

# ECONOMIC PARTNERSHIP AGREEMENTS PUTTING DEVELOPMENT CENTRE STAGE



**PSE**

Socialist Group in the  
European Parliament



## Preamble

In 2000, the European Union committed itself to negotiating a set of **Economic Partnership Agreements (EPAs)** designed to transform its economic and trade relations with 78 developing countries of the **ACP<sup>1</sup>** group.

The EPAs were intended to be “centred on the objective of reducing and eventually eradicating poverty, consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy”<sup>2</sup>. Yet in practice, the negotiations have been marked by bitter disputes over the EU’s negotiating style and whether the EPAs on offer would help or hinder economic development and regional integration.

In this leaflet, the **Socialist Group of the European Parliament** calls for the EPA negotiations to return unambiguously to their original focus, in which the over-riding purpose of trade and economic relations is the reduction of poverty and the promotion of sustainable development. In the next few pages, we set out the steps that must be taken to ensure that this is done.

## Background

Since the 1960s, Europe and the ACP have signed a series of cooperation agreements<sup>3</sup>, which gave ACP exports preferential access to the European market, as part of a broader development cooperation strategy. The **2000 Cotonou Agreement** retained these non-reciprocal trade preferences, but parties also agreed to conclude new **World Trade Organisation (WTO) compatible trading arrangements**, bearing in mind that the existing preferences were the subject of a WTO waiver, which was due to expire on 31 December 2007.

1. The ACP is a group of 79 African, Caribbean and Pacific states, which since 1963 have been party to a series of cooperation agreements with the European Commission. One of these, Cuba, did not participate in the Cotonou agreement or the EPA negotiations.

2. Article 1 of the EU-ACP Cotonou Agreement, 2000

3. Yaoundé Conventions, 1963-1975; Lomé Conventions, 1975-2000; Cotonou agreement ( 2000 onwards)

To bring EU-ACP trade relations into conformity with WTO rules, the Cotonou Agreement provided for the EU to open negotiations with six regional groups of ACP countries – West Africa, Central Africa, East South Africa, Southern Africa, Caribbean and Pacific – with the objective of agreeing a series of regional Economic Partnership Agreements before the end of 2007.

## What went wrong?

In practice, the negotiations started late and turned out to be prolonged, controversial and marked by ill-feeling. Bitter accusations were made by some ACP negotiators and European development organisations against the negotiating style and objectives of the EU:

- that the EU used the negotiations to pursue commercial advantages which, in some cases, conflicted with the development strategies of ACP countries;
- that, while the problem of WTO compatibility related only to trade in goods, the EU put ACP countries under heavy pressure to accept negotiations on a much wider agenda – including trade in services, intellectual property protection, public procurement, competition policy, and investment protection – which raised sensitive issues of development strategy and national policy space;
- that the European Commission's approach did not take sufficiently into consideration the regional integration objective, and in some cases – such as SADC or West Africa – even threatened it; EU negotiators were accused of divide-and-rule tactics;
- that the EU negotiating style was overly aggressive; and, in particular, that ACP countries were put under heavy pressure to sign up to EPAs before the end-2007 deadline, when many ACP countries needed more time to agree policy positions and to negotiate<sup>4</sup>.

4. The Socialist Group and others repeatedly drew attention to indications from the WTO that flexibility was available in the end-2007 deadline.

## Where are we now?

By late 2007, it was clear that final agreement on EPAs could not be reached with most of the ACP states before the WTO deadline of end-2007 passed. Instead, the EU initialled seven interim agreements with a mixture of regional groupings and individual countries, covering only trade in goods and excluding a range of more sensitive issues. Only one final agreement was initialled, with the **CARIFORUM** states (see table 1).

Slow progress was then made in 2008 towards signing the interim and final agreements. By spring 2009 the situation was as follows:

- one full Agreement signed: Cariforum (October 2008) – all Cariforum Member States signed except Haiti (where negotiations are still underway);
- two interim Agreements signed: Ivory Coast (November 2008) and Cameroon (January 2009);
- five interim Agreements remain to be signed – Ghana, SADC, Central Africa, ESA, Pacific;
- negotiations continue regarding full EPAs.

