

# **EU–Southern Africa Relations in the Post-Lomé Era: An Assessment of EPAs as a Development Proposal for the Region**

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## **1. Introduction**

At the present time open regionalism is being transformed into a new strategy for the deregulation of world trade and investment – one which is both outward looking and consistent with the current stage of world liberalization. This strategy is a response to a plan by the rich industrial countries of the North to consolidate their international relations through a set of formal agreements with countries of their respective areas of influence in the South. It is also an attempt by the countries of the North to expand their export markets and FDI opportunities and improve their competitiveness as against other countries of the Centre and their respective peripheries.

The logic of this strategy includes restructuring the relations between the EU and its former African colonies known as the ACP countries (Africa, Caribbean and Pacific). These countries were previously organized within the successive Lomé Conventions (I–IV). But in the year 2000 the signing of the Cotonou Agreement opened the way to a series of changes to the previous structure, leading to the signing of Economic Partnership Agreements (EPAs). These were supposed to pave the way for the future establishment of large free trade zones between the EU and various already established regional groups in Sub-Saharan Africa (SSA).

The drawn-out negotiation processes of the EPAs reflect intense disagreements about their potential effects. The southern region of the African continent is representative of the polemics which these moves are generating, and of their negative and positive effects on conditions for development, both for individual countries and for the region's most important integration project, SADC (the Southern African Development Community). Since the negotiations and interim agreements have now gone beyond the opening debates in favour of or against the proposed new framework, it is a fitting moment to ask what kind of EPAs, or relations with the EU, the countries of the region should pursue in order to accelerate their development (Goodison, 2009).

## **2. African regional integration and the new regionalism**

Regional initiatives in Africa arose as part of the process of gaining political independence; they were supported by a pan Africanist philosophy which adopted a pragmatic approach towards the various regional groupings then underway, treating them as pieces in a continent-wide jig-saw which would one day be completed.

Decades of structural adjustment, however, as well as the recent impasse of the WTO's trade negotiations, have given rise to a new form of regionalism – one which interprets integration initiatives more as 'building blocks' than 'stumbling blocks' in the broader concept of a liberalization which incorporates the whole world. There is growing support for regional integration, understood as a synonym for economic liberalization in a defined multi-state area, as long as it is not an obstacle but a step on the way towards an eventual deregulation and complete opening up on a world scale on the lines of the current neoliberal globalization model (Panagariya, 1999; Bhagwati et al., 1998; Bhalla and Bhalla, 1997).

This new notion of open liberalism means at the same time a spatial extension of the concept of region to groupings with a continental or even intercontinental membership, exemplified in the initiatives towards integration between countries with major differences in their socio-economic levels (North–South regionalism). This idea has given rise to a number of projects such as the North American Free Trade Agreement,<sup>1</sup> the Central American Free Trade Agreement, and the currently paralysed Free Trade Area of the Americas (to include the whole of the American continent), as well as similarly extensive projects in other continents, between the countries of ASEAN and China for instance, or between countries in the ACP group and the EU following the end of the Lomé era.

While such initiatives have often been interpreted as an intermediate step towards freer trade and investment on a world scale, their real meaning can also be seen from another viewpoint – one which sees them as part of competing attempts by the countries of the Centre to maintain and extend their trade and investment activities by means of formal agreements with countries they regard as part of their sphere of influence (Bidaurratzaga y Colom, 2005, Bowles, 2002; Hettne et al., 1999).

In any event, this new pattern of extended regionalism is part of a concept of integration which on the one hand one appears to reduce it merely to trade issues, involving very limited institutionalization beyond free trade areas, but which, on the other hand, extends the number of questions which are considered to be 'trade-related' (including such questions as intellectual property, liberalization of FDI, public contracts, competition policy and so forth). This kind of pattern has come to be known as the 'WTO+' norms, given that its elements include more than the current WTO agreements on such issues. At the same time, very little attention is given to compensatory mechanisms

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<sup>1</sup> The North American Free Trade Agreement, in force since 1994, is composed of the USA, Canada and Mexico. The Central America Free Trade Agreement comprises the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua and the USA. It came into force in 2006.

which might help to redistribute the costs and benefits of integration on an equitable basis between countries at very different levels of development. Even when equitable measures do exist their level and extent are very limited and insufficient to compensate for the adjustment costs (Goodison, 2009; Bidaurratzaga y Marín, 2006).

### **3. The new Europe–Africa relations: from Lomé to Cotonú**

The Lomé model, born in 1965 in the form of Lomé I (the successor to the Yaundé I and II conventions) was the main pattern within which relations between Western Europe and its former ACP colonies were managed up to the expiry of Lomé IV in 2000. The convention brought together 48 Sub-Saharan African countries<sup>2</sup> of which three quarters were Least Developed Countries (LDCs).

The Lomé Conventions shaped the general development aid policy of the EEC, as well as the specific fields of technical assistance and financial aid (implemented through the European Development Fund: EDF I–VIII). One of the central elements of this policy was preferential, non-reciprocal access to the European market for products from the ACP countries.<sup>3</sup> On the one hand, this was interpreted as being an element of positive discrimination in favour of the SSA countries, and as such formed part of post-colonial moves towards a New International Economic Order which could potentially contribute to socio-economic development. On the other hand, the system also helped European countries, by providing them with privileged access to African raw materials at a time when their prices were rising on world markets.

After the review of Lomé IV in 1995, a debate opened up about the results of the Conventions and the need to change the existing pattern of relations. The first major intervention in this discussion was provided by the publication of the so-called ‘Green Paper’, in which for the first time the European Commission formally launched its main arguments for a basic re-examination of the existing scheme.

In this document the Commission emphasised its dissatisfaction with the previous model with regard to both its ambitious general aims (poverty reduction and faster economic and social development) and also its lesser and more concrete targets (the share of the ACP countries’ exports in European markets). In fact, the percentage participation of EU imports from ACP countries (and from SSA) had fallen rather than risen. There was a major

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<sup>2</sup> The only countries remaining outside these agreements are the five North African countries, which at present have their own specific framework of relations with the EU and the non-African countries of the Mediterranean region.

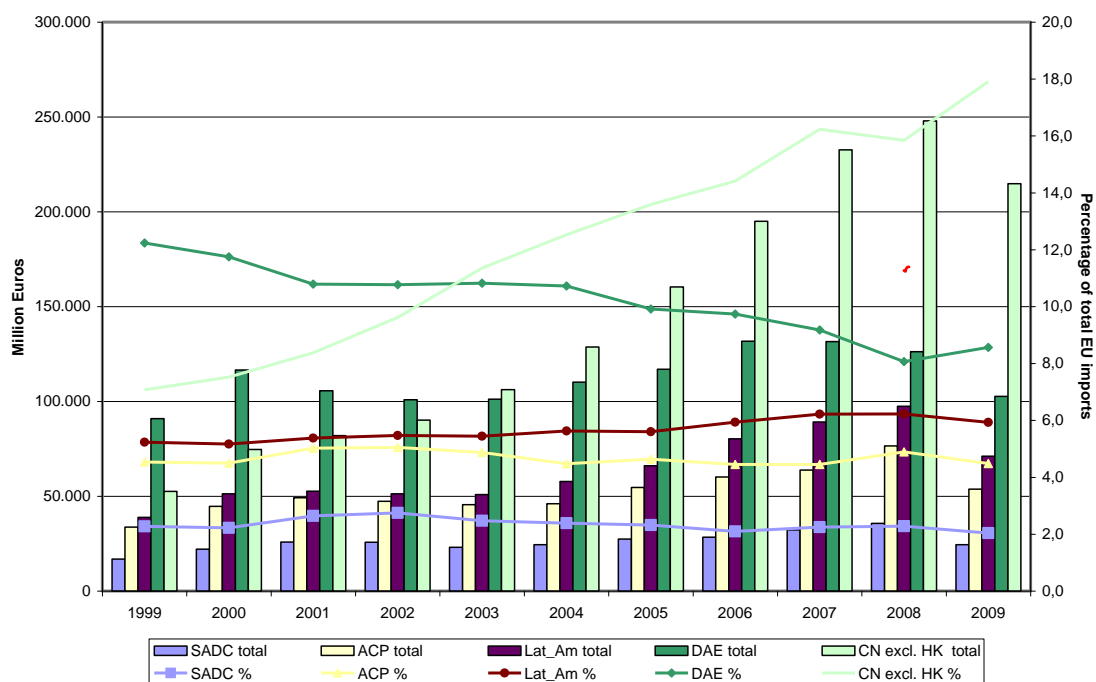
<sup>3</sup> Apart from the special rules for certain goods such as bananas, beef, rum and sugar, the agreements basically included manufactured and agricultural products which did not compete with products included in the European Common Agricultural Policy (CAP), in other words generally tropical products. As well as the areas such as humanitarian aid or structural adjustment financing, found in most development aid programmes in previous decades, the Lomé Conventions included in the trade field some more unusual elements, such as Stabex and Sysmin, which were designed to stabilise export incomes from agricultural and mining products respectively.

