



Redefining ACP-EU Trade Relations: Economic Partnership Agreements

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**ECDPM Seminar:
The Cotonou Partnership Agreement:
What role in a changing world?**

Maastricht, 18-19 December 2006

Background Paper for Working Group 3



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Acknowledgement

The ECDPM acknowledges the support it receives from the Ministries of Foreign Affairs in Belgium, Finland, Luxemburg, the Netherlands and Sweden, Irish Aid, the Swiss Agency for Development and Cooperation, the Instituto Português de Apoio ao Desenvolvimento in Portugal, and the Department for International Development in the United Kingdom.

Introduction: Imagining a new relationship

Imagine two regions: one rich, the other poor. The rich one, which likes to consider itself a free trader, had traditionally kept its market open to imports from the less prosperous region. Yet, the poor region has over several decades generally failed to develop capacity to export products beyond a few primary commodities.

Conscious of the moral imperative to strive for a more equitable world, and hence to foster the development of the poorer region, the rich region decides to make a generous offer. It proposes to negotiate a joint partnership with the poor region to promote its economic development. The principles are simple. Let us stimulate private sector investment by creating a large market among the poor countries. Let this market be open to foreign investment and exports from the rich, so as to benefit the local economy (consumers and industry) in the poor region. By enshrining their domestic trade (-related) policy and regional integration efforts in a formal agreement with the rich region, governments in the poor region would increase the credibility of their reform process. This pro-development approach would be reinforced by removing not only tariffs in goods, but also on trade in services, as well as other technical barriers to trade (TBTs) and behind-the-border restrictive measures. Last, but not least, the institutional and productive-capacity development, domestic policy reforms and adjustment measures needed to accompany the economic liberalisation would be supported by appropriate development assistance from the rich region.

Consider now two other blocks, where this time the prosperous region, having granted for decades almost free access to its market to products from the poor region, realises that charity does not pay off: it is costly for the rich while it fails to boost the economies of the poor. It therefore puts the following deal on the table: either the poor countries lose their preferential market access to the rich region, or they open their own market to capital, goods and services from the rich, under the conditions dictated by the rich regions. Besides, rich entrepreneurs having little to no interest in tiny underdeveloped market in a poor country, the poor countries are summoned to come together and adopt common external and internal economic policies so as to create an effective, large, integrated internal market. To sell their iniquitous programme to the poor, the rich region flexes its muscles while wrapping its arguments in the politically correct language of poverty alleviation and development. Promising development aid that it fails to deliver at any significant level, the rich region revels in a paternalistic approach, claiming to promote the interests that the poor region has been unable to effectively defend.

These two scenarios, of the good North–South partnership and the shrewd cold-hearted free trade agreement, are perhaps just two sides of the same coin. Call the rich region the European Union (EU), and the poor one the group (or any sub-regional grouping) of the African, Caribbean and Pacific (ACP) countries.¹

1 The changing context of ACP-EU trade relations²

1.1 *From Lomé to Cotonou*

The Lomé Agreements were initially considered as highly innovative development cooperation agreements. Predictable aid flows whose management was entrusted primarily to the ACP countries, non-reciprocal trade preferences and several export price stabilization mechanisms as well as commodity protocols for bananas, rum, sugar and beef and veal were considered to be very progressive measures that would enable ACP governments to achieve their

¹ For an extended overview on EPAs, see Bilal *et al.* (2006) and Bilal and Grynberg eds. (2007).

² For an overview, see Bilal, Houée and Szepesi (2004) and Hove (2006).

development goals. However, over the years the Lomé relationship came under increasing pressure, especially after the end of the Cold War.

The Lomé trade regime did not achieve its expected results. Despite preferential access to EU markets in as much as 99% of all products, the ACP share in European imports had dwindled, from nearly 8% in 1975 to 2.8% in 2000. The export price stabilization mechanisms and the commodity protocols, while providing a lifeline to many (small) ACP countries has not led to the much-needed export diversification of the ACP.: 50% of total ACP exports to the EU are still concentrated in just 8 products. Perhaps most strikingly, non-ACP developing countries that did not benefit from the trade preferences has been outperforming the ACP countries in exports to the EU. Besides the disappointing results of the trade regime, tension has been growing between the preferences and the rules of the World Trade Organization (WTO). WTO rules do permit preferences as such, but the inherent discrimination between ACP and non-ACP developing countries within the Lomé trade regime, is not allowed (ECDPM, 2001). Facing increasing pressure from WTO non-ACP developing country members, and the high price the EU had to pay to obtain the WTO waiver, the EU became convinced that a new ACP-EU trade relationship was needed, which was WTO-compatible and would foster the ACP integration in the world economy.

