

Six Reasons to Oppose EPAs in their Current Form

This paper is a response from leading ACP and EU civil society organisations to some of the key arguments put forward in support of Economic Partnership Agreements (EPAs) as currently envisaged by the EU.

The undersigned organisations believe that trade can bring genuine benefits to the economies of ACP countries and to some of the poorest communities in those countries. Yet the EPAs as currently envisaged by the EU will not afford these benefits. It is for this reason that the undersigned organisations are participating in or supporting campaigns led by civil society organisations from ACP countries to 'Stop EPAs'.

The paper sets out some of the arguments for our position on EPAs and is a contribution to the further discussion that is necessary for development-centred alternatives to the EPAs as currently envisaged.

November 2004

act:onaid
international uk

CAFOD
just one world

Christian Aid
We believe in life before death

B : T H **ENDs**

ATN

Agir ici

EURO step
European Solidarity Towards Equal Participation of People

Africa Trade Network

enda



TWN Africa

EcoNews Africa

Traidcraft
Fighting poverty through trade

11.11.11
JIJ VECHT TEGEN ONRECHT

SEATINI

Oxfam

Six Reasons to Oppose EPAs in their Current Form

Myth 1: EPAs are about development

The Cotonou Agreement states that the objective of Economic Partnership Agreements is *“to reduce poverty by supporting the sustainable development and the gradual integration of the ACP countries into the world economy”*. Unfortunately, the current direction of the EPA negotiations looks set to undermine rather than facilitate such objectives.

Although the precise nature of EPAs officially still has to be decided (and the option of an alternative remains open, according to the Cotonou agreement), the EU sees EPAs as reciprocal free trade agreements (FTAs) which it will negotiate on a bilateral basis with ACP countries or regions.¹ As such, the EU insists that EPAs comply with the rules of the World Trade Organisation (WTO) on FTAs, stipulated in Article 24 of GATT 1994. This article states that FTAs require an elimination of tariff barriers on “essentially all trade” (interpreted by the EU as 90%²) within a “reasonable time” (10 years, apart from exceptional cases). An EPA based on this premise would bring about rapid and deep liberalisation³ between the world’s largest single market and the world’s poorest countries.⁴ For example, the 27 countries that the UNDP marks as having the lowest human development are all ACP countries.

While there is general agreement that trade *can* be a powerful tool for development, a growing body of literature argues that rapid trade liberalisation does not on its own *automatically* lead to positive development outcomes. Countries should be able to choose the trade-policy option that best suits their development priorities and needs. Trade liberalisation should not be seen as a substitute for a sound development strategy. Moreover, it needs to be timed and sequenced carefully: there are different optimal degrees of openness at different stages of development, and it is generally agreed that, in order for an open trade regime to bring growth and development, countries must first have certain necessary conditions in place such as healthy economic sectors, potentially competitive producers, reasonably well-developed market institutions, and effective state capacity.⁵ Yet ACP countries suffering from serious supply-side constraints generally lack these conditions, which is why they have asked for reciprocity to be applied only after development indicators have been met.

As economist and *Financial Times* journalist Martin Wolf has noted, *‘trade liberalisation, as an aim, regardless of the circumstances, will not generate rapid growth. On this there is no disagreement, and never has been among serious analysts’*⁶

In 2004, the UK government in a White Paper on Trade and Investment asserted that *“the EU as a whole has made clear that we do not have ‘offensive’ market access interests, and the UK will seek to hold our EU partners to this”*.⁷ Yet the EU’s current approach to EPAs as reciprocal FTAs means that ACP countries are being asked to open up to EU goods before they are in a position to compete, which could be devastating to these countries’ economies and livelihoods. The reciprocity that the EU is demanding could be particularly damaging in the area of agriculture, which is so central to most ACP countries’ economies and livelihoods. This is especially true in a situation where the EU’s overall spending on the Common Agricultural Policy (CAP) will remain at around 40bn per year until 2013⁸ and where the average EU farmer receives 100 times more in agricultural support than the average annual earnings of an African peasant farmer.⁹