contrast here with other developing economies, especially in Asia, which had increased their share of the European market even though they had received no preferential treatment.<sup>4</sup>

Figure 1 shows the imports of the EU(27) from various country groups, including the ACP countries and the member countries of SADC, for the years 1999 to 2009. Unlike some other regions, and some Asian countries in particular, the percentage of these two groups in EU imports does not increase although for both groups the absolute volume of imports did grow significantly.<sup>5</sup>

**Figure 1. Shares of various groups of countries in the imports of the EU(27), 1990–2008**

Million Euros and percentage of total EU imports



Source: EUROSTAT

<sup>4</sup> To be precise, between 1976 and 1992 the ACPs share of EU imports fell from 6.7 to 3.7 percent although in volume terms ACP exports to the EU grew at 2 percent a year. This was much slower than the annual growth of exports to the EU from Mediterranean countries (6 percent) or Asian countries (12 percent) (Goodison and Stoneman, 2005).

<sup>5</sup> In absolute terms imports from ACP countries rose by 60.4 percent between 1999 and 2009 but their importance as sources of EU27 imports stayed constant, at around 4.5 percent. EU27 imports from SADC rose by 44.7 percent in the same decade; their share was slightly above 2 percent in some years but fell to 2 percent in 2009. The so-called 'dynamic Asian economies' (DAE: South Korea, Hong Kong, Malaysia, Singapore, Taiwan, Thailand) increased their exports to the EU27 by 12.9 percent in absolute value, which, given the general increase in EU imports, their share fell by 3.6 percentage points. The most spectacular increase, both in total value and in percentage of the total, was from China (excluding Hong Kong). Total exports rose by 60.4 percent between 1999 and 2009 while China's share of EU imports remains constant at 4.5 percent.

During the Lomé era, Asian and Latin American countries generally increased their volume of exports to the European market more than the ACP countries. Nonetheless, it is important to note that when there is a higher margin of preference compared with other developing countries the increase in exports from the ACP countries was substantially greater.<sup>6</sup> Also, the results are better for certain countries which received more trade advantages than those offered by the basic Lomé non-reciprocal preference scheme (in the form of quotas, for instance).<sup>7</sup> For this reason some writers have questioned the honesty of the EU when it declares the Lomé system to have been a failure, given that the EU fails to mention other problems of a structural, supply-side nature in SSA countries, such as their specialisation in a limited range of primary products which were facing over-supply and falling prices in the world market. The erosion of the level of preference due to the advance of the GATT liberalization programme was another reason why the argument that Lomé failed is an exaggeration. These points suggest that the verdict on the previous preferential system is a good deal more complex than the EU has admitted (Mold, 2007, Goodison and Stoneman, 2005; Hurt, 2003).

Moreover, if the preferences had been such a failure it would be hard to understand why African governments insist that the old model should be retained, as well as the fact that the EU itself proposed to continue non-reciprocal preferences for the worst-off economies (the LDCs) rather than submit them to the reciprocal trade rules of the EPAs (Faber and Orbie, 2009).

The EU's arguments highlight the incompatibility between the Lomé model and the WTO principles in relation to reciprocity and non-discrimination.<sup>8</sup> Also the importance of differentiating between different ACP countries on the basis of their level of development, by giving more favourable conditions to the LCDs, led the European Commission to stress the need for changing the Lomé model. In spite of these incompatibilities, it has been possible in recent years to continue to apply the Lomé model thanks to the acceptance of two requests by the EU for temporary exemptions from the WTO multilateral norms, the last of these expiring on the 31 December 2007. The possibility that the EU could

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<sup>6</sup> In other words, although the volume of exports of ACP countries to the EU grew only 3.6 percent between 1988 and 1997, the number of products receiving preference of more than 3% above the GSP level grew by 61.9 percent (17 times as fast). In the case of SADC, this disaggregation of the data shows an even more marked contrast: during the same period the overall volume of exports fell by 5.4 percent, whereas the products receiving more than 3 percent preference above the GSP level grew by 83.6 percent (Goodison and Stoneman, 2005; Davies and Mbuende, 2002; Goodison, 2000).

<sup>7</sup> Countries such as Botswana, Swaziland, Namibia, Mauritius and Zimbabwe had significantly increased their income in the SADC thanks to the advantages offered by special protocols for sugar and beef. These facts, in contrast to the general opinion about the effectiveness of the Lomé Agreements, show that for the favoured nations preferential trade has played an important role in ensuring that the SADC countries are not marginalised from international trade flows (Goodison, 2000; Matambalya, 1998).

<sup>8</sup> The exception to the principle of reciprocity, using the controversial Article XXIV on regional integration agreements, was not applicable. And in relation to the Most Favoured Nation clause, which signified the absence of discrimination, the Lomé non-reciprocal preference system was authorized in the form of an exception using the Habilitation Clause. This permitted Lomé, as long as such advantages were given to all developing economies and not merely some of them (Solignac-Lecomte, 2001; Gibb, 2000; McQueen, 1998).

