Lamy urges EU to forge closer trade ties with Africa

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A week after pressing Europe to boost its trade ties with Africa in Brussels, the World Trade Organisation's chief said in Nairobi that leading European economies should look at developing and low income countries as the new globe's economic growth engine, at a time of decreasing development aid.

Background

The EU is Africa’s biggest trading partner, accounting for about 35% of imports and exports, with China and the United States competing for second. The EU absorbs about 40% of Sub-Saharan Africa’s agricultural exports, compared to 25% traded between African states.

But foreign commerce doesn’t necessarily translate into prosperity.

A decade of economic improvement and growing south-north trade “has not been translated into commensurate reductions in unemployment and poverty,” says the 2011 Economic Report on Africa.

With notable exceptions, many African countries offer uninviting climates for investment because of bureaucracy, protectionism, mercurial politics and primitive infrastructure. Rudimentary transnational and transcontinental transport and banking also hamper commerce.

Pascal Lamy, the former European Union trade commission who is director-general of the trade body, has urged Europe to forge closer economic ties with its southern neighbours following on the WTO’s own Aid for Trade initiative to improve Africa’s trade capacity.

Lamy said on Wednesday (22 May) he expects growth in the eurozone to remain flat, with slightly better performance forecast in the United States and Japan. Developing economies will grow at a more robust pace, he said.

“Prospects for economic growth are thus greater in developing and low-income countries. This creates an environment of opportunity for Africa,” he said in a speech at the University of Nairobi.

“Africa has also made remarkable progress in the area of political stability and governance, all of which are fundamental in enabling growth. Moreover, the peacefully conducted general elections in Kenya and a number of other African countries are a sign of maturity in political democracy in Africa,” he said ahead of an African Union summit in Ethiopia.
Lamy last week said Africa was a natural economic partner, “on the European Union’s doorstep.”

“Africa is on the move and on the rise. Consumer demand by its growing middle class will be an engine for economic and investment growth,” he said in a speech at the Notre Europe-Jacques Delors Institute on 15 May.

The remarks come as EU officials and their American counterparts are trying to fast-track a trade deal between the world’s mightiest economies.

But they also come at a moment when aid commitments to the world’s poorest countries fell by €2.3 billion in 2012. This was the second consecutive yearly drop in overseas aid, sparking fears that the EU may fail to meet its 2015 United Nations commitment of allocating 0.7% gross national income (GNI) to aid.

**Important trade ties**

The African continent’s 1 billion people already represent an important market for Europe. The EU already is Africa’s biggest trading partner, accounting for about 35% of imports and exports, with China and the United States competing for second. The EU absorbs about 40% of Sub-Saharan Africa’s agricultural exports.

The world trade balance, meanwhile, is shifting. Some 60% of trade 20 years ago was between advanced nations in the north while by 2020, commerce between developing and emerging nations in the south will account for one-third of global trade, according to the WTO.

In another north-south shift, Lamy will be replaced in September by Brazilian diplomat Roberto Carvalho de Azevêdo, only the second non-European to lead the WTO and its predecessor organisation since 1948.

Trade and private investment have been seen as a way to jump-start development in poor nations in an era when traditional development financing is stagnating. Domestic economic woes have forced the EU, United States and Japan – traditionally the most generous donors – to slow down growth in development funding.

**Trade vs. ‘land grabs’**

But human rights and environmental groups see a downside to trade: investment has opened Africa to exploitation through land-grabs by foreigners who are exporting crops to meet food and biofuel demands.

The environmental group Friends of the Earth Europe contends that land acquisition by foreigners is displacing small farmers – who are the background of African production – and creating competition for often-precious water and resource supplies.

Of the 203 million hectares of foreign land buys between 2000 and 2010, 134 million hectares were in Africa and 29 million hectares in Asia, Friends of the Earth noted in a recent report - ‘Hidden impacts: How Europe’s resource overconsumption promotes global land conflicts’.

“The opaque and duplicitous system of resource ownership in many countries and a lack of legal recognition of customary resource ownership lead to issues such as land
grabbing and expulsion of smallholder producers from their lands, often without compensation,” the report says.

The report also blames support programmes like the EU’s Common Agricultural Policy for harming Africa’s export potential by supporting European farmers through artificial price supports.

Similar concerns were expressed earlier this year by a UN rights official, who has urged EU leaders to monitor how CAP subsidies and other support for growers affect farmers in developing nations.

“Reform of the Common Agricultural Policy means high stakes not only for European farmers, but for millions of others worldwide who are affected by EU policies,” Olivier De Schutter, the UN special rapporteur on the right to food, said ahead of a European Parliament debate on the CAP in January.

“Opportunities are running out for development-proofing the CAP,” he said in a statement. “In order for the CAP to work for farmers inside and outside the EU, we must undertake detailed monitoring of the impacts of EU farm exports and imports on developing countries, consult developing world farmer organisations, and conduct a proper assessment of the impacts on the right to food.”

**Next Steps**

- **1 Sept.**: Brazilian diplomat Roberto Carvalho de Azevêdo takes over as WTO director-general