

EPAs and the Development Question: Which way Now?

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Presentation outline

- Brief background on the EPAs, ACP-EU Relations and EU-RTAs Global Trends
- The Development Question: Requires 'innovation' re: a) scope and design of EPAs and b) WTO rules on North-South RTAs
- The legal and economic arguments:
 - Opportunities, challenges and threats
 - Options currently 'on the table'
- Be wary of the Draft Agreements (e.g. EU-ESA EPA): Promising Everything – Can they deliver all?
- Conclusions and key recommendations

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EPAs Principles and the Development Question

- The legal and development road to Reciprocity and Singapore Issues: A tale of two stories
 - Need for WTO-compatibility
 - Preferences didn't work – or did they?
 - The legal case: what about the Enabling Clause & SDT?
 - Various interpretations of Article 24 of GATT
- The development argument: Different visions of pathways to development – Innovation and policy choices (space) vs 'conservatism' and a 'risky' faith in the capabilities of market driven approaches to devt

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Potential challenges and Threats

- Static vs dynamic arguments/ trade integration vs economic growth and poverty reduction.
- Fiscal revenue losses and impact on poverty reduction efforts
- The adverse impact of premature competition as a result of reciprocity – threat of specialisation in primary commodity products (threat to structural diversification of ACP economies)
- Basic EU-EPA (design & scope) weak on both legal and development grounds
 - Some ACP proposals innovative despite timid advocacy

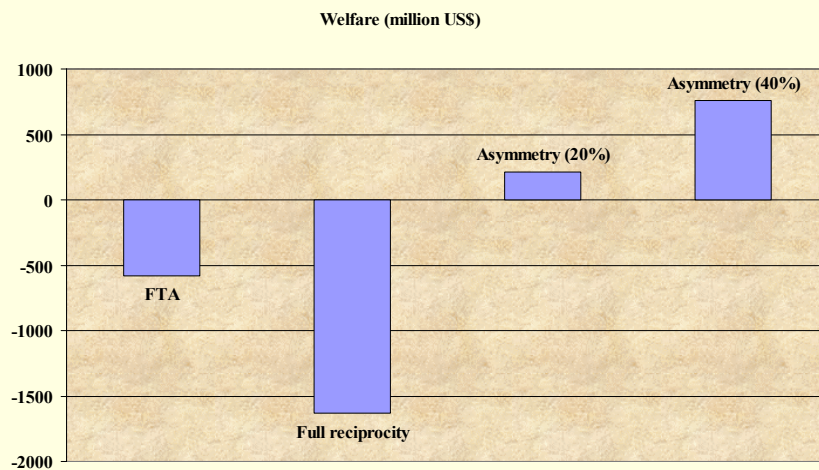
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Opportunities

- Present real chance to design truly developmental trade agreements (i.e. addressing supply side constraints and T. costs)
- The world is 'integrating' and ACPs risk losing out...
- Better rules of origin, legal sureties, possibility of binding EU-aid commitments.
- Stimulating competition, enhancing efficiency etc

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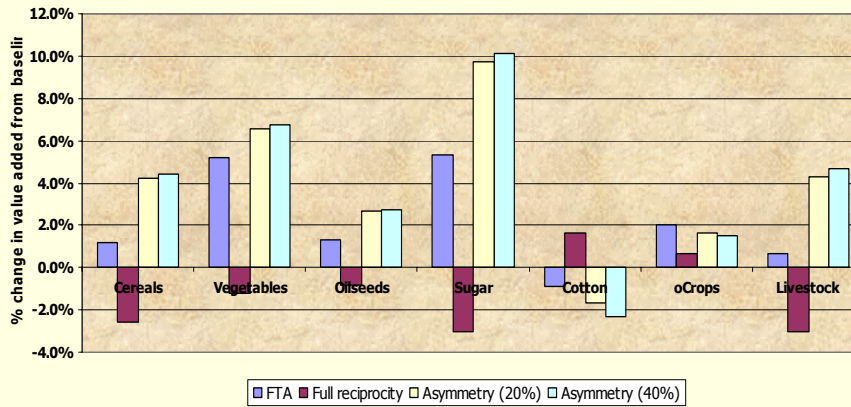
Potential Welfare gains for SSA- (source:Karingi, 2005)



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Primary commodity specialisation

