

Trade Negotiations Insights

From Doha to Cotonou

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On 1 January 2005, the restrictive quota system that currently governs the world's textile and clothing trade will be phased out and replaced by the liberal rules of the multilateral trading system. What are the implications of the phase-out for Africa's textile and clothing industry? This development is examined in the lead article.

On the EPA front, the Pacific became the final ACP regional bloc to launch the second phase of negotiations with the European Union. Our second article looks at the negotiating structure of the region and its priorities and challenges. Finally, the EPA update recaps developments across the ACP. Among the highlights of this update are issues arising from a 27 October joint ACP-EU Ministerial Trade Committee meeting in Brussels.

Textiles and Clothing Trade: What Perspectives for Africa?

By Matthias Knappe*

Market access in relation to textiles and clothing trade in 2005 will be free of quota restrictions for WTO member countries. However, trade in textiles and clothing will not be free from 2005 as high tariffs will remain as a trade policy instrument. While it will be an unprecedented achievement to incorporate the Textiles and Clothing (T&C) sector into the normal GATT 1994 rules and regulations - ensuring long term global benefits - short term adjustment costs could be severe in some vulnerable countries heavily specialized in producing clothing.

On a global level, consumers, as well as those exporters that are prepared to withstand competitive pressure from countries that have been constrained under the quota system will benefit. Those countries which were protected by the quota system, however, will face major challenges unless they gear up their competitiveness.

This article analyses the T&C trade pattern of Sub Saharan African (SSA) countries and looks at the major challenges ahead for developing countries. It also provides an outlook of the options available to African countries to improve competitiveness.

Vulnerable Trade Patterns

African trade in T&C is dominated by exports to the US under the African Growth and Opportunity Act (AGOA). While African Least Developed Countries (LDCs) under the Everything-But-Arms (EBA) initiative have duty-free access to the European Union (EU) market, the stringent rules of origin requirements of the EU (double transformation requirement) hardly allow for its use. Therefore, almost all African countries regard the US as its major clothing destination. Under AGOA,

"lesser-developed countries" are allowed to use Asian fabrics until September 2007 and clothing exports still qualify for duty-free entry.

However, market share of SSA countries in the US was only around 2.2% in 2003, with 95% of all exports being clothing. Out of this, 84% were made out of third country (Asian) fabric and only 16% from African fabric. In addition, only six countries actually benefit from AGOA in a meaningful way. Lesotho, Swaziland, Madagascar and Kenya as "lesser developed countries", in addition to South Africa and Mauritius (who do not qualify for the AGOA third country special sourcing provision and thus have to use African fabric in order to export clothing duty-free to the US), occupied 96% of AGOA exports in 2003.

Moreover, a closer look at the export profile reveals that cotton trousers accounts for 41% of all clothing exports under AGOA, synthetic fibre trousers for another 8%, while cotton knit shirts and synthetic fibre shirts account for another 19% and 8% respectively in 2003. Thus, 76% of all African clothing exports under AGOA are based on two products: knit shirts and simple trousers. These are basic articles, which are under tight quota



constraints in Asian countries. Despite this protection and the quota-free and duty-free market access, African producers could not develop a diversified export range of products. With the removal of quotas, African producers will have difficulties to compete with Asian competitors, despite their duty-free advantage.

Finally, the enterprise structure of the sector in Sub Saharan Africa is characterised by large investments from Asian manufacturers, which invested to avoid quotas and to benefit from duty-free market access. Investors in these “foot-loose” industries could leave any time if business was no longer lucrative. African countries would need to find sustainable means to link local industries to foreign investors in long-term partnerships. Moreover, African countries are facing six major challenges to sustain essentially clothing exports after 2004 as detailed below.

The removal of quotas: ensuing challenges for developing countries

The first challenge is directly related to the removal of quotas and post WTO Agreement on Textiles and Clothing (ATC) issues affecting trade flows. While it is difficult to paint a precise picture of the global textiles and clothing market after 2004, the use of quotas, the exploitation of already liberalised categories, and the existence of a critical export mass are some indicators of the potential winners and losers of the quota phase-out.

Developing countries that are not under quota constraints will face intense competition, which they have not experienced previously. Major international buyers are unlikely to source from a country, which has no vertically integrated industry and cannot offer a full service approach, including logistics and supply management solutions.

