become the conceptual assumptions of the model and causalities on which the EU relies since the late 1990s has contaminated the entire model, i.e. institutions, arrangements and policies, and makes that it is no longer an incontestable model for regional arrangements in other parts of the world, notably in developing countries.

**The European Union as a trade partner for Sub-Saharan Africa: the questioning of the efficiency of its policies**

The EU has adhered in the late 2000s to the above-mentioned theoretical framework in its trade relationships with developing countries, in particular that of growth being an outcome of trade liberalisation. It is argued that this has not only weakened the credibility of the EU as a model of a developmental regional integration, but also weakened the economic efficiency of EU trade policies – and, in turn, the credibility for SSA countries of the assertion by the EU that its trade policies could be a tool of development. This argument is examined via the example of the Economic Partnership Agreements (EPAs).

**The unbalanced export structure of Sub-Saharan African countries: the relevance of a conceptual framework promoting trade liberalisation?**

Before the examination of the trade relationships of the EU with SSA, the key characteristics of the trade pattern of SSA economies must be underscored, i.e. whatever the trade partner, an export structure that is based on the export of primary commodities (Sindzingre, 2012a), with an increasing share of fuels, and limited industrial sectors.

![Figure 1: Sub-Saharan Africa, composition of exports to the world, 1995-2013](http://unctadstat.unctad.org)  
*Source: http://unctadstat.unctad.org, August 2014.*
This distorted export structure, which is based on primary commodities with low value-added, has resulted in a decrease in the share of SSA exports in world exports. This share follows the evolution of commodity prices, and indeed has improved with the increase in commodity prices from the early-2000s onwards. This illustrates the limited impact of trade policies on the share of SSA in world exports, and in particular of trade liberalisation.

Figure 2: Sub-Saharan Africa’s share in world exports and commodity prices (2000=100), 1960-2013


Regarding the destination of SSA exports, the EU remains a crucial trade partner of SSA, together with the United States. The share of trade with the EU, however, is declining and China has become an increasingly important partner. Yet trade with China does not induce any structural change in the commodity-based export pattern, as China trade with SSA is mostly based on the import of commodities from SSA, and especially oil (Sindzingre, 2013b; Taylor, 2014). This is also the case of India and Brazil (the so-called ‘BRICs’). These evolutions represent more players for SSA countries, however, while China also invests in SSA industrial sectors (Milelli and Sindzingre, 2013). These global changes question the relevance of the ACP-EU cooperation framework (Carbone, 2013; Pape, 2013). They also make the need of trade arrangements with the EU less strategic for some SSA countries.

There are important variations across SSA countries: the EU and its member countries remain the first export destination in many SSA countries (e.g., Cameroon), while in other SSA countries, the US or China are the first destination (e.g., oil countries such as Nigeria –with the US- or Angola – with China).
Equally, an important characteristic of SSA countries is the reliance of public revenue on the taxation of external trade, a consequence being that trade liberalisation may lead to a reduction in revenue and have a significant fiscal cost (Zafar, 2005) – which has been recognised by the IMF (Baunsgaard and Keen, 2005; Keen and Mansour, 2009). SSA countries are indeed characterised by a revenue structure that is typical of low-income countries, i.e. a very low tax ratio (the so-called ‘Wagner’s law’), and within this low tax base, a dependence on ‘easy-to-collect’ revenue, especially tariff revenue (Aizenman and Jinjarak, 2006).
The EU model is also eroding as a model of efficient trade relationships, i.e. which are developmental vis-à-vis SSA as a partner in the relationship. This may be illustrated by EU trade relationships with the LDCs and those with the ACP countries.

