

Trade Negotiations Insights

From Doha to Cotonou

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In This Issue

WTO negotiations leading up to the Hong Kong Ministerial in December 2005 could impact the Economic Partnership

Agreements when they come into effect on 1 January 2008. The first article analyses some of the challenges facing ACP in those talks. The second article presents some conclusions from a UN Economic Commission for Africa study that quantified the likely economic and social aspects impacts of trade liberalization in EPAs on African countries. The main conclusions are that full reciprocity will be very costly for Africa, in terms of revenue losses, adjustment costs associated with de-industrialization, and it may potentially undermine the deepening of the regional integration processes.

The usual EPA Negotiations Update highlights the outcome of key meetings between the ACP and the EU.

WTO Negotiations in the Lead-Up to Hong Kong: ACP Priorities & Challenges

ICTSD

In accordance with the Cotonou Agreement, the Economic Partnership Agreements (EPAs) under negotiation between African, Caribbean and Pacific (ACP) countries and the EU must be compatible with WTO rules. Current talks on WTO rules in the Doha Round, therefore, could have considerable impact on the EPA negotiations. This article analyses seven key negotiating areas from the perspective of ACP countries, outlining their priorities, the challenges they face, and the likely outcomes.

Agriculture

Despite intense negotiations in July, WTO Members failed to achieve an outcome on agriculture. Negotiators now have just a few months to arrive at an agreement on agriculture modalities (formulae, percentages and timeframes for tariff and subsidy cuts) before the Hong Kong Ministerial.

Will the ACP be heard?

The agriculture talks are being complemented by high-level negotiations among key players. In mid-September, the EU and the US held a bilateral meeting. This was followed by a meeting of the “Five Interested Parties” (the FIPs group) consisting of the EU, the US, Brazil, India and Australia. Occasionally, this group is expanded into a FIPs-plus configuration. Although Benin – one of the proponents of the Cotton Initiative which advocates the phasing-out of subsidies to developed country cotton producers – has been included in the FIPs-plus meetings, generally ACP countries remain unrepresented at high-level political negotiations.

On market access, ACP countries have called for the tariff ceilings agreed in the Uruguay Round under special and differential treatment (S&DT) to be given

special consideration in negotiations, as opposed to being automatically slated for steep reduction. They have also sided with the G-10 and the EU in opposing tariff caps aimed at reducing tariff peaks.¹

ACP countries support the effective formulation of ‘Special Products’ (SPs) earmarked for lower tariff cuts in developing countries and a ‘Special Safeguard Mechanism’ (SSM) to protect against import surges. They are also pushing for the designation of ‘Sensitive Products’ in both developing and developed countries, as the retention of higher tariffs on developed country Sensitive Products would benefit developing countries enjoying pre-ferential market access in these products, protecting them against preference erosion. In addition, the ACP proponents of the Cotton Initiative have stressed that for them to regard the outcome of Hong Kong as successful there must be a deliverable on cotton.

Non-agricultural Market Access (NAMA)

The NAMA negotiations are based on Annex B of the 2004 “July Package”,² which specifies that discussions should focus on five key elements: the formula to be used for tariff reductions, binding tariffs, non-tariff barriers, sectoral approaches and development.



In the run-up to the Hong Kong Ministerial, reaching agreement on the tariff reduction formula is the highest priority.

The “July Package” specified that tariff reductions on industrial products should be based on a non-linear formula applied to bound tariffs on a line-by-line basis. For unbound tariffs, the base for reduction should be equal to two times the applied “most-favoured nation” (MFN) tariff. It also reaffirmed that all specific volume-based duties be converted to ‘ad valorem equivalents’ (AVEs), that is tariffs expressed as a percentage of the good’s value, before the formula is applied.

Where is the ACP’s interest?

ACP countries would like NAMA negotiations to facilitate their development processes and take into account any preference erosion that might arise from the reduction of general MFN tariffs. Potential negative impacts include declining government revenues and an inability to exploit increased market access due to supply-side constraints such as poor infrastructure, weak institutional and policy frame-works, and low labour productivity.

Of the seven proposals presented in the NAMA negotiating group, one was tabled by a group of four Caribbean ACP Members – Antigua & Barbuda, Barbados, Jamaica, and Trinidad & Tobago. Their submission proposed a new tariff reduction formula for developing countries that would not only incorporate the national average bound tariff, but also “other relevant factors that are important for development and for developing countries.”

