Economic Partnership Agreements (EPAs): redefining relations between the EU and the ACP countries

Introduction
In 2005, a few weeks after having been appointed to the European Commission as Trade Commissioner, Peter Mandelson declared his intention to put trade at the service of development, thereby reviving an old slogan from the optimistic years of debate about a new international economic order favourable to countries in the South: ‘trade not aid’. At that time, negotiations leading to the Economic Partnership Agreements (EPAs) were entering their final phase, which was supposed to result, at the end of 2007, in their adoption by the African, Caribbean and Pacific (ACP) countries, grouped together in six regional blocs.

However, contrary to the wishes of the European Union (EU) and despite the efforts of the Commission officials responsible for this policy area, 2007 ended with an extremely worrying acknowledgement of failure concerning EPAs. Not only had not a single one of these Agreements been signed by the deadline of 31 December, but an unexpectedly strong wind of rebellion is blowing in from Africa condemning the way in which the negotiations had been handled and decrying what the socio-economic effects of these Agreements would be, were they to be introduced. The ACP countries are expressing in no uncertain terms their concern that the measures proposed by the Commission would not have the anticipated results, and that EPAs could endanger their development projects as well as hamper efforts to achieve regional integration and combat poverty. The question that arises is whether these free-trade agreements will
contribute to economic development in the ACP countries, or whether they are nothing but a mercantilist offensive by the EU aimed at forcing the governments of these countries to open their borders to European goods, thereby perpetuating rather than terminating a neo-colonial relationship.

The way in which the negotiations for the signature of EPAs have been conducted by the Commission would seem very remote from the grand principles adopted at the EU-Africa summit held in Lisbon on 8 and 9 December 2007. In the final declaration on the strategic Africa-EU partnership, the signatories place particular emphasis on the need to establish a strong political partnership among equals, based on the effective engagement of their respective societies and on a European/African consensus around certain values, common interests and common strategic objectives. Yet at that same summit the governments of the ACP countries, at the initiative of the President of Senegal, backed by the South African President, were sharply critical of the pressure and blackmail to which they were being subjected in a bid to make them sign EPAs which merely instigate competition between unequal partners. Following a lengthy silence, they refused outright to sign EPAs because, as Senegalese President Abdoulaye Wade put it on that occasion, ‘if Europe has nothing other than the straitjacket of EPAs to offer us, one might well wonder whether Brussels has run out of imagination and creativity’ (1). At the same time, we are seeing a significant, mounting groundswell of activity from organisations representing civil society in the South, which had long been excluded from the EPA negotiations. These organisations, and in particular workers’ and employers’ organisations, have become involved in this issue over the past few months. They are demanding more information about the process underway and are eager to participate in redesigning EPAs.

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After a brief summary of the main elements of the Cotonou Agreement and the role of EPAs within it – including the question of participation by non-State actors – we shall focus on the main socio-economic aspects of these Agreements, the process of drawing up and negotiating EPAs and, finally, the state of play just after the deadline of 31 December 2007.

1. The Cotonou Agreement
The Cotonou Agreement was signed on 23 June 2000 by the EU and 77 countries in the ACP zone. It thoroughly redefines EU-ACP cooperation, making it more compatible with the new rules of the game in the globalised economy (2). In spite of stalwart efforts to preserve as far as possible the specific nature of development cooperation linking the EU with the ACP countries, this cooperation is increasingly tending to drift towards the implementation of free-trade agreements. Trade liberalisation is portrayed in this process as a powerful means of contributing to the objectives of growth, job creation and poverty reduction. The Cotonou Agreement is founded on the principles of partnership and solidarity. It pursues three principal objectives:

- the reduction and, ultimately, eradication of poverty in the ACP countries;
- sustainable development;
- gradual integration of the ACP countries into the world economy.

Attainment of the Agreement’s objectives is intended to be based on three pillars: political dialogue, trade and development. This presupposes:

- formulating appropriate development strategies and focusing on the objective of poverty reduction;

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- establishing a new framework for economic and trade cooperation, and gradually integrating the ACP countries into the world economy;
- strengthening the political dimension;
- encouraging participation by non-State actors;
- improving technical and financial cooperation.

