School of Public Policy, Central European University
Academic Year 2016-17

Institut Barcelona d'Estudis Internacionals
Academic Year 2017-18

The Economic Partnership Agreement between the European Union and the East African Community

Case study on Kenya's and Tanzania's trade preferences

Dissertation submitted by
ISABELLE ADAM

in partial fulfilment of the requirement for the degree of
ERASMUS MUNDUS MASTER IN PUBLIC POLICY

Supervisors:
DR. ANDREA BIANCULLI
DR. THILO BODENSTEIN

Budapest, 15 July 2018

Author's Declaration

I hereby certify that this dissertation contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I hereby grant to IBEI and the Mundus MAPP Consortium the non-exclusive license to archive and make accessible my dissertation in whole or in part in all forms of media, now or hereafter known. I retain all ownership rights to the copyright of the dissertation. I also retain the right to use in future works (such as articles or books) all or part of this dissertation.

I. Adam

Isabelle Adam
Budapest, 15 July 2018

Word count: 12544

Table of content

List of abbreviations

ACP	African, Caribbean, and Pacific Group of States
EAC	East African Community
EBA	Everything But Arms Agreement
ECOWAS	Economic Community of West African States
EC	European Commission
EPA	Economic Partnership Agreement
ESA	Eastern and Southern Africa
EU	European Union
GDP	Gross domestic product
GSP	General System of Preferences
ISI	Import substitution industrialisation
LDC	Least-developed country
OEP	Open Economy Politics
REC	Regional Economic Community
ROO	Rules of Origin
SSA	Sub-Saharan Africa
WTO	World Trade Organisation

Abstract

The present thesis deals with the Economic Partnership Agreement (EPA) concluded in 2014 between the European Union and the East African Community (EAC). The process of its implementation, which requires regional unanimity, has since been stalled due to diverging positions on trade liberalisation of the EAC countries. In particular, Kenya supports liberalisation through the EPA and signed it single-handedly, while Tanzania opposes it, referring *inter alia* to the protection of domestic industries. How can these opposing positions on trade liberalisation in the form of the EPA be explained?

In an attempt to answer this question, this thesis looks at a number of economic and political factors that are expected, based on literature and theory from the field of International Political Economy, to exert an influence on states' trade preferences. In order to account for the multiple layers and of factors forming trade preferences, the thesis attempts to draw the big picture with micro-, meso-, and macro-level analyses of comparative trade profiles, economic-political power linkages and regional political bargaining. The evidence used to fill the picture with details draws on primary and secondary literature, economic data, and expert interviews.

Based on the results, it appears that Tanzania's EPA opposition hinges on its limited gains from the Agreement due to being a LDC with permanent free EU market access. This reason is complemented by the country's historically weak industrialisation, defiance of market-liberalism and deeper regional integration; as well as its current industrialisation strategy and protectionist policies, on which economic actors have limited influence. In contrast, Kenya's EPA support appears to be rooted in the threat of losing free EU market access as a non-LDC in combination with the historical background of industrialisation and market-liberal ideology; as well as the current economic policy of furthering external trade and deepening regional integration, in which economic actors potentially have a voice.

1. Introduction

Since decolonisation, the relationships between the European Union (EU) and the Member States' former colonies, organised as the African, Caribbean, and Pacific group of states (ACP), have transformed over time illustrated by the consecutive agreements of Yaoundé (1963-1975), Lomé (1975-2000), and Cotonou (2000-2020). One major aspect of these agreements consists of Europe granting extensive trade preferences to ACP countries. Trade with the EU remains an important feature of many ACP countries' development strategies, even though the emergence of global value chains has led to increased competition and the importance of other trade partners, such as the US, China and other emerging economies, has grown significantly and. In international development, improving the multilateral trading system to the advantage of the economies of least-developed countries (LDCs) has become one of the chief concerns, reflected *inter alia* by the Sustainable Development Goal number 17 (United Nations, n.d.). Against this backdrop, recent years have seen much discussion about the role external trade should play in the sustainable development of ACP countries and whether free trade agreements can contribute to this.

In this context, the negotiations of Economic Partnership Agreements (EPAs) between the EU and ACP countries, divided into seven regional economic communities (RECs), have received a lot of attention. The ACP and the EU had agreed that EPAs should serve the overall goals of sustainable development and regional integration. From 2002 to 2014, these agreements were negotiated to make EU-ACP trade compatible with the rules of the World Trade Organisation (WTO), where Latin American countries had brought a suit against the EU in the 1990s for discriminating against them by giving unilateral trade preferences given to the ACP. The EPAs are designed to replace these unilateral trade preferences by granting ACP countries completely duty-free quota-free access to the EU market in return for the ACP countries opening their markets for around 80% of product lines, which is a controversial requirement.

The EU argued that decades of unilateral trade preferences seemed to have largely failed to serve the ACP development as most of the countries neither increased their exports to the EU substantially, nor did they diversify their products to reduce the dependence on raw materials. In contrast, Asian countries without or with few trade preferences had managed to increase their trade with the EU drastically in the past decades. Therefore, the EPAs are meant to foster development by establishing new comprehensive agreements that liberalise trade reciprocally (Bartels, 2007).

However, critics of the EPAs argue that trade liberalisation is not in the interest of sustainable development and its strategy of regional integration (South Centre, 2012), but rather serves the EU's openly stated concern of "securing reliable and undistorted access to raw materials" (European Commission, 2008b). Due to this controversy over the desirable scope and potential impact of the EPAs, the negotiations took twelve years, much longer than the envisaged five years. Since the conclusion of negotiations in 2014, only the EPAs with the Caribbean REC and the Southern African Development Community have fully entered into force, and a few African countries of different RECs have signed an EPA individually (European Commission, 2018).

In the East African Community (EAC), consisting of Kenya, Tanzania, Uganda, Rwanda, and Burundi, the EPA controversy becomes well-observable. Like other RECs, the EAC has concluded its EPA negotiation with the EU in 2014, but the process of signing and ratifying the agreement has since been delayed by some countries (Asche, 2016; Brandi et al., 2017). In contrast to other RECs, individual countries of the EAC cannot implement the EPA until all five member states have signed and ratified it. The Community defined the requirement to act in unanimity at the onset of the negotiations as a reflection of their advanced regional integration. However, in September 2015, as the EPA text was ready for signature, Tanzania began raising concerns and continuously delayed the signature. Since then, Burundi joined Tanzania's camp by linking its EPA signature to the lifting of EU sanctions that were imposed due to the human rights situation in the country. Uganda is taking a mediating stance, declaring that it will not sign the EPA until a solution satisfactory for the whole region is found. Kenya, on the other hand, went ahead after a year of deliberation and signed the EPA, together with Rwanda. Nevertheless, the EPA cannot take effect until all five countries agree to it, and hitherto, the different attempts to reach consensus remain without success.

1.1 The puzzle, problem definition, and its relevance

In general, the current situation of deadlock of the EU-EAC EPA prompts the question of why some developing countries are in favour of entering a liberalised trade relationship with a developed partner, while others are not. Specifically, why do some countries of the EAC, a relatively homogenous group that has a strong history of regional integration, support the idea of liberalising trade with the EU as something beneficial for their economies and development, while the others oppose it? In other words: What explains the apparent difference among EAC countries' trade preferences as illustrated by their position towards the EPA?

This is the puzzle that this research aims to tackle. To allow sufficient depth within the scope of this thesis, the analysis focuses on scrutinising the two countries that are leading the camps for and against the EPA. Considering their outspokenness and positions as regional leaders representing the two biggest economies, these are Kenya and Tanzania. Even though the position of each EAC country obviously depends on national specifics, Kenya and Tanzania will serve as illustrative cases to analyse the opposed positions towards trade liberalisation with the EU.

Whereas media outlets frequently discussed the controversial topics surrounding the EPAs in 2015 and 2016 (cf. Abiola, 2016; Asche, 2016; Pfaff, 2016, for example), the issue has currently disappeared from the radars of most news media. In academia, different researchers have assessed the potential effects of EPAs on ACP economies and regional integration or analysed the challenges of the EU-ACP relations (cf. Akokpari, 2016; Bouët et al., 2017; Giesbert et al., 2016; Gebregiorgisch, 2016, for example). Less attention has been paid to examining the domestic reasons for diverging trade preferences and therewith conflicting EPA positions of the ACP partner countries – a gap which this thesis aims to start filling. It also contributes to the understanding of the debates around international trade liberalisation and development at large. In addition, the insights from this research can provide relevant information for scheming recommendations for the future, not only with regards to the EU-EAC EPA, but also to help understand the complications of other EU-ACP agreements which will be receive renewed attention in the light of the forthcoming post-Cotonou negotiations to replace the current framework from 2020.

1.2 Thesis statement

In order to explain the opposing EPA positions of Tanzania and Kenya, this thesis looks at a number of economic and political factors that are expected, based on literature and theory from the field of International Political Economy, to exert an influence on states' trade preferences. In order to account for the multiple layers and complex range of factors forming trade preferences, the thesis attempts to draw the big picture with micro-, meso-, and macro-level analyses of comparative trade profiles, economic-political power linkages and regional political bargaining. The evidence used to fill the picture with details draws on primary and secondary literature, economic data, and expert interviews.

Based on the results, it appears that Tanzania's EPA opposition hinges on its limited gains from the Agreement due to being a LDC with permanent free EU market access. This reason is complemented by the country's historically weak industrialisation, defiance of market-liberalism and deeper regional integration; as well as its current industrialisation strategy and protectionist policies, on which economic actors have limited influence. In contrast, Kenya's EPA support appears to be rooted in the threat of losing free EU market access as a non-LDC in combination with the historical background of industrialisation and market-liberal ideology; as well as the current economic policy of furthering external trade and deepening regional integration, in which economic actors potentially have a voice.

1.3 Thesis structure

The thesis is structured as follows. First, the relevant literature on trade theory and the trade liberalisation debate is reviewed. Second, the research design, including the theoretical framework of Open Economy Politics and the research methodology, is explained. Third, the comparative case study of Kenya's and Tanzania's political economy of trade in relation to their EPA positions is presented. Lastly, the findings are discussed, followed by the conclusion.

2. Literature review

This section provides an overview of a range of existing literature relevant to the topic, guided by the question: what are potential motives for countries to be in favour of or opposed to trade liberalisation? First, classical and new trade theories are discussed, followed by the debate on trade liberalisation in Africa with a special section on EPAs. Based on these insights, a hypothesis for the explanation of Kenya's and Tanzania's diverging EPA trade preferences is derived.

2.1 Classical and new trade theory

Classical trade theory offers basic explanations for why countries engage in free trade. It originates from mercantilist times and Adam Smith's 1776 *Wealth of Nations* which was expanded by Ricardo with the model of comparative advantage. A country's comparative advantage is determined by the the efficiency of producing one good compared to other goods in terms of labour input required (Ricardo, 1817). Specialising in the product of comparative advantage is the necessary and sufficient condition to ensure mutual benefit from free trade in terms of increased consumption for two trading countries. Ricardo therefore laid the basis for arguments in favour of free trade and industry specialisation, suggesting that international trade is always beneficial when countries export the goods they produce most efficiently and import the goods they produce less efficiently.

In the early 1900s, Heckscher and Ohlin (1919, 1933) emphasised that the source of comparative advantage is not merely dependent on relative labour inputs, but on relative factor endowments. This refers to the abundance of the factors of production land, labour, capital and human capital. International trade patterns are thus explained by the differences in factor endowments of countries, predicting that countries will produce and export those goods that intensively use factors of production in which it is well endowed and import those that require locally scarce factors. This endowment-based explanation constituted the ground for the defence of free trade as Pareto-optimum, appealing to economists that support free trade as a global optimisation mechanism of production and consumption efficiency. Until today, the theory of comparative advantage is seen as justification for global trade liberalisation backed by the WTO.

Opposition to the free trade rationale was first formulated in the infant industry argument (List, 1841), stating that young industries need to be safeguarded by tariffs to develop economies of scale that older foreign competitors already possess, until they can compete internationally. In modern times, this argument is also known as import substitution industrialisation (ISI) and promoted by some economists as a key to economic development of poorer countries (e.g. Chang, 2002), as discussed in section 2.2.

Contemporary strands of **new trade theory** have shifted from purely economic to political-economic explanations of the increased trade liberalisation observed since the 1980s and illustrated by the establishment of the WTO now comprising most of the countries in the world. The development of modern trade policies has been widely studied, for example by examining aggregated domestic actors' preferences, interest-aggregating institutions and states' international interactions (Frieden, 2006; Lake, 2009). Based on this methodology (see also theoretical framework in section 3.1), the logic of free trade agreements being the result of states' aggregated interests and interactions can take different avenues.

Some authors focus on a specific level of analysis, for example Simmons & Elkins (2004) argue that policy diffusion is responsible for trade liberalisation policies among countries. Economic policy choices elsewhere can alter the costs and benefits associated with a particular policy as well as the information set on which governments base their own policy decisions. The most pronounced effect on policy transition is found based on economic competition as well as a tendency to implement the policies chosen by other successful countries perceived as successful.

In a study concentrating instead on domestic actors' preferences, Dür (2007) finds that the EU's pursuit of free trade agreements with emerging markets can be explained as the aggregation of EU exporter interests, contrasting with the established explanation which attributes new trade agreements to EU foreign policy objectives. According to Dür, EU exporters lobby the European Commission to pursue new trade agreements when facing competition or reduced market access in specific countries. This means that EU exporters only become politically active when the situation in one of their destination markets changes, for example when third countries gain trade preferences or when trade barriers are introduced.

Furthermore, Milner (1999) explores a variety of different scholarly work in an attempt to explain the rush to free trade since the late 20th century, examining three levels of analysis as well as their interrelatedness: the preferences on the individual level, the role of political institutions in aggregating preferences, and the international level. In contrast to Dür or Simmons & Elkins, she comes to the overall conclusion that all factors are interrelated and relevant to the explanation of the rush to free trade and that more research is required to fully understand it.

2.2 Trade liberalisation and development in Africa

While much of classical and new trade theory agrees that free trade is economically beneficial, it does not fully address the effects of trade liberalisation on development. As discussed below, it remains controversial whether liberalising trade can help achieve development objectives, especially in Africa. The second half of the 20th century has seen consensus shifting forth and back in the debate on the relationship of trade liberalisation and development. It can be divided into three major phases which will be discussed below in chronological sequence focussing on the dominant literature and its impact on trade policies in Africa.

Import substitution industrialisation in Africa

From the 1950s until the 1970s, a lot of developing countries, including most of Africa, chose to follow the economic strategy of import substitution industrialisation (ISI), i.e. locally producing goods that they had previously imported and simultaneously restricting foreign trade by raising trade barriers. ISI strategies were expected to foster the independence of African countries through economic autonomy and growth. This expectation was based on three lines of reasoning, beginning with the historical development experience of the US, Germany and France during the 18th and 19th centuries achieving strong growth rates with high levels of protectionism, as well as the industrialisation programmes of the Soviet Union and China, contributing to the consensus that the focus on internal markets and protectionism were the ingredients of successful growth strategies (Baldwin, 2003).

Secondly, protectionist policies referred to the Listian infant industry argument mentioned earlier that countries with industries in early stages require protection for them to not be flattened by external competition from more advanced countries. Lastly, dwelling on the decline of primary commodity prices relative to the prices of manufactured goods due to the lack of elasticity in commodity demand, Singer (1950) and Prebisch (1968) famously argued that free trade is harmful for southern periphery countries as the ones that mainly export primary commodities and import value-added goods. Their call for protectionism and ISI strategies was picked up by other neo-Marxist writers pointing in addition to the detrimental effects of agricultural protectionism of developed economies (Nurke, 1959), criticising Western imperialism and the de-industrialisation of colonies (Luxemburg, 1968) as well as neo-colonial expropriations (Frank, 1967), all of which contributed to African policy-makers to focus on ISI development strategies.

For a short period of time, this strategy led to high levels of economic growth in the 1970s, which however dropped quickly in the 1980s. Soon, the limitations of ISI came to light, with economists criticising the limited target markets in Africa as well as the weakness of the new industries' internal structures. The industries focused mainly on producing finished products and therefore needed to import intermediate and capital goods, which led to large trade deficits. Furthermore, the expectation that new enterprises would improve their productivity and competitiveness under protection was dashed as they often engaged in rent-seeking behaviour instead of modernisation and efficiency-improving measures (Hammouda & Jallab, 2007).

