# Trade Negotiations Insights

## From Doha to Cotonou

Vol.4 No.1
January-February 2005

Contents



## In This Issue

In 2005 and beyond, ACP countries will be engaged in intensified EPA negotiations with the EU until the end of 2007 when the EPAs enter into force. South Africa's experience in negotiating the TDCA with the EU could offer some useful lessons and insights for the ACP, especially for Southern African countries. Our lead article highlights some of these lessons.

Both within the context of the EPAs and the WTO negotiations, developing countries, including the ACP, have raised concern about the erosion of preferential market schemes in their favour due in part to multilateral trade liberalisation. Our second article focuses on this issue and offers some recommendations. EPA update brings you key developments in all ACP regions.

# The TDCA: perspectives for EU-South and Southern African relations

T.Bertelsmann-Scott & P.Draper*

**On 11 October 1999, South Africa and the European Union (EU) signed the Trade, Development, and Cooperation Agreement (TDCA) after four years of difficult negotiations. The core of this agreement is an asymmetrical tariff liberalization agenda; complemented by a comprehensive development assistance envelope. Although the agreement was only ratified in May 2004, some aspects of the TDCA have been provisionally implemented with immediate effect since 1 January 2000. Over the last five years the agreement has become the corner stone of EU-SA relations.**

While South Africa is grappling with issues of implementation and how to optimally make use of the provisions of the TDCA, its neighbours in Southern Africa have initiated negotiations with the EU with the aim of establishing Economic Partnership Agreements (EPAs). The EPAs are set to become regional free trade areas with a strong development component. However, negotiations seem to be embroiled in controversy for a number of reasons:

- Many fear that free trade agreements (FTAs) between the EU and developing and least developed countries will have a severe negative effect on the weaker parties;
- Although the EU would like to establish regional FTAs in Southern Africa, regional organisations are weak and overlap in both membership and goals. This posed - and to a certain extent still poses – a huge problem for countries in Southern Africa as they have to decide which grouping they will negotiate in. This is addressed below.
- There are concerns that Southern African states lack the capacity to take on negotiations of such magnitude.

With this background in mind, researchers, government officials, and NGOs gathered in Johannesburg, South Africa last year to make sense of these issues and take stock of the EU's trade relations with Southern Africa. The following is a distillation of key findings.

### The EU-SA TDCA: A Model for Southern African EPAs?

Many have speculated that the experience of negotiating the TDCA could hold lessons for Southern Africa in their ongoing EPA talks with the EU. The SA-EU negotiations were the first international trade negotiations that the new South African government was involved in. For many Sub-Saharan countries the EPA talks – barring multilateral negotiations in the WTO - will be the biggest and most important talks that they will have participated in.

South Africa's TDCA experience could be instructive to the Southern African Customs Union (SACU), Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). The TDCA provides a good base from which to construct EPA configurations. One could use the TDCA as a benchmark and assume that the ACP EPAs will at

ecdpm ICTSD

Available online at: www.ictsd.org/tni & www.acp-eu-trade.org/tni.html

the very least not be greater in coverage given that the countries involved are comparatively under-developed and should therefore receive relatively favourable treatment. The European Commission is, however, wary of using the TDCA as a model for the EPAs and is not encouraging Southern African states to approach them in this way. There are obvious differences between the TDCA and potential EPAs, like the fact that Services and the Singapore issues were not included in the TDCA but may become part of the EPAs. Also, the EPAs should be negotiated within the context of the Cotonou Agreement of which South Africa only holds qualified membership.

> "There are obvious differences between the TDCA and potential EPAs, like the fact that Services and the Singapore issues were not included in the TDCA but may become part of the EPAs"

Even if the TDCA is not used as a model, South African negotiators learnt many useful lessons from their engagement with the EU concerning the process of negotiating with the EU. The most important lesson was to be proactive and not focus narrowly on the EU's mandate. South Africa's partners would do well to tap into this experience and use it to their own advantage. However, in so doing they will inevitably confront the uniqueness of their economic and political relationship with the EU as compared to South Africa.

Critical in this regard is that the TDCA was negotiated by an ANC government newly elected to power in potentially Africa's most dynamic state. As such it may have been afforded an (admittedly small) degree of political leverage that may not be available – at least not in the same form – to ACP states.

The development component of the TDCA could also provide important pointers for the ACP. The South African approach of actively managing donor relations and integrating external funding into cabinet-approved development plans is noteworthy in this regard. In addition, the SA-EU Science and Technology Agreement shows that taking the initiative will be key to the ACP securing additional benefits from an EPA, without having to demand additional funds under the European Development Fund (EDF). However, there are also some significant differences between EU development cooperation in South Africa and elsewhere on the continent. So again, the lessons learnt in South Africa might be useful in general, but the ACP states need to understand them within the context of their own political and economic situation.

