

Trade Justice Movement

Policy Briefing (August 2007 update)

ECONOMIC PARTNERSHIP AGREEMENTS (EPAs): SUSTAINABLE DEVELOPMENT IN JEOPARDY

Introduction

The Trade Justice Movement has been campaigning since 2002 against the European Union's (EU) unfair trade deals, called Economic Partnership Agreements (EPAs), with 76 African, Caribbean and Pacific (ACP) countries. ACP countries are under tremendous pressure to accept trade deals by the end of 2007 that would pose a serious threat to their economies.

Our campaign has sought to persuade the UK Government to take a pro-active stance to ensure that trade relations between the EU and ACP countries are fair and just and that any deals will promote sustainable development for people and environment in ACP countries. In 2005, following concerted campaigning, the UK Government promised to do all it could to make trade work for the poor.

The Trade Justice Movement campaign on EPAs challenges the UK Government to use its full influence to stop these unfair deals going ahead, to listen to the serious concerns of poor countries and work with those countries to develop new deals that will help deliver trade justice.

African, Caribbean and Pacific (ACP) countries are being forced to choose between development and access to the EU market

The current system of Cotonou Agreement preferences, which provides ACP exporters with preferential access to the EU market, expires at the end of 2007.

The Cotonou Agreement legally requires the EU to leave no ACP country worse off after the expiry of Cotonou Agreement preferences in ways that are compatible with World Trade Organisation (WTO) rules. The European Commission (EC) maintains that there is only one means to fulfill its obligation: a Free Trade Agreement (FTA) or an EPA. Yet an FTA poses a serious threat to ACP economies. The stakes are very high. The EU is the largest trading partner for most ACP countries. As an advanced industrialised economy, the EU is also one of the most powerful competitors in the world. While it is possible to design an economic relationship with the EU that benefits ACP countries, the EC's current EPAs proposals threaten to do the opposite.

The EC's proposals unnecessarily go far beyond anything that has ever been asked or is required by the WTO and could have a series of negative implications:

- Require countries to liberalise tariffs on the vast majority of products, with exclusions only in 'exceptional cases'. This would open up ACP markets to the EU's subsidised agricultural and more competitive manufactured products, undermining the livelihoods of smallholder farmers and the promotion of value-added production;

- Introduce new regulations on services, competition and government procurement that would make it extremely difficult for ACP countries to support local companies, create new jobs and grow their economies;
- Introduce stricter rules on intellectual property that would make it more difficult to access and afford educational materials on the internet and limit the transfer of technology, taking away the means for poor countries to achieve their own technological development;
- Would lead to a long-term loss in government revenue and, at the same time, be extremely costly and cumbersome to implement, placing a double financial burden on governments that already struggle to pay for basic education and health needs.

The estimated impacts on individual ACP countries are sobering. Many countries face steep losses in vital revenue from tariffs. Least developed countries like Zambia could lose \$15 million in government revenue – more than their spending on HIV and AIDS¹. Studies for Kenya’s Ministry of Trade, the International Monetary Fund, and the EC indicate that under an EPA, Kenya could lose up to 65 per cent of industry, 12 per cent of government revenue, and millions of rural livelihoods².

EPAs also threaten the growth of regional trade. The wrong deal could see regional trade in the COMESA region drop by 5.8%, losing a quarter of a billion US\$ worth of trade within the region, whilst European traders gain over a billion US\$ through capturing the trade lost by regional players, according to UN calculations. EPAs were intended to promote regional integration, yet the proposed EPAs will only undermine the existing indigenous regional integration processes.³

ACP countries firmly state proposed EPAs will not help development

The EU argues that EPAs are not straightforward Free Trade Agreements but are primarily a tool for development. Yet, ACP governments have continually voiced grave concerns that the ‘development’ component of these agreements remains at the level of rhetoric. For example:

“There is still no confidence yet on the ability of EPAs to be pro-development” (UNECA Review, December 2006).

