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Putting Substance into PACER Plus

Pacific Institute of Public Policy

In August 2009, the Pacific Island countries will begin negotiations toward a new free trade agreement with Australia and New Zealand. Coming on the heels of the troubled Economic Partnership Agreement (EPA) talks with the European Commission, the deal heralds new opportunities and hazards for the islands.

The existing Pacific Agreement on Closer Economic Relations (PACER) obliged regional governments to commence discussions toward an agreement with Canberra and Auckland as soon as the Pacific started negotiations with an outside party. EPA talks have now triggered a deal to be known as 'PACER Plus'.

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the temporary movement of natural persons, would set a precedent in subsequent talks with their regional neighbours. Few islanders are likely to get jobs on the other side of the world, but plenty want to work in Queensland or Hawke's Bay.

Australian leaders say they want the deal to be wide-ranging, covering more than just goods liberalisation. "The whole purpose is to put the substance to the Plus," said Trade Minister Simon Crean on 2 April 2009. "Part of the policy... is making sure that nations are competitive, they are productive and they are able to take advantage of the market liberalisation."

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Fiji and Papua New Guinea, are the only countries that rely substantially on European demand for their exports.”

Two issues look set to dominate PACER Plus discussions: first, whether an existing arrangement will be formalised, whereby Pacific islanders are allowed to work temporarily as fruit-pickers in Australia and New Zealand; and second, how much, if at all, governments will be compensated for import tariff revenue losses.

This negotiating strategy failed, which is partly why only two of the 14 regional governments signed interim EPA agreements. These two, Fiji and Papua New Guinea, are the only countries that rely substantially on European demand for their exports, and they faced punishing tariff increases if they refused to sign.

Pacific Island Ministers lobbied hard for labour access under the EPA negotiations, realising that any agreement on mode 4, or

In the meantime, New Zealand pioneered an arrangement with Vanuatu under which a

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Editorial

News and publications In brief

Whilst the Pacific Islands await a response from the EC on their request to resume EPA negotiations, they prepare to begin negotiations toward a new free trade agreement with Australia and New Zealand in August 2009. In this month's lead article, the Pacific Institute of Public Policy outlines the issues dominating the discussions and discusses the new opportunities and hazards for the islands in these new negotiations.

The news of the postponement of signing the interim EPA in SADC and ESA is not all that bad. Significant progress has been made in areas that in April seemed unlikely, notably in SADC and ESA, and there is officially still hope that ESA could be ready to sign mid-year. The flexibility pronounced by EC Trade Commissioner Ashton has surfaced. But does the flexibility reach far enough?

The Nigerian Association of National Traders (NANTS) argues in its provocative piece about the future of regional integration in West Africa that the current approach to an ECOWAS EPA could lead to the disintegration of the region and thus new flexibility should be urgently considered.

As the global economic crisis relentlessly unfolds Emily Jones argues for greater flexibility in the EPAs to support African countries' efforts to recover from the crisis and develop economic resilience.

In the second article in the TNI Aid for Trade series, UK based international development consulting company Crown Agents analyses the shortcomings in the Aid for Trade agenda that inhibit the role of the private sector.

The Union for the Mediterranean, created to revive the relationship between Europe and its Mediterranean neighbours, faces very different challenges compared to those faced by sub-Saharan Africa in its relations with the EU. Stephanie Colin asks why the implementation of the plan has slowed.

As always, comments are welcomed and can be addressed to aw@ecdpm.org

African Economic Outlook 2009

The 2009 edition of the African Economic Outlook (AEO), jointly published by the Organisation for Economic Co-operation and Development (OECD), the African Development Bank (AfDB), and the UN Economic Commission for Africa, says the region has been gravely affected by the global economic downturn. Following half a decade of economic growth above 5 percent, the report says the continent can expect only 2.8 per cent in 2009, less than half of the 5.7 percent expected before the crisis. However, a rebound to 4.5 percent is expected for 2010. The authors also raise concerns that downward pressure on donor aid budgets due to the ongoing economic crisis could negatively impact official development assistance (ODA). On a positive note, the AEO says that because many countries have undergone prudent macroeconomic reforms in the past few years, Africa is better positioned to weather the crisis than it was ten years ago.



Navigating Out of the Crisis: A Trade-led Recovery – A practical guide for trade policymakers in Asia and the Pacific

The purpose of this guide, published by the UN Economic and Social Commission for Asia and the Pacific (ESCAP), is to sensitise policymakers as to various trade, investment, and trade facilitation policy tools which could be used to counter the economic and social impacts of the global economic crisis. Responding to the situation, which has severely affected global trade, is an unprecedented challenge for policymakers of the Asia-Pacific region, the authors say. The guide suggests that the crisis offers an opportunity for the relatively economically sound region to strengthen itself for the future by boosting its competitiveness. ESCAP recommends a regionally coordinated policy response as it will benefit most Asia-Pacific economies as they have grown interdependent as a result of regional integration initiatives and the establishment of intraregional supply chains.

Trade Essential to Recovery in Caribbean, Latin America: WTO, IDB

The heads of the WTO and the Inter-American Development Bank (IDB) say that trade is 'imperative' to economic recovery in Latin America and the Caribbean. The comments came during the Second Regional Review on Aid for Trade for Latin America and the Caribbean, which took place on 7 May in Montego Bay, Jamaica. Pascal Lamy, director-general of the WTO and Luis Alberto Moreno, president of the IDB stressed the importance of continued support of Aid for Trade in the region and cautioned that protectionism would hold the region back. "The WTO has started monitoring trade-related measures taken by our members during this crisis, as a device to provide transparency and, through peer pressure, pre-empt the threat posed by shift toward protectionism," Lamy said. "And we know that retaliation would lead to retaliation, further choking trade as an engine of growth." The Jamaica meeting acts as a prelude to a global Aid for Trade review, scheduled to take in early July in Geneva.

Multilateral Institutions to Offer Billions to Buoy African Economy

Several multilateral investors and lenders in have pledged to provide at least an additional US\$15 billion to promote trade, strengthen the financial sector, and increase lending to help offset the negative impacts of the global financial crisis in Africa. The increased support is part of a coordinated response to prevent the global economic crisis from reversing decades of progress, growth, and investment in Africa. Institutions participating in the initiative include the World Bank, the African Development Bank, and the Agence Française de Développement. Those behind the initiative say that that pooling resources and expertise will enable governments and institutions to more effectively reduce the humanitarian toll in the region resulting from the global economic slowdown. Participating institutions aim to increase lending and investments, promote dialogue, and use a diverse range of instruments to effectively respond to the crisis and address longer-term structural issues that have traditionally hampered Africa's economic growth.

News Sources

- "IDB: It is imperative that trade continues to flow in the region to mitigate crisis," Inter-American Development Bank, 7 May 2009.
- "At Least an Additional US\$15 Billion to Respond to Financial Crisis in Africa," World Bank, 11 May 2009.

Continued from front page

select group of labourers would travel for a short period to work on fruit farms. Farmers enjoyed cheap labour; workers took back much-needed earnings to their communities – and crucially, most returned home. This unmitigated success led Canberra to follow suit, and the agreement was extended to other Pacific Island countries.

Having failed to establish a precedent with Europe, governments now want the temporary fruit-picking arrangements to be formalised in the new trade agreement and possibly extended to other industries. Pacific islands fear removal of privileges in the event of political changes in Canberra or Auckland. Even Canberra's new, purportedly more development-friendly administration may succumb to domestic pressures to limit inward migration under the temporary labour scheme. Moreover, the general antipathy of developed countries towards mode 4 at the WTO augurs a difficult battle ahead.



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Lowering import tariffs on Australian and New Zealand goods, where most Pacific imports originate, could lead to big tariff revenue losses..”

Whilst the establishment of new job opportunities under PACER Plus presents an opportunity – albeit a slim one – many island governments worry about the costs of the agreement. Under WTO rules the deal must cover ‘substantially all trade’. The precedent set by the interim EPA with Fiji and Papua New Guinea means that this is likely to mean tariff reductions on most imports by value. Australia and New Zealand have signalled they will take full advantage of this opportunity.

