

Trade Negotiations Insights

From Doha to Cotonou

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Contents

- 1 EU commitments on Aid for Trade and EPAs
- 4 How to deliver on EPA-related support commitments?
- 6 EPA Negotiations Update
- 8 Calendar & Resources

In This Issue

Recently, EU Member States and institutions have pledged to provide more resources for trade-related development assistance, under the broader framework of Aid for Trade. What are the implications of these decisions for the Economic Partnership Agreements currently negotiated between the EU and the ACP countries?

The first article analyses the major issues at stake assessing these recent commitments made by the EU vis-à-vis the requests made by the ACP in terms of development support to EPAs.

The second article in turn seeks to identify the operational aspects and possible scenarios of adjustment support and accompanying measures to EPAs and highlights the various dimensions that should be taken into consideration when discussing the design of such a mechanism.

Finally, the EPA update reports on the recent outcomes of the EPA negotiations in all six regions.

We continue to accept and consider contributions for publication in TNI from all interested stakeholders.

EU commitments on Aid for Trade and EPAs

By ECDPM¹

The debate on development support to Economic Partnership Agreements (EPAs) is gaining centre stage in the talks between the African, Caribbean and Pacific (ACP) countries and the European Union (EU). Continuous divergence between the parties over the merit of additional and possibly binding support to finance accompanying measures to EPA has hampered progress in all other areas of negotiation.

Despite numerous formal requests from the ACP to include development support as part of the EPA negotiations, the EU has argued that:

- the EPA negotiations as foreseen in the Cotonou Agreement were about negotiating trade and trade-related issues only, and not development financing;
- development assistance is already covered by the Cotonou Agreement through the European Development Fund (EDF), which is jointly programmed by the ACP and the Europeans; and lastly
- the European Commission (EC) does not have the mandate from EU Member States to enter negotiations or agreements on development assistance as part of an EPA.

Nevertheless the Aid for Trade (A4T) debate on multilateral trade liberalization at the World Trade Organization (WTO) level led to the widespread recognition that (financial) assistance is needed for developing countries (DCs) to be able to take advantage of the potential benefits

from liberalized trade and increased market access and to facilitate their integration into the multilateral trading system.

EU support for A4T

Recently, the EU Member States and institutions pledged to step up their efforts on trade-related development assistance and there has been increasing awareness that the debates on development support to EPA and A4T are closely intertwined. This trend culminated in Europe with the General Affairs and External Relations Council (GAERC) formal decision on 16-17 October 2006 to address EPA-related adjustment needs under the broader framework of A4T². Although EU policy-makers decided that there will be no additional financial envelope specific to EPA, the EU Member States agreed to provide bilateral funds for A4T on top of the EDF administered by the European Commission (EC) and that a substantial share of this trade-related assistance (€ 1 billion by the EC and € 1 billion collectively by Member States) will be earmarked for the A4T



effort to support the EPAs currently being negotiated. The consequences of these decisions by the EU on the EPA talks and on the operational aspects of development support to EPA, however, remain to be determined. In particular, issues related to the available *levels and scope* of support, the *mechanisms* for delivery and the *process* to link A4T with the EPA negotiation and implementation should be clarified and explored further.

Will the A4T resources be in addition to all existing ongoing trade-related support provided by the EU to developing countries or simply constitute a re-labelling of existing aid commitments, or a redirecting of development aid towards trade and regional integration objectives? What delivery mechanisms and procedures will be employed for the timely and efficient delivery of such resources? Will the decision-making process to implement the EU A4T commitments provide an effective link with EPAs and involve ACP countries?

EU support: limited additionality

In terms of levels and scope of development support to EPAs, ACP countries repeatedly called on the EU to provide additional resources beyond the 10th EDF, in particular to strengthen their productive capacities, to address their supply-side constraints and to face the adjustment needs created by EPA related economic reforms. The GAERC Conclusions confirmed the pledges made by the EC and the EU Member States in 2005 to provide € 1 billion each in Aid for Trade for developing countries. In addition to the decision of addressing EPA-related needs in the broader context of A4T and therefore earmarking a substantial share of such funds to ACP countries, the new elements agreed by the EU Member States concerning the

levels and scope of development support to EPAs seem to respond only partially to the ACP requests.

