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Thank you for the analysis and the speech – you have helped me do what I wanted to do. Yash has been a mentor for many of us for a long time. We are fairly in agreement and there is nothing controversial. So I will add to what Yash has already said. I would like to give more information on EPA (Economic Partnership Agreement)-negotiations and also an illustration on how the EPA works, to be more descriptive rather than analytical.

The Economic Partnership Agreements – partnership is the word insisted upon as the Cotonou Agreement is also a partnership agreement between the EU and the ACP. These are negotiations for free trade agreements between Europe and certain sub-regions of the ACP countries, specifically the Pacific, the Caribbean and the sub-regional blocks in Africa.

The move to change from the old Lome regime where ACP countries were granted preferential and non-reciprocal access to EU markets was based on a WTO ruling. A new trade agreement which is WTO-compatible would be up for approval by the WTO in 2008. But we still have to go through this process. We are working quite hard on what kind of arrangements could be arrived at. Basically the key objective was to maintain their levels of market access and the levels of preferences they have on a non-reciprocal basis. But the EU's point at that stage was that it was not possible. If they want to keep their preferences they would have to lose the non-reciprocal nature of the agreement and form a free trade area so that what preferences the EU was giving the ACP – the ACP would also have to give to Europe. And what they are using as the benchmark for defining this free trade area is the WTO clause which says if FTA's should be 90% of all trade and liberalization should be achieved over a 10-year period. Substantially all trade and this is interpreted as 90% by the EU. And this was far more driven by what the WTO says or does not say or even by what the ACP need in their development interest and the EU's own trade policy and the European Commission's pursuit for the market access globally.

So this became the option that was channeled forward. The point here is that it was decided not because it was developmentally the best option, nor that there were no possibilities to negotiate other alternatives within the WTO or so. It was simply because the Europeans had the might and the power to push through the option they wanted given even the reticence of the ACP countries who even at the Cotonou discussion did not commit to any economic partnerships till the very end. In fact at that stage the Europeans brought in some kind of a proposal to include at the last minute migration which then disrupted all sorts of thing, and signing of the agreement actually went in a fairly rushed fashion. Another problem there with the ACP was that unlike at Cancun where we were hearing developing and African countries as saying that no deal is better than a bad deal, we were at ACP saying – any deal is better than no deal. In the case of the EU and the ACP this was the case too and this is what happened when signing the Cotonou partnership agreement. There was still some flexibility within the agreement but it is accepted that countries have agreed to negotiate EPAs. I think it is important to state that because the kinds of arguments that will come up are that, for example, if the suggestion is made that maybe countries should really just decide not to opt for being part of the EPA negotiations, the arguments from your side would be that we made an agreement to negotiate, they are told that they are already in it and now they have to be honorable in signing the EPA. Why we have to act that honorably I do not know but it is

again I think it is an argument that keeps coming up and we need to discuss and debate it with our policy-makers about the basis on which they make their decisions – like this notion of being honorable.

Anyway the kicking and screaming - ACP were dragged into the EPA negotiations very slowly. What the ACP then tried to do was establish a format where the balance of power in the negotiations could be maintained a bit more by having the ACP negotiating more collectively as many issue as they wanted and then taking to the sub regions the smallest number of issues as possible. So the ACP put on the table a proposal that cross-cutting issues that were of common interest across the board should be negotiated at an ACP level. A few issues like tariff liberalization which were more going to be in relation to what countries felt were sensitive products etc. would be done at the sub-regional level and have this in two phases. Thus we were doing the negotiations at two places. The Europeans were very much against this idea but they did try to push it. I think where the ACP lost the battle was because West Africa was won over by the argument that they were better off negotiating regionally. So within the ACP group it became clear that there was no consensus about an all ACP phase and then moving on to phase two. But West Africa declared itself ready to negotiate and move on as quickly as possible into the negotiations. The problems are that the ACP set up negotiating guidelines which were fairly acceptable especially with the orientation that they gave the EPAs, to say that the EPA are about development objectives that are about transforming the ACP economies. They were frankly being unrealistic and on the whole they were trying to square a circle. But in terms of what they had before them, they managed to carve out a reasonable negotiated guideline. They were emphasizing a development oriented perspective, but the EU was very clear that the development component comes under the cooperation. Part of the Cotonou Agreement and the EPA negotiations are purely about liberalization and offers of market access including in goods and services, negotiating rules and agreements around financial investments, about government procurement and so on. Exactly the same kind of agenda as in the WTO. In the ACP we were talking a lot about supply side constraints. We were saying that we can not benefit that much from the market, so for us to be able to produce to a standard where we can export and then benefit from the market is very difficult, although we have largely preferential treatment in many products. We need to first deal with development issues in our countries. We need more money to be put on the table to be able to address these supply side constraints. Otherwise any additional market access will not benefit us as we are right now. So these were the arguments that were being made.