The participatory approach is one of the major innovations of the Cotonou Agreement, which sets out a framework for the participation of civil society, including trade union organisations in the ACP countries. The Agreement contains many references to civil society and provisions relating to the involvement of non-governmental actors in mandatory implementation and management procedures. Their role in the development process is recognised through their participation in the formulation of programmes and projects, consultation and participation in political dialogue, and support for capacity-building. Article 6 of the Cotonou Agreement gives the following definition of ‘non-State actors’: they are the private sector; economic and social partners, including trade union organisations; and civil society in all its forms according to national characteristics. Methods of participation are defined for each individual State, but Article 4 indicates the manner in which civil society should be involved (3). The intention is that up to 15% of the funds allocated to each ACP country under its National Indicative Programme may be used by civil society organisations. However, these funds are not uniformly allocated across all the ACP countries: in some cases they are non-existent, while in other countries they amount to less than 15%.

The Cotonou Agreement has therefore given civil society in the ACP countries fresh impetus to identify its own priorities, as well as making it possible to establish or consolidate organisations liable to achieve official recognition as eligible partners under the new partnership. The

3 ‘Civil society actors must be kept informed, provided with financial resources, involved in the implementation of projects, and provided with capacity-building support in the cultural and economic areas in order to reinforce their capabilities.’
existence of articles on measures requiring active civil society participation for their implementation facilitates the process of institutionally strengthening non-State actors.

2. Economic Partnership Agreements (EPAs)

It was in this new context that the EU-ACP negotiations on the signature of EPAs began in 2002. These negotiations are being held on the basis of six regional groupings (the Caribbean, the Pacific and four African regions: western Africa - ECOWAS, central Africa - CEMAC, eastern Africa - ESA and southern Africa - SADC; the question of whether to include South Africa, although not an ACP member, is still under discussion). EPAs represent the economic dimension of the Cotonou Agreement. They are governed by Article 37 of the Agreement and are intended to promote ‘the smooth and gradual integration of the ACP States into the world economy, with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries’ (Article 34(1)). More generally, EPAs assist in the implementation of the ‘development strategies’ set out in Articles 19 to 27 (Title 1) of the Cotonou Agreement. In practice they have three objectives:

- to facilitate the access of ACP products to the European market;
- to develop South-South trade;
- to support the process of regional integration.

EPAs are reciprocal free-trade agreements. They must be negotiated bilaterally between the EU and ACP countries or regions, and their objective is to bring EU-ACP trade relations into line with the rules of the World Trade Organisation (WTO). But their implementation will inevitably have a major impact on socio-economic structures in the ACP countries. It is crucial from this point of view that organisations representing civil society play an active part in the negotiations and in drawing up these Agreements, in order to ensure that they comply with certain mandatory criteria: integration into the world economy must be linked to the promotion of decent work, the strengthening of social and
economic rights, food sovereignty and respect for workers’ rights. These criteria ought to be at the core of the regional negotiations and instrumental to the elaboration of EPAs, but they have been put on the back burner for the time being at least.

As far as the liberalisation of North-South trade is concerned, the European Union proposes a flexible approach enabling each region to negotiate measures to safeguard its vulnerable sectors. Moreover, the EU realises that its product quality standards could be detrimental to exports from ACP countries. The negotiations must encompass aid programmes as well as longer transitional periods and modified rules of origin, so as to facilitate the entry of ACP goods into the European market.

EPAs likewise envisage financial aid for regional integration: this aid should help recipients bear the cost of opening up trade and the necessary adjustments. The EU will provide financial support for the process of regional integration and for the introduction of partnership agreements. The Commission hopes that the aid for EPAs will be incorporated into existing regional programmes.

Given the difficulty of the EU-ACP negotiations and what is at stake, a transitional period was scheduled until 31 December 2007. During this period prior to the new trade agreements, the non-reciprocal trade preferences applied under the fourth ACP-EC Convention were maintained for all the ACP countries, under the conditions laid down in Annex V of the Cotonou Agreement.