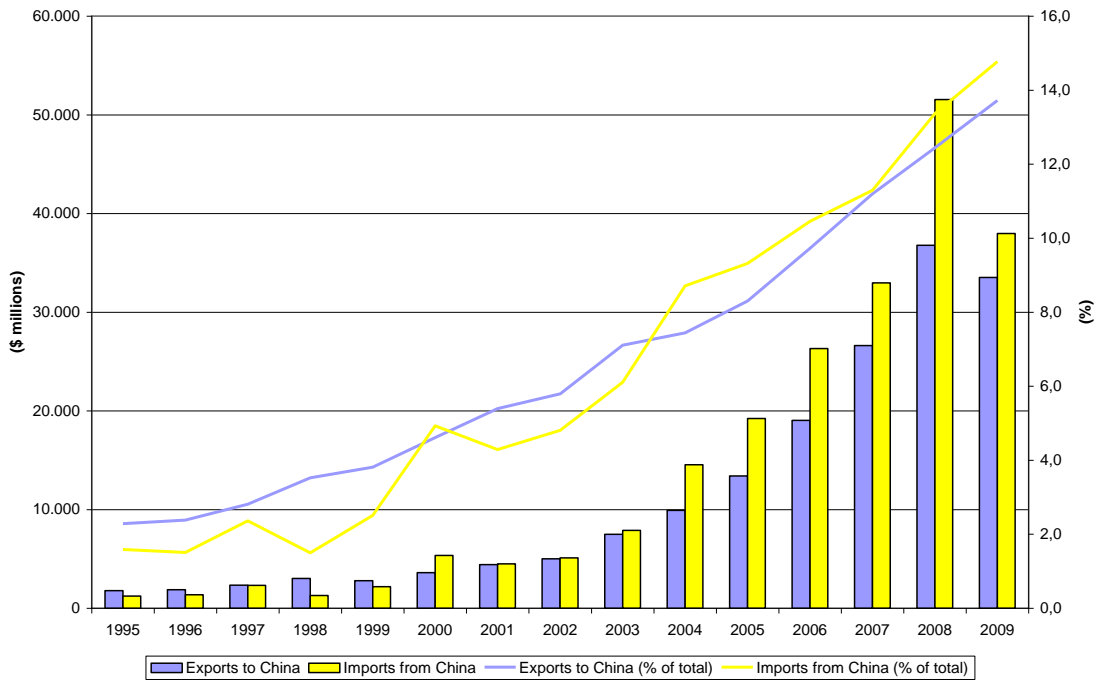
continue to press for temporary extensions has also been mentioned by several writers as evidence of the EU's lack of political willingness to search for models more in accord with the interests of the ACP countries (Faber and Orbie, 2009; Mold, 2007, Hurt, 2003).

Nonetheless, at the end of 1998 the process of negotiation began which would give birth to the Cotonú Agreement. In the negotiations the EU pressed strongly for a major reorientation of previous agreements towards a new one based on reciprocal liberalization of trade, as a way of improving the efficiency and competitiveness of the productive systems of the ex-colonies and their capacity to participate in the world economy. Paradoxically, the standpoint of the representatives of the ACP countries was very different. They always pressed for extending the old model as long as possible and, if this was not feasible, they supported flexibility on the most sensitive questions in the new agreement and for a period of transition which would minimise the traumatic nature of an adjustment to the new regime (Hurt, 2003; Hartzenberg, 2000; Gibb, 2000; Zhuawu, 2000).

In June 2000, 18 months after the start of negotiations between the two sides, the Cotonú Agreement was signed. It was designed as a substitute for the regulatory framework in force during the previous 25 years. The Agreement extended the Lomé preferences on a temporary basis up to the end of the negotiations on the EPAs, expected to be reached by the end of 2007. The basic change was that from the old trade regime of unilateral preferences to one of reciprocal preferences, under which trade liberalization would occur in both directions through the setting up of free trade areas. This was consistent with the method of open regionalism which was mentioned at the beginning of this paper. The new method was seen as a way of formally tying Europe with its historical areas of influence, in a context in which European countries see themselves as in some measure threatened by some of the emergent economies of Asia and especially by the rapid growth of economic relations with China which have produced so much controversy in Africa (Hurt, 2009; Unceta y Bidaurratzaga, 2008; Banarjee, 2007; Broadman et al., 2007; Berger, 2006).

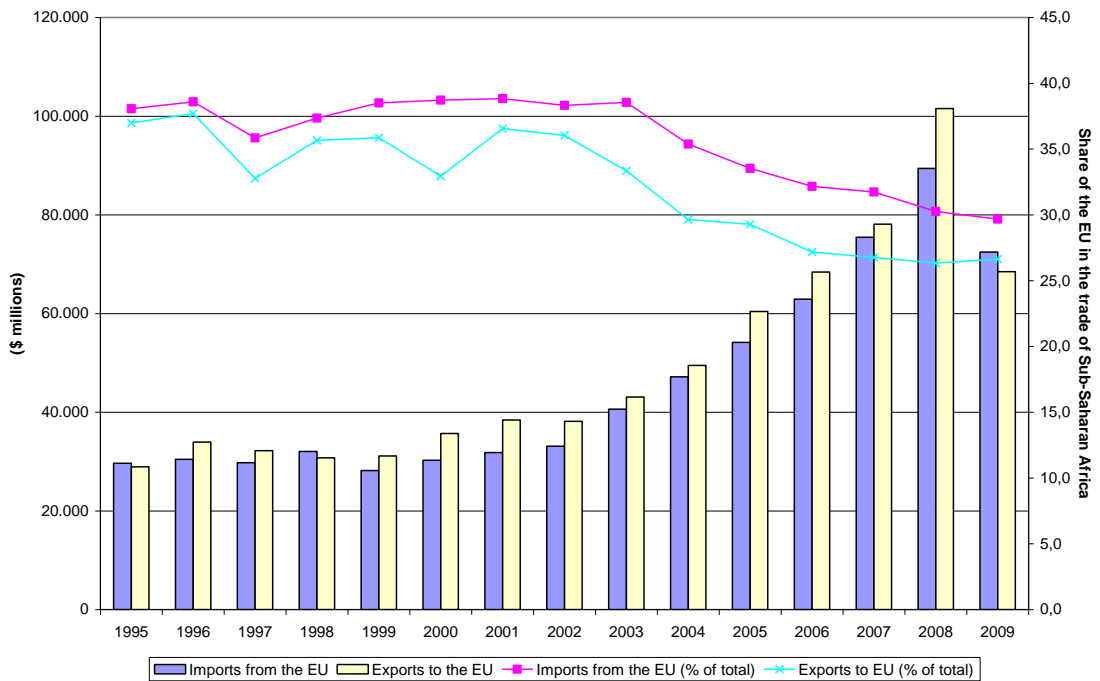
Figures 2 and 3 illustrate the strong increase in recent years in the trade flows between SSA and China, coinciding with the reduction of the relative importance of Africa's trade with the EU despite its absolute increase in the last decade.

**Figure 2. China's trade with SSA trade, 1995–2009**



Source: UNCTADSTAT, database

**Figure 3. Importance of the EU in Sub-Saharan Africa's trade, 1995–2009**



Source: UNCTAD

Although it follows a similar logic to that of its American counterparts in trying to formally tie the economic relations with respective areas of influence, the European open regionalism model is different from them in a number of

respects.<sup>9</sup> First, unlike the American 'FTAs' the expression 'free trade'<sup>10</sup> does not occur in their titles, even though it is a clear objective of the 'EPAs'. Another difference is that the EU model is a package, consisting not only of the reciprocal trade regime but also technical assistance and financial assistance (within the framework of the European Development Funds), as well as the bilateral aid programmes of the EU members. Finally, another peculiarity, produced by the previously mentioned need for positive discrimination, is the special treatment conceded to the LDCs by retaining parts of the previous non-reciprocal regime and extending these to all LDCs in the rest of the world, regardless of the membership of the ACP group. This last feature results from the Everything But Arms (EBA)<sup>11</sup> initiative launched by the EU in 2001 (Bidaurratzaga y Marín, 2006).

#### **4. EPAs in practice: many negotiations, few agreements**

The Cotonú Agreement did not the full contents of each of the different EPAs which were to be negotiated. It limited itself to saying that they should preferably be set up with already established regional groupings, and that they should start at the beginning of 2008 with a process of trade liberalisation which would allow the full agreement to be operative by 2020 at the latest. Hence, after a year of joint negotiations, the separate negotiations between the EU and some of the African regional groupings began in September 2003.

Four negotiating frameworks were set up corresponding to the EPAs in SSA. One of these was with the Economic Community of West African States (ECOWAS) which included its 15 members with the addition of Mauritania. A second was with the six members of the Central African Economic and Monetary Community (CEMAC) with the addition of São Tomé y Príncipe and the Democratic Republic of the Congo. A third was with the 14 members of the Southern African Development Community (SADC), some members of which also negotiated in other groups. The last of the four was the so-called 'Eastern and Southern Africa (ESA) group', consisting of countries from both east and west of the continent, made up principally of members of the Common Market for East and Southern Africa (COMESA), a regional group within which was also to be found the East African Community (EAC) and some other SADC countries.

