



Zimbabwe Council of Churches

**IN-DEPTH AND COMPREHENSIVE RESEARCH ON
THE EU/ESA ECONOMIC PARTNERSHIP
AGREEMENT.**

ZIMBABWE WHERE ARE WE?

**EXECUTIVE SUMMARY OF THE FINAL REPORT
September 2024**





EXECUTIVE SUMMARY

This study was commissioned by the Zimbabwe Council of Churches (ZCC) in Partnership with Kirchliche Arbeitsstelle Südliches Afrika (KASA) and financially supported by Bread for the World. In commissioning the study, the ZCC and partners were inspired by their mandate of promoting socio-economic justice, equality and the prosperity of all people through just trade and other systems. The Church is aware that trade agreements affect the food people eat, the water people drink, the clothing people wear, the air people breathe, the shelter people reside in, the work people engage in. Thus, overall, the Church does not read much into the technicalities of trade agreements or policies, but their basic practical outcomes on people's lives. The study is inspired by the genuine desire to promote socio-economic transformation in Zimbabwe for improvement in people's standards of living, including the creation of more industries for wealth creation and income generation, creation of decent employment, fostering equality including empowering women and youths; and reducing poverty and other social inequalities.

The Church believes that for trade policy and agreements to be inclusive and to yield desired outcomes, people and interested sectors must be provided with an opportunity to inform and enrich the policy and negotiation positions. The Church's approach is consistent with some of ANSA (2024)'s principles on the alternatives to Neo-liberalism in Southern Africa in that trade and development should be led by the people, that development should be autocentric and be based on domestic, human needs and the use of local resources. Other principles include the need for regional integration to be led from the grassroots and the need for trade to facilitate redistribution of wealth to empower the non-formal sectors, support gender equity and participatory democracy.

The study focused on analyzing the Interim Economic Partnership Agreement (i-EPA) between the European Union and East and Southern African countries (EU-ESA), with a particular focus on Zimbabwe. It further examined the current negotiations for a comprehensive Economic Partnership Agreement between the same parties. The main aim was to inform the current negotiations and also, if necessary, the monitoring of the implementation of the interim and comprehensive Economic Partnership Agreement. This is important considering that trade agreements need to factor people's concerns, including the concerns of most vulnerable groups, women, small scale farmers and traders, youths and other minorities, for the outcomes of the agreements to be inclusive and to promote social equality. The study was further important to the Church as a non-state actor in that, Zimbabwe is negotiating with the EU at a time the Zimbabwean economy is facing severe structural challenges with undesirable social and economic outcomes such as high levels of unemployment, poverty, food insecurity due to climate change and a general slump in metal prices globally, poor health and education services among other challenges. In the midst of these challenges, the country has desire for socio-economic transformation as espoused in its current economic blueprint the National Development Strategy (NDS) 1 (2021-2025) and the Vision 2030 document.

The study was informed by extensive literature review, expert interviews with Government, private sector, civil society, academia, international organizations and Regional Economic Communities. The study was also informed by insights from the consultative workshops held by the Zimbabwe Council of Churches. The report also benefitted from presentations and discussions that were made during the “European Union – Africa Relations -Economic Partnership Agreements Research Conference” that was held between 14 and 15 August 2024 at Kentucky Hotel, Harare-Zimbabwe. These two meetings were attended by a total of 49 and 44 participants drawn from Government ministries and departments; private sector; farmers unions; exporters; trade unions; women organizations; Organizations of Persons with Disabilities (OPDs); civil society organizations (CSOs); faith-based organizations (FBOs); academia; and representatives of the European Union.

Overall, the research concludes that under both the i-EPAs and the on-going comprehensive EPAs, largely favors the interests of the EU more than it serves the interests of Zimbabwe and the other ESA5 countries. This observation is consistent with the fact that EU still continued to enjoy the exports of cheap primary and raw materials by Zimbabwe and other ESA countries under the i-EPA and will continue to do so under the Comprehensive Economic Partnership Agreement (EPA). This situation implies crippling of the opportunities for industrialization, and loss of jobs in Zimbabwe, the ESA-5 countries and Africa at large, and the creation of employment opportunities in the EU. This observation is also consistent with the EU Critical Raw Materials Act that entered into force on 23 May 2024 and aims to ensure a stable and sustainable supply chain of raw materials. Furthermore, the liberalizations under both the interim and the comprehensive Economic Partnership Agreement benefit more the EU given that its finished manufactured products will have ease duty free access into ESA countries as EU exporters take advantage of the liberalized market access. Zimbabwe, without huge stimulus support for industrialization, technical and capacity support to trade institutions, and broader development support, will not meaningfully export high value manufactured and industrial goods to the European Union. Even industrialization for its own needs cannot succeed if Zimbabwe faces competition from industrial products from highly industrialized regions such as the EU.