In October 2006 at a conference addressing EU member state governments and MEPs, the Minister of Trade for Senegal, Mamadou Diop, stressed that: *“all the expectations triggered by the Cotonou Agreement can be jeopardised if we are not vigilant. [...] If we are to take stock of our progress we are forced to admit that our development needs and concerns have not been taken into account as they ought to be by the European Union. Government officials, Members of Parliament and civil society increasingly agree that EPAs ought to be challenged.”*

¹ Karangi et al (2005) *Economic and Welfare Impacts of the EU-Africa Economic Partnership Agreements*, UNECA, ATPC Work in Progress, No.10

² http://www.oxfam.org/en/policy/briefingnotes/bn070425_EU_economic_partnership_agreements

³ United Nations Economic Commission for Africa, 'Assessment of the Impact of the Economic Partnership Agreement between the COMESA countries and the European Union', September 2005.

In early 2006 the Trade Ministers of the African Union (representing two-thirds of the ACP member countries) said, “*We express our profound disappointment at the stance taken by negotiators of the European Commission in so far as it does not adequately address the development concerns that must be the basis of relations with Africa. We urge our negotiating partners to clearly demonstrate the development content of the proposed agreements...*” (African Union Trade Ministers Declaration on EPAs, 14 April 2006, Nairobi)

June 2005: ACP Ministers issued a joint statement expressing ‘*grave concern that the [EPAs] negotiations have not proceeded in a satisfactory manner, having failed to start addressing most of the issues of interest and concern to ACP regions*’ and expressing ‘*regret [at] the disconnect between the public statements of the Commissioners of Trade and Development on the development aspects of EPAs and the actual position adopted during EPA negotiating sessions*’.

The EC is threatening high costs if EPAs are not signed by December 2007

ACP countries are placed in a very difficult position. Not only are ACP countries being told that a Free Trade Agreement with all its costs is inevitable, but they are also being told that they will face very high costs if they do not sign by December 2007.

The EU has told the six negotiating regions that if they do not sign EPAs by the end of December 2007, the EC will not continue Cotonou Agreement preferences. This threatens many ACP countries with a massive jump in the tariffs applied to their exports, which would cripple many industries and livelihoods.

This is deeply unfair and places deadlines before development. It is important that time and careful consideration is given to restructuring the trade relationship between the EU and the world’s poorest countries. This is not happening.

The EC is using this time pressure to its advantage

EPAs negotiations are at a critical stage: detailed draft texts are now on the table in all regions, with the EC having set out its core negotiating parameters in all of the six ACP EPA regions. ACP countries are being placed under immense pressure to make major concessions. The EC has refused to accept many constructive offers placed on the table by ACP countries and has failed to, or delayed in, responding to other requests.

A number of ACP regions have made it clear that more time is needed for pro-development trade agreements to be reached. As the deadline draws close, exporters are becoming alarmed at the prospects of facing high tariffs into the EU market. The EU appears to be ‘watching the clock’, hoping that as pressure mounts, ACP countries will have no option but to accept their proposals. Furthermore, we are deeply concerned to hear from the negotiating room that the EC is manipulating the prospect of aid in addition to loss of market access in order to pressure ACP countries to agree to proposals that would have very damaging implications for development.

With the development component clearly missing and with the aggressive trade agenda of the EC, EPAs threaten to deepen poverty and damage the environment in ACP countries, setting back poor countries’ strategies towards achieving the Millennium Development Goals (MDGs).

The EC is insisting on the inclusion of issues that are not required and were strongly opposed by the ACP at the WTO

For compliance with WTO rules, an FTA only requires negotiation of trade in goods. The EC is insisting on the inclusion of a raft of other issues including intellectual property, competition and public procurement. ACP countries have long opposed the inclusion of discussion of these issues at the WTO and have continually objected to their being re-introduced through the backdoor of EPAs. For example, the African Union's (AU) collective position that *"except for trade facilitation, the other three Singapore issues of investment, competition policy and transparency in government procurement should remain outside the ambit of the WTO Doha Work Programme and EPA negotiations"* was stated in an AU Trade Ministers' declaration of June 2005 (Cairo) was reaffirmed in April 2006 (Nairobi) and again in January 2007 (Addis Ababa).

