



REGIONAL ROUNDTABLE DISCUSSION:

**Economic Partnership Agreement (EPAs) Negotiations: Challenges and Opportunities for Poverty Eradication in Sub-Saharan Africa
October 23, 2006, South Africa**

Whither ACP trade relations with the EU in the context of Economic Partnership Agreement (EPAs) Negotiations?

A case for alternatives.

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Introduction

The Cotonou Agreement, which was signed in June 2000, provides for the conclusion of WTO compatible trading arrangements and progressively removing trade barriers. In this regard, negotiations of EPAs would be undertaken with ACP countries that consider themselves willing to do so, at the level they deem appropriate and in accordance with the procedures agreed by the ACP group. ACP countries have advocated that the EPA negotiations should address the multi-dimensional nature of the development process of their economies, namely, poverty reduction, sustainable development, gradual and smooth integration of the ACP countries into the global economy.

Despite expressing these expectations, ACP countries have expressed fears that EPAs may result in massive revenue losses due to tariff reduction and the introduction of non-reciprocity. Developing countries continue to argue that such revenue losses would affect their national budgets, resulting in increased deficits, reduced spending on poverty reducing interventions in infrastructure, health care, education, safety nets amongst others, thereby exacerbating poverty. Impact assessment studies for selected ACP countries have shown that some of these countries will experience tariff reductions of between 15-60%.

These are serious concerns that should be given due consideration if EPAs are indeed expected to address the development challenge of ACP countries.

Past and current EPAs negotiations fail to disclose precisely how EPAs will practically attain human centred economic development for developing countries. Both the ACP and EU member States acknowledge that even if EPAs are going to be successful, this success will be borne through heavy costs of adjustment, however it is still not clear how these adjustment costs will be met.

Drawing from past experiences with Structural Adjustment Programmes (SAPs), it is feared that further trade liberalisation will result in a flood of cheap imports and unjust competition, thereby destroying 'infant' local industries and creating mass unemployment in the process.

The ACP countries acknowledge the potential adverse impacts of EPAs that will presumably override the positive aspects and erode any gains that ACP countries had realised under the ACP-EU partnership since the first Lome Convention. It would be ignorant not to give appropriate recognition to the Country Strategy Programmes being financed in selected ACP by the EU in the hope of promoting economic growth, development and poverty reduction. However, these will 'come to an end' in 2007 and very little if anything at all has been said about what will replace these programmes. Almost no additional funding has been promised to meet the adjustment costs, with the EU expected to most likely place more emphasis on the EU membership and the war in Iraq (the fight against terrorism) in terms of financing.

One of the greatest uncertainties of ACP countries in the negotiations of an EPA arrangement is the impact of these free trade agreements on regional integration. It has long since been recognised that grouping countries into larger economic negotiating blocks is an important basis for effective and sustainable development. However, there is speculation that EPAs may undermine regional integration. Already, the fragmentation of the SADC region during the negotiations reflects the destabilising element of EPAs on regional integration initiatives. Besides, it is still not clear how the SADC Trade Protocol will operate under or relate to the EPA framework.

Given these fears, there are two extreme notions about the EPA negotiations amongst stakeholders. One group argues that ACP countries should not have agreed to the EPAs negotiations and advocate for the withdrawal of ACP countries from the negotiations. This notion is strongly advocated for in the 'No to EPAs campaign'.

The EU strongly highlights that the need to negotiate EPAs is fundamentally based upon the need for bilateral trade agreements to be WTO compatible. In addition, the EU argues that non-reciprocity has failed to deliver the expected results of social and economic development. The proponents of EPAs continue to point out that EPAs are indeed the solution to the developmental crisis in ACP countries.

Search for alternatives

An Africa Trade Network (ATN) working group met in Nairobi, Kenya in December 2003 and after an extensive review of the on-going economic cooperation between European Union and the Africa Caribbean and Pacific states, those present took a position to oppose new trade arrangements proposed under the Cotonou agreement. EPAs were correctly characterized as new trade agreements that were due to replace the current non-reciprocal preferences enjoyed by ACP countries by the year 2008, but most importantly, the concluded arrangement must be compatible with the requirements of the World Trade Organisation (WTO).

Members of the working group drawn from Econews, Economic Justice Coalition, Economic Justice Network/FOCCESA, ENDA-TM, GENTA, Inter-Africa Group, MWENGO, SEATINI and TWN – Africa expressed concern over the deepening poverty, economic decline and increased dependency that was due to trade liberalization in Africa. They argued that EPAs as currently prescribed, were not in line with the continent's development priorities or plans. Pursuit of EPA proposals being pushed by the EU was seen as a subversion of democratic processes on the continent in particular, and Caribbean and Pacific in general, the two other regions currently pursuing EPA negotiations under the aegis of the Cotonou agreement.

