



SADC-CRNM EPA Roundtable Summary of discussions

2nd April, 2007
Sandton Sun Intercontinental
Johannesburg

Mark Pearson kicked off the discussions by sketching out the dimensions of the various Southern and Eastern African groupings. He noted that most of the ESA negotiations have been internal rather than with the EU owing to regional complexities, and pointed out that the structure of negotiations is rather convoluted too. Unlike the CRNM which has a regional “machinery” managing negotiations, the ESA groups’ negotiations are conducted by Brussels-based trade negotiators. Nonetheless a text has been agreed and is the basis for negotiations with the EU. There are two broad negotiating thrusts: development, and market access. Concerning the former there is a mismatch in timeframes (the EPA is long-term; the EDF plus aid for trade is short-term). As many countries are not convinced of the benefits of reciprocity, the EC is looking for extra funding under the EDF to entice them to sign up. Otherwise the ESA group almost has an agreed CET (bands: 0-10-25); the major discussion point now is over the sensitive products and rules of origin (value-addition versus CTH). The ESA group is not ready to negotiate on trade in services – preparations are simply not advanced enough. Fisheries are also a complex agenda, but only for those countries that have direct access to the sea (many are landlocked). In his view the ESA region can conclude a WTO compatible EPA by the end of 2007, but excluding the regulatory agenda. This could be catered for by including a revision clause with a view to concluding an arrangement on these issues at some future point.

Junior Lodge then introduced the CRNM: 15 countries from the Bahamas in the north to Surinam in the south, generally considered middle income but averages conceal significant variations (Haiti to Bahamas). A core of 12 constitutes the Caribbean single market economy as an “aspirant customs union” (with an uncommon CET) although there are no plans to deepen regional economic integration by forming a full customs

union. There are many different kinds of economies, from mining to services based; of these 1 is an official LDC although Cariforum has self-designated 8 further countries as LDCs. Unfortunately this is not recognised by external negotiating partners. One country (Dominican Republic) has already concluded an FTA with a major power (the US).

What does the Caribbean want from EPAs?

1. Signalling to potential investors that they are open for business;
2. Locking in relations with a key donor (owing to middle income average development support is in short supply);
3. Locking in current market access, especially in goods;
4. Extending investment in services as many economies are services-based.

Some have argued that the Caribbean is moving with "undue haste", but 14 of the 15 are not LDCs, so will not have access to "Everything but Arms", and therefore cannot contemplate a disruption in trade. A waiver extension is not an option because they have already secured a transition period of 25 years for sensitive goods – hence an extension request would not go down well in the WTO. Negotiations are scheduled to be concluded by September 2007, to be followed by a "legal scrub" of two months. Otherwise a comprehensive agenda is favoured, especially in services. Furthermore, their limited negotiating capital is better spread over a comprehensive agenda rather than purely on goods (ie there is more scope for trade-offs).

They are consciously seeking a "mature agreement" that extends and deepens economic relations with the EC rather than locks in current frameworks and dependencies. Strategically, underlying this is the fact that the Caribbean is not a region of "political interest" to the EU (ie it does not feature on the EU's security radar). And development cooperation is viewed as a means to support the broader development agenda, which constitutes the core of EPA trade negotiations. In this respect their capacity to commit is linked to delivery of development assistance. But they don't agree with the EC that EPAs should be used to build common policies in all negotiating areas; this is a stumbling block in the negotiations that will require ministerial intervention soon.

Paul Kalenga introduced the SADC EPA negotiations by stating that there has not been a single negotiating session since the launch in July 2004. One clear area of progress though has been in clarifying South Africa's role, in particular treatment of the TDCA. The original intention of the MAT countries (Mozambique, Angola, Tanzania) was to reciprocate but under the SADC proposal the EC is only requested to contractualise EBA. Similarly there was a shift on willingness to negotiate services, one of the core reasons being the delay in regional negotiations on services. Hence there has been a shift in SADC's thinking, coinciding with South Africa's participation.

