



## Economic Partnership Agreements: What Every Parliamentarian Needs to Know

Policy Briefing Paper # 2  
June 2007

The European Union (EU) is currently negotiating **Economic Partnership Agreements (EPAs)** with 77 States in Africa, the Caribbean and Pacific (ACP).

For the past three decades, ACP countries have had non-reciprocal preferential access to European markets through the Lomé and Cotonou agreements. EPAs will dramatically change this relationship. EPAs will establish reciprocal, two way trade preferences and will be essentially Free Trade Agreements (FTAs), creating free trade between the EU and ACP countries, with no duties or quotas on substantially all trade between the regions.

Thus, **in order to continue enjoying duty-free access to Europe's markets, Africa has been told to open its own markets in return.** According to the negotiation schedule, EPAs are supposed to take effect on 1 January 2008. EPAs will be reciprocal, legally binding agreements with no end date; they represent a point of no return.<sup>1</sup>

### Liberalization Beyond Structural Adjustment Programmes (SAPs)

In the early 1980s, many African countries underwent comprehensive policy reforms through Structural Adjustment Programmes (SAPs), funded and initiated by the World Bank and the International Monetary Fund (IMF).

In severe debt, African countries took on the "belt-tightening" measures required by SAPs, under the theory that cutting back on social programs and undergoing trade liberalization would lead to economic growth.

In Africa, a significant component of SAPs was the reduction of trade controls. These experiments in trade liberalization did not lead to overall increased economic performance. Instead, as the U.N. Special Rapporteur on Economic, Social and Cultural Realization, Danilo Turk, pointed out, SAPs brought high social costs and affected the realization of many human rights, including the rights to food, work, health and adequate housing.<sup>2</sup>

EPAs, like SAPs, represent yet another step in trade liberalization - a step which Parliamentarians must carefully consider before agreeing to take. As the representatives of the people, Parliamentarians have an oversight, legislative, and representative role.

**EPAs must be ratified by individual countries before they come into force. Thus Parliamentarians must ensure that trade agreements are based on a people centred perspective,** rather than on a narrow economic centred perspective.

Parliamentarians must ensure that thorough assessments of the likely impacts of EPAs are carried out and that these findings are taken into consideration. Ultimately, they must shoulder a great responsibility to ensure that their country only enters into a trade agreement that will truly benefit their constituencies.

<sup>1</sup> See COTONOU Agreement. WTO GATT Art. XXIV 8(b) defines a Free Trade area as duties and restrictions on commerce eliminated on "substantially all trade." This phrase has been interpreted as requiring "free trade" for no less than 80% of commerce.

<sup>2</sup> Economic and Social Council, *Realization of economic, social and cultural rights: 2nd Progress Report prepared by Mr. Danilo Turk, Special Rapporteur*, 18 July 1991, E/CN.4/Sub.2/1991/17.

African Parliamentarians need to pay close attention to both the negotiating process and the basic tenets of the EPA texts.

### Problems with the EPA Negotiation Process

#### → Lack of Participation & Transparency

The Cotonou Agreement was ground-breaking in requiring extensive participation of various stakeholders in the EPA negotiations. However, this has not effectively happened. **Most Africans, Parliamentarians included, are not aware of the EPA negotiations.** In many countries, the Ministries of Trade have taken the negotiations forward, leaving out Parliamentarians and even other Ministries such as Agriculture and Fisheries. Where there has been a lack of information sharing, Parliamentarians have been denied the ability to meet their responsibility and right to oversee trade negotiations.

