

Case study: Economic Partnership Agreements

By: Alan Hudson

“The EU strongly supports a rapid, ambitious and pro-poor completion of the Doha Development Round and EU-ACP Economic Partnership Agreements (EPAs). ... In line with development needs, the EU supports the objectives of asymmetry and flexibility for the implementation of the EPAs.”¹

1. Introduction

Economic Partnership Agreements (EPAs) are trade agreements which are being negotiated between the EU and six regional groups of ACP countries. EPAs are intended to promote sustainable development and poverty reduction by enabling the further economic integration of ACP countries, regionally, with the EU, and with the world economy more widely. And specifically, EPAs are a response to the fact that the EU's existing trade relationship with the ACP countries – a relationship which sees the ACP countries provided with preferential access to EU markets on a non-reciprocal basis – does not comply with WTO rules. There has been a waiver in place allowing such preferential agreements to exist, but this waiver expires at the end of 2007. As part of the Cotonou Agreement of 2000, the EU and ACP agreed to negotiate new WTO-compatible trade agreements.

The process of negotiating EPAs began in 2002, with the Council providing the Commission with a mandate to negotiate on behalf of the EU.² A first stage of negotiations was between the EU and all the ACP countries. A second stage of negotiations has been proceeding between the EU and each of the six regions, concerning in particular questions of regional integration. A third stage, which commenced in late 2005 and early 2006, is between each of the regions and the EU, and relates to questions of market access. No EPAs have been agreed as yet, but they are scheduled to be concluded by the end of 2007.

2. Implications for development

Throughout the process of negotiating EPAs, there has been a lively debate amongst EU institutions, Member States, NGOs and ACP countries about whether or not the development dimension has been given sufficient prominence. The Commission has consistently insisted that EPAs are first and foremost a tool for development. But a range of other stakeholders have voiced a number of concerns about the development implications of EPAs. These include: concerns that EPAs might hinder rather than encourage regional integration of ACP countries; concerns about the loss of tariff revenues which ACP countries will suffer as a result of trade (tariff) liberalisation; and, concerns about the impact on vulnerable ACP economies of entering into what amount to free trade agreements with the EU.

The developmental implications of EPAs will depend very much on how the negotiations proceed and how well they are implemented by both the ACP and EU. If the EU takes into account of the concerns of the ACP countries and others, then EPAs may prove to be a useful tool for

¹ European Consensus on Development, December 2005, para 36 – 14820/05.

² Council Conclusions on Economic Partnership Agreements with ACP countries and regions, 13 May 2002; see also Commission recommendation for a Council Decision authorising the Commission to negotiate Economic Partnership Agreements with the ACP countries and regions – SEC (2002) 351 Final.

development. If the concerns of the ACP countries are ignored – for instance relating to their ability to decide when to liberalise, based on their development needs – then EPAs may not deliver the developmental benefits that the Commission argues they hold.

3. EU (Council) players, processes and development inputs

The General Affairs and External Relations Council provided the Commission with a mandate to negotiate EPAs in June 2002. This followed a period of intensive negotiations between the Commission's DGs, and some consultation between the Commission and Member States. Once negotiated, each EPA will have to be ratified by the Council, and signed by those ACP states which are party to the agreement.

Within the Commission, DG Trade is very much in the lead. DG Development's role has been confined largely to dealing with the provision of technical and financial assistance to ACP countries. While DG Development has been more active over the last six months, and monthly meetings between DG Trade and DG Development have been instituted, there is reportedly a big gap between DG Trade and DG Development, with DG Development making little policy input, both because it has limited its role, and because DG Trade is dominant. DG TAXUD leads on some of the detail about rules of origin, and DG SANCO provides input on sanitary and phyto-sanitary standards. Communication between all the DGs involved is facilitated by an EPA taskforce – the Inter-Service Consultation – which is chaired by DG Trade.

The ACP countries have found negotiating with the Commission rather confusing; they have assumed that their DG Trade counterparts are speaking on behalf of the whole Commission (on behalf of the EU), and have been puzzled to discover that DG Trade is unable to deal with issues such as development assistance. This is particularly problematic because the ACP countries' decisions about whether to enter into EPAs will necessarily hinge on whether or not sufficient assistance is provided to support their preparations for, and adjustment to, trade liberalisation.

In terms of the Council, there is much activity, with the 133 Committee and the ACP Working Party being the key fora. The 133 Committee, made up of EU Member State permanent representatives and representatives from DG Trade, monitors whether the Commission is sticking to its mandate. The Commission reports regularly on progress to the 133 Committee. The ACP Working Party, chaired by the presidency, and made up of EU Member state permanent representatives, provides the focus for development inputs into the process. Again, the Commission keeps this Working Party informed. With the ACP Working Party dealing with development issues, the Working Party on Development Cooperation plays a limited role, although its members were – along with those of the ACP Working Party – invited to attend a meeting of the 133 Committee in May 2005.