In terms of levels, the exact baseline on which to assess 'additionality' needs to be established. Paragraph 9 of the GAERC Conclusions on Aid for Trade specifies that the 'collective contribution of the Member States is additional to EDF

"Will the decision-making process to implement the EU A4T commitments provide an effective link with EPAs and involve ACP countries?"

resources' (which the Council agreed in June 2005 to amount to € 22.7 billion for the 2008-13 period). Since for the period from 2001 to 2004, the average annual commitments to trade-related assistance by the EU Member States amounted to € 0.3 billion and nearly € 1 billion by the European Commission,³ it appears that only part of the EU Member States' share of the € 2 billion commitment would be targeted to ACP countries and would thus represent fresh new resources for EPA-related needs. One element that has to be taken into account when assessing the consequences of these conclusions in terms of additional resources for ACP countries is that the EU has committed at the G8 Summit in July 2005 to dedicate half of its external assistance increase to Africa (i.e. an increase of US\$ 25 billion a year – a doubling – for Africa and an increase of US\$ 50 billion for the developing world as a whole). Will this

principle be applied in the area of aid for trade or rather in other sectors? If it were to be applied to A4T, African countries that are also members of the ACP Group could benefit from significant additional resources addressing EPA related needs. In terms of the *scope* of A4T programmes that could be covered by the increased EU commitments, it is important to note that in the GAERC

Conclusions the EU follows the classification of A4T established by the WTO A4T Task Force, distinguishing five categories:

- (1) trade policy and regulations;
- (2) trade development;
- (3) trade-related infrastructure;
- (4) building productive capacity; and
- (5) trade-related adjustment.

Paragraph 9 and 10 of the GAERC Conclusions indicate that the € 2 billion commitment refers to the first two categories only, grouped

under the heading of "*trade-related assistance*". "*Support to productive capacities and infrastructure*", also grouped in the GAERC language according to an international definition, is left to the independent initiatives by the Member States and the Commission. The fifth category, "*trade-related adjustment*", is not even defined and its support is referred to only through 'best endeavour' language. Though it cannot be excluded that "in response to needs as prioritized by ACP", programmes to address supply-side constraints may be expanded through separate initiatives by EU Member States and the EC (for instance the potential of the new EU-Africa Partnership for Infrastructure is mentioned in Paragraph 10), the EU Aid for Trade commitment of € 2 billion is thus limited to trade policy and regulations and trade development.

The process to link A4T and EPA

The GAERC Conclusions envisage that a "Joint Aid for Trade Strategy will set a road map for the EU to reach the pledged € 2 billion on trade-related assistance by 2010", while no process is mentioned to link this A4T with the EPA negotiations. The EU confirmed that no formal linkage between EPAs and development cooperation is possible and that the process to operationalize the additional bilateral support by EU Member States is the Joint A4T Strategy to be developed next year also in the case of the EPA-related needs of ACP countries. The only predictable resources to be used for EPAs at this stage are the funds committed under the 10th EDF currently being programmed for the period 2008-2013. It has not been yet determined to what extent the ACP countries can and will be involved in the identification of the programmes falling under the future EU Member States- EC Joint Aid for Trade Strategy.

ACP concerns and pending questions

The ACP have welcomed the EU commitments to provide € 2 billion of target trade-related assistance, but many concerns and important questions remain unanswered.

In terms of the levels of support or more specifically the additionality of the commitments, actually only € 0.7 billion, and not € 2 billion, will effectively be new aid for trade money for all developing countries. ACP countries will thus only benefit from a part, still to be determined, of these € 0.7 billion, with a yet unspecified amount earmarked for EPA-related support.

In terms of the type of needs to be addressed, the ACP have often requested 'Adjustment funds' to address EPA-related adjustment costs such as the loss of customs revenues due to EPA liberalisation for instance. This type of support seems *per se* ruled out by the GAERC conclusions. The EU has not made any explicit financial

pledge related to infrastructure and building productive capacity either. One argument is that it is difficult to separate the traditional support directed to infrastructure and building productive capacity from what is infrastructure linked to trade. Independently of an EPA, the levels of EU commitments in these areas are already quite large⁴, especially when compared with other donors.

