

Trade Negotiations Insights

From Doha to Cotonou

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In This Issue

2006 will be an important year for the ACP group in the context of the EPA negotiations. This year, all regions will commence the third and substantive phase of EPA negotiations with the EU against the backdrop of the WTO Doha negotiations which has now been scheduled to be completed at the end of 2006. Furthermore, as foreseen in the Cotonou Agreement, “a formal and comprehensive review” of EPA negotiations will have to be carried out in 2006 for all ACP countries. Our first article notes that the review process may present an opportunity for some ACP countries to consider an alternative to the EPA agreements as provided for under the Cotonou Agreement. Our second focuses on the “aid for trade” agenda within the Doha negotiations. ACP relevant news on the EPAs and the December 2005 WTO Hong Kong ministerial is also provided in this issue.

Once again, we welcome contributions from our readers and wish you a happy new year.

Reviewing EPAs negotiations and alternative scenarios¹

San Bilal and Francesco Rampa – ECDPM

2006: a pivotal year

2006 should be a decisive year in the effort to reshape the ACP-EU trade relations. First, all regions should enter the third phase of the Economic Partnership Agreement (EPAs) negotiations, which should address substantive issues, notably the specific structure and scope of each EPA, the approach to trade liberalisation, as well as the drafting of legal provisions. Second, as foreseen in the Cotonou Agreement, “a formal and comprehensive review” of EPA negotiations will have to be carried out in 2006 for all ACP countries. This review should provide not only an opportunity to assess the progress made and difficulties encountered in each EPA region and its member countries. It should also serve to better specify the direction for a truly development-oriented new trade regime between the ACP and the EU.

In that sense, the 2006 Review of EPAs may provide the right momentum to put in place a continuous monitoring mechanism of EPAs, during their negotiations and most importantly during their implementation phase. To be relevant, the review as well as any monitoring will have to focus not simply on the trade dimension of an EPA, but foremost on its development perspectives, including in terms of accompanying measures and possible development benchmarks.

Hence, 2006 should be a pivotal year that should mark “a qualitative shift in focus and specificity” in the EPA negotiations,² but also a period when all partners will review the negotiations and thus perhaps identify possible new directions or momentum. In this regard, it is crucial that all possible scenarios be considered.

Alternative trading arrangements

Article 37.6 of the Cotonou Agreement provides for a mechanism to reach an

alternative trading arrangement for the ACP countries that do not wish to enter into an EPA. Any new trade arrangement must be compatible with WTO rules and leave the country at least no worse off than it is in the existing situation under the Cotonou framework. It is for each ACP country concerned to judge whether the alternative is preferable to an EPA from a development perspective.

While the date formally indicated in the Cotonou Agreement is 2004, the ACP and the EU agreed to let the 2004 deadline for discussing alternatives pass and to be prepared for discussing such requests whenever appropriate. Alternatives can thus be considered at anytime. The 2006 Review of EPA negotiations would provide a perfect opportunity to determine whether alternative trading arrangements should be pursued or not, at least for some ACP countries or regions. Or simply whether alternative approaches to EPAs are required.



Why consider alternative to EPAs?

The increasingly intense public debate over EPAs and their potential to effectively address development concerns, coupled with the Cotonou provision to consider (if necessary) all alternative possibilities for a new ACP-EU trade regime, has led many observers, in particular from civil society, to call for greater considerations to be given to alternative trading arrangements between the ACP and the EU.

However, since all ACP countries have agreed to enter into negotiations with the EU on an EPA, why should anyone bother considering an alternative? The key reasons are twofold:

- (1) ACP countries might wish to consider an alternative to EPAs as a preferred alternative to the EPA negotiations, either because they are not convinced about the merits of EPAs (which they see only as a second-best option) or because they seek a possible fallback position in case an EPA is not concluded.
- (2) An alternative could act as a benchmark scenario against which the outcome of EPA negotiations could be evaluated.

The former is the case most commonly referred to; however, the latter is of key relevance as well, including for advocates of EPAs. Contrary to most trade negotiations, where the outcome can be measured against the status quo, the current EU regime of preferences for the ACP must be changed by 2008, irrespective of whether EPAs will be concluded or not. To assess what would constitute a 'good'/'desirable' EPA, it is therefore not sufficient to compare its content with the current Lomé/Cotonou trade regime, to ensure that ACP countries are better off. An EPA must be assessed against an alternative trade regime that would be available should an EPA not come into force, the only serious yardstick to measure the net benefits of an EPA and the costs of failing to reach an agreement.

