

Trade Negotiations Insights

From Doha to Cotonou

Vol.5 No.2
March-April 2006

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In This Issue

According to the WTO Hong Kong Ministerial Declaration, the Doha negotiations are to be concluded in 2006. In this article, we examine recent developments in the negotiations and assess their implications for the ACP.

In the context of the EPAs, a number of major decisions on European development assistance to the ACP will take place in 2006 and early 2007; the EU member states and the EC are expected to decide on the allocation of the tenth European Development Fund in the coming months. Our second article focuses on the framework of European development assistance and the way it could accommodate support to EPAs.

EPA update follows developments on the EPA negotiations in all regions.

Doha negotiations post Hong Kong: Some relevant developments for the ACP ICTSD Analysis

Since the World Trade Organisation (WTO) Hong Kong Ministerial Conference in December 2005, WTO Members have intensified efforts to meet the ambitious deadline for the completion of the entire Doha round, and the 30 April 2006 date for reaching agreement on “full modalities” regarding the depth and type of commitments countries will make in agriculture and non agriculture market access (NAMA).¹ The ACP group supported two documents released at Hong Kong calling for the realisation of the “development dimension” in the Doha Round.² On the brink of the April 2006 deadline how far have the interests of developing countries and the ACP advanced and what options are open to the ACP in pursuing a development agenda in these negotiations?

In an attempt to shed light on the above question, this article discusses post Hong Kong developments in negotiating areas of importance to the ACP.

London Meeting Offers no Breakthroughs in Agriculture and NAMA

Trade ministers from the EU, the US, Australia, Brazil, India, and Japan met in London on 10-11 March to discuss the overall negotiations, including the results of an informal simulation exercise to assess how the main proposals on the table in the agriculture and NAMA talks would affect their bound and applied tariffs. Some trade delegates reported that the results of the simulation exercise did not reveal anything unexpected. Some commentators have pointed out that the absence from this meeting of representatives from poor developing countries and LDCs reflects their consistent marginalisation from key WTO meetings that could impact on their economies.

The significance of the negotiations on SP-SSM for the ACP

While larger WTO Members continue to seek a resolution to the impasse in the talks, an area for the ACP to concentrate on in the agriculture negotiations are the Special Products (SPs) and the Special Safeguard Mechanism (SSM) concepts.

SPs could allow ACP countries to accord targeted protection to products that are important for food security, livelihood security and rural development reasons, but which would not survive under competitive conditions. The SSM would allow non-LDC ACP countries to raise tariffs above their bound levels for a limited duration to protect their agricultural sectors against price fluctuations and sudden import surges.

In Hong Kong, Ministers agreed that the SSM would have both a price and volume trigger mechanism. More work is needed on the SSM, including identifying import surges and the correlation between import



surges and production shortfalls. Furthermore, the Hong Kong mandate allows developing countries to self-designate a to-be-determined number of tariff lines as SPs, guided by indicators based on the criteria of food security, livelihood security and rural development. The ACP must take advantage of this flexibility.

ACP interests in post Hong Kong NAMA negotiations

One of the sticking points of the NAMA negotiations of special interest for ACP countries refers to the flexibilities outlined in Paragraph 8 of the NAMA mandate in Annex B of the July 2004 Framework. This gives developing countries longer implementation periods for tariff reductions and lower reductions than developed country participants. In addition paragraph 6 exempts countries with a binding coverage of non-agricultural tariff lines of less than 35% from making tariff reductions through the agreed formula. Instead, they are expected to bind 100% of non-agricultural tariff lines at an average level that does not exceed the overall average of bound tariffs for all developing countries after full implementation of current concessions.

Paragraph 24 of the Hong Kong Declaration calls for a comparably high level of ambition in market access for agriculture and NAMA consistent with the principle of special and differential treatment. During the last NAMA week in Geneva several developing countries including some ACP countries argued that the package that developed countries were offering on agricultural subsidy and tariff cuts was significantly below the ambition they were requesting. In the rush to meet the end-April deadline, little room has been left to discuss issues of great concern to ACP countries, such as preference erosion and adjustment issues. ACP countries will have to be proactive and take the lead on these issues if there should be a serious focus on these within both the NAMA and agriculture negotiations.