1.2 Key features of Economic Partnership Agreements

Addressing the weaknesses of the Lomé Conventions, the EU and the ACP agreed to radically reform the ACP-EU trade relationship through the negotiation of the Economic Partnership Agreements (EPAs). The Cotonou Partnership Agreement (CPA), signed in June 2000, stipulates that the negotiations on EPAs would start in September 2002 and would be concluded no later than 31 December 2007 (CPA Art. 37.1). The preferential trade regime was extended throughout this transitional period. The CPA sets out four principles along which the EPAs should be formed³:

Development: EPA negotiations must be placed in the context of the overall development objectives of ACP countries and of the CPA. To be of benefit to the ACP, EPAs must be 'economically meaningful, politically sustainable, and socially acceptable'. Hence, EPAs are not just common agreements on trade. Instead, they should be development-oriented trade arrangements that ensure sustainable development and economic growth in ACP countries and ultimately contribute to poverty eradication.⁴

Reciprocity: The most important element of an EPA is the establishment of a Free Trade Agreement (FTA), which will progressively abolish substantially all trade restrictions between both parties (CPA Art 37.7). This is a radically new element in ACP-EU trade relations and also a necessary principle to make the EPAs WTO compatible, in line with Article XXIV of the General Agreement on Tariffs and Trade (GATT) (see Box 1). For the first time, ACP countries will have to open up, on a reciprocal basis, their own markets to EU products in order to retain their preferential access to the EU market. The rationale for reciprocity rests on the principle that liberalisation of ACP markets towards the EU will increase competition within ACP economies, thereby stimulating local and foreign (including EU) investment and the necessary adjustments of their economies, leading to growth and development.

Regionalism⁵: The EU clearly envisages negotiations with ACP regional groupings which will be in a position to do so, though it has not ruled out the possibility of concluding agreements with single countries, in exceptional cases. The principle of basing the future trade cooperation on regional integration initiatives stems from the conviction that regional integration is a key

³ See for instance Bilal and Van Hove (2002).

⁴ See notably Bilal (2006a) and Bilal and Grynberg (2007).

⁵ For a more elaborate discussion of the EU support for regional integration, see Bilal (2005).

stepping stone towards further integration into the world economy, as well as a main instrument to stimulate investment and to lock in the necessary trade reforms (CPA Art 35.2) (see Box 2).

Differentiation: Considerable weight is given to differentiation and special treatment, which affirms the North-South character of the relationship. The CPA states that EPAs will take into account the different levels of development of the contracting parties (CPA Art 35.3). Hence, EPAs should provide sufficient scope for flexibility, special and differential treatment and asymmetry. In particular least developed countries (LDCs), small and vulnerable economies, landlocked countries and small islands should be able to benefit from special and differential treatment.

Box 1: WTO Compatibility

Underlined by the various articles in the CPA, EPAs should be compatible with WTO rules¹. WTO compatibility is pursued to prevent the new agreements from being challenged by other WTO members. This means that the EPAs need to comply with Article XXIV of the GATT 1994, which states that FTAs must cover 'substantially all trade' (SAT) and its implementation process must be completed 'within a reasonable period of time'. It may be argued that this phraseology is sufficiently vague to leave room for many different interpretations. Partly because of the vague criteria, no FTA has ever been challenged in the WTO, posing a significant challenge to EPA negotiators about the possible extent of exclusion of products from liberalisation and the maximum length of the transitional period to be respected in order not to provoke challenges from WTO members. In order to clarify Article XXIV, the Doha Round included negotiations on this article. The ACP group made an important contribution as part of these negotiations, arguing that SDT provisions should be explicitly included in the article to take account of the developmental interests of developing countries engaged in N-S FTAs². However, since the Doha Round has been suspended since July 2006, it is likely that the EPAs will be finished before the Doha Round will be concluded. This implies that the EPAs will have to comply with the requirements as they are now stated in Article XXIV³.

