

ACP-EU JOINT PARLIAMENTARY ASSEMBLY

ACP-EU 3643/04/fin.

RESOLUTION¹

on Economic Partnership Agreements (EPA): problems and prospects

The ACP-EU Joint Parliamentary Assembly,

- meeting in Addis Ababa (Ethiopia) from 16 to 19 February 2004,
 - having regard to Article 37(1) of the Cotonou Agreement concerning the negotiation of economic partnership agreements during the preparatory period which shall end by 31 December 2007,
 - having regard to the Cape Town Declaration on future ACP-EU negotiations of new trading arrangements which was adopted by the ACP-EU Joint Parliamentary Assembly on 21 March 2002²,
 - having regard to the Cornillet / Matongo report on the use of the EDF, adopted by the JPA in Rome on 15 October 2003,
 - having regard to the European Parliament resolution of 26 September 2002 (Boudjenah report) on the European Parliament's recommendations to the Commission concerning the negotiation of Economic Partnership Agreements with the ACP countries and regions³,
- A. whereas the Cotonou Agreement provides that 'economic partnership agreements shall be negotiated during the preparatory period which shall end by 31 December 2007 at the latest', and that EPAs must contribute to the 'smooth and gradual integration of the ACP States into the world economy, with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries' and are not an end in themselves,
- B. whereas the negotiations conducted so far have revealed serious divergences between the ACP and the EU on key elements of the content and scope of the negotiations and the opening of the second phase of EPA negotiations at the regional level,

¹ Adopted by the ACP-EU Joint Parliamentary Assembly on 19 February 2004 in Addis Ababa (Ethiopia).

² OJ C231 of 27.09.02.

³ OJ C273 of 14.11.03.

- C. whereas both parties agreed in October 2003 that EPAs must be compatible with the WTO rules then prevailing and will need to take account of the evolutionary nature of relevant WTO rules;
- D. whereas Article 37(6) of Cotonou provides that, in 2004, the EU will assess the situation of the non-LDCs which, after consultation with the EU, decide that they are not in a position to enter into EPAs and will examine all alternative possibilities in order to provide these countries with a new framework for trade which is equivalent to their existing situation,
- E. whereas the Cotonou Agreement calls for the progressive removal of barriers to trade between the two parties,
- F. whereas Article 37(3) of the Cotonou Agreement states inter alia that: 'the preparatory period shall also be used for capacity building in the public and private sectors of ACP countries',
- G. whereas the objectives of poverty eradication, sustainable development, equal and effective participation of women and involvement of non-state actors, reaffirmed in the Cotonou Agreement, must underpin the EPA negotiations,
- H. having regard to the importance the JPA consistently attaches to the accountability and legitimacy of parliamentarians, and the need for consultation, information and scrutiny in respect of the EPA negotiations,
- I. whereas impact assessments of EPAs show that ACP countries will lose a significant amount of public revenue by removing tariffs on EU exports,
- J. whereas Article 25 of the Cotonou Agreement calls for special attention to be paid to ensuring adequate levels of public spending in the social sectors,
- K. whereas ACP exports to the EU are hindered by a range of non-tariff measures including Sanitary and Phytosanitary measures (SPS), standards and rules of origin,
- L. whereas the failure of the 5th WTO Ministerial Conference at Cancún has underlined the gap between the aspirations of the developing countries and the approach of the industrialised countries with regard to multilateral trade negotiations under the Doha Development Agenda,
- M. whereas the failure of Cancún creates uncertainty for multilateralism and the Doha Development Agenda that could lead to the proliferation of bilateral agreements that are certainly less favourable to developing countries,
- N. whereas the ACP and the EU recognise the importance of a more balanced and equitable multilateral trading system under the WTO underpinned by an explicit link between trade and development, and real special and differential treatment for developing countries - and in particular to LDCs and vulnerable small, landlocked and island countries - and also underpinned by transparency and inclusiveness in the decision-making process,

