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Economic Partnership Agreements

Introduction

Economic Partnership Agreements (EPAs) are trade agreements between the EU and 76 African, Caribbean and Pacific (ACP) countries, almost all of which are former European colonies. The main objectives of the EPAs are to stimulate social, economic and political development and sustainable growth through trade. They also aim to support regional integration of ACP countries and their integration into the global economy.

History

The EPAs have their roots in the Lomé Convention that was in force between 1975 and 1999. These agreements between the European (Economic) Community and 71 ACP countries granted the latter duty-free access to the EU market for all products bar agricultural produce. Furthermore, the Lomé Convention aimed to boost aid for and investment in ACP countries. Given that this agreement provided unilateral preferences to ACP countries, it was found to be in breach of the most important principle of the World Trade Organisation (WTO), the most-favoured nation (MFN) clause. The EU was granted waivers in 1996 and 2001 on condition that the Lomé Conventions would be replaced by trade agreements in line with WTO rules, such as EPAs.

For this reason, the Cotonou Agreement was signed in 2000. It strives to end the preferential access to the European single market enjoyed by ACP countries and instead calls for reciprocal trade arrangements obliging both the EU and ACP countries to provide free access to each other's markets. The Cotonou Agreement also provides a general framework for relations between the EU and ACP countries until 2020, which includes guidelines for political dialogue, development support and trade cooperation. The Cotonou Agreement forms the basis of the impending negotiations of the EPAs and is subjected to revision every five years. The last revision was in 2010, during which the issue of climate change was addressed for the first time. At the moment the EU has concluded EPAs with 49 ACP countries.

How do EPAs work?

Although reciprocal, the EPAs are asymmetric: while the EU has provided nearly full market access without duties or quotas since 2008, ACP signatories to the EPAs have committed to open between 75 and 100% of their markets in 15 to 25 years. In addition, EU imports that are likely to harm key domestic sectors in ACP countries, such as specific agricultural products, are excluded from the EPAs.

The vast majority of EPAs cover development cooperation and trade in goods. An exception in this regard is the CARIFORUM-EU EPA, a comprehensive agreement between the EU and 15 Caribbean countries that also covers services, investment and trade-related regulations.

Facts and figures

- Of the 49 least developed countries (LDCs) in the world, 39 are ACP countries – the majority of which are in Africa.
- In most cases, EPAs are not accompanied by EU funds for development.
- The ECOWAS EPA (with West African states) forms the exception to this rule: the EU spent €6.5bn between 2010 and 2014 on EPA-related development funding in this region and will do so again for the 2015-2019 period.

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Arguments

For

- Trade and development objectives can be mutually beneficial through job creation and overall price reductions.
- ACP exporters profit from EPAs as it grants them duty-free and quota-free access to the European single market of 500 million people.
- ACP countries may benefit from the implementation of wider reforms included in EPAs, such as the improvements in the rule of law.
- EPAs may promote regional integration in the groupings of ACP countries negotiating EPAs with the EU.
- EU consumers may benefit from EPAs by an increased choice of products and lower prices.

Against

- Trade agreements may not automatically lead to more trade: during the 40 years that ACP countries have had preferential access to the European market, exports from these regions to the EU actually declined.
- Despite the bridging period, ACP countries fear that EU exporters will get preferential access to their markets too quickly, thereby harming local producers.
- EPAs make it harder for ACP countries to protect their infant industries by increasing competition in the market for their specialised products.
- EPAs may have a lock-in effect on ACP countries. Given increased regional integration, they may be bound to the region with which an EPA has been negotiated.
- The main benefit of EPAs, quota-free and duty-free access to the EU single market, may fade quickly due to competition from other, non-ACP states concluding free trade agreements with the EU.

"Outside of DG Trade it has been impossible to find anyone with a good word to say about EPAs."
Former MEP Robert Sturdy who was in charge of a European Parliamentary Trade Committee inquiry into EPAs, May 2006

"…the current EPA negotiations … are far from development tools – instead they pose serious threats to the development of African countries and their people."
Former ACP Secretary-General John Kaputin, 2005.

Technical Terms

- ***European Economic Community (EEC):*** An organisation created in 1957 aimed to stimulate economic integration between the six EU founding members. The EEC was renamed as the European Community (EC) in 1993 and absorbed into the EU in 2009.
- ***MFN clause:*** A key WTO non-discrimination principle stating that each member should treat all other WTO members as 'most favoured' trading partners. A benefit granted to one country should be given to all others, so that all members remain 'most favoured'.

Links

- http://ec.europa.eu/trade/policy/countries-and-regions/development/economic-partnerships/
- http://ecdpm.org/dossiers/dossier-economic-partnership-agreements/

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