

TWN Info Service on WTO and Trade Issues (May 08/7)

12 May 2008

Third World Network

www.twinside.org.sg

Trade: African Ministers and CSOs in scathing attack on EPAs

Published in SUNS #6462 dated 24 April 2008

Accra, 22 Apr (Riaz K. Tayob) -- Economic Partnership Agreements came under heavy attack from two African ministers who criticised the EPAs while many African NGOs called for their governments to reject and pull out of these free trade agreements with the European Union.

This took place at a NGO side event at UNCTAD XII convened on Tuesday by the Africa Trade Network with the objective of presenting its views and engaging with officials.

Deputy Minister Rob Davies of South Africa's Trade and Industry Ministry said that there is a difference between the stated objectives of the EPA's and the reality of the agreement. The objectives are to promote development, improve market access and regional integration. Yet the reality of the EU's agreement was that it exceeded WTO requirements and was swamped with excessive demands of its vested commercial interests.

ACP countries find themselves backed into a serious corner that undermines development prospects and divides the Africa, Caribbean and Pacific countries. If there is not serious rethinking of the EPAs permanent problems will be created.

Far from promoting regional integration, the reality is that they have created divisions and complicating Africa's own integration no end. For example, the Southern Africa Development Community's (SADC's) fourteen countries have been divided into five negotiating configurations with different liberalisation commitments while SADC itself was pursuing its own regional African free trade area. Divisions have also been created by EPAs in the South African Customs Union (SACU) where four out of five members of the Union have initialled the EPAs.

Davies said that SADC does not have a common regional position on services, government procurement, investment or competition. As such the common position of SADC is that we would not enter into binding commitments with the EU on these issues. The EU demands an agreement on these issues, which is premature, as it even took Europe itself decades to come to agreement on this in its own Economic Community. On services Europe is ultra-ambitious even though we do not have many firms that could be active in their markets and this is something that we would have to pay for rather than get benefits, said Davies.

As far as the other new generation issues are concerned, investment and competition, Europe has made it clear in its Global Europe strategy that it seeks to address regulatory regimes in other countries that are favourably disposed to EU interests. If one looks at the text of EU competition proposals it was purely commercially motivated and sought to displace local monopolies in favour of EU companies, said Davies.

An important issue for developing countries is standards to sell agricultural products, and the EU has made demands that exceed WTO obligations and which set up inequitable terms.

Many of the contentious issues were inserted into the text at the last moment as red lines (bottom line demands). Included in the dispute settlement demands are mechanisms for the EU to take collective action against our countries, said Davies. They also demand onerous administration of customs procedures so that EU goods can pass freely in the region with only one point of payment of duties and guarantee that they will not pay duties at any other customs point in the region. African countries would have to bear the costs of this administration. On infant industry protection, the policy space left to us is restrictive.

Further the EU demands a ban on export taxes even though these are used to encourage local production. This prohibition on policy space is to grant EU firms access to the primary products they need.

Regarding the most favoured nation treatment clause (i. e. that African countries are to accord to the EU on a MFN basis the preferential treatment that it gives to other trading partners in other FTAs), Davies said this would limit the region's ability to pursue trade diversification. This is in spite of the fact that trade amongst developing countries includes products that have a higher value added content from Africa than Africa's trade with its northern counterparts. This clause seeks to lock in the EU as the primary trading relationship of the region and flies against the spirit of the WTO's enabling clause (which allows for preferential South-South trade arrangements). This demand is a red line for EU and we are unable to agree, said Davies.

Davies said commercial vested interest have swamped development interests and Africans find themselves in a serious corner. The critical question is, does the EPA address supply capacity constraints. Not enough headway has been made on this. The EPAs are supposed to enhance this and the devil is in the details, and these details complicate matters further.

If we continue to have a dialogue of the deaf with the EU when we present real concerns, then South Africa cannot go through with this EPA process. Davies said that it seemed like the EU was under the impression that Africans did not read the strategy outlined in Global Europe and that Africans were attuned to the sentiments in the negotiations.

There was a favourable response to our request to substantially open up the negotiations on this issue to EU President Barroso at the AU-EU summit, said Davies. We understood that we had his commitment but matters changed in the translation of this commitment as it was not available at the time of the initialling of the EPA agreements.

Mr. Abdoulaye Diop, Minister of Economy and Finances, Senegal, said the EPAs were not as good as the previous Cotonou/Lome agreements. It is very important to recognise that the latter were already very weak agreements. When we look at the development dimension, we see it was not taken care of as the commitments are general and vague. However when we look at the mercantile dimension, the agreement is very precise, with clearly cut deadlines.

