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**EXECUTIVE COUNCIL
Sixth Ordinary Session
24 – 28 January 2005
Abuja, Nigeria**

**EX.CL/152 (VI)
Original: English**

**PROGRESS REPORT ON NEGOTIATIONS OF THE
ECONOMIC PARTNERSHIP AGREEMENTS (EPAs)**

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PARTNERSHIP AGREEMENTS (EPAs)**

1. Negotiations for a successor arrangement to the Lomé Conventions were concluded in February 2000, out of which emerged the Cotonou Partnership Agreement (CPA), which now governs the relations between the European Union (EU) and the African, Caribbean and Pacific (ACP) states. The CPA retains and builds upon the acquis of Lomé by incorporating new aspects of cooperation involving an enhanced role for the civil society, a focus on poverty alleviation and a new framework for economic and trade cooperation. It actually embraces four main objectives: (i) to promote the smooth and gradual integration of ACP economies into the world economy; (ii) to enhance production supply and trading capabilities; (iii) to create new trading dynamics and foster investment; and (iv) to ensure compatibility with WTO provisions. The Lomé type trade regime will remain in force for a preparatory period (2000-2007) after which new WTO-compatible trading arrangements will be introduced to enter into force by 1st January 2008. During that period, Member States need to identify arrangements that best promote their trade and development interest, taking into account their level of development and safeguarding and strengthening their sub-regional and regional integration processes.

2. The CPA also provides for a built-in time-table for negotiations as follows: (i) official negotiations on WTO-compatible EPAs for the mutual reduction of trade barriers to start in September 2002 and last until December 2007 following which a new trade regime would take effect from January 2008; (ii) in 2004, those ACP States that choose to remain outside of EPAs would look for other alternative trade regimes with the EU; (iii) in 2006, a formal and comprehensive review would be undertaken; and (iv) from 1st January 2008, the EPAs would enter into force.

3. The EPA negotiations were structured into two phases: the all-ACP and the regional levels. The all-ACP level Phase I negotiations which started on 27 September 2002 were concluded on 2 October 2003 without a formal agreement between the ACP and EU on crosscutting issues of common interest to the ACP countries. The phase II negotiations of EPAs at the regional level commenced early October 2003. Up to date, a total of 48 African countries (including South Africa as an observer) have configured themselves into four geographical regions/groups for the purpose of negotiating EPAs with the EU. The four regions are Central Africa (CEMAC), Western Africa (ECOWAS and Mauritania), Eastern and Southern Africa and the SADC, all of which have already launched the EPA negotiations with the EU. By end of 2004, no country has indicated its wish to remain outside of EPAs but the EU has given the assurance that it would remain open to perform an assessment at a later stage at the request of any country.

4. There are a number of major concerns for Africa in the EPA negotiations between the African RECS/Negotiating groups and the EU. Among these are:

- (i) That the EPAs currently being negotiated with the EU should serve as effective instruments for the promotion of rapid and sustainable development, the eradication of poverty, and the smooth and gradual integration of Africa into the global economy as agreed in the CPA. This requires that appropriate lessons be learnt from the experience with trade and economic cooperation under the Lomé Conventions and that adequate attention be given in EPAs to capacity building and the removal of production, supply and trade constraints which prevented African countries from deriving maximum benefits from the Lomé Convention trade preferences;
- (ii) That EPAs should be consistent with the aspirations and vision of our leaders for a strong united and integrated Africa as set out in the Constitutive Act of the African Union. In this regard, EPAs must enhance the process of continental integration in Africa and contribute to the deepening of this process through the strengthening of the RECs, which are the building blocs of the African Union. A significant divergence of geographical configurations of EPAs in Africa from the regional integration initiatives within the frameworks of the Abuja Treaty Establishing the African Economic Community and the Constitutive Act of the African Union could undermine rather than reinforce the African continental integration process. This is also a concern for the European side which acknowledges that at one stage the existing EPA configuration will pose a problem;
- (iii) That in the negotiations of EPAs that are WTO rules compatible, adequate account should be taken of the significant difference in the level of development of the EU and Africa and the imbalances against developing countries in the existing multilateral trading system.