ACP countries could also face major losses to their fledgling industrial sectors. It is increasingly recognised that when countries apply trade liberalisation before they have consolidated strong economies and institutions, de-industrialisation often ensues.¹⁰ This point was recently stressed by the Commission on Africa, established by UK Prime Minister Blair, which stated that *“[for trade to work as instrument of development] liberalisation should be non-reciprocal, to allow African countries to protect their infant industries”*.¹¹ And the EC’s own mid-term report on Sustainability Impact Assessment warns that EPAs *“might accelerate the collapse of the modern West African manufacturing sector”* and could also *“further discourage the development of processing and manufacturing capacity in the ACP countries in export oriented and other industries”*.¹²

The EU argues that existing imbalances can be addressed through ‘asymmetrical liberalisation’, which would mean a differential approach to product coverage and to the pace and timing of liberalisation. However, proposals for longer timeframes, combined with lower percentages of liberalisation for ACPs, do not solve the problem.¹³ Many ACP countries are poorer today than they were two decades ago and could be in worse shape in 10 or 20 years. Yet the EU insists on tying

reciprocity to pre-determined timelines and insists that a development component would only come in parallel with opening of markets.

Myth 2: The multilateral trading system is the hallmark of EU external policy

Time and again the EU has asserted its commitment to the multilateral trading system, emphasising the role of the WTO as the principal forum for negotiating the terms of economic relations with trading partners. At the hearings of the European parliament, the EU Commissioner-Designate for Trade Peter Mandelson reiterated this commitment and added *"we should not do anything that could be seen as calling that commitment into question or divert attention from the WTO"*.¹⁴ However EPAs will do exactly that.

First, WTO negotiators in Geneva are already working to an overloaded agenda. Most ACP countries are severely disadvantaged by the small size of their delegations; their inability to participate effectively in meetings; and opaque processes that leave them marginalised and assumed to be part of the consensus if they are not physically present to argue their case. Moreover, many ACP countries have scarce negotiating resources in their capitals and EPA negotiations will only spread this capacity more thinly. In the words of Eveline Herfkens, the UN Secretary General's co-ordinator for the campaign to promote the Millennium Development Goals (MDGs), speaking at the European parliament: *"EPAs are a real problem for poor countries.[...] LDCs that include many ACP countries have neither the time nor the capacity to negotiate strong agreements with the EU. ACP countries face huge difficulties in the WTO negotiations."*¹⁵

Secondly, EPAs threaten to undermine the positions that the ACP countries have defended in the WTO. In the WTO context, ACP countries have in the past traded away vast tracts of their national policy space in exchange for market -access commitments, many of which have still to materialise. Having learned from such painful experience, they formed an ACP/AU/LDC alliance (also known as the G-90) in the WTO negotiations to defend their own development priorities. In Cancun they signalled once and for all that the interests of small and vulnerable countries could no longer be ignored. However, it is much harder for ACP countries to maintain this resolve in the EPA negotiations, given their level of dependence on the EU for markets and development funds.¹⁶

The European Commission claims to believe in the complementarity between multilateralism and preferential agreements. However, in reality the EU's agenda for bilateral and regional trade agreements has always been ambitious – and EPAs are no exception.¹⁷ For example, topics that the ACP countries have strongly resisted in the WTO are now up for re-negotiation in EPAs. Three of the four Singapore Issues (investment, competition, transparency in government procurement) – of which the EU has been the strongest proponent – were dropped from the Doha work programme as a result of continued opposition by ACP countries, in alliance with other developing countries. Yet all are still prominent on the EPA negotiating table. In effect, ACP countries will have to refight a battle already won in the WTO, but from a weaker bargaining position. Moreover, the EU is pushing for EPAs to go further than was envisaged in the WTO. For example, in the WTO the negotiations were on transparency in government procurement, while in EPAs the EU is asking for liberalisation of public procurement on the basis of non-discrimination.¹⁸

And there are further stark inconsistencies between what the EU has offered ACPs in the WTO and what it demands from them in EPAs. In the spring of 2004, the EU offered the ACP/AU/LDC alliance a so-called "Round for Free", which proposed to exempt these countries from commitments on tariff reductions for agricultural and industrial products, in exchange for their support for the overall EU position. But as the Dutch minister for Development Co-operation, Mrs van Ardenne- van der Hoeven, remarked recently: *"[A round for free] may even be perceived as somewhat misleading, since the EU is negotiating free market access for itself in the EPAs with ACP countries"*.¹⁹

