

Trade Negotiations Insights

From Doha to Cotonou

Vol.4 No.4
July-August 2005

Contents

- 1 Benchmarks for a Pro-Development Monitoring of EPA Negotiations
- 4 The GSP: A Solution to the Problem of Cotonou and EPAs?
- 6 EPA Negotiations Update
- 8 Calendar & Resources

In This Issue

The first article proposes a system of benchmarks for the monitoring of EPAs to ensure they deliver on the development promise. The second article examines the new EU Generalized System of Preferences (GSP) announced in June 2005. It argues that the GSP is characterized by uncertainty as it can be reversed at any time, applies only until 2008, and excludes some developing countries. Looking at those challenges and the likelihood of future challenge in the WTO, the article concludes that there is merit in the EU making Cotonou really 'WTO compatible' by eventually extending the GSP+ to all developing countries.

The EPA Update highlights meetings held in the ACP regions as well as progress on ACP and EU deliberation on the development dimension of EPAs.

Benchmarks for a Pro-Development Monitoring of EPA Negotiations

ICTSD and APRODEV

Even though the Economic Partnership Agreements (EPAs) framework appears to have been conceived with sustainable development goals in mind, progress in the negotiations has yet to reflect this ambition. However, recent concern over development issues, as expressed by political actors and civil society organisations in the ACP and Europe, has created a new opportunity to put the EPA process back on a development track. No practical moves or political decisions towards establishing a monitoring mechanism for the EPAs had taken place until very recently when European Trade Commissioner Mandelson announced the decision to set up a mechanism that would monitor the whole EPA process.¹

Based on these premises, this article, which draws from a larger study, proposes a system of development benchmarks that could be instrumental in the development-focused monitoring of the EPA negotiations.² The aim is to stimulate actors participating in the negotiations, as well as members of parliaments and development-concerned communities in the ACP and the EU, to use development points of reference for assessing the substantive progress of the EPA negotiations towards the development goals they should serve.

The EPAs and Sustainable Development: Substantive Priorities and Basis for a Continued Review Process

Since the EU's initial proposal in 1996 to negotiate EPAs with ACP regional groupings, all parties have stressed the necessity for EPAs not to be standard reciprocal free trade agreements (FTAs), but instead to constitute 'tools for development'.³ The development aims and priorities as well as the continuing

review of the EPA process, agreed for the EPAs, have been reaffirmed in various ACP and EU official texts and declarations. Two such priorities have been repeatedly identified as sustainable development, and competitiveness and equity goals. These substantive priorities are necessary for a targeted definition of the benchmarks developed later in this article.

Competitiveness and equity: relevant results to be ensured

Competitiveness and equity priorities politically agreed for the EPAs by the EU and the ACP constitute the main focus of the benchmarks outlined here, and should become a basis for any eventual effort on monitoring the progress of the negotiations in the following respect:

·EPAs are to facilitate the structural transformation of ACP economies; therefore they should encompass co-ordinated programmes to address the major supply-side constraints, which inhibit competitive production of



internationally tradable goods and services in ACP countries.

• Trade liberalisation should aim at strengthening the capacities of domestic manufacturing and service sectors, so as to avoid closing-off areas of potential growth, and at development-oriented structural change in the ACP.

• Equity issues in development must be simultaneously addressed in many public policy areas.

A Three Dimensional Perspective for Monitoring EPAs

Benchmarks for monitoring the progress of the EPAs could be developed within the following three broad categories of issues: *market access and fair trade*, *policy spaces*, and *access to resources for development support*. These categories correspond to the dimensions in which trade-supportive policies may be implemented by ACP countries as they address the main development challenges of competing in the global economy.

Benchmarks must be derived from agreed EPA guidelines and should represent the priorities defined under the above three categories. They should be considered 'moving targets' that outcomes of the negotiations should move towards.

Priorities and Ideas on Benchmarks Related to Market Access and Fair Trade

In the *market access and fair trade* dimension (as illustrated below), ACP countries would expect from the EPAs: effective conditions of asymmetry in the liberalisation process *vis-à-vis* the EU; improved entry to EU markets through traditional mechanisms (involving preferential tariff treatment and the resolution of problems associated with preference erosion); improved conditions for the insertion of their commodities exports in the global value chains; and finding solutions to deal with the negative impacts that European trade policies, such as food standards, may have on limiting ACP exports or the impacts of the EU's Common Agricultural Policy (CAP) in generating agricultural trade imbalances.

1. Selected ideas on Benchmarks: Market Access and Fair Trade

Issues affecting trade in general

Asymmetrical liberalisation vis-à-vis the EU and allowing ACP regions to open

their markets first of all among themselves. The phasing-out of ACP tariffs should be linked to the attainment of pre-defined development indicators and not to pre-determined timetables.