The negotiations have taken on board the need to set a sufficiently long transitional period for the final coverage of products, given the existence of sensitive sectors and the degree of asymmetry in terms of the timetable for dismantling tariff barriers. The intention is to take into account the ACP countries’ capacity to adapt and adjust their economies to the liberalisation process whilst remaining in compliance with the WTO rules. Over and above their stated aims, EPAs seek to bring EU-ACP relations into line with the WTO rules. In actual fact, the former preferential system confined to the ACP group of countries (and hence not open to all developing countries) ran counter to the WTO provisions, especially the most-favoured nation clause and the reciprocity clause. The
EU-ACP negotiating timetable accommodated this need for a gradual elimination of obstacles to trade among the parties, since the WTO had given the EU a compliance deadline of 31 December 2007.

The resulting EU-ACP negotiating process has been lengthy and arduous. The fact that the talks are to continue into 2008 provides civil society organisations with an ideal opportunity to involve themselves and claim their rightful role in recasting the EPAs. The Cotonou Agreement provides a unique framework for the participation of non-State actors, since when the signatory States signed it they undertook to completely overhaul the process for formulating development policies. This, then, is a powerful means of forcing onto the negotiating agenda the issues of how to improve living and working conditions and how to achieve food sovereignty, two objectives which ought to take precedence over those of liberalisation and growth.

3. Liberalisation, growth and EPAs
Organisations representing civil society are keen to recall that ‘trade and economic integration should raise the standards of living and of work, not lower them’ (ETUC and ITUC, 2007: 31). Thus the objective of development must not be reduced to economic growth alone. The reality of social problems in the ACP countries seriously calls into question the ‘virtuous’ spiral of liberalisation, growth and poverty reduction underpinning the prescriptive side of the dominant neoliberal discourse, and in particular the key role of liberalisation policies within structural adjustment policies.

Yet EPAs make enhanced international trade by the ACP countries in the globalised economy exclusively dependent on increased economic growth. They reaffirm the hypothesis backed by neoliberals, namely that growth will have positive knock-on effects, even though past experience has amply demonstrated that growth has mainly benefited a small minority in the ACP countries. The failure of structural adjustments shows that liberalisation alone is not sufficient to improve standards of living and of work – far from it! The Cotonou Agreement and EPAs should therefore guarantee the primacy of human rights, particularly social rights and the right to food security, over any trade or financial
aspects. These rights must be systematically incorporated into all regional-level EPA negotiations.

Moreover, enhancing trade among ACP countries is much more of a priority for these countries than opening up their markets to EU products. The need for trade liberalisation measures to be introduced progressively has been acknowledged and must be acted upon. And liberalisation measures duly accepted among ACP countries must take precedence over measures to liberalise trade with the EU. Indeed, excessive opening of ACP markets to EU competition would have a devastating effect on the ACP countries’ economies, whereas effective integration of ACP regions will ensure that the countries concerned derive greater benefit from further integration with the EU. Nonetheless, the effects of regional integration must also be analysed where, within one and the same region, there are partner countries with very unequal levels of economic development, since that could significantly jeopardise the weaker production structures.

4. The main challenges for EPAs

The EU and the ACP countries must rapidly set about conducting economic and social impact studies on the economic and trade policies proposed for the regions and countries concerned, with a view to evaluating the effects on the ACP countries of:

- the abolition of customs duties on imports from Europe;
- the rise in European imports and their enhanced competition with local and regional output;
- the paucity of new export opportunities for the least developed countries;
- problems of accessing the European market owing to the inability of African agro-food businesses and farmers to comply with the quality requirements of EU consumers and with plant-health rules.

It is crucial to bear in mind that the two zones are in competition and not complementary in respect of many agricultural goods. Thus there is a risk that imported European products could compete even more strongly with
local output, such as for example milk, meat, vegetable oils and tomato concentrate, or else replace them (e.g. meat for cereals). Opening up to European goods – which are cheaper in many cases – could therefore mean that imports find favour to the detriment of regional and national goods. In a climate of concern about getting supplies to African consumers and the capacity of the region’s agriculture to produce enough to meet growing demand, the challenge boils down to just two issues: the risk of national industries facing heightened competition from imports of European origin; and the risk of regional industries facing heightened competition from imports of European origin (a weakening of integration and of the complementarity among African regions).