Preference erosion and trade in textiles and clothing

While T&C are not immediately negotiated under the Doha Development Agenda (DDA), the outcome of the Non Agricultural Market Access (NAMA) Negotiations will have implications for T&C trade. The DDA states that particular emphasis should be given to reduce high tariff, tariff peaks and tariff escalations. This is exactly the situation that one presently finds in T&C trade. Thus, depending on the applied formula and subsequent tariff cuts, preferences

will be eroded for those countries, which benefit from preferential market access.

In addition, major importing countries have granted improved market access under bilateral and regional free trade agreements that provide selected countries with competitive advantages. This tendency has resulted in regionalisation of trade in textiles and clothing and a complex patchwork of international trade agreements. As quotas are phased out, there may be more concessions granted than before, rendering trade even more complex. Overall, more than 280 regional trade agreements have been notified to the GATT/WTO.

For the future export performance of LDCs to the major markets, non-reciprocal preferential market access conditions, including easy to fulfil rules of origin requirements, are important elements to assist these countries in maintaining their clothing exports. Highly flexible rules of origin as foreseen under the Canadian preferential scheme for LDCs or the “third country fabric sourcing provision” under AGOA are good examples.¹

“Developing countries that are not under quota constraints will face intense competition, which they have not experienced previously”

The proposed change in the Generalised System of Preferences (GSP) of the EU could cushion the expected negative effects of the quota phase-out. While the US GSP scheme does not provide any additional duty reductions for T&C imports, the EU provides duty reductions of up to 20% for eligible countries.

In addition, the EU is presently revising its current GSP system, to introduce a new one as from January 2006. The EU Commission proposes to target GSP benefits to countries most in need such as LDCs. The system, including regional cumulation and rules of origin requirements, will be simplified and a new

“GSP+” system introduced, providing tariff preferences to countries with special development needs.

Finally, product graduation principles will be simplified. The EU has proposed to withdraw GSP benefits for countries that have more than 12.5% EU market share, which, in T&C, is the case for China and could soon be the case for India.² This means that African competitors will have to pay full duty and thus, the relative protection of Africa producers in the EU will increase.

The threat of antidumping and countervailing duty measures

A third challenge is the likely rise in antidumping (AD) and countervailing duty measures (CVM), which will pose a real threat to successful developing country exporters. As there is a risk of a sudden downward pressure on export prices following the removal of quotas, due to the fact that quota prices (rents) will disappear, many developing countries fear that major importing countries could use this to invoke anti-dumping cases.

The use of antidumping measures could sharply reduce the benefits of liberalization, as they are non-transparent and unpredictable. Just the announcement of possible antidumping investigations can make buyers hesitant to place future export orders because of uncertainty over whether antidumping duties will be imposed in the future, an effect known as ‘trade chilling’.

The consequences for developing countries, however, will depend on the status of the countries and industries. While such trade remedies are likely to be targeted at large countries with integrated T&C industries such as China, India, Pakistan, Indonesia, etc., smaller countries could benefit from some protection against these countries, if trade remedies are used.

Since its WTO membership in December 2001, China has very successfully penetrated major T&C markets, to an extent that many countries fear that China will dominate all major markets. The only hope many small supplying countries feel they have is that new quotas are being introduced against China, which is temporarily possible under the special safeguard provisions stipulated in the China’s WTO accession protocol. Two different safeguards could

be applied i.e. (i) T&C specific safeguards valid until December 2008, and (ii) product specific safeguards, which can be utilised for all kinds of products, including T&C, valid until 10 December 2013. However, these China-specific safeguards can only be applied by an importing country if the country can show that there is “existence or threat of market disruption and the role of products of Chinese origin in that disruption”.³

“Cotton growers, ginner, fabric manufacturers and clothing manufacturers in different parts of the continent need to collaborate to do business”

The likelihood of strict enforcement of other rules

The fourth challenge is the imposition of new rules by importing countries at the trade policy and enterprise level. While these rules were developed independently from the quota system, their enforcement is likely to increase with the quota phase-out. Under preferential market access agreements, e.g. under AGOA, it is the role of the US Customs and Border Protection (CBP) to ensure that no transshipment of third country apparel takes place. In order to ensure this, CBP verifies, at the enterprise level, whether declared productions have actually taken place. This increases the transaction costs of those enterprises that benefit from preferential treatment such as under AGOA.

