Trade Negotiations Insights

From Doha to Cotonou

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As WTO Members intensify efforts to wrap-up the Doha round negotiations by the end of 2006, trade observers have begun to question whether Doha will achieve the development agenda it promised. Our first article looks at the ongoing negotiations through the lens of a Least Developing Country (LDC) – Sierra Leone.

Our second article argues that in contrast to countries with high-quality institutions, those with weak institutions are unlikely to benefit from trade. This article emphasises the need for institutional reforms in ACP countries with weak institutions to ensure a pro-development outcome of the EPAs. Finally, we report on activities of various EPA regions in the ongoing negotiations with the EC.

We continue to accept and consider contributions from interested stakeholders for publication in TNI.

Life in the Merry-Go-Doha-Round: Perspectives from a Least Developed Country

Beatrice Dove-Edwin[1]

Looks like we've been here before

A sense of déjà vu permeated the preparations for the WTO Ministerial Conference which took place last December 2005 in Hong Kong. The Doha Round has suffered from a distinct lack of political will on the part of WTO Members to agree on changes to the multilateral trading system that were hardly fundamental, but that would have brought about significant improvements in the trading terms of many least developed countries (LDCs). Largely due to policy makers being unable to agree on precise modalities for agriculture, no consensus was reached at the Fifth WTO Ministerial Conference in Cancun in 2003. In the wake of Cancun, although there was increasingly fervent activity in Geneva which culminated in the drafting of the July Package in July 2004, between then and November 2005, little progress was achieved in Geneva.

In June 2005 in Zambia, the LDC Group had adopted the Livingstone Declaration which set out a unified position in the run up to Hong Kong. The Declaration prioritised duty-free and quota-free (DFQF) market access for LDCs from any developed country or developing country that could afford it. Moreover, special and differential treatment (SDT) was a constant refrain to ensure that LDCs remain exempt from reduction commitments and are allowed to accede to new requirement at a pace consistent with their level of development.

As a policy maker in a least developed country (Sierra Leone) seeking to find its way in the negotiations maze that is the Doha Round, from my point of view, the Livingstone Declaration provided a foundation on which to base Sierra Leone's policy stance in its preparation for Hong Kong.

Sierra Leone's preparation for Hong Kong

Sierra Leone has no permanent mission in Geneva. Its nearest mission is in Brussels, with responsibility for both EU and WTO issues. The mission is small with only three professional staff, including the Ambassador, and in addition to the entire WTO agenda, it deals with UN issues as well as all relations with the European Union including the negotiations on the Economic Partnership Agreement (EPA). The Ministry of Trade in Sierra Leone has started slowly to develop some capacity on WTO issues. It has established a Policy, Planning and Research

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Division, which is staffed by a Senior Trade Policy Advisor on assignment from the Commonwealth Secretariat and one ODI Fellow, on assignment for two years.

Despite the lack of trade capacity, Sierra Leone has done its best to participate in every WTO Ministerial Conference since Singapore in 1996. Its negotiation strategy has usually been to join the consensus within various groupings including the ACP, LDC and African Group. Usually, Sierra Leone's delegation is restricted to two or three, including the Minister of Trade. For Hong Kong, things were slightly different. Sierra Leone's delegation eventually included nine people including the Minister of Trade, and it included more than one person with the appropriate technical skills to participate in the negotiation groups at the Ministerial Conference.

Since Sierra Leone went through its formal Trade Policy Review in February 2005, it has established a National Coordinating Committee on Trade (NCCT) which discusses regional and international trade policy issues, develops ideas and strategies on negotiation positions, and makes recommendations to the Minister of Trade, and through her, to Cabinet. The NCCT comprises about 25 representatives of various public and private sector organisations with relevance to trade. In view of the size of the Sierra Leone delegation, the NCCT had agreed that the country should concentrate its efforts on those areas of immediate paramount importance: agriculture (including DFQF), services and trade facilitation. On other issues, the NCCT had decided that Sierra Leone should join the consensus of its developing country groupings, which have far greater bargaining power than Sierra Leone on its own. As was the case for all LDCs, Sierra Leone was ably represented in the Green Room by the LDC Coordinator, the Zambian Trade Minister, who worked valiantly to defend LDC interests.