The EU’s Generalised Scheme of Preferences (GSP) allows developing country exporters to pay lower duties, or not at all, on most of their exports to the EU. EU trade relationships with the 48 Least Developed Countries (LDCs) – which include 34 SSA countries - still follow a model of preferential arrangements, with the objective of enhancing the development of this category of countries. The EU-GSP for LDCs ‘Everything but Arms’ (EBA) initiative grants duty-free and quota-free access to all products, except for arms and ammunitions. For example, the ECOWAS countries, apart from Nigeria, Ghana and Ivory Coast are classified as LDCs and thus can already export anything but weapons to Europe, without exposure to tariffs or quotas. For the non-LDC countries, the EU trade relationships are governed by the standard GSP arrangement, which offers tariff reductions to developing countries, and the ‘GSP+’ enhanced preferences, which mean full removal of tariffs on the same product categories as those covered by the standard arrangement and are granted to countries that implement international conventions relating to human and labour rights, environment and good governance.

The GSP and GSP+ may not have fully delivered the promises of development that were their initial objectives, however, and their performance remain disappointing, with the under-utilisation of preferences being an important issue (Candau and Jean, 2005). Many EU imports face no tariff even outside the scheme and not all goods are covered, and therefore the standard GSP provides lower tariffs on a limited percentage of the beneficiaries’ exports (Stevens et al., 2011). Most LDCs and ACPs countries, including those of SSA, remain dependent on commodities and exhibit narrow industrial bases. Equally, the preferential schemes exemplified by the various Lomé Conventions (1975-1999) and the Cotonou Agreement (2000) have not delivered the promises of development that were claimed by the arrangements (or similarly the promises of export diversification or industrialisation).

The second step of the argument is that the increasing adherence to the theoretical assumptions and the associated policy choices – that trade liberalisation ex ante fosters growth - have been central in the evolution of the external trade relationships of the EU with developing countries. These theoretical assumptions and subsequent policy choices have contributed to the erosion of the efficiency of EU trade agreements with SSA, because the key problem of these countries is their distorted export structures based on commodities, the root causes of which are not frontally addressed by the trade arrangements proposed by the EU. Instead, the conceptual framework has followed ‘Washington consensus’-types of assumptions on the ex ante benefits of trade liberalisation.

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7 http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences/
The causality trade openness-growth does not hold, however, across space and time. In particular it may not be valid in countries where export structure is characterised by a dominant share of commodities and fragile industrial sectors, where trade openness has little impact on the change of the export structure and therefore may not foster industrialisation (or even destabilise existing industrial sectors). This has been the case, for example, for the textiles sector in SSA – though this sector is a key step in industrialisation – and confirmed by the decline of SSA textile sectors after the end of the Multifibre agreement in 2005 and of its quotas (Collier and Venables, 2007; Kaplinsky and Morris, 2008; 2009; Rotunno et al., 2013). The Cotonou Agreement’s successor, the Economic Partnership Agreements (EPAs), have indeed met with mixed success.

An example: the mixed developmental impacts of the Economic Partnership Agreements

The context of trade arrangements with SSA such as the EPAs is characterised by the existence in SSA of a great number of regional groupings, which overlap and also form a ‘spaghetti bowl’ (see annexes 4 and 5), with some regional communities being free trade areas and other customs unions. For example, Southern African Development Community (SADC) trade integration is challenged by overlapping membership of several of its member states with other arrangements (COMESA, EAC, SACU and ECCAS) (UNECA, 2012, box 1.7).

A second important point is the very low level of SSA intra-regional trade, SSA trade being mainly directed toward industrialised countries (Jordaan, 2014), in contrast with the EU, where two-third of total exports are intra-regional (see annex 6). Debates are ongoing as to whether this low level is below expectation, given the many obstacles to regional trade, such as poor infrastructure (Coulibaly and Fontagné, 2006) or ‘informal’ barriers (e.g., checkpoints).