From the beginning the European Commission's timetable was to get the EPAs going by January 2008. Their main argument for this was based on the

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<sup>9</sup> All told, some writers claim that, despite the differences, the EU is progressively moving towards an increasingly restrictive, mercantilist and business oriented system (Mold and Page, 2007).

<sup>10</sup> Before the EPA proposal was made, the European Commission in 1995 published *Free Trade Areas: an appraisal*, in which they set out very clearly the EU perspective in terms of the benefits for Europe of promoting a new framework of macro free trade areas in Europe's area of influence by means of a progressive elimination of tariffs (Goodison and Stoneman, 2005).

<sup>11</sup> The 'Everything But Arms' initiative, as its name implies, allows LDCs tariff- and quota-free access to the European market for all products except for arms. In addition to this explicitly mentioned export, the initiative also contained a transitory exclusion for some agricultural products such as bananas, rice and sugar (Marín, 2008; Goodison and Stoneman, 2005; Page and Hewitt, 2002).



expiry of the WTO waiver for the Lomé non-reciprocal preferences, which were incompatible with its trade rules. Thus, the EU wished to make it clear that there was no alternative but to offer EBA treatment for LDCs and substantially worse treatment, such as the Generalized System of Preferences (GSP), for the others.

In opposition to this, most African governments and the network of social movements and European and African development NGOs<sup>12</sup> continued to insist on the need to make the timetable more flexible and cut down the number of issues discussed in the negotiations, advocating a search for an alternative to EPAs, which the Cotonú Agreement itself recommends should occur when there is no agreement between the parties. Specifically, these proposals included, among other things, restricting agreements to questions related to trade ('lite EPAs'), request a further extension of the WTO exemption of the Lomé rules, and proposing that the EU concede a 'GSP+' or better.<sup>13</sup> Such a wide range of proposals showed that the absence of alternatives applied to the EU's political will rather than to the possibility of finding other options more favourable to the SSA countries (Marín, 2008; Mold, 2007; Bilal and Rampa, 2006).

At the expiry of the EU's negotiating deadline in December 2007 there existed just one 'full EPA' – with the countries of the Caribbean. Meanwhile most of the other ACP countries which, as LDCs, would not benefit from new agreements, only signed 'partial and interim EPAs', either as individual countries or country groups. The only exceptions to this are the cases of Nigeria, Congo, Gabon and South Africa. The latter country already had an individual trade agreement with the EU (the Trade Development and Cooperation Agreement, TCDA) and the other three have yet to conclude their negotiations (ECDPM, 2011).

One of the Commission's main arguments for transforming the Lomé model (that it conflicts with the WTO's rule banning non-reciprocal trade concessions) was already resolved by the interim agreements. Other kinds of sensitive and polemical questions of great interest to the EU, however, such as trade in services, intellectual property rights, liberalization of investment, public contracts and competition policy, were not included in the interim EPAs. That is why the so-called 'rendez vous clause' was included in the partial agreements; in this the EU clarified that the negotiating process was not complete and that the SSA countries had to continue to negotiate on the issues mentioned. All this aroused a good deal of conflict between the parties so that, while the African governments demonstrated their opposition to including the missing questions, the EU continued to insist vigorously on the great benefits which full EPAs would bring by permitting the insertion of the SSA countries into the world economy (Hurt, 2009; Marín, 2008; Bidaurratzaga, 2008).

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<sup>12</sup> See the 'Stop EPAs' campaign launched by the African Social Forum in 2004.

<sup>13</sup> Via what was called the 'GPS+', the EU granted greater customs preferences to developing countries with the weakest economies, as long as they accepted a series of international agreements (on human rights, sustainability and governance, among others things).

It is still the case that no African region has signed a full EPA. In West Africa no regional level agreement has been reached with ECOWAS, nor with CEMAC in Central Africa. In the ESA region the member countries of the EAC (Kenya, Tanzania, Uganda, Burundi and Ruanda) decided in November 2007 to form a separate EPA despite the fact that, aside from Kenya, thanks to the EBA initiative, all of them, as LDCs, would be eligible to continue under the old model. But up to now this negotiation is at a standstill. At the end of 2007 six ESA countries (Seychelles, Zimbabwe, Mauritius, Madagascar, Comoros and Zambia) had initiated an interim agreement which was signed by four out of the six (not by Comoros or Zambia). It should be noted that the interim agreements which have been initiated contain as many LDCs as non-LDCs.<sup>14</sup> The percentage of goods included in the liberalization process, as well as the speed of the negotiations, vary between different countries although all of them are following a timetable which would result in an EPA by 2022. All countries have issued a list of sensitive products to be excluded from the dismantling of their customs tariffs, whose infant producers require tariff protection.

Finally, only 8 out of the 14 member SADC region began negotiations and 5 of these (Botswana, Swaziland, Namibia, Lesotho and Mozambique), being the last two LDCs, initiated an interim agreement, which was signed in 2009 by all of them except Namibia. Namibia's failure to sign the interim agreement is severely delaying its start of operations. The main obstacle raised by the Namibian representatives concerns the threat that an EPA will represent for regional integration, referring specifically to SACU.<sup>15</sup> This opinion is shared by the South African government. On the other hand, Angola retains its previous regime due to its being an LDC, and Tanzania is negotiating in the EAC, while South Africa exports to the EU under its own Trade, Development and Cooperation Agreement (TDCA)<sup>16</sup> signed in 1999.

Within the labyrinthine complexity of this map of agreements in the various regions mentioned, the most troublesome case without doubt is that of the regional group SADC, characterised as it is by discord among its members with respect to individual agreements and by the fact that they are participating in different groups within the Eastern and Southern regions of the continent.<sup>17</sup>

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<sup>14</sup> Djibouti, Eritrea, Ethiopia, Malawi and Sudan have not initiated the interim agreement due to their position as LDCs which since 2008 has allowed them to export under the EBA initiative. Nonetheless, Zambia which is also an LDC has signed an interim agreement as a participant in the ESA initiative for the east and south of the continent.

<sup>15</sup> The Southern African Customs Union (SACU) is composed of Botswana, Lesotho, Swaziland, Namibia and South Africa. In recent years, because of the signing of the interim EPAs with the EU by the first 3 of the mentioned SACU members, the other two have called for joint negotiations by the whole customs union as its rules demand.

<sup>16</sup> To prevent incoherence in the tariffs between SACU members more than 50 TCDA tariff categories have had to be changed to make consistent with those negotiated by the UE with Botswana, Lesotho and Swaziland.

<sup>17</sup> In West and Central Africa the present state of the EPA negotiations is limited: there are no regional agreements and only a few individual ones with non-LDCs.

## 5. EPAs and development in Southern Africa

As against the European Commission's pro-EPA arguments, which owe a lot to classical Ricardian arguments in favour of free trade, a large range of critical positions have been put forward by African governments, academics and civil society:<sup>18</sup> they point to the loss of customs revenues, the vulnerability of specific sectors to European competition, the EU's double standards, negotiating weaknesses on the African side, distortions of the African regional integration processes and the inclusion in the negotiations of especially controversial and difficult topics (such as the treatment of services, intellectual property rights, investment, public procurement and so on).

### 5.1 – Trade questions

Since European markets for African products are already, with the exception of agriculture, largely liberalized, the main effect of EPAs will be to increase EU exports to SSA. It is not very clear, however, that the new EPA model will cause an increase in the region's exports to the EU. Those who will enjoy benefits from the new accords will be consumers in Southern Africa and producers in the EU, to the detriment of the productive structure of the African countries on which the burden of adjustment will fall (Hurt, 2009; Goodison and Stoneman, 2005).