- O. whereas the EU made a commitment in the Cotonou Agreement that, at the end of the EPA negotiations, no ACP country should, in its trade relations with the EU, find itself in a more unfavourable situation after 2007 than under the current ACP-EU trade arrangements,
- P. whereas the first phase of the EPA negotiations has not resulted in the conclusion of a legally binding framework agreement as proposed by the ACP,
- Q. whereas, for many ACP countries, external debt constitutes an insurmountable obstacle to economic and social development,
1. Calls for the socio-economic viability, sustainability and legitimacy of the EPAs to constitute the guiding principles, and asks the European Commission to take into account the following aspects in the course of the negotiations on EPAs:
 - managing the benefits and costs of the fiscal, economic and balance of payments adjustments of EPAs,
 - managing the social and political effects of EPAs,
 - being commensurate with the institutional and human capacities of ACP countries to master the EPA process,
 - the ability of ACP countries to implement the EPAs,
 - contributing to the economic transformation of the ACP States while building on the 'acquis', in particular as regards Article 36 (4) of the Cotonou Agreement, in order to achieve inter alia the integration of ACP States into the world economy,
 - the importance of the principles of special and differential treatment when dealing with ACP countries;
 2. Calls upon the ACP States and regions to urgently undertake appropriate impact and sustainability studies with a view to providing information for the EPA negotiation process and calls upon the Commission and EU States to provide appropriate and adequate financial support for studies that:
 - involve research on the impact of trade arrangements on women in the different ACP countries, which should involve the collection of statistics disaggregated by gender for ACP countries and the development of gender-specific indicators, which allow the accurate measurement of the impact of different aspects of trade arrangements on men and women in the different ACP countries,
 - involve research on non-tariff measures and their impact on poverty;
 3. Stresses that assessments of the probable impact, from an environmental and social point of view, of the introduction of trade liberalisation between the EU and ACP countries under the EPAs, have been called for by the European Parliament, and that they must be formulated and forwarded to the ACP and EU members to allow further steps towards liberalisation to be taken;
 4. Calls for the ACP and the EU to work together in the WTO to obtain flexible trade arrangements that best address poverty, acknowledging the evolutionary nature of relevant WTO rules;
 5. Reminds the negotiating parties of their responsibilities pursuant to the Cotonou Agreement with regard to the participation of non-state actors (including women's organisations, trade unions, employers, and economic and social actors) in the

determining and implementation of, inter alia, their development and trade strategies;

6. Urges that there should be capacity building to ensure that proper scrutiny of the EPA negotiations can take place in national parliaments in ACP countries, and confirms that European parliamentarians will similarly need to have adequate information and consultation in order that proper scrutiny of the EPA negotiations can take place;
7. Calls upon the European Commission to support, in a transitional period, the principle of commercial non-reciprocity which must govern relations between the industrialised and developing countries, and to develop flexibility towards ACP countries during the EPA negotiations in view of their level of development, of the relatively small size of their economies, and of their financial, development and trade needs, and to ensure that, in reality, EPAs become instruments for sustainable development in the ACP countries; calls on the Commission, in this connection, with a view to promoting sustained economic growth in ACP countries and regions, to improve ACP export opportunities to the EU market, inter alia through:
 - widening the scope of products, both semi-finished and finished, of interest to them under the EPAs,
 - addressing both tariff and non-tariff measures and
 - wherever possible, improving and injecting flexibility into the Cotonou rules of origin, including the acceptance of asymmetric rules of origin to take into account the differences in the level of industrial development between the EU and ACP countries;
8. Calls for ACP-EU trade arrangements to focus, inter alia, on addressing the problem of non-tariff barriers (as opposed to tariff barriers) that have been shown to be detrimental to poverty reduction in the ACP countries, as this would still be in line with Article 36 (1) of the Cotonou Agreement;
9. Emphasises the need to take account of and compensate for the likely negative impact of reciprocity on ACP countries and to allow non-reciprocity where this is reasonable and necessary to permit growth of ACP industries, protection of vulnerable farmers and structural development, and to support the sustainable development and poverty reduction targets of ACP governments;
10. Reiterates that EPAs should include effective safeguard measures that protect ACP producers from the influx of EU imports;
11. Welcomes the adoption of a joint report which contains joint agreement on a number of important issues that will guide the second phase negotiations with regional configurations, but calls for this to be consolidated by effective implementation of the 'all-ACP-EU' mechanism during the second phase of the EPA negotiations to facilitate appropriate consideration of issues of common interest to all ACP States;
12. Reaffirms the commitment in the Cotonou Agreement to taking account of the situation of women and gender issues in all areas, including trade;