**Table 1. Membership of EPA negotiating groups**

### **EPA SUB-REGION MEMBERS A**

**Cariforum (15)** Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, *Haiti*, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Surinam, Trinidad and Tobago

**Central Africa (7)** Cameroon, *Central African Republic*, Chad, Congo Republic, *Equatorial Guinea*, Gabon, *São Tomé and Príncipe*

**East and Southern Africa (16)** *Burundi*, Comoros, *Democratic Republic of Congo*, *Djibouti*, *Eritrea*, *Ethiopia*, Kenya, *Madagascar*, *Malawi*, Mauritius, *Rwanda*, Seychelles, *Sudan*, *Uganda*, *Zambia*, Zimbabwe

**Pacific (14)** Cook Islands, Fed. Micronesia, Fiji, *Kiribati*, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, *Samoa*, *Solomon Islands*, Tonga, *Tuvalu*, *Vanuatu*

**SADC-minus (7)** Angola, Botswana, *Lesotho*, *Mozambique*, Namibia, Swaziland, *Tanzania*

**West Africa (16)** *Benin*, *Burkina Faso*, *Cape Verde*, Côte d'Ivoire, *Gambia*, Ghana, *Guinea*, *Guinea Bissau*, *Liberia*, *Mali*, *Mauritania*, *Niger*, *Senegal*, *Sierra Leone*, *Togo*, *Nigeria*

## What is the role of the European Parliament?

All interim and full agreements will be passed to the European Parliament for ratification. Legally, the Parliament can only say “yes” or “no” to the agreements, but the Socialist Group has used this power to open up a wider debate. We have tabled a European Parliament resolution on each individual EPA, setting out our main concerns and those of the ACP countries – and demanding answers from the Commission and Council, as a condition of our support for ratification. The Socialist Group shall try to win majority support in the Parliament for these conditions against those in right wing groups who have put EU commercial advantage first.

## What happens next?

For the Socialist Group, the central issue is clear. The overriding objectives of EPAs must be to promote:

- sustainable development;
- gradual integration of the ACP countries into the world economy, overcoming dependence on a few commodities;
- regional integration;
- achievement of the Millennium Development Goals.

Nothing, including the commercial interests of the EU, should be allowed to prejudice or compromise those aims. Regrettably, this perspective is not shared by the right-wing majorities in the European Parliament, Commission and Council of Ministers.

However, partly in response to the difficulties experienced in negotiation, and the sustained campaign by the Socialist Group, in alliance with civil society, the Commission has gradually begun to show a new flexibility. The new Socialist Trade Commissioner Catherine Ashton has, for example, repeatedly made clear since her arrival in Brussels in October 2008, that

she is ready to re-examine any element of the interim agreements if the partner countries so wish.

The Socialist Group warmly welcomes these signs of a new approach by the Commission, which offer a much-needed chance to put the EPA negotiations back on track.





# Five Socialist principles to put EPAs back on track

## 1. Development – the overriding priority

The central purpose of EPAs is – and must be – to serve as a tool for development. Their content will be critical for the future of some of the world's poorest countries;

EPAs must meet the development needs identified by ACP countries. They must help ACP countries to benefit from trade, promote regional integration and advance the Millennium Development Goals.

Every EPA should:

- include reinforced chapters on development cooperation;
- contribute effectively to sustainable development
- demonstrate asymmetry in favour of the ACP countries – in terms of product coverage and transition periods – as promised by the European Commission;
- safeguard sensitive sectors of ACP economies to allow growth of infant industries;
- include specific financial commitments to compensate for loss of customs revenues, resulting from removal of tariffs on 80% of imports over 20 years;
- respect fundamental human rights such as the right to food and access to basic public services.

These points must be respected both in interim and final EPAs. Negotiations to move from interim to final agreements must be flexible, asymmetric and pragmatic, taking account of ACP priorities for development and regional integration.

## 2. Promote regional integration

EPAs should be regional and avoid splits.