Myth 3: ACP governments want EPAs

European decision-makers tend to argue that since ACP countries have agreed to EPAs, the process must be taken forward. This ignores the fact that ACP countries – collectively and individually - have expressed clear reservations along the way about negotiating EPAs in the form being proposed by the EU. For example, Botswanan President Mogae recently expressed *"apprehension"*²⁰ on behalf of the ACP countries; and back in 2001 a Mauritian 'non-paper' stated that *"This important political decision was taken by the ACP Group not without reticence for various reasons. It was based more on pragmatism rather than the belief or conviction that the ACP States would benefit from the EPAs. The onus now lies with the EU to convince the ACP States that its preferred option of REPA would be beneficial."*²¹

ACP governments are understandably concerned about the ability of their national economies and development strategies to withstand the potential impacts of reciprocal FTAs. For example, the ACP guidelines state that *“given the possible adverse effect of reciprocity on domestic production and fiscal stability in ACP states, the latter cannot a priori accept to provide reciprocity in EPAs with the EU”*; and *“[ACPs] do not have the capacity to liberalise in parallel and concurrently with the EU”*; and *“the implementation of tariff dismantlement should be linked to the attainment of certain development indicators.”*²²

ACP countries have also expressed disagreement on the inclusion of the Singapore Issues in the EC’s negotiating mandate, stating that *“from the ACP side, the rules aspects of the trade-related areas should not be the subject of EPA negotiations before agreement is reached on how to treat these issues at a multilateral level, particularly in the WTO”*.²³ Mauritian Trade Minister Jayakrishna Cuttaree echoed this sentiment when he asserted that *“ACP states could not agree that subjects that have been rejected at the WTO should be brought to the EPA negotiations, in a back door way of influencing their eventual inclusion into the WTO agenda”*.²⁴

Such concerns have been expressed despite the fact that the majority of ACP countries are highly dependent on EU aid and are concerned that a rejection of EPAs may result in the loss of a part of the EDF funding.

Meanwhile, ACP countries have been calling for greater flexibility of WTO rules with regard to free trade agreements between a group of highly developed economies and least developed and developing economies; as well as for active pursuit of “alternatives” for those countries not wishing to enter into an EPA, which was clearly mandated by the Cotonou Agreement in Article 37.6. This sentiment has also been voiced in Europe when the UK government stated in 1998 that *“The Government shares some of these doubts about the FTA option – hence our determination to ensure that it should not be the only option”* and *“... the Government certainly agrees that they [EPAs] are not a universal solution. ... That is why we have worked to ensure that attractive alternatives will be available, both for LDC and non-LDC countries.”*²⁵

Not only has the EU failed to offer any serious response to these requests for alternatives, but it continues to push through the negotiations at an unrealistic pace which reinforces the fundamental imbalance in negotiating power between the EU and ACP countries. Negotiations are now taking place in sub-ACP regions, before these country blocs have been able to finish – and in many cases even begin – their impact-assessment studies. In many cases negotiations are under way even before countries have been able to convene their national multi-stakeholder forums, or have clarified their own negotiating positions, or established an effective mechanism for co-ordination between ACP sub-regions. East African MPs recently expressed grave concerns about the process, stating that *“the pace of the negotiations has caught our countries without adequate considerations of the options open to us, or understanding of their implications, and that we are becoming hostage to the target dates that have been hastily set without the participation of our respective parliaments”*.²⁶

Myth 4: EPAs are needed for WTO compatibility

EPAs were proposed because the non-reciprocal EU–ACP trade arrangement under the Lomé Agreements was increasingly challenged. First, there was disappointment at the actual development impact of trade preferences; and second, the Lomé trade provisions were increasingly being challenged by WTO members. The Lomé trade preferences were seen to be discriminatory towards other developing countries, because they were not considered to be generalised preferences.²⁷ Yet neither could the Lomé agreement be considered an FTA, because it was non-reciprocal. The Cotonou Agreement (and several of its predecessors) resorted to a WTO waiver to allow for the continuation of the ACP–EU trade arrangements. This waiver will end on 31 December 2007.²⁸

The EU argues that the solution to WTO-incompatibility is to adopt the model of EPAs in the form of a reciprocal FTA. Such an FTA would have to accord with Article 24 of GATT 1994, which would require elimination of barriers to trade on “substantially all trade” between the parties within a “reasonable time” (10 years, save for exceptional cases).