Rules of origin should recognise the increasingly global nature of input procurement (non-originating raw materials) while still allowing substantive value addition to take place in ACP countries.

Issues affecting Agriculture and Commodities

• *On impacts originating from the CAP reform and SPS issues*, positive progress on the negotiations could be linked to the opening of a dialogue which explores the options for: i) addressing the trade consequences of new forms of CAP distortions linked to its new instruments and export refunds; ii) establishing new arrangements in order to maintain the value of the *acquis*, potentially undermined by the CAP reform; and iii) meeting genuine EU health concerns without placing undue burdens on ACP exporters.

• *On commodities*, positive progress regarding the issue of declining prices of commodities imply making operational the EU Commodities Action Plan launched in February 2004, including ensuring sufficient deployment of resources.

Issues affecting Trade in Services

• *On movement of natural persons (Mode IV)*, positive progress could be linked to: i) more liberal conditions in general (e.g. an ACP business travel card; facilitation of the recognition of professional credentials); ii) a relevant reduction of restrictions (e.g. economic-needs test; diploma requirements; linking movements of short-term workers to commercial presence of ACP firms; and certification of profession and employment contracts with authorised enterprises in the case of recreational and cultural services).

• *On expanding opportunities for service exports in other modes of supply*, favouring the expansion of opportunities would imply: i) removing restrictions in health services in mode III (economic-needs test) or including it as committed sectors (as many EU health sectors are unbound or uncommitted); and ii) providing additional funds with rapid and flexible disbursement procedures to support ACP service sector development.

Benchmarks on policy spaces: issues on policies related to competitiveness and supply side constraints

Policy Space issues encompass flexibilities in trade rules and trade-related disciplines that ACP countries might need in order to implement competitiveness policies for sustainable development. Some of these policies concern overcoming supply-side constraints and attaining competitiveness and productive sector development goals. Others are focused on social objectives and equity goals (e.g. poverty alleviation and reduction of gender gaps) and a third group corresponds to trade policies aimed at selective import liberalisation and strategic trade integration (e.g. enhancing regional integration initiatives among developing countries).

It has been repeatedly confirmed that competitiveness and equity goals constitute the most important ambitions of the EPA process. Any monitoring process in this regard should be supported by benchmarks to help guarantee that ACP countries would be enabled to undertake reforms and implement policies targeted at competitiveness and equity, as illustrated below.

2. Ideas on Benchmarks on Rules: The Policy Space Dimension

Guiding principles for the negotiations

• *On the right to implement policies for competitiveness and productive sector development*, a clear recognition of the right of ACP countries to implement these kinds of policies under any framework of trade rules or trade-related disciplines should be a pre-condition for considering negotiations on disciplines potentially hindering such capacities.

• *On coverage and scope of commitments in trade-related disciplines*, they should be limited to those where ACP countries have the necessary expertise or can develop the capabilities needed by making use of additional development support from the EU. The scope of commitments should be subject in principle to those agreed in WTO.

Food production and exports

On impacts originating in the process of EU CAP reform, they should be addressed in an effective manner so as to guarantee the prospects of agriculture-based industrial development in ACP

countries (tariff levels, safeguards and exclusion of 'sensitive products' from the EPAs).

On Fisheries, a balanced outcome should entail sustainable fisheries management, obligatory landings and other measures ensuring that ACP countries maximise the long term benefits of their resources.

Manufacturing and service sectors

Pro-development progress in the negotiations implies agreeing on i) home country measures in the EU to increase technology transfer to the ACP service sectors, and ii) flexibilities in rules for the application of supply-side instruments (e.g. conditioned incentives and performance requirements, public procurement preferences, IPRs flexibilities, and domestic regulations in services) to support goals related to diversification; development of domestic capacities in service sectors; SME development and clustering; programmes focused on productivity in informal activities and poor farmers; technological upgrading of firms and strengthening of innovation systems.

EU resources for development support

The effectiveness of adjustment programmes associated with the process of trade liberalisation with the EU, as well as the success of policies for improving competitiveness and overcoming supply-side constraints are linked to the availability of resources for development support. Two broad issues in this dimension deserve prioritisation in any review mechanism of the EPA process, given the problems that apparently occur in accessing existing resources, as well as the current deadlock and the new paths that negotiations would probably take in this area. The first is related to monitoring the course of negotiations in the *resources for development support* dimension and the second is linked to real access and administration of the resources available, as illustrated below.