Alternatives to EPAs vs. alternative EPAs

One of the contentious characteristics of EPAs is the requirement for ACP to open up their market, in a reciprocal manner, to EU imports. Opponents to such liberalisation of substantially all trade among the parties call for *alternatives to EPAs*, falling outside of the realm of GATT Article XXIV on regional trade agreements.

Others simply resent the current approach of the EU and its comprehensive trade agenda for EPAs, without opposing the basic principle of establishing free trade agreement. To address some of their concerns, *alternative EPAs* could be envisaged, which covers scenarios where some flexibility is introduced regarding how, to what extent and under what conditions reciprocal trade liberalisation takes place between the EU and the ACP (while complying with GATT Article XXIV, in its current or revised form), as well as regarding the scope of trade-related matters covered and other accompanying measures.

"The current EU regime of preferences for the ACP must be changed by 2008, irrespective of whether EPAs will be concluded or not."

Some alternatives to EPAs

If (some) ACP countries do not want to open up their market to EU goods, the most obvious solution is to rely on the EU generalised system of preferences (**GSP**), in one form or another. Least-developed countries (LDCs) among the ACP Group already benefit from the Everything-But-Arms (EBA) initiative, a special GSP provision available to all LDCs which grant them duty- and quota-free market access to the EU for mainly all products. ACP non-LDCs could benefit from either (i) the other provisions of the current EU GSP for developing countries (which would entail a slight loss of preferences), or (ii) an extension of the GSP+ to incorporate Cotonou-equivalent preferences, or (iii) an 'enhanced GSP' comprising three special trade regimes: the GSP+, EBA for LDCs (including ACP

LDCs), and a new 'ACP non-LDC preferential regime', to ensure that no ACP country market access to the EU would be worse off under a reformed GSP. More ambitious scenarios, unlikely to ever be approved by the EU, could entail an extension of **EBA** to all ACP countries, the G90 group of poorer countries, or even all developing countries.

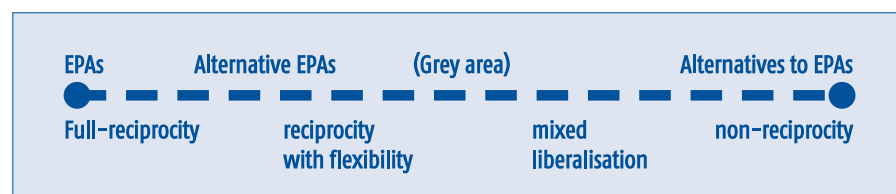
Other alternative trade arrangements to EPAs might be attractive, but appear rather unlikely in the current political context. One option is an **incomplete free trade agreement** (FTA), whereby the EU would fully open its market to ACP products, whereas ACP countries would be required to liberalise their trade only partially, but towards all WTO members: most-favoured-nations (MFN) liberalisation to, for instance, a uniform 10% MFN duty. Although this would avoid the trade-diverting effects of an EPA, for this scenario to be feasible, WTO rules would have to be substantially changed. A last option would be to **prolong the current Lomé/Cotonou regime** beyond the end of the 2007 deadline, which would require either a new waiver at the WTO, with the likely opposition of some WTO members, or a joint ACP-EU proposal to change WTO rules to allow for the perpetuation of the Lomé/Cotonou preferences. Both the EU and several WTO members seem unwilling to follow such an approach.

Alternative EPAs

The basic principle of most of the alternative EPA scenarios is to stretch flexibility on the requirements for WTO compatibility (notably with regard to the level of reciprocity) as much as possible and/or to adjust the current EPA framework to better accommodate some development concerns.

Using the basic EPA approach currently proposed by the European Commission as a **benchmark scenario**, a **minimalist approach to EPA** would consist of an '**EPA light**', a reciprocal FTA focusing, in a first stage, on the opening of ACP markets to the minimum level necessary to secure WTO compliance while seeking

A range of scenarios of alternative(s) (to) EPAs



to limit the potentially negative effects of any significant liberalisation by the ACP. In a second stage, sometime after 2008, negotiations with the EU could centre on a

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long-term approach to address supply-side capacity constraints in the ACP (including through investment, competition, etc.), building effective regional markets, as well as further liberalisation from the ACP side.