The Melee of Hong Kong

Throughout the conference, two key underlying forces constrained the proceedings, in part both ensuring that Members ratified a document that represented little substantive progress. The first was the political wrangling between the EU and the US, which gathered momentum further to the US timetabling their agriculture proposal. The US Trade Representative (USTR) refused to be cajoled into providing 100% DFQF, would not move on cotton, despite the legal ruling in the Brazil-US case, and failed to make pledges on domestic support. Peter Mandelson, the EU Trade Commissioner, stated that he did not have sufficient 'policy space' to grant an early end to export subsidies, in the process continually frustrating developing countries. Both trading superpowers implemented 'divide and conquer' tactics, attempting to entice Members away from their groupings, offering sweeteners in an attempt to coerce them into breaking their solidarity.

> *For Sierra Leone, the most immediate significant set of negotiations are those with the EU and ECOWAS on the EPA. That is likely to have a deeper impact on Sierra Leone's trade figures than anything emerging under Doha.*

Secondly the shadow of Cancun loomed over the proceedings at Hong Kong. For the first time, the credibility of the WTO as an institution was at stake, and delegates and members of the Secretariat – who received official complaints regarding interfering with the process – strove to avoid making the number of WTO Ministerial failures equal the number of Ministerial successes. The pressured delegates seemed more afraid of failure than they were dedicated to a substantive and meaningful outcome. Developed country policy makers, having seemingly forgotten their pledges to make the development round free for LDCs, and content on maintaining the status quo if need be, campaigned to promote their commercial interests abroad.

The compromise text, which should have represented a milestone on the road towards a more equitable international trading system, especially for developing countries, represents a 'second-best' document for all members. The only consolation is that the ratified document does pave the way for more meaningful and positive engagement on the key issues after the conference. In the main, due to the lack of consensus over the first few days, some topics become political quagmires ensuring that other issues barely received any attention at all, such as trade facilitation.

Some Specifics of Interest to Sierra Leone

Agriculture

Despite a rise in the exploitation of minerals in Sierra Leone, agriculture still represents 60-70% of total employment, and remains the sector with the greatest short-term growth potential and the easiest route for a 'quick win' in reducing poverty. Agriculture negotiations thus represented the most promising avenue for substantive trade gains for Sierra Leone, not least in securing predictable and assured markets for exporting the nation's produce. The agreed date of 2013 for the end of export subsidies was more or less in line with previously timetabled cuts in EU subsidies and therefore presents negligible gains for Sierra Leone. Moreover, export subsidies are a very small percentage of overall trade distorting measures. Domestic support on the other hand, constitutes the vast majority of distorting developed country protection, often leading to dumping in developing countries. The language on domestic support was poor; however, there was some favourable language on blue box payments, potentially opening the door to significant reductions. Cotton subsidies are to be eliminated by the end of 2006, but again, these only constitute a small percentage of overall US protection on cotton.

Sierra Leone, like many LDCs finds itself in a quandary. At the time the Doha Round was launched, it did not really want another complex round of trade talks, believing it to be premature. Now the consensus appears to be that most LDCs need a conclusion to the Round in order to make any gains in trade.

Duty-Free Quota-Free (DFQF)

Developed countries had already pledged DFQF prior to Hong Kong. The negotiations over Annex F however soon began to highlight deep divisions between the EU, US, Japan and the LDCs, and the issue soon became an important bargaining chip. It transpired that the US was reluctant to provide DFQF to major textile producing LDCs, i.e. Bangladesh, Cambodia, Myanmar, while Japan, which wanted to protect 'culturally sensitive products' (fish, rice and leather), tabled an offer of 98.6% of LDC products to be DFQF. There was fierce debate over firm dates by which DFQF should be implemented, and whether the commitment was to be 'bound', 'permanent' or 'long-lasting'. In the end, it was agreed that by 2008, 97% of all LDC products should be DFQF on a 'lasting basis'. Again caution should be exercised here: the remaining 3% potentially includes most products from all LDCs, and the commitment is not bound. Moreover, a last minute amendment by Sri Lanka and Pakistan made it into the final text, which states that DFQF is granted if it takes "into account the impact on other developing countries at similar levels of development".

Services

Services eventually became the most contentious issue in Hong Kong. The services text that had been rejected in Geneva made it to Hong Kong, becoming the blue print for negotiations there. Members agreed to maintain the 'request and offer' approach to negotiations, while providing some leeway for plurilateral negotiations: countries are "obliged to consider" taking part in plurilateral negotiations.