Indeed, the many SSA regional groupings are affected by the fact that a substantial share of their exports is made of primary commodities. SSA regional groupings therefore gather economies that are vulnerable to terms of trade shocks and do not exhibit the complementarities that could reinforce these groupings. Complementarities are limited between, e.g., two ECOWAS members such as Ghana, where exports are concentrated in three products (gold, cocoa and oil) (IMF, 2014a), and Ivory Coast, where cocoa and oil constitute half of total exports (IMF, 2014b). Moreover, intra-SSA trade is dominated by fuels – however followed by manufactured products (see annex 7). The EU cannot be a model here, with most of its trade being not only intra-EU trade but also intra-industry trade (see annex 8).

Regional arrangements in SSA have faced the classical obstacles of being challenged by local political economy, i.e. the divergent interests of political rulers and of commodity-based, non-complementary economies. A regional trade arrangement inherently induces relocation effects: in particular, it may displace industries within the arrangement’s member countries depending on the member countries’ comparative advantage, relative to one another and to the rest of the world.
EU and SSA trade relations

(Venables, 2003). An example is the East African Community (EAC), which in its first form collapsed in 1977 as industries moved from Uganda and Tanzania to Kenya, which enhanced its position as the industrial centre of the EAC Common Market (Venables, 1999). In addition, there is a wide variation across existing regional arrangements in SSA in terms of economic performance. For example, the WAEMU is often said to suffer from its peg to the euro and overvaluation of the CFA Franc, while the ‘new’ EAC is said to be more successful than other regions (McAuliffe et al., 2012; Gigineishvili et al., 2014).

In this context, the EPAs have been devised in 2007 for the African, Caribbean and Pacific (ACP) countries, in order to reformulate the trade preferences given to the ACP countries under the Cotonou Agreement and the previous Lomé Conventions, and replace the Cotonou Agreement, which was no longer compatible with WTO regulations, and with its trade provisions expiring on the 31st December 2007. In contrast with the unilateral preferential arrangements and non-reciprocal duty-free market access granted to ACP countries devised by the Lomé Conventions, the EPAs institute reciprocal trade liberalisation between the EU and the ACP countries for trade in goods\(^8\) - at least 80% of the trade of the partners of an EPA. Among the overarching objectives of EPAs are the fostering of development of ACP countries and the enhancing of ACPs regional integration. This is why EPAs are signed with regional groupings that are more or less based on existing regional arrangements (e.g., ‘West Africa’ being based on ECOWAS plus Mauritania), i.e., in SSA, 5 groupings: West Africa, Central Africa, Eastern and South Africa (ESA), the Eastern African Community (EAC) and the South Africa Development Community (SADC) (see annex 9).

The EPAs were inspired by the broader theoretical framework that underlies the assumption that free trade is ex ante beneficial to growth. It is argued that this reliance on frameworks and policies that suffer from limited credibility has been a key factor of EPAs’ limited efficiency (Sindzingre, 2012b). Indeed, the conceptual framework underlying the EPAs, i.e. the benefits of reciprocal free trade between the EU and SSA regional groupings, has been subject to wide criticisms. As highlighted above, the EPAs’ conceptual framework - free trade is beneficial to growth – has not been fully demonstrated. Several studies have shown that the impacts of EPAs will be mixed (most studies relying on modelling, with its limitations, as EPAs have not been fully implemented and the observation period is very short). The model of free trade proposed for the EPAs does not modify the existing commodity-based export structure of SSA countries, and it also prevents the possibility for them to implement protection policies in the context of obvious asymmetry between the export composition and capacity of EU and SSA economies – the EU free trade agenda being also a possible expression of a convergence between the EU’s ‘commercial’ and ‘development’ trade strategies (Heron and Siles-Brügge, 2012). In this regard, though EPAs have the goal of promoting development their inherent asymmetry may destabilise the foundations of an industrialisation-based development in SSA countries.

