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PROGRESS REPORT ON THE ECONOMIC PARTNERSHIP
AGREEMENTS (EPAs) NEGOTIATIONS

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Introduction

1. Four of Africa's RECs/Regional Groups have since 2002 been negotiating Economic Partnership Agreements (EPAs) with the European Union (EU). These are CEMAC (Central Africa), ESA/COMESA (Eastern and Southern Africa), ECOWAS/UEMOA (West Africa), and SADC (Southern Africa). In the Cotonou Partnership Agreement (CPA), the European Union and the African, Caribbean and Pacific (ACP) countries agreed that EPAs should not only be WTO-rules compatible but must serve primarily as instruments for the promotion of sustainable development, the eradication of poverty and the effective integration of ACP countries into the global economy. It was also agreed that EPAs should build upon and re-enforce the regional integration initiatives in the ACP countries.

2. Given the importance of the EPAs and WTO negotiations for meeting the challenge of development for Africa in a globalising world, the Assembly of Heads of State and Government of the AU, at their Summit held in Maputo, Mozambique in 2003, directed the AUC co-ordinate the efforts of African countries/regions in the international trade negotiations. In compliance with this directive, common African positions on EPAs have been developed in collaboration with the African RECs/Regional Groups and presented to the Policy Organs of the African Union for consideration and decisions. These efforts have resulted in the numerous Declarations on EPAs that have been adopted by the African Union Ministers of Trade and endorsed by the Executive Council and Summit (Mauritius –2003; Kigali-2004; Cairo-2005; Nairobi-2006; and Addis Ababa-2007).

3. The EPAs negotiations are now at a critical stage. According to the CPA, the negotiations are supposed to be concluded by end of 2007 and EPAs to enter into force with effect from 1 January 2008. This Progress Report highlights recent developments in the EPA negotiations and some issues that still require the attention of the Policy Organs of the African Union.

Recent Developments and Outstanding Major Issues in the EPA Negotiations

4. In January 2007, the Assembly of Heads of State and Government of the African Union adopted, at their Addis Ababa Summit, a Declaration on EPAs in which they called for the extension of the deadline for the conclusion of the EPA negotiations. This was informed by the limited progress made in the negotiations, especially on issues of great interest and concern to Africa. Also the delay in concluding the Doha Round of WTO negotiations, whose rules EPAs were expected to be compatible with, was another factor that justifies the request for the extension of the deadline.

5. Reports reaching the AU Commission indicate that subsequent to the January 2007 Summit Decision, the European negotiators have embarked upon an offensive aimed at getting African negotiating Groups to undertake to finalize the EPA

negotiations by end of December 2007. The stick being used in this regard is that without the EPAs, Africa-EU trading arrangements would have to be governed by GSP, under which imports into the EU market from Africa will attract higher duties than under the Lome Convention arrangements. This is in spite of the EU obligation in the CPA to provide, in case of failure to agree EPAs, ACP countries with a trade regime that will not be inferior to Lome arrangements and will not disrupt poverty alleviation efforts. In recent joint ministerial declarations by the ACP negotiating groups and the European Commission, the parties have undertaken to conclude EPAs by 2007.

6. It is worth noting that the position of the EC (the negotiators on the EU side) on EPAs has not always coincided with those of many of the Member States of the EU, the European Council and Parliament. The latter appear to be more sympathetic to the pro-development position of ACP countries on EPAs. In conclusions adopted by the EU General Affairs and External Relations Council as recently as 15 May 2007, the Member States reiterated their political commitment to ensure that EPAs will serve as development instruments for ACP countries. The gap in the European positions as between the Member States and the negotiators needs to be urgently closed and the European negotiators prevailed upon to faithfully adhere to the pro-development pronouncements of the EU member States and the European Council and Parliament. Further sensitization of key European actors on the need to make EPAs to be key instruments of development can contribute to the attainment of this objective.