Recall that until recently the trade balance of the EU has been negative with both SSA in general and SADC in particular. So, the opening of the markets of these African countries to EU exports will help both to reduce that disequilibrium and to slow down the growth of the exports from Asian countries, especially from China, whose main trading partners in the region are South Africa and Angola (Hurt, 2009, Naidu et al, 2009).

Among the questions which most worry governments in the region are the loss of fiscal revenues<sup>19</sup> and the resulting reduction of resources in their respective public sectors, as well as the fear of confronting more competitive European producers in various sectors, even though the speed of liberalization may be slower for goods regarded as more 'sensitive'.

In this respect, the sharp differences in competitiveness and productive diversity between the EU and SADC are a central theme. The figures below show clearly the large inequalities of this kind between most countries in the two regional groups, which is a warning of potential asymmetry in the sharing of costs and benefits of market liberalization for the two sides.

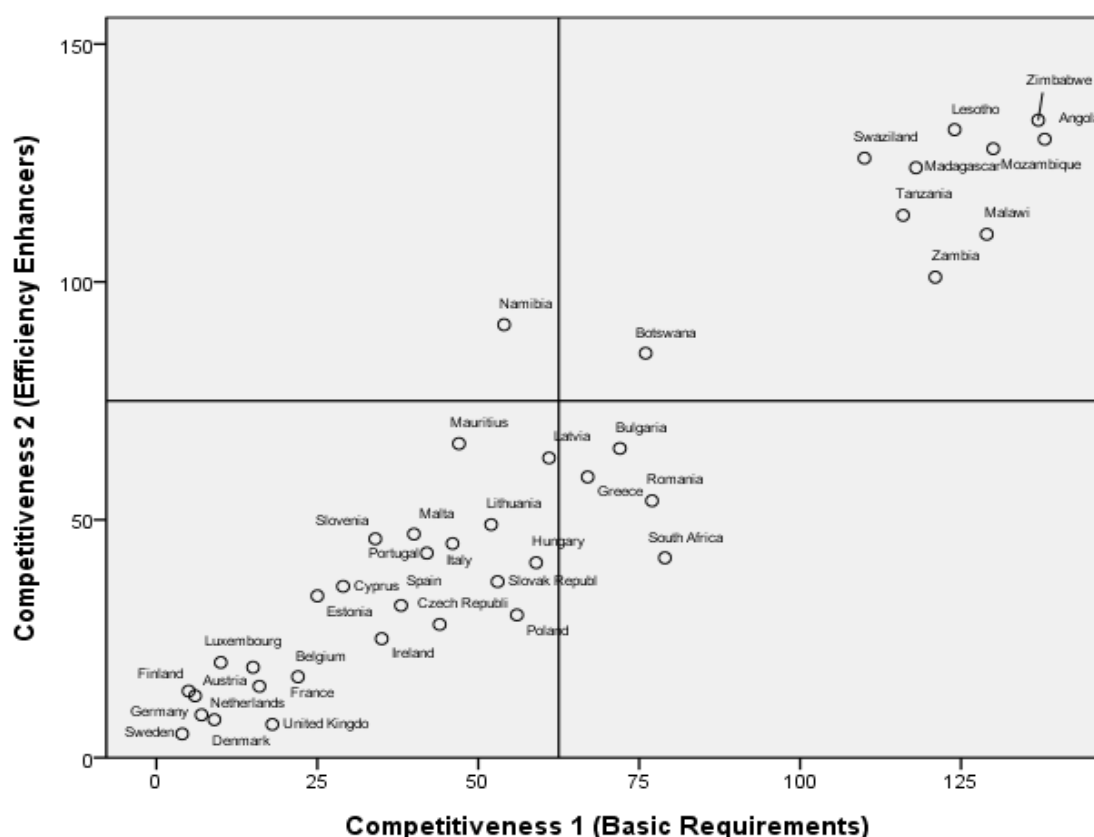
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<sup>18</sup> Some studies, roundly opposed by the European Commission, adopt a clear position that these agreements are harmful to the ACP countries. The study EUROSTEP (2004): *New ACP-EU Trade Arrangements: New Barriers to Eradicating Poverty?* argues that the free trade areas proposed by the EU will worsen unemployment, food insecurity, access to financing and to social services as well as the vulnerability of women.

<sup>19</sup> A useful example is the case of the members of the SACU customs union, known as BLNS plus South Africa. These countries had to adapt their tariffs as a result of the TDCA agreement between the EU and South Africa. Various studies estimated at the time that the loss of fiscal income for these countries would be: Botswana 5.3 percent, Namibia 8.6 percent, Lesotho 12.9 percent and Swaziland 13.9 percent. The search for alternative government revenues in such circumstances is not always easy. The risk that it will weaken the state's ability to supply basic services should be taken into account (Goodison and Stoneman, 2005).

From Figure 4, which illustrates comparative competitiveness,<sup>20</sup> we see that most of the European economies are in the lower left quadrant, the best data being for Sweden, Germany and Denmark. On the other hand, most of the SADC countries are in the upper right hand quadrant which means a low score for both indicators, the worst countries being Zimbabwe and Angola. In the lower right-hand quadrant are economies with a higher score for efficiency enhancers than for basic requirements. Here South Africa is exceptional, occupying 42<sup>nd</sup> place for efficiency enhancers and 79<sup>th</sup> place for basic requirements. In the upper left quadrant is Namibia, which, although it is well situated on basic requirements (54<sup>th</sup>), is as low as 91<sup>st</sup> in efficiency enhancers. Finally, a noteworthy SADC country is Mauritius, which has a good score on both indicators.

**Figure 4: Levels of competitiveness: EU27 and SADC compared**

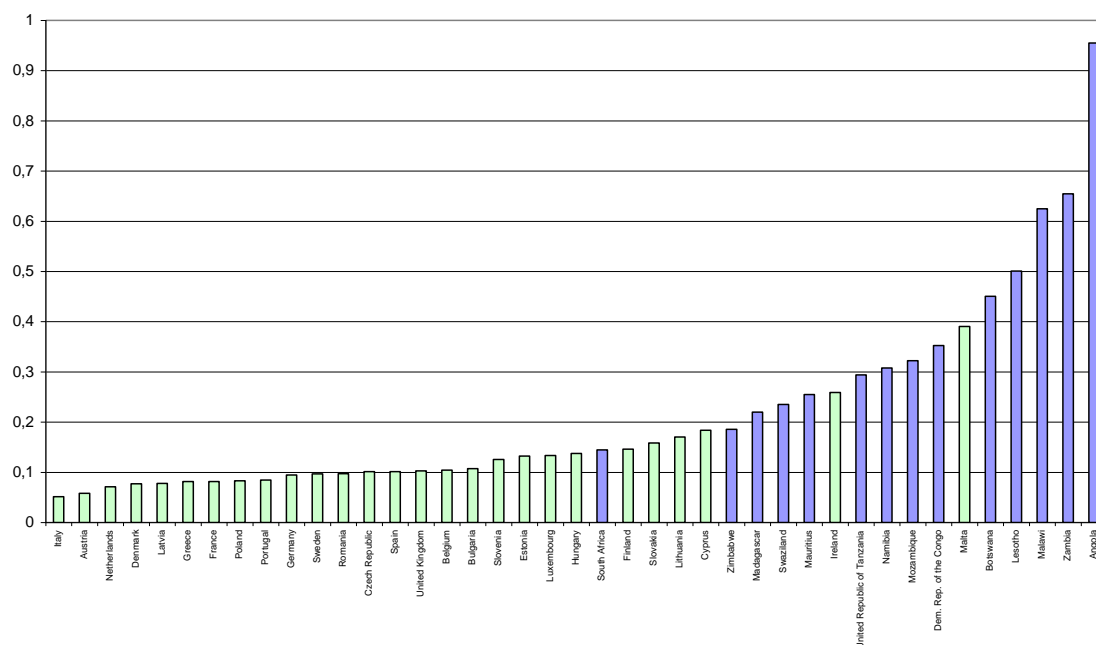


Source: Produced by the authors based on data in WEF, 2010.