An alternative approach would be to introduce as much flexibility as possible in an EPA, in the form of *explicitly recognised special and differential treatment* (S&DT). This reciprocal FTA+ could include services and 'behind the border' provisions, as in the benchmark scenario, but with flexibility for the ACP

to liberalise much less and over longer implementation periods than the EU. Another unusual type of market opening characterises an *EPA with binding provisions for development-related liberalisation*, making successive stages of tariff reduction for the ACP conditional upon the achievement of development thresholds and/or the delivery by the EU of EPA-related development cooperation, an option clearly outside current WTO rules.

One could also envisage various configurations for an *EPA*. An *all-ACP EPA*, consisting of a unique reciprocal FTA+, would be conducive to both regional integration and ACP unity on issues of common interest, provided such coherence at all-ACP level might be maintained. On the opposite, although ACP countries have all opted for a regional configuration to enter EPA talks, negotiations might lead to the conclusion of *country-specific EPAs*. These would be reciprocal FTAs+ with the EU at the national level, with country-specific levels of reciprocity, implementation schedules and treatment of trade-related issues. This could provide greater flexibility for some countries that seek SDT in an EPA or it could impose more rigorous constraints, depending on a number of factors. Unless coordinated at the regional level, country-specific EPAs may seriously disrupt regional integration. Last, some countries might opt out of an EPA. For instance, if (some) ACP LDCs already benefiting from EBA come to the conclusion that it is not worth providing reciprocal trade liberalisation, an *EPA for ACP non-LDCs only* might be the outcome. It would be difficult under this approach for any ACP region to effectively implement regional-integration programmes because the group would be split between the (non-LDC) countries that enter an FTA+/EPA with the EU, and those (the LDCs) that maintain their trade barriers against the EU (without addressing 'behind the border' issues).

Last, EPA negotiations may lead to a '*menu approach*' to EPA. The different components of an EPA (trade in goods and in services, investment, possible sector-specific arrangements as in fisheries, and so forth) could be covered under separate individual agreements, and countries in one region would be offered a 'menu': all would sign a 'master agreement' establishing the principles to govern the EPA relationship but individual countries would be allowed to join only those specific 'subsidiary agreements' they are prepared to commit to.

A need for serious consideration of alternatives³

Alternative scenarios for EPAs, as well as alternative trade arrangements to EPA deserve thorough consideration and an open debate. Besides clarifying the range of options available, it is also imperative to assess each alternative, notably in terms of the degree of market-access opening, compliance with WTO rules, the influence on regional integration, political feasibility, and most of all the scope for development-oriented outcomes. To this end, the elaboration of development benchmarks might prove a most useful tool to assess the development dimensions of an EPA and the range of alternative scenarios. In this context, it is recommended that all concerned stakeholders seize the opportunity of the 2006 Review of EPAs to assess the whole process of the EPA negotiations so far, make changes where necessary within the negotiations and, if needed, propose alternative routes.

"The elaboration of development benchmarks might prove a most useful tool to assess the development dimensions of an EPA and the range of alternative scenarios."

Endnotes

¹ This article draws on a study conducted by ECDPM for Oxfam and BothENDS, based on extensive consultation, on the possible alternative (to) EPAs. See Bilal, S. and F. Rampa, Alternative (to) EPAs, ECDPM Policy Management Report 11, February 2006, www.ecdpm.org/pmr11

² See notably EC Press release "Cariforum and EU launch crucial phase of trade and development talks", Saint Lucia, 30 September 2005, http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/pr300905_en.htm

³ See Bilal and Rampa (2006), Alternative (to) EPAs, www.ecdpm.org/pmr11 for a more comprehensive discussion.

Aid for Trade and Capacity building: The case of SPS standards and developing countries

By Gideon Rabinowitz – CUTS International (London)

“Aid for Trade”: a new initiative

The burden imposed on poor developing countries that need to implement a wide range of trade capacity reforms in preparation for trade reforms has been recognised in the ongoing WTO Doha Round of trade talks. Indeed, there is a growing commitment from the international community to the “aid for trade” concept, which calls for the support of LDCs and other struggling developing countries in their efforts to build their capacity to trade. However, the “aid for trade” agenda faces a number of significant political and technical challenges before it can make a difference, from the political commitments of developed country governments to the mechanisms of aid delivery, the effectiveness of technical assistance, the issue of donor coordination and the local ownership of aid programmes.

Besides, in order to operationalise the capacity to trade that increased aid can help develop, struggling developing countries need access to world markets for the products that they produce and at suitable prices. However, developing country exports currently face a wide range of barriers to trade, including technical barriers to trade such as sanitary and phytosanitary (SPS) standards for food safety put in place by developed countries.

