

## **A Rough Guide to Economic Partnership Agreements (EPAs): Questions and answers**

### **What are EPAs?**

**EPAs are regional free trade agreements between the European Union (EU) and the African Caribbean and Pacific (ACP) countries.**

But they don't exist yet! They are being negotiated, with the aim of being in place by the beginning of 2008.

### **Why are they being negotiated?**

**So that the current trade relationship between them becomes compatible with World Trade Organisation (WTO) rules.**

Since 1976, the Lomé agreement outlined the trading and political relationship between the EU and the ACP, which includes 77 developing countries, among which are least developed countries (LDCs), or the poorest. This gave one-way, or unilateral, preferences for the ACP into the EU, but not vice versa, and these were not available for non-ACP countries.

However WTO rules on regional trade agreements say that developed countries like the EU can only give unilateral preferences to two groups of developing countries – least developed countries or all developing countries. If through a regional trade agreement, only some developing countries eg. in the ACP, are given preferences, then they must reciprocate in reducing their own trade barriers with all other parties in that agreement. Several developing countries not in the ACP group challenged the EU in the WTO to comply with this rule. The EU and ACP have been granted a waiver by the WTO which expires at the end of 2007, by which time they have to agree and implement new trading arrangements that are compatible with the WTO rules. This has been agreed by both the ACP and the EU in the Cotonou Partnership Agreement of 2000.

This means:

- if the new trading arrangement provides unilateral preferences, it must be granted to all developing countries, including those outside the ACP group, or
- if the new arrangement is restricted to the ACP, then while the ACP can continue to have access to the EU market, the ACP will also have to reciprocate in opening their own markets. Only in this way are the parties able to discriminate against other developing countries not in the ACP group. EPAs will be based on this type of reciprocal arrangement, though how much either party will have to reduce their trade barriers is up for negotiation. Precedence from other trade agreements between developed and developing countries, has shown that the latter have been able to open up their markets on fewer products and over a longer period of time (asymmetrical reciprocity).

While compliance with the WTO rules is a key reason for why EPAs are being negotiated, another reason arises from the recognition that the trade preferences granted to the ACP under the Lomé agreements were failing to promote their economic growth as expected. EPAs are therefore meant to be designed as instruments for development and be about more than a standard trade agreement.

### **What are the objectives of EPAs?**

**Promoting sustainable development and contributing to eradicate poverty in the ACP by helping the ACP countries to integrate into the world economy.**

How will integration into the world economy be achieved?

Through a stepping stone process of gradually building their ability to compete in larger markets:

EPAs are therefore not ordinary trade agreements. The Cotonou Agreement also provides for EU development assistance to support these objectives.

<b>How will EPAs be negotiated?</b>
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**The European Commission was granted a mandate to negotiate on behalf of the EU member states. The EC will negotiate with the different ACP regions.**

ACP countries can choose which regional grouping in which they would like to negotiate EPAs, depending on their regional integration objectives, which are a combination of political, economic and social objectives. There are currently four in Africa, one in the Caribbean and one in the Pacific (see box below and details in annex).

Discussions at the all-ACP level on cross-cutting issues, are continuing in parallel to the region-specific negotiations.

**EPA groupings**

AFRICA	CARIBBEAN	PACIFIC
<b>ECOWAS: Economic Community for West African States</b> <b>CEMAC: Communauté Economique et Monétaire de l’Afrique Central</b> <b>ESA: Eastern and Southern Africa</b> <b>SADC: Southern African Development Community</b>	<b>CARIFORUM: Caribbean Forum</b>	<b>Pacific Form Secretariat</b>

### What if a country doesn't want to take part in an EPA?

**The Cotonou Agreement specifies that any ACP country that does not wish to enter into an EPA with the EU will not find itself any worse off than it did prior to the Cotonou agreement.**

Any country is free to request an alternative trade arrangement with the EU that is compatible with WTO rules.

### What special access does the EU currently offer to the ACP countries?

**The Cotonou Agreement provides special access** (lower trade barriers) to only ACP countries - until WTO compatible arrangements replace them. All members of the ACP grouping are entitled to this access.

The ACP also have parallel access to the **EU's Generalised System of Preferences (GSP)**, which is available to all developing countries. Under the GSP, the EU also offers the LDCs, duty and quota free access on all products except arms, or Everything But Arms (**EBA**) access. (Sugar, bananas and rice are excluded until 2009). From July 2005, countries which meet certain criteria (including the ratification and application of key international conventions on sustainable development and good governance), have access to an additional set of preferences through the **GSP plus** scheme.