<sup>20</sup> The World Competitiveness Index is composed of the weighted means of the following 12 indicators: institutions, infrastructure, macroeconomic framework, health and primary education, higher education and training, efficient markets, efficient labour market, development of the financial market, technological disposition, market size, corporate sophistication and innovation. The first four (competitiveness 1) are grouped under the title of basic requirements, the following six (competitiveness 2) under efficiency enhancers and the last two under innovation and sophistication factors. For more information on the rank and value of the index for EU and SADC countries see Annexe 2 (WEF, 2010).

Regarding the index of export concentration<sup>21</sup> there are very marked differences in both regional groups as can be seen in Figure 5 (UNCTAD 2010).

**Figure 5. Index of export concentration (UE27 and SADC), 2009**



Source: UNCTADSTAT database

Here, at one extreme we find the majority of the SADC countries, with Angola the most extreme, nearly all of them showing higher levels of concentration than the EU27 countries, with the exception of Malta and Ireland. Among SADC members, countries such as South Africa and Zimbabwe stand out,<sup>22</sup> as having a greater variety of exports than their neighbours. More detailed figures on the three principal export products of SADC countries, their share of total exports and changes in these figures during the past decade can be seen in Annexe 1. Except for countries such as South Africa, Zimbabwe, Madagascar, Swaziland and Mauritius, most of the countries of the region specialise in the production of primary commodities and have experienced few recent changes<sup>23</sup> in their export structure.

The EU's trade policy in agricultural products can be described as incoherent. Despite the Commission's offer of 'duty free – quota free' access to European

<sup>21</sup> The value of the concentration index is between 0 and 1 (respectively indicating the lowest and highest level of concentration, or the highest and lowest level of diversity).

<sup>22</sup> The serious recent economic and political crisis in Zimbabwe, however, has put it among the lowest places in the region with regard to competitiveness.

<sup>23</sup> Among the most significant changes is that in Mozambique due to the strong growth in the importance of aluminium, due to the construction of and further investment in the Mozal aluminium smelter.

markets if EPAs were approved, the domestic subsidies to the agricultural sector are still intact.<sup>24</sup>

In addition, the EU's priorities on hygiene and health regulations for food products has since the 1990s led to the application of a growing number of minimum requirements which end up becoming another type of trade barrier against SADC countries. This above all affects fish and agricultural products and their manufactures (see Annexe 1), an important part of the exports of Malawi, Tanzania, Zimbabwe and Swaziland, among others (Goodison and Stoneman, 2005).

In addition to trade in goods, the European Commission has shown great interest in including services in the negotiations. That has also produced controversy given that it is seen as a future threat to local firms, present and potential, in sectors such as telecommunications or banking where European firms are very competitive. This view is especially present in South Africa due to its position as the main supplier of services in the region, especially to the BLSN countries (Botswana, Lesotho, Swaziland and Namibia) (Van der Holst, 2009).

In order to compensate for these unequal structures, the EU has set up an 'Aid for Trade' programme.<sup>25</sup> But the small amount of resources assigned to this programme up to now, and the lack of participation in the design and planning of the scheme by African producers, reveal once more the incoherence of the EU's policies: European producers receive generous public aid and programmes to improve the competitiveness of agriculture and food industries, while producers' associations participate in the design of policies to cope with changes in trade and production (Goodison, 2009).

## **5.2 Related issues**

Investment, intellectual property rights, public contracts and competition policies also form part of the negotiating package of the EPAs. If the capital market is liberalised in the future it is possible to imagine a larger amount of FDI going to the SADC countries. This reinforces the need to establish 'performance requirements' for investors. Yet, just as in the case of the Latin American Free Trade Agreements, the tendency here seems to be the opposite, in the sense that the failed initiative to set up a Multilateral Investment Agreement (MIA) is now returning through the back door in the form of regional MIAs. The intention is to prioritise the interests of the foreign investors against those of governments which, as a result, lose their room for manoeuvre to launch pro-development policies at a time when multinational

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<sup>24</sup> In addition to the whole Common Agricultural Policy (CAP) package, reservations were also expressed by Italy, Greece, France, Spain and Portugal as a result of disputes about the denomination of some South African wines and liquors, about the market for fruit and derivatives and about cut flowers. About 26 percent of the South African agricultural products exported to European markets were excluded from the free trade conditions offered by the treaty (Davies, 2000; Goodison, 2000).

<sup>25</sup> The concept of Aid for Trade is not limited to helping with the design and implementation of trade policies and stimulating the growth of trade (the so-called 'Trade related to Aid'), but also to wider questions such as the development of infrastructure related to trade or assistance to particular productive sectors.

companies are moving into their countries (Intermón-Oxfam, 2008; Bidaurratzaga, 2008).

As in the case of trade, the main reasons for the EU to put these trade related issues about the liberalisation of FDI on the negotiating agenda are the following: the previous move by its main competitor, the USA, in the same direction through its Free Trade Agreements (FTAs) with Latin American countries; and the increasing entry of capital into the region from other non-traditional partners such as China, India, Malaysia, the Arab countries, South Korea and Taiwan (UNCTAD, 2010).

So the EU's proposals try to go beyond its own Cotonou Agreement or the WTO rules, adding up to what has been called 'WTO+', which aims to make progress at the regional level on the negotiation of themes which are at present paralysed at the multi-national level of the WTO (Intermón-Oxfam, 2008; Bidaurratzaga, 2008; Keet, 2007). In most cases the countries of SSA have neither the capacity nor the need to negotiate such questions which they have encountered before in the WTO and which are not affected by the expiry of the waiver which the EU used as an argument for changing its previous model (Goodison, 2009; Intermón-Oxfam, 2008; Marín, 2008; Keet, 2007). The fact that the EU has managed to make these questions, which the developing countries have always refused to negotiate in the WTO, part of the future negotiations on the completion of the EPAs shows the extent of asymmetry between the two parties' negotiating strengths (Hurt, 2009).

Mention should also be made of what are known as the 'contentious issues': the transition periods, the interpretation of the phrase 'substantially all trade', the principle of national treatment, regional preference, safeguard clauses and infant industry provisions, the most favoured nation principle and rules of origin. The degree of flexibility on these technical questions will determine whether their effects will be more or less favourable to the development of the countries in the region (Lui and Bilal, 2009).