Lowering import tariffs on Australian and New Zealand goods, where most Pacific imports originate, could lead to big tariff revenue losses. According to a 2008 report commissioned by the Australian Government Overseas Aid Program (AusAID), the total revenue losses could total up to 17% of annual government income. The tax bases of these tiny administrations are already vulnerable – and some are tax-havens. They will struggle to establish and collect new revenues.

Australia and New Zealand will want any tariff concessions by one island nation to be granted everywhere, to avoid the prospect of goods entering one state at a lower rate than another. This means that any agreement is likely to be the same for the whole region. Canberra and Auckland also have an eye on Asia. They will negotiate hard with the Pacific in order to pave the way for cheaper goods access in the likes of Taiwan, Thailand, and Singapore.

The negotiating capacity of Pacific island governments is so limited that they will probably again succumb to the demands of their bigger neighbours. This is unlikely to be catastrophic. The islands will maintain market access to Australia and New Zealand, even if this is increasingly worthless owing to preference erosion. Further, any tariff cuts by the island governments are likely to be gradual and may be back-loaded by up to 10 years.

But like many poorer developing nations, the islands have very little to export, meaning that the upside is limited. After more than a decade of trade liberalisation, resulting in broad-ranging goods market access, most regional countries continue to run trade deficits, as they have since independence. Poor infrastructure, unreliable transport, limited access to credit, and growing social inequalities all restrict the development of productive capacity in both goods and

services. In this woefully under-developed environment, new foreign competition will do little to generate growth.

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Most regional countries continue to run trade deficits, as they have since independence.”

Mode 4 represents a way of tapping one of the islands' very few exportable resources – people. If Auckland and Canberra really want to “put substance to the Plus” they should at the very least formalise access to jobs in their own countries. In addition, they should invest in infrastructure, fund financial institutions, and enact measures to combat inequality. This would all go some way to ensuring a brighter trading future for the islands. Freer trade is not a panacea.

Author

The Pacific Institute of Public Policy is an independent, non-partisan and not-for-profit think tank based in Port Vila, Vanuatu and exists to stimulate and support policy debate in the Pacific.

The ECOWAS EPA: A 'Funeral Oration' to Regional Integration?

Ken Ukaoha

Côte d'Ivoire's recent signing of a bilateral Economic Partnership Agreement (EPA) with the EU poses a lethal challenge to the successful conclusion of a regional EPA between the EU and the Economic Community of West African States (ECOWAS). When considered alongside the possibility that Ghana will soon follow suit with its own EPA, the Ivorian deal represents an ominous threat to regional integration within the West Africa region, setting ECOWAS up as the first casualty of the EPA.



One important hypothesis on which this prediction is founded is that most of the issues that Côte d'Ivoire and Ghana have agreed in their interim agreements are either being re-negotiated by ECOWAS or have already been rejected by some of its member countries. Given these differing standards, it is not clear whether Brussels would be willing to give up more concessions or re-negotiate those areas and sectors in which it had already secured 'a better deal' with Côte d'Ivoire and Ghana. If the EU is so magnanimous as to accept anything less, would it also be ready to give in to West Africa's demand for no more than 60 percent liberalisation in its market access offers? It is instructive to note that the EU reportedly rejected an offer of 70 percent from CEMAC, the Central African group, which is higher than that proposed by ECOWAS. Is there any foreseeable meeting point? Is the EU ready to accept West Africa's assertion that the EU's commitment on the EPA must extend beyond 2020, when the Cotonou Agreement – which now governs development cooperation and political relations between the EU and a number of African, Caribbean, and Pacific countries – will expire?

Sensitive issues unresolved

It may prove difficult for both parties to reach an agreement on salient issues such as the separation of tax instruments from the text of the agreement, as well as on contentious issues regarding export and re-export taxes within the region. Intellectual property could also prove to be a challenging area of the negotiations, as the EU wants the agreement to include a provision on bio-technology licensing, which ECOWAS has declared 'a no go area'. Would the EU be ready to reconsider the controversy concerning the services sector, in which they want to have immediate liberalisation commitments from West Africa? West African officials want to

be allowed three years to properly evaluate the region's capacity and potential before making commitments; some countries in the region are not ready to go beyond their multilateral commitments on this sector. And finally, controversies will likely arise over the possibility of an agreement on Rules of Origin, especially with regard to the cumulation and control of origin of goods between both parties.



Taking the questions further, it is unclear how the parties are working to solve the technical problems of linking the sensitive products list with the recently adopted Common External Tariff (CET) and the fifth tariff band of 35 percent. How are parties handling the Herculean task of harmonising the CET with liberalisation schedules, as well as with the categorisation of products under the tariff nomenclatures? How are parties working out solutions to the issues of non-tariff barriers and sanitary and phytosanitary (SPS) concerns? The parties will need to support the development of related infrastructure such as laboratories for products testing and traceability, which do not now exist in West

Africa. Should such infrastructure be put in place before or after an agreement is finalised?

Averting the 'funeral'

Such questions must be answered within the context of the deadline of June 2009 that has reportedly been agreed upon by the parties for the signing of a West Africa-EU EPA. But only when clear answers to the questions outlined above are provided, can the 'funeral' prophesied in this essay's introduction be averted. The connotation and the nuance of this forecast must be linked to the fact that there is an agreement in principle that commits both parties to set aside the interim agreements by the two West African countries when and only when a regional agreement takes effect. The question then is, could there be a possibility of providing solutions to the aforementioned divergences, tasks and commitments to get the clear outlines of an agreement in the next year, if not the next few months? In the event that it is not possible to meet such a deadline, it is not clear whether the EU would be ready to wait for West Africa until the latter is able and ready to clear the mist for a comprehensive regional agreement. Impatience among officials in Brussels would certainly signal a formal announcement of the obituary of ECOWAS.

It must be noted that West Africa is the only ACP region where an EPA is being negotiated by two regional institutions, namely, ECOWAS and the West African Economic and Monetary Union (UEMOA). There have been several calls for a merger of UEMOA and ECOWAS, and some of us, in recognition of the giant strides that UEMOA has made in fostering economic integration of its eight member countries, had sincerely advocated that UEMOA be subsumed into ECOWAS to become the economic arm of the entire

15-member group of West African countries. But this proposal has not been warmly received by many West African leaders.

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The fairy tale would effectively mean a legal collapse of the treaties that established these bodies.”

Cote d’Ivoire, Ghana and the West African fairy tale

With Cote d’Ivoire’s signing of its unilateral EPA with the EU and Ghana likely to do same, what would remain of West Africa in the equation of trade and regional integration? The only thing remaining would be a fairy tale beginning with the words “once upon a time...” Indeed, the story would likely continue “...there were efforts at promoting a regional CET, but that dream was shattered by the EPA;” or “once upon a time, an EPA was established and the dream of a Customs Union in West Africa was cut short;” or “once upon a time, there was an ECOWAS Trade Liberalisation Scheme (ETLS) and its protocol was unwittingly abolished when the turbulence of the EPA could no longer be managed;” or “once upon a time, the Common Currency approach for the region aimed at fostering trade and economic integration was struck down by the thunder of an EPA;” or “once upon a time, the UEMOA and ECOWAS Commissions became redundant and almost irrelevant, courtesy of the disorganisation brought about by the non-application and or implementation of the abovementioned regional frameworks and policies. Soon the centre could no longer hold and consequently, things began to fall apart even in terms of political integration within the West African region.”

The fairy tale would effectively mean a legal collapse of the treaties that established these bodies. Multiplicity of regional trade regimes would be created in West Africa. The various Community sectoral frameworks and policies such as the Common Agricultural Policy - ECOWAP, Common Industrial policy, Common Investment Policy, Common Competition Policy, etc., would all become vestibules to oblivion. Their efforts as well as the funds utilised in their design and promotion would forever go down the drain. As for the regional institutions created out of

the need for a healthy economic and prosperous West Africa such as the ECOWAS Parliament, ECOWAS Court of Justice, etc, would also become irrelevant.