#### → Push for Marginalizing Parliaments' Role

Lack of participation and transparency has led to Parliamentarians being sidelined in the EPA negotiations. Yet, they have an important role. Parliamentarians have not only a duty to oversee the negotiating process, but also are often responsible for ratifying trade agreements. The EU's answer to this dilemma is to further minimize the role of Parliamentarians. EU Trade Commissioner, Peter Mandelson, has suggested to African negotiators that they should implement EPAs before Parliaments go through the steps of ratification<sup>3</sup>. In other words, the EU wants to **marginalize the only step in which elected representatives can play a direct role in the EPA negotiations.**

<sup>3</sup> It should be noted that as a result of certain powers over trade policy being pooled by EU member states and ceded to the European Commission, the EC already has this right and is making no particular concessions to ACP countries. For the EU this is standard operating procedure providing the agreements do not include any financial commitments under the EU budget. African governments have negotiated in a very different institutional context, and circumventing Parliamentary scrutiny of such important agreements would profoundly undermine a stated objective of EU policy, namely the promotion of democracy and democratic control of government decision making.

*"We will include clauses to ensure for temporary entry into force of EPAs pending ratification by national parliaments. I hope you can reciprocate in doing this."*

*Commissioner Mandelson, Joint Ministerial Trade Committee, March 2007*

### Main Substantive Issues that EPAs Pose

#### → Losing Government Revenue

In countries where EU import tariff revenues represent a major source of government revenues, the EPAs would mean major losses of total government revenues, unless alternative non-trade based forms of revenue collection are established and effectively implemented. This is a particular area of concern in least developed countries (LDCs), where the IMF has found that an average of only 30 cents in every dollar lost in tariff revenues is replaced by alternative forms of non-trade based taxes.

The United Nation's Economic Commission for Africa (UNECA) estimates that Sub-Saharan African governments will lose €1.516 billion per year in tariff revenues through the full implementation of the kind of EPAs envisaged by the EU. The Commonwealth Secretary has estimated the costs of financing fiscal adjustment programmes in Sub-Saharan Africa at some €239 million per year over 10 years.





*"The EPA will change the way we collect revenue. By eliminating tariff revenue and creating consumer taxes. Our governments will pass the tax burden on to our poor, creating social inequity."*  
Grant Percival, President, Samoa's Association of Manufacturers and Exporters, February 2007

*"...whether it be liberalisation of services or of competition and government procurement, robust regulatory frameworks are needed before any liberalisation takes place"*

ACP-EU Joint Parliamentary Assembly, *Resolution on the review of negotiations on EPAs*, November 2006

The loss in tariff revenues can have a major negative impact on governments' financial capacity, thus further reducing their ability to meet legal obligations in providing basic social services to citizens.

### → Threatening Agricultural Policy Space

The EU's agricultural reforms are making European food and agricultural exports more price competitive by shifting public financial support to European agriculture from price support to direct aid to farmers.