The EPA Expert Group is an informal group established under the UK presidency. This is chaired by the Commission, and brings together representatives from Member States (from Brussels and from capitals) and people from DG Trade and DG Development. It has met twice; in late 2005 and early 2006. It has no mandate to make decisions, but nevertheless plays an important role in terms of focusing in more detail on EPA issues and in terms of information exchange. In addition, an informal EPA network of EU development officials meets regularly and brings together interested EU countries which are keen to ensure that EPAs deliver on the developmental promise. So far, it has included the UK, Germany, Sweden, the Netherlands, Denmark, Ireland, Finland, Belgium, Austria, France and Poland.

In March 2005, the UK published a position paper about making EPAs work for development.³ The Commission saw this as a “major and unwelcome shift” in the UK’s position, believing that it was undermining the mandate which the Council had already given to the Commission.⁴ That the UK felt it necessary to make such an intervention reveals the depth of disquiet amongst some Member States, many ACP countries, and many civil society organisations about the direction in which EPA negotiations were headed. Poland produced a similar position paper on EPAs later in 2005. Some national parliaments (including the UK), and the European Parliament have also sought to scrutinise the EPA process, and emphasise the need to make EPAs development-friendly; in March 2006, the European Parliament’s Committee on Development produced a report along these lines.⁵ It is too early to say whether this Report will have any impact, but it certainly added to the voices calling for the Commission to ensure that EPAs really are development-friendly. The ACP countries themselves are clearly in the front-line of trying to ensure that EPAs deliver for development. Their involvement comes through the regional negotiating process, as well as through a Joint EU-ACP Ministerial Trade Committee. And, they will be part of a joint EU-ACP review of the EPA process, to be conducted in 2006.

Over the last year, there has been much debate about whether EPAs are on course to deliver their developmental potential. As a result, the Commission has worked hard to present EPAs as being primarily about development, and it would seem that there has been some progress with ensuring that development is not marginalised in EPAs. So, for instance, the Commission produced a staff working document on the trade and development aspects of EPAs in November 2005,⁶ and on April 10 2006 Council Conclusions were produced which gave a little more emphasis to development. Some progress has also been made with ensuring that the monitoring mechanism – first proposed by Commissioner Mandelson in early 2005 – will be about monitoring EPAs and their implementation against development objectives, rather than solely about monitoring the provision of development assistance to ACP states.

4. Lessons for policy coherence for development

The evolution of EPAs holds a range of lessons in terms of policy coherence for development:

- Development concerns need to be fully integrated into all aspects of a policy. In a trade agreement, the development dimensions go well beyond the provision of financial assistance. Rather, all aspects of EPA policy, including the trade and trade-related provisions and regulations, have developmental implications. Treating development as a parallel track in trade negotiations is not conducive to the production of development-friendly outcomes. Proposals for institutional reforms aimed at promoting greater policy coherence for development must consider carefully the pros and cons of dealing with development in parallel.
- Policy coherence requires intra-Commission coherence. If development objectives are not to be marginalized, then DG Development must be enabled – in terms of resources and mandate - to represent development objectives across the board of EPA discussions, and must not confine itself to questions of the delivery of technical and financial assistance.

³ Economic Partnership Agreements: Making EPAs work for development. DTI and DFID paper, March 2005.

⁴ “EU move to block trade aid for poor”, *The Guardian*, 19 May 2005.

⁵ Report on the development impact of Economic Partnership Agreements, European Parliament Committee on Development, 1 March 2006, A6-0053/2006.

⁶ The trade and development aspects of EPA negotiations, Commission Staff Working Document, 9 November 2005, SEC (2005) 1459.

- Effective negotiations with developing country partners also require intra-Commission coherence. It is unacceptable for developing countries to find themselves thinking they are dealing with the Commission as a whole, only to find that they are dealing with one part of the Commission – DG Trade – which is unable to engage on questions of development assistance. When one DG is negotiating with developing country partners, it must be in a position to represent and negotiate on behalf of, the whole Commission.
- In a complex process, information flows are crucial. Particularly when an issue is being dealt with by both development (ACP Working Group) and non-development (133 Committee) streams of the Council, informal Expert Groups and networks can play a useful role in bridging any gaps. By looking ahead at the agendas for development and non-development committees, such expert groups can identify issues where development inputs would be useful, and ensure that they are produced in timely manner.
- Assertions that a policy is first and foremost a tool for development will not be taken at face value. Some stakeholders will doubt the sincerity of such claims, and others who accept the sincerity of the claim may not have the same view of what is best for developing countries. As such, early commitments to establishing independent monitoring mechanisms can play an important role in encouraging a diverse range of stakeholders, with different perspectives on development, to work together.