

EUROPEAN UNION INTERESTS UNDERCUT A DEVELOPMENT FRIENDLY ECONOMIC PARTNERSHIP AGREEMENT (EPA)

The Honourable Minister of Commerce Trade and Industry (MCTI), Felix Mutati, recently said that the Economic Partnership Agreement (EPA) discussions have had to take political negotiations to address some of the outstanding issues. The challenge this poses is that the political justification for a development orientated EPA does not provide economic justification for the EPA, if looked at in view of both Zambia and the European Union (EU) in the context of what is happening in the global economy. Humphrey Mulemba, Program Officer for Trade Policy and Capacity Building at the Jesuit Center for Theological Reflection (JCTR) adds, "As the EPA is meant to be a development trade agreement, the reality is that Europe is experiencing a downturn in their respective member countries. The EU is resorting to inward economic recovery plans that require large sums of money to be pumped back into their economies to stimulate growth and job creation. This inevitably affects the amount of financial support that can be contributed to the development efforts of EPA signatory countries."

Angela Mulenga National coordinator of Consumer Unity Trust – Africa Resource Center (CUTS-Arc) Zambia declares, "in the case of Zambia which is looking to diversify and become competitive in agriculture, export subsidies by the EU erode the incentive for producers to take advantage of the EU market access offer where Zambian goods can enter Europe duty free and quota free. If the EU aims to continue subsidizing consumer prices through creating artificial dairy produce surpluses in the EU and world market to which they belong – this will defeat the purpose of having trade agreements that offer development through favorable market access offers."

It is also worth emphasising that the EPA negotiations are unlikely to bring Africa closer to their development objectives. The way the agreement has been conceived, based on the requirement for reciprocal market opening with the European Union (EU), is likely to bring more losses than gains for Africa. The value of the preferences African countries will reap from an EPA will essentially become nil in about 5 to 10 years. It will make the path to development even more difficult and uphill than it already is. It is of vital importance for LDCs that the options for industrialisation for future generations are not foreclosed, Angela further explained.

Humphrey Fumpa, Civil Service Allied Workers Union of Zambia (CSAWUZ) representative similarly raises concern with the rising level of job losses being experienced in Zambia," With the closure of just two companies, Konkola Copper Mines (KCM) and Global Television (GTV) job losses reach the thousand mark. The escalating number of job losses is reaching high levels of concern which need urgent attention. The global financial crisis is no longer at the doorstep of Zambia, it is right here in our country."

"Without doubt Zambia has experienced a shock to its economy as a result of the financial crises. Similarly, Europe is in a severe recession which may become chronic. Promoting the development and trade capacity of other countries at this moment in time is not on Europe's priority listing. Zambia and the East and Southern Africa (ESA) bloc need to recognize this and countries need to start exploring innovative ways to achieve diversification and competitiveness within the region rather than pin all hopes on Europe," says Mulemba.

"How is the Common Market for East and Southern Africa (COMESA), the Ministry of Commerce Trade and Industry (MCTI) and the European Union (EU) going to resolve the outstanding issues in the Economic Partnership Agreement (EPA) before April 2009? The Minister had also indicated in December 2008 that, these issues are important and need to be ironed out before concluding the EPA. Therefore as Civil Society we would like to see the work plan between now and April and how these outstanding issues will be resolved," asks Angela Mulenga.

She further says, “the Development component is crucial for Zambia and the ESA bloc. The question we ask as Civil Society is that since the EU is concentrating on resolving the financial crisis, how committed are they to financially supporting the EPA with additional funds to the 10th European Development Fund (EDF)? Even more importantly how does the EU expect the EPA to contribute to resolving the financial crises?”

Even more interestingly, Mulemba says “dairy export subsidies have been re-introduced by the EU for their farmers. The dairy export subsidies have been reintroduced for butter, cheese and skimmed milk powder.” Since its introduction, the EU will also increase the level of funding to private companies that buy and store dairy goods that are on the market. The same program is going to buy 30,000 tonnes of butter and 109,000 tonnes of milk powder between March and August 2009. “This trade distorting act by the EU will pose a threat to real market prices in the international economy,” says Mulemba. “This is because these stored dairy goods by private companies will eventually have to be released on a market. Whether they come out in the form of food aid or are offloaded onto the international economy; market prices will be depressed further creating a challenge to infant industries and new producers’ ability to compete,” he further adds.

As the negotiations progress, Mulemba says “unless the EPA reflects a development trade agreement, then Zambia and ESA members alike should desist from signing.” Savior Mwamba, National Coordinator of Civil Society Trade Network of Zambia says that, ‘for an EPA to be development orientated, it must firstly adequately deal with all outstanding contentious issues that are still on the negotiating table’. He further adds, that “there should be the guarantee of additional funding from the European Community (EC) member states for infrastructure projects that will address supply side constraints for agriculture and other sectors.”

Juliet Ilunga of Council of Churches in Zambia (CCZ) adds that “the EPA needs to be designed on the basis of the prevailing social and economic conditions in Zambia. Therefore, the development benchmarks will need to reflect an improvement in the quality of people’s lives for integral sustainable development that addresses poverty.”

Mulemba concludes that, “the EU is unable to sufficiently provide enough support to ensure that the EPA lives up to the expectations that it set itself out to achieve.” He believes that “with the challenges the EU faces in the coming years of recession and the demands that developing countries in the ESA bloc like Zambia will face in 2009 and beyond; balancing the demands of Europe with the demands of developing countries has no win-win solution. The amount of support given to Europe will be at the expense of the amount of support developing countries will receive.” Thus far, with the actions of Europe to provide further support to EU member states through the economic recovery plan and dairy-export subsidies, it is clear the priorities lie in Europe and not the development needs of Zambia or developing countries in the ESA bloc. Angela Mulenga lastly adds, “the April 2009 deadline is not likely to emerge with an EPA that will be satisfactory to both parties, “therefore the EU, Zambia and ESA bloc countries need to find a way for a win-win trade agreement.” Therefore Civil Society, recommends that the EPA should not be signed while the financial crises continues because the EPA will not be given the due support to see it be a development trade agreement. Secondly, the EU should stop their trade distorting practices of export subsidies because this undermines the ability of countries to develop industries and further causes poverty and job losses in developing countries.

Lastly, bearing in mind that the global recession will be with us for some time it is worth a great deal to have a re-look at the document and redesign the areas of concern and thus have a different dimension of approach since the EPA was arrived at with the yardstick of the then well performing global economy.

This Statement is issued by the Jesuit Centre for Theological Reflection (JCTR), Civil Society Trade Network of Zambia (CSTNZ), CUTS-ARC Zambia, Council of Churches in Zambia (CCZ), Civil Servants Allied Workers Union of Zambia (CSAWUZ)

{Jesuit Centre for Theological Reflection, Luwisha House, 5880 Great East Road,
P.O. Box 37774, Lusaka 10101 Zambia, Tel: +260-211-290410; Fax: +260-211-290759
Email: debtjctr@jesuits.org.zm; Website: www.jctr.org.zm}