7. To date, among the African RECs/Groups negotiating EPAs with the EU, only ESA has started text-based negotiations with the EU. At its 11th Regional Negotiating Forum (RNF) and 7th Council of Trade Ministers Meetings held in Nairobi, Kenya in May 2007, the ESA Group, while indicating that a lot of work remained to be done, affirmed its commitment to concluding EPA negotiations with the EU by December 2007 in the two areas of market access and development. With regard to the West Africa Group, although the ECOWAS Summit of Heads of State and Government held in January 2007 had called for a three-year extension of the deadline for the conclusion of EPA negotiations, at a meeting held in Brussels with European side on 5 February 2007, the Group committed itself to signing an agreement by December 2007, albeit with the understanding that EPA accompanying programmes and their funding by the European Commission would be a prior condition for the signing. In its EPA negotiations with the EU, the CEMAC has indicated that a transition period of 25-30 years for the implementation of EPA would be required to take account of the weak economies and social structures in the Member States. It has agreed with the European side that much needs to be done and work will be accelerated with a view to meeting the December 2007 deadline. At an EU-SADC EPA meeting that was held in Gaborone, Botswana, on 6-7 March 2007, both sides expressed their commitment to conclude their negotiations before the end of 2007. The EU accepted the inclusion of South Africa into the SADC EPA on the condition that the market access offer to South Africa and other SADC Members would have to be differentiated to take account of South Africa's competitiveness.

8. It appears that under pressure from the European Commission, all the African Regions/Groups negotiating EPAs with the EU have committed themselves to the

conclusion of the negotiations by the end of 2007. This commitment is in spite of the fact that some major issues that will ensure that EPAs serve as instruments for the promotion of sustainable development and poverty eradication (as agreed in the CPA) are yet to be satisfactorily addressed. Such issues include need for the provision, on a predictable basis, of adequate resources over and above the EDF to accelerate the transformation of African economies; to build the supply-side and trade capacities of the countries, and to finance EPA related adjustment costs. Given that EPAs are expected to build and reinforce the regional integration initiatives of ACP countries, there is also the need for greater attention to be paid to the building and strengthening of the capacities of the initiatives (regional policy formulation and implementation, enhancement of regional infrastructure for greater interconnectivity and competitiveness, etc) prior to the liberalization of trade liberalization between the EU and the ACP countries. Any transition period for the liberalization of trade between Europe and Africa within the framework of EPAs, that is shorter than that set by African countries for the liberalization of trade among themselves, cannot be said to be pro-development or to be reinforcing the continent's integration process. Additional problem for Africa's integration process has risen from the lack of coherence between Africa's geographical configurations for EPAs and the RECs recognized by the AU.

9. The challenge currently facing Africa in the EPA negotiations is to ensure that the outcomes of the negotiations adequately take account of the interests and concerns of the countries and that EPAs to be concluded are true instruments of development. This requires that all outstanding issues pertaining to development be speedily addressed before the conclusion of the negotiations. It also requires that the EU and EC give serious consideration to the adoption of transitional measures to ensure that beyond 2007, ACP exports to the EU are not disrupted.

10. In the light of recent developments and in compliance with the coordination mandate given to it by AU Summit, the AUC plans to convene a meeting of the Chief Negotiators and other stakeholders of the African RECs/Groups negotiating EPAs with the EU, to review progress and share experience in the negotiations and reflect on a way forward towards conclusion of development oriented EPAs. Among the issues that need to be addressed are: the scope for a phased negotiations and which aspects of development and market access can be adequately addressed by December 2007 while negotiations on other issues go beyond that deadline; proposals on how and when outstanding issues should be addressed, especially those in which African countries have an offensive interest; and the need to preserve in the EPAs the unity of Africa and avoid decisions that will make the attainment of a Pan –African Common Market difficult, taking into account the commitment undertaken by the EU in the African Strategy to deal with Africa as one Africa and to support the unity of the continent and its integration process.

Recommendations

11. The AUC recommends the following for the consideration of the Executive Council:

1. Engagement and sensitization of the European side at the highest possible level of political leadership on the concerns and interests of Africa in the EPA negotiations. The Chairperson of the AU/Chairperson of AUC to be involved in the exercise.
2. Satisfactory treatment of outstanding issues, especially those relating to the development dimensions of EPAs, before the conclusion of the negotiations and the signing of EPAs.
3. Adoption of measures by the EU to safeguard the continued entry of African exports to the EU market beyond 2007, if the EPA negotiations cannot be satisfactorily concluded by December 2007.
4. A Joint Review by the AUC and the African Negotiating RECs/Groups of progress and problems in the EPA negotiations and the submission of a report on the way forward for consideration by the Conference of AU Ministers of Trade and the other Policy Organs of the AU.

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