

MP Briefing: Economic Partnership Agreements September 2007

Once the final negotiations have been concluded, the UK Parliament should be asked to ratify Economic Partnership Agreements (EPAs). These are new trade deals that the European Union (EU) has been negotiating with 76 countries in Africa, the Caribbean and the Pacific (the ACP), including many of the world's poorest countries. If they are not changed dramatically in the next few months, they will threaten the futures of up to 750 million people.

Will the Liberal Democrats pass the trade test?

In recent years each of the main UK parties has committed to tackling world poverty - in their 2005 manifesto commitments, policy statements and speeches. They have also recognized that tackling unfair trade rules is vital to achieving this aim. Speaking to the All Party Group on Overseas Development in June 2007, shadow International Development Secretary Lynne Featherstone MP said:

'I hope that a key objective of international trade policies must be to stimulate sustainable development. No country has ever been lifted out of poverty by aid alone...'

... The WTO operates on a principle of "one country, one vote", yet we have failed to give the poorest nations a voice in international trade negotiations... Negotiations are characterised not by serving the best interests of the developing world, but by protecting domestic interests.'

But while world trade talks flounder, the EU is putting the finishing touches to little known trade talks that are set to devastate the lives of millions of poor people around the world. If their commitments to tackle world poverty are to pass the test, the Liberal Democrat Party must step up the pressure on the UK Government to act urgently as EPA negotiations enter their final stages.

Request to MPs

- Please write to the Secretary of State, Douglas Alexander, asking him to ensure Parliament is given a proper opportunity to scrutinise EPAs at the earliest opportunity.
- Please table Parliamentary Questions and/or request a debate on EPAs. In particular, please ask what the transitional arrangements will be for ACP countries that are not ready to sign EPAs by the end of 2007.

EPAs – the basics:

The ACP have been split in to six regional groups to negotiate EPAs with EU trade officials from the European Commission (EC). The EC has been given a mandate to conduct negotiations on behalf of all EU Member States. Negotiations began in 2002 and are due to conclude in December 2007.

EPAs are intended to replace existing trade agreements that give ACP countries preferential access to EU markets and were meant to herald a new era of partnership between ACP countries and the EU.

Fundamentally flawed?

Trade Justice Movement research indicates that the EPA deals being pushed by the EC will be seriously anti-development. ACP countries have much to lose and very little to gain:

- **Social spending cuts:** The removal of tariffs will slash ACP governments' budgets and very likely hit spending on health and education. For example, Burundi's potential loss of US\$ 7.6 million in tax revenue is equivalent to losing a dollar per person in social spending. Zambia is predicted to lose US\$15.8 million – equal to the government's annual spending on HIV/AIDS.
- **Job losses and de-industrialisation:** The deals will allow ACP markets to be flooded with subsidised European products. This will damage the development of value-added goods, including sectors such as agro-processing, clothing and textiles (often seen as the basis of industrialisation), while hitting small and medium producers and poor workers.
- **Regional integration undermined:** Building up trade within Africa is more important than exporting to the EU. This is supposed to be a key aim of EPAs, but they are set to undermine it. Imports from the EU to Burkina Faso, for example, would increase by about 8% or US\$ 40 million, while also displacing Burkina Faso's exports to other West African countries, which would drop more than 6% (or US\$ 2 million) as a result.
- **Strong arm tactics by the EU:** Successive WTO meetings have failed partly because poor countries refuse to agree to what they believe would be damaging trade deals. EPAs look set to be even worse for poor countries as the EC is using the deals to force through issues which poor countries previously rejected at the WTO, such as investment liberalisation. The EU, despite rhetoric to the contrary, is also threatening to make aid disbursements conditional upon the signing of EPAs.
- **No alternative:** The EC is obliged to offer an alternative deal to poor countries that do not want to sign an EPA. Options exist but so far the EC has refused to discuss them.