Other issues

Negotiations on NAMA ended with agreement on a Swiss formula with multiple coefficients, which may generate an ambivalent pro-poor outcome, depending on whether there is enough policy space for developing countries. No agreement on Section XIV of the WTO Agreement means that Sierra Leone will have to welcome 'substantially all trade' DFQF from the EU under the EPA between ECOWAS and the EU. Although some pledges were made for 'Aid for Trade', much of the money is recycled.

Sierra Leone, like many LDCs finds itself in a quandary. At the time the Doha Round was launched, it did not really want another complex round of trade talks, believing it to be premature. Now the consensus appears to be that most LDCs need a conclusion to the Round in order to make any gains in trade. In the event, for small economies like Sierra Leone, where their contribution to international trade has become insignificant, it doesn't make a huge difference whether or not the Doha Round ends without a comprehensive agreement. For Sierra Leone, the most immediate significant set of negotiations are those with the EU and ECOWAS on the EPA. That is likely to have a deeper impact on Sierra Leone's trade figures than anything emerging under Doha.

Prospects for the End of the Round?

At the adoption of the Doha Declaration in 2001, many analysts questioned the ambitious timetable WTO Members set themselves to conclude the Round by January 2005. WTO Members continue to set themselves ambitious timelines, but fail to back that up with the necessary political will to achieve those deadlines. We have just exceeded the deadline for agriculture and NAMA modalities by the end of April 2006. Déjà vu indeed...

Endnote

1 The author is the Director of the Policy, Planning and Research Division in the Ministry of Trade in Sierra Leone. The views expressed here are not intended to represent those of either the Ministry of Trade or Industry, Sierra Leone or the government of Sierra Leone.

The Institutional Challenge of EPAs[1]

By Matthias Busse, Axel Borrmann and Silke Neuhaus[2]

In contrast to countries with high-quality institutions, those with weak institutions are unlikely to benefit from trade. One probable reason for this outcome is the fact that trade-induced adjustment costs are much higher if institutions are not functioning well. Since the institutional quality is often quite low in ACP countries, the topic arises as an important issue in ACP-EU negotiations on the proposed Economic Partnership Agreements (EPAs). At the regional EPA level, West African ECOWAS countries, for example, are most unlikely to benefit from the proposed EPAs with the EU, given their weak institutional quality. This clearly underlines the need for institutional reforms to ensure a pro-development outcome of the EPAs.

While theoretical economic models suggest that there are considerable gains from trade, the empirical literature is rather inconclusive. One likely reason for this discrepancy is the fact that standard assumptions in economic theory are often not valid in relatively poor developing countries, such as ACP countries. One of these assumptions relates to the role of institutional quality for the success of trade-led growth strategies. Institutions can be defined as humanly devised constraints that structure political, economic and social interactions, such as laws, constitutions, government regulations, etc.[3] They exist to reduce uncertainties that arise from incomplete information concerning the behaviour of other individuals in the process of interaction.

In reality, a functioning market mechanism, ensured by high institutional quality, cannot be taken for granted. To materialise the welfare gains from trade, the necessary institutions must be in place to assure effective competition and a smooth structural adjustment process. It is often assumed that production factors, such as labour and capital, can move at no cost between industries within a country. Obviously, this is a naive view of the interaction of participants in an economy. The reallocation of factors, that is, a shift of capital and labour from the (declining) import-competing sector to the (expanding) export sector due to the trade liberalisation, is associated with adjustment costs. For this shift of resources, the regulatory quality matters for the interaction of trade and economic growth in particular.

This hypothesis has been tested in an extensive empirical analysis of the linkages between trade, institutions and growth. The results give support for the hypothesis and indicate that, first of all, countries with excessive regulations cannot take advantage of trade. For example, in these countries trade-induced adjustment costs may exceed the welfare gains from increased trade through specialisation and exchange of goods and services. Excessive regulations are either part of the institutional setting or they can be the outcome of a particular setting.

Second, among a set of 17 different indicators for institutional and regulatory quality, there are three indicators that matter most for a successful dismantling of trade barriers. Above all, the most significant results can be obtained for market entry regulations (starting a business), labour market regulations, and paying taxes. Starting a business describes the costs and time required to set up a new company, whereas labour market regulations measure the flexibility of hiring and firing and employment conditions. Paying taxes measures the amount of taxes a company has to pay and the quality of the tax authorities.

