

CONCLUSIONS

Meeting in Helsinki, 31 January 2020

During its 6th meeting on 30-31 January in Helsinki, the independent tripartite High Level Group on Innovation in Trade Policy continued to ‘think outside-the-box’, as is the task given to these temporary think tanks, set up following an initiative in the Competitiveness Council.¹ The High Level Groups (HLG) are an ‘open innovation’ approach between governments, business and academia, to inject innovative policy ideas into the EU system.² The focus was the future Partnership with Africa and therefore the HLG was enlarged with African participants.

There was general consensus that in Africa, Europe can make a difference; and that with together, they make a difference in the current global geopolitical and economic conditions. Therefore, it is welcomed that the new Commission had made this a priority, and it should be one of equal political importance to the Green Deal.

In an innovative and comprehensive relationship with the African continent, a mutual win can emerge; in addition, it can be a role model for multilateral cooperation for the 21st century, for managing interdependence. This should be an overarching EU policy objective. But this requires a radical game change in Europe’s policies with Africa, moving away from a development aid approach towards the framework conditions for investment and trade, taking into account the role of global value chains, research & innovation, and of capacity acceleration in a digitalised economy. Only these will bring lasting sustainable growth and employment for African people. It will also help to cope with the consequences of climate change.

As a start for this new approach, the HLG recommends to take a fresh and independent look at the relative failure of decades of aid policies, as stated by many experts. Therefore, a simple continuation of existing pathways, such as the Cotonou Agreements or the European Partnership Agreements, without radical change and adaptation to new contextual conditions, will lead to only more waste of taxpayers’ money in Europe and stagnation in Africa.

¹ Council of the EU, 5-6 December 2011, Presidency Note.

² Members participate in their personal capacity. All recommendations for action and all ideas for further consideration have not always been agreed on by all members, but advice is based on a very wide consensus. The final version is written under responsibility of the chairman and the secretary general.

I. Change the narrative from aid to trade

A narrative for developing an equal Partnership must be well founded. This will help to shift the mindsets here and there and to construct the framework conditions with a view to shared long term interests. There is still patronizing aid thinking around in EU institutions and in Member States, and there is also often an unbalanced view about the era of forced and unilateral interdependence of the 19-20th century. There is a widespread cognitive gap about earlier comprehensive relations between both continents, dating from Roman times, and about the positive roles which trade with Africa played in Europe's own development and culture. Without change, these often hidden views and sentiments will hypothecate the engagement of stakeholders and decision makers alike.

At the same time, Africa needs new governance model for its own economic integration. Political support for trade and economic integration is highest ever yet the issue of sovereignty still remains key – supra-nationality requires sufficient explanations.

Recommendation nr 1

The Commission should take the initiative to invite a multi-disciplinary and independent group of leading thinkers from Africa and Europe to design the fundamentals of a new, honest and inclusive narrative for the future Partnership. It should have a similar appeal in both continents as the original narrative for European integration had here.

Recommendation nr 2

The Commission should widen the exchange program for university students under its Erasmus program. It should be renamed the Senghor program, after the leading African philosopher, poet and politician, to appeal better to African minds. It should be aimed at a large group of high flying students from universities and business schools from all African countries, chosen on the basis of objective criteria.

II. Priority achievements

An equal Partnership requires the EU no longer to seek to impose its policy views on Africa but to take African owned initiatives seriously. There is but one to prioritise above all others: the AfCFTA. Despite all the differences, it has the vision and potential equivalent to Europe's own Paris and Rome Treaties.

Economically, the AfCFTA has the potential both to boost intra-African trade by more than 50% by eliminating import duties (estimate of the Economic Commission for Africa), and to double this trade if non-tariff barriers are also reduced. Also, the IMF estimates welfare gains of 2 to 4% of GDP, mainly from reduction of non-tariff barriers.

All possibilities for cooperating in its realisation should be mobilized enthusiastically. Existing and future policy should be evaluated objectively by both partners if and how they can be fitted into the AfCFTA. This is particularly the case for the ongoing post-Cotonou Agreement negotiations and for the EPAs which should not be simply continued but need radical innovation in their concept and practice. Both treaties allow for it, it only requires political courage to start a new discussion.