Global opposition – governments, parliaments and citizens

- **From the start** ACP countries have raised serious objections to the content, process and speed of the talks, questioning the EU's commitment to making trade work to alleviate poverty.
- **In the UK** over 100,000 letters, postcards and emails have been sent to the UK Government raising concerns, alongside campaigning in more than 30 EU and ACP countries.
- **ACP countries have made it clear that they are not ready to conclude the talks.** In June the African Union Heads of State, representing two thirds of the ACP, formally requested the EU to: *'put in place transitional measures that will safeguard the continued entry of African exports to the EU market beyond December 2007, given the low likelihood of satisfactorily addressing all outstanding EPA issues as well as the impossibility of completing EPA ratification process by the end of 2007.'*

What is the UK Government doing?

- The UK Government has raised concerns with the EC and other EU member states, stressing that the ACP must not be forced to open their economies prematurely. But so far these efforts have had minimal impact.
- The EC has shifted its rhetoric to some degree in response to UK lobbying, but the reality of the negotiations tells a very different story. The EC continues to make demands of poor countries that will seriously damage their prospects for sustainable development (see opposite). The UK Government is in danger of accepting the EC's rhetoric at face value and signing up to agreements which go against their trade and poverty reduction commitments.
- Gordon Brown has indicated his belief in bringing trade and development policy together to help tackle poverty, by transferring authority for EPAs from the former DTI to DfID. This provides DfID with the opportunity and the responsibility to assess EPAs against clear sustainable development criteria and to state unequivocally that it will not support deals that do not match up.

What happens next?

- Each EU member state has committed to review the EPA texts and the EC's progress on the 'development aspects' of EPAs this October. The UK Government must take this review seriously, given the EC's disappointingly inadequate review in early 2007 and the desperate need for scrutiny of the negotiations.
- In the UK EPAs are expected to be laid before Parliament in the form of draft Orders, and will have to be approved by a resolution of each House. However it appears that there is no obligation for detailed debate or discussion by Parliament, despite the far-reaching implications of EPAs. It is critical that Parliament steps in to ensure proper democratic oversight of the deals.

What the UK Government must do:

- Provide the UK Parliament with the opportunity to scrutinise the texts as part of the Member States review in October and publicly state that it won't sign any trade deal with the ACP before Parliament has been fully consulted and clear sustainable development criteria have been met.
- Take a lead among member states to establish an independent expert panel to scrutinise the proposed texts, suggest amendments, and identify alternative trade arrangements that will help to reduce poverty. They must also push for full impact assessments to take place in each ACP country before any agreements are signed.
- Use its full influence to stop the EC from pressuring ACP countries to sign deeply unfair and damaging trade deals. Demand that the EC provides immediate guarantees that tariffs will not be raised in January 2008 if EPAs are not signed, ensuring that trade will not be disrupted if no agreement is in place by then.

This briefing was prepared for the Trade Justice Movement by Traidcraft Exchange

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Trade Justice Movement

Mind the gap: the gulf between the EC's rhetoric and reality

There has been a serious lack of scrutiny of the EPA negotiations within the EU and its Member States. Most of the decisions are being taken behind closed doors. Time and again, the EC appears to be abusing its powers - as cautioned by the UK International Development Committee in its report of March 2007, which stated:

'we remain concerned that the EU is abusing its position in the partnership...'

DfID must carefully compare speeches from the European Commission with the actual negotiating texts. The rhetoric and reality of the negotiations are very different and time is rapidly running out for the UK Government to take action.