Impacts of EPAs obviously vary according to the export structures of SSA countries – which share, however, the commonality of a distorted export pattern with a high proportion of primary commodities and limited industrialisation. Indeed, studies have revealed that, in some cases, the SSA country could benefit from reciprocal free trade (e.g., for animal agriculture in the SADC, Keck and Piermartini, 2008, or for fish industries, Ponte et al., 2007). For most countries, however, the implementation of an EPA results in revenue losses (Perez and Njununa-Karingi, 2007; Zouhon-bi et al., 2007; Fontagné et al., 2011; Bilal et al., 2012; Keane, 2014b). The removal of tariffs on EU imports under an EPA regime is indeed particularly challenging for SSA countries, due to the dependence of their revenue structure on the taxation of external trade.

Moreover, beyond its conceptual framework, it is also the credibility of the EU’s commitment to free trade with SSA that may also be viewed as limited: the EU focuses on tariffs, but it does not recognise that its agricultural subsidies are highly distorting EU–SSA trade (Huliaras, 2009).

Similarly EPAs have the promotion of regional integration as an objective. Contexts matter, however, and may create opposite impacts – e.g., stemming from local political economy, Viner’s trade diversion-creation effects and the new context of an international trade that is governed by GVCs and multinational firms. Reciprocity and the removal of external tariff protection vis-à-vis European exporters may threaten regional suppliers and SSA regional groupings may benefit from EPAs only if products traded within the region are treated as sensitive and excluded from the EPA (Milner et al., 2011).

The implementation of the EPAs was confronted with several constraints, including the ‘spaghetti bowl’ of overlapping existing arrangements in SSA, which has led to tensions within groupings. This has been intensified by the heterogeneity of the interests of the member economies, which do not have the same interests regarding the liberalisation of their trade with the EU as they export different products to the EU and want to protect different types of ‘sensitive’ sectors from EU imports. EPAs were also confronted with the EU own ‘spaghetti bowl’ as the EU offers preferences (duty-free access) to the distinct group of countries of LDCs, the interest of SSA individual LDCs in an EPA thus being limited (see annex 9). For example, as acknowledged by the Commission, the Interim EPA involving the Eastern and Southern Africa (ESA) refers to ‘a diverse EPA group including Indian Ocean islands (Comoros, Madagascar, Mauritius and Seychelles), countries of the Horn of Africa (Djibouti, Ethiopia, Eritrea and Sudan) and some countries of Southern Africa (Malawi, Zambia and Zimbabwe)’. The original ESA group at the start of the EPA negotiating process also included the Eastern African Community (EAC) states of Burundi, Kenya, Rwanda, Tanzania and Uganda: the latter, however, formed in 2007 a separate interim EPA based on newly formed EAC customs union. At the end of 2007, six states in the ESA region (Comoros, Madagascar, Mauritius, Seychelles, Zambia and Zimbabwe) concluded an interim EPA with the EU. As underscored by the DG Trade, ESA countries could not make a common regional market access offer
and each country presented an individual offer based on its specificities, and excluded different EU imports from liberalisation (EU-DG Trade, 2014a).

The process of negotiating and signing EPAs therefore met with significant resistance on the side of SSA governments, in a context of the threat for these governments that non-acceptance would expose their own exporters to losses – e.g., as they would benefit only from the unilaterally set GSP. Among other examples, at the EU-SSA summit of 2nd-3rd April 2014 a leader from ECOWAS complained that free trade would only result in a flow of EU products in weaker SSA economies and prevent these countries’ industrialisation, and that SSA countries wish to develop and protect infant industries, and industrialise as did other countries in the world\(^9\).