US CBP Trade Partnership Against Terrorism can also have a negative effect on competitiveness for manufacturers located in countries that have difficulties to comply with new security measures. This will be the case in many LDCs. Buyers will discriminate against those enterprises that do not have approved security, as they want to know that their goods will be cleared through customs on a timely basis.

Environmental standards are likely to be more enforced including the intro-

duction of new standards, which could have a negative effect on the market access possibilities for developing countries and economies in transition. One example for a possible trade-restrictive TBT/SPS non-tariff barrier is a new system called REACH (Registration, Evaluation and Authorization of Chemicals) that the EU is considering to introduce and implement. Moreover, eco-labelling requirements as well as corporate codes of conduct to ensure social responsibility are likely to increase in importance after 2004, as buyers, due to their increased bargaining power, can enforce these rules more stringently.

The development of the African cotton sector

The fifth challenge is the development of the cotton sector in Africa and possibly value added products along the T&C value chain. Due to the initiative of West African cotton producing countries to challenge cotton subsidies by mainly developed countries, the issue of cotton has become an integral part of the agricultural negotiations under the DDA (market access aspect). In addition, African cotton producing countries received the commitment of developed countries to assist them in developing this sector (development aspect).⁴

While many African countries envisage the development of an entire value chain for T&C from cotton fibre production to clothing, numerous experts doubt that it would be feasible. Many African countries do not seem to have a comparative advantage in the very capital and technology intensive textile sector.

Challenges posed by the second-hand clothing industry

Finally, second-hand clothing imports have hindered the development of local T&C industries in many African countries. From the T&C perspective second-hand clothing imports should be abandoned as they destroy already vulnerable domestic markets. However, it is a political decision whether to support a domestic T&C industry or to provide access to inexpensive clothing to the vulnerable part of the population.

Some Recommendations for Africa

From the above analysis it becomes clear that SSA countries would need to develop

a strategic approach to face the challenges ahead. Moreover, due to the small size of the industry in almost all countries, a regional or sub-regional approach might seem necessary to improve the competitiveness of the T&C sector in the region.

Some African countries, in particular SADC countries, are looking into the feasibility of de-veloping an integrated value chain from cotton towards clothing production. Cotton growers, ginner, fabric manufac-turers and clothing manufacturers in different parts of the continent need to collaborate to do business along a regional value chain to be finally able to penetrate the major clothing markets.

This sub-regional, or regional, approach is needed in order to help African countries comply with the rules of origin for market access of clothing products imposed by the world’s major markets and thus benefit from business opportunities.

This would not only increase trade within Africa but would also facilitate access to the major clothing markets, especially in light of major changes expected from 2005 onwards when textiles quotas are phased-out. To facilitate such an approach, the above considerations could be factored within the framework of already existing regional integration initiatives.

Endnotes

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¹ UNCTAD, Assuring Development Gains from the International Trading system and Trade Negotiations: Implications of ATC Termination on 31 December 004, September 2004. p 17

² See http://europa.eu.int/comm/trade/issues/global/gsp/index_en.htm

³ WTO WT/MIN(01)3 Report of the working party on the accession of China.

⁴ See for instance the Council Conclusions (adopted on 27 April 2004) on Agricultural Commodity Chains, Dependence and Poverty and an EU-Africa Partnership in Support of Cotton Sector Development, http://trade-info.cec.eu.int/doclib/docs/2004/may/tradoc_117087.pdf

Pacific ACP States – EC Launch EPA Negotiations

By Dr Jim Gosselin*

The Pacific ACP (PACP) States¹ and the European Commission (EC) launched their Economic Partnership Agreement (EPA) negotiations and held their first ministerial-level negotiating session in Nadi, Fiji, on 10 September 2004. A joint road map² was agreed between the two parties that will set the course for negotiations under the Cotonou Agreement over the next several years. According to the road map the following principles, among others, are to guide EPA negotiations; the Pacific ACP-EC EPA must be an instrument for development, complement regional integration, preserve the PACP's existing preferential market access arrangements into the EC, and take account of the different needs and levels of development among the PACP states.