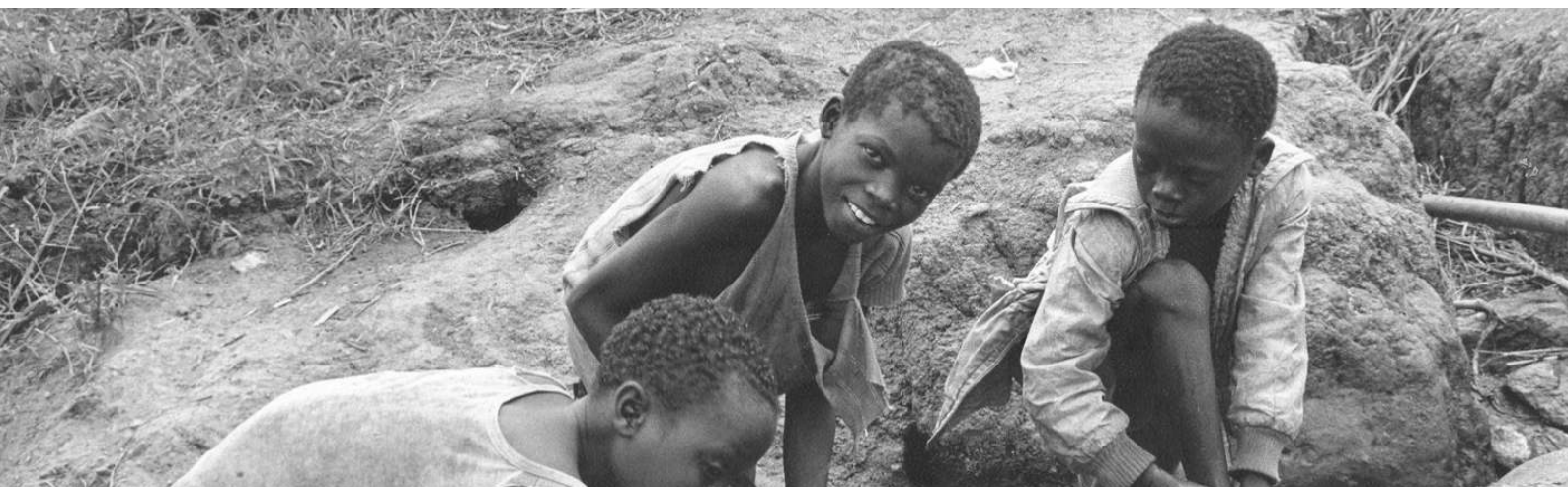
This allows prices of EU agricultural commodities to fall (in some sectors, between 50 and 75%) without affecting farmers' incomes. This simply changes the basis of EU trade distortions. Dismantling tariff protection for food and agricultural products in this context **risks pushing African farmers further into poverty and locking countries into exporting raw materials for value-added processing in Europe.**

While carefully protecting its own farmers, the EU is requesting African governments to give up their most effective tools for regulating their agricultural markets.

### → Pre-Empting National and Regional Policies

The EU has pushed African governments to negotiate in trade in services and trade-related areas. The inclusion of such provisions would have serious implications for national economic and social development, as they include water, health, education and general government procurement.

It is not just the text of these provisions which is of concern, but also how the EU will use them to create new opportunities for EU exporters of goods and services. If Parliamentarians are to have any role in determining national policies in service provision and trade related areas, these areas must not be included in a binding trade agreement with the EU.



## Recommendations

In many countries, Parliamentarians have been left out of the EPA negotiations, yet they have the ultimate responsibility to their constituents. In order to ensure that any trade deal is the best possible for their constituencies, Parliamentarians must demand transparency and accountability in the process. As a Parliamentarian, you can:

- Request the Minister of Trade to come for a Question and Answer session about EPAs. Ask for detailed updates on the negotiations and the current position of the executive in the negotiations on key policy issues.
- Make written statements, asking specific questions to the relevant Ministries about EPAs and demand detailed answers.
- As a Chairperson of a committee on gender, agriculture, labour, or other related areas, contact the Ministry of Trade for information sessions on the projected impact of EPAs.
- Verify that independent impact analyses have been carried out in your country.

- Ensure that the ratification process is being planned and will not be by-passed.
- Develop alliances with Parliamentarians of other African countries and in the EU.
- Make your position known to your Parliamentary representative in the EU-ACP Joint Parliamentary Assembly so they can better be able to defend a common position.
- Demand that the ratification process allows ample time for Parliamentarians to be prepared and make an informed decision.
- Request that the EU put forward viable pro-development alternatives to EPAs.

*" We (Elected officials) have a responsibility to all Burundians. We must position ourselves to defend the interest of the population that mandated us" .*

*Richard Nimbasha  
Burundian Senator,  
Burundi National Assembly Workshop on EPAs, April 2007*



*For more information on EPAs, please see:*

<http://www.stopthinkresist.org>  
<http://www.epa2007.org>  
<http://www.stopepa.org>  
<http://www.erodoc.be/content/home/home.php>

*Contributors:*

Dr. Paul Goodison, ERO;  
Deborah Scott, Janah Ncube, ACORD  
Ruthpearl Wanjiru Ngángá, ACORD  
Valerie Gnide Traore, ACORD