Food safety and SPS concerns in Europe

There is a long history of consumer pressure for food safety across Western Europe. However this pressure has reached new levels in recent years following a number of high profile food safety scares which have heightened fears amongst consumers that farmers and the food industry are not doing enough to protect consumer health.

Institutional and legislative reforms have been introduced to create a more secure system of accountability in relation to food safety, which have led to an explosion of (SPS) standards set by governments and supermarkets for producers to meet in order to make sure that food safety is maintained at all levels of the supply chain.

An obstacle for developing countries

Governmental SPS standards in the EU are formulated and implemented by a variety of bodies and at both national and international levels. Every year there are hundreds of meetings of the various committees of these international standard-setting organisations, which take place all over the world. However, developing countries often lack the expertise and resources to be able to play an effective role in these bodies and as a result their interests are all-too frequently sidelined in the standard-setting process.

This lack of capacity amongst many developing countries to play a part in the standard setting process also provides the potential for developed countries to use SPS standards as another method to protect their markets from exports of developing countries. One such sector where this is of particular concern is the fruit and vegetable market, an increasingly important sector to developing countries.

The impact of private SPS standards

In response to the increasing liability facing food marketers in relation to food safety private SPS standards are used by marketers to ensure product quality and to standardise the products they receive from suppliers.

One of the most influential private standard setting bodies is EUREGAP (Euro Retailers Produce on Good Agricultural Practice) through which its members, which include the major retailers of agricultural products in the EU, set a wide variety of SPS and technical standards for producers to meet. Although their standards are not mandatory for entry into the EU market, if producers want to sell their products to these retailers then they need to meet the standards they demand. Many of its SPS standards are stricter than the standards set by bodies such as CODEX and impose very high costs on producers.¹

The challenges faced by producers in meeting EUREGAP standards are most pronounced in relation to developing countries, where producers frequently lack the resources to implement the types of reforms that are required to achieve certification. This is illustrated by the fact that as of the end of 2003, excluding South

Africa and Ghana, (where 926 and 84 farms respectively had achieved EUREPGAP certification) only 21 farms had achieved certification in the rest of Sub-Saharan Africa (19 in Zimbabwe, 1 in Gambia and 1 in Senegal). In addition, the farms that have achieved certification in Sub-Saharan Africa are increasingly managing their own growing activities on large farms to the exclusion of small farmers who previously supplied them with produce through out-growing arrangements. EUREPGAP standards therefore currently exclude large numbers of small and vulnerable producers from supplying produce for export markets.²

The concerns relating to private standards are especially pronounced when the private standard setters have marketing control over the sector they are setting the standards for as they can use their market power to pass on the costs and risks of production to producers using strict quality standards.

One market where the issue of standards collusion is of significant concern is the UK fruit and vegetable market where a small number of supermarkets control the market³ and play a major role in the setting of EUREPGAP's standards. These supermarket chains are under considerable scrutiny from competition bodies in relation to their pricing policies but so far little if no attention has been paid to their activities in relation to the setting of SPS standards.

The way forward for developing countries

The WTO SPS Agreement

One of the ways in which developing countries can open up the SPS standard setting procedure to greater scrutiny and apply pressure for protectionist abuses to be disciplined is through making use of the provisions of the WTO Agreement on the Application of SPS measures. Although a number of developing countries have played an active role in the SPS committee and have used it to highlight their concerns, due to the resource constraints they face there are still a significant number of developing countries that struggle to engage with it effectively. This is illustrated by a recent WTO report which states that of the 256 measures raised for

discussions in the SPS committee of the WTO over the last 10 years only 2 were raised by LDCs.⁴

A number of Caribbean and South American countries recently challenged EUREGAP's standards in relation to the banana sector quoting the provisions of the SPS Agreement. In response the EU stated that it was not in a position to intervene because the private sector organisations say that their standards reflect consumer demand and therefore justified under the SPS Agreement.⁵ However, private standards do not seem purely demand driven. This poses the question as to the degree to which private standards are consistent with the principles of the SPS Agreement. There currently seems to be little willingness from the EU (and other developed countries) to scrutinise more closely the private standard-setting procedure and to question the motives of the marketers who dominate sectors such as fruit and vegetables.

Standards compliance

Despite all these concerns the majority of SPS standards that are set have a reasonable public health impact and can therefore be justified under the SPS agreement which allows for quite a flexible definition of risk that countries are allowed to use as basis for implementing standards. This leaves developing countries with the challenge of meeting these standards so that they can export their products around the world.