## The TDCA Review: A way in which to approach the EPA's?

In the TDCA the parties agreed to review the agreement every five years. Although this provides an opportunity to renegotiate some issues, it would not seem as if either party is keen to seriously reopen talks on liberalisation. However, the thorny issue of the TDCA and SACU needs to be addressed with some urgency. Although Botswana, Lesotho, Namibia and Swaziland (BLNS) are officially not signatories to the TDCA, the agreement is *de facto* a SACU-EU agreement, due to the customs union's common external tariff. There still remains some confusion over the impact this might have on the Southern African EPAs.

It is expected that Rules of Origin will be included in the review of the TDCA. If these were to be renegotiated within the context of the Review, it would also make sense to try and solve the position of the BLNS *vis-à-vis* the TDCA, which in turn could have a dramatic impact on the SADC EPA negotiations as it would leave only Angola, Tanzania and Mozambique to negotiate a SADC EPA with the EU. However, both the TDCA and SACU only cover trade in goods whilst the EPAs will include services too. Given this differential coverage it is questionable whether the TDCA Review could become a vehicle towards sorting out the BLNS EPA question.

## Specific lessons learnt

Some of the lessons learnt by the South African negotiators in concluding the TDCA include:

· The EU's internal political context within which the negotiations are concluded matter a great deal: enlargement, proposal for new Constitution, new Commission, new financial and policy framework for 2007-2013, possible EDF budgetisation, etc. In addition, there seems to be a growing trend within the EU to gradually move away from historically grown configurations to geographic (regional or sub-regional) association, cooperation and trade agreements. EPA negotiators, therefore, should be well aware of internal dynamics in the EU. Specifically there is no unified view within the EU amongst the member states – negotiators will do well to identify partner states that would prove useful to lobby.

· Free trade alone is not enough to ensure attractiveness of any FTA, the EPA negotiators will have to focus strongly on issues of investment and development cooperation.

· EPA negotiators have to take the initiative and turn the table in their favour, rather than simply following the negotiating formula designed by the EU.

· A very deep and detailed understanding of each tariff line is key to a successful negotiation.

Furthermore, a number of Generic Lessons for the ACP Trade Negotiations can be discerned:

· Although the hard work of the EPA talks will mostly take place at the technical level, it is extremely important that in all ACP countries there is a high level of government commitment and leadership.

· Trade negotiations can be overwhelming at first, so all ACP countries need to clearly identify their individual goals in a trade agreement with the EU.

· It will be very important to build strong coordination mechanisms with clear lead responsibilities within each region that is negotiating with the EU. This coordination needs to take place at multiple levels, including intra-government and intra-state level.

· It will be to the ACP's advantage to invest in strong analytical capacities and technical expertise.

· These negotiators should draw on a broad base for consultation, including the private sector. The negotiating team should ensure that public-private dialogue mechanisms are put in place.

· All ACP countries need to be wary of relying excessively on use of European Technical Assistance. Clearly, the European commitment to ensuring that ACP negotiators are effectively equipped to challenge the EU in trade talks is ambiguous.

## Regional Spaghetti Bowl of Overlapping Memberships

In Southern Africa there are a number of regional integration agreements and bilateral agreements. Overlapping membership between the groupings has the potential to cause conflict and certainly imposes greater transaction costs on business and governments, among other challenges

> "A clear area that needs clarification is the idea that the EPAs will be developmental in nature. However, the EU has made it clear that no new funds will be channelled to the ACP. The challenge will be to find ways in which to incorporate a development aspect into the agreements"

This problem is particularly acute in the context of negotiating EPAs with the EU. The biggest problem is caused by the overlap between SADC (Southern African Development Community) and COMESA (Common Market for Eastern and Southern Africa) membership where most countries that are members of both have decided to negotiate within the COMESA fold.

There seems to be a lingering unhappiness regarding the configuration of the negotiating units in Southern Africa. It is evident that the EPA process has focused attention on the problem and perhaps provides a catalyst for change. Although the conundrum posed by overlapping membership will need to be resolved at the highest political level, it will be wise to practically evaluate the implications of each and every agreement and protocol in the region, in order to make sense of what option would work the best for the region.

Some options have been put forward on how to rationalise the various regional organisations. A recent study by Christopher Stevens and Matthew Stern provides empirical detail on the potential for expanding SACU, concluding that expansion seems more feasible than originally anticipated.[1] Although expansion would be an incremental process, starting off with Mozambique, it could go as far as including all SADC countries. This would ensure that no rift occurs in Southern Africa, as might be the case if the current members of SACU have a separate agreement with the EU versus the rest of SADC, and it would avoid a corrosive undermining of the SADC trade protocol.