### **5.3 Regional integration initiatives**

Finally, as to the effect of the EPAs on the support and strengthening of the pre-existing regional groups in SSA, the results up to now are limited, and Southern Africa is in this sense paradigmatic. In the case of SADC only 8 of the 14 members of the group are participating in the current negotiating process and, of those, Tanzania has entered an interim agreement with the EAC. Of the rest only 5 (Botswana, Lesotho, Swaziland, Namibia and Mozambique) have signed an interim accord corresponding to a 'disfigured SADC'. Recall that the first 3 of these, plus Namibia and South Africa,<sup>26</sup> form the SACU customs union. Another (the Democratic Republic of the Congo) has for now entered negotiations with the Central Africa and ESA group

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<sup>26</sup> The government of South Africa is particularly dissatisfied with the inclusion of a Most Favoured Nation clause in the interim EPA of the SADC group in which the majority of its SACU neighbours are participating. This clause, which was not included in the previous agreement (TDCA) with the EU, limits South Africa's trade negotiations with other countries such as Brazil and China (Hurt, 2009; Van der Holst, 2009). The disagreement inside SACU, the oldest customs union on the continent, whereby Namibia and South Africa oppose signing an interim SADC EPA, clearly shows the distortions and fragmentation wreaked by the EPA framework on the pre-existing attempts at integration in Southern Africa (Goodison, 2009).

together and the 5 remaining countries (Malawi, Madagascar, Mauritius, Zambia and Zimbabwe) also belong to the ESA group which is not, properly speaking, a regional grouping but rather a geographical zone in which 16 members of COMESA participate, but other COMESA members do not. Burundi, Kenya, Rwanda and Uganda (also COMESA members) have negotiated and arrived at a separate agreement with the EAC regional group along with Tanzania, as already mentioned.

So, taking the SADC region as a reference point, we find various fragmented negotiation processes in which all its members, apart from Angola, the Democratic Republic of the Congo and South Africa, have ended up signing interim agreements with the EU with different timetables and content in three different frameworks: the EAC, SADC and the ESA group. If the negotiating capacity of the ACP countries was already limited, this division in different regional groups, which in turn make disaggregated approaches to new sub-groups, must limit it even further (Keet, 2007; Goodison and Stoneman, 2005).

In contrast to other regions of the continent, in Southern Africa most of the LDCs of SADC have signed interim agreements accepting reciprocity in their merchandise trade while theoretically counting on the possibility of continuing with the previous regime of non-reciprocal preferences. For the rest of the LDCs this situation presents some problems when they join a customs union with other members who agree to reciprocal trade rules with the EU. That will mean either that it is hard to guarantee that such countries can continue to enjoy the benefits of the previous regime, or that it will be necessary to establish mechanisms to control rules of origin, and this will create difficulties for the promotion of intra-regional trade (Marín, 2008; Thomas, 2004; Hurt, 2003; Solignac-Lecomte, 2001).

Given all this confusion, the EPAs are going to make regional integration initiatives in SSA en general more difficult, especially in the Southern region. As a result of the signing of agreements reached through negotiations with individual countries or with groups of countries which do not correspond to pre-existing regional groupings, initiatives towards African integration will be weakened and distorted<sup>27</sup> (Hurt, 2003; Marín, 2008; Thomas, 2004; Hormeku, 2000, Matambalya, 2000). If this is to be avoided the following will be necessary: flexible liberalisation of customs tariffs; reinforcing the productive capacities of infant industries and of food processing production; boosting the building of infrastructure which reinforces integration; carefully choosing economic policies; and, above all, prior consolidation of integration initiatives such as SADC. All this is designed to prevent a premature outward-oriented integration with the EU producing distorting effects and ending up as an inward-looking disintegration of the region's economies (Hurt, 2009; Keet, 2007).

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<sup>27</sup> It is enough to ask if it is conceivable that member countries of the EU, individually or in small sub-groups, could negotiate agreements like EPAs with consolidated regional groups in other continents without provoking a major political crisis inside the EU itself.



## 6. Conclusions

Changes in the international economy over recent decades have provoked the reduction of the question of regional integration to a question of freer trade, and an extension of this approach to groupings of countries of the North and South together. This is often interpreted as an intermediate step towards the global liberalization of certain markets and as a prerequisite for an appropriate insertion of the SSA economies in the world economy. Evidently, these tendencies have little to do with earlier approaches related to pan-Africanism or integration as an instrument of collective self-reliance and endogenous development.

Despite its politically correct rhetoric and its supposed concern to promote development in SSA, the EU is attempting at headlong speed to impose on these countries economic agreements which guarantee privileged relations with its area of influence under the new formula of open regionalism. But these in their turn arouse major doubts about their consequences for development and about their effect on improving the conditions of life of the poorest people.

The EU's insistence on signing without delay some kind of EPA (interim if a full EPA is not possible) seems to have become more urgent as a result of the economic relations developing between SSA and non-traditional partners, in particular China, the great emerging world power. That, along with the EU's competition for certain mineral and energy resources, has improved the room for manoeuvre of many African governments in different bilateral and multilateral negotiating frameworks and has allowed them to diversify their external relations.

Theoretically this situation should be used by SSA governments to strengthen their arguments and better defend their interests; they should demand alternatives to the EPAs proposed by the EU, more flexibility about timetables, and about the issues to be included in the negotiation, as well as specific treatment for sectors vulnerable to European competition and more aid funds to compensate for the costs of integration between unequal partners. African and European social movements and development NGOs also have an important function to fulfil in this debate, by continuing their work of clarifying the meaning of the disputes and the potential implications of the proposed agreements.

The particular case of Southern Africa has so far given few grounds for optimism regarding the future effects of EPAs on regional development. The negotiating framework consists of, on one side, various SADC countries, disaggregated into different groups and with neither coordination nor a joint strategy and, on the other side, the EU, which acts as a single subject, and negotiates with a single voice.

There is no doubt that the region is composed of an amalgam of countries with major differences between them and broad inequality within. Their road to development depends on a wide matrix of variables, some of them mentioned in this paper. The position of the weakest economies and the poorest people within them will be determined partly by the nature of regulation and deregulation which governs trade, investment, intellectual property rights and flows of migrants and partly by compensation mechanisms, aid flows and other means of increasing equitable outcomes.

In this sense, if the European Commission really wishes to promote a new agenda of international cooperation according to the principles of the Paris Declaration and the achievement of the Millennium Development Goals, it must give more attention to the coherence of its own policies and insist less on its inflexible and self-interested proposal of open regionalism in the form of EPAs. Its insistence on trade reciprocity and the inclusion on the agenda of controversial questions which go beyond the WTO agreements only restrict the governments of the region from pursuing what they consider to be the best policies. As has only too frequently been shown by African governments, academics and European and African social movements during the negotiations on these agreements, they suffer from serious limitations and drawbacks in promoting development in SSA in general and in Southern Africa in particular. These criticisms stand in sharp contrast to the EU's optimistic defence of their new model of relations with those countries.

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### Annexe 1. The three main exports of SADC countries to the EU (percent of total)