However, many developing countries currently lack the institutions and expertise required to meet these standards and face a wide range of capacity constraints in doing so. These include: the capacity to play a role in the standards setting process; the establishment of sustainable institutions that can monitor and disseminate information about standards and monitor their implementation; training programmes for key stakeholders; and of course the financial resources to invest in the infrastructure required to meet the standards.

Building capacity

Developing world governments have an important role to play in mobilising the resources to build capacity through encouraging private sector investment in standards compliant infrastructure and developing the institutions required to coordinate standards compliance. However, the donor community also needs to respond in coordinated and generous way to support the huge investment needs that developing countries face in relation to SPS standards compliance.

So far the response from donors has been disappointing. The World Bank estimates that in 2002 the total funds spent by donors on SPS standards compliance support was \$53 million, dwarfed by the estimated \$1.75 billion of exports from developing countries disrupted by SPS standards in the same year. This figure is also dwarfed by the estimated €140m–700m of annual investment that the African, Caribbean and Pacific (ACP) countries require to meet the current level of SPS regulations.⁶

Developing countries have also attempted (unsuccessfully) to mobilise greater donor support by appealing to the SPS committee to operationalise the clauses in the SPS agreement which relate to technical assistance to support the compliance of developing countries to SPS measures.

The disappointing response from donors to support the capacity building efforts of developing countries in relation to SPS compliance highlights the urgency for developing countries to engage more effectively and widely with international institutions to mobilise and coordinate the investment they need.

In order to do this developing countries need to carry out effective assessments of their SPS compliance capacity and to draw up detailed proposals for capacity building support that relate to all aspects of the compliance process. This will enable them to make their case to donors in a more effective and coordinated fashion. For LDCs and poorer developing countries, the Integrated Framework or a future *Aid for Trade* mechanism could provide an important mechanism through which they can present these capacity needs to donors and mobilise support. It is also important that the ACP countries utilise their ongoing negotiations with the EU on Economic Partnership Agreements to enlist further support for their SPS capacity building efforts.⁷

Continued lack of action by the donor community to support SPS standards compliance only results in further reducing the confidence of developing countries in the multilateral trading system and makes further movements in the Doha Round a greater challenge.

Recommendations

Developing countries:

- the government, private sector and civil society need to work together to respond in a coordinated manner to the challenges that SPS compliance poses.

- developing countries that require technical assistance need to detail and quantify their needs so that they can more successfully lobby for support.

Developed countries:

- developed countries need to show greater will to operationalise the SDT measures within the SPS Agreement and to provide the resources to support developing country reforms.
- developed country governments need to provide greater oversight to the setting of governmental and private SPS standards so as to make sure they uphold the principles of the SPS Agreement.

Northern civil society:

- Northern civil society groups need to work in partnership with Southern stakeholders to bring SPS issues into the public realm and provide a coordinated challenge to protectionist abuses of SPS policies.

Endnotes

¹ For examples see World Bank (2005), "The costs of compliance with SPS standards for Moroccan exports: A case study", and World Bank (2003), "From challenge to opportunity: Transforming Kenya's fresh vegetable trade in the context of emerging food safety and other standards in Europe", www.worldbank.org

² EUREPGAP – Introduction amongst small-scale producers of fresh fruit and vegetables in developing countries", Plantconsult research for Dutch government, Dec 2003

³ The top five supermarket chains (Tesco, Asda, J Sainsbury, Safeway and Morrisons) control over 75% of the supermarket sector where the majority of fruit and vegetables are marketed.

⁴ "Review of the operation and implementation of the agreement on the application of sanitary and phytosanitary measures", WTO secretariat, June 2005

⁵ SPS Committee Report, 29th-30th June, www.wto.org

⁶ CTA (2003), "Study of the consequences of the application of sanitary and phytosanitary (SPS) measures on ACP countries".

⁷ See Doherty, Martin (2005), "ACP-EU EPAs: SPS measures", ECDPM Discussion Paper 68, October, www.ecdpm.org/dp68

EPA Negotiations Update

Melissa Julian, ECDPM

ACP and EC Negotiating Strategies

Negotiations on EPA legal texts are the focus for ACP-EU negotiators in 2006. EC DG Trade Deputy Director General, Karl Falkenberg, informed Members of the European Parliament in January¹ that the trade instruments that the EC is negotiating inside the EPAs aim at ensuring economic governance as a necessary pre-requisite to achieving ACP development. The aim of negotiations is to achieve a balance between trade liberalisation and protectionism specific and attuned to the reality of the needs of the ACP countries. The Cotonou Partnership Agreement's (CPA) assistance framework must be linked well to the EPA negotiations.