5. At the heart of Africa's concern for development-oriented EPAs is the issue of resources. Development-oriented EPAs require resources beyond the level of the EDF agreed in the CPA. Resources are needed to meet the direct economic adjustment costs and the other associated indirect costs of negotiating and adopting EPAs; to deepen the process of African regional integration; to remove production, supply and trade constraints; and to diversify African economies and enhance their capacity and competitiveness for greater access to the EU market.

6. Article 37.3 of the CPA stipulates that the "preparatory period shall also be used for capacity – building in the public and private sectors of ACP countries, including measures to enhance competitiveness, for strengthening

of regional organizations and for support to regional trade integration initiatives, where appropriate with assistance to budgetary adjustment and fiscal reform, as well as for infrastructure upgrading and development, and for investment promotion". With about three years left to the end of the preparatory period (December 2007), the provisions of this Article are yet to be effectively or significantly implemented. The argument of the EU is that African and other ACP countries lack the capacity to absorb resources while the latter attribute the low utilization of EDF resources to the very complicated and prohibitive procedures laid down by the EU for accessing the resources.

7. The Co-ordination meeting between the Commission of the African Union, and the RECs and Negotiating Groups on EPA Negotiations held on 15 – 16 September 2004 in Addis Ababa. reiterated the case of Africa for additional resources to enhance production and supply capacities and requested for the simplification of the procedures for accessing EDF resources. It also proposed the adoption of a Grant Agreement format to enable RECs access the funds, and the use of EDF resources to support and implement the NEPAD Programme.

8. Negotiating EPAs, with a highly developed and integrated partner like the EU poses a major challenge for African regions and countries which are relatively small and weak. The main strength of Africa and indeed the ACP Group in the EPA negotiations lies in the unity and solidarity of the members. It is in this regard that the Conference of the AU Ministers of Trade, at its first session held in Mauritius in June 2003, reiterated the importance of the unity and solidarity of the ACP Group in the EPA process and expressed the deep concern about the lack of clear and demonstrable results from the phase I of the EPA negotiations. In the absence of a formal binding agreement, at the end of phase I negotiations, that covers horizontal and cross-cutting issues of common interests to all ACP regions and countries and that defines the scope and contents of EPAs, the need for a mechanism or institutional framework that will enable African RECs/Negotiating Groups have a coherent position on cross-cutting issues of common interest becomes apparent. The co-ordinating and harmonizing role of the African Union is to achieve the unity and solidarity of Africa in the EPA process and ensure the consistency of the process with the objectives of Africa's continental integration.

9. Being not a party to the CPA, the African Union has not been directly involved in the EPA negotiations and is not a major beneficiary of the EDF regional programming. However, given the critical role, which it is expected to play in harmonizing and co-ordinating African regions/groups in the EPA process and in the realization of the stated objectives of EPAs, the AU should be given greater access to the EDF resources. The recent co-ordination meeting between the AUC and RECs/Negotiating Groups recommended that the AUC should prepare, in close collaboration with the RECs, requests to the European Union for the financing of continental integration projects. It

also agreed on the need to use EDF resources to support the AU NEPAD programme.

10. The crux of the matter is that the EPAs currently being negotiated with the EU should serve as effective instruments for the promotion of rapid and sustainable development, the eradication of poverty, and the smooth and gradual integration of Africa into the global economy as agreed in the Cotonou Partnership Agreement.

11. The Executive Council may wish to deliberate particularly on the issue of geographical configuration and give guidance so as to ensure coherence between the existing AU integration process and the EPA one. It may also wish to request the AU Commission to take the necessary measures to request access to EDF resources.

2005

Progress report on negotiations of the Economic Partnership Agreements (EPAS)

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