The biggest point in the ACP case was that they need more aid – so it's become like they need more aid for liberalization. So when you boil it down to the bone of the matter the question can we really endorse that kind of approach from our governments even if that is the way they have decided to approach the issue. Is that an acceptable kind of compromise when one look at the problems posed by liberalization and when one looks at the fact that aid levels are declining and are never enough to compensate for the losses that will come from the EPA.

In terms of the process issues phase one started with 18 ministerial meetings on what they call development dimensions and including agriculture etc. (reports are on the web site). But they were far apart. You also get to see how the EU and the ACP were dealing with the discussions. For instance, the Cotonou-agreement did not say that we will liberalize services. But the EU was saying that we can liberalize, that we should go into services liberalization under the agreement. While the ACP were arguing that we still

need to see what we are going to do in the WTO before we move into that. And anyway services liberalization will not benefit us they said, because it is not developed enough to liberalize. But the EU said this is the way to develop it. The ACP said that the discussions were still on at the WTO and we need to see what happens there before we can discuss negotiating the Singapore issues but the EU said that it was not possible. They said that we had agreed that we would negotiate these at the Cotonou agreement and show how well we can negotiate these Singapore issues and the benefits that they will bring. But ACP said that they did not have a mandate to negotiate any kind of Singapore issue. At the end of the first phase there was a stalemate except that they all agreed that EPAs were about development. But on the basis of that after one year the ACP had identified about 17 cross cutting issues across the board and there were negotiations on only 6 of the issues. At the end of the ministerial meeting at the end of last year, to shut down phase one and the start phase two, the ministers were saying that we could move towards the second phase, saying that there was a huge degree of convergence (though there was not) and go to the sub-regional levels. Politically they felt they needed to move on and there were people who were wondering how this happened because it was not the case at all. Again part of that was the issue of West Africa who wanted to move on towards the second phase. In all fairness it needs to be said all those countries that were not happy with phase one could go slowly and later to the next stage, but on the other hand everyone in the end decided to move together. Phase one is finished and let us move on to phase two. Herd mentality.

We went into phase two with the kind of catastrophies that Yash was talking about and with very little of substance being argued – the issue of the LDC amongst the ACP themselves, the issue of the configuration was put together in a haphazard way. The SADC strip and the East African customs union which should have been much more involved on issues of trade and development – how did we manage to split this group. How did we manage to split the groups and make them go into other groups working at different levels. Our politicians should be asking this question and taking this up but they are not. I think we should take it up with them and ask them these questions. Now SADC is on its way to launching negotiation, the ESA group has already been launched, central and western grouping have all been launched. The conditions in each of the different cases need to be looked into carefully. What has been particularly remarkable is a lack of preparedness to go into negotiations which Yash was talking about on the responsibility of the state to do what they are supposed to do. One of the most appalling things is that on the technical points the negotiations are taking place without analysis and study. There are no impact assessments and there is very little excuse for this. And then to launch negotiations without having done any sectoral studies etc. that are required. We are depending on the European Union to work out, to help us in the capacity building to even do these studies. One of the first studies in Ghana was – how can we improve Ghana's access to the market of the EU? This was not about Ghana's exports to the EU. It actually gave recommendations which were not useful, for ex. asked for diversification – for cocoa paste rather than cocoa beans because the demand for that is bigger. We do not need a study to be told that. There was no information about how the EPA were going to affect the markets in Ghana through imports, the impact in terms of revenue issues or where this revenue was to come from. Our governments are much more occupied with committees and organisations but not with the substance – there very little is addressed. Interesting to know is that the ECOWAS negotiating mandate does not refer to the ACP negotiating guidelines. It is much more based on what the EU negotiating mandate is. The Commerca mandate is more independent but they are also now talking about signing an investment-agreement which is contrary to