In particular the first two regulation indicators are very important for the reallocation of factor resources within a country, which is a prerequisite to harness the gains from trade. For example, high market entry barriers lead to less entry, which impede local entrepreneurs from taking full advantage of export opportunities abroad. Excessive labour market regulations, on the other hand, impede an efficient reallocation of labour, that is, a shift of workers between industries and/or the allocation of workers to the most productive firms.

However, the results do not imply that the other 14 institutional and regulatory indicators, such as government effectiveness, control of corruption, democratic accountability, political stability, and other forms of regulation, do not matter for economic growth rates. Rather, it simply means that the indicators emphasised are more important for the relationship between trade and income (growth). Moreover, the results obtained reinforce the general belief that countries have to reform their regulatory framework to be able to benefit from an increasing market integration.

Institutional Quality and Performance in West African ACP Countries

While an examination of institutional quality in all ACP countries was beyond the scope of the study, a benchmarking for the Economic Community of West African States (ECOWAS), as the third major result, shows that the large majority of the 16 West African countries are most unlikely to benefit from an increasing integration into the world economy with their present institutional setting. ECOWAS countries exhibit relatively low rankings for the institutional indicators, even when compared to other developing countries. Countries from this regional EPA grouping show scores for the most important indicators that fall precisely in the categories of countries that are not able to benefit from trade.

Above all, business regulations in the large majority of West African countries often fail even on their own terms: Higher tax rates do not always pull in more revenue, or the most tightly regulated labour markets do not offer the best protection to workers. Rather, extremely inflexible business regulations drive firms and workers into the informal economy, beyond the reach of inspectors, trade unions and tax authorities. Needless to say, working conditions in the shadow economy are often much worse in comparison to formal sector. From this perspective, effective (high-quality) regulations, including deregulated labour markets, would be beneficial for both workers and employers.

Importantly, these results do not imply that the majority of ECOWAS countries will never be able to benefit from an increasing market integration with the rest of the world, either through the EPAs, multilateral or unilateral tariff liberalisation. Rather, the results demonstrate that they are currently less likely to harness the gains from trade and that a reform of the institutional framework is clearly a highly important topic on the EPA negotiating agenda. For West African countries, a major reform of institutions would not only allow them to increase the welfare improving gains from trade through specialisation and exchange. Rather, high-quality institutions would also enable them to achieve much higher gains through their direct impact on economic and social developments.

Coping with the EPA Pressure for Institutional Reforms

Institutional reforms imply an enormous policy challenge for ACP (and in particular ECOWAS) countries: The majority of them are least-developed; they have to start from a very low level of formal institutional development and they are facing an enormous scope of different reform requirements. This dampens prospects for improvements achievable in the short and medium terms. Even if the focus is on those institutional indicators that are most relevant with respect to trade liberalisation, ACP countries still face a whole host of problems. Market entry conditions, for example, include a large number of issues such as property rights (access and transfer), competition law (rules for mergers, acquisitions, pricing), taxation (level and structure, incentives), financial market regulations (collateral requirements, protection of creditors), openness (rules for trade, financial services), administrative procedures and costs to start a business. Dealing with all these issues may well take considerable time and effort.

In general, institutions tend to be persistent over time although not immutable. They typically change incrementally rather than in a discontinuous fashion. The existing formal and informal institutional settings are the result of history, culture, political and economic structure and power. Whether more efficient institutions can be introduced largely depends on the interests of those having the power to devise new institutions and of others, who should accept, adapt to and use the new rules.[4] This is a classical example for the political economy of reforms. The general commitment of political leaders to good governance and their willingness to use their political weight in support of reforms is crucial for an effective impetus for institutional reforms. Institutional improvements can only be harnessed if political leaders have fully recognised their importance.[5] However, trade liberalisation could also provide an external impetus and may help politicians to lock in their reform programmes.