West African Proponents of Cotton Proposal Intensify Efforts

At a recent WTO Cotton Sub-Committee meeting Benin, Burkina Faso, Chad, and Mali tabled a paper explaining how they wanted to see trade-distorting subsidies for cotton cut more deeply and quickly than those for other commodities in the agriculture negotiations. Their proposed methodology would cut cotton subsidies deeply even if the

overall reduction in agriculture is relatively low. They also put forward a timeline for the development of a support mechanism to help African cotton farmers cope with the impact of cotton subsidies before reforms take effect. "The Cotton Four" pointed to "the need to set up a safety net for cotton producers in the least-developed countries enabling them to survive until such time as internal and external reforms bear fruit". They set out some parameters for what such a support mechanism should look like. While a number of countries supported this proposal, others asked for more time to examine it. It remains to be seen how far this proposal will be reflected in any final deal on cotton.

Trade Related Intellectual Property Rights Post Hong Kong (TRIPS)

With regards to the TRIPS negotiations the two issues that have significant bearing on developing countries are public health and the relationship between TRIPS and the Convention on Biological Diversity (CBD). Prior to the Hong Kong ministerial, the Africa (negotiating) Group at the WTO had focused on the issue of public health. Just before the conference they agreed to convert the temporary waiver granted in the 30th August Decision into a permanent amendment to TRIPS. The waiver allowed countries unable to produce generic drugs, to import cheap generic medicines under compulsory licensing schemes. This amendment will be formally integrated into the TRIPS Agreement if and when two-thirds of the WTO's Members ratify the change by the December 2007 deadline. This decision also extended the transition period for the implementation of TRIPS by LDCs. ACP countries must ensure that they take adequate measures for the implementation of this decision at domestic and international level. LDCs also need to make effective use of the extension on the transition period that has been granted to them.

On the TRIPS-CBD relationship, the African Union and countries like Kenya have contested that the two Agreements are inherently conflicting and the TRIPS needs to be amended to remove this conflict.³ At the WTO TRIPS council meeting on 14-15 March, 2006 delegates could not agree on whether disclosure requirements would help solve the problems of sharing benefits, deriving from an invention, with the local communities involved and improve the quality of patents. The persisting differences

demand that developing countries work on their negotiating strategies in this area to give it impetus in forthcoming ministerial.

Special and Differential Treatment and Small Economies

The Ministerial Conference yielded agreement on five LDC proposals for amendments to WTO Agreements to make them more supportive of special and differential treatment (S&DT). Most notably, Members agreed that developed countries, as well as developing countries "declaring themselves in a position to do so" would grant duty-free quota-free access to LDC exports in all but 3 percent of tariff lines by 2008. Some, however, suggest that the limited number of products in which LDCs are competitive means that the exceptions could account for the bulk of their exports. Other proposals were adopted on waivers; only requiring commitments from LDCs consistent with their development needs; exemptions from the Agreement on Trade Related Investment Measures (TRIMs); and coherence with other institutions.

The Declaration urges Members to continue discussions on the remaining agreement-specific proposals, and to re-start talks on outstanding issues, including on the cross-cutting issues, the monitoring mechanism and the incorporation of S&DT into the architecture of WTO rules.

The WTO Committee on Trade and Development Special (negotiating) Session (CTD-SS) has taken up this challenge, deciding to work on the eight remaining agreement-specific proposals in March and the underlying issues in an April meeting. In March, delegates examined a proposal from the African Group concerning GATT Article XVIII (which outlines "protective or other measures affecting imports" that governments can take to promote the development of their economies) clashing on whether the Article can or should be strengthened so as to make it operational.

LDCs have brought up the need to clarify the implementation of the duty- and quota-free market access decision, including whether and how developing countries should implement it within the framework of the talks in the CTD-SS. The proponents of the small and vulnerable economies work programme have been focusing on their proposals in the NAMA, Agriculture, Services and Rules negotiating groups.

ACP Highlight Priorities in Trade Facilitation Talks

The Hong Kong Ministerial Declaration highlights the identification of trade facilitation needs and priorities and the cost implications of proposed measures, technical assistance and capacity-building (TACB) as well as S&DT. All of these elements are of great importance to ACP countries. The Report of the Trade Facilitation negotiating group refers to two types of Technical Assistance, the first designed to allow developing countries and LDCs to participate effectively in the negotiations, and the second, to implement the results of the negotiations.

Despite differences on the scope and timing, there has been a significant degree of engagement and a flurry of new proposals. Mauritius' proposal on behalf of the ACP group reiterated that development must be the main objective and focus of the current negotiations. This would entail ensuring that S&DT in favour of developing and least-developed countries is accorded and made fully effective and operational; that international cooperation is enhanced through the provision of sufficient and effective TACB; and that the outcomes of the negotiations reflect the needs for development policy space and flexibility. The ACP also called for the establishment of an inter-agency coordinating mechanism for the provision of trade facilitation-related TACB involving organisations such as the UN Conference on Trade and Development (UNCTAD), the UN Economic Commission for Africa, the WTO, the World Customs Organisation, and the World Bank. The target date for the first full draft text on Trade Facilitation is July 2006.