## EPA Negotiations

Confusion remains regarding the EU's objectives and motivations for negotiating FTAs with the ACP and frustration abounds regarding the manner in which the negotiations are being approached from both an EU and ACP perspective.

A clear area that needs clarification is the idea that the EPAs will be developmental in nature. However, the EU has made it clear that no new funds will be channelled to the ACP. The challenge will be to find ways in which to incorporate a development aspect into the agreements, without talking about additional resources. It is here that the SA-EU TDCA could point the way.

Seeing as the TDCA was only ratified in May 2004, economic cooperation has not to date been given full attention by the two parties. However, if the Science and Technology Agreement is indicative, and similar innovative ideas emerge within this context, economic cooperation could have a real impact on South Africa's economic development. The same principles could also be incorporated into the EPAs.

Although the EPA negotiations will probably focus on tariffs, these are of decreasing relevance in light of progressive multilateral liberalisation. So beyond tariffs what should be the basis of an EPA?

It is clear that development aspects should include issues like SPS and rules of origin incorporating regional cumulation as these favour dev-elopment and integration in Southern Africa. Both the TDCA Review and the EPA negotiations provide an oppor-tunity for Southern African states to think outside the box and come up with innovative ways in which Southern Africa's under-development, poverty and global marginalisation can be addressed.

## Opportunities Ahead

In conclusion, it is possible to identify a few areas in which additional work is needed. These include:

The potential expansion of SACU: Although the Stevens and Stern study provided some quantitative indications that SACU expansion could be beneficial to the region, this needs to be followed-up with qualitative assessments.

The TDCA Review: Although both the EU and South Africa are committed to review the TDCA, it is still unclear as to what could be included and suggestions are still very welcome. This is an opportunity to influence the debate right at the source of decision-making.

The Development Component of the TDCA: Seeing as the TDCA has only been fully operational since May 2004, there is still little understanding about the potential for a development component in a trade agreement. There are crucial lessons to be learnt here for the ACP in their EPA talks.

Rules of Origin: All Rules of Origin currently implemented in Southern Africa should be reviewed, harmonized, and liberalized.

**Endnotes**

* Talitha Bertelsmann-Scott is an Associate Researcher at the South African Institute of International Affairs (SAIIA). She writes in her personal capacity. Peter Draper is Research Fellow: Development Through Trade at SAIIA. This is an extract from the report on the SAIIA Conference, with ECDPM, iLEAP and UNDP, held from November 4-5, 2004 in Johannesburg, South Africa. A number of the presentations and papers of the conference are available at www.saiia.org.za.

[1] www.saiia.org.za/modules.php?op=modload&name=News&file=article&sid=441

# Preference-dependent economies and multilateral liberalization: impacts and options

Dr Roman Grynberg and Sacha Silva*

**Since their emergence in the late 1960s, preferential market access schemes for developing countries have significantly impacted global trade and investment decisions in both developed and developing countries. Barriers to global free trade create distortions, and distortions create both costs and benefits. The benefits of trade preferences have accrued not only to the markets which they protect, but also to a small but significant number of developing countries whose economies have become dependent on preferential access. This article finds that when these preferences are eroded, the balance of winners and losers is reversed.**

Commitments both from the previous Uruguay Round and the ongoing Doha Round negotiations threaten to reduce the value of preferential access in the short, medium and longer term. Preference-dependent economies unable to compete in a liberalized market may see significant losses in production, revenue and employment. Given the combination of high poverty levels, small domestic markets, and vulnerable export sectors in many of these economies, many are unlikely to be able to finance the necessary adjustment by themselves. The scale of the shock implies that preference-dependent economies may incur net losses from multilateral liberalization. Such a development may lead to further marginalization of these economies and has led to scepticism over the net benefit of agreeing to subsequent reductions in global trade barriers.

## The impact of preference erosion

A recent Commonwealth Secretariat study[1] estimates the losses accruing to preference-dependent economies. The study focuses on two types of loss which can be reasonably estimated *a priori*: “incentive loss” (quota rents/income transfers) and “competitive loss” (revenues).

The study looks at the agriculture sector sugar, bananas and beef) and the textile and clothing sector, which are both highly protected and generate large income transfers for beneficiary countries. In agriculture, the study uses UNCTAD’s Agriculture Trade Policy Simulation Model (ATPSM). Three different scenarios are modelled: (a)“Ambitious” (elimination of support measures and a reduction in bound MFN tariffs with a “Swiss” coefficient of 25); (b) the “Harbinson” Chairman’s text; and (c) “Conservative” (Uruguay Round-type outcome.  For textiles and clothing, the study summarizes a number of studies which use the Global Trade Analysis Project (GTAP) model to forecast market supply changes from the January 1 2005 phase-out of the Agreement on Textiles and Clothing (ATC).