Institutional reforms are unlikely to survive or be successfully implemented if they are established only in response to external pressures like an EPA and designed and implemented without involving all stakeholders, whose interests would directly be affected. It is important to engage all possible public and private stakeholders in the reform process. In the area of trade reform, for instance, developing countries, which have broadened their policy-making processes by engaging in open and inclusive consultations with the private sector, have generally performed better than countries where such consultations have been absent. Once stakeholders find themselves adequately involved in the planning and implementation of new rules, a promising basis for institutional change can emerge.[6]

Informal institutions like customs and traditions should not be excluded from the reform agenda when, for example, economic performance and efficiency are to be increased by the formalisation of a greater part of informal economic activities. Informal institutions are much more difficult to be penetrated by deliberate policies than formal rules. Since they form a large part of the indispensable social capital and compensate much for the deficiencies of formal institutions, they have to be respected. Building bridges between existing formal and informal institutions is an effective route to enhancing the success of formal institutions.[7]

Institutional reforms in ACP countries appear even more challenging under a tight EPA time schedule. Substantive EPA negotiations started only in 2004. The agreements ought to enter into force at the beginning of 2008, with an implementation period of 12 years or more. Still, there is considerable time pressure during the transitory phase, as the relevant institutions have to be in place at the time of or before the actual trade liberalisation. It is an open question, whether the time frames for trade liberalisation and the required institutional reforms do really match. There is an obvious risk of overstraining ACP countries by an overly tight time schedule for negotiations and implementation.

The EU Commission has already indicated its willingness to support institution building in ACP countries. Still, ACP countries should take the EU at its word, and continue to refer to its commitment, as stated in the Cotonou Agreement, to provide financial and technical support for reforms. However, the success of the EPA project regarding institutional reforms primarily depends on the ACP countries' own efforts to reform. They have to provide and sustain the political, economic and institutional environment that is not only a prerequisite for the EPA process, but also indispensable for the general progress of their own development. At this stage, much more country-specific analysis of the ACP countries' capacity to manage the required reforms in due time is needed to improve the basis for a proper scheduling of the EPA process.

Endnotes

1 This article draws on an ongoing research project and an interim report conducted by the Hamburg Institute of International Economics (HWWA) on behalf of the Friedrich-Ebert-Foundation. See Matthias Busse, Axel Borrmann and Silke Neuhaus (2005), Trade, Institutions and Growth: An Empirical Analysis of the Proposed ACP/EU Economic Partnership Agreements for ECOWAS Countries, Hamburg. The preliminary study can be obtained from Matthias Busse (busse@hwwa.de).

2 Hamburg Institute of International Economics (HWWA)

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6 Szepesi (2004), ibid.; and Sakiko Fukuda-Parr, Carlos Lopes and Khalid Malik (2002), Capacity for Development: New Solutions to Old Problems, New York: UNDP.

7 World Bank (2001), World Development Report 2002: Building Institutions for Markets, Washington, DC, and New York: World Bank and Oxford University Press.

TNI EPA Update

By Melissa Julian, ECDPM

EU Member States confirm EPA development focus but unable to agree on EDF

In April, EU Foreign Ministers adopted conclusions confirming the need to ensure the EPAs' coherence with the EU's Development Policy and outlining the types of support which should be provided to assist the ACP to effectively negotiate and implement the development objectives of EPAs. Ministers instructed the EC to ensure that the EPA review foreseen in Article 37(4) of the Cotonou Partnership Agreement covers not only the process, speed and adequacy of the timetable for negotiations, but also trade and development content. They also called for regional results to be discussed at an "all-ACP level" and for the Council to be consulted before negotiations were concluded. The Council further called for the establishment of an effective monitoring mechanism from the start of the implementation of the EPAs. Separately, the Council adopted conclusions on policy coherence and aid effectiveness which also have implications for EPAs.

A principal source of EPA support will be provided through the 10th European Development Fund (EDF). No agreement on the EDF's financial protocol was reached due to divergence among member states on what the 22.682 billion euro (for 2007-2013) covers. In response to a parliamentary question, the EC Development Commissioner, Louis Michel, estimated that between 400 to 700 million euro would be returned to EU Member States under the deal agreed to return uncommitted 9th EDF funding at the end of 2007, implying that the money could instead be used for EPAs.

The ACP continue to voice concerns on the development aspects of EPAs

The ACP Technical Follow-up Group (TFG) on the EPA negotiations met in March followed by the ACP-EC Committee of Ambassadors (COA) in April. The ACP expressed concern over the EC's perceived reluctance to make effective commitments to deal with the development dimension of the EPAs. At the TFG, specific issues raised included pressure from the EC to include in the negotiations issues that some ACP regions were not yet ready to address and the EC refusal to allow for variable geometry so as to grant Least Developed Countries (LDCs) special and differential treatment. At the COA, the ACP specifically called for the phasing of trade reciprocity implementation and appealed for the establishment of an additional EPA financing instrument to address the issue of adjustment costs and support to the EPA negotiations and implementation processes.

