EU TRADE POLICY AFFECTS VULNERABLE COUNTRIES

Freedom of Trade

The forthcoming changes to the European Union's trade policy could have far-reaching consequences for the very poorest countries, which will now be required to open their borders to products from the EU. 'The EU should make sure the economies of these countries are not disrupted.' **TEXT** RENÉ DIDDE **ILLUSTRATION** RHONALD BLOMMESTIJN

After ten years of negotiations, the overhauled European Union Trade Policy comes into force on 1 January 2014. Following instructions from the World Trade Organization (WTO) the EU will from now on be aiming at a globally operating market with as few protectionist measures as possible. But the WTO also stipulates that world trade should not hamper the economies of developing countries. Several developing countries will lose their current advantage on the European market, says development economist Siemen van Berkum of LEI Wageningen UR in The Hague. He explains the trade policy, which is incomprehensible to the uninitiated. 'Normally countries pay import duty to the tune of, let's say, 10 percent in order to be allowed to import their goods into the EU. The 'general system of preferences' (GSP) gives developing countries a discount on this, so they only have to pay, say, 5 percent import duty.'

On top of this, countries which can prove that they have paid extra attention to human rights, labour relations or environmental protection gain an additional advantage. Van Berkum: 'These GSP+ countries, as they are called, pay only 2.5 percent import duty.' He hastens to add that these percentages are pure fabrications and that the real figures also vary from product to product. Not to mention the inevitable long list of exceptions. 'Bananas from Cuba, for instance, come under the 2.5 percent rate, but cane sugar doesn't because that is a sensitive and strategic agricultural product for the EU.'

NO ARMS

Then there are the world's poorest countries to consider. There are 49 of these 'EBA countries'. 'They pay zero percent import duty and there are no financial restrictions on their sales of goods – with the exception >

of arms – on the European market,' explains Van Berkum.

The lists of countries in all these categories are being pruned. Countries such as Russia, South Africa, Argentina, Brazil, and oil states such as Saudi Arabia, Kuwait, Qatar and Brunei, have developing country status and come under the GSP ruling. 'The EU is now saying – not without justification – that in 2013 these countries are fully-fledged players on the world market. In the interests of a level playing field, they should pay EU import duty in full from now on.'

Other adjustments are of a more bureaucratic nature. Some countries such as Nicaragua come under more than one category. Nicaragua is an EBA country, paying zero percent duty, but the EU has also made a free trade agreement with it, says Van Berkum. This kind of duplication is going to be eliminated. 'That is also going to happen for the 'overseas territories' of EU countries such as France (with a whole bunch of islands such as Martinique), UK (Gibraltar) or the Netherlands (the former Dutch Antilles), which already have access to the EU anyway through their 'mother country'.'

OPENING UP BORDERS

The rationalizing of lists and elimination of duplicate privileges is more than just a logical update to keep up with the times. There is a catch to it, says LEI expert Van Berkum. The EU has proposed to the ACP (African, Caribbean and Pacific) countries that they need not pay duty anymore, but in exchange for this they are expected to stop charging duty on EU products crossing their borders too.

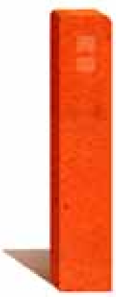
'A lot of the poor countries were former colonies of an EU member state and were therefore already in the zero percent category,' says Van Berkum. So as far as exports are concerned, these countries do not stand to gain anything from the proposal, as they already had access to Europe, while now they have to open their borders to super-efficiently produced goods from Europe without gaining anything in import duty.'

For consumers in most of these ACP countries, such as Surinam, the new measure will probably not work out too badly at first, Van Berkum thinks. 'After all, there will be more choice on the market, including new products. The increase in competition with local products will probably lead to lower prices and better quality.' However, Van Berkum hastens to add that the new regulations pose great dangers as well. 'Local producers might as well give up in the face of their European competitors, who are much better equipped. Take frozen meat products such as chicken, for example, long-life dairy products or milk powder, and even non-perishable consumer goods such as coffee cups, plastic crates or matches. All in all, the economies of these already vulnerable countries could be seriously disrupted.'

TECHNICAL AID

The LEI economist advises the EU to keep a close eye on how this pans out. 'The EU announced that the introduction of the new trade policy would be combined with technical aid to help the countries make production more efficient.' But he wonders whether this will be enough. 'Something else the EU could do would be to make investment loans available so that countries can make big technical advances. Or they could help improve the provision of technical and ag-

‘The EU wants developing countries to open up their borders’



ricultural education.’
It is even more important, in Van Berkum’s view, to put these countries in a position to start exporting too. ‘In view of their zero rating for EU duties they ought to be capable of that already. However there are plenty of other rules and regulations besides the duties. An example would be the stipulation that tomatoes exported to the EU are not allowed to contain certain pesticides, while meat is not allowed to have been treated with certain hormones or antibiotics. Then there are rules about not infringing human rights and about minimum requirements for labour conditions. In themselves these are all highly praiseworthy goals but they do stand in the way of developing countries seeking access to the European market. Europe should help these countries to meet these standards.’

FROZEN DRUMSTICKS

Political scientist Bertram Zagema at Oxfam Novib is following the EU trade policy from a distance. ‘The new policy could certainly have a disruptive effect,’ he says in support of Van Berkum’s argument. ‘One of the things you see is that frozen drumsticks and chicken wings from Europe are going to Africa for next to nothing. A European trader can make a bit from them and in Africa a distribution network grows up around the importer. That has advantages for the importer but local chicken producers will suffer as a result.’
The worst of it is, says Zagema, that the local producers cannot appeal to their government to protect local production with import duties, since it has signed a trade agreement with Europe.
Zagema points out two more significant disadvantages. ‘If the EU gets duty free access to African markets, for instance, then those countries no longer get import duty revenues from EU exporters. And there goes a major source of income for the country. What is more, Zagema predicts that the new trade policy will create tensions between countries, especially in Africa. Economically more powerful countries such as Kenya stand to gain from a new treaty because they will no longer have to pay EU import duties. But Kenya’s weaker neighbours, Tanzania, Uganda, Burundi and Rwanda, were already able to export their goods duty-free under the EBA and have nothing to gain from a new treaty.
The consequences of this should not be underestimated, says Zagema. ‘It has always been an aim of the EU and indeed of the WTO to stimulate budding regional collaboration, which helps strengthen the economies of developing countries. At the same time this ambition is undermined by the access European countries are gaining to that market and the regional tensions this creates.’
The admission of EU goods to our markets has already been a bone of contention between the EU and our countries for ten years, sighs Josephine Latu-Sanft, spokesperson for the secretariat of the ACP countries in Brussels. ‘The main point is that we want trade with the EU to be good for the economic development of the poorest countries and not to harm the economy and turn us into a branch of the rich countries,’ says Latu-Sanft. She too subscribes to Zagema’s view that regional bottlenecks and tensions could arise in Africa. ‘The EU negotiates with seven different blocs of ACP countries. Few countries are in favour of it. Some are considering interim agreements and most are dead against it.’ Latu-Sanft shares the fear that many countries will lose an important source of income through the loss of import duties. ‘In some cases we are talking about 40 percent of all government revenues.’ ■

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