By pushing for this point, however, the EU turns a blind eye to the fundamental flaws of Article 24 of the GATT. Most crucially, while the WTO explicitly recognises the rights to Special and Differential Treatment for developing countries, Article 24 lacks these SDT provisions.²⁹ This means that ACP countries are faced with trade negotiations of a peculiar nature. Instead of negotiating to obtain concessions, they are in fact negotiating to defend what they already have. Moreover, they are negotiating within the very strict limits imposed by the WTO and the EU.³⁰ But, most significantly, ACP countries are being

asked to open up their markets before they are in a position to compete. Despite ACP countries' expression of substantial concern about EPAs and their request for alternatives, the EU continues to present EPAs as the best option for future EU–ACP trade relations.

Does this mean that an EPA in the form of an FTA is the only option open to ACP countries? The answer to this is an unequivocal “no”. For one Article 24 of the GATT could be changed, allowing for SDT-provisions and flexibility for developing countries. This option has been proposed by ACP countries in a submission to the WTO.³¹ Alternatively, the enabling clause³² which allows not-fully-reciprocal FTAs could be amended to apply not only to South–South FTAs but also to North–South FTAs. As a further alternative, a new waiver could be sought under the WTO. Another possible route would be to find ways in the EU's current General System of Preferences (GSP) to allow for ACP interests to be taken into account.

Each of the alternatives presented above comes with its own political challenges and specific limitations. However, this fact should not prevent the EU from acknowledging, exploring, and pursuing these alternative routes – even more so, because in 1998 the European Council committed itself by agreeing that the EU “*will examine all alternative possibilities, in order to provide [ACP] countries with a new framework for trade which is equivalent to their existing situation and in conformity with WTO rules*”.³³

Myth 5: The financial costs of EPAs can be overcome

The EU has argued that ACP countries can overcome the negative financial impacts from EPAs, yet this claim rings false.

As Kofi Annan has said to the ACP Heads of State: “*A major concern, for example, is the impact that the trade liberalisation to be wrought by EPAs would have on fiscal revenue. Many of your countries are heavily dependent on income from tariffs for government revenue. The prospect of falling government revenue, combined with falling commodity prices and huge external indebtedness, imposes a heavy burden on your countries and threatens to further hinder your ability to achieve the Millennium Development Goals.*”³⁴

Many ACP countries depend upon import duties for around one third of their national revenue,³⁵ and in some cases the proportion is far higher. For example, in Ivory Coast, Sierra Leone, and Uganda, trade taxes represent 40 per cent, 49 per cent, and 48 per cent of total government revenue respectively.³⁶ Studies have predicted that EPAs would cause major declines in government income through lost tariff revenue. For example, Cape Verde and the Gambia stand to lose 19.8 per cent and 21.9 per cent of their national incomes respectively; and Ghana and Senegal stand to lose 10 per cent and 11 per cent.³⁷ Estimated fiscal revenue losses for Kenya are 12 per cent.³⁸ Such large decreases in fiscal revenue would substantially harm ACP countries' budgetary capacities to finance key expenditures in areas such as education, health services, and poverty alleviation.

Many developing countries rely heavily on taxation of imports, because it is relatively easier and less costly to administer than other forms of taxation. (Many economic activities in ACP countries take place in the informal economy, which makes them particularly hard to tax.) While reform of tax systems to facilitate alternative tax-revenue sources could have advantages in the long term, it would also be a complex, lengthy, and costly exercise which would divert attention and funds from more immediate development-orientated objectives and increase the burden on poor populations in these countries.³⁹

And this would be just one of a range of adjustment costs. If ACP countries were not to be crushed by EPAs, radical structural reforms – of production systems, institutions, and infrastructure, to name but a few areas – would be required. Impact-assessment studies⁴⁰ are increasingly showing that for ACP countries to reap any benefits from EPAs, they would first need to address the major supply-side constraints that have long prevented many ACP countries from exploiting their preferences under successive Lomé Agreements.