The Pacific ACP States

The region's overall approach to the EPA negotiations can best be understood in the context of a number of special characteristics of the 14 PACP States. These include their small size, geographical dispersion, isolation from major markets and sources of supply, vulnerability to natural forces such as cyclones, and limited land-based natural resources.³

At the same time, however, PACP States have long shared common cultural links and historical traditions. These affinities have translated into broad regional co-operation in various spheres including, in 2000, the Pacific Island Countries Trade Agreement (PICTA) that establishes a free trade area (FTA) among them. Articulating shared values, Pacific Leaders in a Special Retreat in April 2004, adopted a regional 'Vision' and a course of action towards a Pacific Plan, including seeking partnerships with neighbours and beyond to develop the region's knowledge, improve its communications and ensure a sustainable economic existence for all.⁴

Phase I and Preparations for Phase II EPA Negotiations

PACP States participated actively in Phase I EPA negotiations and supported decisions taken by the ACP Council of Ministers in October 2003 to continue negotiations on diverse issues and establish an ACP-wide follow-up mechanism for Phase II.⁵

Rather than launch Phase II negotiations soon after the Second ACP-EC Ministerial Meeting, however, PACP States opted to defer their launch in order to concentrate on preparatory activities. A Regional Action Plan was approved that included undertaking numerous key sectoral studies (e.g.

Fisheries, Investment, Services) and consultations conducted by the Pacific Islands Forum Secretariat in each PACP State to promote understanding of key issues and facilitate formulation of national positions on those issues.

PACP States also agreed on both a road map to guide preparations for and participation in Phase II negotiations as well as procedural guidelines for Phase II negotiations. A key feature of the road map is an outreach programme co-ordinated by the Pacific Islands Forum Secretariat, the PACP States' region integration organisation, to ensure regional information-sharing and encourage policy development and harmonisation throughout the negotiation process.

Under the procedural guidelines, PACP Trade Ministers together constitute the primary EPA policy and decision-making body. The Regional Negotiating Team (RNT) has central responsibility for the conduct of negotiations and comprises Ministers from the Cook Islands, Fiji, PNG, RMI, Palau, Samoa, Tonga and Tuvalu. Ministers from Fiji, PNG, Samoa, Tonga and Tuvalu will be leading spokespersons for the negotiations. The overall lead spokesperson is the Hon. Kaliopate Tavola, Minister of Foreign Affairs and External Trade of Fiji; the alternate lead spokesperson, the Hon Hans Joachim Keil, Minister of Commerce, Industry and Labour of Samoa.

Supporting the RNT are PACP Ambassadors in Brussels and the Pacific Trade Experts Advisory Group, the latter charged with advising the RNT on EPA policy matters and establishing technical working groups to formulate draft concrete negotiating positions on specific EPA issues. Under the RNT will be negotiating groups (comprising of senior trade officials and experts) that will address specific issues such as fisheries,

investment, services, tourism, trade in goods, and capacity-building requirements.

The Launch of Phase II Negotiations

At the launch of the negotiations, PACP Leaders stressed that the challenge facing both sides in building the new partnership is to translate the goals of the Cotonou Agreement into a practical instrument of enduring economic and trade co-operation. This required recognition that partnership building is a long-term process and that PACP States have different capacities and capabilities. They highlighted the unique challenges facing the PACP States, including the need for EC support for Fiji's sugar industry, and the importance of the EU-ACP relationship for the PACP States. They also stressed the synergies between the EPA and the above Vision articulated by Pacific Leaders in April 2004, including the critical link between trade and development.

The EC Commissioner for Trade Mr Pascal Lamy re-emphasised that EPAs do not fall within the logic of classical bilateral trade negotiations but are about regional integration and development. Market access issues would only be discussed towards the end of the negotiations and, where necessary, maximum flexibility would be applied concerning, for example, asymmetry or transition periods. He ensured PACP States that the very special circumstances of the region would be factored into the final equation when jointly establishing the EPA.