ACP Challenges in the Services Negotiations

The provisions of the Hong Kong Declaration on services were the product of highly contentious negotiations in the run-up to the Ministerial Conference. Although some Members' demands for 'numerical benchmarks' establishing mandatory liberalisation commitments were dropped in the face of widespread criticism from developing countries, the 'plurilateral approach' to negotiations was affirmed and fleshed out through a set of broad guidelines.

While this approach, according to which groups of countries will collectively submit requests for liberalisation commitments to other Members, was the subject of controversy at and post-Hong Kong, some prog-

ress has been made. For one, the voluntary nature in considering whether to undertake liberalisation commitments on the basis of the plurilateral requests was confirmed in discussions. This assuaged the concerns of many developing countries which had feared that their increasing share of world trade in a particular sector would force them to undertake commitments according to a certain model schedule for that sector. Furthermore, countries that have received plurilateral requests can join forces. This obviates previous concerns that a country receiving a plurilateral request may have to meet a group of several requesting countries – mostly big, well-resourced, developed countries – alone in negotiations on a particular sector.

Furthermore, for ACP countries, the plurilateral requests that have been submitted as of 1 March 2006 primarily affect only two member countries – South Africa, which received approximately fourteen (14) such requests, and Nigeria, which received around seven (7)⁴. Three other ACP countries, namely, Fiji (certain air transport services), Mauritius (logistics services) and Namibia (environmental services), received requests for a specific sector. It is noteworthy that none of the LDCs have received plurilateral requests, consistent with the Hong Kong Declaration that they will not be expected to undertake new commitments.

It would seem that the bigger challenge for ACP countries, especially the least-developed among them, will be how to operationalise the Modalities for the Special Treatment for Least-Developed Country Members in the Negotiations on Trade in Services (LDC Modalities), so that they may reap something concrete in the market access and rules components of these negotiations. The Hong Kong Declaration mandates Members to develop methods for the full and effective implementation of these Modalities, but obviously, the onus will be on LDCs to identify with more precision the sectors and modes of supply of interest to them, and the limitations and conditions they would want removed from trading partners' schedules of commitments for these sectors and modes. To an extent, LDCs were able to pre-empt the plurilateral approach with the tabling of their collective request on mode 4 (temporary movement of natural persons). There are indications that the LDCs will in fact revise this request to reflect a more accurate picture of what can be concretely gained in the negotiations.

Can Aid for Trade Complement ACP Gains from Doha?

Finally, in accordance with the Hong Kong mandate, in February WTO Director-General Pascal Lamy created a task force that will provide recommendations on how to operationalize Aid for Trade. The ACP have called for the concept to cover technology transfer, trade facilitation and capacity to meet and implement sanitary and phytosanitary standards and measures. Perhaps, this is a window of opportunity for the group to take the lead in initiating ideas and specific proposals based on identified needs as an alternative route to address some of their trade related development concerns that would otherwise be lost in the politics of the negotiations.

Endnotes

- 1 For further analysis see Trade Negotiations Insight, Vo. 5.1, Jan-Feb, page 7, Bridges Weekly News digest, Volume 10. No. 9, Bridges Monthly Review, Year 10, No 1 all at: www.ictsd.org. All WTO Member proposals and papers mentioned in this article may be found on the WTO website at www.wto.org
- 2 See ACP Group Proposal on Development (16 December 2005) and Joint Statement by G20, G33, LDC, ACP and African Group on coordination efforts (16 December 2005) available at www.ictsd.org
- 3 The main reasons stated for these are: conflict in the objectives of the two Agreements and because the TRIPS Agreement provides for the patenting or other intellectual property protection of genetic material without ensuring that the provisions of the CBD, including those relating to prior informed consent and benefit sharing, are respected
- 4 South Africa: In legal, computer-related, postal/courier, telecommunications, audio-visual, financial, construction and related engineering, environmental, maritime transport, certain aspects of air transport, logistics, energy services, as well as services supplied through mode 1 and mode 3. Nigeria: In telecommunications, construction and related engineering, environment, financial, maritime transport, logistics and energy services.