Moreover, the expected impact on wages and employment would seriously affect the poor. If existing industries have to compete with imports, the result might be unemployment not automatically offset by growth of employment in export sectors. And if no new opportunities were created for the poor, they could be considerably worse off than before.⁴¹

Many ACP governments are holding on to the hope that EPAs will provide the means to address these supply-side problems. Yet the stark reality is that the EU has persistently said that the funding available under the current EDF will not be substantially increased.

Myth 6: EPAs will foster regional integration

Given the small size of most ACP economies and their tendency towards dependency on a few primary commodities, regional integration among groupings of developing countries can offer these countries mutually beneficial development gains. Such trade arrangements can promote the pooling of resources, expanded markets, increased intra-regional trade and investment, and greater diversification and value addition. In turn they can reduce dependency on a small number of Northern markets and diminish vulnerability to a downturn in those markets. Moreover, in the longer term such regional projects could place countries in a stronger position to trade in higher value-added products on a more level playing field with major trading partners like the EU. ACP governments recognise these potential benefits, and currently a substantial majority of ACP countries are involved in varying forms of regional economic integration initiatives. However, regional integration is still at an early stage in most regions, and opening to EU imports before regional markets have been consolidated could undermine rather than support the process.

There are a number of reasons why advancing intra-regional integration within ACP blocs is a slow and complex process which needs to be allowed to go at its own internally-driven pace. For example, in most ACP sub-regions, adjacent states are largely confined to the production of the same limited basket of primary commodities for export outside the region. Market infrastructure and institutional frameworks tend to have an outward orientation, and the intra-regional enabling environments for trade tend to be weak. These realities add up to a lack of immediate complementarity of neighbouring states for intra-regional trade. Without first addressing these structural weaknesses in a way that leads to increased economies of scale and regional economic integration *within* developing-country negotiating blocs, there is little possibility of equitable economic exchange with an economic giant like the EU.

Further complications are presented by the fact that many ACP countries belong to more than one trade agreement, and yet through the EPA process they are being forced to choose one bloc through which to negotiate with the EU. For example, in East and Southern Africa many countries have overlapping membership in the Common Market for East and Southern Africa (COMESA) and the Southern African Development Community (SADC), in addition to smaller blocs like the East African Community (EAC) and Southern African Customs Union (SACU). For the purposes of EPAs, countries have had to choose whether to negotiate as SADC or COMESA, which means that some countries are placed in a difficult dilemma, and on-going processes towards intra-regional co-operation are being undermined. In negotiations with the EU, COMESA has now been reduced to East and Southern Africa bloc (ESA), a grouping formed only for the purpose of negotiating an EPA, with no supporting institutions or legal framework. Meanwhile, Tanzania has chosen to negotiate as part of SADC, whereas its partners in East Africa will negotiate as part of ESA. This is placing strains on the EAC, which recently signed a Customs Union.

The clustering of LDCs and non-LDCs within negotiating blocs is likely to produce even more difficulties. LDCs already have the Everything But Arms (EBA) arrangement, which allows them to benefit from market access into the EU without reciprocating. In ECOWAS, for example, 14 out of the 16 member countries are LDCs. Yet if these countries choose to opt out of an EPA, but continue with the ECOWAS regional integration process, they will still feel the effects of EU imports coming into their markets via their non-LDC regional neighbours. This presents countries with a grave dilemma and may actually increase regional tensions rather than promoting regional integration, given the wide disparities between the costs and benefits of EPAs for different countries in the same group.

Precisely because of the perceived need first to advance their own indigenous regional integration processes, ACP countries have argued that *"if these processes are not to be stifled or undermined they should have precedence over EPAs"* and that *"ACP states must be allowed to first consolidate their own regional integration processes"*.⁴²

Conclusion and recommendations

If EPAs continue to develop along their current course, they pose a severe threat to the development of ACP countries and the people living in these countries. They contravene the commitment of the EU to promote sustainable development and poverty reduction. That is why we are opposed to EPAs in their current form.