This will also allow to bring more coherence in EU policy making towards Africa and to overcome the many fault lines within the Commission and EAAS and between the EU and all Member States. The focus should be put on co-designing a common vision about mutual interests and on mutual policy adjustments in order to stimulate investments and trade within Africa and with Europe. The mismatch of treaties which results from it, the lack of convergence of views on long term policy strategies and the lack of coherence needed to be remedied without further delay.

Recommendation nr 3

The ideal approach is to postpone the conclusion of the post-Cotonou Agreement with one year and to continue existing arrangements. This would also be consistent with the MFF negotiations not yet concluded.

If this would not be possible, then a legally binding provision, should be included in the new post-Cotonou Agreement which unequivocally states the need of future synergies and amendments with the AfCFTA, including a budgetary shift towards to future Partnership and its economic and ecological objectives. Proclaiming political support without financial backing (such as under JAES) undermines the credibility of the EU, promising a budget without policy change ensures only more inefficacy.

In general, the funding approach must shift towards investment in its various forms (equity, loans and grants), towards a functional capital market both for the private sector as well as building solid public finances in Africa, and towards the framework conditions listed below.

The most important benefits for both Africa and its partners may well come from the non-tariff agenda. Improvements in customs and border management and broader trade facilitation will have a non-discriminatory effect – improving the trade environment and lowering the cost of doing business, irrespective of the trade partner.

Recommendation nr 4

As more inclusive and innovative approach in designing the future Partnership and the various form of cooperation between AU and EU is urgently needed. A vision must be put forward: a free trade area between the two continents. It is not a short term prospect, on either side, but in the future geopolitical and economic context it may well be in the mutual interest. It can be build step by step.

Many of cooperation mechanisms and the concepts lying behind them from the past are unsuited for the future. Therefore, an innovative effort must be made to design the key framework conditions of the future Partnership by engaging the know how of (responsible) businesses. In any case, more investment and trade inside Africa and between Europe and Africa will require priority attention to:

- Infrastructure development and upgrading such as ports and railways, but also broadband networks both for internal African trade and with Europe
- Capital market functioning, such as availability of equity
- Efficient and fair taxation systems
- Framework conditions for developing affordable, innovative products and services responding to Africans' needs
- Facilitating research to innovation value chains
- Facilitating integration of SMEs in Global Value Chains and capacity acceleration in SMEs, in view of AfCFTA and digitalization
- Facilitating an African owned farm to fork agriculture strategy for their people
- Development and application of competition rules
- Developing synergies with Europe's Green Deal including green hydrogen production at large scale
- Facilitating regional integration for more standard requirements to prepare for global competition

Reducing all the extra trade costs (highest in the world in Africa) to increase SMEs trading activities and affordability of engaging in international activities. It will also require to make an inventory of non-tariff barriers to trade, a road map to lower them and to develop regulatory equivalence, and the avoidance of (new) hurdles to African SMEs.

III. Leave old pathways and develop innovative approach

Europe's policies with Africa have continued along the same policy and regulatory pathways since the 1960s, despite a rapidly changing political, economic, demographic and environmental context. The efficacy of these policies has been doubted for years by many experts. It has in fact been recognised also by the numerous new departures promised but never made, because there was never a shift away from the old ones.

Recommendation nr 5

Focus now on real substance to the Partnership and make the funds available where they are needed, that is in the first place for creating the framework conditions to make the AfCFTA operational. The EPA and post-Cotonou Agreements should be made fully coherent to this goal and amended in the shortest possible time.

Recommendation nr 6

There should be an effort to synergize national and European policies with this overarching goal. If this can be done, then the overall efficacies of policies and funding will increase significantly and desired goals can finally be achieved.

Overall, there should be a radical paradigm shift from aid to investment. Aid should remain reserved for humanitarian crisis situations and for combatting extreme poverty, but it should not be mixed up with creating framework conditions for investment and trade. Only a reliable framework for private investments will lead to the much needed sustainable economic growth and job creation in Africa.

24 February 2020