EPAs thus suffered important delays and the process has taken much longer than expected, notably leading to the bilateral initiating of ‘interim EPAs’ with individual countries that act separately from the grouping to which they belong (e.g., in Central Africa, Cameroon in 2007\(^10\), or in West Africa, Ivory Coast and Ghana in 2007, or in Eastern and Southern Africa, Madagascar, Mauritius, Seychelles and Zimbabwe in 2009\(^11\)). For example, the interim EPA was signed by the EU and Cameroon on the 15th January 2009, Cameroon ratified on the 25th July 2014 the EPA, which entered into application on the 4th August 2014\(^12\). This has contributed to the increased complexity of the situation regarding the initial objective of the EPAs as free trade agreements involving existing regional groupings, which would have also reinforced the process of regionalisation. Indeed, trade arrangements governing trade between EU and SSA - EPAs, EBA, GSP – are exposed to inconsistencies and may in fact result in obstacles to the building of regional markets, as cumulation among regimes remain difficult (Ramdoo, 2014). The EU has put forward the argument that it is the most achieved model of regional integration and that it has the aim of reinforcing regional groupings: EPAs, however, may not have contributed to the strengthening of these groupings. In addition, in destabilising fragile local industries and strengthening the long-lasting trade pattern of SSA countries trading more with the ‘North’ than between themselves (exporting commodities and importing manufactured products from the ‘North’), the adherence by the EU to a theoretical framework that value trade liberalisation has prevented SSA regional groupings to achieve what is a key successful outcome of the EU, i.e. the very high level of its intra-regional trade.

As the EPAs involve policy issues and complex negotiations, the landscape is constantly changing. In particular, after a long process of negotiations (negotiations with West Africa started in October 2003), the 16 West Africa’s states finally signed the EPA with the EU in July 2014. The EU had to show greater flexibility, though at the same time it imposed a deadline (October 2014) (Bilal, 2014). Significantly, as stated by the Commission, ‘the agreement fully takes into account the differences in the level of development between the two regions. The EU will provide West African

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\(^9\) Mahamadou Issoufou, President of Niger, interview at RFI, 2\(^{nd}\) April 2014.
firms with conditions that are more advantageous than those that apply to European exports to Africa’. The irrelevance of free trade between SSA regions and the EU is in fact explicitly recognised, as the EU will open its market to all West African products and, in exchange, accepts a partial and gradual opening of the West African market. West African states are allowed to continue to protect their ‘sensitive agricultural products’ from European competition via tariffs in place or safeguard measures (EU-DG Trade, 2014b). Equally, the Southern African Development Community (SADC) EPA group (Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland) finally signed an EPA with the EU also in July 2014, after ten years of negotiations\(^\text{13}\): similarly, the EU acknowledged the ‘differences in the level of development between the EU and its African partners’, and the SADC countries can continue to protect their sensitive sectors from EU products in their domestic market, as well as invoking safeguards (DG-Trade, 2014c). The East Africa Community (EAC) countries seem to be more hesitant vis-à-vis a trade deal guaranteeing the EU preferential market access in a region that increasingly trades with other powers, in particular China\(^\text{14}\).

The EU has made policy choices regarding its trade policies towards developing countries, which appear to be inefficient as tools for these countries’ growth. EPAs claimed to have development as an overarching objective. The long process that is still ongoing shows that this objective may not have been fulfilled. Such erosion of efficiency has in fine eroded the legitimacy of the EU, its model and policies. Both processes – eroding credibility and efficiency –, of both the model and policies, have retroacted on each other.

Conclusion

Credibility and efficiency are different concepts in economic theory, credibility qualifying, for example, the truth or the coherence of a set of concepts, or the degree of commitment of a promise, and efficiency qualifying the adequacy of means to objectives. The paper has argued, however, that in an international organisation the credibility of the conceptual framework on which it relies and the efficiency of its policies are linked, as even if policies are never the direct translation of the theories such organisation put forward, notably due to the political economy dimension of any international organisation (internal and that of member states), policies reflect these theories.

The paper has thus underscored that the conceptual framework of the EU has increasingly been affected by problems of credibility, and the policies that this framework has underlain have been affected by problems of efficiency, which appear in the mixed successes of the EU policies in solving the consequences of the 2008 crisis. The paper has shown that an important dimension of the conceptual framework, i.e. theories of trade, trade policies and ex ante assumptions on their effects (e.g., the benefits of trade liberalisation for development, and also for the strengthening of regionalisation), illustrates the same linkages between theory


\(^{14}\) EU seals free trade deal with West Africa, Euractiv, 5 February 2014. [http://www.euractiv.com](http://www.euractiv.com)
credibility and policy efficiency. The example of the trade policies devised by the EU with Sub-Saharan Africa, in particular the Economic Partnership Agreements, are an example where the adoption of a causal framework that has weak theoretical and empirical foundations has resulted in limited efficiency regarding the policies that have been implemented.

