

The Low Down on EPAs

Jan-March 2006

Welcome to the latest update from Traidcraft on all things new in the world of Economic Partnership Agreements. In this issue:

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2005 in a nutshell

Governments wake up to the dangers of EPAs...

Since the Stop EPA campaign was launched in September 2004, campaigners across the ACP and Europe have worked tirelessly to educate small-scale producers and businesses, journalists, parliamentarians, governments and media about what EPAs would mean for ACP countries' poor populations and economies. This has led to a greatly increased scrutiny of the negotiations from key stakeholders, bringing to light concerns of a fundamental nature.

ACP governments and parliamentarians have become increasingly frustrated that their apprehensions regarding reciprocity; the development dimension of EPAs; regional integration; and Singapore issues, are not being addressed. And they have pointed to the mis-match between the European Commission's development rhetoric and the mercantilist tendencies of its negotiators. In Europe, serious doubts that the European Commission's version of EPAs can deliver on development have also strongly emerged.

- March 2005: UK government issues a position paper opposing forced liberalisation through EPAs and opposing the inclusion of investment, competition and government procurement unless specifically requested by ACP countries.
- March 2005: the Africa Commission report cautions that free trade agreements such as EPAs should not *'railroad developing-country governments into undertaking commitments that go beyond existing multilateral agreements'*; points to the pressure to negotiate new issues as *'a serious concern for Africa in the on-going EPA negotiations'*; and describes as *'a genuine concern' the 'fears(s) that EPAs will force Africa to open to EU exports'*.
- June 2005: at a Traidcraft hosted meeting in London, Kenyan Trade Minister Dr Mukhisa Kituyi says that *'When EPAs make our concessions to Europe more than we are making to the rest of the world in the WTO Doha Round, then to make poverty history, you have to also make EPAs history'*.
- June 2005: ACP Ministers issue a joint statement expressing *'grave concern that the (EPA) negotiations have not proceeded in a satisfactory manner, having failed to start addressing most of the issues of interest and concern to ACP regions'* and expressing *'regret (at) the disconnect between the public statements of the Commissioners of Trade and Development on the development aspects of EPAs and the actual position adopted during EPA negotiating sessions'*.
- June 2005: the African Union collectively reaffirms the position of African countries that *"except for trade facilitation, the other three Singapore issues of investment, competition policy and transparency in government procurement should remain*

outside the ambit of the WTO Doha Work Programme and EPA negotiations”.

- October 2005: ACP Secretary General John Kaputin remarks that *‘it has become quite clear from our frank discussions that the two years of regional negotiations have generated very little tangible outputs particularly as related to the two areas of critical interest to the ACP regions and countries (...) namely the development dimension of EPAs and the support for regional integration processes.’*
- Autumn 2005: Poland issues its position on EPAs, saying it *“believes that the ACP countries should not be burdened with additional requirements related to the investment, competition or government procurement.”*
- November 2005: ACP-EU Joint Parliamentary Assembly adopts a resolution in which they state that: *“(...) the European Union must not take advantage of the WTO negotiations and the EPAs to impose the reciprocity of trade with ACP countries”.*
- December 2005: European Economic and Social Committee cautions that the social development aspects of Cotonou are insufficiently integrated into the EC’s negotiating mandate and that *“the positive aspects of the EPA (regional development, creation of national and regional internal markets etc) may be offset by the considerable differences in levels of development between the EU and the ACP countries (and) the very unequal distribution of the markets between the partners in technical and financial terms”.*

Negotiations: the state of play

Despite such fundamental concerns from governments and civil society in ACP countries and in Europe, the European Commission continues to push its own agenda and negotiations are proceeding at a serious pace.

Phase 3 of negotiations – in which the nitty gritty of market access and other non-trade related issues will be worked out – have now been launched in 3 regions (ESA, Caribbean and CEMAC).

But ACP civil society groups who are closely tracking the negotiations in their regions are concerned that their countries lack the analysis and understanding of the potential impacts and the technical capacity to engage in formulating their regional negotiating positions.

ESA

In late 2005 the COMESA secretariat drafted a framework ESA EPA, which it submitted to member states for comment. But, member countries have complained that they lack the technical capacity to engage with the draft document, which has since been withdrawn for being premature.

In the region’s 6th Regional Negotiating Forum in Harare in February 2006, many ESA states continued to report that there was only minimum progress on EPA preparations in their capitals, with many countries still struggling to assess the conclusions of their impact assessment studies

Despite this evident lack of readiness the following week – on 9th February - Phase 3 of the negotiations was launched.

West Africa

The EC has presented draft outlines of an EPA framework to the ECOWAS region (having also done so for Central Africa and the Caribbean). The EC describes these frameworks as informal, but sources from West Africa say the EC is exerting intense pressure for the proposals to be accepted.

The EC's informal proposal for ECOWAS includes proposals for negotiations on the Singapore Issues already rejected time and again by African countries. Since the African Union's affirmation in June 2005 that Singapore Issues should remain outside of the negotiations, West African ministers have collectively reaffirmed this position in Dakar (July 2005) and yet again in Cotonou (October 2005).

Yet, there are now reports that there will be a ministerial meeting in Abuja in April at which the EC seeks to persuade West Africa to negotiate Singapore Issues and to launch Phase 3 of the negotiations on this basis.

Where are the EU Member States?

Only the UK and Poland have issued statements on EPAs. Other EU member states have remained silent.

There is an urgent need for other EU Member States to follow the UK and Poland by setting out their concerns about the development impacts of EPAs.

2006: Making the Review count

The review of EPA negotiations is scheduled to take place in the latter half of 2006. In theory this is the chance to take stock and reevaluate whether EPAs are on course to achieve the development objectives stated in Cotonou. However, the European Commission's DG-Trade will be leading the process and wants to keep the review 'light' (limited to evaluating whether negotiations are on course to be completed for the end of 2007 deadline).