The ACP countries have repeatedly stressed the importance of accessing predictable support for supply-side constraints and trade-related adjustment, since trade-related technical assistance and capacity building, though provided in substantial amounts in the past, were not enough for them to fully exploit the opportunities of international trade integration. The ACP thus expected that a major contribution of an 'EPA development package' would come as supply-side related support. The GAERC commitments on A4T however are limited to trade policy and regulations and trade development sectors, and a more general trend has been of reducing Official Development Assistance (ODA) to production oriented support and infrastructure.

In terms of the specific mechanisms to deliver EPA-related support, ACP countries have repeatedly emphasized the need to ensure the effective disbursement of funds. Given the operational weaknesses of the EDF (such as low levels of disbursement, cumbersome procedures or limited capacity of NAO offices) recognized by many, the ACP have demanded a careful assessment of existing instruments and procedures to improve aid delivery in the context of support to EPAs, and have called "for the establishment of an additional EPA Financing Facility at national and regional levels". The EU, however, is very reluctant to establish a new facility, as this would go against the principles of supporting an integrated development programme. Besides, EDF weaknesses should be addressed at a more structural level and not only when it comes to EPAs. EPAs negotiations could however

provide a pertinent entry point to tackle these flaws.

The ACP have also been asking the EU to make binding commitments in the legal text of each EPA for the (additional) resources covering EPA-related costs. Their major concern is the need for predictability of the available funds. Independently of the debate on the amounts of support needed (additionality to EDF), the ACP countries request the legal certainty that such resources will be available once needed, as they would like to ensure that the EPA-related trade reforms they will be committing to are matched by corresponding binding EPA-related support by the EU.

The EU Member States on the other hand do not want to be perceived as 'buying the ACP into EPAs', in other words to offer a development package for the ACP as an incentive to sign EPAs. But obviously at the end of the 10th EDF programming exercise, both sides will have a clearer idea of what shares will have been allocated to trade-related programmes. At that point, they could engage in the identification of how A4T resources could complement the EDF support.

Many of the consequences for EPAs of the GAERC Conclusions remain largely undetermined. Issues related to the available *levels and scope* of support, the *mechanisms* for delivery and the *process* to link A4T with the EPA negotiation and implementation should be clarified and explored further.

Endnotes

- 1 San Bilal, Marie-Laure de Bergh, Francesco Rampa and Kathleen Van Hove (ECDPM). This is a slightly abridged version of the ECDPM InBrief 16A, www.ecdpm.org/epasupportinbriefs
- 2 GAERC 'Conclusions on Aid for trade' (12 October 2006), Council of the European Union 13882/06, <http://register.consilium.europa.eu/pdf/en/06/st13/st13882.en06.pdf>
- 3 As reported in <http://tcdbb.wto.org>
- 4 In 2004, the EU Member States committed € 1.4 billion support for infrastructure and the Community € 0.7 billion; for building productive capacity the EU Member States committed € 2 billion and the European Community € 0.6 billion.

How to deliver on EPA-related support commitments?

By ECDPM¹

The appropriate support to address the adjustment and accompanying measures related to economic partnership agreements (EPAs) will play a major role in determining the capacity of the ACP countries and regions to realise the potential benefits from EPA-related commitments and reforms. In this regard, the delivery mechanisms to EPA support are of key importance.

This discussion is closely intertwined with two other international debates and processes, namely the *Paris Declaration on Aid Effectiveness* and the Aid for Trade initiative at the World Trade Organization (WTO) with the recent *Recommendations of the WTO Task Force on Aid for Trade*.² It is likely that the recommendations emanating from those important policy documents will serve as the basis for internationally agreed *guiding principles* for any new aid for trade initiative, including the discussions on the development support to EPA.

This trend is reinforced by two positions emerging from Europe. Firstly, many EU policy-makers insist that there will be no additional financial envelope specific to EPA and the related adjustment costs could be addressed through increased effectiveness of existing development support. Secondly, EU member states and institutions pledge to step up their efforts on trade-related development assistance with a view to facilitate the integration of all developing countries into the multilateral trading system. The European Commission committed to provide € 1 billion a year of trade related aid by 2010 (a pledge almost achieved already in 2005), and the EU member states undertook a similar commitment, which would bring the collective contribution from the European Union to € 2 billion per year.