First Negotiating Session

The first negotiating session, held following the formal launch, featured broad policy statements by the PACP States' Lead Spokesperson, Minister Tavola, and the EC's Commissioner

Lamy, and approval of the road map which followed the same general structure as similar documents adopted in other ACP regions.⁶In his remarks, Minister Tavola observed that the PACP Group had consistently supported the overall ACP approach to the EPA negotiations, including decisions on continuation of all-ACP-EC discussions. He also outlined the region's main positions on the various issues considered of importance for the negotiations. Based on the Cotonou Agreement and the outcomes of the all-ACP – EC Phase I to date, it was agreed that the overall objectives of PACP-EC economic and trade co-operation would be the sustainable development of the PACP States, their smooth and gradual integration into the global economy and contributing to poverty eradication in the PACP States. To achieve the negotiating objectives, a number of key principles were identified, including the following:

EPA: a development tool

First, the EPA must be an instrument for development and the developmental dimension must be reflected in all areas of negotiations. An EPA would take into account the specific, special economic, social, environmental and structural constraints of the PACP States, as well as their capacity to adapt their economies to the EPA process.

The EPA should build on regional integration initiatives and the negotiations designed and sequenced to complement and support regional integration processes and programmes, the harmonisation of region trade rules and the consolidation of the regional market. The pace of liberalisation of trade between PACP States and the EC would be “*a function of the degree of regional economic integration and realised in a flexible and asymmetrical manner*”. Attention would also be paid to possible modalities for French Pacific Territories (French Polynesia, New Caledonia and Wallis and Futuna) to participate in the EPA should they wish to do so. If the Pacific EPA is well designed and properly implemented it could make a significant contribution to the successful establishment and operation of the region's FTA under the 2000 PICTA.

Special and differential treatment

It was also agreed that special and differential treatment (S&DT) under an EPA should be provided to all PACP States in a way that takes account of the particular vulnerabilities of Smaller Island States of the Forum⁷ and LDCs

within the group, mirroring existing flexibility mechanisms under the PICTA. Both sides agreed that WTO-compatible new trading arrangements should encompass a variety of forms of S&DT, not just relating to longer transitional periods and technical assistance but also including provisions effectively addressing the PACP States' critical constraints of small size, dispersed land masses and populations, and isolation from major markets and sources of investment and supply for important economic inputs.

Enhanced cooperation

It was agreed to co-operate closely in identifying and furthering their common interests in international economic and trade co-operation, especially in the WTO and all areas relevant to the EPA negotiations. For the PACP States, key areas form the nucleus of the WTO's Small Economies Work Programme concerning which they are co-operating with CARICOM and the Indian Ocean Commission.

Adjustment measures

The joint road map recognises the PACP States' need for resources to assist them in meeting EPA adjustment costs. Thus, both sides have agreed on the need to seek financial assistance for projects and programmes to accompany EPA implementation in all of its facets.

Coherence in trade negotiations

A number of PACP States have obligations under the Pacific Agreement on Closer Economic Relations (PACER), an economic and trade co-operation treaty including both Australia and New Zealand, to enter into consultations with the latter States with a view to commencing FTA negotiations should the PACP States commence FTA negotiations with the EC. Three PACP States⁸ also have most-favoured-nation obligations towards the US that might be triggered by an EPA. Given the significance of imports from those developed countries for their tariff revenues, PACP States are concerned about the potential negative implications of ‘triggering’ those obligations. Both sides agreed in the road map, therefore, that those implications would need to be reflected in all areas of the negotiations so that the EPA, “*both as a stand alone Partnership Agreement as well as in the context of the [PACP] States' other trading commitments, constitutes a significant net contributor to the development of the [PACP] States*”.

The Negotiation process

Under the road map negotiations will take place at the Ministerial and Senior

Negotiators levels, with preparatory talks and drafting taking place at the technical level. Negotiations will be held in two stages: substantive negotiations (October 2004 – December 2006) and final negotiations, including legal drafting (January-December 2007). Both sides agreed to establish a Regional Preparatory Task Force to reinforce the close link between EPA negotiations and development cooperation as mandated by the Cotonou Agreement.

Preparations for the Next Phase of Negotiations: Some Considerations

With the Launch completed, PACP States are intensifying their efforts to finalise detailed national negotiating positions and to incorporate them into a broad regional strategy on wide-ranging issues for EPA negotiation. While the potential benefits from that exercise and the conclusion of an historic EPA might be significant, the task will nevertheless tax stretched PACP administrations with limited resources to deal simultaneously with multifarious trade-related issues. In this context, it is important that constructive regional cooperation, facilitated by the Pacific Islands Forum Secretariat, help reap enormous benefits and contribute to the realisation of the Pacific Vision endorsed by leaders.

