



## Joint statement on the need for a new framework for EU-African trade relations

*This week, leaders from the European Union and African Union will meet at the 6th EU-AU summit. The Confederation of Swedish Enterprise (SN) and Business Unity South Africa (BUSAS) hopes that leaders will use the summit to discuss concrete ideas on how to step up economic relations. There is vast potential for increased trade between the EU and Africa, and we advocate for a long-term vision that goes hand-in-hand with ambitious negotiations and projects that are grounded in today's challenges.*

### EU-Africa trade today

The EU-Africa trade relationship remains unbalanced. For Africa, the EU is by far its most important trading partner: some 36% of Africa's external trade in goods in 2020 was with the EU, while African Union countries trade more with the EU than they do between themselves.

For the EU, however, in 2020 only about 5% of its exports of goods - and 6% of its imports - were with African countries. EU-members mostly trade within their internal market and, for example, Sweden's extra-EU exports to Africa in 2020 constituted only 1.3% of all its exports of goods.

In other words, the room for improvement and shared growth is substantial. There is also ample room for moving up the value chain. Although the share of manufactured goods in EU imports from Africa had risen to 37% in 2020, most countries in Africa rely almost entirely on exports of primary products.

Trade policy alone will not be able to fulfil this unexploited potential. It will take investments in sustainable infrastructure, ambitious and inclusive education programmes as well as fighting corruption, wherever it is prevalent. However, both EU and African businesses would gain considerably from a more ambitious trade policy framework.

### Three steps to strengthen trade between the EU and Africa

The current trade policy relationship between the EU and the African continent is overly fragmented. This is partially based on unilateral preferences in the GSP, and partially on the more reciprocal model in the *Economic Partnership Agreements (EPAs)*. Negotiating, and effectively implementing, these agreements have proven to be time-consuming processes.

Perhaps the time has come to consider a new route, one that ambitiously includes Africa as a whole in order to ultimately reduce fragmentation and set up a strong basis for a sustainable trade relationship.

To achieve this goal, there are three things that need to be done:

First, **give serious consideration to negotiating an EU-AU trade agreement**. This is a considerable challenge, but it is also one that would be worth the effort, as it would ensure homogenous and reciprocal market access for businesses on both continents. The aim should be to end discrimination of EU and African companies, services, and products in each other's markets. A starting point for this could be the implementation of the African Continental Free Trade Area (AfCFTA).

*In the long run, we expect the AfCFTA to enable:*

- The elimination of tariffs and the facilitation of procedures at borders.
- The liberalization of services markets
- The opening up of procurement markets and improved IPR protection

However, for AfCFTA to be effective, it will require thorough implementation. Experience to date of the EU's EPAs and of regional African FTAs shows that thorough implementation is difficult. Therefore, strong levers to help to ensure full implementation are needed. Technical assistance may be put to good use in this endeavour.

Second, while preserving the gains of the EPAs, it would be more efficient to **go forward with those countries that are willing to engage individually**. This depends on the state of their economy as well as their administrative ability and political willingness to engage with the EU. However, such efforts must not undermine the process of African integration. Rather, it should inspire and complement African integration. EU agreements with African countries that contain provisions on transparency, competition and efficiency can spur intra-African integration.

*In particular, we advocate for:*

- Updating the economic relationship between South Africa and the EU (beyond the present SADC EPA).
- Restarting the stalled FTA negotiations between the EU, Morocco, and Tunisia.
- Exploring willingness for non-traditional agreements - for example in the digital sphere or environmental goods - with open-minded countries such as Ghana, Kenya, Côte d'Ivoire, Senegal, and Rwanda.

Third, **there are ample opportunities to achieve more, even without the need to negotiate new formal agreements**. Many issues that African firms face in accessing the EU market relate to a lack of capacity, given high EU standards. As for EU firms' problems in Africa, they often face their own troubles created by a lack of policy implementation and high levels of corruption. Much can be done to facilitate trade within the already existing trade policy framework.

*In particular, we would recommend:*

- Providing better economic and regulatory support to African partners, and African companies, wishing to expand into the EU market.
- Encouraging EU delegations in African countries to take a more active position in addressing trade barriers and administrative inertia. They should also assist European firms active in the relevant countries to facilitate trade.
- Identifying opportunities for alliances between African companies and EU companies to set up successful supply chains.

**Aiming for a sustainable trade relationship, now and in the future**

All three tracks should be developed while bearing an overarching sustainability agenda in mind. The aim should be to open up new trading opportunities in a way that helps support social, environmental and economic development.

The Paris Agreement should lie at the heart of this strategy. Growth in Africa has a unique opportunity to develop in a green and more sustainable way and to not reproduce the mistakes of Europe.

At the same time, EU firms have the technology and know-how needed for this to happen in Africa, and many African firms could - based on the continents' resources – build successful businesses aimed at exporting sustainable goods and services to the EU.

In the short, medium and long term, EU and African countries should work together on creating a stable framework for prosperous and sustainable trade, one which enables firms on both continents to engage in mutually beneficial economic exchange.

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