WTO Members are not expected to agree on NAMA modalities until the agricultural modalities have been decided. Apart from the formula, a positive result in Hong Kong for ACP countries would include agreement on a methodology for binding unbound tariff lines, progress on how development concerns will be integrated into the negotiating process and its outcome, and on non-tariff barriers.

Regional Trade Agreements (RTAs)

ACP countries and the EU have already acknowledged the need for asymmetrical liberalisation in the EPAs in favour of ACP countries. Accordingly, ACP countries have to ensure that the negotiated outcome of GATT Article XXIV in the Doha rules negotiations on RTAs responds to the EPAs’ development objectives. They must also make sure that it guarantees the legal certainty of any S&DT obtained in the EPAs.

Moreover, as the EPAs are meant to be reciprocal agreements, they will have to satisfy the rules on free trade areas in GATT Article XXIV. Paragraph 8 (b) requires that tariffs and “other restrictive regulations of commerce” (ORRCs) on “substantially all the trade” between parties to a free trade area be eliminated. Although the EPAs will have to meet this requirement, there is no agreement in the WTO on the scope of these systemic issues.

ACP’s stance in the RTA negotiations

In April 2004, ACP countries submitted a proposal calling for the rules to be reformed so that RTAs between developed and developing countries take account of S&DT. In particular, they want to incorporate S&DT into the “substantially all the trade” requirement in terms of duties and ORRCs.

In addition, ACP countries have called for an extension of the 10-year rule for the transitional period in implementation of RTAs, as well as proposing S&DT in transparency requirements involving notification and review by the Committee on RTAs. The proposal was considered in the Negotiating Group on Rules (on RTAs). While WTO Members raised questions and comments, however, there is as yet no consensus on this issue.

The EU subsequently submitted a paper in May 2005 on Article XXIV in which it called for the RTA negotiations to work to achieve rules “that support the developmental impacts of RTAs.” While the paper identified some of the systemic issues raised in the ACP proposal and acknowledged the need to take S&DT principles into account, it did not offer any concrete suggestions on implementation.³

Very few ACP delegates attended the meeting where the EU’s proposal was discussed. Sometrade experts have therefore questioned the ACP’s readiness to defend its interests in negotiations on regional trade agreements. While it is too early to say what will happen at Hong Kong on the Article XXIV issue, ongoing negotiations are focused on systemic and transparency issues, with discussion on transparency more advanced.

Trade Related Intellectual Property Rights

Public health and biodiversity/traditional knowledge form the main negotiating areas of intellectual property rights of importance to

developing countries. The African Group and several other developing countries have tried to move discussions forward with several submissions to the TRIPS Council, but progress remains slow.

The African Group made a submission in 2003, requesting that patent protection of plants, animals, and micro-organisms be revoked from TRIPS. The debate has since evolved with proposals by a group of developing countries led by Brazil and India, and including Cuba and the Dominican Republic, to require patent applications to disclose the source and country of origin of genetic resources and/or traditional knowledge used in an invention, and to show evidence of prior informed consent and benefit-sharing. In the lead-up to Hong Kong, Members will continue to debate whether such requirements would impose excessive burdens on the patent system, as suggested by the US.

In its more recent submissions to the TRIPS Council, the African Group has focused on the pressing issue of public health. So far, no agreement has been reached on how to convert the temporary waiver granted in the 30th August Decision into a permanent amendment to TRIPS. The waiver makes it easier for poorer countries to import cheap generic medicines under compulsory licensing schemes, provided that these countries are unable to produce the generic medicines themselves. It seems unlikely that a solution will emerge before Hong Kong.

Special and Differential Treatment

Despite marathon negotiations at the end of July 2005, WTO Members were unable to meet the July 2005 deadline for the review of agreement-specific proposals on S&DT. Members did not agree on adopting any recommendations on agreement-specific proposals – which include some 88 texts that attempt to make S&DT provisions in the WTO Agreements more “precise, effective and operational” as per the Doha Ministerial Declaration.

The stalemate in negotiations since Cancun centres on the question of how to address and prioritise agreement-specific proposals and so-called “cross-cutting issues” that relate to systemic aspects of developing country treatment in the WTO. In May 2005, after months of negotiations, Members decided to focus on agreement-specific proposals and to address five proposals submitted

by least-developed countries (LDCs) first. Since the dead-lock in July 2005, LDCs have asked for some time to reconsider their proposals, meet bilaterally with countries that have expressed concerns, and reword their proposals to better address their needs. As of September 2005, Members were preparing to look at proposals from the African Group and, eventually, the rest of the proposals.