Endnotes

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¹ The PACP States comprise the Cook Islands, Federated States of Micronesia (FSM), Fiji, Kiribati, Nauru, Niue, Republic of the Marshall Islands (RMI), Palau, Papua New Guinea (PNG), Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

² Text of the Joint Road Map (hereinafter ‘road map’) and subsequent documents mentioned in this article can all be found at www.forumsec.org.fj

³ These are summarized in The Pacific ACP – EU Partnership: The Way Forward (2004). at www.forumsec.org.fj.

⁴ footnote 2 above

⁵ See Joint Declaration of the Second ACP-EC Meeting at Ministerial Level, dated 2 October 2003 (www.acpsec.org/gb/press/jtdecla2oct.htm)

⁶ See europa.eu.int/comm./trade/issues/bilateral/regions/acp/regneg_en.htm

⁷ The 14 PACP States are all members of the Pacific Islands Forum

⁸ The FSM, RMI and Palau, see footnote 1.

EPA Negotiations Update

By Melissa Julian, ECDPM

All-ACP-EU Level Discussions Held

The Joint ACP-EU Ministerial Trade Committee (MTC) met in Brussels on 27 October preceded by the first meeting of the ACP-EC Technical Monitoring Committee and the second ACP Technical Follow-up Group.¹ Commissioner Lamy and ACP Ministers endorsed a joint report prepared in the technical level meetings on the state of progress in economic partnership agreements (EPA) negotiations which shows that regional integration is the current focus of all regional discussions. A European Commission (EC) information note on the EPA process distributed at the meeting also identifies the following as current challenges; the need to consolidate ACP regional negotiating structures; strengthening dialogue with stakeholders; the need to better integrate trade and regional integration into national development strategies and cooperation activities; and to improve and accelerate capacity building measures so that ACP countries can participate and benefit from EPA negotiations.²

The ACP stressed that ensuring adequate, timely and effective EC support to strengthen their negotiating capacity, to build effective regional integration infrastructures and to offset the cost of adjustment were prerequisites to implementing trade liberalisation under EPAs. They called for an increase in future ACP funding and simplified implementation procedures to meet these broader needs. Commissioner Lamy restated the EC position that current European Development Fund (EDF) resources are fixed with little likelihood of EU Member States agreeing to increase these, though there was the possibility of re-orienting the focus of these resources. Lamy agreed that the question of EPA-related funding should be taken into account during the negotiations of the future financial instrument for the Cotonou Agreement and should be reflected in future ACP allocations and programming. The EC Commissioner stated his concern that the ACP erroneously placed too much emphasis on seeking EC public funding. Instead he viewed EPAs as leading to an improvement in the economic policy environment of ACP regions that would, *inter alia*, result in increased flows of private investment to tackle infrastructural

needs. Lamy acknowledged ACP concerns about the complexity and timeliness of EDF procedures, but urged the ACP to use the existing flexibility within current procedures.

The parties reviewed the state of play in WTO negotiations. ACP Ministers expressed concern that negotiations on trade facilitation might be fast-tracked at the expense of issues that are paramount to the group's developmental agenda. They also highlighted the need to deepen the level of co-ordination of the G90 Group. There are plans to convene joint ACP/AU/LDC Ministerial in early 2005.

In the MTC meeting which preceded the joint meeting, the ACP Secretariat reported that due to the fact that urgent priority had to be given to the Cotonou Agreement Review now underway, the only all-ACP level work which has progressed is that on rules of origin. There have been two ACP expert level meetings and an initial study is expected to be undertaken in early 2005.

There has been no follow-up with the EC on initial discussions on dispute settlement procedures and the non-execution clause.³ There has also been no discussion to date with the EC on trade related (non-Singapore issues) nor on the issues agreed for all-ACP level discussions.⁴

Two further issues were identified for consideration at an all-ACP level:

- Ensuring that the WTO definition of the level of "substantially all trade" product coverage to be liberalised and liberalisation transition periods are flexible enough to ensure EPAs are a tool for ACP development.
- Ensuring effective and improved EU market access at remunerative prices; providing support to build ACP capacity to comply with strict EU measures on sanitary and phytosanitary measures (SPS) and to overcome other technical barriers to trade (TBT) which would otherwise limit effective ACP market access given constantly eroding tariff preferences.