The ACP also called for regional and all-ACP level EPA reviews to include the timetable of negotiations, regional capacity building projects that would allow for effective integration of development concerns in EPAs and the formulation of development benchmarks.

Central Africa

Central African and EC technical level negotiators met in March and continued with the drafting of the EPA structure and fleshing out areas of the agreement where the parties had reached a consensus. But there were very tough discussions on many areas, including the development dimension, productive capacity building and impact studies.

Fundamental divergence of views between the two parties remains on the political dimensions of EPAs and how principles of the Cotonou Agreement could be integrated in the EPA. Central African sources indicate that upcoming meetings may prove a turning point in the negotiations. If the fundamental divergence of views on the key issues continues, the region may begin to consider alternative trading arrangements with the EU.

West Africa

West African and EC technical expert level negotiators also met in March and virtually agreed the joint reports on intellectual property rights and services. West Africa also presented their draft report on the impact of an EPA on productive sectors. An exchange of views took place on the structure of the EPA, based on a draft text prepared by the EC.

The Regional Preparatory Task Force (RPTF) met with representatives of EU Member States, the European Investment Bank and the World Bank to share information on the recommendations formulated by negotiators and progress made by RPTF to facilitate these. Participants also worked on modalities to involve other partners in the context of supporting EPA negotiations and implementation.

A meeting of West Africa's EPA Ministerial Monitoring Committee was held in April to consider the status of negotiations to date and make recommendations for future negotiations. Ministers maintained their positions in areas of divergence with the EC except for services, where they are now in agreement. These areas of divergence are the reason for the delay in the adoption of the joint overall EPA reference framework report which West Africa argues should be finalised prior to the commencement of Phase II negotiations on the structure and content of EPAs. The framework stresses the necessary links between the EPA objectives, the Doha Development Agenda, the Millennium Development Goals and NEPAD.

Ministers also considered a draft report on the EPA's draft structure which includes legal aspects, the objectives and scope of the trade partnership and a section on coherence between trade and development cooperation.

Draft reports meant to serve as the basis for examining the effects of the EPA in terms of challenges and opportunities and support necessary for productive sectors in West Africa were also considered.

Southern African Development Community (SADC)

At the March meeting of SADC-EC Senior Officials, SADC presented its proposed framework for the EPA negotiations. The EC is currently analysing this. EC sources indicate that while the proposal appears WTO compatible, it complicates the agreement by offering separate treatments for members (the EU-South Africa Trade and Development Cooperation Agreement (TDCA) would have to be reformed or modified by lowering some of its current tariffs to accommodate BLNS (Botswana, Lesotho, Namibia and Swaziland) who have a customs union with South Africa (SACU) and allow Everything-But-Arms market access for LDCs. There is also concern that the proposed exclusion of commitments on trade related issues will not adequately fulfil the development objectives of EPAs. The EC would have to request amended negotiating mandates (the agreement of which is always a lengthy process) for EPAs and the review of the TDCA from the EU Member States to negotiate such an EPA agreement.

Eastern and Southern Africa (ESA)

EC and ESA technical level negotiators met in March to discuss market access issues. Draft joint reports setting out the objectives, principles and areas of cooperation on sanitary and phytosanitary issues and technical barriers to trade were agreed for further consideration.

ESA presented a draft paper on rules of origin which calls inter alia for improving the current cumulation provisions with other countries, simplified administration procedures and preference for a change in tariff sub-heading criterion.

ESA called on the EU to provide duty and quota free market access and an adequate transition period for the establishment of a free trade area and outlined its approach to asymmetrical liberalisation in ESA markets. There was also discussion on safeguard measures, services and investment. Discussions continued on ESA's proposed Fisheries Framework Agreement. Divergence of views remain on the priority focus for EPAs. The EC prefers a regulatory framework that facilitates trade as a first priority, while the ESA region puts priority on addressing the supply side constraints in relation to their internal and external trade and the link between EPAs and development support.

In further meetings with the EC on financing issues, ESA highlighted the need for a substantial increase in resources to cover the preparations, adjustment and implementation of EPAs.

An ESA Task Force of trade-legal experts met in March and discussed the incorporation of key issues identified in negotiations into the draft EPA text including product coverage and implementation time-frames for tariff reductions, safeguard provisions and support for EPAs. ESA is also formulating development matrices which aim to illustrate the cost of constraints and adjustment requirements that would arise from commitments to implement EPAs and to provide figures as to the amount of financial resources required for this. The region is also continuing discussions on how to deal with the broader development approach to be taken in the EPA negotiations. The texts when approved will serve as the basis for subsequent negotiations with the EC.

