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on the stepping stone Economic Partnership Agreement between the European Community and its Member States, of the one part, and Central Africa, of the other part

Committee on International Trade

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General remarks

As it was not possible to conclude an agreement with the whole Central African region before the end of 2007, the European Union (EU) and Cameroon initialled a stepping stone Economic Partnership Agreement (EPA) in Yaoundé on 17 December 2007. The conclusion of this Agreement ensured that Cameroon's exports would continue to have access to the EU market and that there was no risk of any disruption of trade on 1 January 2008. The initial text was revised and amended in March 2008. The initialled final version contains various titles, in particular including the definition of objectives (Title I), development partnership (Title II) and trade (Titles III-VI).

At present, the Commission is still negotiating a parallel agreement with all the Central African states. The parties concerned have still not formally signed the interim EPA initialled by Cameroon. Consequently, the European Parliament is not yet called upon to give its assent to that agreement. Wishing, nonetheless, for Parliament to perform its role of scrutiny and early warning and to trigger a more in-depth dialogue between the European institutions and partners from the ACP states and civil society, the rapporteur drafted this working document on the stepping stone EPA with Cameroon and the EPA that may be concluded with the region as a whole.

The rapporteur emphasises that these agreements cannot be regarded as satisfactory unless they achieve three objectives: offering the ACP countries support for sustainable development, promoting their participation in world trade, and strengthening the regionalisation process. These EPAs with Cameroon and Central Africa can succeed only if they meet all three criteria. The rapporteur lays particular stress on the original *raison d'être* of these agreements, namely development, poverty reduction and contributing to the achievement of the Millennium Development Goals.

The rapporteur believes a two-pronged approach is needed to achieve these objectives:

- **protect the ACP countries** from the adverse effects of opening up their economies to European exports;
- **support the ACP countries** to ensure that they can derive real benefits from trade preferences, and support their economic and social development.

Compatibility with the WTO rules

Compliance with the WTO rules merely requires an agreement on trade in goods. In that regard, the rapporteur maintains that the Commission's deadline of 31 December 2007 should have applied only to the conclusion of agreements on trade in goods. That approach would have made it possible to avoid putting unfair pressure on the ACP countries and needlessly damaging our relations as partners. Moreover, in the further course of the discussions, the Commission must not demand negotiations on the Singapore Issues or on services if these countries are unwilling to negotiate on them.

Market access

Article XXIV of GATT refers to 'increasing freedom of trade'. The rapporteur considers that to demand 80% liberalisation by value of trade is an extreme interpretation of Article XXIV

of the GATT and does not take account of the fact that the EU is negotiating with some of the poorest countries in the world. Accordingly, he wishes to point out that five of the eight countries in the Central African region are LDCs (entitled to free access to the European market with no counter-concession required) and that six of the eight are island or landlocked countries.

As demanded by the Commission, the interim EPA with Cameroon provides for an 80% liberalisation of trade over a period of 15 years, with the first tariff reductions as early as 2010. The rapporteur believes that this massive liberalisation of trade might seriously destabilise many economic sectors, especially the most fragile ones. He points out that if that timetable were confirmed, major efforts would be required to bring the Cameroonian economy up to standard as well as massive European support.

Agriculture and sensitive products

The preferential trading system under the EPA ensures that all Cameroonian agricultural products except rice and sugar have full access to the European market. That liberalisation cannot, however, bring about the development of Cameroonian agricultural production unless production capacity is strengthened and modernised by technical and financial investment. Moreover, subsidising exports limits the possibilities of supporting local agriculture and restricts the potential for state intervention in this area. The rapporteur therefore emphasises that aside from short-term protective measures, the way to ensure food security in Cameroon and the region is to apply, right from the beginning of the agreement, a policy of long-term support for food-production farming.

The rapporteur also considers that special attention must be paid to the banana sector. Cameroon sells about 150 000 tonnes of bananas a year to the EU; the preferential conditions enjoyed by the ACP countries promote banana exports and the competitiveness of the sector compared with Latin American products. While the conclusion of the interim EPA made it possible temporarily to safeguard those preferences and avoid putting the Cameroonian banana sector at risk, the recent decisions of the WTO Appellate Body are creating a climate of uncertainty. That means that whatever the outcome of the Doha Round negotiations, it is essential for the EU to take priority action to support this sector in Cameroon and the Central African region.

Safeguard measures

The EPA makes provision for Central Africa to adopt multilateral safeguard measures in accordance with the legislative texts in force in the WTO, as well as for each party to adopt bilateral safeguard measures in the event of serious prejudice to the domestic industry, disturbances in a sector of the economy or disturbances in the markets for agricultural products. The rapporteur welcomes those measures, but points out that the instruments provided for their adoption are complex and restrictive, which may greatly limit the chances of implementing them. Moreover, those measures cannot replace the global impact assessment of the EPA, which has to be carried out two or three years after its signature and then at regular intervals. The purpose of those assessments, in which the national parliaments, the European Parliament and civil society must take part, is to determine the agreement's impact on Cameroon's economy and adjust the liberalisation timetable accordingly if it turns

out that the adverse effects are such that they cannot be offset simply by safeguard measures.