In the Committee on Trade and Development Dedicated Session (CTD-DS), on the other hand, Members struggled to address the needs of small and vulnerable economies. The Doha Declaration mandate to “frame responses to the trade-related issues identified for the fuller integration of small vulnerable economies into the multilateral trading system” has proven difficult given the Declaration’s caveat to “not create a sub-category of WTO Members.”

The proponents of the small economies workplan – including 14 ACP countries – have tabled a proposal outlining some 17 characteristics and problems that would enable Members to understand the structural handicaps that prevent small economies from reaping the full benefit of the multilateral trading system, as well as another to jump-start negotiations on solutions to problems. This proposal was followed by a press release which stated that the proponents intend to advocate for their interests in the CTD and in other relevant negotiating groups such as NAMA, Agriculture and in the Negotiating Group on Rules on fisheries.

Looking towards Kong Hong, recent talks continue to underline the limited negotiating capacity of most developing countries and the challenges they face in getting concrete S&DT outcomes.

Trade Facilitation

Trade facilitation is one of the few areas where negotiations are progressing. A flurry of proposals have been submitted in recent months, due in part to the realisation by developing and developed countries that benefits can accrue to all countries if the relevant GATT 1994 provisions on trade facilitation are clarified and improved as called for in paragraph 27 of the Doha Ministerial Declaration. The other move that has reportedly encouraged developing country greater engagement is the language agreed in Annex D of the 2004 ‘July Package’ which contains an unprecedented series of caveats on S&DT for

developing and LDC countries. For example, it ties their obligations in any final agreement to their capacity to implement them.

ACP Proposal on Trade Facilitation

Within the Negotiating Group on Trade Facilitation, some African ACP countries have prioritised the issues of technical assistance and capacity-building, for both during and after negotiations. In addition to technical assistance, they have stated in a proposal that the right to select and exercise policy flexibility granted in favour of developing and LDC countries must remain intact.

For ACP countries, despite the intense activity in trade facilitation negotiations, the Hong Kong Ministerial might not result in a substantive outcome, but mark instead an important juncture at which to take stock and appraise the challenges ahead.

Services

The July 2005 report of the Chair of Council for Trade in Services (CTS) to the Trade Negotiation Council (TNC) described the quality of initial and revised offers on services as unsatisfactory. In response, some developed WTO Member countries submitted autumn proposals seeking to establish ‘benchmarks’ for services liberalisation. The benchmarks provide for both quantitative and qualitative targets, including a minimum number of services sector and sub-sectors that must be committed by Members, as well as deeper commitments in certain sectors and sub-sectors for Members who comprise a “critical mass” of total global trade in these services activities.

These proposals have elicited grave concern among many developing countries, including ACP countries. The number of sectors that developing countries might be required to commit could, for instance, result in ACP countries having to undertake commitments in sectors in which they have not sufficiently assessed the effects of liberalisation, or implemented the required regulatory reform, or are not prepared to bind in the present round of negotiations. Even LDCs, which have not been expected to table offers, may have to bind some sectors under certain ‘benchmark’ proposals.

Beyond the practical outcomes, the systemic implications underpinning these proposals are a concern shared by ACP countries along with other developing country WTO Members.

First of all, they seem to assume that, collectively, Members have a high level of ambition for the services talk, which should translate into a minimum number of commitments similar to those expected to result from agriculture and NAMA.

This, according to many developing countries, subverts the built-in S&DT stipulated under Article XIX of the General Agreement on Trade in Services, which provides flexibility for developing countries when making commitments, in line with their development situation.

The proposals, if implemented, would also alter the negotiating modality agreed upon by Members in the CTS in March 2001 and affirmed by ministers in the Doha Declaration. Under the proposals, the request-and-offer approach to negotiating commitments would be supplemented by multilateral benchmarks.

While proponents of ‘benchmarks’ will try to obtain agreement on these proposals from Geneva-based trade negotiators at the CTS, it is anticipated that they will save their major push for the more politicised negotiations between ministers in Hong Kong. ACP ministerial delegates will thus need to be sufficiently sensitised to the ‘benchmark’ issue if they are to protect their interests.

Conclusion

The current state of play across the key WTO negotiating areas suggest that ACP countries face a number of serious challenges as the Hong Kong Ministerial Conference draws near. If the Doha Round is to treat development concerns as more than just technical assistance and capacity-building, ACP countries must seize the opportunity to push S&DT issues to the fore across all negotiating areas.