New consensus on the importance of trade openness for growth

As the debt crisis in the beginning of the 1980s brought an end to ISI strategies, doubts about the previous focus on internal markets and protectionism for development emerged. Instead, the trade and development debate saw renewed confidence in trade liberalisation as a force to correct the market distortions due to protectionism, reinforced by some major studies finding strong correlations between trade openness and economic growth (e.g. Belassa, 1978; Bhagwati, 1978; Krueger, 1980).

Following the Washington Consensus, this new consensus and the structural adjustment programmes imposed by international lending institutions required African countries to perform a major policy shift towards trade liberalisation (Noman et al., 2012). These reforms, however, also failed to deliver the expected success, as most African economies neither achieved significant economic development nor did they integrate competitively into global markets. Reasons for these poor results were seen in the prevalence of internal political conflicts, weak infrastructure marked by high transport costs and logistical inefficiencies (Limao & Venables, 2001)

Recent controversy around trade liberalisation and growth

With the continuing stagnation of many African countries' levels of development, the positive relationship between trade liberalisation and trade has lately been called into question again. Particularly, the detailed examination (Rodrik & Rodriguez, 1999) of the studies that had served to support the free trade paradigm cast doubts on their methodological soundness, suggesting that the empirical series and methodology used affected the findings in order to allow the conclusion of a beneficial correspondence between trade liberalisation and growth. Hitherto, from the point of view of empirical research, it remains difficult to substantiate one-to-one correspondence effects between trade liberalisation and economic development, due to the difficulty of operationalising and isolating the complexities of trade policy and economic growth into accurate indicators.

Nonetheless, many influential institutions continue to build on the free trade paradigm with the EU's development policy considering trade liberalisation as a "prerequisite for development" (Bartels, 2007). This raises a number of concerns. Firstly, the experience of liberalisation has not led to a significant integration of African economies into global markets and development benefits have largely failed to materialise. Secondly, many African countries' state budgets rely partly on customs revenue, accounting for up to a third of state revenue in some African LDCs (Hammouda & Jallab, 2007). Thirdly, many African countries had to cut subsidies to their agricultural producers as part of the structural adjustment programmes, whereas many developed countries continue to support agricultural sectors leading to asymmetrical conditions for free trade (Hammouda & Jallab, 2007).

Departing from theoretical economic debates, Hammouda & Jallab (2007) compare the African trade policy failure and the East Asian success in fostering development through strategic trade liberalisation. They find that the main difference lies in dynamic versus static policy-making. East Asian trade policies are the consequence of complex combinations of liberalisation and protection policies continuously adapted in accord with the economic development strategies aiming to create sectors with competitive advantage. In contrast, African trade policies have typically been less strategic and rather passive in the process of creating economically competitive sectors. The authors therefore suggest that the issue of trade and development should not be reduced to considering policies in terms of either liberalisation or protection, but to connect them to countrywide development strategies and search for the right combination that can foster the competitiveness of key sectors (Hammouda & Jallab, 2007).

All in all, the latest controversy on the relationship of trade and development calls for empirical and country and context-specific investigation, as actually very little is known with certainty on reliable means to create economic growth, and – as the example of Africa shows – trade liberalisation cannot be considered an automatic panacea for stagnating economic development. The arguments from this larger debate are reflected in the controversy over free trade agreements such as EPAs as the next section lays out.

The disputed impact of EPAs

Since introduction of the EU-ACP EPAs in the Cotonou Agreement in 2000, some heralded them as a symbol of novel mutually beneficial development cooperation. Others have emphasised the potential dangers of the negotiation process and criticised the content of the EPAs as incompatible with development policies in SSA (Asche, 2015). The arguments from both sides are stipulated as follows.

On the one hand, the European Commission (EC) is one of the main EPA advocates, stating that their principal goal is to advance partner countries' economies (European Commission, 2016c). In particular, the EC argues that EPAs can create new business opportunities, investments and more competitive labour markets in partner regions. They also provide security of future terms of trade and are thus believed to encourage the development of export industries for value-added goods and services. Furthermore, the EC maintains that EPAs could advance regional integration in SSA and promote shared values regarding labour standards, environmental protection, good governance, and human rights (European Commission, 2016c).

Indeed, also according to academic literature, a number of reasons speak for SSA countries joining an EPA. Firstly, the current integration processes of regional groupings are complicated by the fact that different countries are subject to different trade systems with the EU, depending on what status they have. LDCs enjoy almost completely free market access to the EU under the Everything But Arms Agreement (EBA), while non-LDCs have to pay tariffs on exports under the EU's General System of Preferences (GSP). Therefore, the EPAs would on the one hand simplify the regional integration of groups containing LDCs and non-LDCs, and on the other hand safeguard free market access to the EU for all in the long run, even when countries graduate from the LDC status. This permanent free access to the EU market promises a certain export security that could serve as an incentive for new domestic and foreign investments (Schmieg, 2018).

Secondly, the EPAs could benefit African value-added agricultural exports, as most other countries exporting to the EU face high tariffs on such products. This could therefore incentivise agricultural value-adding industries to grow in African countries that can export freely to the EU under EPA terms. Thirdly, the EPAs simplify the EU's Rules of Origin (ROO), as EPAs only require one production stage to take place in a country in order to allow producers in that country to claim the product's origin, as compared to two stages under the current EBA and GSP systems (Schmieg, 2018).

On the other hand, opposition to EPAs refutes the idea that the EU pursues normative goals of democratic governance, cooperation and partnership, and instead seeing the EU's motives rooted in self-interest to expand economically (Crawford, 2005; Farrell, 2005). Some even claim that EPAs are a tool for 'development branding' (Farrell, 2005), meaning that the EU uses moral claims to legitimise external policies that essentially undermine development prospects of SSA economies. This is reflected by the argument that the EU's long-standing trade preferences have failed to produce tangible results in terms of economic development of SSA countries (Schmieg, 2015). This goes in hand with a World Bank (2005) study about the experience of trade liberalisation which suggests that the pressure in previous decades to open their own markets has not led to increased production efficiency in most LDCs. Particularly countries with low human capital and inexperienced firms responded to new import competition with reduced production instead of improving efficiency to maintain their market share. In addition, critics highlight the threat EPAs might pose to African regional integration, as regional communities could fall apart when member countries diverge on their willingness to open their economies (Asche, 2015). Lastly, it is argued that the potential of EPAs for economic development will depend on the quality of the institutions involved which cannot be taken for granted in most LDCs (Borrmann & Busse, 2007; Moore, 2010), as well as their ability to implement the necessary improvements in infrastructure, quality management, administrative capacities and rules-based regional integration (Schmieg, 2018).

As this EPA debate suggests, there are a number of important contentious issues in relation to the Agreement, which became particularly obvious in the EPA negotiation with the EAC. A look at the EU-EAC EPA treaty text (details provided in Appendix A) provides a more nuanced picture of the debate between EPA critics and proponents. Indeed, it appears that some aspects of the EPA pose a potential threat to EAC countries' economic development, such as the prohibition of local content rules and competition from the EU on an additional 30% of product lines. Nevertheless, the EAC negotiators have successfully defended certain trade policies in their interest, such as export taxes, achieving more flexibility for industrial development strategies. In addition, some safeguards and trade defence measures were incorporated, e.g. the infant industry protection clause. Similarly, the threat to south-south cooperation is mitigated by a compromise on the Most-Favoured-Nation clause only applying to countries with a minimum 1% and regional blocs with at least 1.5% shares in world trade. Also, the EPA plans for monitoring its implementation with impact evaluations to enable intervention and possible renegotiations every five years, with a consulting board designed to tackle problems in the implementation (EC, 2015; EU-EAC, 2016).

To sum up, even for the least-developed members of the EAC, the Agreement appears to offer some advantages over the current free market access under the EBA, specifically with regards to the Rules of Origin and the future certainty of retaining free market access to the EU regardless of the countries' income status[1]. Also, the common assertion that the EPA does not entail safeguards for the EAC industries' development seems misplaced. Instead, the devil is in the detail and, to some extent, the impact of the EPA would only be judgeable from its implementation. In other cases of already implemented EPAs, e.g. in West and South Africa or

[1] The World Bank predicts the graduation of most LDCs in the EAC in the next ten to 15 years (EC, 2015).

the Caribbean, there are no known cases of EU imports ousting local producers, however the impact evidence is hitherto insufficient (Schmieg, 2018). For the critics, the question is not whether the EPA provides protections for its economies, but rather whether the negotiated safeguards are sufficient. Against this backdrop, the countries need to decide whether the potential benefits of the EPA outweigh its costs and potential threats.

2.3 Summary of literature review & hypothesis

To sum up the insights from the previously discussed literature, let us return to the initial question: what are the potential arguments for EAC countries to be in favour of or opposed to trade liberalisation with the EU? Trade theories and the debates on the development impact of trade liberalisation in general and EPAs specifically provide a rich stock of arguments. On this basis, a hypothesis for the explanation of diverging trade preferences among EAC countries is derived.

As a recent study analysing the EAC countries' export flows establishes, they all reveal a **comparative advantage** in a number of sectors and product lines (Chingarande, Mzumara & Karambakuwa, 2013). Thus, according to classical trade theory and post-Washington consensus views, all EAC countries should wish to pursue free trade agreements to compete on global markets and benefit from the export of products they generate at a comparative advantage.

However, in the case of the EPA with the EU, only Kenya and Rwanda are in favour, while three other countries, led by Tanzania, declare opposition to it. As recent developments and studies have shown, comparative advantage alone cannot explain the realities of world trade. Instead, new trade theories suggest to consider a broader spectrum of economic and political factors, including **the characteristics of domestic markets and actors' preferences as well as their interactions with policy-makers and states' geopolitical interests**. It is therefore hypothesised that explanations for the EAC countries' contrasting positions, specifically Kenya's and Tanzania's, towards the EPA can be uncovered in the analysis of the aforementioned factors.

Furthermore, at the heart of the EPA controversy lies the question whether increased trade openness can foster economic growth in developing countries, or whether it disrupts local markets and industries as well as regional integration. The answer remains disputed and arguably depends on institutional reforms that provide the appropriate setting for trade liberalisation to bear fruits for development. The EPA is a special case, because it requires regional unanimity, which gets complicated by the fact that four out of the five EAC countries are LDCs which enjoy free market access to the EU under EBA, as long as they are classified as least-developed. Kenya is the only non-LDC in the region that faces tariffs on exports to the EU in case of failure of the EPA, which can only be implemented after ratification by *all* EAC countries. Therefore, the **dynamics of regional economic politics** provide the focus for the analytical level of geopolitical bargaining of Kenya and Tanzania.

3. Research Design

The following three sections explain how the research for this thesis was conducted. They lay out the theoretical framework of Open Economy Politics, formulate the research questions, and present the data collection methodology.

3.1 Theoretical framework

This research follows the methodology of Open Economy Politics (OEP) as reviewed by Lake (2009). OEP emerged as a paradigm of International Political Economy in the 1990s. It is concerned with questions of how and why units of analysis choose to open up their economies internationally. OEP acknowledges that, while economic theory generally suggests that free international trade is welfare improving, complete openness is in reality rare and often problematic, as described in the literature review. OEP builds on the assumptions of neoclassical economic theory and combines them with political factors in order to explain the phenomenon of differing positions on trade liberalisation (Frieden, 2006; Lake, 2009). According to Frieden's formula, the study of an actor's observed behaviour taking shape as a policy outcome is explainable as the sum of true preferences, strategic settings, and environmental factors. Applied to this thesis, the revealed preferences to study are the policy outcomes of Kenya's EPA support and Tanzania's EPA opposition.

OEP research is concerned with three levels of analysis to uncover the three elements of Frieden's formula. First, the basic building block on the micro-level of analysis are the interests of individuals, firms, sectors, or factors of production; in other words, how they are affected by a specific policy. They are expected to lobby for it in the political arena if they benefit from it, which depends on their production profile and relative position in the international economy. Applied to this thesis, domestic interests of both countries are deduced by analysing their production and trading profiles.

Second, the meso-level of analysis studies how these interests are aggregated by institutions of political power. Institutions determine how competition over policy is staged and they have varying degrees of bias (Lake, 2009). For this thesis, the second stage of analysis therefore focuses on the interactions between domestic stakeholders and the governments of Kenya and Tanzania as the institutions with the policy-making power regarding the EPA. Third, the international position of countries and their bargaining over policies that create reciprocal externalities constitute the macro-level of OEP analysis. This can also involve the study of international institutions and how they structure bargaining (Lake, 2009). In this regard, this thesis analyses the positions and dynamics of Kenya and Tanzania in the regional context of the EAC.

In summary, according to the OEP methodology, the synthesis of interests, institutions, and international bargaining explain policy outcomes. Thus, this thesis proceeds from the study of Kenya's and Tanzania's trade profiles, over the scrutiny of the linkages of economic interest and political power in both countries, to the analysis of their positions and interactions in the EAC. Combining all of the uncovered elements in Frieden's formula serves to explain the policy outcomes of Kenya signing the EPA and Tanzania refusing to do so.

3.2 Research questions

The following main question serves as the overall goal of analysis, the answer to which shall be guided by three sub-questions that are covered in the case study.

How can Tanzania's and Kenya's opposing positions on trade liberalisation in the form of the EPA be explained?

1. What are the main characteristics of Kenya's and Tanzania's international trade profiles?

2. How are the interests of domestic stakeholders aggregated at the governmental level of both countries?
3. What characterises the regional positions and interactions of Kenya and Tanzania in the EAC?

3.3 Methodology

As is already evident from the setup of the thesis, the research is designed as a qualitative comparative case study of two countries which are part of one REC but differ on their position towards trade liberalisation with the EU in the form of an EPA.

Case selection rationale

Out of all the RECs that negotiated an EPA with the EU, the EAC makes for an interesting case, firstly, because more attention has been given to the Southern African and West African RECs. Secondly, the EAC is a relatively small and homogenous group in geographical and economic terms as compared to other African RECs. It has integrated faster and to a larger extent than any other Sub-Saharan REC; in fact, it is considered the most progressive regional community in SSA (African Union et al., 2016). In addition, the EAC's EPA negotiation is at this point in time concluded but the signature and ratification processed remains stalled, due to opposing preferences of trade liberalisation and protectionism of individual members. Whereas individual countries in other RECs with conflicting member states' positions started implementing their EPA single-handedly, it is exceptional that the EAC decided to make unanimity a requirement for EPA implementation. This adds a special dimension of regional political bargaining to the individual countries' EPA positions in the EAC.

Within the EAC, Kenya and Tanzania are chosen as case countries, because of their positions as regional leaders in terms of being the two largest economies (together account for 75% of EAC gross domestic product, GDP) and accounting for most of the land and population of the EAC, as well as being the most opinionated in their EPA positions (Gebregiorgisch, 2017; Schmieg, 2018). In addition, they act more independently than the other three countries, which strongly depend on Kenya and Tanzania and the region's unity to safeguard access to the sea, for example (Booth et al., 2014). The EPA as a free trade agreement serves as a suitable case for studying trade preferences because it nicely illustrates two opposed position of liberal versus protectionist stances under otherwise relatively similar circumstances: both countries are part of the same REC, have relatively similar positions in the world economy (in terms of GDP), and deal with the same partner (EU) and the same free trade agreement (EPA).

Data collection

In line with the qualitative research design, the forthcoming case study is based on three main sources of data: literature, economic data, and expert interviews. Firstly, primary and secondary literature on the EAC, the EPA process, and the political-economic characteristics of Kenya and Tanzania were collected and reviewed to provide an understanding of the countries' positions and contexts. Since access to internal documents from the EU and EAC in relation to the EPA process could not be obtained, other relevant official documents such as the EPA treaty text, EU and EAC communiqués, resolutions, press releases and protocols were reviewed. Additionally, some policy documents were sent by interviewees. These data were substantiated with the findings of academic reports and non-academic accounts from East African national and supraregional news media.