While most people in favour of EPAs postulated that there were no alternatives to the proposed Free Trade Areas, the ATN working group outlined that EPA negotiations were not about who is right or wrong but they were about power and might when Africa is juxtaposed by the EU. In order to counter this imbalance, all present were convinced that

their power is in numbers, hence the recommendation that Epa negotiations should be opposed and a critical mass was needed for this to happen.

Governments from the ACP were focusing on how their countries were going to maintain or improve market access to the EU and paid very little attention to the requirement that they will have to gradually open up their markets to EU products over a period of at least 12 years. In the context of this new trade arrangement, beyond trade in goods and services, the EPAs were going to regulate trade in services as well as a range of other trade-related matters such as investment, government procurement, product standards, et al.

The ATN working group felt that EPAs were no longer actively pursuing the core objectives of the Cotonou agreement, especially those targeting poverty reduction or its eventual eradication. The Cotonou agreement aims to ensure that the political, social, cultural and environmental circumstances of people living in developing countries change for the better.

Engagement with policy makers

In “The Cotonou agreement, A user’s guide for Non state Actors compiled by the ECPDM in November 2003, EPAs were not the only alternative for the ACP states. It was highlighted that for countries who do not feel in a position to negotiate EPAs, alternative trade possibilities will be considered in 2004. But so far, very little attention has been given to pursuing existing alternative options. For example, since March 2001, all least developed countries (LDCs) have been able to benefit from the “Everything but Arms (EBA) initiative, which grants duty free access to all products, except for arms, from LDCs without quota restrictions.

The pursuit for alternatives was highlighted again at the Meeting of Civil Society Organisations on the occasion of the 4th Africa Caribbean Pacific (ACP) Heads of State Summit that was held in Maputo, Mozambique from 19 to 21 June 2004. The 30 paragraph document prepared by CSOs present under the guidance of the ATN and Africa-Caribbean Civil Society Forum in my opinion set a good foundation for critical and well grounded engagement with policy makers.

The document noted “EPAs are free trade area agreements (FTAs) that are an integral part of the EU’s external trade policy, which is driven by a desire to dominate emerging markets. Despite their posture as ‘partnership agreements’ the EU’s proposals are clearly wrapped in the free market fundamentalism espoused by the international financial institutions and the WTO. They are driven by the agenda of transnational corporations to put profits before people by surrendering the management of economies and exploitation of resources to ‘the market’ through an agenda of liberalization, privatization and deregulation.”

CSOs present reiterated “EPA/FTAs do not derive from our own national or regional development plans or strategies for economic recovery and development. They are an

imposition by the EU, based on its own desire to push forward the free market dogma of the Washington Consensus. EPA/FTAs are diametrically opposed to plans evolved through such initiatives as the Abuja Treaty, which we have evolved within our own institutions, based on popular support for African integration, and which our donor partners have spectacularly failed to support.”

Heads of states were challenged to answer a critical question that was going to help illuminate the way forward.

“While EPA/FTAs are marketed as ‘instruments for development’, all assessments to date demonstrate that the costs of creating such free trade areas will be disproportionately borne by the ACP countries. **Our question is therefore ‘whose development are these EPA/FTAs intended to be for?’**”

CSOs outlined that they fully supported the ACP stated objective that any trade agreement must result in the structural transformation of ACP economies; promote the diversification and strengthening of our economic productive base; create jobs and viable livelihoods and use our resources sustainably. At this stage, they argued that EPAs in their current form will not achieve those results but will exacerbate inequalities, weaken states and work for the benefit of local elites and international corporations.

Most importantly, the meeting called for trade agreements to be based on an approach that:

- Is based on non-reciprocity as is stated in the GSPs and special and differential treatment within the WTO
- Provides protection for ACP producers’ domestic and regional markets
- Reverses the pressure for trade and investment liberalization
- Allows the necessary policy space and supports ACP countries to pursue their own development strategies.

In short, these were demands that the ATN STOP EPA working group had reiterated, but now had official backing beyond the network’s membership.

Profound disappointment

Pursuing alternatives has been a favourite route for government negotiators from developing countries, but of late, voices of dissent have increased and can no longer be ignored.

African Ministers responsible for Trade who met in the African Union, Fourth Ordinary Session in Nairobi Kenya on 14 April 2006 forcefully put forward the view that Economic Partnership Agreements with the European Union should be tools for the economic development of Africa. Why?

Further, they expressed profound disappointment at the stance taken by negotiators of the European Commission in so far as it does not adequately address the development concerns that must be the basis of relations with Africa.