3. Initial ideas on Benchmarks on EU resources for development support

Guiding principles and general criteria

Comprehensiveness of development support and access to resources is necessary to accompany the adjustment processes associated with phasing in free

trade with the EU. EPA negotiations should thus give rise to specific instruments and programmes with additional resources, to address the issues of fiscal and economic restructuring, and social programmes. At the same time, criteria and guidelines for rationalising the use of funds, both existing and additional, should be agreed as to avoid diverting financial resources away from pre-existing legitimate priorities and to ensure that funds can be spent swiftly and effectively.

Sequencing of liberalisation and restructuring programmes: restructuring assistance should be made available and programmes implemented *before* free trade is fully introduced, so that ACP economies are equipped to meet the challenges posed by freer trade with the EU.

Issues affecting specific sectors

On Agriculture and Commodities, over a short period of time, progress should be achieved in i) extending and deepening technical assistance programmes related to SPS issues, and ii) addressing commodities issues before the impact of free trade with the EU is realised in its entire dimension. This implies putting in place Processing, Marketing, Distribution and Transport (PMDT) programmes before the phasing in of free trade, and immediately starting a comprehensive implementation of the EU Commodities Action Plan.

On Services, the potential success of the strategy for ACP service sector development (see above) would depend on making available additional resources with rapid and flexible deployment procedures.

A Strategy for EPA Benchmarks

Adopting a benchmarking approach for the EPA negotiations would allow assessing progress in EPA negotiations according to agreed development objectives, and this way could enhance convergence of EU and ACP positions.

In its final Declaration, the ACP Council (21-22 June) repeated the Cape Town Resolution's call for the establishment of development benchmarks to ensure that trade liberalisation works in favour of sustainable human development. The challenge lies with the ACP negotiators to further conceptualise and translate the benchmarking approach into actual policies in the context of national and sub-regional realities, and to seek support

from independent research institutes and academia.

In January this year, Commissioner Mandelson proposed a 'review mechanism' for EPA negotiations, and the challenge lies with the Commission to put, at the centre of the review mechanism, questions of coherence of trade policy with development objectives including the achievement of the Millennium Development Goals (MDGs). The report by the EC on the state of play of EPA negotiations by 15 September could be a first step in this direction.⁴

According to article 37.4 of the Cotonou Agreement, a comprehensive review of EPA negotiations is required in 2006. Preparations will start under the UK Presidency and will need to be finalised by the Austrian or Finish EU Presidency in 2006. Discussion on the modalities of this comprehensive review could be an opportunity to look at indicators and benchmarks which outline how a trade policy regime supportive of poverty eradication would look and how we could know it will work. Parliamentary bodies at national, regional or joint EU-ACP level (Joint Parliamentary Assembly) should receive regular reports too and should use benchmarks to monitor and press progress towards development objectives.

Following the results of the comprehensive review in 2006, the EU Council will need to clarify if the EC negotiating mandate needs to be modified to ensure that full account is taken of the review findings and of commitments to policy coherence.

Endnotes

¹ Speech and Memorandum "Economic Partnership Agreements: putting a rigorous priority on development" by EU Trade Commissioner Peter Mandelson, January 20, 2005 at: <http://www.europa.eu.int>.

² "Assessing progress of the EPA Negotiations from a Sustainable Development Perspective." ICTSD and APRODEV. Brussels, January 2005 available at: <http://www.aprodev.org>.

³ See the Cape Town Declaration on future ACP-EU negotiations of new trading arrangements available at: <http://www.epawatch.net>.

⁴ EU Foreign Ministers have requested the EC present a report, before 15 September 2005, on the state of play of the EPA negotiations outlining both trade and development aspects: see the EPA update in this issue.

The GSP: a solution to the problem of Cotonou and EPAs?

Christopher Stevens*

At the end of June 2005 the European Union (EU) finally gave birth to a new Generalised System of Preferences (GSP) following a year of internal negotiations.¹ To be assessed as a 'solution' one must first identify the 'problem' with the Cotonou Agreement and Economic Partnership Agreements (EPAs). There are two: one is with Cotonou and is a problem for the EU; the other is with EPAs and is a problem for the African, Caribbean and Pacific (ACP) countries and, possibly, the World Trade Organization (WTO).

The Problems

The problem for the EU with the trade part of Cotonou is that, in order to forestall a WTO challenge, it must obtain a waiver allowing it to discriminate in favour of some developing countries (the ACP) and against others. Although waivers have provided the most usual vehicle for rich countries to justify trade preferences for a sub-group of developing countries, the increased litigiousness in the WTO makes it an increasingly costly route.

