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EPAs: Trade as an instrument for Development?

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EUROPEAN CENTRE FOR DEVELOPMENT POLICY MANAGEMENT
CENTRE EUROPÉEN DE GESTION DES POLITIQUES DE DÉVELOPPEMENT

From Lomé to Cotonou

Lomé (1975-2000)

- Equal partnership
- Combination of Aid and Trade
- Compensation mechanisms (Stabex, sysmin)
- Commodity protocols
- Joint ACP-EU institutions

Cotonou (2000-2020)

- Stronger political dimension
- Participation of non-state actors
- New trade regime
- Programming of funds
- Resources:
 - € 13.5 billion (9th EDF)
 - € 9.9 billion previous unspent Lomé funds
 - € 1.7 European Investment Bank

The Lomé trade regime (1975 – 2000)

Characteristics:

- non-reciprocal preferential trade regime for all ACP
- Commodity protocols (sugar, banana, beef, rum)

Objective:

Promotion of growth and development

Disappointing results:

- Reduced market share of ACP in EU market
- Erosion of preference
- Little diversification

Subject to challenges under GATT/WTO rules

Cotonou Agreement: a major shift in ACP-EU trade relations

- Negotiations of Economic Partnership Agreements – **EPAs** (Sept. 2002-Dec 2007)
- Preferences maintained during transition period 2000-2007 (WTO-waiver)
- *Everything-but-Arms*: an improved access to EU market for LDCs

Objectives of Cotonou:

- To strengthen regional integration
- To foster smooth integration into the world economy
- Transformation of the ACP economies so as to promote sustainable development and poverty alleviation

What are EPAs?

- **Free Trade Agreements** (GATT Art XXIV)
- Goods, agriculture and services (TBs, NTBs)
- **All areas relevant to trade:**
competition, intellectual property rights,
investment, standards, SPS, consumers
protection, public procurement, trade and
environment, trade and labour, ...
- Possible **alternative arrangements** to be
examined by 2004 for non-LDCs not in a
position to negotiate an EPA = GSP

EPAs offer opportunities...

- Building on regional markets
- Stimulating investment
- Locking-in of trade reforms
- Integration into world economy
- Compatible with WTO rules
- Development dimension?

... and challenges

A controversial impact:

- Adjustments to reciprocity
- Loss of customs revenues
- Complex regional integration process
- Capacity problems at all levels
- Evolving global context

EPA negotiating process

Official launched on 27 September 2002 in Brussels

First phase with all-ACP group

- basic principles for the negotiations,
- overall structure and phasing of the negotiations,
- crosscutting issues of interest common to all ACP

Second phase at regional level

- 4 & 6 October 2003 – Central and West Africa
- 7 February 2004 – East and Southern Africa
- 16 April 2004 – Caribbean
- 8 July 2004 – SADC
- 10 September 2004 – Pacific

EPA Market Access

- Current WTO understanding by EU:
 - Substantially all trade = 90% on average
 - Asymmetry: up to 80% ACP – 100% EU
- Access to EU:
 - Improved on Lomé/Cotonou
 - EBA market access for all ACP (=100%)?
 - Frontloading?

EPA Market Access...

- Access to ACP:
 - Sensitive products
 - Fiscal revenue effects
 - Benefits and costs of liberalisation:
 - maximise or minimise market opening?
 - Regional or national approach: SDT
 - Safeguards
 - Transition period:
 - 12-15-18-20 years? Asymmetric with EU
 - Backloading

EPA Market Access...

- **Tariffs and NTBs (quotas, etc.)**
- **TBT**
- **SPS**
- **Trade facilitation**
- **Public procurement ?**
- **Competition ?**

- **Supply-capacity: what to export?**

Relevance...

- Negotiations. ACP Council of Ministers in June: grave concern that EPA so far failed to address development dimensions
- Public opinion. Stop EPA Campaign
- EU. EPAs are great opportunity for pro-poor Trade&Development Policies
- Possible impact on international 'Aid for Trade' debate

Development dimension of EPAs

- Development dimensions in 3 main categories:
 - Trade(-related) rules;
 - Accompanying measures and policies (preparation/negotiation/implementation of trade measures);
 - Effective support delivery process
- Issues of sequencing: EPAs implementation, liberalization, Regional Integration, development support delivery.