It is anticipated that the ACP Technical Follow-up Group will soon meet to discuss EPA issues of all-ACP concern in April 2005.

Technical Level Discussions Begin in Central Africa

The first Regional Preparatory Task Force (RPTF) and a joint Contact Group meeting took place in Douala, Cameroun on 16 September, preceded by a meeting of CEMAC's Regional Negotiations Committee (RNC). Discussions focused on the working methods of the first specialised technical groups - SPS and TBT measures customs procedures, border protection and trade facilitation. Participants formulated an action plan which includes the creation of a regional market to ensure the effective movement of goods and a reference framework for the bilateral commitments for all trade measures. Technical work will be undertaken on all trade related issues and on trade in services. CEMAC called for the reinforcement of production capacities to be included in the EPA negotiations. The EC reaffirmed that this issue is not an area for negotiation, but can be discussed in the RPTF. The issue will be examined at the next joint meeting in Brussels.

West Africa Also Starts Technical Level Discussions

At the first technical meetings held in Abuja, Nigeria on 21 and 22 September, it was decided to structure negotiations according to the following technical groups: on the questions connected to regional integration of the West African market (free trade area, customs union, trade facilitation, SPS and TBT measures); on trade-related issues (in particular competition, investment and intellectual property rights); on services; on agriculture and fisheries; on non-agriculture products; and on development questions.

This first phase of negotiations will examine the elements necessary to make progress in the regional integration process in West Africa. It will also include the definition of the general objectives to be achieved in the EPA negotiations in terms of trade measures and necessary supporting measures.

Joint technical meetings will take place in Brussels in December 2004. Senior officials will also meet in December 2004 to detail the work programme of 2005. These meetings will also report on the status of capacity building activities in the region.

Pacific Region Still Preparing for Detailed Discussions⁵

The priority for 2004 will be to reach agreement on basic principles and elements to be integrated into an EPA. Regional integration issues will be given particular attention as they relate to the various subjects discussed under an EPA. The Terms of Reference for the negotiations will be formulated once studies are completed and a mandate given to negotiators based on these studies. Substantial negotiations can then begin in February 2005.

The Caribbean Moves to Phase 2 of Negotiations

Negotiations are now in their second phase, which runs to September 2005, and seeks to attain convergence on the strengthening of CARIFORUM regional integration to be supported by an EPA. Both sides have agreed that the specific aim of EPA negotiations during this second phase will be to establish a common understanding on the priorities for support of Caribbean regional integration, identification of sources of assistance required for CARIFORUM capacity building and the targets to be attained by the commencement of implementation on January 1, 2008 and beyond.

The first meetings of the CARIFORUM and CARIFORUM-EC RPTF will be held on November 10 and 11. Modalities on the functioning of these bodies will be formally considered. The recommendations of the joint meeting will be presented for adoption at the second meeting of the CARIFORUM-EC Principal Negotiators which will take place in Barbados on November 12. This meeting will focus on identifying the priorities of CARIFORUM regional integration to be supported by EPA negotiations. The meeting will begin addressing the following clusters of issues: regional market access, services and investment, and trade-related areas.

The second meeting of Principal Negotiators will be immediately followed by the launch on November 13 of the Caribbean Network of Non-State Actors (NSAs) on EPA negotiations embracing private sector umbrella groupings, trade unions, farmers and consumer groups, NGOs, academics and parliamentarians. This body will provide a policy forum for the region's non-state actors to feed their positions into the EPA negotiations. It is anticipated that the initial meeting of the NSA network

will focus on institutional arrangements concerning the functioning of that body and an exchange of views on EPA negotiations with the CARIFORUM and EC Principal Negotiators. A CARIFORUM-EC Technical Session on Regional Market Access Issues is scheduled to be held in Jamaica in December.