Junior Lodge, of the Caribbean Regional Negotiating Machinery, outlined the Caribbean's vision of EPAs (many of the points made would be shared by other ACP regions) for MEPs. The Caribbean also wants to negotiate an ambitious agreement. The EPA must, therefore, allow for asymmetry to take into account the different levels of development of the EU and Caribbean he said, indicating that the EC has not yet made such a commitment to do so in the negotiations. The EPA should also be comprehensive in scope, with trade liberalisation commitments contingent on the delivery of EU development commitments. Again, he indicated that the EC has not made such a commitment in the negotiations.

European Parliament and NGO Concerns

In every intervention in the ensuing European Parliament debate in the EU parliament?, MEPs and NGOs expressed concerns about how development was being dealt with in the EPA negotiations and called for development benchmarks to be established to measure progress.

Chris Stevens of the Institute for Development Studies (IDS) argued that ACP concerns with regard to development effects could be alleviated if the EC were clearer on precisely what it intends to include in EPAs. He presented the results of analysis of recent EU agreements with third countries and trade data of 55 ACP countries² which shows that the EU's interpretation of WTO compatibility is sufficient to give flexibility for development benchmarks, contingent liberalisation and to allow development space for the ACP.

ACP Trade Ministers November Meeting

At the ACP Trade Ministers Meeting held on 29-30 November. The ACP exchanged information on progress in regional EPA negotiations which revealed common problems in relation to how the EC addresses the development aspects of the negotiations. These included support measures for specific EPA related adjustment needs; arrangements for delivering assistance for EPA related adjustments in an efficient and "time sensitive" manner; provisions to facilitate speedy disbursement of EC and EU Member States' "aid for trade" measures in addressing EPA related adjustment needs. The ACP called for further all-ACP exchanges on these and for concerns to be clearly expressed to the EU. The ACP also received and discussed the Commonwealth Secretariat study on an EPA Adjustment Facility.³

ACP-EU Joint EPA Technical Monitoring Committee (JTMC) December Meeting

There was an exchange of views on the state of play of EPA negotiations and the EC's recent trade and development communication. The parties agreed on the need for meetings between Regional Preparatory Task Forces and EU Member States and other donors in the 1st quarter of 2006 to discuss funding for capacity building measures required for effective EPA implementation and on the need to promote rapid delivery of trade related technical assistance linked to the EPA process. This was followed up in the EPA Expert Group meeting (EC-EU Member States) in February and interested EU Member States will be joining the meetings planned in 2006.

ACP Senior Negotiators January Meetings

Discussions focussed on the form and structure of an EPA and the inter-relationship between EPA provisions and the CPA.

2006 CPA Article 37(4) EPA review⁴

This provides an opportunity to assess how development considerations are being integrated in the negotiations and agreements. The EC has indicated that it will be a joint and comprehensive review, focussed on progress in the EPA negotiations themselves, though not on the CPA support provisions.

A group of EU Member States are informally brainstorming on how to conduct a comprehensive, consultative review process

to assess ACP needs and Member States' involvement in this. At the EPA Expert Group meeting in February, there was discussion about the review being conducted at regional levels. Some sources indicate that there are good reasons to have a review at an all-EU-ACP level as there are several cross-cutting issues relevant to all the regions.

EU Member States have committed themselves to closely monitor EPAs and to establish and implement an improved monitoring mechanism against development objectives within the EPA process. Monitoring mechanisms are being informally considered by the EU Member States group aimed at checking progress against development objectives which could include not only the adequate and effective delivery of development assistance (of the EC, EU Member States and other donors), but also ensuring alignment with national development plans.

At their November meetings, the ACP discussed the approach and modalities for the review. Many ACP states stressed that an all-ACP framework, that includes EU Member States, is also needed.

The December JTMC held a brief discussion on the modalities to be applied to the review. DG Trade recommended that such a review should be programmed for the second semester in 2006 in order to allow for an examination of substantive negotiations.

To assess and eventually monitor progress in EPA negotiations and implementation, specific development criteria for EPAs must be jointly defined. At their June Council, the ACP called for benchmarks to be established to evaluate progress in EPA negotiations. Some ACP negotiators met with APRODEV/ECDPM in the margins of their January meeting to consider benchmarks on development resources, market access and policy space. The EU Member States group is also informally considering the issue how benchmarks or other approaches could be used in relation to the monitoring mechanism.