Nigeria remains key to regional integration

Nigeria still stands as the saving grace for regional integration in West Africa in the face of the EPA, and is being looked up to as an important leader by all the countries in the region. There are four possibilities and options available for Nigeria in the face of the current entanglement. One is that Nigeria could remain under the current GSP arrangement deciding not to go further than that since little is being lost in relation to the country’s total export basket. The second is that while others are struggling in a state of confusion, Nigeria can still wait patiently for the next round of GSP+ application, clearing the way to being granted the status by 2010. The third possibility is that Nigeria could ‘go solo’ by adopting the example set by South Africa’s Trade Development and Cooperation Agreement, which would apparently mean towing the line of Cote d’Ivoire and Ghana. The fourth option is that Nigeria could gather the remaining 13 LDCs in West Africa and plan to negotiate a regional package with the EU, taking into account the peculiarities of the various countries in the marriage.

Notwithstanding the above scenarios, Nigeria still finds joy in ensuring that all member states of ECOWAS stay connected in the same train along the journey. In doing so, Nigeria has been able to provide pro-poor

input into the potential ECOWAS-EPA text – something no other country has been able to do. Nigeria is not producing a text of its own, as some people have erroneously suggested. Nigeria has no intent to negotiate a solo EPA with the EU for now. Rather, Nigeria is trying to influence and add a push to the process by providing the required leadership for ECOWAS to move toward a pro-development EPA, as directed by the Ministers of ECOWAS during the Nouakchott Ministerial in February 2008.

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This is the time for the African Union to stand up in defence of one of her own.”

All ECOWAS member countries, as well as civil society, the private sector, the two ECOWAS and UEMOA Commissions, as well as the EU must buy into this project in good faith with a view to supporting the survival of West Africa. This is the time for the African Union to stand up in defence of one of her own; if it fails on that front, Africa will hear the song “Good night UEMOA! Good night ECOWAS! Good bye regional integration”!

Author
Ken Ukaoha is President of the Nigerian Association of National Traders (NANTS).



Africa and the Economic Crisis: The Case for Greater Flexibility in EPAs

Emily Jones

Sub-Saharan Africa has been hit hard by the economic crisis. After a few years of sustained strong growth and high levels of optimism, growth rates are expected to fall to 1.5 percent in 2009.¹ Exports, which have driven much of Africa's recent expansion, are expected to fall by 40 percent.² As it sweeps away firms, mines, jobs, revenues, and livelihoods, African finance ministers have called it 'a full blown development crisis'. The World Bank has declared it 'nothing less than an emergency for development'.



As the crisis reverberates across the continent, African countries continue to negotiate Economic Partnership Agreements (EPAs) with the European Union. A cursory glance at the negotiations points to a deep disquiet on the part of most African countries. One and a half years after the end-2007 negotiating deadline, not one African region has reached agreement on a full EPA, and whilst 19 of the 47 individual countries initialled interim agreements, only two have gone on to sign. At the heart of these delays are a series of 'contentious clauses' that African Ministers have identified for renegotiation.³

Just as the crisis has highlighted the vulnerability of African economies, so it provides an opportunity to reflect on the EPAs and ensure that they will support African countries' efforts to recover from the different facets of the crisis and develop economic resilience.

The food crisis

The financial crisis has amplified food insecurity. Even though farming dominates African economies, one in three people is chronically hungry. In 2007, 27 of 47 food emergencies occurred in Africa.⁴ The recent collapse in exports has left foreign reserves dangerously low, and net food importing countries are struggling to import basic foods. At time of writing, the Democratic Republic of Congo only has a few weeks supply of foreign exchange reserves.

Trade with Europe is highly relevant. For many countries, Europe is a primary and growing source of agricultural imports. In West Africa in 2007, 30 percent of agricultural imports came from Europe, an increase of 13 percent on 2006.⁵ Whilst subsidised European products have reduced prices for consumers, their adverse impacts

on African farming and hence long-term food insecurity have been widely documented.

In the EPAs, African negotiators have excluded the majority of their vulnerable agricultural sectors from trade liberalisation. More than half of the products on Madagascar's exclusion list are agricultural.⁶ However, there is still cause for concern.

The standstill clause in EPAs requires countries to bind their tariffs at applied rates. In some texts the clause applies to all imports from Europe, including products on exclusion lists. This severely restricts the ability of governments to respond to agricultural import surges. For instance, at the WTO Ghana has bound its agricultural tariffs at 97 percent. The comprehensive standstill clause in the interim text prevents Ghana from raising agricultural tariffs above 20 percent on imports from Europe, even on items that it has excluded from liberalisation under the EPAs.⁷

In lieu of flexible tariffs, safeguards play a vital role. Unfortunately, many African countries are not party to the relevant WTO safeguards provided for in EPAs, and the bilateral safeguards require a level of institutional capacity that most African countries simply do not have. Although some of the agreements include a food security safeguard, this faces the same problems as in most cases it merely expands the scope of the existing bilateral safeguard.

Given Europe's recent decision to re-introduce export subsidies to support its farmers through the economic crisis, African countries are more likely to need effective responses to import surges. Revising the standstill clause and strengthening safeguards so they are automatically triggered and simpler to use

would significantly reduce any risk that EPAs pose to food security.

The export crisis

The global economic crisis has been most acutely felt in the export sector. Demand in major markets has collapsed, and prices for leading commodities have fallen dramatically. The price of copper, which accounts for 80 percent of Zambia's export earnings, fell by 60 percent in 2008, and thousands of workers have been laid off.⁸

The story is similar across the continent. The crisis has highlighted the importance to African countries of diversifying their production and export baskets by adding value, strengthening production for regional markets, and increasing exports to emerging markets, which are still growing significantly despite the crisis.

In terms of fostering value-addition, there are challenges in the balance and sequencing of commitments in EPAs. The texts focus on the liberalisation of trade in goods and services without making such policy changes conditional on addressing supply-side constraints and regulatory weaknesses. This poses the risk that liberalisation will merely displace local producers rather than make them more competitive. Moreover, as liberalisation is only undertaken vis-à-vis the EU, in sectors where markets are uncompetitive and European exporters already have a dominant position, tariff cuts are likely to transfer income from African governments to European producers.

In addition, the use of many trade policy tools is heavily circumscribed. Exclusion lists include relatively few manufacturing products as countries have understandably prioritised agriculture. However as economies develop new sectors, they may need temporary tariff

protection. At present, many EPA texts have no provision for the modification of tariff commitments. Infant industry safeguards could compensate by introducing flexibility but although texts make reference to infant industry safeguards, in most cases they can only be used for existing industries, not the fostering of new industries.

Regional integration has been a high priority for both sides but negotiations have tended to exacerbate an already complex web of overlapping integration efforts. Europe can contribute significantly to regional integration, as with recent initiative to create a trade corridor in Eastern and Southern Africa.⁹ However such support is not a binding part of the EPA. Instead, African countries commit to a series of potentially high cost, albeit useful, reforms such as streamlining and upgrading customs procedures to meet international standards, without any guarantees of support from Europe.

Almost by definition, EPAs are unlikely to promote export market diversification, as they are intended to deepen trade with Europe. However, there are widespread concerns that the 'most-favoured nation' clause unnecessarily obstructs future diversification initiatives with emerging markets, particularly Brazil, India and China. Under this clause, ACP countries would have to extend to Europe whatever additional terms they offer to other trading partners.

Where the EPAs clearly have the potential to assist is by expanding value-added exports to Europe. The move to duty-free quota-free access is laudable, as is the decision to change the rules of origin for textiles to require only a single transformation. However, new rules on cumulation erode some of these gains by frustrating the development of production chains across EPA regions. Moreover, to make use of market access African exporters need to be able to meet increasingly stringent standards. The EPA texts contain supportive language, but again, provide no binding commitments to provide help.

The government revenue crisis

As industrialised countries embark on a series of fiscal stimulus and social support measures, the crisis has exposed the fragility of African government finances. Whilst Mauritius has managed to provide increased fiscal support worth 3 percent of GDP to vulnerable industries, other countries are

being forced to cut back government spending as revenues decline. Senegal, for instance, is forecast to cut spending by 4 percent of GDP.

EPAs raise the concern that losses from tariff liberalisation will weaken already fragile budgets. In practice, estimated losses vary substantially. Some countries have minimised the impact by placing high revenue items onto exclusion lists or into the last liberalisation tranche. In other cases, losses may be significant. For instance, Cote d'Ivoire could lose \$83m by 2012.¹⁰ To counteract such effects, the EPAs envisage supporting countries to switch to other forms of taxation. However the IMF estimates that in low income countries, for each \$1 lost in trade taxes, as little as 30 cents are recovered through alternative taxes.¹¹ Furthermore, for many governments, raising consumption taxes is not politically feasible.