Many of our countries have national budgets lower than those of the average American university and we face the question of whether we want to stay like that or change. Diop said that unity on the continent was needed as it did not help the continent for each of us to address the EU individually.

ECOWAS as a sub-regional entity should be able to work out alternatives to the EPAs and we need to think collectively on these issues, working with civil society in the North and in our own region.

Carlos Marcio B. Cozendey Minister of the Brazilian Economic Department of Foreign Relations said that Brazil had raised concerns at the WTO on the MFN clause in the EPAs. While we have not said it is illegal, it does go against the spirit of the WTO's enabling clause. He said the EU arguments in favour of this clause were that it would promote faster liberalisation. These were not convincing as such a clause would mean African countries would not give concessions to other developing countries on products where they may be competitive as they would not necessarily be competitive with EU products.

The MFN clause also creates concrete problems for the Brazilian-SACU trade negotiations. While not passing judgement on the EPAs themselves, Carlos said that such a clause would create problems for North-South agreements.

Carlos requested that CSO ask their countries to raise this matter in the WTO and to talk about it as it will cause great difficulty for other countries seeking arrangements with ACP.

Carlos also said that the EU was saying that the least developed countries of the world would get the WTO round for free. They are simply not making demands in Doha because all their demands are bilateral. In addition, the EU has said that they do not have the authority of the multilateral system to have a preferential agreement with the ACP countries and the EU has its arrangements questioned in the dispute settlement cases on bananas.

They have received the waiver for 30 years and this is an indication that they do not want to enter into negotiations with poor nations that are not ACP countries to pay compensation for the waiver. This does not have anything to do with the WTO because the EU does not want to follow the WTO procedure that they followed in the past for ACP countries.

Carlos said it is well known that the EU is promoting its Global Europe regulatory agenda (in other countries) and they have made similar demands (as in the EPAs) on customs procedures for European products. Negotiations on competitive regulatory regimes will be a problem for Multilateral Trading System in the future.

Gyekye Tanoh presented the Africa Trade Network (ATN) position on EPAs and said they had repeated the same concerns many times. In some cases the EPA negotiations are marked by bullying and power play and in some cases even bribery. Also the EPAs are not a usual FTA as they are supposed to be developmental in nature.

Taken in the emerging global context they are anachronistic because they privilege relations with the EU instead of the wide variety of possible partnerships available to Africa, and are ill advised.

ATN opposes the EPAs as long as they enshrine reciprocity which the EU insists means between 80 to 90 percent of all trade with Europe, even if this is along asymmetrical time lines as the result is the same.

ATN also rejected free trade and rules on services, government procurement, investment, intellectual property and denied the voracity of any claims to development. The EPAs amount to anything but

development, Tanoh said. ATN rejected the EU view that support to mitigate the costs of adjustment is developmental.

The EC has made no real commitment on the question of aid to the ACP and says that about 2 billion euro will be made available. ATN research indicates that this money is simply recycled and is not new.

The EPA draft texts seek to establish EPA councils in the sub-regions in Africa and ATN was concerned that these will subvert and hollow out existing fledgling institutions, Tanoh said.

The EU is also imposing regressive tax regimes through the EPAs. The EU demands increases in taxation on the informal sector, which is the refuge of those thrown out of jobs and with subsistence livelihoods. The EU also seeks consumption and Value Added Taxes, which are well known to be regressive. The EU seeks to shift the tax burden away from its corporations to the poorest of the poorest and therefore is categorically rejected.

Emily Jones of Oxfam said that African countries are far more open to international trade than most European countries. Ghana for instance trades two times as much as France but has the seventy times less in per capita income. Africa has a lack of ability to sell products of high value.

The debate is not about ACP countries' economies being open or closed, it is about the manner in which they are integrated into the global economy. The ACP has 12% of the world population but only two percent of the income, which has halved over the past two years. Oxfam issued a new report on EPAs at UNCTAD XII.

Studies also show, Jones said, that the outcomes of the EPAs reflect not the level of development of the country but the capacity to negotiate as the less advanced ACP countries open up faster than the poorer countries.

During the discussion session, a representative of the EU said that the ATN discussion was very difficult because the view was that trade does not do anything for poverty reduction. The EU is large donor of aid and is committed to Aid for Trade for which it has committed resources.

Yao Graham of Third World Network Africa called for greater sophistication from the EU. He requested that they not be paternalistic in prescribing that they know what is good for Africa. The EU should stop insulting our intelligence that they know what is good for us.

He said that talk of aid is used as a distraction and is used to tell Africans that unless they sign the EPAs their access to European funds will be endangered. There is a lot of this kind of colonial arrogance which treats us as if we do not read or know what is best for ourselves. +