

Questions and answers on Economic Partnership Agreements: Europe's new trade deals with the poor



Photo: TJM

Thanks to our campaigning with partners worldwide, Europe's new trade deals with poor countries (known as Economic Partnership Agreements) have sprung from obscure negotiations to front page news. They've sparked international rows and been criticised as posing great risks for poor people by the United Nations, the World Bank and high profile commentators. Several developing countries are already calling for a review.

We've succeeded in delaying some of the worst elements of the deals but we still have more to do. Find out what EPAs are, why they matter and why it's not too late to stop them.



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Q What are Economic Partnership Agreements?

Economic Partnership Agreements (often shortened to EPAs) are trade deals being negotiated between the European Union (EU) and 76 poor countries - mostly former colonies in Africa, the Caribbean and Pacific (known as the ACP).

The deals are extremely important as they will lay the rules of trade between Europe and these countries for decades to come and affect the lives of millions of people. They are also highly controversial.

The negotiations were due to be completed by the end of 2007 but the deals are far from signed, sealed and delivered.

The EU heralded EPAs as a new kind of trade deal which put development at the centre. But the reality has proved to be very different. Instead, the EU has consistently pushed offensive interests and put forward proposals which look set to undermine poor countries' development. Meanwhile the whole process has been flawed by the EU's manipulation, bullying and underhand tactics.

Q Why are EPAs being negotiated?

For the last 30 years the EU and ACP have had a series of five-year agreements that set the framework for their political and economic relationship.

Under these agreements the EU have been giving ACP countries preferential access to their markets on the goods they export. But this

preferential treatment has been declared incompatible with the rules of the World Trade Organisation (WTO).

The EU and the ACP were granted a 'waiver' in 2001 which expired at the end of 2007. EPAs are the new trade deals to replace the old arrangements.

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Q How many countries signed EPAs in December 2007?

At the time of writing, 36 countries have 'initialled' an EPA. Trade negotiators initial the deals when they reach agreement and they are later formally signed by trade ministers. No countries have officially signed an EPA yet.

The ACP was divided in to six regions to negotiate the deals however only one of these regions - the Caribbean - has initialled a deal as a full regional bloc. In the African regions and in the Pacific, only some

countries have initialled deals, while their regional neighbours have not.

40 countries have not initialled any deal. Of these, 28 are Least Developed Countries (LDCs) and 12 are non-LDCs. LDCs can continue to sell most of their goods freely in Europe under an already existing alternative arrangement called the 'Everything But Arms' initiative. This means they have very little to gain from signing an EPA anyway.

Q What have poor countries signed up to? Are all the agreements the same?

EPAs are 'free trade' agreements. That means both sides agree to reduce the taxes (known as tariffs) on goods coming in. This might all sound good in theory but free trade is only fair when all sides are equal and the EU and ACP are far from equal partners.

The countries that have initialled an EPA are committed to slightly different things. However, because the EU has been pushing a blanket free trade agenda, the deals are not as different as you might expect for regions as diverse as, for example, the Caribbean and Central Africa.

Common features include:

- poor countries rapidly slashing 80-90% of the total tariffs they currently place on goods coming in to their countries from the EU;
- no concrete commitments from the EU for more aid to help countries that are hit by EPAs;
- locking in poor countries to continue negotiations which would include opening up services' markets like banking and telecommunications, plus new rules to make it easier for EU companies to set up in ACP countries.

Q What will the impact of the deals be on those countries who have signed?

The impact could be devastating. EPAs will force poor countries to 'liberalise' their economies too fast and too much. Experience from similar deals in the past shows that EPAs will result in:

- **Job losses:** poor countries' fledgling industries will be unable to compete with powerful European businesses, resulting in huge job losses.

- **Loss of sovereignty:** legal commitments to look after the rights of overseas investors will be placed ahead of local laws to protect workers and the environment. These could also override poor countries' own plans for development.

- **Less government income:** a huge reduction in government revenue because of reduced taxes on imports into poor countries. This will mean there's less money for investing in health, education and infrastructure like electricity cables or new roads

For example:

- Mozambique will lose \$7.6 million per year in government revenue, money that is desperately needed in a post-conflict country already heavily dependent on external aid.
- Burundi stands to lose \$7.6 million in income - essential funds that could be spent on education and health.