Secondly, the latest economic data from the World Bank on Kenya's and Tanzania's macro-economic performance as well as the public EU trade accounts with the countries were used to underpin the countries' trade profiles. Thirdly, in order to triangulate the findings, interviews with a variety of experts were conducted. The selection of interviewees followed a non-probability, purposive sampling procedure, in which a panel of experts was assembled. The experts were chosen according to demonstrated or presumable experience or expertise on the topic based on available publications and professional positions. The aim was to gather a diversity of opinions and expertise on different aspects of the topic. Therefore 40 interview requests were sent via Email to individuals working in a variety of research institutes, the EAC Secretariat, and the European Commission, as well as government bodies, non-governmental organisations (NGOs), and industry organisations based in Tanzania and Kenya. In addition, snowball sampling was applied by asking interviewees for recommendations on other experts.

As a result, ten interviews were conducted with experts ranging from researchers based in Europe or an EAC country to EU and EAC officials directly involved in the EAC EPA negotiation (see

Appendix C for the list of interviewees). The interviews were conducted via Skype in a semi-structured fashion guided by an open-ended interview questionnaire which was counterchecked by an independent person beforehand and slightly adapted to the individual interviewee's expertise as well as leaving room for follow-up questions. The interviews were recorded, accompanied by concurrent notes, and subsequently transcribed.

Due to the lack of responses from governmental bodies, industry organisations, or NGOs, a lot of information on domestic stakeholder interests are second-hand and based on the experts' experiences and assumptions. In addition, while six interviewees provided more general insights on the EAC and EPA topics, only one interviewee had direct expertise on the Kenyan case compared to three experts specifically focused on Tanzania, which introduces a bias in the analysis towards a more detailed explanation of the Tanzanian position owing to the greater data richness.

4. Case study: Kenya's and Tanzania's political economy of trade

The combination of the three main data sources allows the comparative case study following the procedure of the OEP methodology of highlighting micro-, meso-, and macro-level political-economic factors that influence countries' trade preferences. The analysis is structured accordingly. Following a section with descriptive background information on Tanzania and Kenya, the three levels of analysis are dealt with subsequently. The different aspects are analysed comparatively, pointing out similarities and differences that serve to explain the opposed EPA positions.

4.1 Country backgrounds

The Republic of **Kenya**, located on the East African coast with the Indian Ocean, became independent from Great Britain in 1963. The colonial rulers fostered the countries industrial development which subsequent Kenyan governments built upon by promoting rapid economic growth through public and foreign investments and agricultural production. Nowadays, Kenya has a market-based economy that is generally perceived to be investment-friendly following a number of regulatory reforms in recent years. The government pursues a liberal trade system and has implemented an export processing zone. Kenya's major industrial sectors are mining, manufacturing, agriculture, fishing, energy, tourism, and it provides the region's financial hub. Its workforce comprises large numbers of young, well-trained, English-speaking professionals. Overall, in comparison with other countries in the region, including Tanzania, Kenya's social and physical infrastructure is well-developed. (Booth et al., 2014; Interview 2).

A key feature of Kenyan politics is the prominence of land distribution conflicts and clashes of interest groups along ethnic lines. In addition, political parties are hardly institutionalised but rather vehicles to carry certain long-term leaders, illustrated by the currently incumbent president Uhuru Kenyatta with the Jubilee Party, and his opponent Raila Odinga with the National Super Alliance. Cronyism is a common phenomenon in Kenyan politics and political interests are closely intertwined with economic ones (Booth et al., 2014; Interview 2) as detailed in section 4.4.

Situated to the south of Kenya, the country of Tanganyika achieved independence from British rule before Kenya in 1961. It had played a lesser role in British East Africa with white settlers focusing on the development of the Kenyan highlands. Tanganyika united with Zanzibar in 1964 to become the United Republic of **Tanzania**. In comparison to Kenya, Tanzania is more ethnically diverse but has constructed a stronger national identity post-independence (partly to maintain the fragile unity with Zanzibar) illustrated by the widespread use of Swahili as the *lingua franca*. Compared to Kenya's struggles with ethnic and regional conflicts, Tanzania has retained a more stable political order over the decades.

In contrast to Kenya, Tanzania embarked on a socialist development path following independence. It lasted for about twenty years until economic collapse forced the country to turn to the International Monetary Fund which required it to implement structural adjustments such as liberalising markets and taking measures to encourage private investment (Booth et al., 2014). The sweeping trade liberalisation largely affected the infant manufacturing sector negatively as it could not compete with the sudden inflow of imports (Cooksey, 2016b).

On the other hand, many foreign and domestic non-African businesses were re-empowered by the reforms, while a native African business class, as established in Kenya, remains hitherto almost non-existent in Tanzania. This is partly explained by the fact that colonial industrialisation was concentrated in Kenya, while an ethnic division of labour was introduced that is still visible today in Tanzania: international companies dominate finance, trade and manufacturing; middle-men business is mainly in the hands of groups with Asian and Arab origins, while many native Africans subsist on farming and small-scale commodity production as well as dominating the realm of political power which is dominated by the same party since over 20 years (more details in section 4.4) (Aminzade, 2013; Interview 6; Interview 9).

As a consequence of this ethnic labour division, policies that seem to foster foreign investment or other "capitalist" measures are often frowned upon by the Tanzanian ruling class and NGOs, thus Tanzanian governments have been reluctant to embark on market-based economic policies (Interview 6). In addition, the country's economy is primarily based on agriculture employing about half of the workforce and making the economy vulnerable to exogenous shocks (Booth et al., 2014). The government of president Magufuli, incumbent since 2015, has introduced renewed focus on domestic industrialisation and protectionism, building upon different strands of nationalism. This narrative includes nostalgia for the socialist past and doubts about the prospects of capitalism. The ruling class builds on nationalism to claim regional leadership and a greater share of the growing oil and gas wealth (Interview 7; Interview 9). Nevertheless, high levels of poverty persist and the young Tanzanian workforce struggles to compete with better-educated people from Kenya and Uganda, who benefit from widespread "western" education and fluency in English (Booth et al. 2014; Interview 6).

Taken together, the background of Kenyan and Tanzanian history is hinged with their present economic-political situations and potentially links to their EPA positions. Kenya enjoyed an economic headstart due to colonial industrial development and its native business and political elite, characterised as outward-looking and trade oriented, has since embraced a market-liberal growth path. This stands in stark contrast to Tanzania's history of planned economy, unconvinced adoption of liberal market reforms, and renewed nationalist policies pursued by a protectionist and defensive ruling elite. Born from these historical differences, some describe the Kenyan-Tanzanian relationship as an antagonistic rivalry with an inferiority complex on the Tanzanian side (Interview 6; Interview 8).

4.2 Comparative trade profiles

To put Kenya's and Tanzania's EPA positions into economic context, a selection of latest available economic and trade data are given and compared.

Economic overview

Kenya is the biggest economy in the EAC region representing 37% of EAC GDP. It is also the ninth largest economy in Africa according to its GDP of $71 billion, which grows at an annual average rate of 5.3%. Kenya's population is estimated at 47 million people and GDP per capita (purchase power parity) amounts to circa $3000. Tanzania is one rank behind Kenya as the tenth largest economy in Africa and the second largest economy in the EAC. Its GDP of 42$ billion is about a third smaller than Kenya's but it grows at a faster rate of 6.6% on average. With 56 million people Tanzania's population is bigger than Kenya's, as is its land mass. The GDP per capita at purchasing power parity is with around $2,700 about $300 lower than Kenya's, indicating a lower standard of living.

Tanzania's strong growth rate is supported by numerous public investments in infrastructure, financed largely by concessional and non-concessional loans, increasingly provided by China (Cooksey, 2016b). Nevertheless, it is called a "jobless growth" (Interview 9), because the GDP growth was not accompanied by employment growth. Instead, in comparison to Kenya, Tanzania's formal sector remains small, human capital is low thus there is a skill deficit and most raw materials are exported unprocessed, as reflected by trade data.

Trade with the EU

In terms of **exports**, Kenya's primary export partner is the EU with a trade volume of €1,053 million EUR accounting for an 21% share of Kenya's total exports in 2017. The product that it exports most are cut flowers making up for 33% of total exports to the EU, which emphasises the sectors' importance – it is estimated that over one million people in Kenya directly and indirectly depend on the flower sector (Alemu, 2018; Anyanzwa & Asiimwe, 2016). Other important export goods are tea and vegetables. Overall, its top 20 export products account for 93% of the total (EC DG Trade, 2018a), indicating that the range and diversification of export goods is relatively small.

For Tanzania, the country's number one export destination is India with 22% of total exports, after that South Africa (18%) and the EU (14%) in third place (EC DG Trade, 2018). In export volumes, tobacco takes first places with 35% of all exports to the EU, while diamonds and coffee come in second and third with 14% and 10% respectively. Just as in Kenya, Tanzania's top 20 EU export products account for 94% of all EU exports ($428 million in volume 2017), pointing to a limited range of significant export products (EU DG Trade, 2018b).

Regarding **imports**, Kenya's largest partner is China with 23% of imports, followed by the EU with 13% equalling a trade volume of €1,835 million (2017). The goods mainly imported from the EU include wheat with 6% of total EU imports, and value-added goods such as medicaments (4%), aircraft parts and tractors (each 3%).

Tanzania's main import partner is India with 17% of total imports, followed by China (16%), and the EU in third place (12.7% or $670 million). Similarly to Kenya, the top three products imported from the EU in 2007-2016 were medicaments (9% of total EU imports), blood for medical use (6%), and wheat (5%). As the trade volume numbers show, both countries have a negative balance of trade with the EU. In contrast to Kenya and Tanzania, the EU's top 20 export products account for only 45-50% of total trade with them (EC DG Trade, 2018a), illustrating the larger range and diversification of export goods.

Especially in Tanzania, trade with the EU has been declining overall in recent years relative to other partners, most notably China and India. Whereas the EU remains in the lead for high-technology product categories, China and India are gaining considerable shares in medium- and high-technology imports and are the main supplier of low-technology (labour-intensive) products (Charle, 2018). In Tanzania as well as in Kenya, the large share of imports from China can partly be attributed to railway infrastructure projects implemented and co-financed by the country (Interview 6).

Intra-regional trade

Kenya and Tanzania are both part of the EAC's customs union and have both increased their regional manufactured exports. For Kenya, the neighbours Uganda, Tanzania and Rwanda are among its top ten export destinations. Due to its comparatively strong industrial structures, it has grown its regional manufactured exports from $344 million to over $1bio from 2000 to 2010.

Accordingly, it has a positive trade balance and the biggest export market share in the EAC (Industrial Policy Group, 2012). Tanzania's manufactured exports also skyrocketed but in much smaller volumes, from $20 million in 2000 to $183 million in 2010. Nonetheless, it now accounts for 20% of EAC intraregional manufactured exports (compared to 5% in 2000) (Charle, 2018).

For Tanzania, the main manufacturing export growth was in textiles, steel and scrap metal, and maize flour (Cooksey, 2016). This is similar to Kenya's performance ten years earlier, which illustrates the gap between the two countries. Still, Tanzania is clearly becoming an increasingly strong player in the EAC's industrial markets, not only in resource-based manufactures but also in labour-intensive sectors. At the same time, it is a net importer of most industrial goods in the EAC, mostly from Kenya, leading to a negative trade balance for Tanzania. Kenya is also Tanzania's main competitor for regional exports, while China is also seizing increasing shares of the EAC market. The only markets where Tanzania has been able to grow its market share substantially in recent years are DR Congo and Rwanda (Industrial Policy Group, 2012).

In addition, in contrast to Kenya's relatively advanced industrial sectors, the majority of Tanzania's resource-based exports are raw or semi-processed products. Therefore, the benefits for the domestic economy are limited as the case of Tanzania's gold sector illustrates. While the Tanzanian gold industry is among the largest in Africa, the mining royalty rates are very low, limiting the government's access to the export revenue. Furthermore, the sector is largely decoupled from the domestic economy because there are no gold refinery or benefaction facilities; instead the extracted gold gets directly exported by the foreign mining companies to Japan, Switzerland and South Africa. With industries like this, the spill-over effect on human capital development or technology remains very limited (Industrial Policy Group, 2012; Cooksey, 2016b; Interview 6).

Key points

Comparing the trade profiles of Kenya and Tanzania raises a few important aspects. Firstly, it is obvious that Tanzania is lagging behind Kenya in terms of economic development, industrialisation, and trade volumes, explained in part by the historical headstart and market-liberal development Kenya had since colonial times. Secondly, the EU appears to be relatively more important as a trading partner for Kenya than for Tanzania, which has been orienting more to the east, strongly increasing its trade with India and China. Thirdly, both countries' exports to the EU concentrate on primary products and imports from the EU mainly come from value-added, high-technology sectors, leading to a similarly negative trade balance for Kenya and Tanzania. Fourthly, however, in terms of intra-regional exports in the EAC, the clear advantage of Kenya becomes obvious as it supplies most countries in the region with manufactured products, achieving a positive trade balance. Tanzania, while having grown its regional manufactured exports as well, it has done so on a much smaller scale and continues to rely on the extractive sector which does not contribute much to the domestic economy, and low value-added manufacturing (Interview 6).

Nonetheless, intra-regional trade and the African market in general appear to be of heightened interest for both Kenya's and Tanzania's industrial ambitions, whereas the EU as a destination market is only attractive for sectors of primary goods. In sum, these points illustrate the differences and similarities of Kenya's and Tanzania's trade patterns, with the former being ahead in terms of industrialisation and regional manufactured exports as well as having a larger stake in the EU market, and the latter being ambitious to catch up focusing on domestic industrialisation, regional expansion, and looking East for trade partners. Therefore, Kenya and Tanzania do not compete strongly for the EU export market, but rather in the intra-regional and African export markets. Section 4.4 will go into more detail on the regional rivalries.

4.3 Interest-aggregation

The choice between trade liberalisation or protectionism is not merely an economic choice based on domestic market structures and comparative advantage. One needs to consider the influence of different interest groups, as Dür (2007) has shown, for example, that liberalisation can be driven as the result of exporters' lobbying in response to developments in their target markets. To understand how different interests are aggregated by governments in Kenya and Tanzania it is therefore important to scrutinise in what ways political and economic interests interact and how different stakeholders potentially influence the countries' EPA positions.

Since the colonial period, Kenya's economic policies are known to be shaped by the strong and inseparable connection of economic and political interests. There is no clear separation between the political elite and the business elite – sometimes being the very same group with individual politicians also being successful businessmen and owners of large enterprises. Most Kenyan politicians are involved in business affairs in some form, while the economically powerful seek political influence. The forms of interaction between political and economic power varied over time with different governments and are divided along ethnic lines, but have always been prevalent (Booth et al., 2014; Interview 8). Currently, one prominent new site for linking political and business interests is Kenya's emerging oil and gas sector. Senior politicians have allegedly bought vast blocks of land in which the government subsequently permitted oil exploration to take place and those politicians sold their land rights to the oil companies (Booth et al., 2014; Interview 6; Interview 8). Given this and similar examples, in combination with the existence of widespread cronyism and weak checks on vested interests, one can assume that economic policies are strongly influenced by the interests of the executive and business elites (Interview 2; Interview 3).

Regarding economic stakeholders' influence on the EPA negotiation and Kenya's position, little is known for certain. The government has a track record of consulting the Kenya Private Sector Alliance regularly on relevant issues, but with regards to the EPA there is no publicly available information on official (or unofficial) consultation processes. The leaders of the Kenyan flower and horticulture sector became very vocal and pressured the Kenyan government to sign the EPA in 2014 as they faced tariffs from the EU, the biggest target market. Also the textile industry is said to having been in favour of the EPA, while small-scale producers and civil society became vocal in opposition to the EPA only after it was concluded (Kenya Human Rights Commission, 2014). They were, however, likely not consulted in the EPA negotiation process (Interview 2; Interview 3).