Taking this into account, it may be argued that it is likely that the SAT will be defined as 90% of trade on average. This figure, which is most often used by researchers, is an average, which would extend the scope for exclusion to approximately 20% for the ACP and 0% for the EU if the asymmetry is maximised. The 'reasonable length of time' will probably be interpreted as a minimum of 10 years and a maximum of 12-20 years. The exclusion of products from trade liberalisation and the transitional period imply that ACP countries would be able to respectively protect a significant share of their sensitive sectors (and retain a sizeable share of their customs duties) and delay the liberalisation of the other sectors for a period of up to 20 years⁴.

Notes:

1. For a more elaborate discussion of EPAs and WTO Compatibility, see Onguglo and Ito (2003).
2. For a more elaborate discussion of the ACP submission, please consult Onguglo and Ito (2005).
3. See Bilal (2006b) for a more thorough discussion of the effects of the suspension of the Doha Round on the EPA Negotiations
4. Bilal and Roza (forthcoming) discuss the possibilities provided by Article XXIV and estimate potential retention of customs duties for six African countries.

Box 2- EPAs and Regional Integration*

Regional integration is a key principle of the EPAs. According to the EC, regional integration is key requirement for the development of the ACP countries. The EC argues that regional integration, by creating larger markets for the ACP producers, will stimulate economic growth in the ACP and will accelerate the integration of ACP countries in the world economy. By negotiating on a regional basis EPAs, which are expected to have a wider scope than just reciprocal trade liberalisation, the ACP countries will have an opportunity to strengthen their regional integration process and create dynamic regional markets, conducive to investment and development. For the EC, this will be possible if the ACP countries and regions embrace the wide scope of the proposed EPA agenda, as trade-related issues covered in EPAs -a legal, enforceable text- will contribute to lock-in much needed economic reforms in the region.

However, many stakeholders have cautioned against this optimistic view on the relationship between EPAs and regional integration. NGOs in particular have argued that the EPA negotiating process, forcing ACP countries to affiliate themselves with only one region that will negotiate a far-reaching agreement with the EU, have jeopardised many other autonomous regional integration initiatives. They criticise the EU-led consolidation of regional groupings in the ACP in general and Africa in particular, which does not always respect the own pace and scope of integration of the regions. Moreover, several aspects of the trade liberalisation vis-à-vis the EU, as envisaged in the EPAs, will involve very complex harmonisation and coordination processes within the ACP EPA regions. For instance, it is expected that ACP countries will need to present a harmonised tariff system for all products at the start of the liberalisation process, which may take up to any period between 10 or 20 years, and will need to agree on a regional 'exclusion basket'. Both harmonisation processes may respectively cause a sudden fall of trade tax revenues and will limit a country's possibilities to protect sensitive sectors (Bilal and Roza, 2006).

Additionally, the availability of the 'Everything but Arms' initiative, which provides non-reciprocal trade preference to LDCs, creates a dichotomy between LDCs and non-LDCs that cuts through all ACP regions negotiating an EPA. This may create tensions in the respective regional integration processes, as ACP LDCs may have interests on EPAs that differ from non-LDC members of their region. According to some NGOs, EPAs in their current form will undermine the regional integration efforts of the ACP regions, since it puts the ACP LDCs, which already benefit from generous trade preferences under EBA, in a dilemma vis-à-vis the non-LDC countries in the region. Joining an EPA would mean that the LDC members open up their market to EU products in a reciprocal basis, which they may not wish to do..

To effectively build on and strengthen regional integration, EPAs have to strike a careful balance between stimulating the creation of effective regional markets in the ACP and respecting the autonomous regional integration agenda of ACP countries. Many ACP policy makers recognize that EPA negotiations have already contributed to focus the attention and mobilise efforts of national and regional authorities on their respective regional integration processes, with an increased credibility. At the same time, EPAs should not lead to regional integration in the ACP at a forced speed, along the lines of an EU-driven vision and agenda of integration. Regional priorities, concerned and constraints have to be respected and fully taken into account in the design of an EPA. The European Parliament, among other key actors, will have an important responsibility in ensuring that the EU does not impose its regional integration model or vision on ACP countries and regions, and that EPAs fully reflect the regional priorities of the ACP.