Potential opponents of the waiver need to be 'bought off' by sweeteners, such as the tariff-free quotas for tuna granted to Thailand, Indonesia and the Philippines to secure the 2002 waiver for Cotonou which expires in 2007. The EU has made it very clear that the ACP no longer carry sufficient political weight in Europe that warrants putting up with this hassle any longer.

The problem for the ACP with EPAs is that they are required to remove their tariffs on 'substantially all' imports from the EU. How much liberalisation this will involve in practice is unclear, not least since it depends very much on the outcome of negotiations that have not yet happened. There are signs that it might not be that much.² But, as the Commission for Africa has argued forcefully, *any* liberalisation forced on unwilling partners by use of the aid or trade leverage is 'too much'.

The potential problem for the WTO is the obverse of that for the ACP. Liberalisation is required under EPAs because they must pretend to be an exercise in economic integration (to be allowed to discriminate against non-member developing countries under GATT Article XXIV). But, of course, they are no such thing: the ACP and the EU will not become integrated in the way that, say, Germany and Poland are integrating as part of the EU or, even, like USA and Mexico under NAFTA.

If the EPAs avoid substantial new liberalisation for the ACP then the sham will be even more apparent – and do damage to the integrity of Article XXIV as a peg for genuine efforts at economic integration.

"The problem for the ACP with EPAs is that they are required to remove their tariffs on 'substantially all' imports from the EU. How much liberalisation this will involve in practice is unclear, not least since it depends very much on the outcome of negotiations that have not yet happened."

Enter the GSP

In its present form the GSP does not solve any of these problems: but since it could help with all three if developed further it is worth considering how it would need to change. This article uses recent Institute of Development Studies (IDS) research to explain the type of change required to make EU trade policy more coherent for development and less contentious for the WTO.³ It outlines the steps that should be taken in 2005 and 2006, and the preparations needed to underpin support for a fundamental change in 2008.

The new GSP has been influenced heavily by a case brought in the WTO by India against the EU. The Indian complaint was against special 'extra' preferences provided under the GSP to a select group of states on the grounds

that it is support in the fight against narcotics trade.

The ruling of the WTO Appellate Body confirmed that these special preferences were illegal but, crucially, it also stated that differentiation between states within the GSP is acceptable *provided* it is related to objective and internationally accepted differences in developing country circumstances.

The main innovation in the new GSP makes a grab for this lifeline thrown by the WTO. It is a special trade regime, to be known as GSP+, that will be available to many developing countries (but not all of the poorest) and provide improved access to the EU markets (but not as good as is available to the ACP under Cotonou or to least developed countries under 'Everything but Arms' – EBA).

Not all developing countries are eligible. A basic requirement is for a country to ratify and implement effectively 16 core human and labour rights United Nations/International Labour Organization Conventions and at least seven (of 11) Conventions related to environment and governance principles. In addition, countries must satisfy 'vulnerability' rules related to the value of their exports. Larger countries and those with a broader spread of exports are more liable to fail the vulnerability test, even though they may be very poor. IDS research suggests that 21 states fail the vulnerability test – but none are ACP states.

Creating a GSP++

If the differentiation between developing countries inherent in GSP+ is proved to be WTO legal (which is not certain – see below), extending it to cover the ACP would remove the problem that the WTO has with Cotonou. Next year the EU is committed to consider 'alternative arrangements' on trade for those ACP countries that decide not to proceed along the EPA route.

It is far from clear what alternatives exist that would offer access for ACP exports to the EU that is similar to Cotonou. The most obvious route would be to extend the product coverage of GSP+ so that it offers the ACP Cotonou-style access for their current exports. The IDS research indicates that this is technically feasible; political will is the only potential obstacle. Only about one-tenth of ACP exports are not already covered by GSP+ and so the scale of the required extension is quite modest.

But such an extension would apply equally to all other GSP+ beneficiaries and so would erode ACP preferences. Does the cure kill the patient? By making GSP+ acceptable to the ACP will it also become so attractive to their competitors that they no longer receive any commercial benefit? IDS research suggests that in most cases the inclusion of these products in GSP+ would not significantly erode ACP preferences. This is because some competitors will either be excluded from GSP+ or already enjoy duty-free access (now or within a few years) under one agreement or another.

The main problems will be with sugar, bananas and rum – all of which face serious difficulties regardless of the future EU–ACP trade regime. Until more is known about the way in which these difficulties are to be handled – and, crucially, which ACP countries decide not to join EPAs – it is not possible to determine whether or not any ‘solution’ may be accommodated under a GSP+ umbrella.