Endnotes

¹ See www.wto.org/english/tratop_e/dda_e/dda_e.htm for a summary of WTO negotiating groups.

² See www.wto.org/english/tratop_e/dda_e/dda_package_july04_e.htm.

³ See B. Onguglo and T. Ito (2005), “In Defence of the ACP Submission on Special and Differential Treatment in GATT Article XXIV”, forthcoming ECDPM Discussion Paper, www.ecdpm.org.

The Economic and Welfare Impacts of the EU–Africa Economic Partnership Agreements

UNECA*

The Cotonou Partnership Agreement (CPA) envisages the signing of Economic Partnership Agreements (EPAs) by December 2007 between the European Union (EU) and the African, Caribbean and Pacific (ACP) countries. The key CPA principles are reciprocity, differentiation, deeper regional integration, and coordination of trade and aid. However, any benefits that EPAs are expected to generate for ACP countries are unlikely to be spontaneous or instantaneous.

Moreover, the implementation of EPAs will impose severe challenges on ACP countries, such as: how to manage the expected losses of fiscal revenue in some ACP countries; how to cope with increased competition expected to arise from reciprocal trade; how to ascertain net benefits from the EPAs, especially in least developed countries (LDCs) that already benefit from the non-reciprocal “Everything-But-Arms” (EBA) provisions; how to deal with limited negotiating capacity, because EPAs negotiations will stretch the already limited resources in ACP countries; and how to ensure consistency between the EPAs and Doha Work Programme (DWP) negotiations. In particular, how to improve market access for agricultural and non-agricultural products that continue to pose difficulties in trade negotiations at the multilateral level.

The Trade Related Aspects of EPAs

This article highlights some conclusions from an Economic Commission for Africa (ECA) study that quantified the economic and social impacts of the trade liberalization aspects of the proposed EPAs.² More precisely, the study sought to provide a quantitative assessment of the likely implications of establishing Free Trade Areas (FTAs) between the EU and the various African Regional Economic Communities (RECs).

The empirical analysis focused on the trade liberalization component of the EPAs. The following questions were addressed. First, what impact will EPAs that include the reciprocity principle have on African countries’ Gross Domestic Product (GDP), employment, and other macro-economic aggregates? Second, what sectors in Africa are most likely to lose or to gain in the EPA? Third, based on the empirical evidence on the industry structure likely to result under EPAs, would application of the EPAs asymmetry principle provide sufficient lead-time for the nascent manufacturing sectors in African economies? Fourth,

what are the welfare implications for African countries from the EPAs? Fifth, how will the formation of EPAs affect trade expansion through trade creation and trade diversion? Sixth, what are the potential fiscal implications of EPAs?

Methodological Approaches to Analyse EPAs’ Potential Impacts

To analyse the potential impacts of EPAs, the study examined the implications of trade policy instruments on the production structure in economies at the national and global level. Trade policy instruments, such as tariffs and quotas, affect the relative prices of commodities. As the mix of goods and services produced change, the demands for factors of production also change. Consequently, in any given economy, a change in trade policy would likely affect more than one sector. Due to the linkages in a particular economy, the result is always one of mixed sectoral outputs change. This affects the relative mix of the different factors of production in the different sectors.

The country-level effects on output mix and demand for factors of production can, in the context of international trade, be extended to the global economy. Changes in relative prices of outputs and inputs resulting in a country’s change in trade policy are transmitted to the industries and input markets of other economies with which that country trades. Since, the EPAs will potentially have these impacts, the general equilibrium methodology was chosen as the most appropriate analytical framework to capture the inter- and intra-sectoral changes in output mix and, by extension, the demand for different factors of production.

In this respect, the study utilised the Global Trade Analysis Project (GTAP) model and database to investigate the potential implications of EPAs on sub-Saharan Africa (SSA). However, this model only allowed the assessment of EPAs at the continental level through a

hypothetical SSA-EU EPA, due to data limitations, as most African countries are not individually represented in the GTAP database.

It was necessary to look for an alternative methodology to make country level analysis. The partial equilibrium model, World Integrated Trade Solution (WITS/SMART), was thus adopted, in spite of its weakness of ignoring sectoral and regional feedbacks when trade policy instruments are changed in all or a given sector in a country. The underlying theory behind this analytical tool is the standard partial equilibrium framework that considers dynamic effects constant. Like any partial equilibrium model, it has strong assumptions allowing the trade policy analysis to be undertaken one country at a time. In spite of this weakness, WITS/SMART helped to estimate trade creation, diversion, welfare and revenue effects for countries where data is available.