The resulting losses are substantial. This study estimates the annual loss of income transfers at $1.72 billion total. For agriculture in the “ambitious” scenario, losses in income transfers total $402 million: $288 million for sugar producers, $35 million for banana producers, and $78 million for beef producers. Total welfare losses total $318 million among the most dependent economies.[2] Countries suffering the largest losses (as a percentage of agricultural export revenues) include Fiji, Mauritius, Botswana, St Lucia and Guyana.

These findings are supported by recent work by LMC International,[3] which concluded that under a ‘Price Cut’ scenario (a 38% drop in the EU market price for sugar), production will disappear entirely in several ACP countries. The resulting losses in annual export revenues are estimated at  719 million, with only 5 countries earning above  15 million annually.

In textiles and clothing, the loss in annual income transfer of is $1.32 billion; nearly three times that of the agriculture case, reflecting both the relatively higher value of trade flows and the fact that the MFA quotas will be completely phased out. Major losses (again as a percentage of exports) will be sustained by Cambodia, Bangladesh, Pakistan, Sri Lanka, and Mauritius. Although some preference-dependent economies who will have duty-free access to the EU or US markets under preferential regimes such as Everything But Arms (EBA) and the African Growth and Opportunity Act (AGOA), the utility of these schemes has been thus far limited by their design, such as restrictive rules of origin requirements.

## Implications for Development

The degree to which individual states embrace globalism, encourage free trade and investment and explore lucrative niches on the market is highly sensitive to the country’s specific economic endowments and capacities. The ability to identify new long-term high-growth sectors, and efficiently reallocate factors of production to minimize adjustment costs, can be severely hampered by the combination of handicaps facing many preference-dependent economies. Many preference-dependent economies face low economies of scale, small consumer markets, high operating costs and are net food importers.

The combination of these factors implies two unfavourable outcomes for preference-dependent economies. First, preference erosion may lead to further economic instability and marginalization in global trade. In practice, many high-cost countries lack ‘operational’ comparative advantage; that is, there is no good or service which they can export because their transaction costs or real production costs are too high to permit any trade on a commercial basis. Taking world prices as given and subtracting the minimum costs of trading, there is little or nothing left for value added and (in some cases) subsistence. In the absence of trade preferences or non-trade flows of foreign exchange, the country may be disconnected from the world economy.Second, the production and revenue losses in vulnerable developing economies may lead to strong negative impacts on employment and poverty levels. The textiles and clothing sectors in Sri Lanka and Bangladesh are forecast to shed jobs following the MFA phase-out. In Bangladesh, the textiles and clothing industry plays a key role in employment and in the provision of income to the poor, directly employing about 1.8 million people, or about 40 percent of manufacturing sector employment, 90 percent of whom are women.

## Implications for the Multilateral Trading System

With the accession of a large number of new developing country members, the two-tiered approach in the WTO was abandoned to create a symmetry of obligations among WTO members. Since the conclusion of the Uruguay Round and the advent of the Single Undertaking, many preference-dependent economies have become increasingly vocal in articulating their interests in the multilateral trade negotiations.

The loss of preferences on a scale estimated earlier, combined with the economic handicaps described above, implies that the interest of many preference-dependent economies are only imperfectly aligned with the broader liberalization agenda of the multilateral trading system.

First, many small and poor preference-dependent economies lack sufficient market size to be attractive to the larger WTO members. The cornerstone of WTO negotiations – reciprocal bargaining yielding mutually beneficial market access – is immediately put into question as many of these countries are structurally disadvantaged in reciprocal negotiations.

Secondly, preference-dependent economies are struggling to allocate scarce resources to implement past agreements, let alone take on the fiscal burdens of new commitments. Such an overwhelmingly negative outcome - $1.72 billion in *annual* losses for producers in preference-dependent economies – irrespective of the wider context of rising average global welfare, threatens further marginalization of preference-dependent economies and the fragile consensus surrounding the need for subsequent reductions in global trade barriers.

## Assisting Preference-Dependent Economies: A Proposed Framework

Previous instruments to assist countries dealing with price fluctuations (such as STABEX) were not tailored to the needs of preference-dependent economies. Most instruments tended to focus on temporary consumption smoothing or relieving short-term balance-of-payments pressures, protecting public sector balance sheets and mitigating economy-wide fluctuations. Financing was generally directed to central bank international reserves and to provide budgetary support for the government ministry overseeing the relevant state-run sector, rather than focusing resources on areas of potential future growth.