The already high food dependency of the sub-region (45.6% of ACP imports came from Europe in 1997-98) will undoubtedly continue to rise (Lapeyre, 2007: 45). The success of various strategies to promote local agricultural output will probably be threatened by this state of affairs. Such an increase in imports from the EU could disrupt small-scale agricultural production, which plays a vital role in generating income and employment. The summary note written by GRET (a professional solidarity and international cooperation association) on the impact of the EU-West Africa Economic Partnership Agreement reveals that in the first instance tax resources will fall, lowering the capacity of governments to intervene and raising the question of alternative funding. In addition, the expansion of the market and the abolition of internal customs barriers can only give strong impetus to the regional economy provided that the market really is rendered more fluid and sensitive sectors are properly protected from European imports (Faucheux et al., 2005).

Most studies concur that the introduction of an EPA will increase imports from the EU by almost $647 million. The abolition of customs duties on European goods could create trade diversion, i.e. European imports would replace imports from other sources, to the tune of around $390 million. All in all, export gains for the EU could be close to $1 billion, or 15% of current exports (Lapeyre, 2007: 46). By the same token, all studies point out the difficulties experienced by ACP countries’ products in terms of accessing the European market, owing to the inability of agro-food
businesses and farmers to meet the quality demands of EU consumers. The main regulatory impediments to market access are health and plant-health provisions and the rules of origin. Bolstering the competitiveness of ACP businesses and, in particular, heightening the capacity to modernise production sectors so as to adapt them to their new commercial environment (processing, storage, preservation etc.) will require very substantial financial resources, and the EU must factor this requirement into its development cooperation.

5. Priorities for food sovereignty

In the agricultural sphere, the ACP countries must attempt to safeguard their food sovereignty and protect the interests of family farms. It should be acknowledged that certain goods need temporary protection lasting longer than the twelve years envisaged for the gradual reduction and elimination of barriers to trade with the EU. Particularly sensitive agricultural produce includes meat (especially pigmeat, poultry and beef), vegetables (potatoes, onions and tomatoes), wheat flour and oils. A defensive position must be promoted so as to properly protect produce that is key to food security and the food sovereignty of the region. That means maintaining significant protective tariffs: these could be based on a system distinguishing between three major categories of goods for differentiated liberalisation:

- capital goods and inputs not produced in the region could be fully liberalised, whereas those produced in the region should be treated differently;

- imported agricultural and food products which do not compete with local output could be liberalised unless they account for a significant share of customs revenue;

- products competing with national or regional output: the goal of development must prevail over all other considerations, as must the precautionary principle, if there is a risk that West African producers may be ousted from the regional market.

EPAs must enable the ACP countries to come to the aid of their peasant farmers and invest in preserving natural resources. One model for an EPA
would therefore be close integration of agricultural and food-producing economies with the establishment of a genuine intra-regional free-trade area, combined with differentiated protection for sectors depending on the specific challenges and needs of each segment and enabling positive integration into international markets.

6. Proposals for a redesign of EPAs

It is imperative, in the opinion of civil society organisations, that these Agreements should have an effective social dimension. Otherwise people would have no confidence in their provisions, yet the success of EPAs depends to a large extent on the trust placed in them by ordinary people and by the main actors. The Agreements must likewise contribute to economic and social development in these regions and must lead to a significant improvement in living and working conditions for the populations concerned. To this end, there is a need for social objectives and participatory methods for their implementation, in particular through social dialogue. The National Indicative Programmes set up under the Cotonou Agreement have revealed all the inherent difficulties, in that the involvement of non-State actors has been very selective (notably by excluding trade unions) and limited.