EPAs must take into account the needs and levels of development of ACP countries and regions.

Each region should be able to draw on provisions agreed for other regions.

EPAs should, where appropriate, include common clauses. Bilateral interim agreements signed with different countries in a single region should avoid contradictory or inconsistent clauses – e.g. on the level, scope and pace of reduction of custom barriers.

The adoption of EPAs should be accompanied by measures to strengthen regional organisations and to support regional trade integration in accordance with Article 37.2 of the Cotonou Agreement.

## 3. Enhance ACP economic capacities

ACP countries should be offered the best access to the EU market available under any EU trade regime and EPAs should include provisions to manage change in ACP countries while protecting sensitive or growing sectors.

EPAs should encourage processed exports with simpler and improved rules of origin<sup>5</sup> for ACP countries and Least Developed Countries, particularly in key sectors such as textiles, fisheries and agriculture.

EPAs should reinforce measures to build capacity to trade, unlocking ACP countries from the basic commodity trade and helping create viable regional economies with supply chains that create added value and can compete internationally.

The EC should provide support for increasing the negotiating capacities of ACP countries.

5. The rules of origin will determine which exports qualify for EU tariff concessions – for example specifying what percentage of their value must have been produced within the ACP. Rigid or complicated rules have been a major obstacle to exports from ACP and other poor countries.

EPAs should allow ACP countries, region by region, if they so wish, to negotiate provisions to attract investment. The agreements should provide for example for technical co-operation to help meet international product standards, sector-specific agreements, and measures to protect intellectual property such as local brand names, biological resources and traditional knowledge.

Since compliance with WTO rules requires only an agreement on trade of goods, the EC should not oblige ACP countries to negotiate on services, intellectual property, public procurement, competition policy or investment protection where the ACP countries are not willing to do so – noting that many developing countries, development organisations and academics have drawn attention to ways in which negotiations on these issues can present particular dangers to development strategies.

Where agreements on services are being negotiated at the request of ACP countries, the EU must respect the objective that these agreements are development oriented and that they put in place a strong regulatory framework to ensure universal service provision and prevent the targeting of services only to the most profitable sections of the market. Furthermore, *essential public services shall be kept outside the negotiating framework.*

## **4. Funding – commitments must be honoured**

President Barroso must honour the commitment made at the EU-Africa Summit in December 2007 to meet with the Heads of State of African EPA negotiating regions.

ACP countries must benefit from the promised new funding for Aid for Trade – €2 billion a year by 2010, covering all six categories of the WTO Task Force, with binding commitments to adequate Aid for Trade resources forming part of the EPA legal texts. Signature of an EPA must not be a precondition for receiving Aid for Trade funds. Recycling EDF money to fund aid for trade is unacceptable, as is the continued failure of the European Commission to identify the funding allocation available for the ACP.



ACP countries and the EP must receive detailed and timely information on how much money has been committed, in what regions, how it will be spent and within what timeframe and where the money comes from.

EU donors must honour their ODA commitments made in Monterrey in 2002, in Gleneagles in 2005 and in the European Consensus on Development in 2005 and confirmed by the Council of the EU in May 2008.<sup>6</sup>

## **5. EPAs must be ACP owned**

ACP countries must be allowed sufficient time to participate fully in the negotiations, based on a clear agenda, agreed by both the EU and the ACP countries.

The EU must be prepared to re-open negotiations on the final and interim EPAs, where necessary, to allow contentious issues to be renegotiated.

The negotiating process must provide for an effective role for ACP parliaments and the European Parliament.

Unions, NGOs and civil society must have a voice.

The European Parliament – while guarding a measure of flexibility – should take into account the opinions of ACP parliaments on the outcomes of the EPA negotiations, before giving its assent.

To ensure effective implementation, existing EU-ACP institutions, including the Joint Parliamentary Assembly, should monitor and evaluate the development and trade impacts of the EPAs.

Every EPA should be subject to a 3-5 year review and global impact assessment, with which ACP parliaments, the European Parliament and civil society should be formally associated.





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