Extending product coverage is a necessary but not sufficient evolution of GSP+ for it to be an acceptable alternative to Cotonou, which is a negotiated agreement (as will be the EPAs). The GSP is an autonomous EU action: not only can it be reversed at any time, but the new regime just created applies only until 2008, creating great uncertainty over what will happen thereafter.

Any acceptable reform would need to introduce certainty and procedures for dispute settlement into the GSP+. There are ways to achieve this. Some involve parallel action in the Doha Round. The GSP tariffs, for example, could be bound into the WTO. Alternatively, a link could be made with Cotonou, to provide the ACP with a contractual guarantee that the EU’s tariffs would not exceed the GSP+ level.

Getting the WTO Seal of Approval

In all cases the new regime would need to fly in the WTO – which means that it has at least the tacit consent of other WTO Members. And herein lies possibly the greatest challenge – GSP+ may not survive even until 2008. It remains to be seen whether the *a priori* exclusion of some 21 states that have little in common will lay the scheme open to a further challenge in the WTO.

India, for example, which challenged the previous scheme, is still excluded from the ‘more preferred’ group since it can never make itself eligible for GSP+ due to the vulnerability criterion, no matter how good its social and environmental conditions or how needy its workers. Excluded, too, is Pakistan which benefited from the special preferences under the old regime. Either country (or any of the other excluded states) could launch a WTO challenge.

“Next year the EU is committed to consider ‘alternative arrangements’ on trade for those ACP countries that decide not to proceed along the EPA route. It is far from clear what alternatives exist that would offer access for ACP exports to the EU that is similar to Cotonou.”

In the litigious environment that has developed in the WTO no trade regime that offers some members better treatment than others is entirely safe. This applies equally to EPAs.⁴ The strategy must be to move EU policy gradually along a route in which sufficient developing countries gain (or can see gains around the corner), so that it is in their interests not to derail the process.⁵ If GSP+ survives WTO challenge, it will be a good vehicle for such a strategy.

The economic gains of including the ACP in GSP+ could also be greater than the *cul de sac* of EPAs – provided that the

EU were also willing to extend to the GSP rules of origin Cotonou-style arrangements for ‘cumulation’ (i.e. allowing several developing countries to contribute to production of a good).

By offering duty-free access to many developing countries the EU, a large economy, would liberalise substantially and quickly. Under EPAs, by contrast, there would be limited EU tariff cuts and only slow, partial liberalisation by small ACP states.

This need to liberalise is, of course, why the EU has not pursued the GSP++ option. Leaning on the ACP to open their economies – and telling them how good it will be for them – is so much easier for Europe than opening its own. But that is no reason not to point up the attractions of the EU making Cotonou really ‘WTO compatible’ by extending the GSP+ eventually to all developing countries.

Endnotes

*Political Economist, Institute of Development Studies, UK.

¹ Council of the European Union, ‘Council Regulation Applying a scheme of generalised tariff preferences’, 6987/4/05 Rev. 4, SPG 8, WTO 54, OC 131, Brussels, 23 June 2005.

² Stevens, C. and Kennan, J., 2005. ‘EU–ACP Economic Partnership Agreements: The Effects of Reciprocity’, briefing paper. Brighton, Institute of Development Studies (<http://www.ids.ac.uk/ids/global/pdfs/CSEPARECBP2.pdf>)

³ Stevens, C. and Kennan, J. 2005. ‘GSP Reform: a longer-term strategy (with special reference to the ACP)’, report prepared for the UK Department for International Development. Brighton: Institute of Development Studies (http://www.ids.ac.uk/ids/global/pdfs/CS_GSPs05.pdf)

⁴ Stevens, C. 2000. ‘Trade with developing countries’, in Helen Wallace and William Wallace (eds) *Policy-Making in the European Union. Fourth Edition*. Oxford: Oxford University Press.

⁵ Stevens, C. 2005. ‘An alternative strategy for free trade areas: the Generalized System of Preferences’, in Olufemi Babarinde and Gerrit Faber (eds) *The European Union and the Developing Countries*. Leiden: Koninklijke Brill BV: pp. 111–125.

EPA Negotiations Update

By Melissa Julian, ECDPM

Technical preparations on EPAs underway in all ACP regions*

Spring has been a busy period of technical preparation for and negotiations on economic partnership agreements (EPAs) for all ACP regions.

Members of the “Communauté Économique et Monétaire de l'Afrique Centrale” (CEMAC) held joint meetings of the Technical Negotiating Groups (TNGs) on Customs Procedures, Trade Facilitation and Border Protection, Technical Barriers to Trade (TBT), and Sanitary and Phytosanitary Measures (SPS) from 20-25 May.