Negotiations with all the ACP countries must comply with certain mandatory criteria: over and above sensible integration into the world economy, trade promotion should be accompanied by the attendant social rights, poverty reduction and respect for workers’ rights. Regional negotiations should be guided by these criteria. EPAs should guarantee the primacy of human, and in particular social, rights – in the meaning of the International Labour Organisation (ILO) – over all trade-related or financial aspects. These rights must be systematically incorporated into all regional-level EPA negotiations, which should revolve around two major themes:

1) **Promoting and guaranteeing rights**: the fundamental social rights enshrined in the Cotonou Agreement (Preamble) must be guaranteed as essential values shared by the contracting parties. These derive from the eight Conventions on so-called fundamental social rights (the tripartite ILO Declaration on fundamental principles and rights at work, adopted
by the International Labour Organisation in 1998) concerning:
- freedom of association (Conv. 87);
- the right to collective bargaining and action (Conv. 98);
- the elimination of forced labour (Convs. 29 and 105);
- the effective abolition of child labour and the elimination of the worst forms of child labour (Convs. 138 and 182);
- equal treatment for men and women who are nationals/foreigners (Convs. 100 and 111).

But the International Labour Code also comprises 70 operational Conventions. The rights covered by it are vital prerequisites for the dignity of people living in a country; they underpin all social policy. Moreover, other rights flowing from ILO Conventions must be taken into consideration since they are relevant in the economic sphere, especially:
- social protection (Conv. 102);
- maternity protection (Conv. 183);
- employment promotion (Conv. 122);
- the management of labour in industry (Conv. 81) and in agricultural sectors (Conv. 129);
- migrant workers (Conv. 97).

In principle, in order for these Conventions to become legally applicable in a country, they must be ratified by an official legal act of that country. However, the fundamental social rights (8 Conventions) must be applied in all ILO member states, by virtue of their membership of the Organisation (this is the case for all the EU and ACP countries). It is worth pointing out here that many aspects related to employment, social security and gender equality, as well as the close link existing between trade development and labour standards, have been included in a somewhat generic fashion and only in the preamble to the EPA negotiating mandate conferred upon the Commission.

2) A practical social development strategy: this must be applied to both essential aspects of anti-poverty measures:
- the promotion of decent work;
- the promotion of social protection.

The emergence of local and regional markets is dependent on people having sufficient purchasing power. The promotion of work and social protection systems should generate regular incomes. Decent work (with fair, respectable working conditions) should be promoted in all production sectors (handicrafts, rural industries, the public and private formal sector, and informal sectors).

A key factor in this strategy is productive investment. The measures provided for in the Cotonou Agreement (Annex II, Chapter I, Articles 1 to 15) should therefore be pursued more energetically in support of efforts to industrialise and develop infrastructure with backing from the European Investment Bank. At the same time, works contracts in respect of goods and services, funded by the European Development Fund (EDF), should be awarded wherever possible to ACP contractors, who could benefit from adequate technical assistance. Lastly, it is vital to initiate within the ACP regions a programme on the processing of primary products (energy, mining, agricultural and fishery products, etc.) so as to lend added value to national output, diversify production and create jobs. Fair trade must also be promoted systematically as a contribution to regular incomes for producers and sales outlets for their goods.

Informal sectors often employ the bulk of active manpower in many ACP regions. The activities of such sectors are extensive, diverse and complex. These so-called marginal sectors contribute to GDP, bring goods and services to people of limited means and, above all, provide incomes (albeit precarious ones); they also encourage job-creating, productive activity (production of goods and services; the social and cooperative economy). Handicrafts and agriculture are two sectors particularly exposed to the destabilising effects of liberalisation imposed by EPAs. That is why it is very important for the contracting parties to each EPA to envisage a negotiated programme (economic, trade, social and fiscal aspects) to safeguard these sectors of activity and contribute to gradual, equitable integration of these informal sectors into formal public/private, rural/urban sectors.
Finally, along with work, the promotion of social protection is the key element in combating poverty. Its absence results in economic and social insecurity. Theoretically, social security systems exist in most of the ACP countries but, for want of funding, they often cover only a minority of workers in the formal sector. The overwhelming majority of people have no income substitution benefits enabling them to cope with sickness, unemployment or retirement. A social protection promotion fund, financed out of public and private contributions, should be created as part of each EPA to begin tackling this problem. A decisive contribution to this aspect of poverty reduction can be made by stepping up and building on existing economic and social achievements. This strategy should be pursued efficiently through a general method of active participation, thanks to the social dialogue referred to in Article 25 of the Cotonou Agreement.