To minimise the impact on government finances, all ACP countries could be provided with a 25 year transition period, as opposed to the 15 year liberalisation period in some EPAs. Safeguards could be incorporated to enable countries to suspend commitments in case of deteriorating government revenue. Finally, the EPAs could take the approach of other regional trade agreements and provide for compensation.

The financial services crisis

Africa has been less exposed to the direct effects of the financial crisis than other regions, largely because it is less integrated into global financial markets. Many countries have prudential capital controls that reduced the risk of contagion and reduced capital outflows during the crisis. Nonetheless, middle income countries have seen substantial losses. In South Africa the financial sector experienced a collapse of asset prices, with losses of 46 percent on the stock market and 23 percent depreciation in currency value.

Financial services have yet to be negotiated by African countries in the context of the EPAs. Given the recent crisis, there are clear grounds for caution. To improve resilience in the face of future crises, the IMF advises addressing gaps in regulatory and supervisory frameworks, reinforcing the supporting financial infrastructure, and improving financial system surveillance. To date Europe's approach has placed relatively little emphasis on strengthening regulatory capacity, focusing instead on liberalising the financial

services sector, including 'new financial services' such as hedge funds, and opening the capital account. In light of the crisis, the EPA could be rebalanced to focus on regulatory reform with adequate European support, prior to any liberalisation.

Conclusion

Across the globe, faith in the ability of the market to 'self-correct' is being questioned. A rethink is underway of how international markets are governed. Consensus is widespread on the need for stronger and more effective regulation, particularly in the financial sector. In the words of Gordon Brown at the end of the G20 summit, 'the old Washington consensus is over'.

The crisis has revealed just how vulnerable African economies are to external economic shocks. It also highlights aspects of the EPA texts that are in the mould of the 'old Washington Consensus'. To help recovery, African ministers have called for increased flexibility and policy space, and initiatives to boost trade. In this regard, elements of the EPAs clearly need urgent revision.

Author

Emily Jones is a DPhil candidate at the University of Oxford's Department for Politics and International Relations.

Notes

- 1 IMF, April 2009, Regional Economic Outlook: Sub-Saharan Africa P16
- 2 'Impact of the crisis on African economies: African Perspectives and Recommendations to the G20' A report from the Committee of African Finance Ministers and Central Bank Governors (March 17, 2009) Note: unless stated otherwise, figures in this paper on the impact of the crisis are drawn from this report
- 3 'Addis Ababa Declaration on EPA Negotiations', AU Conference of Ministers of Trade and of Finance, 3 April 2008
- 4 FAO (2008) The state of food security in the world: 2008
- 5 Author's calculations from trade flow data www.trademap.org
- 6 ECDPM & ODI (2008) 'The new EPAs: comparative analysis of their content and the challenges for 2008'
- 7 Article 15 of Ghana IEPA text, July 2008
- 8 IRIN 20th February 2009 'Zambia: Copper loses its shine and Copperbelt its jobs'
- 9 'European Commission pledges €115 million for trade project in Eastern and Southern Africa' European Commission Press Release 6/4/2009
- 10 ECDPM & ODI (2008) 'The new EPAs: comparative analysis of their content and the challenges for 2008'
- 11 T Baunsgaard and M Keen, Tax Revenue and (or?) Trade Liberalization, IMF Working Paper, WT/05/112 (June 2005)

Private Sector Participation in Aid for Trade: Breaking Barriers to Private Sector Growth

Trevor Simumba

It is well recognised that developing countries need to unleash the potential of the private sector by promoting entrepreneurship, creating a sound enabling environment for doing business and helping entrepreneurs connect to new global markets.



However a number of shortcomings in the Aid for Trade agenda inhibit the role of the private sector. These include:

- A failure to prioritise trade support activities and to mobilize the resources needed for them. Minimal resources are often spread wafer-thin over a number of different activities.
- Poor donor coordination. Donor initiatives have overlapped and focussed on trade policy formulation, negotiation and implementation, as well as participation in meetings of regional trade bodies, the WTO and international financial institutions. Direct aid to production and export processes is rarely found.
- Lack of measurable results.

While the private sector is the real locus of production and trade, it often lacks the technical and financial resources needed to invest in its own competitive development. Furthermore, the business environment and physical and institutional infrastructure necessary for it to thrive are largely outside of its control.

Firms are thus caught in a vicious circle of inefficiency. Market access alone has not guaranteed export expansion. A salutary lesson in failure in this respect is the case of the ACP countries. Despite decades of virtually unrestricted access to the European Union markets, there has been little export growth and diversification. By contrast, in South East Asia, trade and development outcomes are closely correlated with improved infrastructure and various productivity enhancing measures.

The contextual challenge

Donors have come to recognise that recipient country ownership is essential to the effectiveness of aid and development efforts. This can only be achieved if recipient governments take a more proactive role in determining how aid is allocated and managed.

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Recipient governments must work more closely with the private sector in their countries.
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In particular, recipient governments must work more closely with the private sector in their countries to develop priorities in the following three areas:

- The private sector as advocate in trade policy-making and for creating a business friendly environment;
- The private sector as partner in design, financing and execution of infrastructure projects;
- Small and medium enterprises (SMEs) overcoming supply side constraints to take advantage of the opportunities provided by trade liberalization.

Underlying all of this is the need for greater mutual understanding between the public and private sectors, based on genuine partnership and consultation. Business has a central role in developing trade: “Governments may create trade rules, but it is business that actually creates jobs and opportunities” (International Trade Centre).

Government authorities need to strike the right balance between trade facilitation, customs control and supply chain security on one hand, and the promotion of increased international trade on the other. They also need greater awareness of the wider impact their actions have on international supply chains and the economy more generally.



Finally, we need to consider the political economy dimension in all AFT initiatives. Can we expect bilateral donors to provide advice on trade negotiating strategies or export development which conflict directly with their own economic interests? As discussed, the approach to Aid for Trade should be based on ‘leadership’ and ‘ownership’ by beneficiary countries. It must be a process in which countries actively engage in assessing trade development needs, defining priorities and designing highly targeted projects, with appropriate technical support.

One successful example

An approach based on these considerations has been successful in the Angola Customs Modernisation programme implemented by Crown Agents, a UK based international development consulting company. Results from this large customs and trade facilitation reform programme include:¹

- **Customs clearance time for business** slashed from an average of 21 days to 48 hrs.
- Introduction of **risk-based controls**, speeding up the flow for legitimate traders.
- **1730% increase in government revenue** between years 2000 (baseline) and 2009 (up from U\$215m to U\$4bn+ respectively).
- Angola being the first Southern African Development Community country to implement the SADC format **single administrative document**.
- **Automated customs entry processing** (TIMS) at Luanda's air and sea ports and key regional border posts (including direct trader input).
- **New Consolidated Customs Code & Regulations introduced**, aligned with internationally agreed standards such as the WTO rules for customs valuation.
- Customs code of conduct and 'customer' **service standards** adopted, improving transparency and predictability for business.

Three of the most fundamental reasons for success were:

- early 'buy in' by key stakeholders in the government and the private sector
- development and implementation of systems and processes to enhance integrity and transparency
- client country ownership and collaboration throughout the programme (e.g. joint working and senior level mentoring).

“
Institutional transformation was achieved through a sustained long-term technical assistance support programme.”



Institutional transformation was achieved through a sustained long-term technical assistance support programme that worked to instil best practices aligned with internationally recognised standards such as the World Customs Organization and the WTO.

In going forward, we must focus on the priorities identified by stakeholders in the numerous Aid for Trade reviews and studies conducted. For Africa these include:

- **Infrastructure:** Effectively dealing with infrastructure constraints through trade corridors, one stop border posts, roads, ports, utilities and other infrastructure;
- **Policy:** National and intra-regional policies to support trade development. At the national level, cross-border trade facilitation, export strategies and rule-making, in conformity with international standards;
- **Supply side:** Trade-related technical assistance that helps countries develop the skills and capacity to export in competitive global markets;
- **Regional Integration:** Building capacities of Regional Economic Communities (RECs);
- **Private/Public Sector Dialogue:** Effective participation and involvement of the private sector in the process and building effective public-private sector partnerships for implementation.

oriented trade and investment policies as well as public-private partnerships as integral parts of national development strategies.