In the balance between *ex ante* preventative versus *ex-post* mitigating actions, many instruments – in a massive misalignment between allocation and needs – opted overwhelmingly for the latter. In response, the Commonwealth Secretariat study proposes a seven-principle framework of assistance for countries hit by preference erosion. These principles state that financing for adjustment to preference erosion should (where appropriate):

1. Be additional to existing commitments;
2. Utilize instruments and lending terms that encourage investment, growth and debt sustainability while reflecting the scale and long-term nature of adjustment in developing countries;
3. Facilitate bankable investments by private sector and commercially-run public sector firms;
4. Provide clear incentives for competitive upgrades where existing production is potentially competitive in the longer term, and diversification into non-preferential export sectors when it is not;
5. Include adequate technical assistance to increase absorptive capacity for new financing and project development among potential investors;
6. Be disbursed as soon as reasonable *ex ante* estimates of economic losses are available, to ensure that diversification and competitiveness investments are made *before* a shift in relative prices occurs; and
7. Provide for a safety net to mitigate the social costs of adjustment.

Based on this framework, the Commonwealth Secretariat study proposes a three-channel fund where the private sector channel facilitates investment start-up, expansion, restructuring or rehabilitation in export sectors by private sector (or commercially-run public sector firms) including a separate one-off matching grants on a case-by-case basis of up to 50% of 'transformative' costs disbursed directly to investors. Financing will be focused on 'bankable' export-oriented investments in preference-dependent economies. Eligible sectors will include most productive sectors.

## Conclusions: Moving Beyond the "Spaghetti Bowl"

Although the costs of preference erosion are often highly concentrated, the timing and sources of external assistance have been ad-hoc. This has resulted in preference-dependent economies facing a "spaghetti bowl" (to paraphrase Jagdish Bhagwati), burdened by multiple and often conflicting donor-specific priorities, country strategies, asymmetric bilateral negotiations and donor/loan-specific disbursements which are often "too little, too late".

A more consistent, clear and transparent framework – such as the one suggested by the Commonwealth Secretariat study – could yield several benefits. An analytical and objective assessment of the impact of preference erosion will allow donors and beneficiaries to assess the costs and benefits of preferential schemes into future trading rounds. A forward-looking framework would provide greater "buy-in" from preference-dependent economies, as their preventative efforts to encourage investment in non-preferential sectors would be visibly backed both politically and financially.

The launch of the Doha Round of trade negotiations has been predicated on the assumption that developing countries' needs would be explicitly incorporated into the negotiating agenda, and any agreements reached would reflect the true costs and benefits of integrating developing countries into the global trading system. A harmonized framework can effectively channel donor resources to create diversified, sustainable export sectors in preference-dependent economies.

**Endnotes**

* The authors are, respectively, Deputy Director of Trade and Regional Integration; and Consultant commissioned by the Commonwealth Secretariat.

[1] This article draws from a larger study entitled "Preference-Dependent Economies and Multilateral Liberalization: Impacts and Options", by Dr Roman Grynberg and Sacha Silva. Available at www.thecommonwealth.org/doha

[2] The aggregate losses of income transfers and welfare in the "Harbinson" and "Conservative" scenarios are, respectively, 75% and 47% of the "Ambitious" scenario.

[3] LMC International (2004). "Safeguarding the Benefits of the Sugar Protocol to ACP Countries". Prepared for CTA, Netherlands, May 2004.

# EPA Negotiations Update

By Melissa Julian, ECDPM

## How will the New European Commission Negotiate EPAs with the ACP?

In their first week of office, the new EC Trade Commissioner Peter Mandelson and Development Commissioner Louis Michel, as well as EC President Jose Manuel Barroso, addressed the ACP Council meeting in Brussels in November.[1] Viewed as a positive first indication of the priority the new EC attaches to the ACP-EU Partnership, their statements, and subsequent ones[2], are being analysed closely to assess the Commissioners' views particularly with regard to EPAs and development. Addressing a key ACP concern, Commissioner Mandelson said he would ensure that there are no unfair demands for reciprocity and there will be no enforced liberalisation until targeted aid programmes have built up local capacities and the framework for economic development is in place. Commissioner Michel indicated that the costs of implementing EPAs is impossible to quantify at this stage in the negotiations and that the question of their financing can only be determined in concrete terms after the expiration of the 9th European Development Fund (EDF) (i.e. under the next ACP financing envelope).

### Capacity Building Support Needed for ACP

In the context of the global focus on achieving the Millennium Development Goals (MDGs) and realising the development dimension of the WTO Doha Round, EPA negotiations would be monitored closely to ensure they deliver concretely on their promised development impact. In this regard, ACP governments in particular must be able to concretely illustrate the added development value of EPAs to their citizens. However, it is becoming apparent that EPAs cannot deliver on their development promises without the necessary capacity building assistance to enhance the ACP's ability to identify needs and strategies, prepare and negotiate EPAs and to support regional integration as a first step. Equally necessary is support for preparing towards liberalisation by enhancing production, supply and trading capacity and offsetting adjustment costs as well as to increase the ability of ACP countries to attract investment. The ACP and the EU are making financial resources available for EPA negotiations and regional integration support. Mid-Term Reviews (MTRs) of the Regional Indicative Programmes (RIPs) will be undertaken this year which will provide an oppor-tunity to mobilise current development funding and identify areas where support will be needed in the next Regional Support Strategy. Additional resources will no doubt be required to prepare for EPA liberalisation. The EC's allocation of resources for the period 2007-13 is being determined this year. Now is the time to put forward specific arguments for what types and amounts of funding will be needed.