Often, men and women working in informal sectors organise their own social economy initiatives in many areas, especially health (mutualisation of risk). By having recourse to micro-credit and micro-insurance, they can find partial but real solutions to people’s needs. Generally speaking, these achievements are little-known and little-supported by the public authorities. Universal access to essential goods and services must be ensured in any event, and liberalisation processes or the application of private-sector cost/efficiency logic must be rejected in sectors crucial to human development such as the water sector.

What prospects are there for EPAs in the future?
The collapse of the negotiations aimed at concluding an EPA with at least one of the six regions has resulted in a proliferation of bilateral interim agreements between certain ACP countries and the EU. These agreements, signed for example by five East African countries, Namibia and Ghana and Ivory Coast, enable these countries to preserve guaranteed access for their exports to the EU market. The European Commission’s approach in this context has been to force these countries to greatly reduce their duties on imports of EU products in return for guaranteed markets for their agricultural exports. The significant difference within the ACP countries between least developed countries (LDCs) and non-
LDCs should be noted here, since the former have free access to the EU market in any event, under the ‘Everything but arms’ initiative, whereas non-LDCs have access to the EU market via the generalised system of preferences which covers all developing countries. Concluding an EPA is therefore much more important for non-LDCs than for LDCs. So in Western Africa Mali and Niger, as LDCs, had much less to lose from the collapse of negotiations than Ghana or Ivory Coast. Meanwhile Nigeria’s hard-line stance against EPAs can be explained by the nature of its exports – oil and gas – which have no difficulty in finding outlets; Nigeria therefore has little inclination to make concessions to the EU.

One of the main criticisms levelled at the ACP countries concerns this EU strategy of splitting them up into six regions so as to weaken their negotiating power whilst exerting considerable pressure on each country to sign EPAs at regional level or, for the time being, to sign interim agreements as a matter of urgency. Not only have the Commission’s divide-and-rule tactics not borne fruit; they have had the opposite effect of the one sought by the EU, namely to legitimise the signing of EPAs, since a process of regional disintegration rather than integration is occurring. Indeed, in early January 2008 the Senegalese coalition of trade union federations lambasted the ‘torpedoing of African integration’ during a march organised by civil society in Senegal, which brought more than 2,000 people out onto the streets of Dakar.

Whatever kind of agreements are signed in future, the EPA negotiating process has considerably worsened EU-ACP relations, which have become very tense. An illustration of this is the statement made by the National Association of Nigerian Traders attacking Peter Mandelson and Louis Michel, whom they accuse of blackmailing the ACP countries and treating them like schoolchildren (Beattie and Bounds, 2007: 3). One of the ACP countries’ main demands in this respect is to be given more time to arrive at common positions and coordinate with one another so as to promote proper regional integration. They are also determined not to countenance the conclusion of EPAs unless these Agreements serve the development goals laid down in the Cotonou Agreement. The Kigali Declaration on trade, signed at the 14th ACP-EU Joint Parliamentary
Assembly in November 2007, is very clear in its condemnation of the Commission negotiators, who viewed the EPA negotiations as if they were merely negotiating a free-trade area based on opening up markets, rather than as development tools. This is likewise the stance of the ‘African coalition against Economic Partnership Agreements and for the opening of a dialogue with a view to building a partnership for growth and development’, which launched an appeal from the peoples of Africa to European and international public opinion at the end of 2007.

The role of organisations representing civil society is essential in making sure that living and working conditions are taken into account in the EPA negotiations. They must make the ACP governments face up to their written undertakings while appealing to the European Commission and its delegations in the ACP countries to enforce them. Only on this condition will we see the emergence of EPAs which take account of issues such as food sovereignty, guarantees of fundamental social rights, the promotion of decent work and the promotion of social protection. Then the speed and nature of integration into the globalised economy will no longer be dictated by the logic of growth, but by that of human development.
References