Countries and regions in Africa have to focus on what matters most to increasing trade — e.g. regional cooperation, infrastructure, trade facilitation and trade finance — and the areas that can deliver the biggest returns on investment. It is clear that an appropriate Aid for Trade strategy in Africa must be tailored to meet the specific needs of diverse developing countries.

The Aid for Trade initiative should in fact be thought of as “**Aid for Trade for Development,**” and not simply as Aid for Trade per se. It must be firmly grounded in the region's development agenda. The overall conclusion is to move forward with an agenda that can translate Aid for Trade from concept to implementation in Africa. The private sector needs to see all this good talk translated into actions on the ground that improve rather than impede trade and investment.

Author

Trevor Simumba is a senior advisor on customs and trade facilitation at Crown Agents.

Notes

- 1 Source: 'Delivering Trade Facilitation' Presentation by Crown Agents to a UNECA Workshop on Trade Facilitation, Addis Ababa, 12-13 March 2009. <http://www.uneca.org/atpc/WorkshopMarch09/CrownAgents.ppt>

The trade-led developmental success stories in South East Asia and the Pacific demonstrate the importance of outward

The Union for the Mediterranean: Progress, Difficulties and Way Forward

Stéphanie Colin

The Union for the Mediterranean (UfM) – a new framework established last year to revive relations between the EU and Mediterranean countries – has faced significant obstacles. These difficulties have raised significant questions. Namely, is the new scheme translating into projects with the potential to enhance the visibility of UfM activities and bring these closer to the people – one of the weaknesses of its predecessor, the Euro-Mediterranean Partnership (EMP)? What are the most salient difficulties slowing down implementation?

From the EMP to the UfM

The EMP was launched in November 1995 at the Barcelona Summit meeting of Foreign Ministers starting what became known as the 'Barcelona Process'. The objective of the Partnership is to establish an area of peace, stability, mutual understanding amongst peoples of the Mediterranean, and shared prosperity through enhanced co-operation and deepening of the Euro-Mediterranean Free Trade Area (EMFTA) by 2010.

The UfM plan was formally established at the Paris Summit on 13 July 2008, with the aim of providing "a new impulse to the Barcelona Process." The European Council of 13 March 2008 "enshrined the 'Europeanisation' of the French initiative thereby establishing the UfM framework as the central new policy of the EU towards the Mediterranean." The partnership today includes the 27 EU member states and 16 Mediterranean partner countries (MPCs)¹.

The UfM is expected to build on the acquis from previous initiatives and to reinforce the achievements of the Barcelona Process. The aims of the EMP therefore remain valid for the UfM.

The UfM is structured around six priority projects selected by heads of state and government and annexed to the Paris Declaration: de-pollution of the Mediterranean; maritime and land highways; civil protection; alternative energies embodied in the Mediterranean Solar Plan; higher education and research and Euro-Mediterranean University; and the Mediterranean Business Development Initiative.

A challenging implementation

An important question is whether UfM projects will have the strategic and dynamic character required to help overcome the limits of previous EU and EMP policies. If they do, the UfM would certainly add value to the EMP.

Among the economic achievements of the EMP worth noting is the satisfactory implementation of the bilateral free-trade

areas established through Association Agreements. These zones – together with free trade agreements between Mediterranean partner countries and an overall reinforced integration promoted by the 'Action Plans' within the European Neighbourhood Policy (ENP) launched in 2004 – are laying the foundations for the EMFTA architecture. Accordingly, the significant economic reforms resulting from development plans implemented within the EMP and the ENP frameworks have contributed to the transition of the Mediterranean "from a stagnant and internationally-closed area, to one of dynamism and international integration"².

However, tariffs and non tariffs barriers remain at a high level on both sides. Although South-South integration remains a critical building block for deepening the EMFTA, structural and functional constraints undermine its prospects, with MPCs still only trading around 8 percent of their total exchanges with one another³. An important decision is also pending: 2010 is around the corner and a Mediterranean free trade area is nowhere in sight.

The impact of EU policies on the performance of Southern Mediterranean partners could be improved further. It has been constrained by the holistic approach of the EMP and difficulties to achieve a regional dimension due to the heterogeneity that exists between MPCs.

The UfM should therefore potentially complement the strong bilateral focus of the ENP with a regional dimension. While the UfM's focus on fewer projects, as opposed to the holistic sectoral approach of the EMP, indicates potential for greater emphasis on concrete sectoral economic integration, it may lack the necessary vision and coherence to promote a truly integrative agenda. Sceptics have argued that the six priority projects identified for the UfM reflect more the interests of large French business operators than priority development objectives for the partner countries concerned. Besides, duplications can result from the process of combining the UfM with the EMP, as many sectoral projects belong to the EMP experience.

Political obstacles remain

Political problems have hampered progress at the level of the UfM as a whole and at the economic level more specifically. The potential divisive impact of the UfM on Africa, split between Mediterranean African countries and Sub-Sahara Africa, and as a consequence on Africa-EU relations, has fuelled the reluctance of some MPCs to engage with the UfM initiative, thereby slowing down implementation. This led Libya

to warn that the UfM would lead Africa to a so-called 'two speed cooperation' with the EU, where Sub-Saharan countries will be relegated to a secondary place as opposed to North Africa⁴. The challenge is thus to preserve the coherence of the Joint Africa-EU Strategy and to ensure the effective complementarity of the UfM with the other existing EU frameworks.

In addition, two persistent political problems have undermined the plan of a UfM, according to Patrick Seale, a leading expert on the Middle East⁵. The first major political obstacle is the Arab-Israeli conflict, which flared up from December 2008 to January 2009. The war caused Egypt to call for a formal suspension of all UfM related meetings; none had been held up to December. In addition, Seale cautions that any serious talk of joint Mediterranean projects will rely on solving the current dispute between Algeria and Morocco over the Western Sahara; the border between the two North African heavy-weights currently remains closed.

Recent meetings:

The last Summit of Arab Heads of State in Qatar, at the end of March 2009, carried hopes of revival of the Union initiative. Aside from the suggestion of a candidate for the head of the Secretariat of the UfM, due to be installed in Barcelona, the UfM initiative was, however, not at the centre of the decisions. Rather, talks focused on the arrest warrant for Sudanese President Omar al-Bashir, the inter-Arab reconciliation and the Middle East peace process⁶. To make matters worse, Egypt – the UfM initiative together with French President Sarkozy – was absent and several Arab countries had not yet defined their position vis-à-vis the Israeli coalition.

Two further initiatives have attempted to revive the stalled process: on 21 April 2009, (for the first time since December 2008), a meeting of the representatives from participating countries took place in Spain⁷, and two days later the European Foreign Affairs chief convened an informal meeting in Brussels to gather EU, Arab and Israeli partners. But to date, a significant institutional obstacle remains: the Secretariat General is still without a head.

Way forward

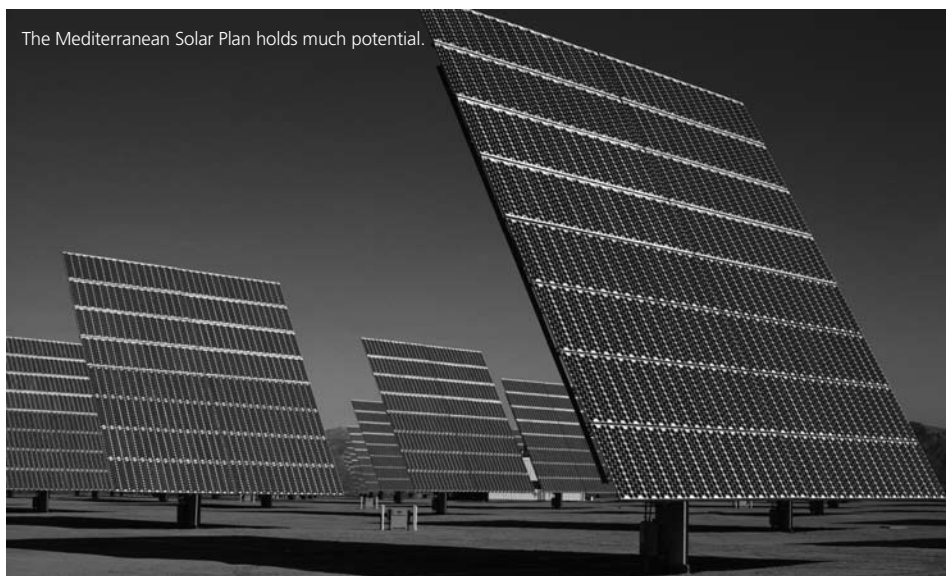
The key challenges to moving forward will be to look behind the promising rhetoric and identify the effective added value that the UfM can bring and to ensure there is greater coherence and proper coordination with existing EU-Mediterranean initiatives. A swift implementation of the initiative will be made even more difficult with the current economic downturn pulling European countries' attention away from the Mediterranean region, and reducing available financing for investment.