African Trade Ministers adopt EPA declaration

In other trade news in Africa, African Union Trade Ministers adopted an EPA Declaration. A paragraph covers development aspects/adjustment costs and takes up the ACP call for an EPA Financing Facility to be established, in addition to 10th EDF funding, at national and regional levels as provided for in Declaration XIV of the revised Cotonou Agreement. Such a facility would address the adjustment costs and support the EPA process and implementation over time. This should be a binding commitment from the EU for additional resources beyond the 10th EDF and factored into the legal text of each EPA.

Caribbean

CARIFORUM and EU Principal Negotiators met in March and discussed a number of issues related to approaches to trade liberalisation, identifying areas of convergence and issues requiring further discussion. Both sides acknowledged the importance of sequencing of market strengthening relative to market opening and the pace of market opening in relation to the internal and external realities facing CARIFORUM countries. There remains disagreement with the EC on how to achieve this.

There was a reaffirmation that the development dimension must permeate the structure and provisions of the EPA, but further discussion is needed to make a determination on precisely how it is to be dealt with in the agreement as the divergence of views on this continues.

A special meeting of the Joint RPTF with international donors was also held. A joint EU and CARIFORUM declaration states that progress had been made towards the development and implementation of studies identified by CARIFORUM in the Second Phase of EPA negotiations, but that the issue of the availability of resources and necessary technical guidelines to advance these studies continues to affect their advancement.

In an April meeting, Caribbean Ministers expressed their deep concern at the failure to date of the EU to give meaningful expression to the development dimension in EPA negotiations. The EC believe the negotiations do have a development dimension and that the development dimensions of the agreement itself and its implementation are essential to this process.

Pacific

With key divergences appearing at the March Joint Technical Working Group meeting of Senior Pacific and EC Negotiators – namely over the issue of adjustment – there has been little movement in the Pacific-EPA negotiations since the last TNI EPA Update. During those late-March talks, discussions were held on, inter alia, the EPA architecture, modalities for goods and services, rules of origin, Mode 4 (mobility of labour), investment, fisheries and the EPA review mandated by the Cotonou Agreement. The adjustment discussions were held under the broader umbrella of the development dimension. The Pacific formally presented its EPA framework proposal.

Trade Negotiations Insights

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Calendar

WTO Events

June

12 – 23	Rules Weeks
12 - 16	NAMA Week
12 - 14	Committee on Trade and Environment – Special Session – Technical Discussions
12 - 13	Trade-Related Aspects of Intellectual Property Rights – Special Session
14 - 15	Council for Trade-Related Aspects of Intellectual Property Rights
16	Working Group on Trade and Transfer of Technology
26 - 30	Services Week
26	Council for Trade in Services – Special Session
28 - 30	Committee on Sanitary and Phytosanitary Measures
29	Council for Trade in Services – Special Session
30	Dispute Settlement Body – Special Session

July

3	Trade Policy Review Body – Togo
3 - 4	Dispute Settlement Body – Special Session
5	Trade Policy Review Body – Togo
6	Committee on Trade and Development
17 - 21	NAMA Week
18	Working Group on Trade, Debt and Finance
19	Committee on Trade and Development – Dedicated Session
24 - 26	Negotiating Group on Trade Facilitation

All WTO meeting take place in Geneva. Please contact the Secretariat for confirmation of dates (also available at http://www.ictsd.org/cal/).

ACP-EU Events

1-2 June	31st session of the ACP-EC Council of Ministers (venue: Port Moresby, Papua New Guinea)
16 June	4th Meeting of ACP Parliamentary Assembly (venue: Vienna, Austria)
19-22 June	11th Meeting of ACP-EU Joint Parliamentary Assembly (venue: Vienna, Austria)
22 June	Pacific ACP Trade Ministers Meeting Nadi, Fiji

Unless specified, meetings take place in Brussels. Contact ACP Secretariat, tel:(32 2) 743 06 00, fax: 735 55 73, e-mail: info@acpsec.org, Internet: http://www.acpsec.org/

Resources

All references area available at www.acp-eu trade.org/library

WTO Agriculutre Talks: Reference papers April-May, 2006: www.wto.org

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