In Tanzania, the linkages between political and economic actors are different from the intimate connections in Kenya. Instead, the prevalent relationship between the two ethnically different groups is largely transactional: native African politicians give tax or customs concessions to large firms in the hands of people with Asian or Arab origins, who pay semi-compulsory contributions to politicians' campaigns in return. The main firms having close political links are Asian family businesses. This arrangement partly stems from the historical division of tasks in Tanzania and the remaining anti-capitalist sentiments of the political elite, fuelled by popular sentiment against non-native or foreign-owned enterprises (Booth et al., 2014; Cooksey, 2016b; Interview 6).

As a result, the formulation of economic policies is predominantly shaped by the executive being on the fence as it envisions far-reaching investments to foster industrialisation on the one hand and fears exploitation by non-native capitalists on the other hand. At the same time, the rent-seeking behaviour of many politicians often favours politically advantageous projects with limited considerations given to long-term economic benefit (Hoffmann, 2013; Interview 6). These tendencies can also be observed in the incumbent government; however lately, it appears to become more business-friendly installing new economic fora and discussing demands for tax concessions (Interview 9).

Similarly to Kenya, little is known about stakeholder involvement in Tanzania's EPA considerations. While it seems unlikely that there was strong direct coordination between economic and political elites' preferences given the perceived lack of common interest (Interview 9), the private sector appears to have had a say in the EPA negotiation tactics. Regarding the selection of protected products under the EPA, the Tanzanian iron and steel producers seem to have ensured that tariffs on their product lines would remain (Interview 9). Nevertheless, most industries in Tanzania were perceived by EU negotiators to be in favour of the EPA (Interview 3). Civil society on the other hand, spoke out against the EPA and broadly supports the government's decision to withhold the signature (Interview 9).

In Tanzania as well as Kenya, EPA-specific policies were seemingly not decided in official consultations, but it is probable that individual representatives of certain companies or sectors got to speak to the relevant executives (Interview 7). This is illustrated by the anecdote of the negotiation of the Rules of Origin clause, where EAC negotiators argued that they needed to consult their industries and were very protective of specific product lines, which indicates that there was a certain process of industry consultation (Interview 3).

4.4 Kenya and Tanzania in the EAC

The politics of regional integration play a role in the choice between liberalisation or protectionism towards external partners such as the EU. Analysing the regional constellation of interests can therefore shed light on potential motives for the countries' EPA positions. The unfolding of events over the course of the EPA negotiation, with Kenya temporarily losing free EU market access and the subsequent disagreement with Tanzania on signing the EPA (for the detailed chronology see Appendix A), indicates that the countries' different positions toward the free trade agreement are not merely a matter of disagreement on the idea of broadening their trade with the EU. Discord about the EPA appears to also be strongly intertwined with regional processes inside the EAC, particularly obvious in the diplomatic rows of Kenya and Tanzania. Indeed, their stances seem to be the result of a combination of national interests based on different economic situations and regional political power play (Interview 3; Interview 7). The following sections will shed more light on their political bargaining in the regional context in order to draw a more complete picture of the landscape that shaped their EPA positions.

Background

The EAC looks back at a long history of integration. Already in 1917, the three British colonies Kenya, Uganda, and Tanganyika formed a customs union. Following independence, the East African Community was created in 1967, introducing a common market. The EAC collapsed in 1976, mainly due to Tanzania's challenge of Kenya's dominance, the perception being that Kenya profited most from the common market and disadvantaged Uganda and Tanzania, which also held a different economic and political ideology. The Mediation Agreement of 1984 paved the way for future cooperation, which culminated in the renewed founding of the EAC in 1999, joined by Burundi and Rwanda in 2007 (Cooksey, 2016b; EAC, 2012; Gebregiorgisch, 2017). The EAC Treaty states that the Community's aim is to fully integrate its economies and become a political federation (EAC, 2012).

The focus on economic integration becomes apparent in the steps taken thus far. In 2004, the EAC became a customs union with a common external tariff, rules of origin, abolished non-tariff barriers, and progressively liberalising internal tariffs. The common market protocol was signed in July 2010 and ratified in 2015 and creating a currency union is intended for the coming years (EAC, 2018). Yet, this fast-tracked integration process is not seen as market-driven but rather as a top-down process driven by political and bureaucratic elites. In fact, a report examining whether the EAC's economic interdependence deepened as a result of the integration process found that, despite strong growth in intra-regional manufactured trade, this is mainly due to general economic growth and not because of the integration measures (Cooksey, 2016b). In addition, supranational organisations created for the integration purpose, such as the EAC Secretariat, lack the authority to exert power and are largely financed by donors – especially the EU – instead of member states. This potentially causes problems for the EAC as member states may lack a feeling of ownership and communal felt interests (Cooksey, 2016b; Interview 6). In this regard, the countries' national interests and concrete relationships may be more telling about the state of integration in the EAC and Kenya's and Tanzania's roles therein.

Kenya and Tanzania as regional rivals

The relationship between Kenya and Tanzania is clearly characterised as one of rivalry. Whereas the former is the region's strongest economic power, the latter is larger in terms of population and land trying to catch up economically (Interview 3; Interview 6). In the view of their regional neighbours, the Kenyan character is described as acquisitive and aggressive, while Tanzanians are perceived to be laid-back, short-sighted and patriotic (Booth et al., 2014). At the same time, both countries have important access to the sea and thus compete to handle the trade of the landlocked EAC partners Uganda, Rwanda and Burundi. In this context, competition over infrastructure projects has intensified in recent years, particularly since Magufuli came to power in Tanzania (Cooksey, 2016a).

In April 2016, for example, Uganda and Tanzania closed a deal for the construction of a pipeline from Ugandan oil fields to a port in Tanzania. Previously, this project had been promised to Kenya. Similarly, Tanzania also won the Rwandan bid of the construction of a new railway, which was initially planned to go through Kenya (Cooksey, 2016a; Interview 1). Kenya's and Tanzania's trade relationship has been characterised by competition as well and violations of the common market agreement by banning products from the other's market or raising undue tariffs recur (Cooksey, 2016b; Interview 6; Interview 10). Indeed, Kenyan manufactured exports to Tanzania have fallen sharply, being replaced by Chinese goods as Tanzanian trade unions resist deeper integration under the EAC Protocol in fear of competition (Cooksey, 2016b). In fact, none of the EAC states are fully compliant with the free movement of goods, but Tanzania also appears to drag its feet in the integration process of infrastructure, financial, and service sectors, casting doubt on its commitment to the EAC.

Commitment to regional integration

With the EAC Secretariat trying to fast-track the integration steps, Kenya, Uganda and Rwanda formed a Coalition of the Willing in 2013 to accelerate the process. Burundi and Tanzania remain more hesitant, with anti-EAC statements being a common tool of Tanzanian politicians to build on the population's mistrust of their neighbours (Gebregiorgisch, 2017; Interview, 10). Tanzania is commonly seen as the laggard of the EAC regional integration process. This manifests itself in a number of examples, such as restricting the free movement of labour by sending Kenyan and Ugandan school teachers home, refusing to participate in a single tourist visa scheme or rejecting other EAC national identity cards for immigration purposes (Booth et al., 2014; Interview 9). In addition, Tanzanian trade agents are known lobby against the Single Customs Territory, which is already implemented at Mombasa port in Kenya, due to fear of Rwandan companies entering business at Tanzania's Dar es Salaam port (Cooksey, 2016b).

Overall, it appears that Kenya sees the EAC as an opportunity for growing its investment and presence in the region, thus supporting the fast-tracked deeper integration. The Coalition of the Willing is regularly frustrated by Tanzania's blocking manoeuvers leading to policy incoherence and undermining the integration process. This strategy is rooted in Tanzanian politicians and certain sectors being wary of economic competition from Kenya (and other neighbours), thus actively defending their interests in the face of perceived threats (Interview 9). To put the considerations of regional players into a nutshell, a key issue is the economic dominance of Kenya in the EAC and the fear of Tanzania that deeper integration will benefit its rival's producers and threaten domestic industries. Consequently, the two countries enter a regional power play into which the EPA is possibly drawn. The EPA implementation would require the EAC customs union to be strengthened and new institutions overseeing the process would be installed. Overall, this would signify a step towards deeper regional integration which Tanzania appears to be cautious about. Therefore, the two positions of Kenya favouring the EPA and Tanzania opposing it should not be considered separate, isolated cases, but are instead closely intertwined with the two countries' relationship.

5. Discussion

Having scrutinised the three main factors on the micro-, meso-, and macro-level of OEP analysis, it remains to synthesise these in order to answer the main question of how Tanzania's and Kenya's opposing positions on trade liberalisation in the form of the EPA can be explained. The factors considered include the domestic economic ones related to the countries' production and trade situation in combination with factors of historic political-economy, power linkages, and regional power play. Overall it has transpired that explaining the countries' EPA positions is a multi-layered process with a lot of uncertainties remaining. Given the lack of information from inside the governments and negotiation teams, it is difficult to penetrate such a complex, obscure process of interest-aggregation and international bargaining, thus it is not fully conclusive what factors ultimately motivate their EPA positions. Having to deduct the motives from observable elements, it becomes nevertheless clear that the explanation goes beyond the theory of comparative advantage or single industry interests, and it helps to draw a bigger, more colourful picture of the motives.

The case study of political-economic factors influencing **Kenya's EPA support** substantiate a number of key considerations. Kenya's exporters have a large stake in retaining duty-free access the EU market, which is threatened in case the EPA is not implemented because of Kenya's status as non-LDC. The EU exerted strong pressure when it temporarily raised taxes on Kenya's products, leading to export sectors demanding the government and EAC to protect it. Potentially, the generally strong linkages between economic and political power interests contributed to the Kenyan government aggregating interests of exporters. Their interest was protected as the EPA negotiations concluded shortly after and Kenya regained duty-free EU market access. It is unclear whether EAC member states were willing to sign and ratify the Agreement at this point or whether they conceded to the EPA text in reaction to the pressure on and from Kenya. It is, however, obvious that Kenya has most to gain from the EPA and most to lose from EPA failure. At the same time, the EPA implies deeper regional integration which Kenya is in favour of, being the regionally dominant power and growing its exports in the region.

Scrutinising the factors impacting **Tanzania's EPA opposition,** a number of different key considerations emerge. Firstly, in terms of economic cost-benefit analysis, Tanzania does not have a strong disadvantage from not signing the EPA, as it can retain the duty-free EU market access as long as it is a LDC. Thus, it can be argued that the benefits from the EPA do not outweigh the feared costs of exposing some industries to stronger EU competition and losing customs revenue. Some even suggest that Tanzania withholding its signature after Kenya regained duty-free EU market access was a tactical decision for the whole region (Interview 10).

Secondly, the incumbent Tanzanian government renewed its focus on national industrial development plans as a modern version of ISI policies. In combination with the historical Tanzanian anti-capitalist sentiment, this does not leave much room for free trade agreements despite the EPA provisions aiming to guarantee infant industry protection. Thirdly, the weak links of policy-makers with non-native exporters constrain the implementation of market-liberal interests. Fourthly, it appears that Tanzania is not only concerned about opening its market to the EU but also to its EAC neighbours, fearing the competition from Kenya. The EPA would signify a deepening of the regional integration process, which the Tanzanian government has in other instances also undermined by strategically blocking decisions. For Tanzania's diplomatic considerations, seeking excuse in an external issue with the EPA and blaming the EU as an outsider, might be favourable over directly challenging Kenya's regional dominance. In addition, some even suggest that Tanzania could attach conditions to its EPA signature for Kenya to make concessions in some other policy area (Interview 3). With the discovery of oil in Uganda and large geopolitical projects, Tanzania tries to consolidate its regional power and position itself against Kenya – a tactic to which the EPA might have fallen victim. Regarding the latter aspect, it has become clear that Kenya and Tanzania are not to be treated as separate, isolated cases but their EPA positions are strongly intertwined with their relationship as regional rivals.

To summarise these insights, they are applied to Frieden's formula (2006) for explaining policy outcomes, where an observed behaviour is the sum of preferences, the strategic setting, and environmental constraints, as illustrated below.

Illustration 1: Application of Frieden's formula

Application of Frieden's formula: Observed behaviour: preferences + strategic setting + environmental factors

Tanzania's EPA opposition:	protectionist trade preferences + weak economic-political interest links, regional rivalry + continued EU market access without EPA
Kenya's EPA support:	liberal trade preferences + strong political-economic interest links, regional dominance + potential loss of EU market access without EPA

Source: Frieden (2006), own data

Tanzania's observed behaviour of EPA opposition can be explained by the combination of governmental protectionist trade preferences based on its historical background of fragile industrialisation and defiance of market-liberalism as well as the current economic strategy of developing domestic industries; plus the limited political influence of non-native economic actors that might be in favour of the EPA as well as the government's reluctance towards deeper EAC integration for fear of Kenyan competition; plus the limited disadvantages of not signing the EPA due to Tanzania's LDC status with free EU market access.

On the other hand, Kenya's observed behaviour of EPA support is explainable by the combination of the government's liberal trade preferences rooted in the country's historical background of industrialisation and market-liberal ideology as well as the current economic strategy of strengthening external trade; plus the strong domestic linkages of political and economic power interests as well as Kenya's dominance in the region and perceived gains from deeper EAC integration; plus the threat of losing EU market access as a non-LDC.

5.1 Limitations

As mentioned in the section on data collection, obtaining data from Tanzania and Kenya on the details of stakeholder interests and interest-aggregating processes at the governmental level as well as bi- and multilateral political bargaining at the regional level was difficult. The explanations presented are largely inferred and deduced from expert opinions and publicly available literature. Therefore the results are mostly suggestive in their explanatory capacity. It remains unanswered which factors on which level of analysis exert stronger influence and which ones are less important.

Furthermore, the OEP methodology assumes a linear structure of trade policy formulation evolving from micro-, over meso-, to the macro-level. However, in reality political-economic factors can interact in reciprocal ways or have repercussions on other levels, as Milner (1999) pointed out. OEP research often focuses on analysing only one level of analysis while taking the other two as static or as analytical simplifications. Therefore, in order to account for the complexities of reality and interactions of analytical levels, this thesis attempted to incorporate all three levels of analysis drawing the big picture with rough brushstrokes. This approach limited the possible depth of analysis on each level, inviting future research to fill in the small patterns of the big picture. Potential topics could be the detailed study of different industries' lobby with regards to the EPA, or the EAC Secretariat's mediation and integration tactics, or the role of the EU in the EPA process, for example. In addition, an interesting influence to keep an eye on is the growing role of China in trading and investment in (East) Africa and how this might influence international free trade agreements and countries' development strategies.

6. Conclusion

In sum, the findings confirm the hypothesis that explanations for Kenya's and Tanzania's opposed EPA positions can be uncovered in the analysis of domestic markets, their interactions with policy-makers, and states' geopolitical interests. The application of Frieden's formula through the lens of OEP research allows the analysis of potential influences on EPA positions, showing that political-economic explanations can generate theories closer to the complex reality of trade preferences than purely economic ones. The influential factors found on each level of analysis added to the complexity and diversity of arguable motives, which might still be far from complete. Some of the motives match arguments made in the literature, such as the development strategy of domestic protection of infant industries; others are novel arguments, like the suggestion that Tanzania possibly uses its EPA signature as a chip in the political power play with Kenya for regional dominance. However, without insightful data from high-level policy-makers in the two countries, these arguments remain speculative and suggestive in nature, welcoming future research.

For the EAC EPA, it appears that the fronts are hardened and the status quo is likely to remain as long as neither country loses its duty-free EU market access, which could happen if one LDC graduates from that status, or if the EU decides to withdraw Kenya's preferential market access. This could easily be the case if a third non-LDC country without preferential EU market access and competing with Kenya on the EU market complains at the WTO about discrimination (as was the case in the 1990s with Brazil complaining about ACP preferences, marking the onset of the EPA negotiations). It is, however, questionable whether the EAC would unite behind the EPA only to safeguard Kenya's EU market access. Overall, the complexity of the countries' trade positions supports the suggestion in the literature that the issue of trade and development should not be reduced to considering policies in terms of either liberalisation or protection, but to search for the right combination that can foster the competitiveness of key sectors as well as implementing the appropriate reforms necessary in terms of institutional and infrastructural conditions to reap the benefits of trade. The debate in international development on the role of external trade will likely remain heated, particularly as the post-Cotonou negotiations about the future EU-ACP relationship are set to start this year.