Regarding the Economic Partnership Agreements, however, policies effectively implemented have evolved over time and, after almost a decade of negotiations, they have shown flexibility vis-à-vis their initial objectives, such as, e.g., reciprocal free trade. This may pave the way for more adaptive theories and policies, and for more positive developments in the future.
References


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Annexes

1. Regional trade arrangements (RTAs) and types of trade liberalisation

Following WTO convention, the term regional trade agreement encompasses both reciprocal bilateral free trade or customs areas and multicountry (plurilateral) agreements. Regional and bilateral trade agreements provide for one type of trade liberalisation, and they must be seen in a broader context of alternative methods of liberalisation. Members of RTAs liberalise trade on a reciprocal and preferential basis. While programs such as the U.S. African Growth and Opportunity Act (AGOA) and the EU’s Everything But Arms (EBA) also liberalise trade preferentially (i.e., different trade partners receive different treatment), the United States and EU extend these preferences unilaterally rather than reciprocally. In contrast to both of these types of preferential liberalisation, countries often lower trade barriers in a non-discriminatory fashion for all trade partners. They might do so multilaterally—through GATT/WTO negotiating rounds—or autonomously (...).

The matrix below illustrates this taxonomy of liberalization methods. RTAs are commonly divided into several basic categories, according the degree of economic integration they provide. The canonical taxonomy of RTAs contains the following four levels of integration:

1. In a **Free Trade Area**, members eliminate barriers to trade in goods (and increasingly services) among members, but each member is free to maintain different MFN barriers on non-members. This latter characteristic requires members to develop rules of origin to prevent imports from third countries from being transshipped through the member country with the lowest tariffs.

2. A **Customs Union** moves beyond a free trade area by establishing a common external tariff on all trade between members and non-members. Customs unions typically contain mechanisms to redistribute tariff revenue among members.

3. A **Common Market** deepens a customs union by providing for the free flow of factors of production (labor and capital) in addition to the free flow of outputs.

4. In an **Economic and Monetary Union**, members share a common currency and macroeconomic policies.

### Method of implementation of trade liberalisation

<table>
<thead>
<tr>
<th>Scope of beneficiaries</th>
<th>Reciprocal</th>
<th>Unilateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferential (selected countries)</td>
<td>NAFTA, EU, COMESA, GSP, AGOA, EBA</td>
<td>GATT/WTO multilateral agreements</td>
</tr>
<tr>
<td>Non-discriminatory (MFN): all countries</td>
<td>EPAs, other RTAs</td>
<td>Cotonou</td>
</tr>
</tbody>
</table>

2. The increase in regional trade agreements

Regional trade agreements (RTAs) have become increasingly prevalent since the early 1990s. As of 15 June 2014, some 585 notifications of RTAs (counting goods, services and accessions separately) had been received by the GATT/WTO. Of these, 379 were in force. What all RTAs in the WTO have in common is that they are reciprocal trade agreements between two or more partners.

Examples of regional trade agreements:

- The European Union,
- The European Free Trade Association (EFTA),
- The North American Free Trade Agreement (NAFTA),
- The Southern Common Market (MERCOSUR),
- The Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA), and
- The Common Market of Eastern and Southern Africa (COMESA).

Source: WTO website. [http://www.wto.org/english/tratop_e/region_e/region_e.htm](http://www.wto.org/english/tratop_e/region_e/region_e.htm)

Evolution of Regional Trade Agreements in the world, 1948-2014: RTAs notified to the GATT/WTO (1948-2014), including inactive RTAs, by year of entry into force.