Intricately linked to the EPA review is the CPA Article 37(6) provision for alternative trade arrangements (ATAs).

Endnotes

¹ <http://www.europarl.eu.int>

² <http://www.europarl.eu.int>

³ <http://www.acp-eu-trade.org/tni.html>

⁴ <http://europa.eu.int>

WTO Hong Kong deal: What is in it for the ACP group?

Yvonne Apea, ICTSD

Following difficult negotiations in Geneva WTO members met in Hong Kong China from 13-18 December 2005 to reach a deal on the ongoing Doha round of trade talks. Unlike previous rounds in Cancun (2003) and Seattle (1999) an impasse was averted. Nonetheless, many trade experts agree that very little substantive gains were achieved in Hong Kong. In fact, Members set a new deadline of 30 April 2006 to flesh out the details or “full modalities” regarding the depth and type of commitments countries will make in the key areas of agriculture and non-agricultural market access (NAMA). Members also agreed to complete the entire Doha negotiations in 2006. For the ACP group of countries involved in both the EPA and WTO Doha negotiations, many of the decisions taken at Hong Kong are of interest.

Agriculture, Cotton, NAMA and S&DT

On agriculture, an industry which is the backbone of the economies of many African ACP countries, Members agreed to eliminate all forms of agricultural export subsidies by 2013. They are yet to develop disciplines on ‘parallel’ export support such as export credit schemes, food aid, and state trading enterprises.¹ With regards to domestic support, countries are grouped in three bands for the purpose of reducing their subsidies with “higher linear cuts in higher bands.” According to the Hong Kong Declaration, the Member with the highest level of permitted support will be in the top band, the two Members with the second and third highest levels of support will be in the middle band and all other Members, including all developing country Members, will be in the bottom band.

Prior to Hong Kong, Members had agreed that developing countries could designate “special products” and developed countries “sensitive products,” that would be exempt from tariff cuts in the area of agricultural market access. Members did not agree on the specifics of these concepts in Hong Kong. The Declaration also affirms that developing country Members will have the right to have recourse to a “Special Safeguard Mechanism” based on import quantity and price triggers “with precise arrangements to be further defined.”

West African cotton producers achieved some modest gains on cotton. It was agreed that export subsidies on cotton

would be eliminated in 2006. Countries also agreed on unrestricted access for cotton exports from West African producers and other least developed countries.

In the area of NAMA, Members agreed to a ‘Swiss formula’ for tariff reductions, which would cut higher tariffs more steeply than lower ones. However, they are yet to work out the number and value of the coefficients to be associated with it. They also need to agree on precisely what flexibilities to accord to developing countries when applying the formula, as well as the specifics of the approach that they have adopted for unbound tariff lines. Countries will also have to decide on how to operationalise Paragraph 24 of the Hong Kong Ministerial Declaration, which provides for the level of ambition in market access for agriculture and NAMA to be “comparably high” as well as “consistent with the principle of special and differential treatment (S&DT).”

No specifics were decided on the S&DT negotiations. The Declaration merely calls on members to deepen and intensify its negotiations on the issue of S&DT, with a view to arriving at provisions that are precise, effective and operational and that allow for necessary flexibility in implementing the results of the negotiations.

Development Package for LDCs and Aid for Trade

With 39 of the world’s 49 least developing countries (LDCs) in the ACP group, the trade and aid measures decided in favour of LDCs are of interest to the group. In Hong Kong, agreement was reached on extending duty-free quota-free access to 97 per cent of product tariff lines from LDCs by 2008, although certain important exclusions such as textile imports into the US would be allowed. Furthermore, the Declaration instructs Members to provide “simplified and transparent rules of origin so as to facilitate exports from LDCs.” The Declaration further calls on Members to implement the LDC modalities in the Services negotiations and give priority to the sectors and modes of supply of export interest to LDCs, particularly with regard to movement of service providers under Mode 4.

Finally, in line with the recent focus of a section of the international community on aid for trade, the Declaration invites the WTO Director-General to create a task force that “shall provide recommendations on how to operationalize Aid for Trade.”

As with previous WTO rounds, many agree that breakthroughs in most negotiation areas will only emerge if Members agree on the details of Agriculture and NAMA commitments, areas where rich countries, notably the EU and US dominate the dynamic. As the 30 April deadline approaches, the ACP will have to garner their resources and harmonise positions in order to ensure that the development component of this round is not just limited to the above mentioned market access advantages for LDCs.