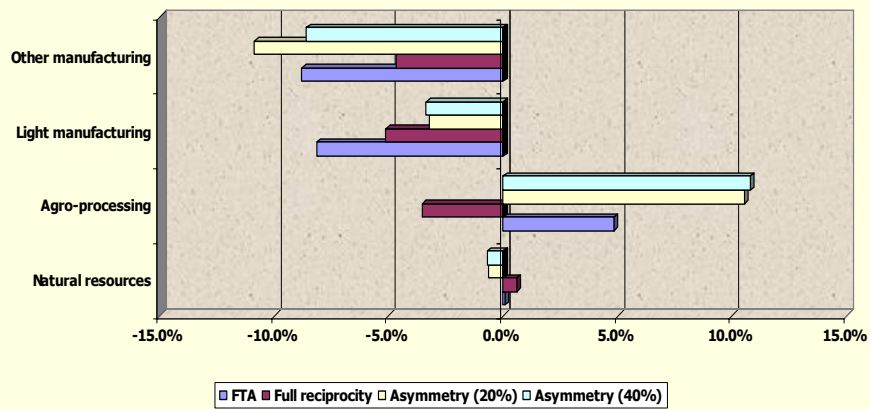
SSA to specialise in primary commodities



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Real threat of de-industrialisation

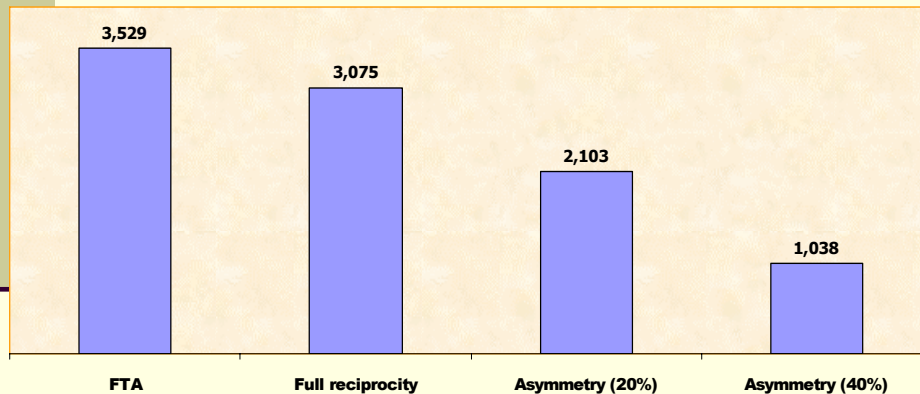
Manufacturing sector a concern



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Potential Losses in Fiscal Revenues

Fiscal losses due to EPAs (US\$ million)



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Design and Scope of Various EPA Options

- Basic EU-EPA
- EPA 'Frankenstein'
- The EPA 'Light' – Mauritius/ESA – different speeds, different sequencing
- EPAs with explicit SDT (ACP submission to WTO/ESA)
- EPAs with Development benchmarks (ESA/Cape Town Declaration)
- The EPAs 'Menu' Approach (Pacific region proposition)
- Country-Specific EPAs – the legal reality save SACU!
- Alternatives to EPAs (EBAs for All, Enhanced GSP etc)

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EU-ESA EPA Draft:

- Too Good to be True? Promising everything – can it deliver all?
- Development benchmarks, asymmetry, 25 year transitional period, initial strengthening of ESA markets, EPAs as development instruments, plus EPAs accompanied by development support programmes, mainstreaming EPAs into ESA's development agenda, SDTs for LDCs and small island states, maintaining the beef, banana and sugar protocols, preserving pre-existing RIs...
- The sheer scope of the draft – from goods to energy, natural resources, fisheries, biodiversity etc.
- What is the EU up to?

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Key conclusions and Recommendations

- Full reciprocity poses a real threat to Africa's development and poverty reduction efforts.
- Trade integration does not equal economic growth or poverty reduction!
- Truly developmental EPAs will require great innovation – ACPs are getting there but need to be more serious and less timid!
- Various EPA models not necessarily mutually exclusive.
- The worst case scenario is the basic EU EPA!

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Conclusions

- EPAs will portend significant adjustment costs: de-industrialisation; fiscal and BOP imbalances.
- Revenue shortfalls may lead to substantial cutbacks in public expenditures.
- Consumers may benefit but such benefits likely to be outweighed by welfare losses suffered by producers and the government.

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Key recommendations

- Different speeds, different sequencing key: based on trade, development and financial needs of individual countries
- Deepen ACP regional integration and address supply side + T.costs first
- Not a taboo to consider disentangling RI from EPAs altogether (EPAs Menu approach)
- Peg EPAs negotiations on WTO negotiations re: Article 24 and SDT.
- Never trust the rhetoric and too many good promises - verify with existing WTO rules and probability of changing the rules!
- Know your friends – within Europe and in ACP countries.

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Don't Mourn, Organise!!

■ Thank You!.

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