For some, the UfM as it stands offers limited economic prospects. However, a representative of a North African investment bank recently commented that the Mediterranean Solar Plan, whereby the EU will finance solar farms in the Mediterranean region and buy electricity for EU consumption, may be an exception which will have potential.

The next year will be crucial for the future of the Union for the Mediterranean. Several meetings are forthcoming, including an important ministerial conference on sustainable development, planned for early June in Monaco. Another notable event will be the summit meeting of Mediterranean Union heads of state scheduled for 2010, during the Spanish presidency of the EU.

Progress will rely on whether the UfM can deliver concrete economic projects that promote effective economic cooperation among Mediterranean partners in a coherent manner and show early benefits for ordinary people. To a large extent, this will rest on the capacity to overcome current political problems. French president Nicolas Sarkozy's view that the UfM should be established not in spite of the Israel-Palestine conflict, but because of it, is proving to be too simplistic. A real effort is needed this year to resolve this conflict. Progress will also require greater cooperation among North African countries – a prerequisite for strengthening the Mediterranean region as a whole.

In this regard, the first Maghreb Employers' Union forum, held on 10-11 May 2009 in Algiers, is a positive step. On this occasion, a Minister from Algeria announced that officials from Algeria and Morocco were discussing opening the land border between the two countries⁸. But the road is long before achieving the ambitious vision of a Union for the Mediterranean.



The Mediterranean Solar Plan holds much potential.

© picture-alliance/dpa

Under the Shadow of 'Barcelona' R. Aliboni, F. Ammor

The UfM may definitely represent a step forward in Euro-Mediterranean relations. Success will depend on the capacity of the UfM's mixed organisation to outline and implement its programme and on the willingness of political leaders to compromise where necessary and lend impetus to the initiative.

The debate that stimulated the establishment of the UfM was more focused on EU cohesion than on the merits of the initiative itself and of the Mediterranean area. This may prove a weakening factor for the UfM in the future. For this reason, far from taking the UfM for granted, the project must be submitted to further debate.

Recommendations for the future based on a broad evaluation of the UfM include:

First, key UfM projects must be carefully coordinated with the Commission's past and current sectoral activities, as well as with its broader activities to avoid potential duplications.

Second, a prudent and gradual approach of 'low politics first, high politics later' should be adopted in the context of vulnerability of the UfM to disagreements stemming from outstanding conflicts in the Euro-Mediterranean area.

'Under the Shadow of 'Barcelona': From the EMP to the Union for the Mediterranean', EuroMesco Paper n.7, January 2009, available at: <http://www.euromesco.net/images/paper77eng.pdf>.

Author

Stéphanie Colin is Research Assistant at the European Centre for Development Policy Management.

Notes

- 1 The members are the 27 European Union member states and 16 Mediterranean partner countries (MPCs): Albania, Algeria, Bosnia & Herzegovina, Croatia, Egypt, Israel, Jordan, Lebanon, Libya (observer status), Mauritania, Monaco, Montenegro, Morocco, Occupied Palestinian Territories, Syria, Tunisia, and Turkey.
- 2 Aliboni, R. and F.M. Ammor, 'Under the Shadow of 'Barcelona': From the EMP to the Union for the Mediterranean', EuroMesco Paper no.77, January 2009.
- 3 Font, S., 'Overview of the Barcelona Process and its new step: Union for the Mediterranean', May 2009. www.acp-eu-trade.org/library/library_detail.php?doc_language=en&library_detail_id=5034
- 4 'Libya says Mediterranean Union will divide Africa', EU observer online, 5 August 2008; The Mediterranean Union: will it split Africa?, Reuters, 16 July 2008.
- 5 'Sarkozy's Mediterranean Union on Hold', Patrick Seale, Europafrica.net, 16 March 2009.
- 6 'Arab summit rejects arrest warrant for Bashir', Chinaview.cn, 31 March 2009.
- 7 'Les efforts reprennent pour relancer l'Union pour la Méditerranée', AFP, 23 avril 2009.
- 8 'Maghreb business leaders pursue regional solutions', Zawya, 13 May 2009.

WTO Roundup

Lamy tapped to lead WTO for another four years

Pascal Lamy, who has served as director-general of the WTO since September 2005, will continue to lead the organisation for another four years, WTO Members unanimously confirmed last week.

The announcement came as no surprise, as Lamy was running for the position unopposed. The former French bureaucrat has won many supporters at the WTO. Members often speak favourably of how he has managed the organisation, especially how he has balanced the interests of developing countries with those of the group's rich-country Members, over the past four years.

“

The director-general told delegates that he wanted to 'de-dramaticise' the organisation's periodic ministerial conferences

”

Several ambassadors praised Lamy's reappointment, saying that his staying on in the post would bring critical continuity to the WTO's work.

The day before he accepted the reappointment, Lamy outlined his priorities for the organisation in a speech to the General Council.

Lamy stressed that concluding the Doha Round of trade talks should continue to be the organisation's first priority. He also rejected suggestions that the Doha Round, which has been eluding closure for nearly eight years, be expanded to include issues such as climate change, food security, and labour concerns, and other issues that lie beyond the current mandate.

The director-general told delegates that he wanted to 'de-dramaticise' the organisation's periodic ministerial conferences, which in the past have been marked by violence and protests. Lamy then suggested that such a high-level meeting could occur before the end of the year.

EU, US strike provisional deal to end 13-year-old beef dispute

Trade officials from the US and the EU arrived at a provisional agreement that could mark the beginning of the end of a trade dispute over hormone-treated beef that dates back to 1996. The deal, which was announced on 6 May, would allow the EU to maintain its ban on imports of hormone-treated beef from the US. In exchange, US beef that is free of hormones would be granted much greater access to the European market.

But to the frustration of some in the US meat industry, the provisional deal effectively sidesteps the controversial question of whether, as the EU has long claimed, the ingestion of beef treated with the growth-promoting hormone oestradiol-17 is harmful to human health.

Under the terms of the provisional agreement, the US will refrain from imposing additional retaliatory measures, or 'carousel sanctions', that the outgoing Bush administration had threatened to slap on EU exports at the beginning of this year.



Washington will maintain the existing level of sanctions against European products, which are valued at US\$ 37.8 million, for three years, then eliminate the sanctions altogether in the fourth year after the deal takes effect. In return, Brussels has said it would allow additional duty-free access for US beef that has not been treated with growth-promoting hormones.

The two parties also agreed to work to find a longer term resolution to the matter before the four years are up. For the next 18 months, both sides have agreed to refrain from pursuing further WTO litigation on the matter.

But the deal is still tentative, and has yet to be signed by either of the trade reps, who said they would discuss the proposed agreement "with our respective stakeholders and constituencies in an effort to finalise it as soon as possible."

Anti-dumping activity on the increase, WTO says

The number of times WTO Members launched new investigations into unfairly priced, or 'dumped', imports jumped 17 percent in the second half of last year while the number of new anti-dumping tariffs that Member governments applied increased by 45 percent, the WTO has reported. 'Dumping,' in trade parlance, refers to the practice of exporting goods at a price that is below what they would command in their home market. The WTO Agreement on Anti-Dumping allows Member governments to place retaliatory tariffs on dumped goods, so long as they can prove that dumping is indeed taking place and that it is injuring the competing domestic industry. Governments also have to be able to calculate the 'dumping margin', the gap between the home market price and the export one. An increase in such activity could signal a turn to protectionism amid dismal economic times, but it could also indicate that Members are putting ever greater faith in the WTO's mechanisms for resolving trade disputes.