The crucial question is how to ensure the effective and timely use of the support provided. Institutional capacities in most ACP Member States and regional organisations are relatively weak. New EDF/EC procedures remain overly cumbersome to finance and implement capacity and institutional development programmes. Implementation issues need to be addressed so that effective support can be provided in a timely manner. One particularly innovative way to do this is being piloted in a 30 million euro support package to ESA (Eastern and Southern Africa) regional integration and EPA negotiations preparation. COMESA (Common Market for Eastern and Southern Africa) is currently being audited to check whether its own internal implementation procedures are equivalent to international standards. The outcome will determine whether its procedures are appropriate to manage EC funding (or whether assistance should be provided to update them before being able to use them). EC support will then be given via a Contribution Agreement which will give COMESA the ownership and autonomy to manage the support more effectively and in a more sustainable way.

While all these capacity building efforts are being put in place, the EPA process is slowed down. There may be a need to reconcile the pace of preparations and negotiations.

## Central Africa

The first meeting of the Joint Senior Negotiators Committee was held on 10 December in Brussels. Discussions were held on the state of play as regards regional integration. The meeting agreed an indicative framework of a report to be submitted to the Joint Ministerial Negotiating meeting at the end of the first phase of regional negotiations towards the end of this year. The report will set out the state of regional integration and the region's trade policies and identify needs for further implementation. It will form the basis for the next period of negotiations to determine the future EPA architecture.

The Negotiators Committee agreed to launch several studies, looking as a priority, at the export potential of Member States of the Economic and Monetary Community of Central Africa (CEMAC), identifying production capacity strengthening needs and looking at the impact of EPAs on the competitiveness of Member States' economies. The meeting agreed an indicative calendar and action plan for the 2005 negotiations and established the following four technical negotiating groups: Customs Union and Trade Facilitation, Standardisation and Sanitary and Photosanitary Measures (SPS),Trade-Related Issues and Services and Investment. Negotiations will continue up to a May meeting of senior officials which will coincide with a Regional Preparatory Task Force (RPTF) meeting.

## The West African Region

A Joint Negotiating Meeting of West Africa and EU technical experts was held in Abuja on 20-21 December 2004. As with the Central Africa meeting, this meeting discussed a draft indicative framework of a report on the state of regional integration which will be submitted for endorsement to the meeting of Senior Officials in Brussels on 1-4 February. The meeting agreed technical negotiating groups, a draft 2005 workplan for negotiations and a competitiveness study along the same lines as that of CEMAC outlined above. An informal seminar of West and Central African experts, will be held in Brussels on 25-29 April to discuss all EPA negotiating issues and the results of technical groups work with EC officials from the various services concerned.

## Southern African Development Community

A formal Negotiating Meeting of the Southern African Development Community (SADC) Ambassadors and Senior EC officials was held in Brussels on 7 December. The meeting agreed a framework document, work plan and negotiating groups along similar lines as those set out above for the other African regions. They also agreed terms of reference and on the members of the RPTF. Technical meetings at experts' level on SPS and Technical Barriers to Trade (TBT) issues are planned for February/ March while the next Ambassadorial level negotiations, to be preceded by the first meeting of the RPTF, are scheduled to take place in March in Angola.

## Eastern and Southern African region

Eastern and Southern Africa (ESA) Ministers met on 6 December in Lusaka to take stock of preparations for the EPA negotiations. Ministers, *inter alia*, discussed the development dimensions of EPAs and agreed to carry out two studies assessing the costs of implementing EPAs and proposing ways in which possible negative effects could be mitigated.A dedicated session on development issues will be held in Zambia possibly in February to develop a strategy and a series of programmes which would assist the ESA member States to address the removal of supply-side constraints. There will also be ESA dedicated sess-ions on Intellectual Property Rights (Feb/March), Agriculture and SPS (March/April).The next ESA RNF meeting will be held in the Seychelles in April. It will discuss the 2005 workplan and prepare for a subsequent meeting with the EU aimed to agree the framework and timetable for negotiations in 2005.