The Empirical Scenarios

In the case of the general equilibrium results, it was necessary to reflect a realistic benchmark for EPAs given that they are expected to come into force on 1 January 2008. By this date, other events would have occurred with implications for the international trade landscape and therefore likely to affect how EPAs impact on the economies and welfare of SSA.

These include: the enlargement of the EU; the implementation of the Agreement on Textiles and Clothing as part of the Multi Fibre Agreement (MFA) phase out; the implementation of the Uruguay Round Agreement on domestic support and export subsidies; the full accession of China to the WTO; and the conclusion of the Doha Development Round. It is unclear how the Doha Round outcome will impact on the EPAs. Therefore, unlike the four other events, it has not been built into the baseline of the EPAs as yet.

With the baseline in place, three scenarios were designed to ascertain some of the likely impacts of the EPAs on the SSA economies. The first scenario looked at full reciprocity by SSA countries to EU without addressing the sensitivities of some EU sectors. Essentially, the tariffs faced by the EU in Africa were equated to the low tariffs that SSA products face in the EU market.

The second scenario assumed that the EU would be benevolent in accepting EPAs that front-load dismantling trade barriers within SSA in line with the principle of deepening regional integration in Africa. This scenario was motivated by the desire to assume a market size within the SSA region that would support the development of competitive industries driven by economies of scale. The third scenario considered the ultimate goal of the EPAs, the establishment of a free trade area between the EU and SSA. This assumed full trade liberalization between the EU and SSA and the opening of sensitive markets in the EU and vice-versa.

Only one simulation was undertaken for each country in the partial equilibrium analysis, which looked only at the reciprocity principle. The scenario indicated the possible outcomes of reducing to zero the import duties that SSA countries impose on EU goods. The substitutability of the EU goods for domestic goods was implicitly assumed. It is also assumed that the supply response to the price reduction will allow EU exporters to meet any demand arising in the

importing countries due to price reduction.

The Main Findings

The main conclusions drawn from the results and the discussion are that full reciprocity will be very costly for Africa, in terms of revenue losses, adjustment costs associated with de-industrialization, and its undermining effect of regional integration.³ Of major concern was the finding that even though the principle of full reciprocity appears to be trade expanding globally (singularly in favour of EU), it will have serious implications for the deepening of regional integration in Africa.

The benefits from regional integration efforts in Africa achieved so far are likely to be stymied by the EPAs, since a significant portion of the trade gained by the EU will be due to trade diversion not only from the rest of the world but also from within the EPA groupings. Indeed, unless there are clear mitigating measures, EPAs could seriously undermine the gains that have been achieved in the integration process on the continent. A focus on deepening integration with a view to enhancing intra-African trade would provide positive results.

The scenario for unrestricted market access for Africa, which deals effectively with barriers associated with sensitive European products, portends the largest gain for the continent. Even with reciprocity, a free trade area that does not exclude sectors of export interest to Africa, and one that deals with non-tariff barriers, promises positive results for African countries.

Based on the magnitudes and direction of impacts under the three scenarios, the overarching conclusion from the findings is that sequencing of policy reforms by Africa is critical to the success of EPAs. To begin with, EPAs should focus on deepening intra-African trade. This should be given sufficient lead-time to allow African countries to build the requisite competitiveness. This would have to be accompanied by developmental programmes to complement the larger markets with increased supply and diversified capacities.

Any tariff dismantlement by African countries will need to be implemented in phases, hand in hand with unrestricted market access for African exports into the EU market. Clearly, the 10-12 years under GATT Article XXIV is only sufficient for the deepening of the intra-

African trade. The EPAs should look seek more than 12 years for introducing reciprocity. Unrestricted market access and deeper African integration will have provided sufficient room for the establishment of supply capacities and exports diversity on the continent.

The adjustment costs at the country level and the dangers to the regional integration processes in the continent also emerged as potential challenges for EPAs. Two consistent stories underpin these concerns. The first is that the EU stands to gain significantly in terms of expanded trade into RECs markets. While part of this trade expansion will result from trade creation, which is welfare improving, significant proportions will be due to trade diversion from the rest of the world and from within the REC EPA grouping. Africa must therefore hasten regional integration processes to build and consolidate supply capacity before opening up to EU.