Photo: Andy Aitchison

Nearly 1000 people from around the UK lobbied all 27 European embassies on 19th April 2007.

Traidcraft staff and campaigners from the ACP launch the Stop EPA campaign in October 2004.



Photo: Stefan Verwer

Protesters march to the EC commission in Nairobi, Kenya, during the World Social Forum, January 2007.



Photo: Dave Tucker

Q What is trade liberalisation and isn't it a good thing?

'Trade liberalisation' is the term for the process whereby a country opens up its markets to international trade i.e. reduces the taxes (known as tariffs) and other limits (such as quotas) on goods coming in. It also often comes alongside increased rights for investors and pressure to privatise its economy.

Trade liberalisation can be a good thing in the right circumstances - if it's phased in correctly at the right time in a country's development.

However for nearly thirty years EU countries have used institutions like the World Bank and International Monetary Fund, conditions attached to aid and trade deals like those negotiated at the WTO to force poor countries to 'liberalise' their economies. Economic Partnership Agreements are part of the same trend.

Rich countries are denying developing countries the chance to protect their fragile economies and industries (which is one of the ways in which the UK and almost every now-rich country developed) and throwing them in to open competition with developed countries before they are ready.

There is now ample evidence which shows that this liberalisation agenda actually increases poverty, especially when imposed from outside and not driven by country needs and timetables.

Instead, poor countries need the freedom and right to protect and support their industries and farmers until they are strong enough to compete internationally. They need trade justice.

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Q Can the agreements be reviewed or re-negotiated?

It is not too late to right the wrongs of the deals that some countries have initialled. Legally, there are clear opportunities to renegotiate the deals and the ACP has already requested this, but we need political commitment from the European states to make this happen.

International campaigning has already helped to prevent some of the worst aspects of the EU's proposals being included in the deals for now. In addition, the massive interest generated in the media, parliaments and among the public has shone a much needed spotlight on the process, preventing these deals being ushered through quickly and quietly.

Since 36 countries initialled EPAs at the end of 2007, many countries have voiced serious concerns and have called for the deals to be reviewed. The ACP Ministers issued a statement in December 2007 that 'deplore[d] the enormous pressure that has been brought to bear on the ACP states by the European Commission.'¹

Several governments, such as Namibia, Nigeria, Senegal and South Africa² went on record to say that they oppose the deals, or that they signed EPAs under duress. And the President of the European Commission has indicated that the deals could be reviewed.

¹ ACP ministerial declaration, Brussels, 13 December 2007

² <http://allafrica.com/stories/200712210324.html> [25/1/08]

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Q Why have poor countries signed if the deals on the table were so bad? Why didn't they refuse to sign?

Ultimately poor countries were left with no choice. The whole process for negotiating EPAs could not be further from the spirit of 'partnership'. Poor countries voiced their concerns many times throughout the negotiations but the EU failed to respond. Instead the EU exerted huge pressure, even reportedly threatening to make poor countries' aid conditional upon signing.

Many poor countries also faced the additional threat of huge increases in EU taxes on their exports if they refused to sign. Under the previous trade arrangements, poor countries could export freely to the EU, supposedly without barriers such as quotas or taxes on most of their products. This allowed them to build up some successful export industries like fresh vegetables from Kenya or cocoa from Ghana.

Countries were faced with losing this market access if they didn't sign an EPA – and being hit with tax increases that would make their goods uncompetitive. It was mainly this threat and the resulting collapse of key export industries that persuaded many countries to sign an EPA against their will.

However poor countries did manage to negotiate an "interim" agreement that excluded part of the agenda set out by the EU.

Q What happens to the countries who haven't signed?

Countries such as Nigeria that have not initialled an EPA are now facing a tax hike on key products. This has already begun to bite³, so they now face even greater pressure to sign a deal.

The exceptions are the Least Developed Countries, who can keep exporting freely to Europe under a different trade agreement called 'Everything but Arms'.