## The Pacific Region

A special booklet entitled "The Pacific ACP-EU Partnership - The Way Forward" has been prepared by the Pacific Islands Forum Secretariat[3] which emphasizes the unique developmental challenges the Pacific ACP Region (PACP) is facing, its aspirations for a partnership with the EU and suggestions on a positive way forward in the EPA negotiations. It is the first ACP region to produce such a document. In it, it proposes an EPA architecture especially tailored to reflect the capacity constraints and special circumstances of the Pacific countries. That architecture would consist of a Master Agreement for all PACP Member States setting out the principles to govern the EPA relationship, including the principles to govern various subsidiary agreements such as trade in goods, services and investment, which would themselves contain detailed provisions. PACPs could become a party to the various sub-sidiary agreements as their capacities increased. PACP Member States are preparing for the 20-21 January meeting in Fiji of the Pacific Regional Negotiating Team (RNT). Ministers will consider the composition and terms of reference of Senior Negotiators-level technical Negotiating Groups. A negotiating schedule will also be considered. Detail-ed terms of reference for the RPTF will be discussed.

The RNT meeting will prepare the way for the first technical working group meeting expected to be held in mid-March between the PACP and the EU in Papua New Guinea which will discuss the objectives of EPAs, capacity-building activities and requirements among other issues.

## The Caribbean Region

Commissioner Mandelson met with Caribbean trade ministers in Georgetown on 6 January and emphasised his commitment to coalition building with the ACP group on the development components of the Doha Development WTO talks, including on a global strategy for the smaller and more vulnerable WTO members. Mandelson said that a mechanism will be established to "monitor the roll out of EC development and trade related assistance, to check continuously whether or not it is delivering the right results to build up local economic capacity".[4]

The First Caribbean Forum (CARIFORUM) and EC Technical Negotiating Session on Market Access Issues, was held in Kingston, Jamaica, on 17-18 December. CARIFORUM gave an overview of the market access measures inherent in both the CSME (CARICOM Single Market and Economy) and CARICOM-Dominican Republic FTA. The EC was interested in understanding the rationale for the series of preferential arrangements reserved for CARICOM-designated LDCs. The two sides agreed to exchange information on a number of specific areas before the next technical session scheduled for January 2005.

The Second CARIFORUM-EC Principal Negotiators meeting was held in Barbados on 12 November.[5] The agenda included discussions on CARIFORUM regional cooperation and integration and capacities to manage adjustment. The EC expressed its view that CARIFORUM integration could best be pursued via the establishment of a customs union. CARIFORUM warned however that the contours of its regional integration are already defined by the CARICOM-Dominican Republic FTA. They signed a Memorandum of Understanding on the Internal Organisation of the Joint RPTF. The two sides agreed to the schedule of negotiating sessions up to September 2005. Technical sessions on regional aspects of services and investment, trade-related issues and market access will be convened within this coming quarter. As part of efforts to strengthen the participation of and dialogue with regional civil society stakeholders as regards CARIFORUM-EU EPA nego-tiations, a Caribbean Non-State Actors (NSA) Network was launched immediately after the Principal Negotiators meeting. Participants aired their views on both the substance of the negotiations and how civil society views can be reflected in the process.

**Endnotes**

[1]The speeches by EC President Barroso, EC Development Commissioner Michel and EC Trade Commissioner Mandelson, are all available at: http://europa.eu.int

[2]Mandelson, *The Independent* 27/12/04 http://comment.independent.co.uk/commentators/story.jsp?story=596116 Mandelson, *The Guardian* 12/04: http://www.guardian.co.uk/comment/story/0,,1363374,00.html

[3] http://www.forumsec.org.fj/docs/Gen_Docs/Wayforward.pdf

[4]http://trade-info.cec.eu.int/doclib/cfm/doclib_section.cfm?sec=148&lev=2&order=date

[5] http://trade-info.cec.eu.int/doclib/cfm/doclib_section.cfm?sec=148&lev=2&order=date)

**Trade Negotiations Insights**

**Published by**

- International Centre for Trade and Sustainable Development
  Tel : + 41 22 917 84 92
  E-mail : cbellmann@ictsd.ch
  Web : www.ictsd.org

ICTSD

- European Centre for Development Policy Management
  Tel: + 31 43 350 29 00
  E-mail: tni@ecdpm.org
  Web: www.ecdpm.org

ecdpm

**Editorial Team:**

- Christophe Bellman, Ricardo Meléndez-Ortiz and Yvonne Apea: ICTSD
- Sanoussi Bilal: ECDPM

This bimonthly publication is made possible through the financial contribution of the Government of the United Kingdom (DFID) and the Swiss Development Cooperation (SDC).

