

## Socialist Group of the European Parliament

PES Conference on *Economic Partnership Agreements:  
Fostering Regional Integration and Development?*  
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# EPAs: fostering regional integration?

## Background speaking notes

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### EPAs and regional integration

Regional integration is a key principle of the Cotonou Partnership Agreement (CPA) and the EPAs which are directly related to the CPA. According to the European Commission (EC), regional integration is key requirement for the development of the ACP countries. The EC argues that regional integration, by creating larger markets for the ACP producers, will stimulate economic growth in the ACP and will accelerate the integration of ACP countries in the world economy. By negotiating on a regional basis EPAs, which are expected to have a wider scope than just reciprocal trade liberalisation, the ACP countries will have an opportunity to strengthen their regional integration process and create dynamic regional markets, conducive to investment and development. For the EC, this will be possible if the ACP countries and regions embrace the wide scope of the proposed EPA agenda, as trade-related issues covered in EPAs -a legal, enforceable text- will contribute to lock-in much needed economic reforms in the region.

However, many stakeholders have cautioned against this optimistic view on the relationship between EPAs and regional integration. NGOs in particular have argued that the EPA negotiating process, forcing ACP countries to affiliate themselves with only one region that will negotiate a far-reaching agreement with the EU, have jeopardised many other autonomous regional integration initiatives. They criticise the EU-led consolidation of regional groupings in the ACP in general and Africa in particular, which does not always respect the own pace and scope of integration of the regions. Moreover, several aspects of the trade liberalisation vis-à-vis the EU, as envisaged in the EPAs, will involve very complex harmonisation and coordination processes within the ACP EPA regions. For instance, it is expected that ACP countries

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will need to present a harmonised tariff system for all products at the start of the liberalisation process, which may take up to any period between 10 or 20 years, and will need to agree on a regional 'exclusion basket'. Both harmonisation processes may respectively cause a sudden fall of trade tax revenues and will limit a country's possibilities to protect sensitive sectors.

To effectively build on and strengthen regional integration, EPAs have to strike a careful balance between stimulating the creation of effective regional markets in the ACP and respecting the autonomous regional integration agenda of ACP countries. Many ACP policy makers recognize that EPA negotiations have already contributed to focus the attention and mobilise efforts of national and regional authorities on their respective regional integration processes, with an increased credibility. At the same time, EPAs should not lead to regional integration in the ACP at a forced speed, along the lines of an EU-driven vision and agenda of integration. Regional priorities, concerns and constraints have to be respected and fully taken into account in the design of an EPA. The European Parliament, among other key actors, will have an important responsibility in ensuring that the EU does not impose its regional integration model or vision on ACP countries and regions, and that EPAs fully reflect the regional priorities of the ACP.

## The EPA Review

The current CPA Art.37(4) Review of the EPA negotiations provides an opportunity to reassess and further harmonize the relationship between regional integration and EPAs, taking into account the objectives and capacity constraints of the regional groupings, as the advancement of regional integration is an aim of EPAs shared by all parties. However, for this Review to be really meaningful and facilitate the conclusion of a new trade regime between the ACP and the EU that effectively fosters the development of the ACP, it must entail comprehensive process. Indeed, the EPA Review could provide not only an opportunity to assess the progress made and difficulties encountered in each EPA region and its member countries. It can also serve to better specify the direction for a truly development-oriented new trade regime between the ACP and the EU. In that sense, the 2006 Review of EPAs may provide the right momentum to put in place a continuous monitoring mechanism of EPAs, during their negotiations and most importantly during their implementation phase. To be relevant, the review should focus not simply on the trade dimension of an EPA, but foremost on its development perspectives, including in terms of accompanying measures and possible development benchmarks. The Review may also serve to identify possible new directions or momentum. In this regard, all possible scenarios for an EPA or alternative arrangements could also be considered.<sup>1</sup>

In this respect, it is important for the Review not to be confined to a joint assessment by ACP and EU EPA negotiators, but that more stakeholders be involved, including from the private sector and civil society. Here too, the European Parliament has a major role to play.

<sup>1</sup> See CPA Article 37(6), and Bilal, S. and F. Rampa (2006), *Alternative (to) EPAs: Possible scenarios for the future ACP trade relations with the EU*, ECDPM Policy Management Report 11, February, Maastricht: European Centre for Development Policy Management. [www.ecdpm.org/pmr11](http://www.ecdpm.org/pmr11)

## Aid for Trade and assistance to EPAs

The ACP countries and regions are experiencing significant capacity constraints, which affect not only their ability to negotiate an EPA, but will also impede their ability to adequately implement an EPA and effectively take advantage of the potential benefits of an EPA. For EPAs to become instruments of development, the ACP need to engage in complementary reforms and adopt appropriate accompanying measures, address their supply side constraints and the competitiveness of their products. Closely intertwined with this challenge is the Aid for Trade (A4T) debate that has been ongoing at both the World Trade Organization (WTO) and the EPA levels. The A4T initiative recognizes the developing countries' needs for (financial) assistance 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.

Although these constraints are well acknowledged in Europe, the European Commission has so far been very reluctant to effectively engage on this issue, despite numerous formal requests from the ACP to include development support as part of the EPA negotiations. The EC instead argued that (1) the EPA negotiations as foreseen in the Cotonou Agreement were about trade and trade-related issues only, (2) development assistance is already covered by the Cotonou Agreement through the European Development Fund (EDF) and lastly (3) that the European Commission does not have the mandate from EU member states to enter negotiations or agreements on development assistance.

The European position might be shifting, however. At the General Affairs and External Relations Council (GAERC) on 17 October, the EU Member States agreed to provide bilateral funds for A4T on top of the EDF administered by the EC (which the Council agreed in June 2005 to amount to € 22.7 billion for the 2008-2013 period). A substantial share of such trade-related assistance (€ 1 billion each by the European Community and collectively by EU Member States) will be earmarked for the A4T effort to support the EPAs currently being negotiated.

However, it is unclear to which extent such resources will be in addition to all existing ongoing trade-related support provided by the EU to developing countries or simply constitute a re-packaging of existing aid commitments towards trade and regional integration objectives. In addition, delivery mechanisms and procedures need to be carefully designed to ensure the effective disbursement of funds. Indeed, given the operational weaknesses of the EDF (such as low levels of disbursement or cumbersome procedures) recognized by many observers, both inside and outside the European institutions, appropriate rules and procedures will be crucial for effective, timely and efficient delivery of A4T resources. Pressing attention needs to be dedicated to these issues, if EPA opportunities are to be translated into reality to effectively foster ACP development. The European Parliament, together with other European and ACP stakeholders, can play a catalytic role in ensuring that appropriate additional resources and effective and timely delivery mechanisms are set in place to accompany the implementation of EPAs.

For further references, see [www.ecdpm.org/trade/publications](http://www.ecdpm.org/trade/publications), [www.ecdpm.org/bilal](http://www.ecdpm.org/bilal) and [www.acp-eu-trade.org/library](http://www.acp-eu-trade.org/library)

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