The UK Parliament's International Development Select Committee recently strongly criticised the EC for forcing these issues upon the ACP, stating that *"the EU is abusing its position in the partnership to persuade the ACP countries that the New or Singapore Issues are essential for development and by implying that there may be penalties if they reject them."*⁴

Although the EC claims that the inclusion of these issues is in the interests of ACP development, leading experts who have analysed the details of the proposed texts have been very critical. For example, on 25 May 2007, a group of world-renowned intellectual property experts wrote an open letter to the EC, arguing that the Commission's EPAs proposals on intellectual property would *'retard rather than foster their [ACP countries'] social and economic improvement'*.

Opportunity of EPAs Review wasted

The Cotonou Agreement provided for a review of the EPAs negotiations to be taken in 2006. This was concluded earlier this year and proved a wasted opportunity to improve the prospects of a development-friendly outcome to the negotiations, as envisaged by the Cotonou Agreement. The Review was marked by a lack of transparency, delays and a lack of consideration or debate on the conclusions to come out of the ACP's own reviews. ACP concerns appear to continue to be sidelined by the EC and serious debate stifled.

The United Nations Economic Commission for Africa (UNECA) conducted a series of parallel reviews which produced damning conclusions:

- For the Central Africa region, UNECA concluded that there was a "failure of the negotiations to have a development focus" and an "imbalance in the negotiations towards a focus on trade liberalization"
- For the East and Southern Africa region, UNECA found that "It is amply evident that the conclusion of EPAs will not only miss the agreed time frame ... but issues vital for the development of the ESA countries still remain un-addressed by the EU in a manner that is satisfactory"
- For the Southern Africa region, UNECA observed that "the benefits that SADC region expects [...] are not guaranteed to be substantial enough to outweigh the potential costs."

⁴ <http://www.publications.parliament.uk/pa/cm200607/cmselect/cmintdev/271/27102.htm>

The UNECA review concluded that across all African regions “there is still no confidence yet on the ability of EPAs to be pro-development.”

The conclusions adopted in May of this year by the EU Council and the Joint ACP-EU Council reiterated commitments to sustainable development and poverty eradication, but all the signs emanating from the negotiations suggest that these commitments are not being honoured in the negotiating room.

A Free Trade Agreement (FTA) is not the way to structure trade relations with the ACP – development friendly options are available

Recent studies have clearly shown that there are other, WTO-compatible, ways to structure trade with the EU that would not require the ACP to enter an FTA.

Studies by the Overseas Development Institute (ODI)⁵ and others clearly show that the EU could modify the GSP scheme to provide ACP countries with current or better levels of market access without the need for reciprocal liberalisation. However, to date there has been no serious discussion of this option within the EU.

Given the negative impacts that the EU’s current proposals would clearly have on development, it is imperative that a discussion is held on these alternative options.

The role of the UK Government

Major public concern has been expressed across Europe and ACP countries about the ramifications of the current negotiations on EPAs. After public pressure and sustained campaigning from the Trade Justice Movement, on 22 March 2005 the UK Government published a position paper on EPAs with clear statements consistent with some of our main demands.

In its opening paragraph, the Government’s paper – *Economic Partnership Agreements: Making EPAs Deliver for Development*⁶ – states, “the EU should take a non-mercantilist approach and not pursue any offensive interests.” It further stated that the ‘new issues’ of investment, public procurement and competition policy should only be negotiated at the request of ACP countries, that the EU should be ready to offer alternatives to EPAs on request by the ACP, and that ACP countries should not be forced to liberalise. This was a welcome and important step.

In October 2006, ahead of a meeting of EU trade ministers in Luxembourg, the Government wrote to the EU Trade Commissioner Peter Mandelson, expressing their concern about the current state of the EPA negotiations and reiterating the points in the UK Government’s March 2005 statement.

UK Government action

In publicly stating the need for change the Government took a significant step in the right direction for trade justice.