Trade Negotiations Insights ©
ISSN 1682-6744

# Calendar

## WTO Events

| | |
|---|---|
| 1-4 February | Negotiating Group on Market Access |
| 7-11 February | Negotiating Group on Agriculture |
| 7 February | Negotiating Group on Trade Facilitation |
| 7 - 9 February | Services Meeting |
| 9 February | Trade Policy Review Body - Sierra Leone |
| 9 February | Negotiating Group on Trade Facilitation |
| 10 February | Committee on Trade in Financial Services |
| 11 February | Trade Policy Review Body - Sierra Leone |
| 11 February | Committee on Agriculture - Special Session |
| 11 February | Council for Trade in Services |
| 14 February | Trade Negotiations Committee |
| 15-16 February | General Council |
| 16 February | Sub-Committee on Cotton |
| 17-18 February | Committee on Regional Trade Agreements |
| 17 February | Dispute Settlement Body |
| 17 - 18 February | Services Symposium |
| 21 February | Council for Trade in Services - Special Session |
| 21 - 23 February | Negotiating Group on Rules |
| 21 February | Committee on Trade and Development - Dedicated Session |
| 22 February | Committee on Trade and Development |
| 22 February | Committee on Trade and Environment |

*All WTO meeting take place in Geneva. Please contact the Secretariat for confirmation of dates (also available at http://www.ictsd.org/cal/).*

## ACP-EU Events

| | |
|---|---|
| 1-3 Feb. | Meeting of the ACP Members of the Bureau of the Joint Parliamentary Assembly, Brusssels |
| 1-3 Feb. | Meeting of the Bureau of the ACP-EU Joint Parliamentary Assembly, Brussels |
| 1-3 Feb. | Meetings of ACP-EU Joint Parliamentary Assembly Standing Committees, Brussels |
| 20-25 March | Ministerial Sugar Conference, Kenya |

*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/*

# Resources

A Practical Plan to Achieve the Millennium Development Goals - Report by the Millenium Development Project to UN Secretary-General, 2005, http://unmp.forumone.com/

"The Future of the WTO: Addressing Institutional Challenges in the New Millennium" - Report by the Consultative Board to the WTO Director-General, 2005, http://www.wto.org/english/thewto_e/10anniv_e/10anniv_e.htm#future

Implications of the Removal of Quotas in Textiles and Clothing Trade, by Eckart Naumann, Dec. 2004, http://www.tralac.org/scripts/content.php?id=3268

Joint Report on the State of Play of Regional EPA Negotiations, by Alex Keck, Dec. 2004, http://www.tralac.org/scripts/content.php?id=3185

The Export Performance of the South African Automotive Industry, by Mareike Meyn, Dec. 2004, http://www.tralac.org/scripts/content.php?id=3168

Sequencing of EPAs Implementation Critical, by Andrew Allimadi, UN Economic Commission for Africa, Dec. 2004, http://www.uneca.org/eca_resources/news/121004trid.htm

Six Reasons to Oppose EPAs in their Current Form, by EPAWatch Civil Society entities, Nov. 2004, http://www.epawatch.net/documents/doc255_1.pdf

Global Agricultural Trade and Developing Countries, World Bank, Nov. 2004 http://publications.worldbank.org/ecommerce/catalog/product?item_id=3829969

The Coherence of Multi-Level Negotiations: Challenges for Developing Countries, by Sanoussi Bilal, UNU-CRIS e-Working Papers, November 2004, http://www.cris.unu.edu/pdf/WP%20BILAL%20SANOUSSI.pdf

Bilateral Investment Treaties and Development Policy Making, by Luke Eric Peterson, November 2004,http://www.iisd.org/publications/publication.asp?pno=658

The Rush to Regionalism: Sustainable Development and Regional/Bilateral Approaches to Trade and Investment Liberalization by Aaron Cosbey, Simon Tay, and Hank Lim, November 2004, http://www.iisd.org/publications/publication.asp?pno=670

A Sweeter Future? The Potential for EU Sugar Reform to Contribute to Poverty Reduction in Southern Africa, Oxfam Briefing Paper 70, November 2004, http://www.oxfam.org.uk/what_we_do/issues/trade/bp70_sugar.htm

WTO Trade Policy Reviews: European Communities, October 2004, http://www.wto.org/english/tratop_e/tpr_e/tp238_e.htm

Economic Partnership Agreements Between Sub-Saharan Africa and the EU: A Development Perspective by Lawrence E. Hinkle and Maurice Schiff, World Economy, September 2004, http://econpapers.hhs.se/article/blaworlde/v_3A27_3Ay_3A2004_3Ai_3A9_3Ap_3A1321-1333.htm

What Role for the EPAs in the Caribbean? by Michael Gasiorek and L. Alan Winters, World Economy, September 2004, http://econpapers.hhs.se/article/blaworlde/v_3A27_3Ay_3A2004_3Ai_3A9_3Ap_3A1335-1362.htm

The Pacific ACP-EU Partnership - The Way Forward, by Pacific Islands Forum Secretariat, http://www.forumsec.org.fj/docs/Gen_Docs/Wayforward.pdf