Similarly, West African and European Commission (EC) senior officials met on 15 June to discuss the results of the work in the TNGs on free trade area (FTA), customs union and trade facilitation, TBT and SPS. A main issue for further discussion is a West African proposal to include a financial mechanism in EPAs to compensate for loss of customs revenues arising from tariff reductions within the region and with the European Union (EU) in EPAs.

The Southern African Development Community (SADC) and EC technical negotiators also met on 13-15 June to continue discussions on SPS and TBT. SADC agreed to identify specific priorities and formulate requests on priority products on these issues. The EC agreed to inform of relevant legislation in this area and recent trade data on its exports to SADC. Both sides agreed to consider the issue of special support and targeted technical assistance. Similar discussions took place on fisheries issues.

COMESA Heads of States and Governments, at their summit on 2-3 June, noted the need for the World Trade Organization (WTO) special and differential treatment (SDT) provisions to take account of the specific needs and concerns of less-developed countries, small island states and other vulnerable economies in such a way as to ensure the successful conclusion of EPA negotiations in a way compatible with the WTO.¹

Pacific ACP Trade Ministers (PACPTM) met on 26 May to consider the outcomes of EPA follow-up studies (investment, goods, tourism and fisheries), progress in the preparations and conduct of Phase

II EPA negotiations, and to update the Regional Negotiating Strategy (RNS) for negotiations with the EU.

CARIFORUM and EU Principal Negotiators met on 20 May to discuss progress in the technical sessions on regional market access issues, services and investment, and trade related issues. The EC continued to urge members of CARIFORUM to form a customs union with a common external tariff and with no differentiation among members in trade measures so that EC exporters can face a single trade regime of goods imported into CARIFORUM countries.

ACP and EU Governments Focus on the Development Aspects of EPAs

African Union (AU) Trade Ministers met in Cairo on 9 June, where EC Trade Commissioner Peter Mandelson addressed ministers, setting out his vision of how the EU and the AU should seek to work together in the Doha Round to make it a “Round for Africa.”² Ministers adopted a Doha Development Round Declaration and an EPA Declaration which reiterates that EPAs should serve as instruments for development and poverty reduction and must also support the deepening of intra-African trade.³ They recommended that the different EPA groupings harmonise their positions on issue of common interest before final decisions are taken.

The annual ACP-EU Council of Ministers meeting was held on 24-25 June preceded by a meeting of the ACP Council of Ministers.⁴ The main agenda item was the signing of the revised Cotonou Partnership Agreement (CPA) following its normal 5-year review.⁵ The EU, however, was unable to offer a financial envelope for the next five years as part of the package because it was unable to agree amongst its own Member States on the overall future EU budget framework prior to the joint Council meeting.⁶

EC Development Commissioner Louis Michel assured the ACP of the EC's commitment to continue to provide financial support to ACP countries citing the EU's recent agreement to reach the 0.7% of Gross National Income for Official Development Assistance targets and the specific commitment given in February to at least maintain the current

level of financial support to the ACP countries. He further stated that an EC proposal for a 10th European Development Fund (EDF) would be put forward in the coming months. EU Member States will aim to agree a financial package in December. The two parties promised to try to ratify the revised CPA within eighteen months (the previous ratification took more than three years) which is particularly important given that the EU Council has fixed the deadline for engagements to be made from the 9th EDF at 31 December 2007. Any delay could therefore lead to a gap in financial support at a crucial moment in the preparation of EPAs.

EPA Declaration highlights ACP priorities

The ACP presented an EPA Declaration to the EU which expressed concern that the negotiations have not proceeded in a satisfactory manner, having failed to start addressing most issues of interest and concern to the ACP regions, in particular the development dimension and regional integration priorities.⁷

The Declaration, inter alia, expresses regret at the disconnect between the public statements of the EC Commissioners of Trade and Development on the development aspect of EPAs and the actual positions adopted during EPA negotiating sessions. It stresses that the EPA negotiating process should proceed in a manner that ensures the adoption of measures, and the provision of resources and EC support, to help the ACP implement measures to transform their economies. Many similar concerns are also being proposed by the ACP to the EC in EPA negotiations at the regional levels.

EU Member States noted the ACP declaration. Many EU Member States, such as the UK government, are beginning to take a more in depth look into how development issues are being dealt with by the EC in the EPA negotiations. Reflective of their concerns, the EU Joint Council has held a dedicated session on the EPA negotiation process.⁸ Many Member States, representing the range of EU Member States' views on trade liberalisation, raised issues in relation to the interpretation of GATT Article

XXIV, rules of origin, regional integration, South-South integration, asymmetrical reciprocity, the Singapore Issues and cooperation between Directorate General (DG) Development and DG Trade. It was agreed that the discussion was useful and that the EC would provide an update every two months to the Article 133 Committee to provide an opportunity for discussion on issues of process and substance. It was also agreed that regular meetings of Member State officials from capitals (trade officials primarily, but also open to development officials) working on EPA issues be held to discuss issues of substance.