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Current support in EPAs

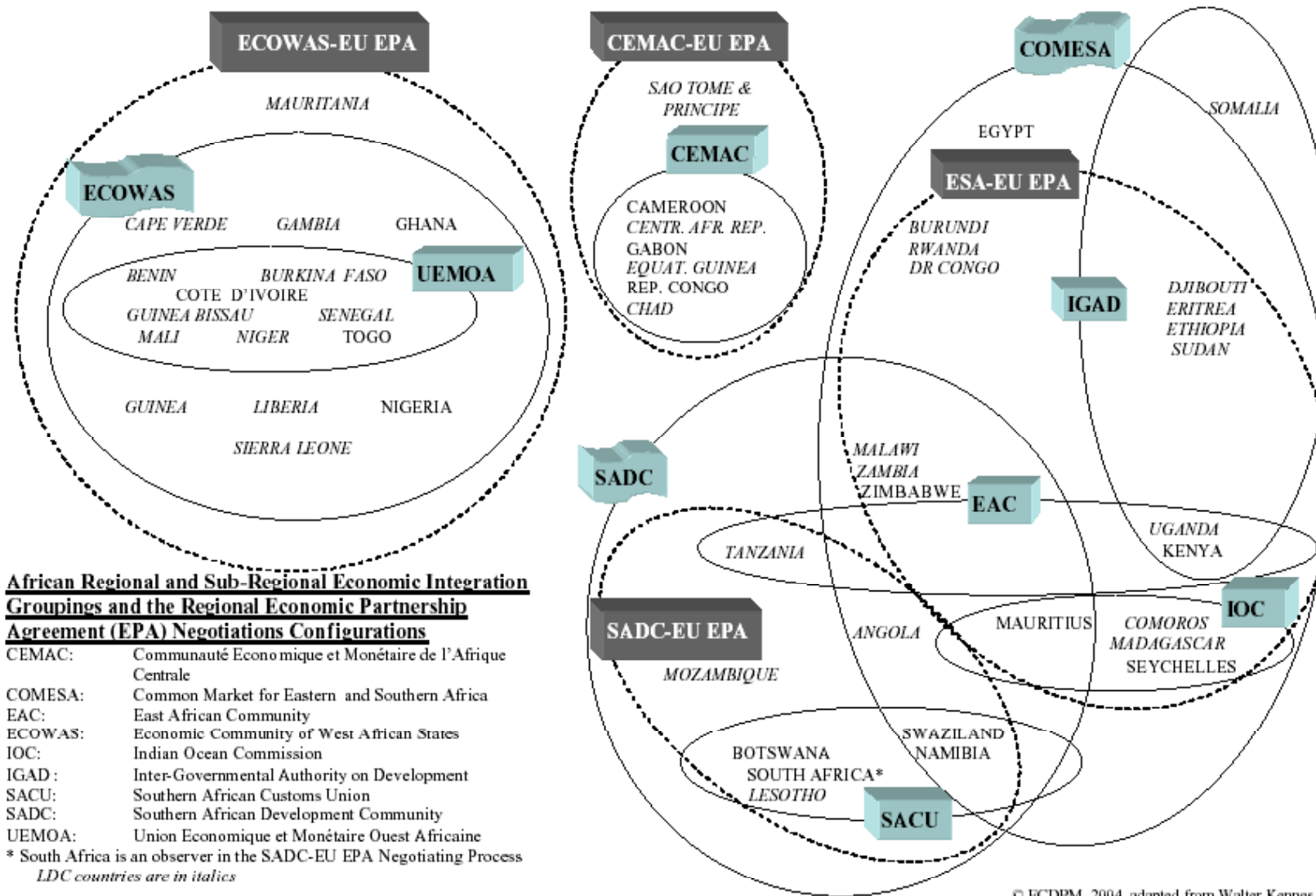
- Capacity building for negotiations
- Financial assistance: instruments and procedures of Cotonou
 - No additional resources:
EPA as part of EDF
 - Problem with procedures
- **Regional Preparatory Task Force** (RPTF)



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Opportunities for RI:

- RI is the 'special feature' of EPAs
- Locking-in of trade reforms
- scale benefits mostly from RI (EU already open)
- Regional hubs: trade (& investment) creation
- Article XXIV: leverage for reform?



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... and challenges

- Spaghetti Bowl**
- Capacity problems at all levels**
- LDCs-Non LDCs**
- scale benefits from RI...complementarity?**
- Regional hubs: trade (& jobs) diversion...risk of agglomeration**

... and challenges

- country specific impact**
- Hegemons? (Kenya, Mauritius examples)**
- geography: small islands and landlocked countries**
- process and weak institutions**
- Article XXIV: uncertainty and a 'moving target'**

COERCION OR ENGAGEMENT ?

- use EPAs and the accompanying EU assistance to implement much needed trade policy reforms...NSA participation, transparency...explore the trade&development link...TDCA (public-private sector platforms) & CRNM examples of process
- ...for ACP ? conscious trade reforms-trade as dev strategy- institutional machinery ?

**For more information on ACP-EU
trade relations, please refer to:**

fr@ecdpm.org

www.acp-eu-trade.org

www.ecdpm.org



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