Rhetoric (EC speeches)	Reality (EC negotiating texts and behaviour)
The EC says ACP countries will have the 'flexibility' to open up their markets slowly, over as long as 25 years.	There is little evidence to support this: actual draft texts from EC negotiators for Southern African and West African regions refer to 'transition periods' of a maximum 10 to 12 years - or less.
The EC's recent 'generous' market access offer for ACP exports to the EU, came with great fanfare.	The market access being offered is the minimum that the EC promised at the beginning of negotiations, yet the ACP are expected to make major concessions in return.
All six ACP negotiating groups have said that they are working to conclude negotiations on time.	ACP governments are working towards the deadline in good faith out of a belief that trade agreements can support development, and in response to threats from the EC that they will disrupt trade from January 2008 in retaliation for any delay in signing the deals. Prior to such threats from the EC, West African ministers had requested a three-year extension.
The EC says Intellectual Property rules are good for investment.	The EC is putting its desire to maintain economic growth and competitiveness above the needs of ACP countries. Strict Intellectual Property rules could block poor countries' access to technological know-how and seed-sharing.
The EC says countries won't be forced to negotiate rules on investment – rules that the ACP have repeatedly stated they do not wish to negotiate on, first at the WTO and now in EPA talks.	Reports from ACP regions and study of draft texts suggest the EC is still pressing the ACP to commit to opening up these areas either now or in the fairly near future. Worse still, EC comments indicate that aid will be made conditional upon negotiation of these issues.
The EC has always said there will be impact assessments to judge the likely consequences of EPAs on each country.	Impact assessments so far have been very patchy at best. Full assessments are now impossible in the time remaining given the deadline of concluding talks by the end of December 2007.
EC trade staff say that the only alternative to signing EPAs is the Generalised System of Preferences (GSP) - leaving key exporters worse off.	The GSP is not the only alternative. Recent reports point to an enhanced 'GSP+' as a viable alternative. Most ACP countries could meet the eligibility criteria for this, and it would offer far more generous market access than the GSP.

Behind The EU's Rhetoric

'When the chair of the ACP Ministerial Council writes to the EC a letter requesting alternatives and we are told that we have not requested alternatives, we start to wonder what form of communication we should use and if there is a communication failure.'

African Union – Francis Mangeni, trade advisor, March 2007

*'We feel that we are in a pressure cooker, the lid is held firmly shut by the EU and **we are crying out for breathing space**. The EU relates to the ACP with scorn as if to countries holding begging bowls.'*

An ACP ambassador - Anonymous quote, February 2007

*'We remain concerned that the EU is **abusing its position** in the partnership to persuade the ACP countries that the New or Singapore Issues are for development and by implying that there may be penalties if they reject them'*

International Development Committee, House of Commons, 6 March 2007

*'Outside of DG Trade it has been **impossible to find anyone with a good word to say about EPAs.**'*

EU Parliament - Robert Sturdy MEP, in charge of a European Parliamentary Trade Committee inquiry into EPAs, speaking in May 2006

An Impossible Deadline

*'We will not rush to conclude negotiations due to the deadline and risk ending up with a bad EPA. That would be **disastrous**'*

Pacific - Hans Joachim Keil, Pacific Lead Negotiator

'Globally there is a huge concern about the deadline of end 2007. All the stakeholders interviewed agreed that this deadline couldn't be met for concluding the agreement under the current position ...'

UN - UNECA, African Trade Policy Centre, December 2006

A Threat To Poor People

'We won't sacrifice future generations for a bad economic partnership agreement.'

Tuvalu - Hon. Lotoala Metia, Minister of Finance, Economic Planning, and Industries, February 2007

'Africa needs tariffs and the ability to raise and lower them to protect food security crops and infant industries... EPAs are removing the very tools for development that the EU used in the past.'

Kenya - Small-Scale Farmers Forum, Mombassa, September 2006

*'Committing to such an Economic Partnership Agreement is committing yourself to a blank cheque and **committing your whole population to a blank cheque...**'*

'In West Africa, we did not do impact studies, so we cannot sign an agreement.'

Senegal - Mamadou Diop, Trade Minister, speaking in Brussels, October 2006

*'EPA negotiations are a **threat to the well-being** of our people and our economic development.'*

Leaders from Eastern and Southern African churches – formal statement, April 2007

*'EPAs are not purely a new concept but are meant to reinforce the liberalisation of ACP economies ... the fear that trade liberalisation will result in a flood of cheap imports, destroying 'infant' local industries and **creating mass unemployment**, is a reality.'*

Southern African trade unions – Lucia Matibenga, President of SATUCC, January 2007