List of References

Abiola, H. (2016). *Europa erzeugt die Flüchtlinge selbst*. Retrieved 09-08-2017 from: http://www.zeit.de/kultur/2016-07/westafrika-freihandelsabkommen-eu-fluechtlinge-hafsat-abiola

African Union, African Development Bank Group & UN Economic Commission for Africa (2016). *Africa Regional Integration Index: Report 2016*. Retrieved 13-06-2018 from: https://www.integrate- africa.org/fileadmin/uploads/afdb/Documents/ARII-Report2016_EN_web.pdf

Akokpari, J. (2016). *The EU and Africa: The political economy of an asymmetric partnership*. In: The ACP Group and the EU Development Partnership by Montoute, A. & Virk, K. (eds.). Cham: Palgrave MacMillan.

Alemu, Z. (2018). *2018 African Economic Outlook: Kenya.* African Development Bank: African Economic Outlook Country Note.

Alesina, A. (2007). *Political Economy*. Nation Bureau of Economic Research: Program Report 2007, Vol. 3, pp. 1-6.

Aminzade, R. (2013). *Race, Nation and Citizenship in Post-Colonial Africa: The case of Tanzania*. Cambridge: Cambridge University Press.

Anyanzwa, J. (2016). *Kenya in last-ditch efforts to woo its regional partners to sign EPA with EU*. Retrieved 12-05-2018 from: http://www.theeastafrican.co.ke/news/ea/Kenya-plans-last-ditch-effort-to-rescue-Europe-trade-deal/4552908-3343328-p0sta8/index.html

Anyanzwa, J. & Asiimwe, D. (2016). *EPA: Kenya's fate now lies with heads of state*. Retrieved 12-05-2018 from: http://www.theeastafrican.co.ke/news/ea/EPA-Kenya-fate-now-lies-with-heads-of-state-/4552908-3351860-x6qafs/index.html

Asche, H. (2015). *Europe, Africa, and the Transatlantic: The North-South challenge for development-friendly trade policy*. Heinrich-Böll-Stiftung: International Politics E-Paper.

Asche, H. (2016). Economic Partnership Agreements: In the balance. *Development and Cooperation, Vol. 12*(2016), pp. 41-43.

Balassa, B. (1978). Export and economic growth: further evidence. *Journal of Development Economics, Vol.5*(2), pp. 181-189.

Baldwin, R.E. (2003). *Openness and growth: What's the empirical relationship?* National Bureau of Economic Research: Working Paper 9578.

Bartels, L. (2007). The Trade and Development Policy of the European Union. *The European Journal of International Law, Vol. 18*(4), pp. 715-756.

Bhagwati J. (1978). *Foreign Trade and Economic Development: Anatomy and consequences of exchange control regimes.* New York: National Bureau of Economic Research.

Booth, D., Cooskey, B., Golooba-Mutebi, F. & Kanyinga, K. (2014). *East African Prospects: An update on the political economy of Kenya, Rwanda, Tanzania and Uganda*. Overseas Development Institute: Report.

Bouët, A., Laborde, D. & Traore, F. (2017). *The European Union–West Africa Economic Partnership Agreement: Small impact and new questions.* Washington, DC: International Food Policy Research Institute.

Brandi, C., Hulse, M. & Keijzer, N. (2017). *What Next for the Economic Partnership Agreements? Thougths on deepening the EU-Africa trade partnership*. Bonn: German Development Institute.

Bridges Africa (2014). EU-EAC seal EPA deal. *Bridges Network, Vol.3*(9), pp. 12-13.

Chang, H. (2002). *Kicking Away the Ladder: Development strategy in historical perspective.* London: Anthem Press.

Charle, P. (2018). *African Economic Outlook: Tanzania*. African Development Bank: African Economic Outlook Country Note.

Chingarande, A., Mzumara, M. & Karambakuwa, R., (2013). Comparative Advantage and Economic Performance of East African Community Member States. *Journal of Economics, Vol.4*(1), pp. 39-46.

Cooksey, B. (2016a). Railway rivalry in the East African Community. *GREAT Insights Magazine, Vol.5*(4), pp. 35-37.

Cooksey, B. (2016b). *Tanzania and the East African Community: A comparative political economy*. European Centre for Development Policy Management: Discussion paper No. 186.

Crawford, G. (2005). The European Union and Democracy Promotion in Africa: The case of Ghana. *The European Journal of Development Research, Vol.17*(4), pp. 571-600.

Dür, A. (2007). EU Trade Policy as Protection for Exporters: The agreements with Mexico and Chile. *Journal of Common Market Studies Vol.45*(4), pp. 833-855.

East African Community (2017). *Joint Communiqué: 18th ordinary summit of heads of state of the East African Community.* Retrieved 19-05-2018 from: https://www.eac.int/communique/847-jointcommuniqu%C3%A9-18th-ordinary-summit-of-heads-of-state-of-the-east-african-community

East African Community (2018). *Joint Communiqué: 19th ordinary summit of heads of state of the East African Community.* Retrieved 19-05-2018 from: https://www.eac.int/communique/1001-joint-communiqu%C3%A9-19th-ordinary-summit-of-heads-of-state-of-the-east-african-community

East African Court of Justice (2018). *Court dismisses Appeal over EAC Partner States Signing EPA Dispute.* Retrieved 04-07-2018 from: https://www.eac.int/press-releases/995-court-dismisses-appeal-over-eac-partner-states-signing-epa-dispute

EPA Monitoring (2017). *Decision-time on EU-EAC EPA process*. Retrieved on 09-05-2018 from: http://epamonitoring.net/decision-time-on-eac-eu-epa-process/

Esiara, K. (2016). *Rwanda eyes more exports, investment ties from EPA deal*. Retrieved 12-05-2018 from: http://www.theeastafrican.co.ke/news/ea/Rwanda-eyes-more-exports--investment-ties-from-EPA-deal/4552908-3297404-j0b2fp/index.html

EU-EAC (2016). *Economic Partnership Agreement Between The East African Community Partner States, Of The One Part, And The European Union And Its Member States Of The Other Part*. Consolidated text available at: http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153845.compressed.pdf

European Commission (2008a). *Proposal for a Council Decision on the signature and provisional application of the agreement establishing a framework for an Economic Partnership Agreement between the European Community and its Member States, on one part, and the East African Community Partner States, on the other part*. Retrieved 03-07-2018 from: http://ec.europa.eu/transparency/regdoc/rep/1/2008/EN/1-2008-521-EN-F1-1.Pdf

European Commission (2008b). *The Raw Materials Initiative: Meeting our critical needs for growth and jobs in Europe*. Brussels: Communication from the Commission to the European Parliament and the Council, COM/2008/0699.

European Commission (2014a). *Press release 16 October 2014: EU strikes a comprehensive trade deal with East African Community.* Retrieved 04-07-2018 from: http://europa.eu/rapid/press-release_IP-14-1170_en.htm

European Commission (2014b). *Commission Delegated Regulation (EU) No 1387/2014*. Brussels: Official Journal of the European Union, L369/35.

European Commission (2015). *Economic Partnership Agreement between the EU and the East African Community (EAC).* Retrieved 15-05-2018 from: http://trade.ec.europa.eu/doclib/docs/2009/january/tradoc_142194.pdf

European Commission (2018). *Agri-Food Trade Statistical Factsheet: European Union - Subsaharan Africa.* Brussels: EC Directorate-General for Agriculture and Rural Development.

European Commission (2018). *Overview of Economic Partnership Agreements: State of play*. Retrieved 07-06-2018 from: http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf

European Commission Directorate-General for Trade (2018a). *European Union Trade in Goods with Tanzania*. Retrieved 06-07-2018 from: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113407.pdf

European Commission Directorate-General for Trade (2018b). *European Union Trade in Goods with Kenya.* Retrieved 06-07-2018 from: http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc_147401.pdf

Farrell, M. (2005). A Triumph of Realism over Idealism? Cooperation between the European Union and Africa. *Journal of European Integration, Vol.27*(3), pp. 263-283.

Frieden, J. (1999). *Actors and Preferences in International Relations*. In: Global Capitalism: Its Fall and rise in the twentieth century. New York: W.W. Norton.

Gebregiorgisch, E. (2017). *Einfluss der EPA-Verhandlungen zwischen der EU und der EAC auf die regionale Integration der EAC*. University of Heidelberg: Master dissertation.

Giesbert, L., Pfeiffer, B. & Schotte, S. (2016). *Umstrittene Freihandelsabkommen mit der EU: Afrika unter (Handels-)Druck*. Hamburg: German Institute of Global and Area Studies

Hammouda, H.B. & Jallab, M.S. (2007). *Trade Liberalization and Development: Lessons for Africa.* African Trade Policy Centre: Working Paper.

Heckscher E.F. & Ohlin, B. (1933). *Heckscher-Ohlin Trade Theory*. Cambridge: MIT Press.

Heckscher, E. (1919). The Effect of Foreign Trade on the Distribution of Income. *Ekonomisk Tidskrift 1919*, pp. 497-512.

Hoffman, B. (2013). *Political Economy of Tanzania*. Georgetown University: Center for Democracy and Civil Society.

Industrial Policy Group (2012). *Tanzania Industrial Competitiveness Report 2012*. Dar es Salaam: Industrial Policy Group.

Karuhanga, J. (2016). *EAC-EU Trade Deal Signing Called Off*. Retrieved 12-05-2018 from: http://www.newtimes.co.rw/section/read/201812

Keijzer, N. & Bartels, L. (2017). *Assessing the Legal and Political Implications of the Post-Cotonou Negotiations for the Economic Partnership Agreements*. Bonn: German Development Institute.

Kenya Human Rights Commission (2014). *The ABC of EAC-EU Economic Partnership Agreements (EPA).* Retrieved 08-06-2018 from: https://www.khrc.or.ke/mobile-publications/economic-rights-and-social-protection-er-sp/59-the-abc-of-eac-eu-economic-partnership-agreements-epa.html

Kidanka, C. (2016). *Dar Dodges EPA to protect industrialisation, budget*. Retrieved 12-05-2018 from: http://www.theeastafrican.co.ke/news/Dar-dodges-EPA-to-protect-industrialisation--budget/2558-3297388-9egi70/index.html

Krueger, A. O. (1980). Trade policy as an input to development. *American Economic Review, Vol. 70*(2), pp. 288-292.

Ligami, C. (2015). *Region's Exports to EU Face Tough Conditions.* Retrieved 12-05-2018 from: http://www.theeastafrican.co.ke/news/Trade-agreements-with-EU-may-miss-another-deadline-/-/2558/2867986/-/13039rp/-/index.html

Limao, N. & Venables, A.J. (2001). Infrastructure, geographical disadvantage, transport costs and trade. *The World Economic Review, Vol. 15*(3), pp. 451-479.

List, F. (1841). *The National System of Political Economy*. London: Longmans, Green and Co.

Lorenz, U. (2012). *Transformations on Whose Terms? Understanding the new EU-ACP trade relations from the outside in.* KFG Working Paper Series, No. 40, June 2012, Kolleg-Forschergruppe "The Transformative Power of Europe" Freie Universität Berlin.

Milner, H. (1999). The Political Economy of International Trade. *Annual Review of Political Sciences, Vol.2*, pp. 91-114.

Mkapa, B. (2016). *The EPA with Europe Is Bad News for the Region, Even Kenya.* Retrieved 28-05-2018 from: http://www.theeastafrican.co.ke/oped/comment/434750-3323648-ppslht/index.html

Mpagi, C. (2016). *Agreement needs consensus between presidents, Museveni says*. Retrieved 12-05-2018 from: http://www.theeastafrican.co.ke/news/ea/How-Museveni-put-the-brakes-on-EA-trade-deal/4552908-3307464-t0a3khz/index.html

Mwambe, G. (2014). *Analysis of the Economic Partnership Agreement between the East African Community and the European Union: A Gravity Model Approach.* Macroeconomic and Financial Management Institute of Eastern and Southern Africa. Retrieved from: http://mefmi.org/mefmifellows/wp-content/uploads/2016/10/Analysis-of-the-Economic-Partnership-Agreement-between-the-East-African_Geoffrey-Mwambe.pdf

Ndahiro, J. (2010). *Resolution of the Assembly urging the EAC Partner States to halt the signing of the EU-EPAs until revisions are made to the framework Agreement*. EAC IRC Repository: Motions and Resolutions.

Noman, A., Botchwey, K., Stein, H. & Stiglitz, J. (eds.) (2012). G*ood Growth and Governance in Africa: Rethinking development strategies.* Oxford: Oxford University Press.

Ohlin, B. (1933). *Interregional and International Trade*. Cambridge: Harvard University Press.

Olingo, A. (2016*). No deal with EU as Tanzania, Uganda refuse to sign up*. Retrieved 12th May 2018 from: http://www.theeastafrican.co.ke/news/ea/No-deal-with-EU-as-Tanzania--Uganda-refuse-to-sign-up/4552908-3297270-5628g3z/index.html

Pfaff, I. (2016). *Freihandel mit Afrika klingt fair, ist aber ungerecht*. Retrieved 09-08-2017 from: http://www.sueddeutsche.de/politik/fluchtursachen-fairness-statt-hilfe-1.3205686

Ricardo, D. (1817). *On the Principles of Political Economy and Taxation*. London: John Murray.

Schmieg, E. (2018). Außenhandel für Nachhaltige Entwicklung? Freihandelsabkommen zwischen der EU und dem globalen Süden. *Politik und Zeitgeschichte, Vol.68*(4): pp. 40-46.

Simmons, B. & Elkins, Z. (2004). The Globalization of Liberalization: Policy Diffusion in the International Political Economy. *American Political Science Review Vol. 98*(1), pp. 171-189.

South Centre (2012). *The EPAs and ri sks for Africa: Local production and regional trade*. Geneva: South Centre, Analytical Note.

The Guardian (2017). *Will the EAC sign the European Union's EPA?* Retrieved 12-05-2018 from: https://www.ippmedia.com/en/business/will-eac-sign-european-union%E2%80%99s-epa

United Nations (n.d.). *Sustainable Development Goal 17*. Retrieved 07-06-2018 from: https://sustainabledevelopment.un.org/sdg17

World Bank (2005). *Trade Liberalization: Why so much controversy?* In: Economic Growth in the 1990s: Learning from a Decade of Reform, chapter 5, pp. 133–155. Washington D. C.: World Bank.

World Trade Organisation (n.d.). *Principles of the Trading System: Most-favoured-nation*. Retrieved 04-07-2018 from: https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm#seebox

Appendix A: Main contentious features of the EU-EAC EPA

Market access and asymmetrical opening

Under the EPA, the EAC continues to enjoy duty-free access to the EU market, however there are a number of non-tariff barriers, such as the Rules of Origin (see also below) or hygiene standards. The EAC, in turn, has to liberalise 82.6% of product lines for the trade relationship to be sufficiently reciprocal under WTO rules. Under the current EAC Customs Union, over half of these imports are already liberalised to international partners. The remaining areas where considerable tariffs still exist are to be progressively liberalised within 15 to 25 years from the moment the EPA is implemented in order to mitigate negative impacts on customs revenues or infant industries. The critical area of 17.4% of protected products retaining tariffs include mostly agricultural products, as well as chemicals, plastics, textiles, footwear, ceramic and glassware products, iron, steel and vehicles (EC, 2015; EU-EAC, 2016). This selection of protected areas stems from the EAC's consideration of main sectors that would be threatened by EU competition. In the case of agriculture, whereas the EU conceded to abolishing direct export subsidies (EC, 2015), its agricultural producer subsidies – in addition to their technological superiority – makes EU exports more competitive than EAC producers (Asche, 2015).

Infant industry protection

In addition to the protection of some sectors by the aforementioned remaining tariffs, the EPA comprises certain infant industry protection clauses, These clauses are declared safeguard measures against negative effects of EU imports "in such increased quantities and under such conditions as to cause or threaten to cause disturbances to an infant industry producing like or directly competitive products" (EU-EAC, 2016). This provision is applicable for ten to 15 years from the EPA's entry into force. The EAC fought hard for the inclusion of this clause, as EU negotiators were very reluctant to it (Asche, 2015), and Tanzania still argues that it is insufficient.