The ministers urged their negotiating partners to clearly demonstrate the development content of the proposed agreements, and adequately address supply side constraints, infrastructure bottlenecks, and adjustment costs, bearing in mind that trade liberalisation together with the accompanying liberal policies, may not by itself deliver economic development.

In this regard, they emphasized that the development content should include, inter alia, adequate financial and technical resources; full market access to the European markets for African goods and service providers; and policy space and flexibility for implementation of development programmes in Africa.

On the programming exercise for the 10th EDF that has commenced at country and regional levels, the Nairobi meeting called for enhanced coordination between trade, finance and development officials, with a view to ensuring that financing of EPA related costs are integrated in the National and Regional Indicative Programmes, without impeding other development needs that are to be funded under the 10th EDF.

The above was linked to an urgent call for the establishment of an additional EPA Financing Facility at national and regional levels as provided for in Declaration XIV of the revised Cotonou Agreement, to address the adjustment costs and support the EPA process and implementation over time.

African Ministers further noted that market access openings have been significantly undermined by health, sanitary and phytosanitary, technical and market standards maintained by the EU partners. In this regard, they urge the EU to robustly support African countries with adequate financial and technical resources to enable our exporters meet the standards, and to fully participate in the international standard setting.

The meeting was reminded that Africa has consistently stressed that the agreements should be consistent with the objectives and process of economic integration in Africa in accordance with the Constitutive Act of the African Union and the Treaty Establishing the African Economic Community.

In their declaration ministers said “We urge our development partners to fully respect our fundamental concerns in this regard and to refrain from pursuing negotiating objectives that would adversely affect these existing programmes and process for economic integration in Africa. In this regard, we stress that the regional economic communities recognised as building blocs for the African Economic Community shall continue to pursue their economic integration programmes, seeking to achieve wider and deeper integration among the member states.

In terms of approaches for negotiations, they stuck to the view that no African country should be worse off under the new trade regime and endorsed the maintenance of duty free and quota free treatment for least developed countries.

Some of the key concerns raised covered issues of investment policy, competition policy and government procurement, where it was re-iterated that the objections raised at the World Trade Organisation, must be kept outside the ambit of Economic Partnership Agreements.

In preparations for the assessment and evaluation due this year 2006 of EPA negotiations, and the Ministers directed negotiators to ensure that it is fully undertaken and should be formal. Most importantly, the review should be all-inclusive and consultative with all stakeholders including civil society and parliamentarians and should be conducted at national, regional, continental and ACP levels.

It was stressed that inter alia, the structure, process and substance of the negotiations in the trade and development dimensions, as well as the capacity and preparedness to conclude EPAs must be covered. In particular, alternatives to EPAs should be fully explored and backed by AU and ACP Secretariat commissioned and coordinated independent prior assessments. Development benchmarks should be developed to assist the exercise and in the negotiations as a whole.

In conclusion, the Ministers expressed concern over recent proposals by some developed countries to erode the mandate or even the institutional continuance of UNCTAD in the context of the UN reform process. They reaffirmed that the UN reform process should not result in an erosion or diminution of the mandate or activities of UNCTAD. Instead, the reform process should enhance the role and activities of UNCTAD as the focal point in the UN system for the integrated treatment of trade and development and related issues. UNCTAD should continue its assistance to African countries regarding trade negotiations and development policies.

Views from the African Union

In a related exercise, perusal of the AU document “Strategic Options For The Future Role and for Strengthening The Capacity of The AUC in The Area Of Regional Economic Integration and Trade And Enhance Its Capacity To Follow Adequately The EPA Process” that Regional Economic Communities are not prepared to sign an EPA agreement in 2007, in spite of their claims to the contrary.

Even though its true that RECs such as COMESA and ECOWAS have done a lot in terms of harmonizing tariffs in anticipation of an FTA (compared to the others), their readiness to reap the most out of EPAs for the generality of their members remain suspect. Throughout the negotiations, cross-cutting sticking issues between the EC and the RECs include; harmonization of EPA timetable with RECs regional integration timetables, additionality of resources for implementation of EPAs as well as accessibility of

proposed EDF resources, the comprehensiveness of EPAs, as well as the need to fully address the development dimension of EPAs have not received adequate treatment.

In addition, it was observed that; the structure of negotiations of each REC clearly showed the absence of the AU (implying the lack of an effective institutional linkage between the AU and the four African groups negotiating EPAs). This in spite of the coordination and harmonization mandate given to the African Union Commission (AUC) at the Maputo Summit in 2003.