The debate on how to support adjustment and accompanying measures to EPA is extremely complex as it relates to four key questions:

- **what to fund:** needs to be addressed, types of programmes and scope of an EPA facility;
- **how much:** levels of financing (amounts of European Development Fund - EDF, additional funding, ...);
- **how to fund:** by whom, mechanisms, procedures, modalities, governance, ...; and
- **what commitments:** binding or not, in or outside an EPA legal text.

These four dimensions are strongly interconnected. Focusing on the 'how', it is possible to identify several options to channel EPA re-

lated support, and more importantly perhaps, to identify some of the criteria that have to be taken into consideration for assessing any support mechanism.

What EU approach to deliver EPA support?

The EU, in the the General Affairs and External Relations Council (GAERC) Conclusions on 16-17 October 2006, indicated that "the preferred delivery mechanisms for this [Aid for Trade] support will be existing nationally and regionally owned financing mechanisms". This seems to indicate that the delivery mechanisms for EPA support will be the National and Regional Indicative Programmes (NIPs/RIPs) already used to programme the disbursement of the EDF or existing regional funds with their own procedures for the ACP regions that already established one (the better known example is the COMESA Fund for the East and Southern Africa region). However, the language used in the Conclusions, and the word "preferred" in particular, leave room for exploring alternative options. It could be expected therefore that if an ACP region were to propose a new appropriate mechanism to channel EPA-related support which could deliver funds more effectively than RIPs/NIPs, the EU could agree to that. What the EU seems to exclude is the establishment of an EPA special fund (Financing Facility), at least as an initiative coming from the EU. Given that only part of the EU Member State share of the € 2 billion A4T commitment is likely to represent fresh new resources for EPA-related needs and the current focus of the EC on the EDF10 programming exercise, for the EU the debate on the establishment of a new mechanism specific to EPAs should probably only relate to the channelling of the bilateral resources of the EU Member States. Different European bilateral donors might have different preferences on the delivery mechanism for their funds.

Various dimensions to assess scenarios

Different dimensions are relevant and should be analysed when discussing the design of an EPA-related support mechanism.

Source of funding

Funding for trade capacity building, accompanying measures and the implementation of EPAs could come either from:

- the European Community to the ACP in the context of the Cotonou Agreement, i.e. the 10th EDF currently being programmed; or
- other parallel or complementary sources : the European Community budget; EU Member States; other donors (multilateral donors, countries, foundations,...); and capital market and private sector financing.

The use of various sources of funding will have implications on the modalities, procedures, complementarity, transparency, accountability, ownership and coordination of the EPA related assistance.

All-ACP, regional or national funding?

Funds can either be channelled at the national, regional or all-ACP levels. This goes both for EDF funding and other sources of funding such as EU Member States bilateral aid. Obviously, if the funds are managed at a national or regional level, there will be more ownership on the ACP side of the management of those funds, given that they are managed closer to/by the ultimate beneficiary. All-ACP funds might be useful instruments to address cross-cutting issues but the issue of the ownership would need to be examined. Regional mechanisms offer the opportunity to strengthen regional integration processes, while national mechanisms are more prone to link in with national priorities. However, for funds to be managed at the regional level, minimal capacities in terms of planning, reporting and financial management would be required, as well as a strong legitimacy of this regional organization towards its Members. These factors are likely to vary depending on the regions. Other questions related to the appropriate level of delivering or managing funds include: which modalities can be used at which level? What flexibility exists; e.g. would an all-ACP Facility be entirely man-

aged centrally or could it be used to channel part of the funds to existing national/regional mechanisms? What are the coordination needs and fora at each level? How would the different levels be articulated? In case of different sources of funding, what level is the most appropriate to ease the coordination and pooling of funds? What level allows for the participation of the private sector? All these issues bear on the effectiveness of support.

Scope of the EPA-related needs to be funded

Arguably, the mechanism and modalities of assistance to EPAs crucially depend on the type of EPA-related adjustments and reforms to be addressed. For instance, for EPA-related adjustments that have cross-border effects, a regional approach, such as a regional fund, might be more appropriate than a purely national one, as in the case of the development of trade-related infrastructures (e.g. transport, telecommunications), regional regulatory and institutional frameworks, etc. Grants might be preferable for regulatory adjustments, whereas loans might be more appropriate for private sector support and infrastructure development. Budget support might be envisaged for temporary accompanying measures to mitigate the loss of fiscal revenues resulting from an EPA, whereas project funding might be more desirable to strengthen the capacity to comply with certification and safety standards. It is therefore of prime importance to match the mode of EPA assistance to the thematic scope and type of needs to be addressed. It would be misleading to seek a 'one-size-fit-all' mechanism of EPA-related assistance. It follows that the identification of appropriate modalities of support for EPA-related implementation and adjustments to a large extent depend on a prior needs assessment.