Financing EPAs

By Jonas Frederiksen and San Bilal - ECDPM

In international trade negotiations, there is no free lunch. Economic Partnership Agreements (EPAs) are no exception. While the ultimate objective of EPAs is to contribute to the development of ACP economies, they will also entail significant costs, in terms of preparation, negotiation, implementation and adjustment measures. All parties agree that development should be at the heart of EPAs and as acknowledged by the European Trade Commissioner Peter Mandelson, the opportunity to trade must be linked to the capacity to trade [and] aid for trade, capacity building and progressive market opening are at the heart of the EPAs.¹

In light of the above, the question arises, how will the trade capacity of ACP countries and regions be strengthened, and where will the money come from?

What sources of funding for EPAs?

Support for trade capacity building and accompanying measures to EPAs could come either from funding from the European Community to the ACP in the context of the Cotonou Agreement or from other parallel or complementary sources.

The European Development Fund (EDF), which is separate from the EC budget, has been the main financing instrument of ACP-EU cooperation since 1958, and continues to be so under the Cotonou Agreement. The preparation of the EPA negotiations is partly financed by the 9th EDF (2000-2007), including through special programmes such as a 20 million euro facility on EPAs and another 50 million euro trade assistance programme for the ACP (Trade.com). Other trade-related support measures can be included under the national and/or regional indicative programmes for the ACP.

Regarding other complementary sources of funding, although there is little hope of a contribution from the EU budget, EU member states could provide support to EPAs under their bilateral development assistance programmes. International and multilateral initiatives, such as the 'Aid for Trade' mechanism discussed in the WTO Doha Round, could offer useful additional assistance to the ACP.

What are the overall EU aid policy commitments?

In 2005, three major statements have been adopted by the EU which, taken together, can be seen as the culmination of a 4-5 years process aimed at consolidating and enhancing the profile of EU development policy:

- the Revised Cotonou Agreement which contains new references to the Millennium Development Goals (MDGs) and reinforced provisions on social sector, ICT, Non State Actors and regional cooperation;
- the European Consensus on Development for the first time offers a common vision and commitment that should guide the action of the EC's and the individual EU member states' development cooperation; and
- the EU Strategy for Africa renews the call for the EU to build a new and strong partnership with Africa and especially the African Union and the sub-regional organisations.

In addition, five significant and ambitious financial commitments were made in 2005 by the 25 EU Member States and/or the EC with the following aims:

- to reach the UN target of 0.70% of EU/GNI by 2015 which would increase the EU's contribution to the MDGs from 33 billion euros in 2003 to more than 84 billion euros by 2015 (EU Council Summit, June 2005);
- to reach by 2010 an intermediate EU target of 0.56% (EU Council Summit, June 2005, and Joint Statement on the European Consensus on Development, December 2005);
- to increase EU external assistance to Africa by USD 25 billion a year (G8 Summit, July 2005 and Joint Statement on the European Consensus on Development, December 2005);
- to maintain the current level to the group of ACP countries provided through the EDF for the next financial package (10th EDF) covering 2008-2013 (G8 Summit, July 2005); and
- to provide 2 billion euros a year of trade related aid by 2010: (G8 Summit, July 2005; and Sixth WTO Ministerial Conference in Hong Kong, December 2005, respectively).

There is some scepticism, however, espe-

cially among developing countries, about the EU's ability to actually reach the targets and to deliver on its commitments. Some critics are wary of fudging with figures and the repackaging of old commitments in new pledges. The main issue for Europe now is no longer about its political commitment and overall policy framework for development. Instead, it is about delivering on the commitments made and ensuring the timely and effective implementation of its external assistance.

What commitment from the EC within EPA negotiations?

The EC has been adamant that EPA negotiations are about trade, and not development assistance, for which the EC has no mandate to negotiate. Yet, the EC also stresses the central role of development in EPAs. According to the EC Commissioner for Development, Louis Michel, the success of the EPAs will depend on three crucial factors: Firstly, a negotiation process genuinely aimed at the development of the ACP; secondly, the commitment of ACP partners towards the implementation of a regulatory framework for investment promotion.; and thirdly, the support that the EU, its Member States and other donors can provide to the ACP so as to prepare and implement EPAs.²

Hence, for the EC, accompanying (trade-related) development assistance should be provided in parallel to EPAs under the Cotonou Agreement framework, i.e. the EDF, and by identifying additional complementary funding in each Regional Preparatory Task Force (RPTF).

Some ACP actors insist that the support to EPAs should be a binding commitment from the EU which would be formally integrated in each EPA. However, the EC argues to simply set up a mechanism in parallel to an EPA, as it has no mandate from the EU member states to make any binding commitment on development assistance.

What can the 10th EDF offer?