* For more papers that address regional integration from different perspectives, see, Bilal (2005, 2004a, 2004b), Bilal and Page (2001), Charalambides (2005) and ECDPM InBrief series No15 *Overview of Regional EPA negotiations*, www.ecdpm.org/regionalepainbriefs

2 Progress with the EPA negotiating process

2.1 Different expectations in the EU and the ACP?

The negotiations have been structured around two main phases. The first phase, extending until September 2003, took place between the European Commission (EC) and the ACP group as a whole. The objective of the all ACP phase was to define the format, structure and principles of the negotiations. Phase II of the EPA negotiations opened in October 2003 at the

regional level, between each of the self-determined ACP regional groupings and the EU. Since the start of the negotiations, EPAs have created a great amount of tension among the two negotiating parties. Even on the objectives of Phase I of the negotiations, the ACP and the EU had a different opinion. More remarkably, three years into the substantive phase of the negotiations, and although some progress has been achieved⁶, the prospect of EPAs has raised serious concerns and led to further divergences between the EU and the ACP on a wide range of issues, most importantly the approach to development.

For the EU, EPAs will foster development mainly through trade liberalisation and the creation of the right policy framework to attract investment. By creating free-trade areas among themselves and with the EU, the ACP countries will benefit from trade, fostering economic growth and hence development. In addition, by building on the ACP regional integration processes, EPAs should contribute to the establishment of effective regional market in the ACP, thus attracting and stimulating (both domestic and foreign) investment, a necessary condition for sustainable development⁷.

From an ACP perspective, however, EPAs only make sense if they foster development. While most of the ACP states would agree with the EU on the development opportunities entailed in an EPA, they tend to consider trade liberalisation and regional integration as necessary, yet far from sufficient conditions to foster development and alleviate poverty. In other words, creating large open regional markets and increasing export opportunities for the ACP require adequate institutions, policies and resources to adjust and foster the necessary economic transformation and to produce and market their goods competitively. It is at the interface between trade and development that the EPAs have yet to emerge as coherent development instruments.

Many stakeholders from ACP countries, some EU member states and a large coalition of southern and northern non-governmental organisations (NGOs) (under the umbrella of the 'Stop EPA campaign') maintain that the current EPA negotiations do not include those elements required for economic development and export growth to actually occur, and have increasingly been voicing these concerns. According to the 'Stop EPA Campaign', the creation of a free-trade area between countries with such different development levels would disrupt local production and government revenues, create unemployment and impose liberalisation of services and investment regimes, ultimately increasing poverty rather than reducing it.

In fact, although the CPA explicitly refers to EPAs as the option for new trade agreements, such arrangements are not the only possibility envisaged in the Agreement text. Neither the EU nor the ACP are bound to conclude EPAs, as Article 37 of the CPA explicitly offers the possibility for alternative arrangements, distinguishing between the two cases of LDCs and non-LDC ACP countries.

Earlier this year the range of alternative options to an EPA was presented by ECDPM⁸. These include *alternative EPAs*, which comply with GATT Article XXIV (in its current or revised form) and *alternative to EPAs*, should the new trade regime deviate from the reciprocity principle, and thus fall outside of the scope of GATT Article XXIV. The EU considers that the EU GSP is the only alternative to EPAs. This would imply that the enhanced version of the EU GSP, named GSP+ would apply to non-LDC ACP countries and LDC ACP countries would benefit from the 'Everything but Arms' initiative, granting LDCs duty-free access to the EU market for all products. The EC stresses that this would be a second-best option, dealing only with duty and

⁶ See ECDPM Regional Inbriefs series, the periodical *Trade Negotiations Insights* (www.ecdpm.org/tni) and www.acp-eu-trade.org/news for regular updates on the EPA Negotiations. ECDPM has outlined the technical issues that have been discussed in previous EU FTAs (*FTA InBriefs*) and that will be negotiated in the EPAs (*EPA InBriefs*).

⁷ For a more elaborate discussion of the economic effects associated with EPAs, see Szepesi (2004). For a review of some independent impact assessments of the EPAs, see McQueen (1999), Roza and Szepesi (2003) and Szepesi and Bilal (2003).