But it's still a huge opportunity for campaigners to highlight the gap between the development rhetoric and the reality of the EU's position. And it's also our last chance to make EPAs pro-development.

Traidcraft and other UK, European and ACP NGOs will be lobbying to ensure that a genuine review takes place. We will also be using this vital year to campaign and to raise the profile of African voices opposed to EPAs.

European Parliament plays scrutineer

The European Parliament's Development Committee has been conducting an inquiry into the development impacts of EPAs. The committee's report of 1st March 06 has expressed concerns about both the EPA process as well as the potential impacts of the EC's proposals.

The report cautions that "the EPA/FTA negotiations have been launched and are moving into substantive phases in the absence of real democratic debate in most ACP countries".

The Committee's report goes on to note "the lack of a concrete development-friendly result so far in the negotiations, as demonstrated by the increasing concern and dissatisfaction of ACP countries with regard to the failure to deliver the development support measures required for achieving concrete benefits from an EPA".

It calls attention to the "substantially different levels of economic development of the EU and the ACP" and is therefore "very concerned that too rapid a reciprocal trade liberalisation between the EU and the ACP could have a negative impact on vulnerable ACP economies and States, precisely at a time when the international community should be doing its utmost to support States in their drive to meet the MDGs".

The European Parliament's International Trade Committee (INTA), will now also be conducting its own inquiry on EPAs. The rapporteur for this inquiry will be led by Robert Sturdy MEP, member of the British Conservative Party and part of the EPP grouping. Civil society organisations close to the negotiations will be working to ensure that the INTA inquiry

also pays heed to the increasing body of evidence that EPAs are not on track to deliver the promised development outcomes.

Where's the money for development?

ACP countries are becoming ever more concerned about the lack of any binding commitments on development assistance tied to the EPA negotiations. The issue is continually raised in regional negotiating forums and is turning into a major bone of contention. The issue was extensively discussed in talks between the EU and 15 African countries on 13th-14th February under the chairmanship of EU Trade Commissioner Peter Mandelson.

Ahead of that meeting Narainduth Boodhoo, deputy director of Mauritius' trade policy unit commented, *"Progress has been modest and we have basically had a two year lapse and not much has happened mainly due to divergence over the issue of development which has impeded negotiations"*. The Mauritian trade minister Madan Dulloo commented that *"On the EU side, it is being affirmed that market liberalisation will automatically lead to development. But can development automatically ensure in the absence of the capacity to produce?"* Mauritius estimates it alone would require 500-million euros to meet adjustment costs in EPAs.

Concerns are not only expressed from African ACP countries. When the Caribbean region launched phase 3 of their EPA negotiations in September 2005 it was accompanied by a statement from the CARIFORUM Ministerial Spokesperson on EPAs, Billie Miller, who said that while *"The EU Commissioners responsible for Trade and Development Cooperation, Peter Mandelson and Louis Michel respectively, have been promoting the EPA as a tool for addressing supply-side constraints and institutional shortcomings in the Region. The results so far have been less than convincing. Resources that could be directed at addressing these constraints have not been delivered by the European Commission, and in this regard it is expected that CARIFORUM Trade Ministers will express their scepticism and deep disappointment forcefully to commissioner Mandelson. The Region's position is that neither trade nor market access by themselves are sufficient to promote development."*

She went on to highlight *'mounting concerns over the scope and pace of the adjustment process, which would result from the conclusion of an EPA with the EU. In particular, there is increasing apprehension as Governments contemplate the burden of financing economic restrictions and export diversification, while adjusting to the fiscal fallout from reduced tariffs'*.

What are the alternatives?

In February a new study launched by the European Centre for Development Policy Management (ECDPM) presents the ACP countries with alternatives to the standard EPA now being negotiated with the European Commission. In Cotonou the EU committed to "examine all alternative possibilities, in order to provide these countries with a new framework for trade which is equivalent to their existing situation and in conformity with WTO rules." So far no clear alternatives to EPAs have been presented to ACP countries, despite the concerns of many of them about the implications of the current proposals.

The study -- commissioned by Oxfam International and Both Ends - shows that ACPs have a wide range of potential alternative scenarios to EPAs. *"ACP countries and regions should not feel obliged to sign onto an unsatisfactory deal. The study provides more than a dozen scenarios, which might help ACPs in their decision on the preferable trade arrangement according to their realities and long term economic plans"*, said one of the authors of the report, Dr Sanoussi Bilal of ECDPM.

Reciprocal free trade agreements are only one option to ensure a WTO-compatible market access agreement between EU and ACP countries. Other forms of preferential treatment are also possible, and some flexibility could be found in the WTO rules. The most realistic

alternative to EPAs remains the preferential trade regime granted by Europe to all developing countries, known as the generalised system of preference. An enhanced version of this regime would basically maintain the privileged access to the European market for all products from the ACPs, without requiring any reciprocal opening of ACP markets.

"EPAs should be first and foremost an instrument to foster the development of ACP countries. Their scope and content should be determined by this objective. Should they fail to deliver on their development promises, the ACP should consider alternative options. This study provides both ways forward and possible benchmarks against which an EPA could be assessed".

concluded Francesco Rampa, the other author of the study.

The report is available at www.ecdpm.org/pmr11

The need for Alternatives to be made available is also stressed in the European Parliament Development Committee's 1 March report on the Development Impacts of EPAs. The report calls on the Commission to "examine all alternative possibilities including non-reciprocal arrangements" and furthermore "to consider that EU and ACP countries together are a constituency large enough to demand for eventual reforms of WTO rules, to make them more just and suited to the needs of both developing countries and small European producers".