

Update on Economic Partnership Agreements - 23 March 2009

Since 2002 the EU and African, Caribbean and Pacific (ACP) countries have been working to put in place new trade agreements: the Economic Partnership Agreements (EPAs). EPAs replace the previous market access regime of unilateral preferences for ACP countries, which became open to challenge in the WTO by other developing countries. The dilemma was how to safeguard the development requirements of the ACP while respecting international rules. EPAs are designed to secure market access for the ACP and providing a sound basis for trade and development, regional integration and development cooperation. In ACP regions where comprehensive EPAs could not be negotiated in time, interim EPAs have been agreed that must now be signed in order to safeguard preferences and move forward with talks on 'full' EPAs.

Why are these agreements so important?

On 1 January 2008 the legal waiver non-ACP developing countries had extended to cover the existing trade arrangements between the ACP and the EU expired. EPAs replaced the then existing arrangements, but they also go beyond them. They are designed to enhance cooperation in all areas related to trade and will provide an open, transparent and predictable framework for trade, thus increasing competitiveness of the ACP. There was also the feeling that the traditional tariff preference arrangements alone had not worked, as ACP countries' share of EU imports declined from 7% to 3% between 1975 and 2000.

- In all cases the EU has offered to remove all remaining tariffs and quotas for all exports from the ACP. This will apply from 1 January 2008, with a short transition period for sugar and rice.
- WTO rules dictate that in a trade agreement, there must be opening up on both sides. However, liberalisation in ACP countries is gradual, with the speed of liberalisation varying according to the wishes of the ACP countries.
- The EPAs contain the greatest possible flexibility to exclude sensitive products from liberalisation – most ACP countries have opted not to liberalise most agricultural goods and many other important local products.
- The EU and the ACP have prioritised the need to provide shelter for growing industry from external competition. Sensitive industrial sectors have been excluded and an 'infant industry clause' has been agreed that will allow ACP countries to reinstate tariffs in future if they wish to protect a growing industry.
- Other provisions in EPAs like services, investment and intellectual property are intended as drivers for change and reform that both sides have identified as key for ACP economic development. The goal is to ensure a stable business environment and rule of law that will attract foreign investment and help ACP countries integrate further into the regional and global economies. Negotiations on these issues are intended to be flexible and reflect and respect the regional specificity of the different parties.

What agreements have been signed where?

The EU has either initialled or already signed interim or full EPAs with 36 countries of the 77 in the ACP. The other 31 are Least Developed Countries (LDCs) and therefore receive full access to the EU market without any need for reciprocal opening under the EU's "Everything

but Arms" provisions. The EU is negotiating with ACP countries in six different regional groupings, as decided by the ACP countries. In some cases interim EPAs have been agreed with individual countries to secure their market access.

Caribbean

The EU and Caribbean countries in the CARIFORUM grouping have signed a full-fledged EPA. The coverage of goods liberalised by CARIFORUM countries under this Agreement amounts to 61.1% of EU imports in value over 10 years, 82.7% over 15 years (85.1 % of tariff lines) and 86.9 % over 25 years (90.7 % of tariff lines). The main exclusions are agricultural and processed agricultural products; some chemicals, furniture and other industrial products. The Agreement covers all rules necessary for a free trade agreement, and also services, investment, e-commerce, public procurement, intellectual property rights as well as fisheries, environmental and social aspects.

The CARIFORUM countries are Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Christopher and Nevis, Surinam, and Trinidad and Tobago. Haiti has initialled the agreement but not yet signed.

Central Africa

A goods-only interim EPA was signed on the 15th January 2009 with Cameroon, the only Central African (CA) country which decided to negotiate an interim agreement. The Commission is currently negotiating a full regional EPA with Central Africa. Eight Central African countries are involved in negotiations. Five of them are Least Developed Countries (LDCs) (Chad, Central African Republic, Democratic Republic of Congo, Sao Tome e Principe and Equatorial Guinea) and three are non LDCs (Cameroon, Congo and Gabon). Equatorial Guinea recently indicated it did not want to continue to negotiate and preferred an observer status.

Eastern Africa (EAC)

An interim Framework Economic Partnership Agreement has been initialled with the Eastern African Community (EAC - includes Kenya, Uganda, Tanzania, Burundi and Rwanda). The only non-LDC in the region is Kenya.