⁸ For a more elaborate discussion of alternatives to EPAs, see Bilal and Rampa (2006a).

quota restrictions, and that the ACP would then miss on the opportunity to build effective regional markets and fail to address real market access issues.

Whereas each scenario differs in scope and in terms of their political feasibility and acceptability each ACP country and region should through a consultative process identify the relevance of various alternative trade regimes in relation to its overall national or regional development strategy. The current formal and comprehensive review of EPAs could provide a good opportunity to consider the options available.

2.2 How to ensure development friendly EPAs?

Despite wide divergences on the approach, both the EC and the ACP agree that EPAs are above all about development. It could be argued that for the positive development effects of EPAs to be brought about, the EPAs must exhaustively address the various linkages between trade and development.⁹ In this context three categories of measures seem to be important:

Trade (-related) regulations: The trade and trade-related provisions of the agreement will need to take account of the specific needs and vulnerabilities of the ACP countries and regions. If the rules and measures in the EPAs do not reflect these specificities, the ACP will probably not benefit from the free trade agreements, despite the merits associated with trade liberalisation. Examples of necessary measures are asymmetric trade liberalisation, allowing ACP countries to postpone and/or exclude sensitive products from trade liberalisation in the EPAs, while the EU liberalises all imports from ACP from the date of entry into force of EPAs.¹⁰

Accompanying measures and policies: Accompanying and adjustment measures and policies will facilitate the preparation, negotiation and implementation of trade and trade-related measures and are necessary for ACP countries to reap the benefits and meet the challenges of trade liberalisation with the EU. Indeed, trade rules alone cannot deliver on the development promise. They need to be framed within a set of policies and accompanying measures to be able to stimulate economic growth. Since trade rules generate winners and losers, they also need to be complemented by parallel economic and social policies to ensure a fair and equitable distribution of the benefits from an EPA.

Effective processes for support delivery: Effective and efficient delivery of assistance is required to finance the adjustment and accompanying measures. If promised support is delayed by heavy procedures for example or does not actually reach the intended beneficiaries, the ACP will not be in a position to benefit from the opportunities offered by an EPA.

The human and institutional capacity to negotiate and implement the trade agreements are two major cross cutting issues that affect the possibility of EPAs to be real development instruments. ACP countries are currently engaged in several negotiations; namely at regional integration level, with the EU in the EPA negotiations and at a multilateral level in the WTO negotiations. Many of the issues are actually discussed at all three levels and outcomes at one level may have a profound impact on the negotiations at other levels. It is therefore crucial to build and strengthen the ACP capacities to prepare and negotiate these various trade agreements¹¹. Once concluded capacity is also needed to implement these agreements.

⁹ See Bilal and Grynberg (2007) for a general discussion.

¹⁰ For a synthesis presentation of trade (and investment) provisions of EU FTAs with developing countries, see ECDPM *InBrief* series No. 6 *Comparing EU Free Trade Agreements* (www.ecdpm.org/ftainbriefs). The ECDPM *InBrief* series No 13 *Negotiating Economic Partnership Agreements* (www.ecdpm.org/epainbriefs) intends to outline topical trade issues in EPAs. Note that trade-related provisions are often closely connected to accompanying and support measures, as in the case of investment for instance (see Velde and Bilal, 2005 and 2003)

¹¹ For more information on (trade) capacity building, see, Bilal (2003), Bilal and Laporte (2004), Bilal, Laporte and Szepesi (2006), Bilal and Szepesi (2006, 2005), Bouzas (2004), Dunlop *et al.* (2004) and Solignac Lecomte (2001).

Besides the capacity constraints, another factor that will influence the extent to which the ACP countries will benefit from EPAs is the quality of institutions. Institutions, which were long neglected as a factor of importance, have recently received a lot of attention and are now considered one of the most important determinants of economic growth. In a similar fashion, the relationship between institutional quality, trade openness and economic growth has been researched as well and concluded that for many (not all) ACP countries the level of institutional quality is that low that they are unlikely to reap benefits from trade liberalisation¹². Institutional development is therefore a prerequisite for the EPAs to succeed in their objectives.

