

## **THE EPA COMPETITION EFFECT – Agriculture: Production and Market Access Priorities and Challenges of Zambian Farmers**

Economic Partnership Agreements are Free Trade Agreements which are currently under negotiation between the European Union (EU) and Africa, Caribbean & Pacific Countries (ACP) due to be signed in December 2007. Trade between the EU and the ACP countries has all along been based on preferential terms under various trade agreements for decades and currently they are enshrined in the Cotonou Agreement. The preferences allow ACP countries to export products into the EU on favourable terms.

When the Cotonou Agreement was signed a provision was made that the Preferences which the EU was extending to ACP countries should be phased out and replaced by EPAs which would be in conformity with the rules of the World Trade Organization (WTO). As things stand today, come January 2008, all preferences would be phased out and replaced by a Free Trade Area between the EU and ACP countries called the EPAs. In a Free Trade Area, goods from the EU to ACP Countries and vice versa will be required to trade freely with no customs duties because duties are regarded as barriers to trade. In addition, other barriers to trade besides customs duties will need to be removed.

For purposes of negotiating EPAs, Zambia chose to negotiate with selected countries who are all members of Comesa forming an Eastern and Southern Africa group (ESA). The ESA group is comprised of Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe.

The EPAs will affect farmers directly. Whatever the outcome of the negotiations, farmers will be faced with greater competition in the domestic or regional markets from agricultural products (whether primary or processed) originating from the EU. As an example, Zambian cheese processed from milk supplied by small scale farmers say in Monze would have to compete with cheese from the EU and hope to compete favourably. If they do not, the dairy farmer could lose out on market if the cheese processor buying the dairy farmers milk is not able to sell their products. They will then be forced to reduce the cheese production or shut down if they become totally unprofitable especially if the cheese from the EU lands in Zambia cheaper than the locally produced cheese because they are more competitive. This scenario spells out what is on the horizon in EPAs hence survival of agriculture producers, processors or the whole agriculture value chain in Zambia would depend on whether local industries are able to with stand this competition. Therefore, depending on how the negotiations are concluded, a farmer in Zambia could be worse off than they are today.

What are the threats of EPAs? Some of the anticipated threats of EPAs are that Zambia may remain an exporter of low value unprocessed agricultural products into the EU with little manufacturing because the EU industrial base is already developed. At regional level, trade could be undermined due to the unequal level of development between the EU and ACP countries. Then, the whole process may lead to significant loss of revenue which a country like Zambia cannot afford hence the negotiations should strike an agreement on a mechanism for compensation in form of resources to meet adjustment costs.

### **Conclusion**

Although competition should be encouraged so that consumers get the benefit of efficiently produced products hence more reasonably priced products, EPAs have to take into account the realities on the ground. ACP countries have identified some existing bottlenecks which need to be addressed for them to benefit from EPAs. These include a requirement to agree during the

negotiations, that the EU should provide additional resources to address development issues in order to facilitate the efficient flow of goods. The resources should then go towards areas such as infrastructure development to improve road networks, ports of entry, airports and also to address adjustment costs. In addition, ACP countries have identified barriers to trade with the EU which are not in form of customs duty on goods but relate to EU specified standards that need to be adhered to before goods can be allowed entry into the EU. Adherence to these standards is costly and this could inhibit trade from ACP into the EU.

The ACP countries are pushing for a list of sensitive products to be agreed during the EPA negotiations. Products on the sensitive list would be excluded from the Free Trade Agreement when it takes effect hence will continue to enjoy some level of protection although the requirement is that most of the items under the customs register of a country would trade freely in the free trade area. Furthermore, the negotiations require that the trading blocs agree on a time frame when all the products would be traded freely in the FTA. Zambia has to develop a sensitive list and the agriculture sector needs to participate fully in developing it. Products are put on the sensitive list for compelling reasons and these may vary from country to country but the bottom line is that a country should be convincing and persistently defend their position throughout the negotiations.

At this juncture, it is clear that although the negotiations started sometime back, there has been little progress in terms of preparation and action towards consensus building as many key stakeholders are not aware of the EPA process. Furthermore, addressing the development issues should be a priority and an integral part of the ESA. Therefore, despite the looming deadline, the process is far from complete and the last thing that should happen is for the government to append a signature to obligations which will affect the agriculture sector negatively.