⁵ See ODI June 2007 report: *Economic Partnership Agreements: What happens in 2008*. http://www.odi.org.uk/Publications/briefing/bp_june07_EPAs2008.pdf

⁶ See <http://www.dti.gov.uk/files/file9845.pdf>

The Trade Justice Movement maintains its call on the UK Government to make efforts to deliver a change in the position of other EU Member States as it is not enough for the UK alone to change its policy. The UK Government must use every opportunity to lobby both other EU Member States and the EC to change their positions on these deals.

Without urgent action and a concerted final effort by the UK Government to make sure that it uses its influence to make any EU trade deal promote sustainable development and poverty reduction, the danger that EPAs will make poverty and environmental damage in developing countries worse will not be averted.

Time is running out, and the UK Government must now take all possible steps, as a matter of urgency, to ensure that pro-development, pro-environment trade agreements are developed.

A Call to Action

Given the manifest failure of the EC to put development at the heart of its EPAs proposals, and in line with UK Government policy, the Government should continue to call for post-Lomé EU-ACP trade arrangements to meet the development objectives of the Cotonou Agreement.

The UK Government should set the following as clear red lines in their articulation of what an acceptable ACP-EU trade negotiation:

- The EU provides details of an alternative to an EPA as a matter of urgency for all ACP countries so that they have a genuine choice as to whether or not to sign up to an EPA. Any alternative offered should provide no worse market access to the EU than is currently enjoyed under Cotonou Agreement preferences.
- Each ACP regional group being allowed to make its own decisions on the timing, pace, sequencing, and product coverage of market opening in line with individual countries' national development plans and poverty reduction strategies.
- Non-goods issues including services, intellectual property, competition and government procurement to be removed from the negotiations, unless specifically requested by an ACP regional negotiating group. The EC should, further, abandon its rigid approach to rules-based investment agreements as part of EPAs and instead take other constructive actions to enable development through investment in ACP countries.

Politically, the UK Government should take the following actions to ensure that development is put first in EPAs negotiations:

1. Publicly re-affirm the UK's position of not forcing trade liberalisation on developing economies through trade negotiations or conditionality and criticise the aggressive negotiating stance of the EC. Request that intellectual property, services/investment, competition, government procurement be completely removed from the EPAs negotiations - as they are not required by the WTO - unless an ACP region specifically asks for their inclusion.

2. Acknowledge the very real challenges and concerns raised by ACP countries of completing EPAs negotiations by the end of 2007. Support calls from the ACP by

demanding that the EC immediately provides details of transition arrangements that will be put in place from 1 January 2008 to avoid any trade disruption in the event that agreements are not signed by January 2008.

3. Push for a thorough assessment and democratic debate of the various EPAs texts on the table, with the results being taken into account in the negotiations.

4. Insist that the EC takes action in response to these ACP concerns, takes on board ACP proposals and shows a demonstrable shift in the EC's positions in negotiations in line with this.

5. Undertake analysis of all Cotonou-equivalent options that could be made available to any ACP country that does not sign an EPA. Request that the EC immediately and clearly does likewise.

6. Push EU Member States to make and follow through commitments on additional aid for trade that is sufficient to dramatically improve the competitiveness of ACP countries in regional markets and global economy, combined with a clear public statement that such additional aid will not be conditional upon the signing of any EU-ACP trade agreement

All Trade Justice Movement member organisations support the policy positions outlined in our founding statement 'For Whose Benefit? Making trade work for people and the planet' (available online at www.tjm.org.uk). The call to stop forced liberalisation (at the WTO, in EPAs, and through the World Bank and IMF) has been the Trade Justice Movement's lead call since the launch of 'Vote for Trade Justice' in autumn 2004. Over 800,000 UK citizens have cast their Vote for Trade Justice:

We believe everyone has the right to feed their families, make a decent living and protect their environment. But the rich and powerful are pursuing trade policies that put profits before the needs of people and the planet. To end poverty and protect the environment we need Trade Justice not 'free trade'.

The UK Government should:

- Fight for rules that ensure governments, particularly in poor countries, can choose the best solutions to end poverty and protect the environment.*
- End export dumping that damages the livelihoods of poor communities around the world*
- Make laws that stop big business profiting at the expense of people and the environment.*