2.3 Aid for Trade: More and better?

As discussed above, for EPAs to become instruments of development, the ACP countries need to engage in complementary reforms and adopt appropriate accompanying measures, address their supply side constraints and the competitiveness of their products. The Aid for Trade (A4T) debate that has been ongoing at multilateral level is an attempt to address some of these challenges¹³. The A4T initiative recognizes the developing countries' needs for (financial) assistance to be able to take advantage of the potential benefits from liberalized trade and increased market access and to facilitate their integration into the multilateral trading system.

The EU acknowledges the constraints but argues that the EPA negotiations, as foreseen in the Cotonou Agreement, were about trade and trade-related issues only. Secondly the development assistance for the ACP is already covered through the European Development Fund (EDF). The 10th EDF amounts to €22.7 billion for the 2008-2013 period. It should also be noted that the EC does not have the mandate from EU member states to enter negotiations on development assistance.

At the General Affairs and External Relations Council (GAERC) on 17 October, however, the EU Member States agreed to provide bilateral funds for Aid for Trade on top of the EDF administered by the EC. These conclusions establish an explicit link between Aid for Trade and the development support for EPAs. A substantial share of this trade-related assistance (€1 billion by the European Community and €1 billion collectively by EU Member States) will be earmarked to support the EPAs.

The additionality of these funds remains to be seen. Some fear that little extra support will be provided and that the EU commitments will be honoured by re-labelling existing aid commitments towards trade and regional integration objectives¹⁴. The €2 billion trade related support will serve to finance trade policy and regulation as well as trade development. For the trade related infrastructure, supply side constraints and adjustment costs, the European partners will endeavour to provide extra support but no explicit commitments were taken. Beyond the amounts of support, the delivery mechanisms and procedures will need to be carefully designed to ensure the effective disbursement of funds. Indeed, given the operational weaknesses of the EDF (such as low levels of disbursement or cumbersome procedures), it could be questioned whether this is the most appropriate instrument for effective, timely and efficient delivery of A4T resources. The European Parliament, together with other European and ACP stakeholders, should closely monitor this process. They can play a catalytic role in ensuring that appropriate additional resources and effective and timely delivery mechanisms are set in place to accompany the implementation of EPAs.¹⁵

¹² For more information on the importance of institutional quality, see Busse et al (2006).

¹³ For more information about the development dimension of EPAs and A4T, please see Bilal and Rampa (2005).

¹⁴ For a more elaborate analysis of the GAERC Conclusions, see ECDPM (2006a).

¹⁵ See ECDPM (2006b) for a preliminary discussion on EPA-related support mechanisms.

2.4 The 2006 EPA Review: re-orienting the course of the negotiations?

After having agreed to postpone the review of the EPA negotiations in 2004 to 2006, the review is currently taking place. The review of the EPA negotiations, which is called for in CPA Article 37.4, provides an opportunity to reassess and further harmonize the relationship between regional integration and EPAs, taking into account the objectives and capacity constraints of the regional groupings. For this Review to be really meaningful, however, and to facilitate the conclusion of a new trade regime between the ACP and the EU that effectively fosters the development in the ACP, it must entail a comprehensive process. Indeed, the EPA Review could provide not only an opportunity to assess the progress made and difficulties encountered in each EPA region and its member countries. It can also serve to better specify the direction for a truly development-oriented new trade regime between the ACP and the EU. In that sense, the 2006 Review of EPAs may provide the right momentum to put in place a continuous monitoring mechanism of EPAs, during their negotiations and most importantly during their implementation phase.

Designing such a monitoring is no easy task since there are so many areas to be monitored and the EU and the ACP have diverging opinions on the specific goals to be met by the EPAs.¹⁶ Yet, the 'development benchmarks' approach may offer a possible way to address these difficulties. Development benchmarks would ensure clarity on the assumptions and values underlying the monitoring exercise and on the specific methodology adopted. Credibility, transparency as well as ownership of the monitoring exercise would be maximized, assisting those concerned about the uncertain development content of EPAs. Those, like the EC, who believe the development content of EPAs is already present, could use the benchmarks to show that current EPAs actually fulfil the development expectations.. In addition, the 'development benchmarks' could also provide an important analytical tool for ACP negotiators to assess the outcome of EPA negotiations and to ensure that trade liberalisation works in favour of sustainable development. It would also strengthen the capacity on the ACP side to undertake comprehensive consultative processes to prepare for the negotiations. This would certainly facilitate and improve the broader discussions on the economic, development and institutional impact of EPAs.