Fifteen Members reported initiating a total of 120 new investigations in the second half of 2008, compared with the 103 investigations that were launched by 14 Members for the same period in 2007. Overall, last year saw a total 208 new anti-dumping investigations, up from 163 in 2007 but down from the high of 366 that was reached in 2001.

The information on anti-dumping was taken from semi-annual reports that Member countries have made to the WTO's Committee on Anti-Dumping Practices, the secretariat said, and thus the data are only as complete as Members' reporting practices are thorough.

This information has been summarised from ICTSD's Bridges Weekly Trade News Digest.

EPA Update

Melissa Julian

EPAs progressing, but signing depends on development certainty: ACP, EU

Substantial progress has been made in the EPA negotiations in recent weeks according to African, Caribbean, and Pacific (ACP) Group President, Joseph Maáhanua and EU Trade Commissioner Catherine Ashton. But both also stressed to those attending the ACP-EU Joint Ministerial Trade Committee (JMTC), which took place from 5-7 May, that agreement on remaining outstanding and contentious issues will be necessary before interim EPAs can be signed. Common ground on stumbling blocks – such as market access offers, the inclusion of Most Favoured Nation (MFN) and non-execution clauses, the definition of Parties to the Agreement/dispute settlement procedures, and elimination of taxes – will be necessary to ensure WTO compatibility and a stable, sustainable trading relationship with the EU.

“

the current scenario, where each ACP region has multiple regimes governing ACP-EU trade, is unsustainable.

”

Solomon Islands Ambassador Maáhanua noted that both Pacific and African regions have raised several contentious issues that need to be properly addressed before their countries can sign off on the EPAs¹. He noted that the current scenario, where each ACP region has multiple regimes governing ACP-EU trade, is unsustainable. The ACP president also highlighted the challenges the group faces in light of the global economic, food, fuel, and financial crisis. He reportedly stated categorically that while the ACP is still committed to and intends to remain engaged in EPA negotiations, ACP governments cannot sign EPAs unless it is absolutely certain that those arrangements will lead to developmental benefits. To achieve progress, the ACP president suggested that the two sides tackle those issues that regions are ready to deal with and delay consideration of the subjects that need to mature in the regional processes. Finally, Maáhanua called on the EU, and the international community, to honour their commitments to Overseas Development Aid.



CEMAC re-organisation delaying EPA negotiations

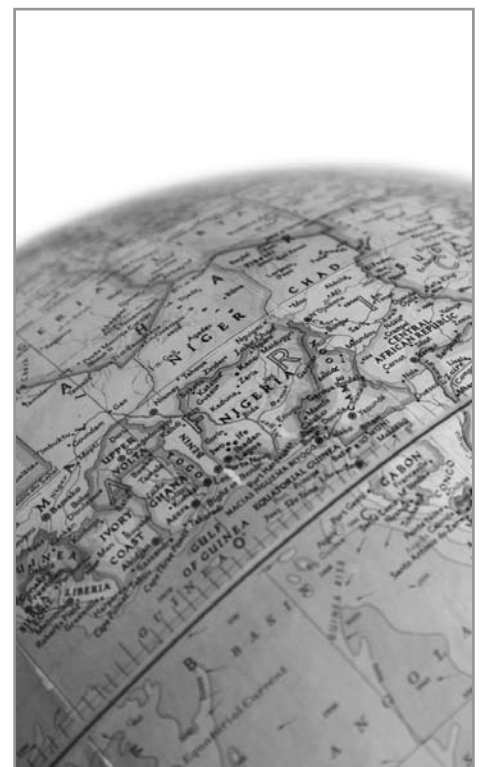
There have been no Central Africa-EU negotiating meetings since February 2009. The Economic and Monetary Community of Central Africa – or CEMAC as it is known by its French acronym – had to postpone the negotiating round planned for the week of 20 April 2009 because they are in the midst of an internal re-organisation that has seriously disrupted their operations. Internal preparations, however, continue ahead of the next joint negotiating meeting, the date of which is yet to be scheduled.

West African EPA negotiations moving briskly, but much work remains

EPA trade commitments and their implementation modalities should be in line with the level of development of the West African region and EPA support measures should be in line with the development and poverty reduction strategy of the region, according to reports from the West Africa Ministerial EPA Follow-Up Committee meeting from 12-15 May 2009. West African Ministers, following a brief from their chief negotiators on the status of EPA negotiations (see below), called for contentious EPA issues to be resolved as soon as possible at the highest political level. They asked their chief negotiators to continue EPA negotiations with the EU and to insist principally that the EU should preserve flexibility accorded to developing countries by agreeing to a pro-development interpretation of WTO GATT Article XXIV. The Article, they say, translates into an appropriate EPA transition period and scope of trade liberalisation based on an assessment of West Africa's needs. Commitments beyond WTO obligations should not be forced upon the region and West African policy space must be maintained, they stressed. Other priorities are to ensure provision of development cooperation resources by annexing a protocol on the engagement of parties to implement

the West Africa EPA Development Programme (EPADP or its French acronym PAPED) to the EPA. Functionality of the EPA institutional framework was also called for as well as the effective evaluation of the impact of implementation on improving the economy's competitiveness. Finally, Ministers instructed EPA negotiators to reject the European Commission's proposal to include a non-execution clause in the EPA.

The Ministerial meeting followed the EU-West African EPA technical and senior officials level negotiators' meeting from 20 to 24 April 2009 where several compromises were reached in areas, such as export taxes and free movement of persons. Significant progress was also achieved on the EPA-related development cooperation part of the agreement, but the parties could not agree on funding procedures and implementation of PAPED nor could they agree to extend support beyond fiscal compensation. A particularly difficult issue relates to West Africa's proposal to create a link between the implementation of its EPA commitments and the provision of European Commission's financial support programmes to improve competitiveness and production capacities in the region. The European Commission is not in favour of establishing such a link.



(Continued on page 14)

Continued from page 13

ESA interim EPA could be ready for signature in June

The Eastern and Southern Africa Group (ESA) interim EPA could be ready for signature in June 2009, following the ESA-European Commission (EC) senior officials meeting on 28 April 2009. Negotiations focused mainly on market access issues, rules of origin, and trade in services. The European Commission agreed to the ESA proposal to limit the scope of the standstill clause to products covered by the liberalisation schedules in line with other EPAs. The ESA group proposed that rules of origin should be structured asymmetrically in their favour, but the EC did not agree, saying the clause would make cumulation very difficult. On services, ESA underscored some areas of concerns, namely the MFN clause, the mutual recognition and the definition and conditions related to the Mode 4 categories.



The EC insisted the first priority should be signature of the interim EPA. ESA requested a mutual agreement on all the outstanding issues expressing the need to have a political understanding and to lock in agreements reached to ensure progress. This was agreed, but what form this will take, will have to be discussed and agreed.

EAC seeks EU market access assurance in interim EPA signing

There was no East African Community (EAC)-EU EPA negotiating round held in the second half of April/early May 2009. There are, however, some contentious issues that need to be resolved at a political level to pave the way for signing the interim EPA and finalising of the comprehensive EPA an EAC representative indicated in an update to the

May ACP MTC. The EAC calls upon the EC to ensure that no ACP country will be removed from the list of beneficiary countries under Regulation 1528/07 (for interim EPA market access) as full EPA negotiations continue.

The EAC also calls for concrete measures to effectively address supply side constraints by enhancing actual investment inflows into the ACP. They are calling for concrete commitments that will ensure that adequate resources are provided as an integral part of EPAs. Other outstanding issues in the EAC-EU EPA negotiations include trade in services, agriculture, and economic development cooperation.

SADC interim EPA signing scheduled for 27 May

SADC EPA Ministers of Trade are meeting on 20 May 2009 to discuss progress in the EPA negotiations as well as the signing of the interim EPA currently scheduled for 27 May 2009. Following negotiations with the European Commission (EC) in March 2009, the main text of the interim EPA will remain unchanged and the best possible political and legal reassurances will be provided of the EU's intentions regarding the full EPA. They will do this through a combination of declarations inserted into the final act of the interim EPA (which is signed by Member States, the EU Presidency, and the Commissions) and a letter of confirmation from the EC outlining in detail the deal reached in Namibia. They will also align the interim EPA and Southern African Customs Union tariff schedules at the earliest opportunity through a joint decision of the interim EPA institutions.