Endnotes

¹ For further information on the Hong Kong deal see Bridges Weekly, 18 January 2006, at www.ictsd.org TNI will carry a follow-up to the Hong Kong article in our September/October issue in the March/April issue.

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Calendar		Resources
WTO Events		All references area available at www.acp-eu-trade.org/library
27 February	Trade Policy Review Body, Djibouti	<p>Alternative (to) EPAs, by S.Bilal and F.Rampa, ECDPM Policy Management Report 11, February 2006, www.ecdpm.org/pmr11</p> <p>Trade for Development: EU-SADC Economic Partnership Agreement, by DG Trade of the European Commission, 03 February 2006, http://trade-info.cec.eu.int/doclib/html/127350.htm</p> <p>EPA: A new approach in the relations between European Union and Eastern and Southern Africa countries, by DG Trade of the European Commission, 02 February 2006, http://trade-info.cec.eu.int/doclib/html/127347.htm</p> <p>Making EPAs work for the Poor, by WEED, January 2006, www.weed-online.org</p> <p>Comparing EU free trade agreements – Rules of origin, ECDPM InBrief 6I, January 2006, www.ecdpm.org/ftainbriefs</p> <p>Trade for Development: EU-Caribbean Economic Partnership Agreement, by DG Trade of the European Commission, 01 December 2005, http://trade-info.cec.eu.int/doclib/html/124787.htm</p> <p>Going the Extra Mile – A guide to trading in Africa, by Luyton Driman, 2005, www.exclusivebooks.com/search/display.php?isbn=0620336862&</p> <p>Market Access in an EPA: Negotiating Skills Manual, by IDS, 2005, www.ids.ac.uk/ids/global/pdfs/CSPMUMannual.pdf</p> <p>Sugar in the Caribbean: Adjusting to Eroding Preferences, by Donald Mitchell, World Bank Policy Research Paper 3802, December 2005, www-wds.worldbank.org</p> <p>“More of the same” is not an option, By Martin Dihm of DG Trade, D+C Magazine for Development and Cooperation, Inwent, December 2005, www.inwent.org</p> <p>ACP-EU Economic Partnership Agreements: Fisheries, ECDPM Discussion Paper 69 with CTA, December 2005, www.ecdpm.org/dp69</p> <p>The EU and Regional Integration in Africa – A critical appraisal of the EPAs, by H. Melber, p. 40, in Africa, Regional Integration and the World Market Discussion Paper 31, 2006, http://130.238.24.99/webbshop/epubl/dp/dp031.pdf</p> <p>Agriculture and Development – The Case for Policy Coherence, OECD Publication, 18 November 2005, www.oecdbookshop.org/</p> <p>“Substantially All Trade”: Which Definitions Are Fulfilled In Practice? An Empirical Investigation, by R. Scollay, Report for the Commonwealth Secretariat, August 2005, www.thecommonwealth.org</p>
28 February	Trade Policy Review Body - Overview of Developments in the WTO	
28 February	Sub-Committee on Cotton	
1 March	Trade Policy Review Body – Djibouti	
3 March	Committee on Trade and Development	
10 March	Council for Trade in Goods	
13-17 March	Rules Week	
15 March	Committee on Technical Barriers to Trade	
16-17 March	Council for TRIPS Special Session	
16-17 March	Workshop on Technical Barriers to Trade	
17 March	Committee on Technical Barriers to Trade	
20-24 March	NAMA Week	
20-24 March	Agriculture Week	
27-28 March	Committee on Regional Trade Agreements	
27 March	Sub-Committee on Cotton	
29 March	Committee on Sanitary and Phytosanitary Measures	
31 March	Workshop on Sanitary and Phytosanitary Measures	
3 April	Council for Trade in Services - Special Session	
5-7 April	Negotiating Group on Trade Facilitation	
<p><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></p>		
ACP-EU Events		
10 March	EPA Trade Training Course for ESA, Nairobi	
10-11 March	IDS PMU EPA Trade Training Course for the Eastern African region, Nairobi	
6-13 March	Senior Officials, Technical Follow-up Committee , ACP MTC and ACP-EU MTC, Brussels	
21-22 March	EU Trade Sustainability Impact Assessment: Stocktaking Conference, Brussels	
21 March	CARIFORUM-EU Technical Negotiating Sessions, Barbados	
23 March	Joint CARIFORUM-EU RPTF, Barbados	
27 March	OECD Conference on better financing SMEs, Brazil	
<p><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></p>		

