

European Parliament debate on Economic Partnership Agreements

Remarks by Peter Mandelson

Strasbourg, 22 May 2007

Mr President, I regard this report as very constructive, very realistic and very welcome.

As I said earlier this year in the Committee on International Trade, Mr Sturdy's is a contribution which helps us look afresh at the challenges we face in these difficult, time-pressured talks. Yes, the Economic Partnership Agreements (EPA) negotiations have moved slowly – more slowly, frankly, than anyone could possibly justify. But at the same time we have to recognise that these agreements are new, innovative and ambitious. When change is involved, people inevitably are uncertain and, therefore, want to tread carefully. We need to balance our need to complete these negotiations on time with our need to respect others' uncertainties.

I fully agree with the starting point of the report, that appropriately designed EPAs are an opportunity to revitalise ACP-EU trading relations. In fact, I would say that they are our only real opportunity to stop the further slide of ACP (African, Caribbean and Pacific countries) trade into the commodity dependence and decreasing diversification that have typified ACP trade over the last quarter of a century. We looked for alternatives, and there is no shortage of suggestions and ideas. None provides the legally secure trade regime or links to development that EPAs do. None tackles the divisions between ACP countries in trade regimes that prevent regional markets emerging and lock countries into a North/South dependency.

So I am pleased that the report recognises the good faith and ambitious approach that we have taken. At the same time it recognises that trade is not the panacea for development. Only domestically driven policy reform built on firm foundations of good governance and an enabling environment for business and investment can secure the economic growth and development which the ACP countries seek. But I also agree that trade is critical to support and build on this reform and, in so doing, deliver inclusive growth and jobs. That is why I am determined that we will take the opportunity that EPAs present to us.

The development dimension of EPAs is in using market access, not merely granting it. It is investment finance, not merely development aid. This needs new rules fit for a globalised world, and this is why I am so keen that EPAs address issues such as competition policy, public procurement and trade facilitation. But we know our partners' limits and will work with them to phase in change and to identify regionally specific needs and solutions. No one is talking about immediate overnight change or imposing rules. But we will keep talking. To turn away in the face of challenge would be to neglect our duty to give the ACP the economic future they deserve. We want to secure sustainable development, not unsustainable poverty.

The Sturdy report calls for full duty-free, quota-free market access into Europe, and this is what we propose. The Commission's market access offer was made in April and proposes full access for all products with transitions for sugar and rice to protect the managed markets that the ACP rely on. This delivers on our promises to take the greatest commitments on market access and hand the full flexibility of WTO rules on exclusions and implementation over to the ACP themselves.

Everyone will be aware of the importance the ACP rightly attaches to additional development support in this negotiation. This is a point on which Robert Sturdy sets out some very useful proposals. Funding is important. We must help the ACP grasp the new trading opportunities that EPAs will provide. The EPAs will not fail for lack of financial assistance – that I can guarantee. As part of this, we have suggested that EPA regional funds be established by each of the negotiating regions in order to build a tailor-made instrument, in line with international standards but owned and run by the ACP with ease of use. These funds, which would also be available to channel the support of other donors, could include institutional support to ensure that the capacity to implement the EPAs is there: private sector competitiveness – from access to finance to industrial retooling, to improving SPS standards; and helping out financially in those countries which face a fiscal challenge with the lowering of tariff barriers as revenues are shifted from governments to consumers.

So our ambition is clear: to build, through EPAs, a trade and development instrument which galvanises investment flows, internal demand, private sector activity and job creation and, in so doing, builds a sustainable fiscal base for ACP governments to operate, to provide basic services and to determine their own economic future free of WTO waivers, concessions and constraints.

Let me finish on a broader political point. There has been criticism, including from Members of this Parliament, of these negotiations, and concerns, particularly from our ACP partners, about the content, in some respects, of the negotiations. But we are now making headway in these negotiations. There is a positive dynamic to the negotiations. We have the real prospect of cementing a deep partnership for development between the EU and the ACP. The consequences of failure would be highly damaging to the EU and to the goal of balanced, dynamic growth in the ACP. That is why I welcome this report and Parliament's support in delivering these agreements. I would like to express again my appreciation for the argument and the proposals and recommendations contained in it.