Civil society will continue to work with parliamentarians, governments, and the European Commission to contribute to an outcome of these negotiations that will create a fairer trading relationship and bring about genuine benefits and economic opportunities for poor people.

To this end, the undersigned organisations ask the EU to take the following steps:

- ❑ Fulfil its commitment under the Cotonou Agreement and urgently begin to pursue alternatives with ACP countries, based on the principle of non-reciprocity instituted in GSPs and special and differential treatment in the WTO.
- ❑ Drop its offensive interest in areas beyond the WTO to which the ACP countries are opposed, specifically the Singapore Issues of investment, competition policy, and government procurement.

Signed by

Africa Trade Network
Acord Mali
ActionAid International UK
Agir Ici (France)
Both Ends (Netherlands)
Cafod (UK)
Centre for International Development CECIDE (Guinea)
Christian Aid (UK)
Econews Africa (Kenya)
11.11.11 Coalition of the Flemish North-South Movement (Belgium)
Enda Tiers Monde (Senegal)
Eurostep (Belgium)
Mwengo (Zimbabwe)
Oxfam International
Southern & Eastern African Trade Information and Negotiations Institute, SEATINI (Zimbabwe)
Traidcraft (UK)
Third World Network (TWN) Africa (Ghana)
Zambian Trade Network (Zambia)

November 2004

¹ This marks a fundamental shift in the EU's approach to the ACP group. The previous Lomé Agreements were characterised by a system of non-reciprocal preferences. This shift in EU policy has been motivated by the perceived need for EU-ACP trade to be compliant with current interpretations of WTO rules; and the inability of ACP countries to translate market access into development gains.

² 'Recommendation authorising the Commission to negotiate Economic Partnership Agreements with the ACP countries and regions', 9798/02 ACP 84 WTO 59 + ADD 1.

³ Together, around 92 per cent of products originating in ACP States enter the EU without duty and with quota. Source: B. Ongugloand T. Ito. (2003), 'How to make EPAs WTO compatible? Reforming the rules on regional trade agreements', ECDPM Discussion Paper 40, Maastricht: ECDPM. 99.7 per cent of African exports enter the EU duty-free. Source: 'EU-Africa, Caribbean, Pacific ACP trade relations, Key facts and figures', Brussels 02 October 2003. All LDC ACP countries have quota-free and duty-free access to the EU under the Everything-But-Arms initiative. At this moment ACP countries do not provide preferential access for EU imports.

⁴ The ACP group, for instance, contains 38 of the world's 49 LDCs, while all EU countries are ranked by UNDP as high human-development countries.

⁵ For instance, UNDP (2001), 'The global governance of trade as if development really mattered'; Dani Rodrik (1999) 'Making Openness Work: The New Global Economy and the Developing Countries', Washington DC: Overseas Development Council. Ajit Singh (2003)

'Elements for a New Paradigm on Special and Differential Treatment – Special and Differential Treatment, The Multilateral Trading System and Economic Development in the 21st Century', Cambridge: Cambridge University Press.

6 Martin Wolf (2004) 'Why Globalisation Works', Yale University Press: London.

7 DTI (2004) 'Trade and Investment White Paper – Making Globalisation a Force for Good', London: DTI, p.91.

8 In comparison, the ninth EDF contains Euro 13.4 billion for the ACP for the period 2000-2005. In addition, outstanding funds from previous EDFs can be used (approximately Euro 10 billion). Additional funds for trade-related assistance are also available, for instance Euro 50 million for "trade.com". Source: www.europa.eu.int/scadplus/leg/en/lvb/r12102.htm, last visited on 4 November 2004.

9 Trade-distorting agricultural subsidies are being negotiated within the framework of the WTO and are not negotiated in EPAs. The outlook for these negotiations in the WTO are not promising, even though a first step on export subsidies was made in the July Framework Agreement. This means that ACP countries could continue to face highly subsidised agricultural exports when EPAs come into effect. The average European farmer receives the equivalent of US\$16,028 annually in agricultural support. Source: Producer support estimates per European farmer 1998-2000 from OECD (2001) 'Agricultural Policies in OECD Countries, Monitoring and Evaluation', Paris: OECD.