3. The complexities of European integration

Source: Moghadam (2014).
4. African regional economic communities

<table>
<thead>
<tr>
<th>Regional economic community</th>
<th>Type</th>
<th>Member countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arab Maghreb Union (UMA)</td>
<td>Free trade area</td>
<td>Algeria, Libya, Mauritania, Morocco and Tunisia</td>
</tr>
<tr>
<td>Common Market for Eastern and Southern Africa (COMESA)</td>
<td>Free trade area</td>
<td>Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe</td>
</tr>
<tr>
<td>Community of Sahel-Saharan States (CEN-SAD)</td>
<td>Free trade area</td>
<td>Benin, Burkina Faso, Central African Republic, Chad, Ivory Coast, Djibouti, Egypt, Eritrea, Gambia, Libya, Mali, Morocco, Niger, Nigeria, Senegal, Somalia, Sudan, Togo, Tunisia, Guinea-Bissau, Liberia, Ghana, Sierra Leone, Comoros, Guinea, Kenya, Mauritania, Sao Tome</td>
</tr>
<tr>
<td>Economic Community of Central African States (ECCAS)</td>
<td>Free trade area</td>
<td>Angola, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Sao Tome and Principe</td>
</tr>
<tr>
<td>Economic Community of West African States (ECOWAS)</td>
<td>Free trade area</td>
<td>Benin, Burkina Faso, Cape Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.</td>
</tr>
<tr>
<td>Inter-Governmental Authority on Development (IGAD)</td>
<td>Free trade area</td>
<td>Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, Uganda and Tanzania</td>
</tr>
<tr>
<td>Southern African Development Community (SADC)</td>
<td>Free trade area</td>
<td>Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe</td>
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<td>Economic and Monetary Community of Central Africa (CEMAC)</td>
<td>Customs union</td>
<td>Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon</td>
</tr>
<tr>
<td>East African Community (EAC)</td>
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<td>Southern African Customs Union (SACU)</td>
<td>Customs union</td>
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<td>Customs union</td>
<td>Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal, Togo</td>
</tr>
</tbody>
</table>

Source: Jordaan (2014).
5. Regional arrangements in Africa

Note: AMU, Arab Maghreb Union; CEMAC, Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l’Afrique Centrale); COMESA, Common Market for Eastern and Southern Africa; EAC, East African Community; ECOWAS, Economic Community of West African States; EFTA, European Free Trade Association; EU, European Union; GCC, Gulf Cooperation Council; Mercosur, Southern Cone Common Market; PAFTA, Pan-Arab Free Trade Area; SACU, Southern African Customs Union; SADC, Southern African Development Community; WAEMU/UEMOA, West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine.
6. Intraregional imports and exports, 1996-2011 (percentage of total exports or imports)

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<td>10.9</td>
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<td>20.6</td>
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</tbody>
</table>


7. Structure of intra-African trade, 2010 (horizontal axis, percentage)

8. Trade concentration

Intra-industry trade is highest in the developed world, but close to zero in Africa and Central Asia, Caucasus, and Turkey (Grubel-Lloyd intra-regional trade index)

Source: Deichmann and Gill (2008).

Note: The Grubel-Lloyd index is the fraction of total trade that is accounted for by intra-industry trade. Data for Southern Africa; Central Asia, Caucasus, and Turkey; and Australia and New Zealand are incomplete or not available.
9. The Africa, Caribbean, Pacific (ACP) countries and groupings

<table>
<thead>
<tr>
<th>WEST AFRICA</th>
<th>EAST AFRICAN COMMUNITY (EAC)</th>
<th>PACIFIC</th>
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<tbody>
<tr>
<td>Benin</td>
<td>Madagascar</td>
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<td>Mauritius</td>
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In italics: Sub-Saharan African LDCs.
South Sudan is an LDC, but was not included in this list.
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