The second consistent result, at the country and regional levels, is the potential adjustment costs that the African countries will have to bear as a result of revenue shortfalls. Given the prominence of the EU imports into these countries and the reliance of majority of African countries on tariff revenues, the tariff dismantlement will result in all cases in significant revenue shortfalls. It is only in the SACU countries where tariff losses appear limited, and even then, the revenues sharing formula within SACU is likely to ameliorate any shocks from the EPAs in those countries. The major challenge that these revenue shortfalls will pose is the adjustment costs associated with tax policy and administration reforms. The EPAs, if no appropriate measures are put in place to forestall the macroeconomic imbalances that are likely to result from the falling revenues, will have the possibility of undermining the developmental objectives of the African countries.

Endnotes

*Stephen Karingi, Rémi Lang, Nassim Oulmane, Romain Perez, Mustapha Sadni and Hakim Ben Hammouda, United Nations Economic Commission for Africa.

¹ Karingi, et al. (2005), *Economic and Welfare Impacts of the EU-Africa Economic Partnership Agreements*, available at www.uneca.org/trid.

² See Karingi, et al. (2005), where all the empirical results are presented, both for the general and partial equilibrium analysis.

ACP African Groups & Revenue Shortfall (US Thousands \$)

ESA		ECOWAS	
Burundi	-7,665	Ghana	-193,683
DRC	-24,692	Burkina Faso	-22,004
Ethiopia	-55,126	Benin	-39,523
Eritrea	-7,385	Cote d'Ivoire	-112,237
Djibouti	-37,523	Guinée-Bissau	-1,990
Kenya	-107,281	Senegal	-80,203
Madagascar	-7,712	Niger	-20,487
Malawi	-7,090	Nigeria	-42,690
Mauritius	-7,118	Mauritania	-14,573
Rwanda	-5,623	Mali	-33,142
Seychelles	-24,897	Togo	-35,472
Zimbabwe	-18,431		
Sudan	-73,197		
Uganda	-9,458		
Zambia	-15,844		
SADC		CEMAC	
Angola	-103,255	Cameroon	-14,9256
Botswana	-5,233	Congo	-75,104
Lesotho	-256	Gabon	-74,302
Mozambique	-7,640	Eq. Guinea	-33,914
Namibia	-3,832	Cent. Af. Rep.	-5,845
Swaziland	-811	Chad	-26,677
Tanzania	-32,491		

Source: Karingi, et al.

EPA Negotiations Update

Melissa Julian, ECDPM

ACP Go Public With EPA Concerns

The ACP group expressed publicly, for the first time, its concerns with regard to progress in the Economic Partnership Agreement (EPA) negotiations during a hearing in the European Parliament's International Trade Committee in September. The ACP had already adopted a key EPA declaration critical of the process ahead of the June ACP-EU Council, but this was in the context of negotiations and not officially in the public domain.¹

The ACP Committee of Ambassadors' Trade Committee Chairman, Namibian Ambassador Katjavivi, who led the delegation of ACP Ambassadors to the meeting, informed parliamentarians that there has been little progress in addressing fundamental issues of concern to the ACP in a number of areas, related in particular to the development dimension and regional integration priorities in negotiations with the EC to date. The Ambassadors noted, however, that several EU Member States, including the United Kingdom, seem to understand ACP concerns about the need for more developmental support to address supply side needs and to provide sufficient transition periods for liberalisation.²

West Africa

The 4th meeting of the EC-West Africa Technical Negotiating Group (TNG) on TBT and SPS, held in Brussels at the end of July, agreed the draft report on the policies and objectives on TBT and SPS to be inserted in the overall EPA framework report to be adopted this autumn. The TNG also adopted recommendations, which were transmitted to the Regional Preparatory Task Force (RPTF) for implementation. These included, inter alia, a recommendation to evaluate the region's needs in terms of creating or reinforcing laboratories for quality control and to create or strengthen the legislative framework in priority sectors.

At the first meeting of the joint TNG on Investment and Services in July, participants agreed to ask the RPTF to commission a study to ascertain the status quo and obstacles to trade in services in the region, how to increase competitiveness, and how this could be addressed in the EPA negotiations. The EC also made a presentation in which it

outlined its vision of how investment should be treated in the negotiations.

The EC indicated its preparedness to assist in the establishment of a regional policy framework to promote investment in West Africa, and its willingness to be flexible in EPA negotiations and to discuss supply side support issues in the RPTF. The EC proposed to hold an experts meeting on this issue ahead of the chief negotiators meeting to be held in October, but West Africa declined the offer as it is currently in the process of establishing a regional policy framework in this area.