Meanwhile, the average income of an African farmer is US\$163 per annum, according to The Commission for Africa (2004), 'Commission for Africa: An Overview of the Evidence' London: The Commission for Africa.

10 For instance: UNCTAD (2004), Least Developed Country Report.

11 African Commission, closed session, Thematic issues "opportunity and growth", 7 October 2004, Addis Ababa, Ethiopia.

12 Sustainability Impact Assessments (SIA) of Trade Negotiations of the EU-ACP Economic Partnership Agreements, Mid Term Report Working Draft, 1 October 2003, http://www.sia-gcc.org/acp/download/summarized_mid-term_report_final_doc_light.pdf

13 In recent meetings between civil society and the UK government (autumn 2004) timeframes of up to 20 years and a liberalisation commitment from ACPs of 75-80 per cent have been mentioned.

14 European Parliament hearings, Answers to questionnaire for Commissioner designate Mr Peter Mandelson, Part B Specific questions, source: www.europarl.eu.int/hearings.

15 Ann De Ron IPS (Sept 8 2004), 'Small Countries' Problems Get Bigger', Brussels.

16 D. Primack and S. Bilal in Trade Negotiations Insight, vol 3, no 1, January 2004, 'The journey from Cotonou to Cancun, and beyond: the changing dynamics of WTO and EPA negotiations'.

17 The Cotonou Agreement proposes that EPAs cover a whole range of areas, including competition policy (Art. 45), intellectual property rights (Art. 46), standardisation and certification (Art. 47), sanitary and phytosanitary measures (SPS, Art. 48), trade and environmental considerations (Art. 49), trade and labour standards (Art. 50), consumer protection (Art. 51), food security (Art. 54) and investment (Art. 75). In terms of coverage, the recent agreements with Chile and Mexico best reflect the EU's template for EPAs. Source: S. Szepesi (2004) 'Coercion or Engagement? Economics and Institutions in ACP-EU Trade Negotiations' (ECDPM Discussion Paper 56), p.7, Maastricht: ECDPM.

18 EC Directives for the negotiation of Economic Partnership Agreements with ACP countries and regions.

19 Agnes van Ardenne-van der Hoeven, Minister for Development Co-operation of the Netherlands, (10 July 2004) 'The Doha Development Agenda in the WTO: a Political and Economic Necessity or an Exercise in Political Correctness?' Speech at a Conference on the Role of the WTO System in the World Economy. The Cornell Law School and the Cordell Hull Institute.

20 At the ACP-EU Council of Ministers meeting in Gaborone, May 2004. Source: TNI July 2004, 'EPA Negotiations Update: State of Play of Negotiations', http://64.233.161.104/search?q=cache:4L3tSps2F5EJ:www.epawatch.net/documents/doc113_2.doc+Botswana+president+EPA&hl=en.

21 From Mauritius Non-Paper 1, author: Ambassador Gunessee of Mauritius (12 October 2001), 'Negotiation of Economic Partnership Agreement under the ACP-EU Partnership Agreement: An all-ACP-EU EPA Option', Non Paper 08 12 01 Amb Gunessee Rev 2, www.epawatch.net/general/text.php?itemID=15&menuID=25.

22 ACP Guidelines for the Negotiation of Economic Partnership Agreements ACP/61/056/02/FINAL, 5 July 2002, Brussels. www.acpsec.org/ExternalSheet.aspx?&ArticleFileName=http://www.acp.int/6105602EngNegGuidelinesFINAL.pdf&sessLang=1

23 Joint report on the all ACP-EC phase of EPA negotiations, Brussels, 2 October 2003.

24 Minister Cuttaree, quoted in Press Release, 'The ACP Council of Ministers at the ACP-EU Joint Parliamentary Assembly', Addis Ababa, 17 February 2004.