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This subject is nothing less than future development, alleviation of poverty and opportunities to use the advantages of the international trade system are at stake for the ACP, some of the most poverty-struck countries in the world to whom we owe an absolute obligation.

The Economic Partnership Agreements are about using trade as a lever for development. We have no intention of forcing ACP countries to make commitments against their will. We are operating with one constraint, however: EPAs need to be WTO-compliant, thus including trade-opening on both sides for trade in goods and trade in services. This of course, and I say this emphatically, does *not* mean symmetrical trade-opening between the EU and the ACP. Obviously, in market-opening towards its partners, the EU will go much beyond what ACP partners will do for the EU.

In addition, in many areas, we are ready to give serious consideration to transition periods and in some cases very long transition periods – up to 25 years – together with substantial financial aid to help these countries implement their commitments so that EPAs genuinely act as a catalyst for policy reforms in ACP countries.

Concerning market access, recently the General Affairs Council of our Member States reaffirmed the principle of duty-free, quota-free, access to the ACP but with transition periods for

a few sensitive products, notably rice and sugar. The same principle applies on bananas but we agreed on additional evaluation, notably to take into account the EU's outermost regions, and that will happen.

Specifically, in response to what Mr van den Berg said, we are jointly building with ACP regions asymmetric market access schedules which allow continued protection for ACP-sensitive sectors. Our duty-free, quota-free offer gives great scope to protect the ACP and to open their markets in a deeply asymmetric manner. In addition, flexible safeguards will be in place so that we can take action quickly if problems arise. However, a conditional market access schedule would once again put our trading arrangements in a vulnerable position in the WTO, creating further uncertainty for ACP traders and investors. Introducing such a conditional approach would therefore not be wise from the point of view of the interests of the ACP countries themselves.

Some Members have talked about alternatives to EPAs. I can say without any hesitation or qualification whatsoever: there are no better development-friendly or superior development instruments available to us that would exceed the ambition and the potential that Economic Partnership Agreements offer. To offer GSP as some have suggested, when instead we could negotiate good Economic Partnership Agreements, would indeed be nonsense. ACP countries that are not LDCs (Least Developed Countries) would end up with worse market access to the European Union than almost any other developing countries in the world.

Yes, some then go on to propose GSP+ (Generalised System of Preferences) as an alternative, by relaxing entry criteria to GSP+ and expanding its coverage. This again is completely unacceptable. GSP+ continues the divisions in trade regime between LDCs and non-LDCs that EPAs are seeking to remove and does not promote the use of market access in the way that EPAs do. The GSP is open to all countries and many would simply take advantage of relaxed GSP+ criteria, exposing the ACP to direct competition while fundamentally undermining the purpose of GSP+, which is using trade preferences to promote signature of accords on human rights and good working practices. So I hope that people will not pursue or entertain the idea of GSP or GSP+ being an acceptable and/or superior alternative to EPAs.

The best development option by far is to sign EPAs on time. Any alternative falls short of this. We cannot simply flout WTO rules on the goods trade section of EPAs. If it becomes clear that for any region we are really not going to make it, LDCs get Everything but Arms; for non-LDCs that export bananas in particular, the waiver route is probably not politically viable at all. For others, things depend on progress in negotiations.

I would like to conclude by saying that, in contrast to some of those who have spoken here in Parliament this morning, I find the approach of the ACP countries shows considerable realism and understanding of what it is in the ACP's interests to do. The ACP countries have voluntarily agreed the route map that we are following in negotiating these agreements. It is certainly not in the interests of the ACP for those who present themselves as friends of the ACP to peddle a doomsday scenario, to generate fears and insecurity which can only hold the ACP back from engaging in the negotiations which it is so much in their interest to conclude by the end of the year.