In December 2005, after long and difficult discussions, the EU member states finally reached a compromise on the 10th EDF as part of the intense negotiations over the EU's budget for 2007-2013 (the Financial Perspectives): 22.682 billion euros for the period 2008-2013. This corresponds to only 0.02821% of EU GNI, which is 95.92% of the EC's original proposal, and about 1 billion euros less than the total EDF resources available for the period 2000-2007 as illustrated below:

EDF in € billion (% of EU GNI in brackets)

	EDF 2000-2007	EDF 2008-2013 Proposed by EC	EDF 2008-2013 Decided
9 th EDF [2000-07]	13.5 (0.0177)		
10 th EDF [2008-13]		24.631 (0.031)	22.682 (0.282)
Previous unspent EDF	9.8		
Total	23.6 (0.031)	24.631 (0.031)	22.682 (0.282)

This 10th EDF could accommodate support to EPAs in several ways. One scenario is to create a special EPA basket, by including an indicative amount for EPAs in the Financial Protocol of the 10th EDF. Another option is to allocate specific resources within the national and regional programmes for trade related purposes.

It is important to note that this development assistance available under the 10th EDF is not just to cover the cost of EPAs. It is or should be for each ACP region and country to determine its priority objectives, and the extent to which resources should be allocated to support the EPA process. The EC, and in particular DG Trade, encourages ACP countries and regions to target development support to strengthening regional integration schemes in the programming of the 10th EDF.

Overall, however, any development resources used from the 10th EDF for EPAs will automatically result in less money to pursue other development objectives. This is the basis for the claim of ACP countries and regions for additional funding to accompany EPAs.

What about additional funding?

Declaration XIV, a joint declaration on regional cooperation attached to the Cotonou Agreement, creates an opportunity for additional resources to be provided when the Cotonou Agreement is revised. It is, however, unlikely that additional resources will be channelled through the EC besides what is set aside in the 10th EDF and the EU budget.

The realistic options for additional development support from the EU therefore appear to be:

- the bilateral cooperation of EU member states,
- other international and multilateral donors, and/or
- to establish new innovative funding-raising mechanisms for EPAs.

In this respect, EU member states and other international donor agencies need to consult with each other and coordinate efforts. Furthermore, for both the ACP and the EU it will be essential to provide input into the multilateral discussion on the 'aid for trade' package and mechanism to ensure coherence.

Why are the coming months so important?

A number of major decisions on the forthcoming development assistance to the ACP will take place in 2006 and early 2007.³ During the next 6 months, the EU member states and the EC will decide on the 10th EDF (2008-13) programming, including the allocation criteria for regional and national envelopes for the ACP⁴ and whether or not specific development resources should be set aside within the 10th EDF for EPAs.

In addition, decisions will have to be taken regarding the procedures, task division, responsibilities of the EC and the EU member states with regard to the implementation of the 10th EDF, including the 'development dimension of EPAs'. The EC faces a number of challenges with regard to implementation of development funding for regional integration, trade capacity building, and EPA negotiations. Existing procedures are not user-friendly, especially at the regional level and for process related activities such as trade capacity and EPA negotiation. The increasing use of contribution agreement and budget support as an aid modality could allow for relative quicker access to and use

of the available resources. However some regions fear that conditionalities linked to these instruments might give the EC too much leverage in the EPA negotiations.

The implementation and management procedures will be laid down in a Financial Regulation applicable to the 10th EDF. The EC has done its utmost to harmonise the EDF Financial Regulations with the ones applicable to the EU budget over the last 5 years. The ACP and the EU member states will have to take a close look at the legal provisions as they will have serious implications on the quality and speedy use of the 10th EDF. The Financial Regulations applicable to the 10th EDF will also be adopted by the joint ACP-EU council in May 2006.

The programming of the 10th EDF will or should in principle be influenced by the ongoing reviews and possible adjustments under the 9th EDF.⁵ During 2006 the end-of-term review of the current development support will also take place. Issues related to the geographical configuration of EPAs, which does not automatically match the regional coverage of EU assistance (Regional Indicative Programmes), will also have to be addressed.

Finally, all these decisions on development assistance will take place in parallel to substantive negotiations on EPAs, the 2006 Mid-Term Review of EPA negotiations and the possible conclusion of the Doha Round. Coordination and coherence among these various processes will be central to ensure that EPAs truly harness the development of the ACP.

Endnotes

- 1 Speech by Peter Mandelson, Re-Claiming Development in the Doha Round, at the Chamber of Commerce and Industry, Mauritius, 9 February 2006, <http://europa.eu.int>
- 2 Speech to the European Parliament, debates of 22 March 2006, www.europarl.eu.int/activities/expert/cre.do?language=EN
- 3 See also Cotonou Working Group (Aid), EU-ACP relations: Will the EU deliver on its promises? Information on the Programming of EC Aid for ACP countries, March 2006, Aprovev, www.aprovev.net/
- 4 The EC proposal is based on the allocation formula used for the 9th EDF.
- 5 This is done in the so-called Country and Regional Strategy Papers (CSP/RSP).