Rules of Origin

ROO are designed to prevent EU-EAC trade in products not wholly obtained domestically from the redirection of imports from third countries, such as China or India. Under GSP and EBA two value-adding stages are required to take place in the exporting country. Studies showed that this was part of the reason why LDCs did not tap the potential of free market access to the EU (Asche, 2015). Therefore, the EPA contains simplified Rules of Origin, effectively requiring only one "substantial" value-adding stage (EU-EAC, 2016) as well as extending it to other EPA regions – which could open a chance for intra-African value-addition. Nevertheless, the benefits of these Rules of Origin are controversial. In the textile trade, for example, they could effectively reinforce the sourcing of inputs from China instead of fostering local production or more substantive participation of EAC countries in global value chains.

Most-Favoured-Nation treatment

The Most-Favoured-Nation clause is a non-discrimination principle of the WTO trading system, stipulating that if a country grants another country trade benefits, it has to give the same "best" treatment to all other WTO members so that they all remain "most-favoured" (WTO, n.d.). The EU negotiators demanded this clause to be included in the EPA arguing that some of EAC's trade partners, such as China or Brazil, were competing with EU member states. The EAC rejected this on the grounds that they wished to continue granting other ACP partners better conditions to foster south-south and interregional trade (Asche, 2015). The EPA compromises both views by limiting the clause to countries with a minimum 1% and regional blocs with at least 1.5% shares in world trade (Asche, 2015).

Export taxes

Export taxes are intended to retain products and production inside of a country. Even though the EPA generally prohibits new export taxes, a sub-clause (Article 14,2) allows the institution of temporary (maximum four years) export taxes to foster the development of specific domestic industries and value-addition of primary goods, raise fiscal revenue, maintain currency stability, and ensure food security (EU-EAC, 2016). This clause was also subject to long debate with the EU negotiators being strongly opposed to them for a long time (Asche, 2015).

Local content rules

The EPAs prohibit local content rules obliging that a share of export products (foreign) manufacturers to use local suppliers. While such rules were common practice for developing countries in the 1980s, they have become banned because corruption to bypass the rules was widespread and the rules therewith failed to boost local providers (Asche, 2015). Yet, some EAC countries, for example Tanzania and Uganda, have introduced new innovative local content rules for the growing gas and oil industries (Asche, 2015). The EPA ban on such regulations could therefore compromise the growth of these industries related to local sourcing rules.

Appendix B: Chronology of the EPA negotiations

In 2002, after the conclusion of the Cotonou Agreement, which provided for the negotiation of EU-ACP trade agreements, the EC's Directorate-General of Trade was authorised to officially open the EPA negotiations with the EAC. This led to the provisional application of a Framework EPA in 2008 which included all five EAC member states in the EU's Market Access Regulation (EC, 2008a). In the three years that followed, the EU and EAC were supposed to finalise the terms of the EPA. However, in 2010, the East African Legislative Assembly (consisting of member states' presidents) published a resolution urging all EAC states not to sign the EPA due to a number of concerns. These included the high level of liberalisation expected from the EAC, the inability to introduce new export taxes, the impact of the Most-Favoured-Nation clause on future South-South cooperation, the lack of EU commitments of the EU to development funds, the EU refusal to discuss agricultural subsidies, as well the lack of infant industry protection. In addition, the Assembly argued that the EAC's tariff revenue losses would by far outnumber the gains of Kenya (as the only non-LDC) avoiding EU import tariffs. Consequently, they called for the EU to extend the EBA (which admits LDCs duty-free access to the EU) to the whole region including Kenya, arguing that it almost fell under the LDC category when the UN's Committee for Development Policy made its assessment in 1991 (Ndahiro, 2010). The EU rejected this idea but showed willingness to address the aforementioned issues.

In the ensuing four years, the two parties continued to negotiate and reached agreement on a development component, the timeframe and scale for the EAC market opening, and the EU conceded to a ban on agricultural export subsidies and trade defence provisions (Esiara, 2016). Discord remained, however, on the ban of export taxes and the Most-Favoured-Nation clause, which were not resolved when the EU's deadline for the conclusion of the EPA passed in October 2014. At that point, the EU shifted Kenya's import terms from duty-free under the Market Access Regulation to the GSP system with tariffs of up to 22% on Kenyan products.

Due to this pressure (Karuhanga, 2016), the EAC and the EU finally struck a deal two weeks later on the final EPA text in which the EAC acquiesced to the Most-Favoured-Nation clause and the limitations on export taxes (Bridges Africa, 2014; EC, 2014a). Subsequently, the EU reinserted Kenya to the Market Access Regulation, expecting the EPA to take effect soon (EC, 2014b).

This, however, depends on the signature and ratification by all EAC and EU member states, which was anticipated by July 2016, following two years of translating and legal scrubbing.

Whereas the EU member states signed the EPA on time, the EAC's unanimity on the EPA started to crumble and diverging positions emerged in 2015 and 2016. Specifically, in September 2015, after a government change in Tanzania, doubts emerged over its commitment to the EPA. Tanzanian politicians raised concerns that the Agreement was rushed through and that contentious issues, especially regarding the impact on industrialisation, were not addressed adequately (Ligami, 2015; Interview 4). Tanzanian president Magufuli complained that that the EPA represented a new form of colonialism (Gebregiorgisch, 2016). In addition, important figures such as Tanzania's ex-president Mkapa, under whom Tanzania had originally initialled and pushed the EPA forward, spoke up against it (Mkapa, 2016). In response, the EAC countries deliberated and the signature and ratification scheduled for July and October 2016 were postponed, throwing the region into a diplomatic row (Olingo, 2016).

On the one hand, Tanzanian officials justified the delay arguing that the Brexit and other uncertainties in global markets should be considered, as well as the sanctions (suspension of aid programmes) imposed on Burundi by the EU in the wake of President Nkurunziza's controversial re-election for a third term earlier that year. At that time, Uganda announced that it would withhold its signature until a regional agreement was found (Mpagi, 2016), acting as a mediator in its position as the EAC's chair (Interview 4; Interview 3). On the other hand, Kenya – facing renewed pressure becoming subject to duties again – made efforts to persuade its regional partners to sign the EPA, supported by Rwanda which is keen to establish a predictable, diversified trade regime with the EU to counter its falling exports (Esiara, 2016; Olingo 2016).

Supporters of the EPA from Kenya, Rwanda, and the EU argued that Tanzania's concerns were put out of context, that it used the Brexit as a pretext to withhold its signature (Interview 1), that the safeguards against the proclaimed threats from the EPA were sufficient (Interview 7). In addition, they asserted that the EPA's rendezvous clause ensured that some issues could be renegotiated at a later stage and that the region's collective gains and secure market access for all should be prioritised over individual states' interests (Karuhanga, 2016).

Nevertheless, Tanzania stood by its position that the EPA could not be signed under the given circumstances. As the EAC's 17th extraordinary summit in September 2016 therefore failed to produce consensus, Kenya and Rwanda went ahead and single-handedly signed the EPA while calling on the EU to extend Kenya's duty-free access. The Tanzanian parliament, in contrast, voted almost unanimously to advise the government not to sign the EPA arguing that, even though Tanzanian exports could be positively impacted, the effect would be too small to justify signing the EPA (Mwambe, 2014; Interview 7). Kenyan critics questioned Tanzania's motives, saying the concerns raised had been fully addressed by the safeguard provisions in the EPA (Olingo, 2016; Interview 7). At the same time, the EU agreed to extend Kenya's duty-free access as well as the deadline of signature to allow for data-backed deliberations (Kidanka, 2016). The countries opposed to the EPA however failed to comply with the EAC's call for trade data which led to further delays and tensions in the region (EPA Monitoring, 2017).

At the 18th EAC summit in May 2017, it was noted that the remaining countries that had not signed the EPA were "not in a position to do so pending clarification of issues they have identified in the agreement" (EAC, 2017). Against this background, the president of Uganda was mandated to reach out to the EU and explore the use of "variable geometry" (EAC, 2017) meaning that the implementation of the EPA could potentially go forward in Kenya and Rwanda without the others' signature. At the same time, Tanzania sought an injunction at the EAC Court of Justice to order other EAC states not to sign nor implement the EPA, which the East African Court of Justice dismissed in early 2018 (East African Court of Justice, 2018).

The latest EAC summit in February 2018 saw a repetition of earlier statements on the possibility of variable geometry, however this appears to be a last resort option – there is broad agreement that this option would be an enormous setback for regional integration in terms of the customs union (Interview 1, Interview 4). The EU also insists on the signature of all EAC countries before implementation (Interview 3; Interview 7) and has since kept a stance of awaiting further developments. It also refrains from raising tariffs on Kenya's imports, but this is only a temporary solution (Interview 4; Interview 7). The EAC meanwhile asserts to work on addressing all members' concerns and finding common ground (Interview 4).

Appendix C: List of interviews

All interviews were conducted via Skype with a length of 45 to 90 minutes guided by a semi-structured questionnaire. Concurrent notes were taken and the interviews were recorded to allow for the subsequent transcript of important statements.

No.	Name	Organisation	Position / Expertise	Date
1	I. Shinyekwa	Economic Policy Research Centre Uganda	Researcher – Department for international trade and regional integration	15.05.2018
2	M. Munu	Kenya Institute for Public Policy Research and Analysis	Advisor on trade affairs to the President's Office	15.05.2018
3	Anonymous	European Commission DG Trade	EU Negotiator with EAC	18.05.2018
4	M. A. Umulisa	EAC Secretariat	Principal trade officer for international trade agreements, *previously*: Negotiator for Rwandan Trade Ministry	25.05.2018
5	M. Hulse	German Development Institute	Research fellow specialised in trade relations, author of PhD dissertation on EPAs	25.05.2018
6	B. Cooksey	Independent	Researcher based in Tanzania publishing about the region's political economy	29.05.2018
7	Anonymous	Delegation of the EU to Tanzania	Programme Officer - Economic & Governance Section	29.05.2018
8	N. Keijzer	European Centre for Development Policy Managemet	Research fellow specialised in EU-Africa relations and development policy	30.05.2018
9	A. Quasten	Friedrich Ebert Stiftung	Resident Director of Tanzania Office	08.06.2018
10	E. Gebregiorgisch	University of Heidelberg	Author of dissertation about the influence of the EU-EAP on EAC regional integration	12.06.2018

Appendix D: Original Thesis Report

Thesis Report

What is the Way Forward for EU – Africa Trade Relations?

Future Scenarios for the Economic Partnership Agreement between the European Union and the East African Community

29TH AUGUST 2017

Name: Isabelle Adam

Student number: 190341

Supervisors: Achim Kemmerling (CEU) & Andrea Bianculli (IBEI)

Word count: 6088

Central European University, Budapest, Hungary

Author’s declaration

I, the undersigned Isabelle Adam hereby declare that I am the sole author of this thesis report. To the best of my knowledge this thesis report contains no material previously published by any other person except where proper acknowledgement has been made. This thesis report contains no material which has been accepted as part of the requirements of any other academic degree or non-degree program, in English or in any other language.

This is a true copy of the thesis report, including final revisions.

Name (printed): Isabelle Adam

Date: 29th August 2017

Signature: I. Adam

List of abbreviations

ACP – African-Caribbean-Pacific Group

AU – African Union

EAC – East African Community

EC – European Commission

EPAs – Economic Partnership Agreements

EU – European Union

LDCs – Least Developed Countries

RECs – Regional Economic Communities (in Africa)

SSA – Sub-Saharan Africa

US – United States

WTO – World Trade Organisation

Table of content

Abstract

As the countries in the region of Sub-Saharan Africa (SSA) seek to advance their socioeconomic development, improving the multilateral trading system to the advantage of SSA economies has become one of the chief concerns in international development, reflected by the Sustainable Development Goal number 17. The European Union (EU), being SSA's second largest trading partner, approaches this issue by negotiating free trade contracts under the scheme of Economic Partnership Agreements (EPAs) with five groups of African Regional Economic Communities (RECs). These EPAs intend to liberalise the EU-SSA trade relations by largely abolishing import tariffs on both sides and providing additional development assistance to the African partners. However, most of the EPA negotiations currently find themselves in a situation of deadlock due to the numerous SSA countries rejecting parts of the EPA texts and thus refusing to sign or ratify them.

This report serves as a research plan for an MA thesis on the future of the EPAs analysing the case of the negotiation between the EU and the East African Community (EAC). This case is a suitable illustration of the difficulties in the EPA negotiation process as three out of the five members of this relatively homogenous REC (namely Tanzania, Burundi, and Uganda) are refusing their signatures. Their stated criticisms include the threat to local markets and lack of protection of infant industries, the disruption of their internal economic integration processes, and the ruthless negotiation tactics of the EU. Nevertheless, the EAC is currently seeking to revive the negotiations in order to find a way forward with the EU.

This proposed research therefore aims to explore increase the understanding of the key economic and political factors shaping the EPA negotiation between the EU and the East African Community (EAC) in order to explore the realistically possible paths of development until 2022, taking into account the trade and development agendas of EU and the EAC. As a guiding method, the scenario approach provides the framework to systematically inquire into the future of this EPA. It involves five research steps, integrating techniques of data gathering through expert interviews and desk research, in order to the analyse the key political and economic factors shaping the EPA negotiations leading to the generation and evaluation of four possible future scenarios.

1. Introduction & background

Out of the 48 countries classified by the United Nations (UN) as “least developed” (LDCs) due to low indicators of socioeconomic development, including per-capita income, human assets, and economic vulnerability, 34 lie in Sub-Saharan Africa (SSA) (UN, 2016). This region, comprised of 49 countries, has also been the least successful in achieving the first Millennium Development Goal of poverty reduction, with the proportion of the population living on less than $1.25 per day having fallen from 57% in 1990 to 41% in 2015 (UN, 2015).

International trade accounts for large parts of many SSA economies, as goods exports have increased by 500% between 1995 to 2013 (IMF, 2015), which, however, constitutes just above 1% of world exports. Natural resource commodities, such as oil, account for around half of these (IMF, 2015) with Asia taking the largest single share, followed by the European Union (EU). Overall, trade openness increased slightly in the last two decades but still lag behind the rest of the world (IMF, 2015).

The importance of trade for development is reflected in the Sustainable Development Goals, particularly number 17. Three of its targets deal exclusively with trade, aiming for “a universal, rules-based, open, non-discriminatory and equitable multilateral trading system” (UN, n.d.), which increases the exports of developing countries and implements duty- and quota-free market access for all least developed countries (UN, n.d.). If progress is to be made towards these goals, strategies to reduce poverty and promote sustainable development should therefore make the most out of the opportunities of international trade.

The EU, as SSA’s second largest trading partner with an ambitious development agenda, is trying to realise these goals by negotiating free trade contracts under the scheme of Economic Partnership Agreements (EPAs) with five groups of African Regional Economic Communities (RECs), covering nearly all countries of SSA. These RECs include the Economic Community of West African States, the South African Development Community, the East African Community, the Community of Eastern and Southern Africa, and the Central African Economic Community.

The EPAs aim at promoting trade between the African RECs and the EU in order to “ultimately contribute, through trade and investment, to sustainable development and poverty reduction” (European Commission - EC, 2017a). Primarily, the EPAs intend to replace the current system of unilateral trade preferences by largely abolishing import tariffs on both sides in order for EU – SSA trade to be compatible with the rules of the World Trade Organisation (WTO). Additionally, the EU claims that the EPAs are designed in consideration of the African countries' socio-economic circumstances and include cooperation and assistance to help their economies grow (EC, 2017a).

However, despite the repeatedly deferred deadlines for the conclusion of the EPA negotiations since their beginning in 2003, only an agreement with a sub-group of the Southern African Development Community, namely the Southern African Customs Union plus Mozambique, has been signed by and is provisionally being applied. With three of the other RECs, the final stages of negotiation have been reached, but a number of the participating countries are refusing to ratify the agreement, leaving the negotiations in deadlock (Asche 2016; Brandi et al., 2017). At the heart of the EPA controversy lies the question whether increased trade openness can foster investment, business opportunities and economic development, as the EU asserts (European Commission, 2016a), or whether it will destroy local African markets and industries as well as disrupting the greatly desired intra-African trade integration (Pfaff, 2016; South Centre, 2012).