EC to present EPA status report

EU Foreign Ministers have also requested the EC present a report, before 15 September 2005, on the state of play of the EPA negotiations outlining both trade and development aspects and identifying areas where development cooperation can further support the EPA process.

Smaller groups of like-minded Member States are also meeting informally, exchanging information and analysis on EPA issues and discussing with the EC in greater detail the issues that should be covered in the EC report such as: practical ways to ensure EC trade and aid strategies work in better synchronicity, and with other donors, to effectively address ACP capacity constraints and concerns and support the process of regional integration and development-friendly EPAs.

There are high hopes that the report will launch the process of a more focused consideration in EU institutions and with the ACP, and the development of a strategy on how to effectively operationalise specific and timely development measures in EPAs. Part of the process could be the adoption of EU Council conclusions on the Commission's report on EPAs and development and could be a major agenda item on the October JMTC meeting.

Differences persist on development dimension of EPAs

The ACP Declaration and Member States' increased activity on EPAs reflects a general unease at the perceived disconnect between the EC's rhetoric that EPAs are intended to be tools for development, what is actually happening in the EPA context to ensure

this, and the impact of concerted campaigning by civil society in many Member States.

The EC argue that EPA negotiations should focus on trade matters and that the development component should be dealt with, not in the EPA trade negotiations, but in the framework of the Regional Preparatory Task Forces (RPTFs) established to link the EPA negotiations and development and financial cooperation. For the ACP to benefit from EPA trade liberalisation, the development component also includes addressing the supply side constraints. The ACP feel that this aspect is not moving as fast as trade negotiations.

The EC says the current focus on trade policies is a logical part of a process to first establish the policy framework around which support can then be discussed. But there is real concern in the ACP on how existing EU development policies, practices and procedures - where there is slow delivery of disbursements and projects implementation - can effectively accompany trade liberalisation in promoting economic growth and private sector development in ACP countries.

Finally, there's the key question of how to integrate the CPA and EPAs to ensure EPAs development support is as legally binding and long term as the trade aspects will be when EPAs have indeterminate duration and the CPA is only valid for 15 years more. This could be discussed with urgency now in the context of EPA negotiations to ensure the effective coherence of EC policies implementation. Certainly there is EC commitment to coherence as the EC have recently adopted a communication calling for Policy Coherence for Development.

Endnotes

* A detailed article on specific ACP regional EPA negotiations, called "EPA Update Spring 2005", can be found in under www.acp-eu-trade.org/news

¹http://www.comesa.int/news_archive/News_Item.2005-06-08.5930

²Peter Mandelson's speech and all speeches by EU officials are available at: <http://europa.eu.int> unless otherwise indicated.

³http://www.ictsd.org/issarea/africa/docs/Cairo_declaration.pdf and

www.epawatch.net/documents/doc292_1.doc

⁴ <http://www.eu2005.lu/en/calendrier/2005/06/24ueacp/index.html> and <http://www.acpsec.org/>

⁵ This document and all other EU documents mentioned in this article may be accessed at (unless otherwise indicated): <http://ue.eu.int>

⁶ Though a text is on the EU table now proposing a Member States' contribution key between the EU budget and EDF keys. It remains an open question if it will be considered as *acquis* by the incoming UK EU Presidency or if they will start from scratch - ACP countries will be allocated 22,682 billion euros in current prices for the period 2008-2013. http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/misc/85258.pdf.

⁷ <http://www.epawatch.net/general/text.php?itemID=295&menuID=25>.

⁸ The EU's Article 133 Committee (EU Member States' trade officials) dedicated session on the EPA negotiation process with participation of members of the ACP Working Party and the Working Party on Development Cooperation - 27 May. <http://register.consilium.eu.int/pdf/en/05/cm01/cm01892.en05.pdf>.

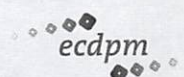
Trade Negotiations Insights

Published by

- International Centre for Trade and Sustainable Development
Tel : + 41 22 917 84 92
E-mail : cbellmann@ictsd.ch
Web : www.ictsd.org



- European Centre for Development Policy Management
Tel: + 31 43 350 29 00
E-mail: tnt@ecdpm.org
Web: www.ecdpm.org



Editorial Team:

- Christophe Bellman, Ricardo Meléndez-Ortiz and Yvonne Apea: ICTSD
- Sanoussi Bilal: ECDPM

This bimonthly publication is made possible through the financial contribution of the Government of the United Kingdom (DFID) and the Swiss Development Cooperation (SDC).