EPA Negotiations Update¹

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West Africa

West African and EC technical level negotiators met at the end of January and discussed reports presented by the West Africans in relation to intellectual property rights policies and liberalisation of trade in services. West Africa also presented draft reports on investments in and competitiveness of the fisheries, agriculture, non-agriculture and artisan sectors. The EC will consider these reports and further analysis of these sectors will be developed and priorities jointly identified.

A meeting of the Regional Preparatory Task Force (RPTF) was also held to examine the implementation of recommendations from the negotiations to date. Sources indicate that participants called for the implementation of recommendations from negotiators to be speeded up. The RPTF also discussed trade-related support provided by other donors and the role of the RPTF in the programming of the 10th European Development Fund (EDF).

An informal senior officials level brainstorming meeting was held in January. Sources indicate that the basis of discussions was a DG Trade “non-paper” on a draft structure of the EPA. It sets out the agreement’s objectives; the objectives of regional integration; links with aid provided via the EDF; objectives and scope of economic and trade partnership (including areas such as including trade in goods, trade facilitation, sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT), services and investment, capital movements, government procurement, competition, intellectual property and other trade related issues). Discussions reportedly focussed on the links between EPAs and regional integration and development.

Sources indicate that West Africa stressed that priority must be given to reinforcing capacities to take advantage of liberalisation, improved rules of origin and support for building capacity in relation to trade facilitation, SPS and TBT to increase investment and competitiveness so that EPA development objectives are reached. Discussions also focussed on market access for goods and services and liberalisation approaches.

Communauté Économique et Monétaire de l’Afrique Centrale (CEMAC)

A Joint Ministerial CEMAC-EU meeting in November agreed to launch the next phase of the EPA negotiations.² The impact of the EPA on productive sectors in Central Africa will also be analysed and recommendations will be put to the Committee of Negotiators and the RPTF in order to prepare future market access discussions.

The RPTF met and considered studies, including on production capacity and export potential, and discussed urgent legal assistance to the CEMAC secretariat to draft legal texts. Participants also discussed support to improve capacity to collect taxes and to strengthen standardisation bodies. Technical level discussions on the EPA structure were held in January and in February. Both the EC and CEMAC put “non-papers” on the table as the basis of discussions to fill in the chapters of the agreement. EC sources indicate that a common structure has been practically agreed at technical level. But according to CEMAC sources, there are fundamental divergence of views on the EPA’s link to the Cotonou Agreement; political dimensions (application of the non execution clause); and the provision of additional resources for reinforcing capacity.

According to EC sources, there are serious concerns at the highest levels in the EC’s DG Development about the CEMAC secretariat’s management capability, though these are not shared by DG Trade.

Southern African Development Community (SADC)

In February, SADC Trade Ministers adopted an EPA Strategic Framework document which was being presented to the EC for consideration as TNI goes to press. Sources indicate that the document calls for all Member States of the Southern African Customs Union (SACU) to be involved in both the EPA negotiations and the current South Africa-EU Trade and Development Cooperation Agreement (TDCA) review. It further calls on the EU to grant full Everything but Arms (EBA) market access to all SADC Member States in 2008 and for LDCs to be exempted

from providing market access to the EU. Rules of Origin should be simplified and allow for full cumulation in SADC, other ACP countries and all other countries in regions which have trade agreements with the EU to allow for greater access to the EU market. Sources also indicate that SADC will aim to ensure the EU provides enhanced financial support and capacity building to address supply side constraints, compensate for fiscal revenue loss, increase competitiveness and promote diversification. The EU is also calling for greater involvement of South Africa (its largest trading partner in Sub-Saharan Africa) in the EPA SADC negotiations to achieve increased economic coherence between trade arrangements within the region, but also between the region and the EU.³

Sources indicate that a main area of divergence in negotiations to date relates to the SADC programme for the achievement of a Customs Union. The EU reportedly wants a SADC Customs Union established by January 2008, two years ahead of SADC plans for this. SADC prefers to conclude EPAs using a variable geometry approach which would on the one hand accommodate the interests and sensitivities of Botswana, Lesotho, Namibia and Swaziland (the so-called BLNS countries) who are de facto implementing the TDCA already, and on the other hand take into account the special situation and needs of the non-SACU SADC EPA Member States which are LDCs.