The study noted particularly that, during the period of i-EPA, Zimbabwe’s economy was not diversified, with top 10 exports to the EU comprised of primary products that accounted to around 94.2% of exports to EU between 2012 and 2022. About 61% were minerals while agricultural products comprised 34% and artifacts 0.5%. On the contrary, the top 10 imports from the EU to Zimbabwe account for only 50.85% share of the imports. This means imports from the EU are relatively diversified compared to Zimbabwe exports to the EU. Zimbabwe has no industrial products or high value-added products in the top 10 exports to the EU. The export of primary, undiversified and low value-added products is against the aspirations of exporting high value added and diversified products espoused in the NDS 1, the Zimbabwe Trade Policy and the Vision 2030. Zimbabwe became a net importer of goods from the EU, with trade deficits of between US\$9.45 million to US\$1.7 billion between 2012 and 2022. The slight improvement in 2022 and 2023 was merely driven by exports in tobacco and diamond. Under the comprehensive EPA, the study concludes that Zimbabwe will largely remain with the export basket dominated by primary commodities, with the country significantly lacking diversified and value-added products.

This performance is against the backdrop of a weak economy in need of recovery, high costs of doing business, poor logistics performance, and poor quality of trade and transport infrastructure. Thus, while a potential market, Zimbabwe has weak industrial capacity and trade institutions to exploit the EU market, making the costs of the comprehensive EPAs high while benefits are marginal. The study reveals that the liberalization under both the i-EPA and the Comprehensive EPA benefit more the EU given that its finished manufactured products will have ease duty free access into ESA countries as EU exporters take advantage of the liberalized market access. The research therefore concludes that the EPA on its own without being accompanied by robust structural transformation is not an optimal tool for economic growth, industrialization, job creation and poverty reduction in Zimbabwe and other ESA countries.

In assessing the overall impact of the i-EPA, the study concludes that Zimbabwe has marginally benefited due to weak capacity to exploit the EU market. Among the reasons for Zimbabwe's failure to benefit from EPAs include the weak industrial base, poor infrastructure to meet the EU health, safety, sanitary and phytosanitary standards. The country still faces policy and regulatory barriers to trade, capacity to monitor and implement trade agreements, border management and coordination, export competitiveness, among other challenges.

During the i-EPA implementation period, the study found that the EPAs contributed to fragmentation instead of promoting the regional integration objectives. This started with the negotiations as ACP countries had to be divided into different groups or sub-EPA regions. Some countries ended up negotiating as individuals whilst others like Zimbabwe entered into the negotiations with regions they do not share commonalities. Some countries such as Nigeria, Burundi and Tanzania continue to resist EPAs as they hold the objective view that EPAs are not a development instrument but rather a neo-colonial instrument that will not contribute to the transformation of the ACP countries. Moreover, the different regions such as ESA and SADC EPA regions were not allowed to cumulate for purposes of upgrading their capacities to produce and export to the EU. Overall, EPAs were found to be instruments that are distorting regional markets and undermine the ability of the region to strengthen the AfCFTA and other regional economic communities such as SADC and COMESA.

In terms of power dynamics, the study found out that the negotiations of the comprehensive Economic Partnership Agreements have involved two parties with very different economic structural features. On the one hand, there is the EU with highly sophisticated and industrialized economies and institutions against Zimbabwe and other ESA-5 countries still characterized by over-dependence on the export of primary commodities and with relatively weak trade institutions. The ESA5 countries also comes to the negotiating table at the back of very weak contribution to World Trade of less 5%. Zimbabwe is generally characterized by limited domestic manufacturing and industrial capacity, non-diversification of economic activities and stagnation of the rural economy. Furthermore, Zimbabwe and the ESA5 grouping are characterized by high vulnerability to external shocks, high poverty and degraded livelihoods.