An LDC in the ACP, for example Zambia, currently has the option of using EBA access under the GSP or Cotonou access to the EU market. Although Cotonou does not cover such a wide remit of goods as EBA, it does have less stringent limits on where production inputs were sourced (called Rules of Origin).

### What do the UK NGOs think?

Some joined a coalition called the "Stop EPAs" campaign. They argue that EPAs are an example of the European Commission prising open poor

countries' markets for their own offensive interests. The Make Poverty History Campaign also says that there should not be forced liberalisation through EPAs.

### **What does the UK government think?**

**The government has given overall support for EPAs, as long as they are well designed and implemented.**

The government policy paper on EPAs (March 2005) <http://www.dfid.gov.uk/aboutdfid/organisation/ukpolicy-epas.pdf> outlines the principles it believes are essential in EPAs:

- The EU should not pursue any offensive interests.
- Developing countries can benefit from liberalisation in the long run, but only if they have the right economic capacity and infrastructure.
- Each ACP regional group should make its own decisions on the timing, pace, sequencing, and product coverage of market opening.

### **What is DFID doing?**

**We are working to promote more and better debate**

We are continuing to talk to the EC, EU Member States and ACP stakeholders on the policy content and approach to EPAs. To inform this dialogue, we are supporting research and feeding in the views of the ACP into the European debate.

**We want to help the ACP get the best out of the negotiations**

To achieve this, we are providing technical assistance to build the negotiating capacity of the ACP. Examples of our efforts include support to independent capacity building organisations such as the European Centre for Development Policy Management (ECDPM). This helps provide advice and expertise to the ACP, as well as promoting ACP-EU co-operation. We also provide support directly to the ACP regional secretariats, which negotiate on behalf of each ACP region.

Annex : Details of ACP EPA Negotiating Groups

ACP Regional Grouping	<b>West Africa CEDEAO + Mauritania (ECOWAS)</b>	<b>Central Africa CEMAC + STP (CEMAC)</b>	<b>East South Africa (ESA) (COMESA minus)</b>	<b>Southern Africa (SADC minus)</b>	<b>Caribbean (CARIFORUM)</b>	<b>Pacific</b>
Negotiations Began	<b>October 2003</b>	<b>October 2003</b>	<b>February 2004</b>	<b>July 2004</b>	<b>April 2004</b>	<b>September 2004</b>
1	<b>Benin</b>	Cameroon	<b>Burundi</b>	<b>Angola</b>	Antigua	Cook Is.
2	<b>Burkina Faso</b>	<b>Central African Rep</b>	<b>Comoros</b>	Botswana	Bahamas	Fed. Micron.
3	<b>Cape Verde</b>	<b>Chad</b>	<b>Djibouti</b>	<b>Lesotho</b>	Barbados	Fiji
4	<b>Gambia</b>	<b>Republic of Congo</b>	<b>Eritrea</b>	<b>Mozambique</b>	Belize	<b>Kiribati</b>
5	Ghana	<b>Equat. Guinea</b>	<b>Ethiopia</b>	Namibia	Dominica	Marshall Is.
6	<b>Guinea</b>	Gabon	Kenya	Swaziland	Dominican Rep.	Nauru
7	<b>Guinea Bissau</b>	<b>S. Tome Principe (STP)</b>	<b>Malawi</b>	<b>Tanzania</b>	Grenada	Niue
8	Ivory Coast	<b>Democratic Republic of Congo</b>	Mauritius		Guyana	Palau
9	<b>Liberia</b>		<b>Madagascar</b>		<b>Haiti</b>	PNG
10	<b>Mali</b>		<b>Rwanda</b>		Jamaica	Samoa
11	<b>Mauritania</b>		Seychelles		St Lucia	Solomon Is.
12	<b>Niger</b>		<b>Sudan</b>		St Vincent	Tonga
13	Nigeria		<b>Uganda</b>		St. Ch. & Nevis	Tuvalu
14	<b>Senegal</b>		<b>Zambia</b>		Surinam	Vanuatu
15	<b>Sierra Leone</b>		Zimbabwe		Trinidad & Tobago	
16	<b>Togo</b>					

**Countries in bold are LDCs.**