Sources indicate that there is also divergence of views on the scope of the EPAs. The EC is proposing to cover subjects such as competition policy, investment, government procurement, environment and labour standard in the negotiations. SADC argues these trade related issues should not be negotiated mainly because of limited negotiating and institutional capacity as well as the lack of common regional policies in these areas.

Eastern and Southern African (ESA) Region

ESA Ministers of Trade and the EU Commissioner for Trade met in February to assess progress in the EPA negotiations.⁴ Sources indicate there are differences in the priority focus between the two sides. The EC expressed preference for a regulatory framework that facilitates trade as a first

priority, while the ESA region puts priority on addressing the supply side constraints in relation to their internal and external trade and the link between EPAs and development support. ESA also wants additional resources provided to cater for EPA adjustment related requirements and to deal with implementation problems. Sources indicate that Ministers agreed that market access is a key issue on which further work is needed. On tariffs, sources indicate that the EC insisted that the starting point for reciprocal dismantling should be a common external tariff for the ESA EPA group. ESA indicated that they are working on various options (including an FTA), and it is agreed that it is not a formal precondition to conclude an EPA.

Sources indicate that ESA outlined that the EPA process and implementation would require the adoption by ESA countries of safeguard measures that would not be too onerous to use as those under the WTO. On agriculture, due consideration will be given to key issues including capacity building for SPS measures. ESA would also like to address subsidies and the importance of adding value to commodities. Fisheries will have to be discussed further at technical level. Sources indicate that ESA stressed the need for a stand alone sectoral agreement on fisheries given the special nature of the resource and the fact that no individual country can alone ensure its sustainability. The EC was reportedly of view that it would not be possible to get this endorsed under the current provisions of the WTO, but that provisions could be made within the EPA. Ministers also agreed that discussions should be extended to other sectors such as trade in services, investment and trade related issue.

The Pacific Region

Senior officials from the Pacific ACP States (PACP) and the EC held informal meetings in November and January to discuss key issues relating to EPAs. Discussions focussed on how to accommodate for the Pacific's unique situation (smallness, remoteness, limited, sometimes non-existent, exports to the EU) within an EPA. Sources indicate that the Pacific proposes that an EPA consist of an overall framework agreement which all PACP countries would sign on to and a series of specific subsidiary agreements which would cover trade in goods, trade in services and fisheries which PACP countries could choose to sign on to or to opt out of. Sources also indicate that the EC remains sceptical of the WTO compatibility and regional market integration, investment and economic (and

therefore development) benefits of sector specific liberalisation agreements. They suggest instead an all-inclusive EPA. The EC reportedly would also like EPAs to include provisions on investment policy and rules.

Sources indicate that the PACP call for binding commitments to provide accompanying measures and financial resources to help with the cost of adjusting to trade liberalisation commitments to be included in EPAs to ensure they benefit from increased liberalisation and achieve development objectives. The EC maintains that the Cotonou Partnership Agreement (CPA) provides this and that EPAs comprises the trade and economic cooperation chapter of the CPA.

The Caribbean Region

The first forum of the Caribbean ACP States and EC (CARIFORUM-EC) round of technical negotiations in the current phase of the negotiations was held in February. The two sides articulated their approaches in key areas of the EPA negotiations including - market access for agricultural and non agricultural goods; SPS; TBT; customs legislation; trade facilitation; trade defence instruments; services; investment; and trade related issues. Sources indicate that in each area of the negotiations, the EC advanced the notion that it expects non-discrimination of the EC compared to the treatment granted by CARIFORUM countries to other developed country partners. The EC was reportedly particularly forthright in the degree of offensive interest expressed in the Caribbean services market. EC sources indicate that this is with a view to promoting investment and growth in the Caribbean.

Sources also indicate that the EC approach to have current applied tariffs of CARIFORUM members translated into a single starting line for tariff liberalisation reflects its continued desire for the Caribbean to form a single trade regime despite the fact that CARIFORUM has three integration processes being pursued at varied pace and depth.

Sources indicate that a major fault line in the negotiations is that each time the Caribbean raises the issue of the need for support for capacity building, institution building, or to address supply side constraints, the EC unambiguously states that these are trade negotiations and that EPAs are a trade agreement and they are not in a position to negotiate capacity building support within EPA Negotiating Groups. EPAs, they maintain, are linked to the development cooperation covered via the overall CPA and delivering

the development objectives of EPAs goes beyond the provision of financial support. The trade instruments that the EC is negotiating inside the EPA aim at ensuring economic governance as a necessary pre-requisite to achieving ACP development.