Trade Negotiations Insights ©
ISSN 1682-6744

Calendar

Resources

WTO Events

15 - 16 September	Committee on Trade and Environment - Special Session
14 September	Trade Policy Review Body – Trinidad and Tobago
16 September	Council for Trade-Related Aspects of Intellectual Property Rights - Special Session
19 - 20 September	Negotiating Group on Trade Facilitation
21 - 23 September	Negotiating Group on Market Access
22 September	Committee on Agriculture
23 September	Council for Trade in Services - Special Session
23 September	Dispute Settlement Body - Special Session
26 September	Council for Trade in Services - Special Session
26 September	Negotiating Group on Rules
29 September	Sub – Committee on Least- Developed Countries
29 - 30 September	Council for Trade in Services - Special Session

All WTO meeting take place in Geneva. Please contact the Secretariat for confirmation of dates (also available at <http://www.icts.org/cal/>).

ACP-EU Events

14-15 September	ACP-EU JPA Economic and Development Cooperation Committee meeting in Brussels
18-23 September	Ninth ACP Special Ministerial Conference on Sugar, Kenya
30 September	Second CARIFORUM-EC Ministerial Meeting, St. Lucia

*Unless specified, meetings take place in Brussels.
Contact ACP Secretariat, tel: (32 2) 743 06 00, fax: 735 55 73,
e-mail: info@acpsec.org, Internet: <http://www.acpsec.org/>*

Other Events

8 September	IMF Center Economic Forum — IMF Conditionality: Good, Bad, or Ugly? Washington, D.C.
14-16 September	United Nations to review progress in fulfillment of UN Millennium Development Goals. UN Office, NY, U.S.A

All references are available at: www.acp-eu-trade.org

European Communities – The ACP-EC Partnership Agreement – Recourse To Arbitration Pursuant to the Decision of 14 November 2001: Award of the Arbitrator on the banana dispute, WTO WT/L/616, 1 August 2005. www.wto.org

Looking Ahead Long-Term Prospects for Africa's Agricultural Development and Food Security by Mark W. Rosegrant, Sarah A. Cline, Weibo Li, Timothy B. Sulser, and Rowena A. Valmonte-Santos, 2020 Discussion Paper no 41, August 2005, www.ifpri.org/2020/dp/vp41.pdf

Sustainability Impact Assessment of the EPAs, final report, second phase, 29 July 2005 PricewaterhouseCoopers: www.sia-acp.org/acp/uk/news.php

Revisiting EPAs and WTO Compatibility, by South Centre, July 2005. www.southcentre.org/tadp_webpage/research_papers/ds_project/epa_wto_jul05.doc

Designing North South Trade Agreements to Promote Economic Development, by Bernard Hoekman (World Bank), June 2005, mba.tuck.dartmouth.edu/cib/news/itr_2005_pdf/Hoekman.pdf

Reviewing the EPA Negotiations Process, by Melissa Julian and San Bilal, ECDPM June 2005. www.acp-eu-trade.org/library

If I don't do it, somebody else will (or won't): Testing the compliance of PTAs with the multilateral rules, by Petros C. Mavroidis, June 2005

Analysis of Non-Tariff Barriers of Concern to Developing Countries. Organisation for Economic Co-operation and Development (OECD), June 2005. <http://www.ois.oecd.org>

Draft Programme for the ACP Working Party under the UK Presidency 27 June, 2005. <http://www.fco.gov.uk/Files/kfile/095.en05.acpwp%20presidency,0.pdf>

Preparing for EPAs: Trade Analysis Handbook, by Chris Stevens and Jane Kennan, May 2005, www.acp-eu-trade.org

Activities Undertaken by UNCTAD in Favour of Africa, Report by the Secretary-General of UNCTAD, 11 May 2005 http://www.unctad.org/en/docs/tdbex37d2_en.pdf

Assessing the Causes of Sub-Saharan Africa's Declining Exports and Addressing Supply-Side Constraints, by Calvin Manduna. Trade Law Center for Southern Africa (TRALAC), May 2005. http://www.tralac.org/pdf/tralac_WP2.2005_Assessing_the_Causes.pdf

Caribbean Tourism and Development: An overview. by Zappino, V. 2005. (ECDPM Discussion Paper No. 65). Maastricht : ECDPM <http://www.ecdpm.org/dp65>

WTO Annual Report 2005. <http://www.wto.org>