13. Underlines the need to preserve and improve the Cotonou 'acquis' and, in particular, the need to improve market access for agricultural and industrial products from ACP countries, and stresses that it is essential to ensure that ACP countries preserve the right to protect sensitive products in their own markets from exports from the industrialised countries as well as to apply appropriate safeguard measures; stresses the importance of the impact of the EU's export subsidies and domestic support on the economies of ACP States in these areas, with a view to facilitating diversification, the preservation of family and cooperative agricultural structures and food sovereignty and increasing the added value of agricultural and industrial exports from the ACP countries;
14. Reaffirms the crucial importance of agriculture in pursuing the objectives laid down in the Cotonou Agreement, and, in this regard, calls upon the EU to appropriately address the issues of trade liberalisation and of sequencing financial support for agriculture and fisheries during EPA negotiations in these areas, so as to facilitate diversification and addition of value to agricultural exports of the ACP countries through the provision of direct technical assistance and adequate financial resources, and through initiatives aimed at promoting the processing, marketing, distribution and transportation (PMDT) of ACP products;
15. Considers that efforts to secure guaranteed and stable commodity prices, essential for the development of the ACP countries, continue to be of fundamental and vital importance and that, following Stabex and Sysmin, new systems along these lines must be proposed and furthered by the Commission and the EU as a whole at bilateral and international level;
16. Reiterates that the review of the commodity protocols in the context of EPA negotiations under Article 36(4) of the Cotonou Agreement should lead to safeguarding the benefits derived therefrom, bearing in mind the special legal status of the Sugar Protocol, and recognising that the process of CAP reform will significantly erode the value of existing agricultural trade preferences;
17. Underlines the need to increase current quotas under the protocols on commodities in order to take due account of new members in the spirit of maintaining and improving the Cotonou 'acquis';
18. Reaffirms the need for the EU and the Member States to make firm commitments to provide ACP countries with adequate financial resources and technical assistance during the preparatory period and transitional phase of the EPAs, including a better use of available funds to make improvements in the following areas in order to maximise the benefits deriving from EPAs:
 - improvements in their capacity to produce and export,
 - transport infrastructure (roads, railways and ports), and the need to plan and undertake transport improvements at regional level,
 - access to energy (electricity and renewable energy),
 - access to water, for drinking and other uses, such as manufacturing and agricultural production,
 - improvements to the telecommunications infrastructure and measures to bridge the 'digital divide' (in accordance with the ACP-EU Joint Position on the Information