Finally, Caribbean sources indicate that there is concern in the EC's approach to seek to insert binding commitments on sustainable development and good governance in an EPA seemingly inconsistent with the EC approach of not including binding commitments on trade capacity building support. EC sources maintain that the issues of sustainable development and good governance are relevant to EPAs.

Endnotes

- 1 See www.acp-eu.trade.org for more EPA News and Events (updated weekly)
- 2 <http://europa.eu.int/comm/trade/issues>
- 3 <http://europa.eu.int>
- 4 <http://europa.eu.int/comm/trade/issues>

Trade Negotiations Insights

Published by:

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This bimonthly publication is made possible through the financial contribution of the Government of the United Kingdom (DFID) and the Swiss Development Cooperation (SDC).

Trade Negotiations Insights ©
ISSN 1682-6744

Calendar		Resources
WTO Events		
April		All references area available at www.acp-eu trade.org/library
18-21	NAMA Week	World trade 2005, prospects for 2006 , WTO, 11 April 2006
18-21	Agriculture Week	http://www.wto.org/english/news_e/pres06_e/pr437_e.htm
24-25	Dispute Settlement Body - Special Session	Liberalizing Financial Services Trade in Africa:
24	Sub-Committee on Cotton	How costly is it for poor farmers to lift themselves out of poverty? World Bank policy research paper, April 2006, http://econ.worldbank.org
26	Committee on Trade and Development - Dedicated Session	Going Regional and Multilateral , WTO, March 2006
May		http://www.wto.org/english/res_e/reser_e/ersd200603_e.htm
5	Integrated Framework Steering Committee	Trade and environment review , UNCTAD, February 2006
11-12	Committee on Trade and Development	http://www.unctad.org/Templates/WebFlyer.asp?intlID=3725&lang=1
12	Committee on Agriculture	Missing the Market - how exotic foods are being barred from the EU , by A. Moorhead, UNCTAD, CBI, GFU, GTZ, IPGRI, www.underutilized-species.org/documents/Publications/missing_the_market.pdf
12	Integrated Framework Steering Committee	Managing the Challenges of WTO Participation: 45 Case Studies , edited by P. Gallagher, P. Low and A. Stoler, Cambridge University Press, www.cambridge.org/uk/0521677548
22-23	Dispute Settlement Body - Special Session	Key agricultural trade issues for ACP countries: The way forward after Hong Kong , by V. Fautrel, CTA, January 2006, http://agriftrade.cta.int/Article%20post%20HK%20ong_final_EN.pdf
24	Working Group on Trade Debt and Finance	Programming in Trade-Related Capacity Building: A Resource Tool for Practitioners , by C. Blouin and A. Weston, The North-South Institute, 2005. www.nsi-ins.ca/english/pdf/TRCB_programming_resource_tool.pdf
June		Aid for Trade: What does it mean? Why should aid be part of WTO negotiations? And how much might it cost? by Lauren Phillips, Sheila Page and Dirk Willem te Velde, ODI Opinions 61, December 2005, www.odi.org.uk/publications/opinions/61_aid_for_trade_dec05.pdf See also ODI information database on Aid for Trade www.odi.org.uk/iedg/aid4trade.html
6-7	Negotiating Group on Trade Facilitation	Investment Provisions in FTAs and Investment Treaties , by M. Halle and L. E. Peterson, UNDP Discussion Paper, December 2005, www.undprcc.lk/web_trade/publications/BIT-completed.pdf
9	Committee on Technical Barriers to Trade	Regional Trade Agreements: Promoting conflict or building peace? , by O. Brown et al., IISD, October 2005, www.iisd.org/pdf/2005/security_rta_conflict.pdf
<i>All WTO meeting take place in Geneva. Please contact the Secretariat for confirmation of dates (also available at http://www.ictsd.org/cal/).</i>		Doing Business in 2006: Creating Jobs , by World Bank, September 2005 http://publications.worldbank.org/e-commerce/catalog/product?item_id=1385010
ACP-EU Events		
12-16 April	African Union Trade Ministers Meeting, Nairobi	
13 April	1st Meeting of ACP Ministers in charge of Asylum, Migration and Mobility	
26 April	Committee of Negotiators, Brussels	
26 April	ESA-EC Senior officials negotiations on development fisheries/ agriculture and Market Access	
1-2 June	ACP-EC Council of Ministers, Moresby, Papua New Guinea	
<i>Unless specified, meetings take place in Brussels. Contact ACP Secretariat, tel:(32 2) 743 06 00, fax: 735 55 73, e-mail: info@acpsec.org, Internet: http://www.acpsec.org/</i>		