País	1999	2005	2009
<b>ANGOLA</b>	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (66.1%) MINERAL FUELS. MINERAL OILS (27.6%) FISH AND CRUSTACEANS. MOLLUSCS (2.9%)	MINERAL FUELS. MINERAL OILS. (81.7%) PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY. (15.8%) SALT; SULPHUR; EARTHS. STONE (0.6%)	MINERAL FUELS. MINERAL OILS (96.1%) PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY. (2.9%) SALT; SULPHUR; EARTHS. STONE (0.3%)
<b>BOTSWANA</b>	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (85.2%) MEAT AND EDIBLE MEAT OFFAL (10.0%) ELECTRICAL MACHINERY AND EQUIPMENT (2.4%)	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (97.7%) MEAT AND EDIBLE MEAT OFFAL (1.3%) ELECTRICAL MACHINERY AND EQUIPMENT (0.3%)	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (86.9%) MEAT AND EDIBLE MEAT OFFAL (9.1%) ORES. SLAG AND ASH (2.9%)
<b>CONGO, D.R.</b>	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY. (81.5%) ORES. SLAG AND ASH (5.4%) COFFEE. TEA. MAT+ AND SPICES (4.3%)	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (57.8%) MINERAL FUELS. MINERAL OILS L. (10.5%) WOOD AND ARTICLES OF WOOD (9.6%)	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (32.4%) OTHER BASE METALS; CERMETS (18.0%) WOOD AND ARTICLES OF WOOD (16.5%)
<b>LESOTHO</b>	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (93.7%) PREPARATIONS OF VEGETABLES. FRUIT (2.5%) VEHICLES S AND ACCESSORIES (1.5%)	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY. (97.4%) PRODUCTS OF THE MILLING INDUSTRY; MALT; (0.8%) APPAREL AND CLOTHING ACCESSORIES. KNITTED (0.7%)	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (97.5%) APPAREL AND CLOTHING ACCESSORIES. KNITTED (1.1%) APPAREL AND CLOTHING ACCESSORIES. NOT KNITTED (0.8%)
<b>MADAGASCAR</b>	APPAREL AND CLOTHING ACCESSORIES. KNITTED (22.8%) APPAREL AND CLOTHING ACCESSORIES. NOT KNITTED (19.5%) FISH AND CRUSTACEANS. MOLLUSCS (13.9%)	APPAREL AND CLOTHING ACCESSORIES. KNITTED (24.4%) FISH AND CRUSTACEANS. MOLLUSCS (21.7%) APPAREL AND CLOTHING ACCESSORIES. NOT KNITTED (15.0%)	APPAREL AND CLOTHING ACCESSORIES. KNITTED O (25.2%) APPAREL AND CLOTHING ACCESSORIES. NOT KNITTED (19.4%) FISH AND CRUSTACEANS. MOLLUSCS (17.8%)
<b>MALAWI</b>	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (75.4%) COFFEE. TEA. MAT+ AND SPICES (14.1%) SUGARS AND SUGAR CONFECTIONERY A (8.2%)	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (67.0%) SUGARS AND SUGAR CONFECTIONERY (17.2%) COFFEE. TEA. MAT+ AND SPICES (10.6%)	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (80.5%) SUGARS AND SUGAR CONFECTIONERY (11.7%) COFFEE. TEA. MAT+ AND SPICES (5.8%)
<b>MAURITIUS</b>	APPAREL AND CLOTHING ACCESSORIES. KNITTED (36.5%) SUGARS AND SUGAR CONFECTIONERY A (24.7%) APPAREL AND CLOTHING ACCESSORIES. NOT KNITTED (17.6%)	APPAREL AND CLOTHING ACCESSORIES. KNITTED (30.9%) SUGARS AND SUGAR CONFECTIONERY (27.6%) APPAREL AND CLOTHING ACCESSORIES. NOT KNITTED (8.2%)	APPAREL AND CLOTHING ACCESSORIES. KNITTED (33.0%) SUGARS AND SUGAR CONFECTIONERY (21.8%) PREPARATIONS OF MEAT. OF FISH (16.9%)
<b>MOZAMBIQUE</b>	FISH AND CRUSTACEANS. MOLLUSCS (52.4%) COTTON (17.5%) SALT; SULPHUR; EARTHS. STONE (6.9%)	ALUMINIUM AND ARTICLES THEREOF (86.7%) FISH AND CRUSTACEANS. MOLLUSCS (6.2%) TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (2.7%)	ALUMINIUM AND ARTICLES THEREOF (75.4%) SUGARS AND SUGAR CONFECTIONERY (6.6%) TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (5.5%)
<b>NAMIBIA</b>	FISH AND CRUSTACEANS. MOLLUSCS (44.4%) PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (23.7%) AIRCRAFT. SPACECRAFT. AND PARTS (12.0%)	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (45.2%) FISH AND CRUSTACEANS. MOLLUSCS (22.7%) INORGANIC CHEMICALS (6.3%)	FISH AND CRUSTACEANS. MOLLUSCS (37.7%) PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (19.7%) COPPER AND ARTICLES THEREOF (13.8%)
<b>SOUTH AFRICA</b>	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (28.9%) MINERAL FUELS. MINERAL OILS (9.8%) VEHICLES S AND ACCESSORIES (7.2%)	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY. (23.9%) MINERAL FUELS. MINERAL OILS. (17.3%) MACHINERY AND MECHANICAL APPLIANCES (9.6%)	PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (26.5%) MINERAL FUELS. MINERAL OILS (14.9%) MACHINERY AND MECHANICAL APPLIANCES (8.8%)
<b>SWATZILAND</b>	SUGARS AND SUGAR CONFECTIONERY (69.8%) EDIBLE FRUIT AND NUTS (8.6%) PREPARATIONS OF VEGETABLES. FRUIT. (8.8%)	SUGARS AND SUGAR CONFECTIONERY (69.4%) EDIBLE FRUIT AND NUTS (8.5%) PREPARATIONS OF VEGETABLES. FRUIT. (13.5%)	SUGARS AND SUGAR CONFECTIONERY (69.4%) EDIBLE FRUIT AND NUTS; (8.6%) PREPARATIONS OF VEGETABLES. FRUIT (9.6%)
<b>TANZANIA</b>	COFFEE. TEA. MAT AND SPICES (23.3%) TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (21.1%) PRECIOUS OR SEMI-PRECIOUS STONES. METALS JEWELLERY (17.9%)	FISH AND CRUSTACEANS. MOLLUSCS (41.0%) COFFEE. TEA. MAT AND SPICES (15.7%) TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (13.1%)	FISH AND CRUSTACEANS. MOLLUSCS (25.8%) TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (20.3%) COFFEE. TEA. MAT+ AND SPICES (18.1%)
<b>ZAMBIA</b>	OTROS METAL. COMUNES; CERMETS (23.5%) COPPER AND ARTICLES THEREOF (20.6%) ORES. SLAG AND ASH (18.0%)	OTHER BASE METALS; CERMETS; (30.6%) COPPER AND ARTICLES THEREOF (19.1%) SUGARS AND SUGAR CONFECTIONERY (10.6%)	COPPER AND ARTICLES THEREOF (37.7%) OTHER PRODUCTS (20.2%) SUGARS AND SUGAR CONFECTIONERY (13.0%)
<b>ZIMBABWE</b>	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (38.2%) IRON AND STEEL (7.2%) COTTON (6.9%)	IRON AND STEEL (19.1%) TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (15.0%) SUGARS AND SUGAR CONFECTIONERY (8.4%)	SUGARS AND SUGAR CONFECTIONERY (23.7%) TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (15.6%) IRON AND STEEL (14.8%)

Source: EUROSTAT

## Annexe 2. Global Competitiveness Index

Global Competitiveness Index (GCI) 2010/2011								
Country	Rank	Points	Country	Rank	Points	Country	Rank	Points
Angola	138	2.93	Germany	5	5.39	Netherlands	8	5.33
Botswana	76	4.05	Austria	18	5.09	Hungary	52	4.33
Lesotho	128	3.36	Belgium	19	5.07	Ireland	29	4.74
Madagascar	124	3.46	Bulgaria	71	4.13	Italy	48	4.37
Malawi	125	3.45	Cyprus	40	4.50	Latvia	70	4.14
Mauritius	55	4.32	Denmark	9	5.32	Lithuania	47	4.38
Mozambique	131	3.32	Spain	42	4.49	Luxemburg	20	5.05
Namibia	74	4.09	Estonia	33	4.61	Malta	50	4.34
South Africa	54	4.32	Slovakia	60	4.25	Poland	39	4.51
Swaziland	126	3.40	Slovenia	45	4.42	Portugal	46	4.38
Tanzania	113	3.56	Finland	7	5.37	Romania	67	4.16
Zambia	115	3.55	France	15	5.13	Sweden	2	5.56
Zimbabwe	136	3.03	Greece	52	4.33	United Kingdom	12	5.25
						Czech Republic	36	4.57

Source: WEF, 2010