- Society, signed at the World Summit on the Information Society in Geneva, Switzerland, December 2003),
- labour productivity (linked to education standards, health system, housing conditions, etc.),
 - institutional and macroeconomic management (including balance of payments support, exchange rate stabilisation, etc.),
 - development of competitive and diversified supply capacities;
19. Stresses that major investment must be made before the economies of these countries enter into competition with EU undertakings; observes that this financial effort must be better evaluated and calls on the EU to explore appropriate measures to address the funding requirements in this regard;
20. Asks the Commission to submit an estimate of the costs of adjustment and loss of earnings for ACP countries resulting from foregone tax revenue;
21. Underlines the importance of trade-based taxes as a significant source of government revenue for the majority of ACP countries, and, in this regard, calls upon the Commission to make adequate provision to face the eventual loss of customs revenues resulting from the implementation of the EPAs in ACP countries with a view to sustaining the respective governments' capacity to finance:
- social capital investments as referred to in Article 25 of the Cotonou Agreement, in line with the commitments related to meeting the Millennium Development Goals (MDGs),
 - poverty reduction programmes (as contained in the Poverty Reduction Strategy Papers – PRSPs - and overall development programmes), and
 - measures to attract and retain national investment and foreign direct investment (FDI), by promoting good governance and upgrading the countries' locational assets, which means also investing in health, education, water supply, sanitation, power, transport and telecommunications, and effective marketing and promotional actions;
22. Calls on the Commission to promote the development of ACP agro-industry involving technology promotion and skill building in the agricultural, manufacturing and services sector as well as an improvement in the financing of small agricultural producers and small businesses in rural areas;
23. Calls on the EU to allow the external effects of CAP reform to be taken up and addressed in the negotiations, with a view to maintaining and enhancing as far as possible the value of existing ACP agricultural preferences and ensuring effective protection of ACP markets from unfair competition from EU agricultural and food product exports;
24. Welcomes the principle of regional integration processes in which ACP governments are allowed to develop and pursue their own processes of integration as spelled out in Article 35(2) of the Cotonou Agreement; calls for the best processes of sequencing for different sets of negotiations in line with the goals they have set to generate sustainable development;
25. Reaffirms the importance of a vibrant service sector for the development of the economies of ACP countries and regions; reaffirms also the need to strengthen this

sector in these countries and regions, and, in this regard, calls upon the Commission and EU States to provide adequate finance to support the development of this sector in ACP countries and to scrupulously adhere to the provisions of Article 41 of the Cotonou Agreement during the Second Phase of EPA negotiations;

26. Calls upon the EU and the ACP to mutually accept the right to regulate the supply of public services within their territories in order to meet national policy objectives;
27. Calls upon those ACP states and regions which choose to negotiate EPAs to negotiate them taking full account of their development policies, and also calls upon the EU to negotiate EPAs taking full account of the Community's development co-operation policies;
28. Calls on the Commission to establish an inventory of all non-tariff barriers, especially sanitary and phytosanitary measures that inhibit the export of ACP products into the EU, and to establish an exchange of information with the ACP on the design and implementation of SPS measures, so that the promotion of food safety in Europe does not become a barrier to trade from small and least developed ACP countries; notes that this should include arrangements for financing the costs associated with SPS compliance and verification;
29. Calls, in this regard, upon the EU, in partnership with the ACP countries, to intervene at the WTO with a view to:
 - securing full recognition within all international trade regulatory bodies of the legitimacy of long-term regional trade agreements seeking to improve the situation of developing countries,
 - injecting the development dimension into WTO rules in line with United Nations development objectives and the Doha mandate,
 - demonstrably and effectively implementing provisions on special and differential treatment for the ACP countries, and LDCs and vulnerable small countries and island states in particular, and applying all the necessary flexibility,
 - promoting the introduction of a fair and democratic international trade regulation system by fundamentally reforming WTO functioning and objectives with a view to creating a fair trading system and facilitating equal participation of all members;
30. Considers that the issue of resolving the external debt problem of the ACP countries must not be evaded but, on the contrary, be considered by the European Union under the new Economic Partnership Agreements and that solutions must be found on a bilateral basis and/or by bringing pressure to bear on international financial institutions and other parties concerned;
31. Calls on the ACP-EU Council of Ministers, at the meeting to be held in Botswana in May 2004, to consider adopting a decision in order to postpone until 2006 the review of the situation of non-LDC ACP States required under Article 37(6) of Cotonou;
32. Calls for the ACP and the EU to promote and support a greater involvement of civil society in EPA discussions and negotiations;
33. Calls for an effective involvement in the EPA negotiation process of parliamentarians from the European Parliament, the ACP-EU Joint Parliamentary

Assembly and all ACP and EU countries, and in particular for effective parliamentary monitoring in all ACP and EU countries throughout the negotiations;

34. Calls for the ACP and the EU to support greater involvement of civil society groups including producers' organisations, women's groups and consumer associations in EPA discussions and negotiations;
35. Instructs its Co-Presidents to forward this resolution to the ACP-EU Council, the Commission and the WTO Director General.