Furthermore, the EPAs have been criticised for ignoring the interdependencies with other policy areas of EU foreign relations, such as development and migration. Another challenge is presented by the fact that the African framework regarding EU trade policy is highly fragmented, as some countries are currently covered by unilateral EU preferences, whilst others started to implement regional or bilateral EPAs, or are not covered by any EU framework at all. In addition, some developments on the global political stage have recently not been favouring trade liberalisation, such as the controversies over EU-Canada and EU-United States (US) trade agreements as well as the decline in the US government's support for a liberal, multilateral trade system (Brandi et al., 2017).

Given this background and the fact that the current EPA negotiations are largely in stalemate, calls for a new strategy have grown louder (Asche, 2016; Brandi et al., 2017). What could be possible ways to move forward with the EPAs in accordance with the trade and development agendas of the different players? Should the negotiations be continued as hitherto? Should they be cancelled altogether, started all over again, or continued under modified terms? This research project, written as an MA thesis, revolves around these and related questions and the following sections shall propound how they shall be answered through studying the case of the East African EPA. While media outlets frequently discuss the controversial topics surrounding the EPAs (cf. Abiola, 2016; Asche, 2016; Pfaff, 2016, for example) and researchers have assessed the potential effects of EPAs and analysed the political or institutional challenges regarding the EU-SSA partnership (cf. Akokpari, 2016; Bouët et al., 2017; Giesbert et al., 2016, for example), there appears to be a lack of research into possible new strategies and policies – a gap which this research project aims to start filling.

This report is structured as follows: section two justifies the case selection and defines the research objective and questions; section three explains the scenario methodology proposed to guide the research; section four provides an overview of the literature framing the topic of EPAs; and lastly, section five delivers a work plan for the implementation of the research and thesis writing process.

2. Case selection & research objective

The EPA process between the EU and East African Community (EAC) offers a suitable case to scrutinize the current state of play and way forward for these negotiations for several reasons. Firstly, the EAC is a relatively small and homogenous group in geographical and economic terms as compared to other African RECs. It consists of five countries, namely Kenya, Rwanda, Tanzania, Burundi, and Uganda, all of which are members of the WTO. The latter four countries are classified as being among the "least developed" (LDCs) according to UN indicators, whereas Kenya's level of socioeconomic development ranks slightly higher (UN, 2016). As an Economic Community, the EAC is strongly committed to regional integration with the ultimate goal to become a federation. Thus far, the EAC is establishing a regional customs union eliminating internal tariffs and prepares for becoming a monetary union (European Commission, 2017b).

In terms of trade with the EU, the EAC mainly exports coffee, tea, cut flowers, tobacco, fish, and vegetables; while imports from the EU consist mostly of machinery, mechanical appliances and equipment, pharmaceutics, and vehicles. The EPA negotiation between the EU and the EAC currently finds itself in a situation of deadlock. The negotiations were concluded in 2014, producing an agreement covering the liberalisation of trade in goods and future development cooperation. The EU and all its Member States signed the agreement, as did Rwanda and Kenya in 2016 following pressure from the EU, which had temporarily introduced punitive tariffs on flowers and beans from Kenya to enforce the EPA signature (Giesbert et al., 2016).

However, the governments of Tanzania, Burundi, and Uganda, being shielded from punitive tariffs due to their status as LDCs, refused to sign the EPA for a number of reasons. Tanzania, the most outspoken opponent, pointed out that it already enjoys tariff-free access to the EU market under the Everything but Arms preference scheme for LDC countries. By signing the EPA it would be forced to grant duty-free access on almost all non-agricultural products from the EU, which are considered more competitive and a threat to local producers and infant industries (the EAC EPA does not contain an infant industry protection clause) as well as disrupting the process of regional integration (Asche, 2016; Mkapa, 2016). In addition, the prospect of Great Britain leaving the EU Single Market lessens the EPA's appeal for Tanzania, 75% of whose exports go to Great Britain (Giesbert et al., 2016). Uganda added that the EPA clauses had become too complex and necessitates the president's approval in addition to the currently required ministers' signature (Giesbert et al., 2016). Burundi joined the EPA critics in protest of the sanctions imposed by the EU against Kenya (Asche, 2016). Following this negotiation deadlock, the EAC decided at the recent EAC Summit in May 2017 to mandate their current chair, the Ugandan president, to reach out the EU to discuss a new way forward for the EPA (European Commission, 2017b).

Overall, the aim of this research is to increase the understanding of the key economic and political factors shaping the EPA negotiation between the EU and the East African Community (EAC) in order to explore the realistically possible paths of development in the coming five years, taking into account the trade and development agendas of the EU and the EAC. This objective is expressed in the below research questions, providing one main question that is to be answered through three sub-questions.

Main question: What is the way forward for the EPA between the EU and the EAC until 2022?

1. What challenges and opportunities arise in the current context of the EPA negotiation between the EAC and the EU?
2. What are potential scenarios for the five-year future of this EPA negotiation?
3. What opportunities and risks are bound up with the situations described in the scenarios?

The answers to these questions will offer a limited possibility to extrapolate lessons learned from the EU-EAC case for the EPA negotiations with other African RECs, which must consider the diversity and differences among the African RECs regarding the level of economic development, political structures, and relationship with the EU, for example.

3. Methodology

A research methodology sets forth the choice of frameworks, tools, and techniques utilised to produce and verify knowledge in the process of inquiry. For the present research project, a scenario approach will provide the overall methodological framework. As a guiding method, this approach integrates various research techniques to generate and analyse data in a scientific manner for the construction and evaluation of scenarios.

Scenarios are commonly used in the practice of strategic organisational management as a framework to prepare potential courses of action based on possible future developments and changing contexts. In academia, scenarios are not as frequently employed, but increasingly becoming recognised as an innovative research method – especially outside of the traditional fields of application like climate studies (Verlaan, 2015). In social sciences, as Ramirez et al. (2015) argue, a scenario methodology as a scholarly form of inquiry can generate 'interesting research', meaning research that is "innovative and develops theory while being both usable and rigorous" (Ramirez et al., 2015). In particular for complex research topics involving long-range developments and uncertain contexts – as presented by the EPA negotiations – scenarios are considered a useful methodology, helping to challenge existing assumptions and accommodating different perspectives (Kosow & Gaßner, 2008; Ramirez et al., 2015).

Furthermore, in the context of studying international relations, scenario research is considered useful for generating new ideas and arguments by tracking the evolution of political developments and widening the range of causal relationships studied (Han, 2011; Minx & Böhlke, 2006). As this research's aim is to increase our understanding of the driving forces surrounding the complex EPA negotiations in order to analyse the possible paths of future development, scenarios offer a suitable methodological framework that serves to reduce the complexities sufficiently to permit a process of synthesis and analysis.

What are scenarios?

In order to develop a scenario methodology as a framework for the research project under discussion, we need to understand the term “scenario” in general and in the context of research methodology. As Mietzner and Reger (2004) put it, “’scenario’ is a fuzzy concept“, which does not have one meaning, purpose, or form of production; however, there is consensus that scenarios are not predictions (van der Heijden, 2005). In contrast to a conceptual future, which merely represents a hypothetical forthcoming state, scenarios include the path of development leading to a potential future situation by highlighting its main factors and key drivers. Scenarios can thus generally be understood as a set of structured conceptual systems of alternative future contexts and their central dynamic elements, reflecting different perspectives on past, present, and future developments (Greeuw et al., 2000; Kosow & Gaßner, 2008; van Notten, 2005).

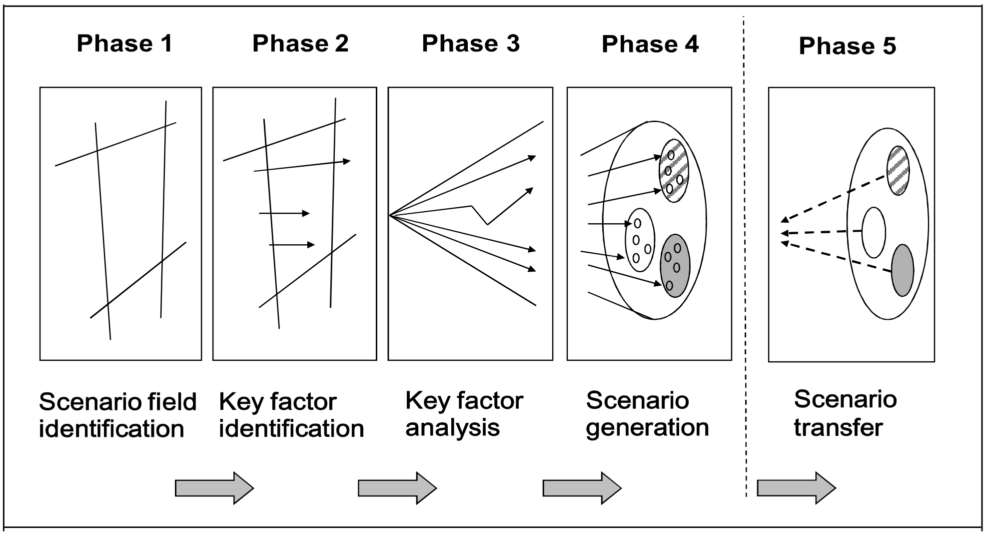
As a research methodology, scenarios entail a reasoning process of theory-building and storytelling based on scientifically gathered data (Wright& Goodwin, 2009), which can take very different shapes. The scenario typology of van Notten et al. (2003) distinguishes between different forms of scenarios as a research method, *inter alia* based on: the research objective (e.g. descriptive or normative), the strategy of analysis (e.g. exploratory or back-casting), the methods of data collection, and the type of data collected (van Notten et al., 2003).

Research design

In order for the scenario methodology to be scientifically valid and reliable, it requires a transparent and systematic inquiry process (Kosow & Gaßner, 2008), which is tailored to the research case of the EPA negotiations between the EU and EAC looking at a time horizon of five years. The most suitable types of scenarios for systematising and deepening the understanding of contemporary developments and influences surrounding the EU-EAC EPA negotiations are characterised as follows: they pursue a descriptive objective (as opposed to a normative one) by following an exploratory analysis strategy that uses qualitative data generated through expert interviews (primary data) and desk research (secondary data) (see below for details).

Concretely, the scenario process can be divided into five subsequent phases, entailing specific research techniques for each step. The framework below is based on the phases outlined by Kosow & Gaßner (2008), as illustrated in figure 1 below.

Figure 1. The scenario process in five phases



Source: Kosow & Gaßner (2008, p. 25)

The **first phase** of the scenario process concerns the demarcation of the scenario field in terms of the thematic, geographic, and temporal scope, including the precise questions to be addressed by the study (Kosow & Gaßner, 2008). This phase is already realised in the second section of this report (Research objective & questions), where the scope is defined in thematic, geographic and temporal terms and expressed in concrete research questions.

The **second phase** deals with identifying the key factors that will influence the future development of the issue at hand, which are systematically analysed in the **third phase** (Kosow & Gaßner, 2008). These two phases go hand in hand and are thus jointly addressed by the first research sub-question: what are the challenges and opportunities arising in the current context of the EPA negotiations between the EAC and the EU? It aims for the systematic analysis of key political and economic contextual factors influencing the EPA's future, focussing on the points of criticism of the EAC member states and shedding light on the EU's motivations.

An initial identification of the main factors to consider will be done based on the literature review (see section 4 – to be extended in the thesis). The data required for the subsequent analysis of these factors and their dynamics will be generated through primary and secondary methods of data collection. For primary data, a minimum of ten in-depth, semi-structured interviews with experts in the field of EPAs are planned. Experts are individuals that deal with EPAs in academic ways as well as practitioners concerned with the EPA negotiations on both the EU and the EAC side. Therefore, the input of the interviewees can provide both professional scientific knowledge and practical experiential knowledge on different aspects of the previously identified key factors. Potential interviewees will be searched for based on publicly available information on people involved directly in the negotiations as well as authors of written materials about the EPAs. The list will contain the names and contacts of at least 40 individuals to ensure the minimum number of ten in-depth interviews can be reached. The selection is thus based on the method of convenience sampling, in addition to which the researcher plans to apply the snowball method by asking interviewees about other potential interview partners that are knowledgeable in this particular topic.

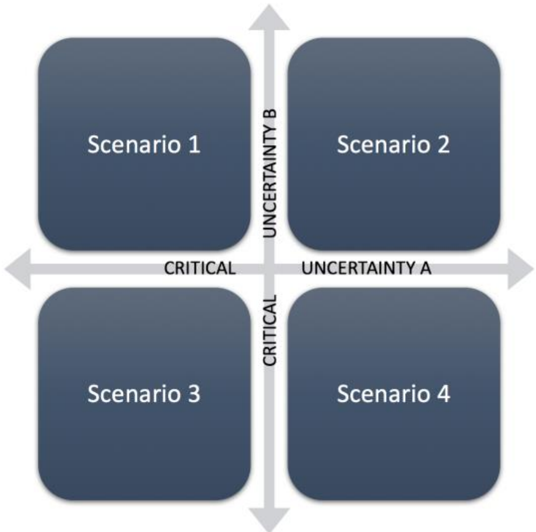
The expert interviews will be semi-structured, i.e. a question guide with open-ended questions and potential follow-up question regarding the current context of the EPAs and potential future developments will be prepared, leaving room for digression from the main questions in order to focus on the specific expertise of the interviewee. The interviews are planned to take at least 60 minutes to ensure sufficient time for discussing the issues surrounding the EPAs in appropriate depth. As the experts are likely to be located in a different country than the researcher, the plan is to conduct them via Skype or phone – unless there is a possibility for the researcher to meet the interviewee in person. Depending on the consensus of the interviewees, the interviews shall be recorded, allowing the researcher to provide transcripts and analyse the interview content in detail afterwards while being able to focus on the questions and direction of conversation during the interview itself.

For secondary data, the systematic desk research of available materials on EPAs, their contextual factors, and current developments will provide input for the key factor analysis. These materials include the original texts of existing EPAs, public reports on the status of the negotiations, academic literature on the EPAs, and written expert opinions, all of which will serve to identify and describe the relevant multi-level factors shaping the EPA developments. The analysis of the identified key factors will assess their relevance, strength of influence, and short-term trends while considering their interrelations and dynamics, in order to "open the funnel into the future" (Kosow & Gaßner, 2008).

In the **fourth phase** of the scenario process, the results of the key factor analysis are condensed from the cross-section of the funnel by bundling factors and working them into scenarios (Kosow & Gaßner, 2008). This phase is addressed by the second research sub-question: what are potential scenarios for the five-year future of this EPA negotiation? One way to systematically answer this question derives from the deductive scenario framework proposed by Kok et al. (2011), using a mix of systematic-formalised and creative-narrative scenario techniques.

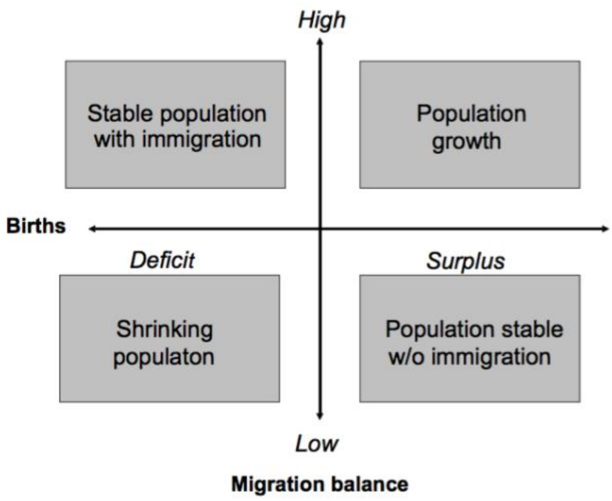
According to Kok et al. (2011) those factors that drive the system but for which the future situation is highly uncertain are the most important in determining which scenarios should be developed. Therefore, they suggest to identify the two critical uncertainties that emerge in the context of the issue at hand. These critical uncertainties or key drivers can serve to structure the scenario development process and their interpretation by mapping them on the axes of a two-dimensional matrix, as illustrated in figure 2 (general matrix) and figure 3 (example of a scenario matrix of demographic research) below. The resulting four fields represent four possible scenarios which can then be developed as hypothetical narratives weaving in the previously analysed key factors and different development paths.