It was also observed that different EPA groupings are moving at different speeds, implying a lack of a continental organ harmonizing the different EPA groupings on issues of common interests. In addition, multiple memberships of various African countries in several regional integration schemes, still remains a glaring reality, which different RECs should address with the African Union as they move towards December 2007.

Even though the trade liberalization measures within the EPAs may have some positive benefits, RECs should be fully aware of their negative impacts in terms of; increased competition for ACP domestic industries, significant revenue loss for the day-to-day functioning of the ACP governments, as well as a significant erosion of current preferences of the ACP countries – as the EU lowers or abolishes its trade barriers within a multilateral framework (GATT then WTO) or grants preferences to an increasing number of new privileged trade partners.

The above concerns from the AU help us argue that EPA negotiations have not yet demonstrated that there is light at the end of the tunnel and it is prudent for those concerned to start looking elsewhere.

Globalising resistance to EPAs

It is therefore not surprising that in March 2006, CSOs from Europe, Africa Caribbean and the Pacific endorsed the scaling up of their campaign versus EPAs. From the 27-30 March 2006, organisations involved in the Stop–EPA campaign, from Africa and Europe met in Harare, Zimbabwe, at a meeting organised under the umbrella of the Africa Trade Network and deliberated on the developments since the campaign was adopted.

Noting that it has been two years since civil society organisations, social movements, and mass-membership organisations across Africa, the Caribbean, the Pacific and Europe adopted the campaign to STOP the Economic Partnership Agreements (EPAs) as currently designed and being negotiated between the European Union and ACP groups of countries it was recalled that the campaign was adopted on the grounds that in their current form, the EPAs are essentially free-trade agreements between unequal parties: Europe, with its overwhelming economic and political power, and the fragile and dependent economies of the ACP countries. In addition, the process of the negotiations is imbalanced and rushed, allowing the EU to impose its interests and agenda, and dictate the momentum of the negotiations to suit its own needs and purposes.

Two years since the adoption of the campaign, those present in Harare noted that there was wide-spread recognition among governments, inter-governmental institutions, parliamentarians, civil society actors and a diverse range of social constituencies across the ACP, Europe and the rest of the world of the dangers posed by the EPAs to the economies and peoples of the ACP countries. This has yet not led to fundamental changes in the nature of the EPAs and the process of negotiations.

Member governments of the European Union, which have publicly adopted policy positions in direct contradiction to the negotiating mandate of the EC, have not followed up with action to change that mandate. Strong unofficial reservations expressed by other member-governments continue to remain as unofficial reservations.

For its part, the European Commission has constructed new rhetoric to sell the EPAs and justify continuation of its mandate. It has encouraged false hopes of increase in European development assistance to ACP countries, and used different forms of pressure, including aid conditionality, to continue to override the reluctance of ACP groups to yield to its interests.

On the part of governments in the ACP countries, individual and collective public positions, which have effectively repudiated the EPAs in their current form, are not translated into policy and negotiating positions. Dependency on aid, and concern for the maintenance of preferences seem to have disproportionately influenced governments into accepting the ECs terms and parameters of negotiations. In some instances, secretariats of the regional groups and machineries whose role it is to facilitate the negotiations on behalf of the ACP groupings have abandoned the policy directions of national governments which make up the region, and have tended to promote the perspectives of the EC.

An immediate outcome of these developments is the negative effect of the EPA negotiations on autonomous ACP regional integration initiatives. On-going regional integration initiatives and processes have been hijacked and diverted, and many historical and political African regional configurations have been split.

Added to the above situation, the deadlock in the WTO negotiations has led to increasing pressure on bilateral and regional free trade negotiations.

All these developments affirm validity of the positions and concerns of the STOP EPA campaign, and make its demands even more urgent.

As a result, the participants reaffirmed the positions and demands of the STOP EPA campaign.

EPAs were rejected in their current form.

The main reasons being that they will:

- expand Europe's access to ACP markets for its goods, services, and investments; expose ACP producers to unfair European competition in domestic and regional markets, and increase the domination and concentration of European firms, goods and services;
- thereby lead to deeper unemployment, loss of livelihoods, food insecurity and social and gender inequity and inequality as well as undermine human and social rights;
- endanger the ongoing but fragile processes of regional integration among the ACP countries;
- and deepen - and prolong - the socio-economic decline and political fragility that characterises most ACP countries.

Some participants at the meeting demanded an overhaul and review of the EU's neo-liberal external trade policy, particularly with respect to developing countries, and insisted that EU-ACP trade cooperation should be founded on an approach that: is based on a principle of non-reciprocity, as instituted in Generalised System of Preferences and special and differential treatment in the WTO; protects ACP producers domestic and regional markets; reverses the pressure for trade and investment liberalisation; and allows the necessary policy space and supports ACP countries to pursue their own development strategies.