In addition, countries that are party to different agreements or who haven't signed any agreement will find it more difficult to trade with their neighbours. More trade will be diverted towards Europe, making signatories even more dependent on producing what Europe wants rather than building up regional production for regional markets. All of this will undermine chances for poor countries to develop in the way that they want, according to their own needs.

³ <http://www.modernghana.com/> [25/1/08]; also <http://allafrica.com/> [25/1/08]

Campaigners across the world have united against EPAs.



Photo: Dave Tucker

Q Why has the EU pushed ahead with unfair deals?

The EU's official public position on EPAs is that they were necessary to comply with WTO rules and that the deals would be good for development.

However neither of these claims hold water:

- There were other legally viable alternatives to EPAs which the ACP requested and the EU could have pursued;
- The proposals the EU put forward have been cited as anti-development by an impressive and wide-ranging group including the United Nations, the World Bank, academics from the EU and ACP and non-governmental organisations in Europe and worldwide.

In Traidcraft's view, the real reasons for pushing ahead with the deals lie behind the scenes. EPAs are part of the EU's overall strategy of seeking new market opportunities for European companies and staying competitive in the world economy.

The EU has taken the opportunity offered by these new trade agreements to push the interests of European firms, which have aggressively lobbied for greater access to new markets in developing countries.

Securing more rights for EU companies in ACP markets is partly driven by a perceived need to compete with the US and China for market share.

And it sets a useful precedent for leveraging the kind of access the EU is seeking in more lucrative markets such as India and Latin America (with whom the EU is also now negotiating free trade deals).

Q What should the UK Government be doing about this?

In December the UK government claimed that the current agreements were a success but our analysis reveals a huge gap between the EPAs that have been initialled and the kinds of deals the Government said it would support.

The UK government has stated repeatedly that poor countries should not be forced into trade agreements which would undermine their development. In 2005 it issued a position statement on EPAs saying it believed poor countries should not be forced to liberalise their economies. But the ACP countries that have initialled EPAs are being forced to do just that.

The 2005 statement was a progressive step but so far senior ministers across the government have yet to show sufficient leadership and to translate their promises into reality.

Instead, they have been claiming that their efforts have persuaded the EU to move much closer to their position and that there is only so much they can do against the other European countries.

However, all is not lost! The UK government has demonstrated its development credentials in the past. It must now do so again by:

- supporting developing country's calls for the deals to be re-negotiated
- calling on the European Commission not to force developing countries to continue negotiating.

Failure to do this, risks undermining previous gains made on aid and debt. But, with political leadership, the government could turn this around and make an enormous difference to 76 of the poorest countries in the world.

Q Is there any more we can do to Stop EPAs?

Yes! Half the ACP countries haven't signed yet, and those that have may be able to revise the agreements and make them better for development.

We also need to stop the 'full EPAs' being pushed through.

Q What has the EPA campaign achieved?

A huge amount! When the negotiations started we knew it would be an uphill battle. But the deals could have been much worse and we have shone a spotlight on some of the most important but secretive decisions being made in the world today. Thank you for your part in it.

There were other benefits too:

- We now have stronger links with European and worldwide trade campaigners than ever before, essential in the struggle for fairer trade rules.
- Thanks to our campaigning the EPA negotiation process goes on, and so do our actions.
- African campaigners told us that the media attention created by campaigning in Europe was a massive help in getting their own governments, MPs and citizens mobilised.

Q Is Traidcraft continuing to work on EPAs?

Yes. We will continue to work on EPAs as long as we can improve the outcome for people living in poverty. There will be more actions to take whenever public pressure can make

a difference. And we will continue to work behind the scenes, monitoring the negotiations and lobbying privately with the UK government and other key players.

Unfair trade deals: the fight for trade justice goes on

Trade justice remains crucial to the fight against poverty. And it remains within our reach. Poor countries need the freedom and right to protect their fragile economies and industries. Rich countries have the power to make that happen. All it takes is the political will.



And that's where you come in.

If you can spare a few moments to send a postcard to a politician or email a powerful company you've got what it takes to become a Traidcraft campaigner. Please join us in the struggle for trade justice and help us to transform the lives of millions of the world's poorest people.

**Telephone: 0191 497 3981 or
visit www.traidcraft.org.uk/campaign**