In the absence of strong supply of manufactured products, the envisioned liberalisation will outrightly benefit the country that has a strong manufacturing base, hence the conclusion that the EPAs as they are negotiated are likely to worsen than improve the performance of ESA-5 countries. Zimbabwe's interests remain narrow, given that the envisioned benefits are to preserve the duty-free quota to EU despite failing to exploit the market, that its part of its export led growth strategy despite weak linkages with the industrialization thrust, foreign currency generation given that the country has few options to generate foreign currency and is facing currency instabilities, and the argument that the EPAs are part of the country's economic policy reforms. Internal forces further weakening Zimbabwe's economic fortunes in light of EPAs include non-conducive business environment (electricity, water, policy challenges), poor export culture, lack of strategic foresight, limited awareness by companies and corruption affecting the business environment. It is however clear that the EU has interests to access raw materials, interest in access market for services, has clear interests on IPR issues and EPAs are an instrument to pursue its global economic agenda in light of its declining trading volume with African countries and the threats of the BRICS+.

The research further concludes that there are a number of threats emanating from the draft negotiation texts for the comprehensive EPAs. Some of the threats observed are detailed as follows:

On the Rules of Origin (RoO) Chapter, threats include the fact that the RoO can be a source of Non-Tariff Barrier (NTB) given the limited capacity on the part of the exporters to understand the various RoO components such as proof of origin, levels of accumulation, validity period of proof of origin, supporting documents, verification processes and dispute settlements. There is need to increase derogation and accumulation within the different EPA regions. For the RoO to promote trade, there is need to promote interdependencies through continental wide cumulation and simpler RoOs. Higher levels of cumulation are even recommended for strategic products. The RoOs need to be simpler and clear to reduce compliance costs to exporters.

On Trade in Services, Investment Liberalization, and Digital Trade, Zimbabwe and other ESA5 countries are likely to face stiff competition from the EU companies given that their service industry is still at its infancy and needs significant investment. A high market offer affects the infancy services industry. In this regard, high market access offer by Zimbabwe will negatively impact the existing industries, weighing down prospects of Zimbabwe's industrialization. The Chapter has significant threats as Zimbabwe is yet to implement the concluded SADC Regional trade in services guidelines. Thus, it is inconsistent for Zimbabwe to agree on trade in services at the EU level when it fails to implement the SADC guidelines.

On Technical Barriers to Trade (TBT), the reliance on International Organisation for Standardization (ISO), the International Electrotechnical Commission and the International Telecommunication Unit (ITU), while TBT's provisions are already agreed at WTO level poses some threats to exporters in Zimbabwe in the absence of capacity to manufacture quality products. Very few products in Zimbabwe are ISO certified, hence a big barrier to take advantage of EPA. It is also very costly in the short to medium term to adopt international standards hence a longer transition period is needed.

Implementing the TBT provisions under the comprehensive EPA will be associated with increased costs related to upgrading of standards from the existing to new ones. Other costs are related to additional conformity assessments and product testing, marking and labelling (languages, pictograms, symbols or graphics etc.) In addition, the SPS measures, as experienced during the i-EPA, will continue to be NTBs, preventing Zimbabwe and ESA-5 countries from exporting into the EU market. Thus, the provisions under this Chapter should be linked to the development chapter for technical assistance to be provided towards compliance, and this support will be in the form of finance, technical and technological support for product treatment and testing to meet EU standards.

On Competition (COMP) the EU Common Agriculture Policy remains the major contested issue at the back of resistance by EU to scrap the subsidies to EU farmers. The subsidies have tended to affect the competitiveness of African countries' agriculture despite them having naturally good climate and access to productive land. In this regard, negotiators should be worried about the negative impact of the current negotiated text which still compromise the competitiveness of the Zimbabwe agriculture sector. In another view, the resistance by the EU to scrap subsidies that are affecting the competitiveness of Zimbabwe, ESA-5 and other countries demonstrate the bad faith in the negotiations and the true position that the EU is not concerned about contributing to the transformation of African countries but rather to exploit raw materials for its industries.