Rules of origin

Since a key objective of EPAs is to help the ACP countries to play a stronger part in world trade and to strengthen regional integration, the rapporteur emphasises that it is important to simplify and harmonise the rules of origin. Another priority is to strengthen the ACP countries' capacity so as to make it easier for them to master the new customs rules.

Financing and measures accompanying the agreement

The earlier Lomé and Cotonou agreements demonstrated that simply granting preferential access to the European market is not enough to sustain the growth of trade and development in the ACP countries. Whether EPAs succeed will depend on their capacity to mobilise sufficient financial and human resources to enable the ACP countries to derive real benefit from the trade preferences they are granted. EPAs must make it possible both to offset the losses in customs revenue and to finance the measures needed to bring the ACP countries' economies up to standard, which is a major challenge given that they are liable to suffer very large losses of customs revenue during the first years of liberalisation.

Although MEPs, members of the ACP parliaments and representatives of civil society have repeatedly called for these European resources for implementing EPAs to be additional to the appropriations already committed under the 10th EDF (2008-2013), the current provisions of the agreement show that the EDF will remain the primary source of financing for the Regional EPA Fund (FORAPE). According to the National Indicative Programme (NIP) for Cameroon, a budget of between EUR 158 million and 168 million will be allocated for trade and regional integration for the entire period, of which EUR 110 to 120 million will go to infrastructure and EUR 44 to 52 million to the EPAs and to improving competitiveness and agricultural production and export capacity. To those amounts may be added the overall amount of EUR 165 million from the Regional Indicative Programme (RIP) for that period and for the Central African region as a whole; here the priority fields of action will be, firstly, economic integration, trade and implementing the EPAs and, secondly, support for peace and security. While noting that the RIP budget was still under negotiation when this working document was drafted, the rapporteur regards these amounts as quite inadequate in terms of the major funding that will be needed.

The rapporteur also draws attention to the fact that the NIP includes a timetable for committing and paying out European funds. Given that there were serious delays in the financial implementation of earlier EDFs (especially the 8th and 9th EDFs), and aware that these funds are essential in bringing the economies of the ACP countries up to standard so that they can open their markets to European exports, the rapporteur considers that the timetable for financial commitments and outlays should be linked to the liberalisation timetable. In this regard, the EPA Committee could be instructed to check that the parties are complying with these timetables.

Moreover, the interim agreement with Cameroon provides for new instruments for administering the funding received, in particular through the creation of FORAPE. The rapporteur hopes the Commission will give it all the necessary technical, human and financial

support to pave the way for real progress at regional level.

Extension of the agreement

The rapporteur wishes to stress that the regional EPA cannot simply transpose the interim agreement with Cameroon. Indeed, Cameroon is not representative of the diversity of the eight countries in the region. They have extremely different profiles in terms of size, sectoral specialisation, development and trading status with the EU. That means the regional EPA must be negotiated separately from the interim EPA. In any case, in accordance with the undertakings repeatedly given by the Commission, when the regional agreement is negotiated, Cameroon may renegotiate any provisions of the interim EPA that it wishes to amend or reconsider.

The rapporteur also points out that the countries of the region do not all have the same priorities and needs as regards liberalisation timetables, transitional periods and lists of sensitive products. He believes regional EPAs must take those specific features and demands into account. At present, the offer made by the region of Central Africa to the Commission is to liberalise 71% of its trade over a 20-year period, with a 5-year preparatory period. The rapporteur hopes the European side will give due attention to that offer, which he considers reasonable.

The rapporteur maintains that the future EPA with Central Africa must under no circumstances endanger the cohesion or weaken the regional integration of those countries. On the contrary, it should strengthen the existing regional organisations and support regional trade integration initiatives, as regionalism is a key component of any progressive development strategy.

Moreover, the rapporteur points out that the WTO rules do not require agreement on services or the Singapore Issues. It follows that the Commission cannot use the 'rendezvous clauses' in the interim EPA to force all the countries in the region to negotiate on those subjects if they have not expressly requested to do so. In any event, the rapporteur considers that no pressure may be put on these countries to liberalise excessively or over-hastily, and that it is imperative for public services to be kept out of the framework of the negotiations.

Concluding remarks

In conclusion, the rapporteur wishes to point out that EPAs must serve as an instrument of development and must, therefore, respond to the needs expressed by the ACP countries. EPAs must, accordingly, include more forceful sections on development with a view to achieving the Millennium Goals and on promoting and strengthening fundamental social and human rights.

The rapporteur also stresses that aside from giving its assent, the European Parliament must also be kept informed on a regular basis and actively participate in the EPA negotiating process.