Effectiveness of support to EPAs

While a lot of the attention has focussed on getting additional resources for the EPA implementation, both the ACP and the EU recognise the importance of the effectiveness of EPA support delivery and absorption capacity.

In line with the international consensus that has emerged through the Rome Declaration on harmonization and alignment in 2003 followed by the Paris Declaration on aid effectiveness in 2005, a certain number of principles need to be applied in order to have an effective delivery of aid: predictability, timely and effective delivery, sustainability, flexibility, ownership, alignment and coordination. These principles have to be fully integrated in the assessment of any EPA support scenario.

Legal status & enforceability

Possible legal frameworks are an important dimension of the debate over different scenarios for an EPA-related support mechanism and should be discussed in relation to both the Cotonou Agreement and the EPA legal texts. The current position of the EU is that it does not want to enter into binding commitment on EPA trade-related assistance. However, many ACP have emphasized the importance of binding development assistance commitments to match their legally binding trade-related commitments under an EPA. Such legal aspects of the EPA agreement and the relationship of any EPA-related support mechanism with existing development cooperation instruments, processes and institutions of the ACP-EU partnership will also bear consequences on the enforceability of any decision taken by the parties on disbursement of EPA support funds and actual channels of delivery.

Possible scenarios

A preliminary assessment of the above dimensions leads to conclude that there are numerous scenarios for the design of an EPA-related support mechanism. A one-size-fit-all solution is very unlikely and reducing this discussion to 'status quo *versus* the creation a new special EPA fund' is not very helpful. Appropriate support to EPAs will most likely require a combination of some of the scenarios, since different ACP regions as well as different areas of EPA-related adjustment needs will require different solutions and assistance mechanisms.

No new mechanism

A first set of scenarios refers to cases where the development needs emerging from EPAs will be addressed in the context of broader international initiatives to strengthen aid effectiveness or through existing instruments of the ACP-EU partnership, without the establishment of a new financing mechanism specific to EPAs.

The minimal option is to rely exclusively on the existing funding and mechanisms of the ACP-EU cooperation, programming and channeling any development assistance for EPAs through the National and Regional Indicative Programmes (NIPs/RIPs), financed under EDF, with possibly some funding from the intra-ACP envelope.

The support to EPAs could alternatively be channeled through a 'clearing house', which would facilitate the coordination among donors in terms of identification of needs, funding and monitoring. Such coordination could take place in the context of an enhanced

Regional Preparatory Task Force (RPTF) or relying on the multilateral initiatives such as the (Enhanced) Integrated Framework for LDCs or the Joint Assistance Strategy.

Some regionally owned mechanisms could also be used to provide funding to support EPA implementation. The COMESA Fund is a good example.

Finally, the specific needs related to EPA adjustment could be addressed under the general framework of multilateral initiatives on Aid for Trade, whatever form this will take.

EPA-specific mechanisms

A second set of scenarios would envisage the establishment of a new financing mechanism specific to the adjustment needs and accompanying reforms arising from the implementation of EPAs. An all-ACP, regional or national EPA-specific funding mechanisms could be created, with either a general or thematic scope. Donors may be also be willing to earmark money for EPA adjustment, while maintaining the management and ownership of those resources.

Time to make key decisions

The appropriate support to address the EPA related adjustment and accompanying measures will play a major role in determining the capacity of the ACP countries and regions to realise the potential benefits from EPA-related commitments and reforms. In this regard, the delivery mechanisms to EPA support are of key importance.

To this end, further attention and exchange of views would be useful notably on the following critical issues:

- the **process** to link A4T with the EPA negotiation and implementation.
- the **amount and predictability** of financial support effectively available for EPA-related issues from EU Member States and the EC.
- the **scope** of support.
- the **coordination** among donors.
- **best practices** in existing trade-related support by different donors.