At the first meeting of the TNG on Intellectual Property Rights (IPR), also in July, participants agreed to meet again to discuss the state of regional IPR policies after region wide discussions with the relevant bodies responsible for IPR and a regional seminar to be held on this issue. The EC also presented a document to the meeting on competition policy stressing the important role played by competition rules in promoting investment and development and arguing for a West Africa policy in this area. For the same reasons as stated above in relation to investment issues, West Africa declined the EC offer to discuss this issue further.

There was also a joint EU – West Africa discussion in July on proposals from West Africa on the terms of reference (TOR) for a TNG on the question of improving the competitiveness of West African production sectors. The TOR foresees the group focussing on potential production sectors, ways to increase competitiveness, addressing the current challenges and opportunities of EPAs and their potential impact on investments. West Africa wants to include a section on competitiveness in the EPA framework report and desires an EC commitment to provide the necessary support.

The EC agreed on the importance of examining the impact of EPAs on West African economies and that there can be sectoral analysis for products within the EPA negotiating framework, but maintains that discussions on capacity building support for increasing competitiveness are for the RPTF. The EC proposed to update the TOR document with the available EC instruments to assist the regional integration process.

The West African Ministerial Monitoring Committee on the EPA negotiations met in Dakar on 16 July preceded by a meeting of technical experts. Ministers expressed dissatisfaction with the way in which the development dimension was being dealt with in the negotiations with some even evoking the possibility of pulling out of negotiations if the EC does not deliver on these issues. Ministers reiterated that a clearer engagement from the EC is needed to provide the necessary support to build supply capacities to increase competitiveness and address potential negative impacts of liberalisation if Member States are to benefit from trade liberalisation. Ministers also urged the EC to support the ACP Group's submission to the WTO, which seeks to give greater flexibility to Article XXIV of the General Agreement on Trade on Tariff ("GATT").

Central Africa

Since our last update there is no official meetings to report on; preparations are continuing at the regional level.

East and Southern Africa Region (ESA)

An ESA Dedicated Session on Agriculture and Market Access was held on 22-23 August in Nairobi to refine negotiating positions in development, Market Access, Agriculture and Marine Fisheries. The meeting stressed that in Agriculture and Market Access it will be necessary to determine and formulate positions that link the trade and development elements, since obtaining market access without the capacity to produce and supply is meaningless. In addition, market opening by ESA countries to EU products will require adjustment support and restructuring of ESA economies. This means that Market Access provisions will need to be accompanied by development considerations if the EPA package is to be beneficial to ESA countries. They also indicated that EPA negotiations on agriculture should consider the developments of the Doha Agenda and the impact of the CAP reform on ESA countries.

The ESA Regional Negotiating Forum (RNF) met on 1-3 August in Seychelles to consider negotiating positions on the various issues to prepare for negotiations with the EC. ESA countries discussed the draft outline structure of the ESA

offer to the EU, which includes specific proposals to the EC on the costs of implementing EPAs and the removal of supply-side constraints based on an analysis of the effects of EPA tariff reduction on revenues and the competitiveness of domestic industries. The meeting, *inter alia*, reiterated various elements for inclusion, such as supply-side constraints, debt relief (including domestic debt), technology transfer, the CAP reform, budgetary support for loss of revenue and intellectual property rights.

The meeting emphasised that the main objective of the negotiations should be the provision by the EU of resources for the ESA countries' development, and that ESA countries should take advantage of the political commitments by the EU in the United Nations and other international fora.

Development benchmarks should also be included in the ESA strategy on the development dimension of EPAs. At the time of the RNF meeting there had been no ESA dedicated session on Market Access- the principal issues are tariffs, rules of origin and safeguards. The linkage between this cluster, Agriculture and Fisheries, and development were stressed, as well as the need for a co-ordinated approach in the negotiations.

Southern African Development Community (SADC)

At their meeting on 5 July, SADC Trade Ministers agreed on the issues to be included in the EPA: development dimensions and regional integration; Sanitary and Phytosanitary measures and Technical Barriers to Trade; Market Access (Agriculture, Fisheries and non-agricultural goods); Rules of Origin; Trade Facilitation and Customs Cooperation; Trade Remedies including Safeguards, Anti-dumping and Counter-vailing Measures; Trade Related Intellectual Property Rights; Trade in Services; other legal Provisions including national security clause and dispute settlement; and institutional arrangements and implementation modalities.