The draft Trade and Sustainable Development (TSD) Chapter has some sections that are a threat to Zimbabwe and the ESA-5 countries. The frontloading of international conventions before **ratification and preparedness by ESA5 at country level** remain a risk factor in terms of ability and capacity to implement commitments. Provisions related to labor standards, wildlife, environment, social and cultural norms and others are problematic. For example, Zimbabwe's Nationally Determined Contribution makes clear that "All actions will be implemented subject to availability of affordable international financial support, investment, ability to leverage domestic resources, technology development and transfer and capacity development.

In this regard, EPA will undermine this provision if implemented as per current text. Another example is the limited **capacity to shift overnight** towards use of clean renewable energy. EPA may also be used to retard Zimbabwe's interest to trade its **excess ivory stocks under the Endangered Species of Wild Fauna and Flora (CITES) including its forest products**. Other provisions of the TSD Chapter have been found not to be aligned with the provisions of the African Continental Free Trade Area (AfCFTA) especially on issues to do with forest management and gender equality. Given such threats, civil society agreed that there is a need to continue pushing for a TSD chapter that is fair and balanced and considers the status of ESA5 countries as elaborated above. In the view that the EU does not commit technical and other support towards implementation of this Chapter, the ESA5 countries should outrightly reject the inclusion of a TSD Chapter into the EPA, and explore a separate bilateral/regional agreement with the EU on labor and/or environment issues.

On Intellectual Property Rights (IPR), emerging threats include the lack of commitment by the developed world like the EU to respect the DOHA dimension of the Trade Related Intellectual Property (TRIPs) as it relates to Public Health. In addition, there is limited capacity in the ESA5 to implement and monitor the IPR policies negotiated under the Comprehensive EPA. In the absence of flexible mechanisms and waivers, Zimbabwe and ESA-5 countries will find it difficult to take advantage of the provisions of the agreements.

Regarding Customs and Trade Facilitation (C&TF), ESA-5 countries are threatened by the lack of capacity to modernize their customs procedures including challenges related to poor time release of goods, limited understanding of customs technical issues by exporters, high possibility of revenue loss through reduction in tariff at the back of limited capacity to export to the EU. The private sector will have limited capacity and will require support in the form of technical and financial assistance.

On Partnership in Agriculture, the threats relate to climate change effect and limited access to mechanised farming systems. On SPS, the negotiations have referred to the WTO provisions on the application of SPS Measures & the International Plant Protection Convention. However, currently Zimbabwe faces significant challenges of controlling animal and plant diseases, thereby limiting its capacity to export to the EU. To date most exporters have found it costly to fulfill SPS measures administrative requirements such as control, inspection and approval making SPS issues look like NTBs. Zimbabwe as a country will likely have difficulties to check whether imports from the EU fulfill their plant and animal protection requirements. The connections between the Partnership in Agriculture provisions and the Development chapter need to be strengthened.

On Public Procurement, Zimbabwe faces limited capacity to compete with EU suppliers including meeting the required tender technical specifications. The application of IPR and RoO provisions also reduce the competitiveness of Zimbabwe suppliers. This, coupled with poor transport and distribution logistics will make Zimbabwe's goods less competitive in terms of price offers. Once again, Zimbabwe needs support to be able to implement the provisions on public procurement.

On Economic and Development Cooperation/ Means of Implementation (MoI), the EU has not so far been forthcoming with a customized dedicated envelope to assist ESA5 on capacity building to facilitate the implementation of the EPA. This remains a big challenge in terms of the cost and burden of EPA implementation. The EU is however indicating commitment to support EPAs under its normal development instruments. However, considering that EPAs are imposing more costs than benefits to Zimbabwe and the ESA5 countries, it is in the interest of the ESA-5 countries to push for an EPA dedicated funding to support the implementation of the various chapters of the EPAs. The capacity and institutional gaps in the different chapters being negotiated will be underfunded and that implies the EU will freely access the ESA-5 market whilst the ESA-5 countries will not access the EU market. This will have huge socio-economic costs to Zimbabwe and other ESA-5 countries.