Figure 2. The scenario matrix



Source: Author

Figure 3. Example of a scenario matrix of demographic research



Source: Kosow & Gaßner (2008, p. 62)

The **fifth and final phase** of the scenario process deals with the transfer of the developed scenarios for further application or recommendations for action (Kosow & Gaßner, 2008). The third research sub-question addresses this step: what opportunities and risks are bound up with the situations described in the scenarios? The answer aims to evaluate the potential effects of each scenario for the future of the EPAs, while considering the trade and development agendas of the EU and the EAC as criteria. Ultimately, the scenario inquiry can be concluded with a nuanced policy advice for these main players on courses of action that could stimulate certain paths of development.

Naturally, every research methodology has limitations and by focussing on particular aspects and using certain methods, other factors might be neglected or underrated. Narrowing the focus of the key factor analysis on the political and economic aspects of the EAC-EU EPA negotiation is a conscious albeit limiting choice of method that aims to only capture the main factors shaping the future of the negotiation. In addition, limiting the number of possible scenarios to four based on two critical uncertainties potentially excludes other relevant scenarios from emerging, however, this approach was selected to ensure a systematic procedure that will serve to concentrate on the key drivers in order to develop the emerging scenarios in depth.

4. Literature review

As a starting point for a more extensive literature review in the thesis, the following sections briefly discuss a selection of literature relevant for studying the future of the EU-EAC EPA, including the concept of trade liberalisation as a tool for economic development, the history of trade relations between the EU and Africa, and the development of and debate about EPAs.

Trade liberalisation debate

To place the thesis topic in the wider context, one has to touch upon the long-contested notion of globalisation and international trade liberalisation as a means to promote economic development. One-to-one correspondence effects between trade liberalisation and economic development are difficult to substantiate, thus one can argue along different lines. On the one hand, there is the Smithian view, e.g. advocated by Martin Wolf (2004), that global integration in terms of increasing the flows of capital and people and trade in goods and services benefits all participants. Consequently, economic integration ultimately contributes to reducing poverty and inequality globally.

Among others, Robert Wade (2004) and Dani Rodrik (1997, 2007) criticise this notion, by challenging the World Bank's poverty statistics as well as arguing that increased economic integration is possibly not benefitting the poor but damaging their living standards and livelihoods. Both of these claims call for empirical and country and context-specific investigation, as actually very little is known with certainty on reliable means to create economic growth, and – as real and historic examples show –trade liberalisation cannot be considered a panacea for stagnating economic development.

History of EU-Africa trade relations

In 1963, the groundwork for modern trading ties between the EU and Africa was laid when the European Economic Community (EEC) signed a first partnership agreement with 17 African countries, which granted tariff-free access to the European market for a number of goods as well as promising financial and technical assistance (Farrell, 2005). In 1975, this agreement was replaced by the Lomé Conventions due to the changing structure of the EEC and because the African countries complained about the neo-colonial character of the previous partnership. The Conventions were signed by 46 developing countries, including most of the countries in SSA, the Caribbean and Pacific, which became known as the ACP group (Faber, 2004).

Subsequently, the anticipated economic boost failed to materialise and the Conventions were found to be incompatible with the provisions of the WTO. Therefore, a new agreement was negotiated between the EU and 79 ACP countries and signed in Cotonou in 2000 (Faber, 2004). This framework, intended to last until 2020, continues to define EU-Africa trade relations with the explicit aim to "reduce and eventually eradicate poverty and contribute to the gradual integration of the ACP countries into the world economy" (European Council, 2016).

The Cotonou Agreement rests on the three pillars of trade cooperation, development cooperation, and a political dimension. The latter introduces the condition of ACP countries having to comply with certain principles of democracy and the rule of law in order to receive development assistance. Under this Agreement, 97% of all goods imports from ACP countries to the EU became tariff-free. The EU used to be SSA's largest trading partner (36% of SSA exports in 2000) until Asia overtook it in 2009 and the EU's share of SSA exports has fallen to 25% in 2013 (Schmieg, 2015). Hitherto, the countries of SSA have mostly exported raw materials, whereas finished goods only account for 8%. As a response, the EU has pushed for the conclusion of EPAs as a means to foster value creation in SSA and revive trade between the EU and SSA (European Council, 2016).

Economic Partnership Agreements

Since 2003, EPAs are negotiated between the EU and groupings of ACP countries; in SSA these are grouped into five Regional Economic Communities (RECs): the Economic Community of West African States, the South African Development Community, the East

African Community, the Community of Eastern and Southern Africa, and the Central African Economic Community (European Commission, 2016). The original plan was to start applying the EPAs in 2008, however – despite the repeated postponing of deadlines – only the EPA with the South African Development Community has been signed by all parties and is provisionally being applied since October 2016. With three of the other RECs, the final stages of negotiations have been reached, but various participating countries are refusing to sign or ratify the EPAs, resulting in a negotiation deadlock (European Commission, 2016b).

The EPAs aim to define the rules of advancing trade liberalisation between the EU and ACP groups in accordance with WTO rules. They describe a reciprocal but asymmetrical liberalisation process, meaning that the ACP partners will (continue to) be granted full tariff-free access to the EU's market while having to open their markets gradually. The ACP partners shall be able to keep tariffs on EU exports for goods that are sensitive to international competition, e.g. a number of agricultural products. Furthermore, the EU agreed to phase out subsidies for agricultural exports to ACP regions, which had provoked fierce criticism in the past (European Commission, 2016b; Moore, 2010; Schmieg, 2015).

The European Commission (EC) is one of the main advocates of EPAs, claiming that their primary aim is to advance the ACP economies and that development cooperation is at the heart of the agreements. As the EU Commissioner for Trade, Cecilia Malmström, put it: "Trade helps spur economic growth and development. By doing so it has already helped to lift millions of people out of poverty. And with EPAs we're preparing the ground to continue that process" (European Commission, 2016c). In particular, the EC argues that EPAs would create new business opportunities, investments and more competitive labour markets in ACP countries. Also, the EU's EPA partners would be encouraged to decrease their reliance on exports of raw commodities and instead develop industries for value-added goods and services. Furthermore, EPAs would serve to advance regional integration in SSA and promote shared values regarding labour standards, environmental protection, good governance, and human rights (European Commission, 2016c).

Opposition to EPAs comes from African governments and civil society, refuting the idea that the EU pursues normative goals of democratic governance, cooperation and partnership, but is instead driven by self-interest to expand economically (Crawford, 2005; Farrell, 2005). Some even claim that EPAs are a tool for 'development branding', i.e. using moral claims to legitimise regressive external policies that essentially undermine development prospects of

ACP economies (Langan, 2011). This goes in hand with the argument that the EU has given trade preferences to ACP countries for decades, which has failed to produce tangible results with regard to (economic) development (Schmieg, 2015). In addition, critics highlight the threat EPAs might pose to African regional integration, as RECs could fall apart because of diverging readiness to open their economies (Moore, 2010; Stevens, 2006). Lastly, the potential of EPAs for economic development will depend on the quality of the institutions involved, which causes great concern for many countries as their institutional frameworks lack basic qualities (Borrmann & Busse, 2007; Moore, 2010).

5. Work plan

The research process including thesis writing stretches from October 2017 until July 2018. As illustrated in chart 1 below, it is divided in four main, overlapping steps. First, the researcher will gather primary data from expert interviews and secondary data on the context of the EPA negotiations through desk research, leading to the first two milestones until the end of February 2018. Subsequently, the processes of data analysis and thesis writing, which go hand in hand, will begin. The goal is to provide two draft thesis reports including the data analysis in April and June 2018, thus feedback from the thesis supervisors can be offered and leaving enough time for final proofreading before the submission deadline on 31st July 2018. For a detailed breakdown of the research schedule, refer to the Gantt chart below which illustrates the activities, deliverables, deadlines, and planned working periods.

Table 1: Gantt chart for thesis work plan

			2017			2018						
Activities	**Deliverables**	**Periods & Deadlines**	October	November	December	January	February	March	April	May	June	July
Primary data gathering	**Interview transcripts**	**Oct 2017 - Feb 2018**					X					
Contact potential interviewees		30th Nov 2018										
Prepare & conduct interviews		31st Jan 2018										
Transcribe interviews		28th Feb 2018										
Secondary data gathering	**Overview of literature on context factors**	**Nov - Feb 2018**					X					
Desk research of economic & political context		31st Jan 2018										
Filter and synthesise data		28th Feb 2018										
Data analysis	**Synthesis of data in scenario analysis**	**March - May 2018**										
Key factor analysis		31st March 2018										
Develop scenarios		30th April 2018										
Analyse scenarios		31st May 2018										
Thesis writing	**Thesis paper comprising all chapters**	**March - July 2018**										
* Abstract		30th June 2018										
* Introduction		30th June 2018										
* Problem specification		31st March 2018										
* Research design		31st March 2018										
* Research results & analysis		31st May 2018										
* Conclusion		31st May 2018										
* References		30th June 2018										
* Appendices		30th June 2018										
Submit drafts for feedback		30th April & 30th June 2018							X		X	
Proofreading & formatting		31st July 2018										
Submission of thesis	**Complete & reviewed thesis**	**31st July 2018**										XXX
			X = Milestone									

Source: Author

References

Abiola, H. (2016). *Europa erzeugt die Flüchtlinge selbst.* Retrieved 09-08-2017 from: http://www.zeit.de/kultur/2016-07/westafrika-freihandelsabkommen-eu-fluechtlinge-hafsat-abiola

Akokpari, J. (2016). *The EU and Africa: The political economy of an asymmetric partnership*. In: The ACP Group and the EU Development Partnership by Montoute, A. & Virk, K. (eds.). Cham: Palgrave MacMillan.

Asche, H. (2016). Economic Partnership Agreements: In the balance. *Development and Cooperation, Vol. 12*(2016), pp. 41-43.

Borrmann, A. & Busse, M. (2007). The institutional challenge of the ACP/EU Economic Partnership Agreements. Development Policy Review Vol.25(4), pp. 403–416.

Bouët, A., Laborde, D. & Traore, F. (2017). The European Union–West Africa Economic Partnership Agreement: Small impact and new questions. Washington, DC: International Food Policy Research Institute.

Brandi, C., Hulse, M., Keijzer, N. (2017). *What Next for the Economic Partnership Agreements? Thougths on deepening the EU-Africa Trade Partnership*. Bonn: German Development Institute

Crawford, G. (2005). The European Union and Democracy Promotion in Africa: The case of Ghana. *The European Journal of Development Research, Vol.17*(4), pp. 571-600.

European Commission (2013). *Using trade to promote development in countries in Sub-Saharan Africa, the Caribbean & the Pacific.* Luxembourg: Publications Office of the European Union.

European Commission (2016a). *Overview of Economic Partnership Agreements.* Luxembourg: Publications Office of the European Union.

European Commission (2016b). *EU-Africa relations.* Retrieved 05-07-2017from: http://www.consilium.europa.eu/en/policies/eu-africa/

European Commission (2016c). *Ten benefits of Economic Partnership Agreements (EPAs).* Luxembourg: Publications Office of the European Union.

European Commission (2017a). *Economic Partnerships: EU trade policy and ACP countries.* Retrieved 09-08-2017 from: http://ec.europa.eu/trade/policy/countries-and-regions/development/economic-partnerships/

European Commission (2017b). *Countries and Regions: East African Community (EAC).* Retrieved 24-08-2017 from: http://ec.europa.eu/trade/policy/countries-and-regions/regions/eac/

European Council (2016). *EU-Africa relations: The Cotonou Agreement.* Retrieved 05-07-2017from: http://www.consilium.europa.eu/en/policies/eu-africa/

Faber, G. (2004). *The Lomé Conventions and the causes of economic growth.* Retrieved 09-07-2017 from: http://www.agro-montpellier.fr/sustra/research_themes/ue_governance/papers/Faber.pdf

Faber, G. (2004). *The Lomé Conventions and the causes of economic growth.* Retrieved 05-07-2017 from: http://www.agro-montpellier.fr/sustra/research_themes/ue_governance/papers/Faber.pdf

Farrell, M. (2005). A triumph of realism over idealism? Cooperation between the European Union and Africa. *Journal of European Integration, Vol.27*(3), pp. 263-283.

Farrell, M. (2005). A triumph of realism over idealism? Cooperation between the European Union and Africa. *Journal of European Integration, Vol.27*(3), pp. 263-283.

Giesbert, L.; Pfeiffer, B. & Schotte, S. (2016). *Umstrittene Freihandelsabkommen mit der EU: Afrika unter (Handels-)Druck*. Hamburg: German Institute of Global and Area Studies

Greeuw, S. et al. (2000). *Cloudy Crystal Balls: An assessment of recent European and global scenario studies and models*. Copenhagen: European Environment Agency (Environmental Issues series 17).

Han, D.H. (2011). Scenario Construction and Its Implications for International Relations Research. *The Korean Journal of International Studies, Vol.9*(1), pp. 39–65.

International Monetary Fund (2015). *Regional economic outlook: Sub-Saharan Africa*. Washington D.C.: International Monetary Fund.

Kok, K., Gramberger, M., Simon, K.H., Jäger, J. & Omann, I. (2011). *The CLIMSAVE Project: Report on the new methodology for scenario analysis, including guidelines for its implementation, and based on an analysis of past scenario exercises*. Retrieved 06-08-2017 from: http://www.climsave.eu/climsave/doc/Report_on_the_Scenario_Methodology.pdf

Kosow, H. & Gaßner, R. (2008). *Methods of Future and Scenario Analysis: Overview, assessment, and selection criteria.* Bonn: German Development Institute.

Mietzner, D. & Reger, G. (2004). *Scenario-Approaches: History, Differences, Advantages and Disadvantages*. In: Proceedings of the EU-US Scientific Seminar: New Technology Foresight, Forecasting & Assessment Methods in Seville, Spain, 3–14 May 2004.

Minx, E. & Böhlke, E. (2006). Denken in alternativen Zukünften. *Internationale Politik 61*(12), pp. 14–22.

Mkapa, B.W. (2016). *Why the EPA is not beneficial to Tanzania.* Retrieved 28 August 2017 from: https://www.southcentre.int/question/why-the-epa-is-not-beneficial-to-tanzania/

Pfaff, I. (2016). *Freihandel mit Afrika klingt fair, ist aber ungerecht.* Retrieved 09-08-2017 from: http://www.sueddeutsche.de/politik/fluchtursachen-fairness-statt-hilfe-1.3205686

Ramirez, R., Mukherjee, M., Vezzoli, S., Kramer, A.M. (2015). Scenarios as a scholarly methodology to produce ‘interesting research’. *Futures, Vol. 71*(8), pp. 70-87.

Schmieg, E. (2015). *Trade policy options for Sub-Saharan Africa: TTIP, EPAs, WTO and African integration.* Berlin: German Institute for International and Security Affairs.

South Centre (2012). *The EPAs and risks for Africa: Local production and regional trade*. Retrieved 05-07-2017 from: https://www.southcentre.int/analytical-note-june-2012/

United Nations (2015). *The Millennium Development Goals Report 2015*. New York: United Nations.

United Nations (2016). *The least developed countries report 2016.* New York and Geneva: United Nations.

United Nations (n.d.). *Sustainable Development Goal 17.* Retrieved 07-08-2017 from: https://sustainabledevelopment.un.org/sdg17

van der Heijden, K. (2005). *Scenarios: The art of strategic conversation.* West Sussex: Wiley & Sons Ltd.

van Notten, P. (2005). *Writing on the Wall: Scenario development in times of discontinuity.* Maastricht: Maastricht University (dissertation).

van Notten, P., Rotmans, J., Van Asselt, M., Rothman, D. (2003). An updated scenario typology. *Futures Vol.35*(2003), pp. 423-443.

Verlaan, B. (2015). *Fifth Time line: Outlook 2020-2070.* Retrieved 07-08-2017 from http://www.bjernv.dds.nl/2010-2050.PDF

Wolf, M. (2004). *Why globalizsation works.* New Haven, Ct: Yale University Press.