25 The response also said: "... there should be a reasonable alternative available to Lomé partners, without reduction in their market access to the EU". And "Thanks to the agreement the Government obtained in the Council, all LDCs should enjoy duty-free access for essentially all products by 2005, and that non-LDC ACPs unable to join FTAs should be offered a new trade framework equivalent to their existing situation under the Lomé Convention". UK Government's response to the International Development Committee's report on the renegotiation of the Lomé Convention www.publications.parliament.uk/pa/cm199798/cmselect/cmintdev/1068/106804.htm, accessed on 8 October 2004.

26 Quoted from 'Resolution of Members of East African Parliamentary Liaison Committee' in workshop on EPAs organised by FES and SEATINI, Mombasa, 1-2 April 2004.

27 One of the main arguments for the WTO incompatibility of the Lomé convention was that it granted preferences to an "arbitrary" group of developing countries: the ACP group, for instance, excludes several LDCs. The WTO members acknowledge three groupings of countries: LDCs, developing countries, and developed countries. Non-reciprocal preferences fall under the enabling clause which allows developed countries to extend preferences under the GSP to developing countries.

-
- 28 B Onguglo and T. Ito (2003) 'How to make EPAs WTO compatible? Reforming the rules on regional trade agreements' (ECDPM Discussion Paper 40), Maastricht: ECDPM.
- 29 If one developed country is involved (in this case the EU), the FTA falls under the scope of Article XXIV of GATT 1994. In case of a trade agreement between developing countries, they can choose whether to apply the enabling clause or Article 24. In the former case, this would mean for instance that the clauses in trade coverage (essentially all trade) and transitional periods (exceed reasonable time only in exceptional cases) do not apply.
- 30 B Onguglo and T. Ito (2003) 'How to make EPAs WTO compatible? Reforming the rules on regional trade agreements' (ECDPM Discussion Paper 40). Maastricht: ECDPM.
- 31 Submission on Regional Trade Agreements to the WTO negotiating group on rules: 'Developmental Aspects of regional trade agreements and special and differential treatment in WTO rules: GATT 1994 Article XXIV and the Enabling Clause', Paper by the ACP Group of States, TN/RL/W/155, 28 April 2004.
- 32 The enabling clause allows WTO members to favour developing countries. The main measures covered by the enabling clause are GSP, regional and global trading agreements between developing countries, and special treatment for LDCs.
- 33 Article 37.6 of Cotonou Agreement.
- 34 Message by HEM Kofi Annan, Secretary-General of the United Nations, delivered by K.Y. Amoako, Executive Secretary, Economic Commission for Africa, to the 4th Summit of ACP Heads of State and Government
23 June 2004, Maputo, Mozambique www.acpsec.org/InternalSheet.aspx?ArticleFileName=2004/msgsgonu_en.html&sessLang=1
- 35 The IMF says that import duties represent 34 per cent of national revenue for African LDCs. Source: Bridges Weekly Trade News Digest, 30 April 2003.
- 36 World Bank World Development Indicators 2003: figures for 2000.
- 37 M Busse et al. (July 2004) 'The impact of the ACP/EU Economic Partnership agreements; an empirical analysis of the trade and budget effects', Hamburg Institute of International Economics prepared for the Friedrich-Ebert-Stiftung (p.27).
- 38 S. Szepesi (2004) 'Coercion or Engagement? Economics and Institutions in ACP–EU Trade Negotiations' (ECDPM Discussion Paper 56), Maastricht: ECDPM, p.13.
- 39 Ibid.
- 40 See, for example, Kenya Institute for Public Policy Research and Analysis (August 2004), 'Agenda for Development of Negotiating Position Under Economic Partnership Agreements; Kenya's Agricultural Trade with the EU (Draft Report)', Nairobi Kenya; Trade & Development Studies (TRADES) Centre (July 2004), 'Study of the Impact and Sustainability of EPAs for the Economy of Uganda', Harare, Zimbabwe; Caribbean Policy Development Centre (April 2004) 'REPAS or RIP OFF: An Initial Advocacy Position of the Caribbean Reference Group on the EPA Negotiations', Bridgetown Barbados.
- 41 S. Szepesi (2004) *op. cit.*, p.7.
- 42 ACP Guidelines for the Negotiation of Economic Partnership Agreements ACP/61/056/02/FINAL, 5 July 2002, Brussels