their own positions. There are also a number of contradictions even in terms of national policy. For example, Uganda does not want to sign on the Commerca FTA but they have gone on to sign an FTA agreement with the EU. SADC has not finalized their negotiating mandate yet but fundamentally what is critical is that in all the negotiating we can not say that the governments will come out favorably from the EPA negotiations. They still have to talk about development dimensions. Not only have they not done the technical work. Besides that they are unable to hold out against the EU for very long on issues which they are not agreeing on amongst each other. So one group is likely to get 80% or 90%, while another will have 10-20%.

In the long term the problem with EPAs - actually all that we learnt about SAPs, the WTO and other issues also applies to the EPAs. Yesterday someone was saying do we need the World Bank and IMF – and how long before we can do without them. Someone said 10 years. If we set a time fare of 10 years to do without the IMF and World Bank - it's the same with the EPA (do we need them?) The new framework here which one needs to work with is similar. But the IMF is a short term agreement. With the EPA the Europeans are going to make sure that they put in enough of the lock in mechanism within the agreement like the non-execution clause. I thought it was simply if a country breaks human right laws etc. that the EU makes a case of it, and they can stop aid sanctions. But the sanctions in the case of Zimbabwe show for instance, that they do not apply to the trade, so Zimbabwe is still trading under the Lome-preferences. But in this case what they want to do is, if you violate the EPA agreement then trade can be suspended. What I learnt yesterday is that it is much worse, that then not only their aid is suspended for the country alone, but for the whole region. This is so outrageous. Is this serious or is it just a negotiating clause like in the case of migrating. And we end up negotiating on this which is the simplest bit to negotiate. Meanwhile we do not spend enough time on the tariff issues and say that in the end there is not enough time to do the rest and just tie it all up in haste because we have the 2008 deadline. This is what is put on the table from the EU side. But this is the nature of the partnership agreement which is so ironic.

If the ACP does not take up issues such as agricultural subsidies etc., you can be sure that it will not be taken up at the sub-regional level where there is nobody that can challenge the Europeans – they are too weak. The impact on inter-regional trade which was on the agenda – so as to develop the connections between the regions, in fact the whole idea of regional integration and the trade diversion in food stuffs etc. becomes problematic. Not only do we have European stuff coming from South Africa to the sub-regional markets but we are also loosing out as markets – beef markets to the EU and nobody is looking at it as a substantive issue. There is no one talking about it. So why are we governments leaving these issues of regional integrations behind and going for the EPA which are seen as more important than all these other plans that were put on the table. These are political issues, but we need to take our technical arguments to the political level.

We need to make technical arguments but importantly we need to take these to the political level. We need to keep the pressure on our governments. Some level of confrontations has to take place. Get the governments to make things public also the fact that they think the negotiations are a farce. Open their decisions to public scrutiny, make them go to the electorate and tell them this and see if they get the votes. We need to get rid of all the fluffy bit about development co-operation and partnerships and lay bare what's going on for what it is from the European side. If we do not move ahead at

least we should not lose the position we gained so far. It is very important to delegitimise the negotiations and talk about it as it is in reality. Is this a partnership? No one talks about adjustment cost for the Europeans the EU has nothing it actually has to give up, the benefits are mostly going to the side of the Europeans, and the ACP pays the price for it. And yet we call it an instrument of development. And if Yash was to talk to us about it, he would clearly point out that the arithmetic is not quite right on that one. Also we have to take information to the electorate and make it more easily available. I will not go further I just wanted to add on to what Charles and Yash pointed out about debt and how things have been developing with the ECPs. Finally, we need to politicize the struggle, particularly in Africa and push it to a different level. At the same time we need strong voices of support coming from the European side as well.