Eastern and Southern Africa (ESA)

At the end of 2007, the Commission initialled an interim EPA with six ESA member states: Comoros, Madagascar, Mauritius, Seychelles (CMMS), Zambia and Zimbabwe. Negotiations continue on services, investment, agriculture, rules of origin, sanitary and phytosanitary provisions and technical barriers to trade, customs, trade facilitation and trade-related rules, with a view to signing a full-fledged EPA in 2009. ESA countries that did not initial the interim EPA (Djibouti, Ethiopia, Eritrea, Malawi and Sudan – all LDCs), are now negotiating a full EPA.

Pacific

The Commission is currently negotiating with the Pacific ACP (PACP) countries. These include 14 states: Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu. Another ACP (Timor Leste) has observer status in EPA negotiations. There are also four EU Overseas Countries and Territories: New Caledonia, French Polynesia and Wallis and Futuna (France) and Pitcairn (UK).

At the end of 2007, the Commission initialled an interim EPA with two Pacific ACP States:

Papua New Guinea (PNG) and Fiji. Both countries presented an independent Market Access offer. All 14 PACP countries are negotiating the full EPA as a region.

Southern Africa (SADC)

Seven countries are negotiating as part of the Southern African Development Community (SADC) EPA Group: Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa (who initially participated only as an observer but formally joined negotiations in 2007). The other six SADC Member States (the Democratic Republic of Congo, Madagascar, Malawi, Mauritius, Zambia and Zimbabwe) are negotiating EPAs in other regional configurations.

An interim EPA was initialled with Botswana, Lesotho, Swaziland, Mozambique and Namibia at the end of 2007. Angola can join the agreement, but as a Least Developed Country (LDC) in the meantime maintains full market access. The EU and South Africa have a separate trade deal, the Trade, Development and Co-operation Agreement (TDCA) from 1999. Both sides continue negotiations for a full EPA while preparing for signature and WTO notification of the interim EPA. Ministerial and Senior Official meetings in the region in February and March 2009 addressed many outstanding concerns.

West African

West Africa includes 16 countries: Benin, Burkina Faso, Cape Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria Senegal Sierra Leone and Togo. All of these except Mauritania are members of the Economic Community Of West African States (ECOWAS), a customs union since 2006 (full completion foreseen for 2009). Most French-speaking countries are also members of the West Africa Economic Monetary Union (UEMOA), with a full customs union and a single currency.

Only two West African countries, Côte d'Ivoire and Ghana, initialled bilateral "stepping stone (or "interim") EPAs" with the EU at the end of 2007. The interim EPA with Côte d'Ivoire was signed on 26 November 2008. The region includes 13 LDCs that benefit from the "Everything but Arms" trade arrangements. Nigeria, representing almost half of the population and GDP of West Africa, is not a least developed country, and has now shifted to the General System of Preferences (GSP), under which it benefits from 0% duty on oil, its main export accounting for 95% of its total exports to the EU.

What are next steps?

The key objective now is to sign and provisionally implement all agreements concluded at the end of 2007. Only once they have been signed can these agreements be notified to the WTO and secure duty-free, quota-free market access currently granted by the EU. The main strategic objective remains the end of successful negotiations and the signing of full EPAs with all ACP regions, based on a shared vision for the future. Only full EPAs can deliver a comprehensive approach to trade and development in ACP regions.

What about development assistance?

All full regional EPAs will include development cooperation provisions tailored to the needs of the region. Combined with the trade rules of the agreement that have been designed to promote development and regional integration, these provisions form the "development dimension" of the agreements. The coverage of the development cooperation provisions in the interim EPAs varies depending on whether they are single country or regional agreements, how advanced negotiations on these issues were at the time the interim agreement was concluded and the roadmaps to complete the full EPA negotiations.

The development cooperation provisions are part of the EPAs in recognition of the fact that changes to the trade regime will entail certain costs for the ACP in the short to medium term. Costs can be linked to institutional implementation of the new rules as well as to the adjustment of economic operators to the new regulatory framework. The development cooperation provisions are also there to ensure that resources are made available to assist ACP countries in taking advantage of opportunities stemming from implementation of the agreements – access to new markets in particular.

ACP countries will also be major beneficiaries of the decision to increase Europe's spending on aid for trade to €2 billion 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.