



## **An open letter to anti-poverty campaigners from EU Trade Commissioner Peter Mandelson and EU Development Commissioner Louis Michel**

Brussels, 27 September 2007

### ***Dear Campaigner***

Thanks for taking the question of trade and poverty seriously enough to participate in the EPA campaign. We want to take the opportunity to address some of your questions and concerns about the Economic Partnership Agreements that Europe is currently negotiating with the African, Caribbean and Pacific regions.

No question in Europe's development and trade policy is more pressing than how we can use trade to help African, Caribbean and Pacific countries build stronger economies that can contribute to poverty reduction and break their dependence on trade preferences and basic commodity trade. The key is to give greater confidence and more opportunities to local businesses, attract new investment and build strong regional markets. These will in turn strengthen their capacity to compete in global markets. The Economic Partnership Agreements that the EU is currently negotiating with the ACP regions are designed to help do all these things. They will take a trading relationship based on dependency and turn it into one based on economic diversification and growing economies.

By assisting with the creation of regional markets and accompanying the sometimes difficult adjustments these entail, the EU is standing by the side of its ACP partners in their drive to adapt to the challenges of globalisation. These negotiations are certainly not about EU companies and investment muscling into these markets. In fact, if we exclude South Africa, we trade less with all of Sub-Saharan Africa than we do with South Korea alone. The problem is that EU businesses and investors have too little interest in these markets, not that they have too much.

The EU is not steamrolling ACP regions into completing negotiations this year; on the contrary, we are doing everything in our power to be as flexible as we can. And our ACP partners are also working hard to meet the end of year deadline. We promised non-ACP developing countries seven years ago that we would put in place a new system compatible with WTO rules by the end of this year. They expect us to honour our promises and from 1 January 2008, when the legal waiver they have extended expires, they can and they will challenge us. Unless we agree new WTO-compatible arrangements, we will have to fall back on our default preference scheme for all developing countries, the Generalised System of Preferences. This has less generous tariff rates than our current scheme. And unlike an EPA, it will not help ACP countries build regional markets, improve product standards or promote investment.

Some have suggested that the EU could extend its "GSP+" scheme to ACP countries to avoid the end-of-year deadline. But GSP+ gives extra trade preferences to countries that ratify and implement core international agreements on labour and sustainable development. No ACP country that could use these preferences has done this. GSP+ is the cornerstone of our attempts to use trade benefits to encourage strong labour and environmental standards.

Bending the rules to admit ACP countries would break our commitment to countries that have gone through the rigorous application and vetting procedure. GSP+ would not even safeguard the preferences that ACP countries currently benefit from under the Cotonou agreement and would be clearly less beneficial than an EPA which will grant duty-free and quota-free access to all ACP countries.. And the net result would be that GSP+ would be challenged in the WTO and we would lose that part of our trade policy too.

We often hear people say that EPAs won't be fair. That they will open ACP markets to EU trade at the expense of local businesses, and local growth. This is simply not true. EPAs won't mean "free trade" between the EU and African Caribbean countries from January 1st next year, or any time soon. From the EU side there will be a full removal of tariffs and quotas, with only a temporary exception for sugar and rice. We'll also make sure there are no export subsidies on any goods where ACP countries remove tariffs, so they will not be competing against subsidised EU produce. But African, Caribbean and Pacific countries will be able to protect and exclude sensitive products and take advantage of long transition periods to nurture growing industry. During this time the EU will provide very substantial technical and financial support to help with implementation of the new arrangements. We have also agreed to rewrite our rules of origin to further improve the market access opportunities for ACP exporters. We have not only agreed to negotiate new rules with the ACP, but that the outcome will be at least as generous as those offered by any other major trading bloc or country.

The whole process will be backed up by a considerable package of development assistance. The 10<sup>th</sup> European Development Fund will provide €22 billion to ACP countries between 2008 and 2013, a 35% increase over the 9<sup>th</sup> EDF. African, Caribbean and Pacific countries will also be major beneficiaries of the decision to increase Europe's spending on aid for trade to €2billion a year, with a priority given to measures that help implement Economic Partnership Agreements. The money will be available to help countries prepare new structural reforms and trade policies, adjust to the changes they bring and enhance infrastructure and competitiveness to seize trade opportunities.

Certainly, the EPA negotiations force us to face up to difficult issues. We are rebuilding an economic relationship that has been in place for many years. But that relationship, based on preferences and commodity trade has largely failed to deliver development. No one believes the status quo is working. Africa's dependence on trade preferences and a few basic commodities has seen it fall far behind the poverty reduction and economic growth of Asia and Latin America. Calling for an end to EPA negotiations when there is no credible alternative is playing poker with the livelihoods of those we are trying to help.

Some people don't even like the very idea that ACP countries might sit down opposite Europe and negotiate a trade agreement. But ACP countries deserve better than attempts to caricature them as weak and helpless. ACP countries themselves have repeatedly said that they are committed to the goals that EPAs are designed to achieve. They know their interests and they have negotiated hard.

ACP countries would be the first to say that it is essential that there is strong debate over EPAs. But those who suggest that Economic Partnership Agreements are a danger to African development are not only wrong, they also undermine those in Africa and other ACP countries who are seeking to work constructively towards a new trade and development relationship with Europe. In the final phase of this important process, ACP countries need confidence and support from their partners to put the final pieces of agreements in place. That is precisely what we will be seeking to offer in the weeks ahead.

*Kind Regards*

**Peter Mandelson**  
**Louis Michel**