

Note on the state of play in the EPAs negotiations

Brussels, 20 December 2007

We are approaching the end of an important period in the negotiations with ACP countries on Economic Partnership Agreements. Now is the time to take stock of what has been achieved and what remains to be done.

Without Economic Partnership Agreements the 36 of the 78 ACP countries that had relied on the Cotonou preferences and are not Least Developed Countries (LDCs) would have faced an increase in tariffs under the Generalised System of Preferences when the Cotonou system expired on 31 December 2007. This was the external **constraint** we faced in the negotiations. Extending Cotonou was not an option legally because other developing countries had challenged it successfully at the WTO as discriminatory. Politically, extending Cotonou would have killed any hope of negotiating EPAs in the near future. Economically, the value of Cotonou preferences have been eroding and it has proved better at locking the ACP into commodity dependency than releasing them from it.

The fact that WTO compatibility requires reciprocal liberalisation has been at the centre of the EPA debates. For a regime as contested as the EU-ACP trade relationship, legal security is essential. ACP countries recognised this, but some faced difficulties in accepting what this meant in practice, namely the gradual opening to the EU of their markets. That is why we have used every flexibility built into WTO requirements to help them adjust, including by indicating our commitment to defend in the WTO less comprehensive liberalisation on the ACP side than is the norm for bilateral trade agreements. This has helped to give those ACP countries who are more sceptical about market opening the flexibility they need to protect their agricultural sectors and emerging industries. It is worth noting, however, that a number of ACP countries chose in the end to liberalise further believing it in their development interests.

But the constraint we face has only been part of the reason for negotiating EPAs. The more important part is the **opportunity** EPAs offer. They bring the opportunity to support the progressive integration of the ACP into the international economy and to make sure that the unparalleled ACP access to the EU markets brings real trade growth and broad-based economic development. In short, the opportunity to deliver what Cotonou has not been able to.

We are now putting in place the elements of a comprehensive package to achieve this; full duty and quota free access for the ACP to EU markets; improved rules of origin to make market access work in practice; cheaper inputs from liberalisation, with gradual market opening for more sensitive sectors, greater trade in services and rules that promote investment; targeted development assistance and support for regional integration. This is an ambitious package. Its objectives will not be achieved overnight but we have now taken a major step along this path.

The negotiations have not been straightforward. EPAs involve changing a trade relationship which has been in place for nearly 40 years. Change of such an entrenched regime was never going to be easy either in the ACP or for some in Europe. It has been complicated by a lobbying campaign led by European-based NGOs and others, who have sought to persuade governments and civil society that alternatives to EPAs exist which are at least as good; that the external deadline could be ignored without consequence; and, perhaps most bizarrely, that EPAs are driven by mercantile European interests.

This has made the job of ACP negotiators harder, undermining them domestically and pushing some into a position of negotiating in private while criticising the agreements in public. Most ACP negotiators and leaders, however, have recognised what is at stake and have taken the political decisions needed to reach agreement. As a result we have now reached interim agreements with almost all countries with whom agreement was needed. Region by region the situation is now as follows:

- In the Caribbean we have initialled a full regional EPA with all 15 countries covering all subjects, including services, rules, trade in goods and development support. This is a significant achievement, demonstrating the ability of our partners to reach comprehensive agreements that serve their development and regional integration objectives.
- In Southern Africa we have reached interim agreements with Botswana, Lesotho, Namibia, Swaziland and Mozambique and have a clear agenda and timetable for progressing towards a full EPA in 2008. We expect Angola to join the agreement early next year. Given its internal political situation, it seems likely that South Africa will remain outside the agreement for the time being.
- In East Africa, reflecting the configuration issues in the region, we have two interim agreements, one with the East African Community and one with the wider Eastern and Southern Africa group. These agreements cover all non-LDCs and several LDCs. While they do not need these agreements in purely tariff terms, several LDCs have chosen to join the agreement, recognising its potential contribution to their development, including through improved rules of origin.
- In the Pacific, we have an interim agreement with the two countries that account for almost all trade with the EU – Papua New Guinea and Fiji. Other non-LDCs in the region have minimal goods trade with the EU and so did not seek WTO-compatible interim agreements at this stage. We hope to agree a full regional EPA covering the whole region in 2008.
- In West Africa we have interim agreements with two of the three non-LDCs, Ivory Coast and Ghana. Nigeria, the only other non-LDC in the region, has made clear its lack of interest in negotiating an EPA at this stage. We will now focus on working with the regional organisations to enlarge these agreements to the wider region and addressing the interests of the LDCs.
- In Central Africa, Cameroon has initialled an agreement and the two other non-LDCs (Gabon and Congo Brazzaville) are on the point of concluding an interim agreement. We will work to enlarge these agreements to form a regional EPA in 2008.

Only a month ago, 36 ACP non-LDCs faced trade disruption. There was a real prospect of regions fragmenting between those who wanted and needed agreements and those who seemed to have little immediate interest in them. Those who oppose EPAs argued that this proved that these agreements were too ambitious and that the ACP were not ready to take the step towards integration into the international economy foreseen in the Cotonou Agreement. The leadership of many in the ACP, the Commission's flexible approach and the generosity of our offer means that we have now secured one full regional EPA, assured the continued market access of the vast majority of non-LDCs and ensured we remain firmly on the path to full regional EPAs.

This progress has been recognised by Member States. The Council gave strong backing to the Commission's approach, politically endorsing the Regulation implementing the Community's EPA market access offer for formal adoption on 20 December.

In 2008, we must maintain the momentum we have built up and turn interim agreements into comprehensive economic partnership agreements which foster genuine regional integration. We must build on the dynamic created by the Lisbon EU-Africa summit, moving from a relationship with the ACP based on post-colonial dependency to one of equal partners working together for development. In 2008 we need to:

- Turn sub-regional and multi-country agreements (eg in the Pacific, West, Central and Eastern Africa) into genuine regional agreements bringing in all countries, non-LDCs and LDCs;
- Build up existing and emerging regional agreements to form full EPAs with the greatest possible coverage on issues like services and rules. In some cases this is foreseen as an on-going process linked to capacity-building and regional reforms;
- Follow up on EU commitments on Aid for Trade by concluding the 10th EDF regional programmes and engaging Member States to deliver on their commitments;
- Take initialled texts to Council (and where necessary to Parliament) and notify the WTO of existing agreements.

The next phase of EPA negotiations will bring further challenges, but with the commitment of ACP countries and the support of EU Member States, we are well placed to deliver comprehensive agreements - EPAs that support regional integration and can help drive economic growth and sustainable development in the ACP.