The focus of the SADC-EC EPA negotiations has been to identify means of cooperation between SADC and the EC to address SPS and TBT problems affecting both intra and extra SADC trade.³ Technical assistance and effective information exchange particularly on the changes relating to the EU legislation affecting key SADC exports,

are seen as important to addressing SADC needs in relation to SPS and TBT. SADC is also calling for longer implementation timeframes to adjust and develop their capacity to meet the constantly changing, complex and costly EC regulations.

The need to re-enforce efforts towards SADC regional integration is also highlighted as one of the critical areas for the EPA negotiations. A Joint Factual Document, which outlines the status and the core areas of SADC regional integration, is being developed.

Caribbean Region

The Caribbean Heads of Government Meeting from 3-6 July considered a report on EPA negotiations. The CRNM report to the meeting underlined the gap between the EC's public stance that EPAs are a tool for development and its position in negotiations. They also noted that the EC views development as merely addressing demand side issues and creating the right policy framework for liberalization. However, they were of the view that such a narrow notion of development ignores structural problems that lead to supply side constraints and market failure.

Pacific Region

In July, August and September, the Pacific ACP (PACP) region held several technical and senior officials meetings on a range of issues. In addition, the first Joint PACP-EC Negotiating Group Meeting was held in Fiji on 29-30 July.⁴ The two sides exchanged views on: principles and objectives of the EPA; EPA architecture; a Multilateral Fisheries Partnership Agreement; an Investment Promotion and Protection Plus Agreement; and a Tourism Partnership Agreement.

There was a useful discussion of the need for flexibility in addressing the special needs of the Pacific Islands. The Pacific region is unique in the ACP due to its remoteness, large distances between islands, extremely small economies and very limited trade with the EU. They trade mainly with Australia, New Zealand and the US. The EC also has relatively little economic and political interest in the region.

There was agreement on the need to build meaningful flexibility into an EPA that reflects the particular circumstances of the region. Specifically, the Pacific proposed subsidiary agreements to cover trade in goods, trade in services including

tourism, investment and fisheries. The EC is inclined towards a single agreement with annexes for specific areas.

Technical Working Groups (TWGs) on specific sectors/issues were established for Trade in Goods, Agriculture, Forestry, Mining, Biodiversity, and Clean Development Mechanism; Trade in Services including Tourism; Investment and Financial Instruments; Fisheries and on Legal, Institutional and Capacity Building Issues.

See www.acp-eu-trade.org for more EPA News and Events (updated weekly).

Endnotes

¹ www.epawatch.net/general/text.php?itemID=295&menuID=25.

² www.dti.gov.uk/ewt/epas.pdf.

³ Most information for this update is taken from the SADC website available at: www.sadc.int/index.php?action=a2001&news_id=478&language_id=1

⁴ www.forumsec.org.fj/

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Calendar

WTO Events

12 & 14 October	Trade Policy Review Body - Guinea
13 - 14 October	Committee on Trade and Environment - Special Session
17 October	Committee on Trade and Development- Dedicated Session
19 - 20 October	General Council
24 - 28 October	Rules Week
27 - 28 October	Council for TRIPS - Special Session
31 October	Council for Trade in Services - Special Session
31 October	Negotiating Group on Rules - Regional Trade Agreements
1 November	Negotiating Group on Rules - Regional Trade Agreements
7 -11 November	NAMA week
14-18 November	Geneva Week
14 November	DSB - Special Session
1 - 2 December	General Council
5 December	DSB- Special Session
13-18 December	6th Ministerial Conference Hong Kong.

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

10-14 Oct.	Pacific Officials & Trade Ministers Meeting
14 Oct.	SADC Ministerial, Lesotho
18-19 Oct.	Pacific ACP Negotiating Group Meeting
19-21 Oct.	5th Meeting of the ESA RNF, Lusaka, Zambia
19-20 Oct.	Caribbean Trade & Legal Experts Meeting
21 Oct.	Pacific-EC Regional Preparatory Task Force
27 Oct.	ECOWAS - EU Ministerial Meetings (tbc)
1 Dec.	PACP-EC Ministerial Meeting, Suva
2 Dec.	PACP-EC Negotiating Group session, Suva
5-9 Dec.	82 nd Session ACP Council of Ministers (tbc)

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 area available at www.acp-eu-trade.org/library

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