As we are meeting here in the context of a round table, it would be prudent for us to deliberate on some key principles this meeting put forward as it is clear that its outcomes did influence CSO perspectives of EPA negotiations and tone of engagement with governments in the course of the year.

If we are to push Governments of the ACP countries to explore alternatives, they should be told in no uncertain terms that the primary responsibility for promoting the interests and needs of the people in ACP countries and of defending them against the ravages of free trade agreements with the EU lies with the governments in the ACP countries, both in their individual and collective capacities, acting at national, regional and ACP-wide levels.

In this regard, they:

- should heed the call of their citizens over the EPAs and ensure that hopes over increased aid, and concerns about the future of preferences does not lead to sacrificing the economic and developmental future of their people;
- live up to their policy statements and positions on the EPAs and to translate these into positions in the processes of engagement over the EPA;
- reassert their policy authority on the negotiations over the regional secretariats, and to ensure that the latter do not undermine stated policy positions in the negotiations;

In addition, time has come for us to pronounce that the European Union has a responsibility to live up to its stated developmental objectives.

Member-governments of the European Union should:

- assert their authority over the EC on issues concerning ACP-EU co-operation for the promotion of sustainable development in the ACP countries;
- change the EC's negotiating mandate in relation to the EPA negotiations;
- and to this end, ensure that the EPA review mandated for this year is comprehensive, all-inclusive, transparent, and substantive and places sustainable development at the centre.

EPAs not a development tool

Elsewhere, Tendai Makwarara and Thomas Deve have reviewed EPA negotiations and concluded that EPAs in their current state are seriously flawed and are certainly not a development tool. There are many issues that should be urgently addressed. This does not mean that ACP countries should hasten to shift their positions to conform to those of the EU by the end of 2008.

There is need to open dialogue between the EU and ACP on issues on how to make EPAs more development oriented. Timelines and issues tabled for negotiations should not be taken as rigid. Both trading blocks (ACP, EU) should not act as if they are bound tightly by the WTO and that there is no flexibility to change rules and regulations. If both have the political commitment and will to ensure EPAs are development oriented, it can be done. The EU insists that it desires and suffers a conscience to see development of ACP economies through EPAs, so it must listen to the voices of the people in ACP countries on their needs and concerns about the negotiations- least people should think there are hidden agendas.

Perhaps the greatest challenge of in trying to promote a developmental EPA is in shifting the paradigm of the agreement. This paradigm should be shifted to encompass and allow genuinely cooperative and equitable national, international economic and political processes. Of course the success of any EPA should be based on the involvement of stakeholders (non-State actors)-institutionalized stakeholder participation.

A comprehensive response on EPAs from CSOs in Eastern and southern Africa shows us that the governments of the region must not rush into concluding the current phase of negotiations. The submissions made recently in response to the ESA draft text were tantamount to suggesting a radical rethink to the issue of retaining preferences that still exist with the EU. ESA governments were unequivocally asked to “**an alternative** to the Free Trade Agreement (FTA) and the proposed current text for an Economic Partnership Agreement with the EU.”

One area of concern the document touches on is the question of WTO compatibility. CSOs submit that the current ESA EPA draft text and statements from the EC confirm that the EC aims to reintroduce WTO ppus rules into the EPA negotiations including investment, competition policy and transparency in government procurement - issues that ACP countries strongly resisted at the WTO. The EU would like to negotiate stringent, far reaching and substantive liberalised rules for investment with ACP countries as part of EPAs as well as liberalisation on public procurement on the basis of non-

discrimination. Trade facilitation and trade related issues are also being introduced. Further areas also up for negotiation include services and intellectual property rights that have been contentious issues for Africa at the WTO.

The multilateral arena, where developing countries are better able to defend the interests of their populations and of the poor, is the place to negotiate an effective system of fairer trade rules between developed and developing countries. In bi-lateral agreements, between two such hugely unequal partners, both the capacity and political clout to negotiate for a good deal on a whole range of areas is substantially reduced.

In conclusion, the process of the EPA/FTA negotiations, in addition to other discussions in the Cotonou Mid Term Review indicates the need for a thorough transformation of ACP-EU relationships. The power imbalances have become excessively lopsided, rendering nonsensical any notion of a partnership or a negotiated agreement. We are now in a position where as countries, we are permanently on the defensive; the Cotonou Agreement has become a tool for the EU to bulldoze its agenda rather than a forum for North-South collaboration and solidarity. As such the Cotonou Agreement has taken on the form of a noose around our necks.

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