How did the EU respond, bearing in mind that negotiations have yet to begin? First, South Africa is now included wrt trade issues, under certain conditions ie differentiation through tariffs and rules of origin with DFQF access "not currently envisaged". Second, the TDCA should be used as the basis for negotiations accommodating BLNS sensitivities but not tariff increases "as a matter of principle". The EU thinks that non-reciprocity for

MAT is not possible; but these countries and SADC think it is still achievable. Furthermore, the EU insists on the regulatory agenda, ie it is opposed to limiting negotiations to goods, especially with respect to South Africa. The EU's development package is linked to adoption of this agenda.

SADC confronts a number of challenges:

1. The deadline, as nothing has been negotiated to date. Will there be a SADC EPA agreement in 8 months? If not can the waiver be extended? Botswana, Namibia and Swaziland are particularly concerned about resorting to GSP. The others have their own recourse (EBA and TDCA).
2. Divergent positions, especially on services and trade-related issues. This divergence is primarily internal, rather than with respect to the EU, as there is no agreement on how to approach these issues. The EC's linkage between rules and development assistance poses further challenges.
3. How to deal with South Africa, given its unique status and the fact that it has the TDCA. South Africa is seen as a bargaining chip for the EU as the latter is particularly keen on access to the SA market.
4. The regional integration question. Can the SADC countries develop common regimes and negotiating positions with respect to the EU? It requires a level of integration that is currently lacking and unlikely to be in place soon. Will the EPA succeed in dictating the pace of regional integration in SADC or not? Furthermore, the question of EDF programming – via secretariats or EPA configurations – holds serious implications for regional economic integration.

Discussion

The following broad issues were raised, with ensuing discussion.

- What is the point of aligning the SADC EPA with the TDCA if BLNS sensitivities will not be accommodated (per the EU's current stance)? One possibility is to extend TDCA transitional periods for sensitive products beyond 2012; but this will not take care of those duties currently zero-rated.
- What is the basis for the ESA group's CET? They take as their departure point the need for a "single starting line", which is not unrelated to COMESA's longstanding plans to establish a customs union. The first job was to establish the bands, then to define exceptions.
- Linkage between rules commitments and development package? The EC has stated explicitly that there is no linkage. Furthermore, there is an ACP-wide €2bn commitment to support Aid for trade. On the other hand there is the issue of how development cooperation can be efficiently delivered? Here the EC has done its bit by simplifying processes of accessing the funds and involving recipient states. But this is complicated by the fact that the EDF process is separate to the EPA process, with the latter being determined by Cotonou. Furthermore, the €2bn promise is opaque - nobody knows where the funds will be sourced from, whether they will be additional, nor how they will be used. Yet

the Caribbean perspective is that this represents progress in light of the fact that at Doha the EU offered the ACP €\$ 20 million!

- Implications of no SADC EPA by the end of this year? Non-LDCs will graduate to GSP and face increased competition; LDCs will continue to qualify for EBA. The Caribbean view is that contractualising EBA is not possible, whereas the main problem with GSP is coverage (approximately 54% of tariff lines versus 100% after 2009 under EBA) and it does not extend to services which are a key interest for the Caribbean. Underpinning their “ambitious” view is that they don’t want any disruptions to their current positioning in global value chains.
- The EU-Africa strategy: how does it relate to EPAs? It is much more functional (supply side agenda and millennium development goals) rather than technical in a trade sense. It fits with the development package rather than EPAs per se. But there is an additional complication in the form of the proposed EU-South Africa strategic partnership which is proving divisive in the region.
- The linkage between EPAs and regional integration? How tightly linked are they? There are real problems in the SADC region given divergences between the negotiating configuration and the SADC/COMESA et al processes.
- Can the SADC group (and others) take on more commitments when they don’t implement existing ones satisfactorily? There was general agreement that they need to be careful.
- Should “variable geometry” be applied? The Caribbean pressed for this for many years, and in other negotiations their self-designation was recognised. Yet not by the EU, although the EU has recognised the principle of variable geometry with respect to the Caribbean group.