Endnotes

- 1 San Bilal, Marie-Laure de Bergh, Francesco Rampa and Kathleen Van Hove (ECDPM). This is an abridge version of the ECDPM InBrief 16B, www.ecdpm.org/epasupportinbriefs
- 2 Available at 2005, www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html and <http://docsonline.wto.org/DDFDocuments/t/WT/AFT/1.doc>, respectively.

EPA Negotiations Update

By Melissa Julian, ECDPM

A more detailed version of this update can be found at www.acp-eu-trade.org

EU Responds to ACP Concern...

A fundamental divergence of view in EPA negotiations relates to the ACP's call for the EU to make binding commitments in EPAs for additional resources to cover its implementation costs. EU Ministers for Development and Trade in October adopted conclusions which clearly link Aid for Trade to EPA assistance¹. The Council urged the EC and EU Member States to operationalise their existing commitments on trade-related assistance to developing countries and that a substantial share of this be devoted to the ACP countries as additional resources. A Joint EU Aid for Trade Strategy will be prepared, in this view, in 2007.

Support is exclusively for trade policy and regulations and trade development. The Council welcomes the on-going support to other categories of Aid for Trade, namely productive capacities and infrastructure, and is committed to continue and strengthen this support, and address trade-related economic adjustment. The preferred delivery mechanisms for support will be existing nationally and regionally owned financing mechanisms and the Council calls on the ACP to mainstream trade into their national strategies as a basis for demand-driven alignment of Aid for Trade. The Council also encouraged the improved functioning of Regional Preparatory Task Forces and that EPAs should include a monitoring mechanism to follow the impact of EPAs in ACP countries and regions.

Ministers also considered it vital that the forthcoming EPA Review be based on a thorough analysis of the development dimension in the negotiations as they stand.

A joint meeting of EU Foreign and Development Ministers adopted conclusions on infrastructure support, governance and aid effectiveness which are key to EPAs development success².

...But is it Enough?

All eyes are now on the ACP to see if the Council conclusions are sufficient to unblock EPA negotiations. Is it enough additional money? Is it legally binding enough? Does it sufficiently address supply side constraints? Will the lack of a specific EPA Facility be acceptable? What about the other development aspects the ACP have called for?, etc.³

Central Africa

There continues to be little progress in the negotiations between Central Africa and the EU. The main divergences remain the issues of reinforcement of production capacity and the inclusion of financing mechanisms in the EPAs⁴.

Sources indicate that Central Africa will not pass on to the next phase of negotiations on market access as long as the issue of reinforcement of production capacities is not settled.

West Africa

The West Africa EPA Ministerial Monitoring Committee met at the beginning of October⁵. Ministers considered the report on the sectors of production and the EPA reference framework and agreed to present the documents to the EU with a view to their joint adoption. A working group was established to determine sensitive and strategic products. Regional secretariats will elaborate the process of formulating programmes to improve productivity and competitiveness. The report is intended to be integrated into the EPA reference framework and regularly updated.

Ministers agreed to accelerate progress in the harmonisation of existing competition and investment policy frameworks and to formulate a common intra-regional framework on this as a means to enhance regional integration and improve competitiveness of the regional economy and as the basis of eventual EPA negotiations on these issues with the EU.

Ministers requested that regional secretariats present terms of reference on the EPA review, with a view to discussion of a draft report with the EU in November.

The regional secretariats presented a document on the cost of implementation of recommendations in the negotiations and on a donor matrix on support in areas of EPA negotiations. They stressed the importance of integrating EPAs in national and regional development strategies and programmes.

Ministers reiterated their call for binding EU commitments on financing EPA costs and to address supply side constraints and increase economic competitiveness. They also called for more effective disbursement mechanisms, including an EPA Facility.

Some Ministers insisted on the need to have a flexible timeframe and provide more time to negotiate.

Ministers mandated the negotiators to proceed to the next phase of negotiations, in order to commence discussion on the overall structure of the agreement and the EPA reference framework while at the same time completing the outstanding issues in the current phase of negotiations (on production capacities, etc.).

Eastern and Southern Africa (ESA)

The first session of EPA text based negotiations between ESA and the EC senior officials/ambassadorial level negotiators was held in September. The EC accepted much of the ESA draft EPA text as the basis for further negotiations, but rejected proposals in the development chapter to include financial commitments for EPA implementation support maintaining that this should be included instead in the 10th EDF programming exercise and in other development programming.