The Review may also serve to identify possible new directions.¹⁷ In this regard, all possible scenarios for an EPA or alternative arrangements could be considered. It is arguably unfortunate that the Review in some regions is taking place only among the negotiators themselves. It is important for the Review not to be confined to a joint assessment by ACP and EU EPA negotiators, but that more stakeholders from the private sector, civil society and other ACP and EU institutions are involved.

2.5 What impact of EPAs on the ACP and the ACP-EU partnership?

When (or if) concluded, EPAs will have a profound impact on the ACP countries and regions. The ambition is to develop open, regionally integrated markets, conducive to economic activities and that effectively contribute to sustainable development and poverty alleviation. However, to be meaningful, EPAs cannot be an end in themselves. They must be embodied in and stimulate a broader development agenda that would entail major domestic reforms and adjustments, including at the institutional, productive and infrastructure levels, as well as in terms of governance and social policies. Under these conditions only can the grand design of an EPA deliver on its development promises.

¹⁶ For an initial discussion on monitoring EPAs, see Bilal and Rampa (2006c).

¹⁷ See Bilal and Rampa (2006b).

For this to happen, three conditions are required:

- (1) the strong political will and commitment of the ACP countries and regions to engage in far reaching reforms,
- (2) the ability of the ACP to elaborate and implement such a comprehensive development agenda, and
- (3) a genuine engagement from the part of the Europeans and the international community, respecting the priorities set by the ACP countries and regions, and providing appropriate support to facilitate and accompany the ACP transformations and help address their various capacity constraints.

The immediate challenge is to anchor the EPA agenda into a broader development strategy and domestic reform agenda, as well as to ensure an effective implementation of the various dimensions of the CPA, A4T and other complementary initiatives. How will the ambitions for development of EPAs and the various commitments be made operational?

In the longer term, the pertinence of the ACP-EU partnership and of the ACP Group itself will also have to be reassessed. EPAs have been initially presented by the EU as agreements focusing trade-related issues only, the other dimensions of the ACP-EU partnership (i.e. development cooperation, political dialogue and governance, and the participation of non-state actors) being covered by the CPA. However, recent events suggest a slight shift of approach, with the explicit recognition that discussions on development support are intrinsically linked to the EPA negotiations, notably but not only through the earmarking of fund for EPAs under the A4T initiative. In addition, EPA negotiators in various groupings are also considering how various provisions of the CPA not directly related to trade could be included in the legal text of an EPA, hence building on the *acquis* of the CPA.¹⁸ When entering into force, an EPA could thus cover elements beyond trade matters. In fact, looking at the approach of the EU with other (non-ACP) partners, its recent free trade agreements have generally been embodied in broader agreement, covering not only trade, but also development cooperation and political dialogue. This is the case for instance of the EU relations with Chile, Mexico, South Africa, Mediterranean countries in the context of the Barcelona process, its association agreements with Balkan states and the approach followed in the context of its new Neighbourhood Policy. The EU is also currently pursuing such comprehensive approach with Latin American and Asian countries. In this context, one could expect pressures over time to regionalise the ACP-EU partnership along EPA configuration. The recent Africa Strategy and Caribbean Strategy of the EU might be perceived as first parallel first initial steps in that direction. The question at stake is not so much what will happen to the ACP-EU partnership after 2020, when the CPA will expire, but rather what will be the value added and role of the ACP Group and the relevance of an overarching ACP-EU framework of partnership? Should EPAs be then extended to include political and development cooperation dimension besides trade, or should the ACP remain the prevailing umbrella, and to which end?

Both the ACP and the EU agree that the EPAs should be instruments based on and reinforcing the regional integration process in the ACP sub-regions. However, the parties still disagree on the timeline and on the ambitions of the negotiating agenda. The question does remain how to shape an EPA that will actually strengthen the ongoing regional integration process rather than complicate it, foster the economic and institutional development of the ACP and build on a domestic own agenda.

¹⁸ This is the case notably on the development assistance and more controversially on the possible inclusion of a non-execution clause based on CPA Art.96.

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