SADC Continues the Process of Establishing its Priorities

An informal joint technical meeting was held in Brussels on 1 October which initiated discussions on priority areas for negotiations. Concrete proposals on priorities are anticipated soon which will be discussed at the first Ambassadorial-EC senior official level negotiators meeting in Brussels the first week of December. That meeting will seek to develop a general understanding of the framework for the negotiations, define the list of priorities, develop an indicative schedule for the negotiations and agree on the terms of reference and members of the RPTF.

ESA Negotiations Continue

The ESA Regional Negotiating Forum met in Madagascar from 18-20 October. The meeting concentrated on issues related to the development cluster of the EPA negotiations. It considered future funding requirements for the ESA region, accessibility of EDF funding and future perspectives for this linked to the impact the EU external policies will have on the EU ACP relationship

The COMESA Secretariat presented a paper on regional integration and EPAs, which also addressed EPAs in relation to the WTO, the EU's Everything But Arms (EBA) initiative for LDCs, and the EU's Toolbox.⁶ A detailed discussion followed, which included the efficacy of negotiating an EPA as ESA or as COMESA. It was agreed that this should also be raised as an agenda item at the next ESA Council of Ministers meeting.

The COMESA Secretariat presented papers on the Adjustment Facility, the Infrastructure Fund and use of Intellectual Property Rights as a development tool. This was followed by a paper from ECDPM on funding arrangements for ACP. It was also agreed that the National Development and Trade Policy Forums (NDTPFs) would work on these issues (inland fisheries, development issues, agriculture and SPS and IPRs) so that they could also contribute to the discussions and possibly also present papers at the RNF.

At the second meeting of the joint RPTF, ESA presented its Fisheries Framework Agreement (FFA) proposals. The EC sought clarity on the nature of the paper and on the relationship between the EPA and the FFA and the link to development co-operation. Technical discussions on the Adjustment Facility and Infrastructural Fund are on-going with the EC as are discussions on regional integration and the Toolbox. The next ESA RNF meeting will be held in the Seychelles in March/April 2005.

Endnotes

¹ The mandate and composition of the MTC is set out in the Cotonou Agreement's Article 38 and the October 2003 Joint ACP-EC Ministerial report on All-ACP Phase of EPA negotiations.

² All documents are available at http://trade-info.ceec.eu.int/doclib/cfm/doclib_section.cfm?sec=148&lev=2&order=date

³ See TNI Vol. 3, no. 4, July 2004.

⁴ Issues agreed at the first meeting of the ACP Technical Follow-Up Group in January 2004 - adjustments costs of fiscal, balance of payments, economic and social implications of EPAs; flanking measures for regional integration; financial support; trade-related issues (Singapore issues only); Commodity Protocols; data protection; current payments and capital movements.

⁵ See lead article in this issue of TNI.

⁶ http://europa.eu.int/comm/trade/bilateral/acp/toolbox_en.htm

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Calendar

Resources

WTO Events

- 29 November Council for Trade in Services – Special Session
- 29 November Committee on Balance-of Payments
- 30 November Council for Trade in Services
- 30 November Council for Trade-Related Aspects of Intellectual Property Rights – Special Session
- 1-2 Dec. Council for Trade-Related Aspects of Intellectual Property Rights
- 2 December Integrated Framework Steering Committee
- 3 December Committee of Participants on the Expansion of Trade in Information Technology Products
- 3 December Council for Trade in Services – Special Session
- 6 December Negotiating Group on Market Access
- 8 December Negotiating Group on Market Access
- 9 December Textiles Monitoring Body
- 9 December Trade Negotiations Committee
- 10 December Working Group on Trade, Debt and Finance
- 13-14 Dec. General Council
- 14 December Negotiating Group on Rules (AD/SCM, incl. Fisheries Subsidies)
- 16 December Committee on Government Procurement
- 16 December General Council
- 17 December Dispute Settlement Body
- 17 December Committee on Agriculture – Special Session

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

ACP-EU Events

- 29 Nov.-3 Dec. ACP Council of Ministers Meeting, Brussels
- 30 November Seminar on Cotonou and the Conflicts in the Pacific, European Centre on Pacific Issues (ECSIEP), Brussels
- 3 December ACP-EC Ministerial Conference on the Review of the Cotonou Agreement
- 9 -10 Dec. ACP Fisheries meeting - Economic Affairs Division, Commonwealth Institute, Brussels.

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/>

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