The EC also rejected ESA proposals to include development benchmarks in an EPA monitoring mechanism arguing that the mechanism should focus on follow up to mutual commitments aimed at accelerating or extending liberalisation.

Both sides agreed that market access should be based on asymmetry and the progressive and gradual liberalisation of ESA markets and that the EPA should aim at achieving full market access for ESA countries into the EU. The EC and ESA differed on ESA proposals seeking guarantees that current levels of market access for LDCs under EBA arrangements, as well as commodity preferences, will be maintained under the EPA. ESA also stressed that the level of commitments and ambition on market access be linked to EU delivery on the development dimension on EPAs.

SADC

The EC and EU Member States continue to consider SADC's proposed framework for the EPA negotiations presented in March, which if accepted would require a change in the EU negotiating mandate to include South Africa as a negotiating partner in the EPA. The EU is also considering the EC's mandate for the review of the South Africa Trade and Development Cooperation Agreement (TDCA)⁶.

Sources indicate that discussions amongst EU Member States are focussed on the tariff treatment to be provided to South Africa, via the TDCA or a SADC EPA, considering its level of competitiveness in relation to other SADC members. The EU is also exploring the WTO compatibility of the proposed contractualisation of EBA market access for Angola, Mozambique and Tanzania. Finally, trade related issues are seen by the EC as essential to the development component of EPAs, making the SADC proposal to exclude them from negotiations not acceptable. SADC EPA countries believe negotiations in these areas are premature due to lack of regional common policies.

Negotiations are effectively on hold since the EU response and SADC subsequent approval will provide the point of departure for future negotiations. SADC EPA officials indicate that they are frustrated by this long delay considering the short time left to negotiate EPAs. The EC regrets SADC decision to suspend technical negotiations until the EU response is provided.

Caribbean

When CARIFORUM and EU Technical and Principal Negotiators met at the end of September, considerable progress was made in converging approaches to development issues. They agreed the EPA would contain horizontal provisions on development cooperation and an outline of potential areas for cooperation which CARIFORUM proposed includes supporting regional integration; pursuing sustainable development; non-financial cooperation; and EC development finance instruments.

The EC accepted in principle the CARIFORUM approach but signalled its opposition to any permanent EU development support. The EC continues to stress the importance of deeper regional integration as a means to development and says that the level of EU development support will depend on the region's efforts towards a single "seamless economic space".

The EC put forward a new proposal on trade liberalisation which calls for harmonising tariff rates for the majority of tariff lines and for whether and how to harmonise the remaining lines to be decided on a case by case basis. Market access negotiations would then determine the coverage, phasing and timing of liberalisation. CARIFORUM indicated that it was prepared to review the use of bound rates as base rates on which its trade liberalisation commitments would be framed and that it will submit lists of products to be excluded from trade liberalisation for a transitional period of 25 years.

The EC informed that it is preparing its market access offer with the orientation towards improved CARIFORUM access through duty and quota free access.

The two sides agreed to establish a Services and Investment sub-group to examine Caribbean trade capacity needs and proposals in this area in order to complement the negotiations of market access and regulation in trade in services.

CARIFORUM signalled its readiness to link its EPA commitments to the timely delivery of EU development support.

The outline for the Cotonou Article 37.4 review of CARIFORUM-EC negotiations of an EPA was also agreed.

Pacific

In early October, a video-conference was held between EC and Pacific ACP (PACP) senior officials. Discussions focussed on the PACP's draft "non-paper" EPA text on services and the EC's tabled "non-paper" proposal on services and investment. The EC's paper is based on the new EC approach to services and is laid out in a draft template meant for the new ambitious bilateral negotiations that the EU is about to launch with emerging economies. The PACP felt the EC text focused exclusively on EC interests, made no attempt to reflect the principles of special and differential treatment for developing countries or asymmetrical liberalisation for developing countries or to take any account of the regions' specific circumstances and requirements. In response, the EC noted that its proposal could be the basis from which to negotiate a specific agreement with the Pacific. The EC reiterated that it would not negotiate on Mode 4 in the manner requested by the PACP, but requested the PACP put forward a more detailed formal request on this.