From the EU Member States' perspective, the deal struck shows the flexibility that they and the ACP have asked from the EC. South African sources, however, indicate that the key difficulty with Europe's tariff alignment proposal is that it does not deal with the required alignment between the South Africa Trade and Development Cooperation Agreement (TDCA) and IEPA rules of origin. Even if Southern African Customs Union (SACU) import tariffs are aligned under the EPA and TDCA, the misalignment on rules of origin, as currently obtained, will require new customs controls within SACU, undermining the customs union. South Africa also seeks more clarity on how progress already achieved can be legally secured in an interim EPA signed without changes. The Most Favoured Nation (MFN) clause and the definition of Parties to the Agreement/dispute settlement procedures, as well as finalising

the SACU market access offer to the EU are also issues which need resolution. Nevertheless, South African sources say they remain confident that with more time and further engagement, the outstanding issues can be resolved.



Caribbean facing implementation challenges

Ambassador Henry S. Gill says he will resign as Director General of the Caribbean Regional Negotiating Machinery (CRNM) on 1 June. Gill said he based his decision on the Caribbean governments' decision to incorporate the CRNM into the Caribbean Community and Common Market (CARICOM) Secretariat as a Specialised Department.²



Some CARIFORUM States have established or are in the process of establishing National EPA Implementation Units.



An EPA Implementation Unit is operational in the CARICOM Secretariat and serves all Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM) States (i.e., also including the Dominican Republic). Some CARIFORUM States have established or are in the process of establishing National EPA Implementation Units and some have designated EPA National Coordinators. Further, consultations are ongoing on the designation of the CARIFORUM Coordinator.

The CARICOM Council for Foreign and Community Relations meeting on 8-9 May acknowledged the re-submission by the Dominican Republic of its application for membership to CARICOM and noted that the matter would be considered further at the upcoming meeting of the Conference of Heads of Government in July³.

Work in the Caribbean also continues on the rules of procedure for the various institutions of the EPA, identification of spokespersons who would deal with matters under the EPA where CARIFORUM has agreed to act collectively, and identification of capacity building and development support needs. Work is ongoing on an Infrastructure Fund for CARIFORUM. CARIFORUM is also continuing to refine the EPA implementation roadmap which sets out the legislative and administrative actions required at the national and regional levels and timelines for accomplishment of each action.



Pacific seeking EPA way forward

A response from the EU Trade Commissioner to the Pacific ACP (PACP) Spokespersons' March 2009 letter requesting the resumption of EPA negotiations will be forthcoming shortly, according to ACP Group President Joseph Maáhanua, who was reporting to the ACP-EU JMTC on 5-7 May 2009. The region hopes the response will provide an impetus for further face-to-face negotiations this year with a view to concluding an EPA acceptable to both sides and tailored to the region's specificities and achieving the objectives of Cotonou. He noted that at the same time, it is clear that many of the challenges still faced by the PACPs in the EPA negotiations are

similar to those being confronted by other ACP negotiating groups. The Pacific ACP States would welcome an opportunity to discuss in more detail some of the issues to strengthen each other's positions as well as that of the ACP Group as a whole, he said.



The PACP are under enormous pressure from their regional neighbours to hasten the launch of the Pacific Agreement on Closer Economic Relations.



The PACP are under enormous pressure from their regional neighbours to hasten the launch of the Pacific Agreement on Closer Economic Relations, or PACER-Plus, negotiations from the earlier agreed 2013 launch to August 2009 (i.e., possibly before the EPA negotiations are concluded)⁴.

Fiji, recently suspended from the Pacific Islands Forum, is not invited to regional meetings, but there will be discussions on its involvement in trade negotiations. The PACP are anxious not to set precedents in the EPA that would not allow countries time to liberalise services amongst themselves, negotiate a services agreement with Australia and New Zealand, and prepare their own detailed services offers and demands for trade in services with the EU.

Visit <http://www.acp-eu-trade.org/> for all the latest EPA news.

Author

Melissa Julian is Knowledge Management Officer with ECDPM.

Notes

- 1 www.acpsec.org/fr/coa/jointcoa2009.html
- 2 CRNM Press Release, 11 May 2009, www.cnm.org/index.php?option=com_content&view=article&id=407:cnm-dg-gill-resig
- 3 http://www.caricom.org/jsp/pressreleases/pres144_09.jsp?null&prmf=1
- 4 http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10570274&ref

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The International Centre for Trade and Sustainable Development

Chief Executive:
Ricardo Meléndez-Ortiz

Editorial Team:
Andrew Aziz
Trineesh Biswas
Paige McClanahan

Address:
7 Chemin de Balexert
1219 Geneva, Switzerland

Tel: (41-22) 917-8492
Fax: (41-22) 917-8093
Email: periodicals@ictsd.ch
Web: www.ictsd.net

European Centre for Development Policy Management

Editor:
Sanoussi Bilal

Address:
Onze Lieve Vrouweplein 21
6211 HE Maastricht,
The Netherlands

Tel: (31-43) 3502 900
Fax: (31-43) 3502 902
Email: tni@ecdpm.org
Web: www.ecdpm.org

Editorial team:
Aurelie Walker
Stephanie Colin

Design:
Studio Bodhi
Web: www.studio-bodhi.com

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Trade Negotiations Insights

Calendar and resources

ACP-EU Events

	June Central Africa-EC EPA negotiations at ministerial level (tbc)	10-12	CARIFORUM Council of Ministers meeting (tbc)	26-27	ICTSD Dialogue on ACP non-tariff barriers in EPAs. Follow-up from a consultation on pending negotiations in West Africa, Limbe, Cameroun
	Signature of Pacific-EU interim EPA with Fiji and Papua New Guinea (tbc)	10-12	World Economic Forum on Africa, Cape Town		
	Pacific-EC EPA negotiations at technical and senior officials level (tbc)	11-12	G 8 Development Ministers meeting, Rome	29-30	West Africa-EC Chief Negotiators meeting to initial the EPA, Abuja
	1st Joint CARIFORUM-EC Council (tbc)	19	Regional conference on EPA implementation, Caribbean Regional Negotiating Machinery	29-1	Joint EU-SADC Economic and Social Committee meeting (tbc)
4	EPA-ESA Council Meeting, Victoria Falls	22-23	EAC-EC EPA negotiations at technical, senior officials and ministerial level, Brussels	30	Civil society dialogue meeting on EPAs, DG Trade, European Commission, Brussels
4-5	COMESA Business Forum, Victoria Falls	23-24	OECD Forum 2009 "The Crisis and Beyond: For a Stronger, Cleaner, Fairer Economy", Paris		July EAC-EC EPA negotiations at ministerial level (tbc)
4-5	ECOWAS Trade & Investment Conference, Brussels				Pacific-EC EPA negotiations at technical level (tbc)
7-8	13th COMESA Summit of Heads of State and Government (expected to launch the COMESA customs union), Victoria Falls	24-26	UN high-level conference on the world financial and economic crisis and its impact on development, New York	3-4	2nd Pacific roundtable meeting on Aid for Trade, Honiara, Solomon Islands
8-12	West-Africa-EC EPA negotiations at technical, senior officials, and ministerial level, Brussels (tbc)	24-27	2nd EAC Investment Conference, Nairobi	6-7	Second Global Aid for Trade Review, WTO

WTO Events

	June Committee on Balance-of-Payments Restrictions Fax	3	
	Council for Trade-Related Aspects of Intellectual Property Rights	8-9	
	Trade Policy Review Body - New Zealand	10, 12	
	Committee on Trade and Development – Session on Aid for Trade	11	
	Sub-Committee on Least-Developed Countries	12	
	Dispute Settlement Body	19	
	Committee on Sanitary and Phytosanitary Measures	22-24	
	Trade Policy Review Body – Morocco	24, 26	
	Committee on Technical Barriers to Trade	25-26	
	Working Group on Standards and Trade Development Facility	25-26	
	Council for Trade in Goods	29	
	Negotiating Group on Trade Facilitation	29	

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