Despite these observations, the Government of Zimbabwe and the European Union (EU) were found to be optimistic about both the outcomes of the implementation of the i-EPA and the on-going comprehensive EPA negotiations. While fulfilling its own interest, the EU believes that Zimbabwe can derive significant benefits from a comprehensive EPA with the EU. The horticulture products such as blue berries, mange tout peas, sugar snap peas, capsicum, macadamia, avocados, cut flowers were cited as examples of products with potential to earn an average of \$120 million annually from exports of horticultural products to the EU (HDC, 2023).

In relation to inclusivity of the processes, EPA negotiations have been characterized by weak participation of the private sector and the civil society. Weak participation by the private sector implies that the negotiations are not informed by the broad interests and experiences of the private sector and non-state actors (NSAs). The ESA point of view, and Zimbabwe experience in particular, shows that such weak participation tends to weaken the ability of private sector and CSOs to inform Government positions and their ability to promote transparency, good governance and accountability which are key requirements for successful EPA implementation. Inclusive processes provide room for NSAs to mobilize and lobby for rejection of several provisions that have been negotiated in various Chapters of the Comprehensive EPA but also to strengthen the negotiating positions of the ESA5 countries. It is also the finding of the research that the depth and knowledge on EPAs is also limited across Government ministries, departments, state enterprises and stakeholders. Considering the strategic importance of such agreements, there should be robust debates across the different arms of Government on EPAs. This is an area where CSOs and development partners may need to strengthen capacity through dialogues and engagement.

Recommendations

- There is a need for Zimbabwe to concentrate on revamping its productive sector towards high value manufacturing and services capacity for it to reap the benefits of free trade agreements such as the EPAs. This implies the need to delay several proposed liberalization initiatives and market access provided under the EPAs. Zimbabwe should therefore not rush into signing and ratifying the comprehensive EPAs.
- The final comprehensive EPA text must be revisited and re-designed to address structural and adjustment challenges for Zimbabwe and other ESA countries to; overcome commodity dependency; build human, institutional and industrial capacities, and infrastructure to produce and trade; and increase value added and diversification of the economy. The EPAs should be designed in a way that leads to poverty reduction, sustainable development, gradual and smooth integration of the ESA countries into the global economy through structural capacitation and strengthening of institutions.
- Strengthening the participation and monitoring of the implementation of EPAs by CSOs. CSOs should rigorously engage with the Government of Zimbabwe and the EU to influence the final outcome of the Comprehensive EPA text. This should be based on a Policy Position Paper on EPAs based on current status including the need to deal with the observed threats.

In the likelihood event that CSOs do not influence significantly the Final Comprehensive EPA text, the CSOs and other NSAs should be prepared to do a comprehensive analysis of the final Comprehensive EPA text and lobby their stakeholders before the ratification of the agreement. There is need to revamp the Zimbabwe NSAs Forum or use other structures or create a Specialized Trade and Industry NSAs Platform for EPA engagements.

- As part of EU Development Cooperation, there is a need for civil society in Zimbabwe to engage the EU delegation to Zimbabwe to prioritize civil society capacity building on EPA as part of the resources allocated to Zimbabwe under the National Multiannual Indicative Programme for the period 2021-2027.
- Agreements such as EPAs must be inclusive by promoting simple trade measures or tools, and usage of simple trade rules that could be understood by small scale traders including women and youth owned business.
- The Civil Society and other NSAs should strengthen engagement, dialogue and advocacy with the Parliamentarians through the Parliamentary committees responsible for international trade, industrialisation and other areas to provide input and analysis on EPAs. This is essential both before the ratification of EPAs and afterwards. There is also a need to put in place a strategy to mobilize resources to finance EPA operations and participation of NSAs in the EPA processes. Immediately after the Comprehensive EPA text is out, there is a need to carry out a quick review and revise the Policy Position Paper based on actual text. The options should include re-engagement with the EU for them to provide diplomatic platforms with the view to revisiting the agreements.
- Zimbabwe has a number of state institutions that are responsible for implementing various trade-related processes and procedures. So far, they have only been marginally involved, if at all, in the ongoing negotiations. They are in a position to identify the potential threats to Zimbabwe because they are confronted with trade policy and technical challenges on a daily basis. Zimbabwe should have all draft texts reviewed by its own specialized government bodies before any signature. In addition, the government should take into account the expertise of small and medium-sized enterprises. This is what matters if Zimbabwe wants to diversify its economy.