The parties also discussed the recent study on the potential costs of adjusting to a Pacific EPA. The PACP stressed the need for a binding commitment in EPAs for the provision of additional EU resources, via effective delivery mechanisms, to help address the impact of EPA adjustment and implementation costs and to enable PACPs to take advantage of opportunities that would arise through EPAs. The EC felt the study overestimated EPA costs and did not take into account the benefits and dynamic wealth creating effects that would arise from EPAs. They also stressed that substantial financial resources were available under the 10th EDF and from EU and other donors bilateral trade support programmes. They called on the PACP to identify/prioritise

their financial needs.

Pacific Islands Heads of State and Government met in October reiterating the EPA must reflect the unique characteristics and vulnerabilities of the region and that additional and binding resources to fund adjustment costs of implementing the EPA be provided.

Endnotes

- 1 http://www.consilium.europa.eu/cms3_fo/showPage.asp?id=1129&lang=en
- 2 Ibid and http://www.eu2006.fi/news_and_documents/conclusions/vko42/en_GB/1161087104476/?u4.highlight
- 3 For a preliminary discussion on this issue, see ECDPM InBrief 16A and 16B, www.ecdpm.org/epasupportinbriefs
- 4 See previous TNI http://www.ictsd.org/tni/tni_english/TNI_EN_5-5.pdf
- 5 http://www.hubrural.org/activites-thematiques/negociations_commerciales/negociations_commerciales_ape.php
- 6 For an outline of the SADC proposal and the EU's initial comments see previous EPA updates at: http://www.ictsd.org/tni/tni_english/TNI_EN_5-2.pdf and http://www.ictsd.org/tni/tni_english/TNI_EN_5-3.pdf

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Calendar

WTO Events

December

- 6-7 First OECD Forum on African Debt Management and Bond Markets
- 13 "Quelle agriculture pour l'Europe ?" (only in french), OECD – Paris, France
- 13-15 WTO: Trade Policy Review Body – Hong Kong, China
- 14-15 WTO General Council
- 18 Online chat with WTO Director-General Pascal Lamy

January

- 15-17 WTO: Trade Policy Review Body – Chad
- 24-28 World Economic Forum annual meeting, Davos, Switzerland
- 31 January- 2 February WTO: Trade Policy Review Body – Japan

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

ACP-EU Events

November

- SADC technical and senior level meeting on rules of origin and to discuss eventual EC reply to EPA framework proposal, Maputo
- PACP Trade Ministers - to approve EPA text to be accepted as a formal negotiating text

Nov- Dec

- 1-2 Meeting of ACP Chief Negotiators, Commonwealth and UK Officials, London
- 1-3 CARIFORUM Technical Working Group on Services and to finalise investment chapter.
- 2-4 ESA Workshop for private sector and civil Society
- 2-4 ESA RNF Meeting. Addis. Presentation of the initial draft of the study for the review of EPAs
- 4-5 ESA Council and Summit. Djibouti. To prepare for text based negotiations with the EU
- 6 ESA - Donor Meeting on EPA support. Addis
- 6-8 CARIFORUM Technical Working Group on market access
- 14 EU General Affairs Council to discuss external aid orientations for 2007
- 14 South Africa-EU Cooperation Council meeting on the EC communication on a new partnership with South Africa
- 15-23 Joint Parliamentary Assembly in Barbados
- 16-17 First EU Africa Business Forum in Brussels
- Mid-Nov Central Africa will meet to provide orientations for the continuation of EPA negotiations, Yaoundé
- Mid-Nov PACP Fisheries and Trade Ministers meeting
- Mid-Nov CEMAC RPTF meeting where the EC will try to unblock the negotiations
- 27 Pacific and private sector meeting
- 29-30 CARIFORUM-EC ministerial EPA negotiation to provide consolidated bracketed text.
- End Joint West Africa - EC RPTF meeting to adopt a common position on the EPA review.

December

- EU Presidency meeting on EPAs/ Review
- CEMAC Heads of Government meeting
- 3-8 84th Session of the ACP Council of Ministers
- 4-10 ACP Summit, Khartoum, Sudan
- EU-ACP joint trade ministers committee
- 2007 The EU-ACP Council in the first half of 2007 will adopt the joint recommendations from the review

*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/>*

Resources

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

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[Global Europe. Competing in the World. A Contribution to the EU's Growth and Jobs Strategy](#) http://ec.europa.eu/trade/issues/sectoral/competitiveness/global_europe_en.htm

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