

## **EU-ACP: Completing a Partnership**

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Honourable Members of Parliament,

I am very pleased to be back at this Assembly to talk to you again about international trade. It is only part of the relations between Europe and the African, Caribbean and Pacific countries. But I think you will agree that it is a crucial one, when we consider its impact on prosperity.

Over recent years, we have seen massive economic development in developing countries, lifting hundreds of millions of people out of poverty. Developing countries have become the main drivers of world trade, accounting for over half of world exports. South-South trade has outstripped North-South trade since 2007.

Within that context, ACP countries have taken important steps forward in recent years. For instance, the IMF Regional Economic Outlook for Sub-Saharan Africa predicts growth this year at over 5%.

All of this growth is founded on more integration into the global economy in recent years. But we know that Africa's share of total world exports actually declined from just under 3% to less than 1% between the mid-1970s and

2006. So there is an enormous potential for trade and investment to play an even greater role.

That is why I would like to talk to you today about two important opportunities for growth through trade that stand before ACP countries today.

The **first** is the trade facilitation negotiations at the World Trade Organisation.

This may come as something of a surprise but I am pleased to tell you that not everything about the Doha Round is completely stalled!

One area where trade ministers have agreed to make progress this year is trade facilitation because there is a very broad consensus about its benefits. And a significant portion of those benefits are destined to flow to the ACP countries.

Our aim in these talks is to reduce the costs of trade for companies by streamlining the administrative hurdles they have to jump at the border. These can range from slow customs procedures to opaque and excessive fees.

In some ways this seems like a boring administrative problem. But the impact of these types of trade costs for business is huge. If an exporter cannot say for certain when his products are going to get to customers then he is going to lose business. If fees are not transparent there is an incentive for those who would seek to extort bribes from traders.

The challenge of improving border procedure is not the same everywhere. In this area the OECD countries do set the benchmark. On average, customs clearance requires about 5 separate documents, takes about 10 days and costs around 750 euros per container. By contrast, in sub-Saharan Africa almost double the number of documents is required; goods take 35 days to be exported and 44 days to be imported – at a cost per container of 1300 euro for exports and 1500 euros for imports.

As a result of this disparity, it is developing countries that have the most to gain from this process. Faster border procedures will make life easier for importers. That means cheaper goods for consumers and cheaper inputs and equipment for farmers and manufacturers.

But perhaps the most striking thing trade facilitation is its impact on exporters.

The economist Joan Robinson famously remarked about trade liberalisation that if "your trading partner throws rocks into his harbour, that is no reason to throw rocks into your own."

Nowhere is this truer than in the case of procedural barriers to trade. Some World Bank research provides some indication of the extent of the likely effects of removing them. If South Africa were able to reduce its trade costs half way to the high-income country average it would have the same effect as a cut in its trading partners' tariffs of nearly 20%. If Ethiopia were to cut its own costs half way to those of Mauritius – which is the star performer in Africa – it would be equivalent to a 7% cut in the tariffs faced by its exporters.

And we do not only need to look at projections. We know already:

- that Cameroon has increased customs revenue by 12% through customs reform;
- that in Ethiopia, customs reform nearly doubled import and export transactions, leading to an overall revenue increase of 51%.
- That when Mozambique implemented its reform programme, revenue went up by 50% in the first two years despite significant cuts in tariffs. It now takes Mozambique about 2-5 days to clear goods compared to 30 days before.
- And that in South America many small businesses were able to export for the first time when the number of forms required to export small parcels was cut down.

So we know that phenomenal gains are possible through trade facilitation. And the WTO trade facilitation negotiations can make a major contribution to achieving them.

I am certainly aware that some people here will have concerns about the negotiations so let me take a minute to address those too.

Some have raised the issue of cost. But that is perhaps the best part of the trade facilitation package: Reforming to administrative procedures is an extremely cheap way to deliver results. Pilot studies have shown that in no country will the cost of implementing the package exceed 10 million US dollars. And the developed countries have indicated that they are more than willing to provide assistance to finance this. The European Union and its Member States

are already the world's leading providers of Aid for Trade at over €10.5 billion in 2010.

Others are concerned about making legally-binding commitments that may be difficult to meet. But there is also a solution on the table for this. Legal certainty is crucial for the success of the agreement as it ensures that all participants make a contribution. Binding also helps governments overcome pressure from those with vested interests in the status quo. But binding does not mean imposing impossible targets on developing countries. The approach under discussion would instead involve developing countries setting their own timelines for achieving the objectives of the agreement.

Objectives that are, after all, in their own interest.

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The **second** opportunity for greater growth through trade that is before ACP countries today is the negotiation of Economic Partnership Agreements. And I believe their advantages are very clear:

EPAs will first and foremost lock in broad duty-free and quota-free access to the European Union's market of 500 million consumers. The temporary solutions currently in place in the Market Access regulation do not allow exporters to plan for the future. EPAs will provide vital certainty.

Secondly, they can contribute to improved business environments within ACP countries. By adopting rules on services, investment and competition EPA

countries will be stabilising the regulatory environment and limiting the rent-seeking behaviour that has so often been a barrier to creative entrepreneurs.

Third, by taking commitments to lower tariffs – gradually and where appropriate – EPA countries will be opening themselves up to participating in the global value chains that are vital for development. In today's economy imports are not only beneficial through reducing prices for consumers. They are the way that companies gain access to crucial components – to which they then add value before selling them on again. This is a core element of the development strategy of the most successful emerging countries.

Finally, the regional integration that EPAs can help bring about is vital for economies of scale. Companies that have a larger domestic market have much better chances to compete internationally. They also have the possibility to create regional level value chains. Europe is a good example of how regionalisation can lead to success. One third of European jobs linked to exports depend directly on cooperation with workers in other parts of the continent.

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So the potential of EPAs is clear. But where do we stand on the process?

Good news first: I am very pleased to say that on the 14<sup>th</sup> of May we began implementing the Eastern and Southern Africa interim agreement. We have also seen the gains from existing agreements begin to take shape in the Pacific and the Caribbean.

Papua New Guinea is now receiving major investments in the fisheries sector as a direct result of the agreement. It is estimated that about 53,000 jobs will be created by 2016, about 7% of total formal employment. These jobs will almost exclusively be filled by local people, many of them women, making this a great example of trade-induced inclusive growth.

The full EPA in place in the Caribbean is also delivering tangible results. Recent examples abound of European and Caribbean companies either expanding in the region, or starting from scratch – from UK film studio company Pinewood to Jamaican-based mobile operator Digicell.

Now, let me turn to the on-going negotiations:

In the Pacific, Central Africa and East and Southern Africa, I have to admit that there is still a way to go so we will continue to push ahead. But elsewhere the situation is far more advanced:

With the East-African Community we made progress on some major issues last year. We do need more technical work but I believe we can still conclude in the coming months.

In Western Africa, we will soon need to start the political heavy lifting to solve the last few outstanding issues. I understand that regional leaders have needed to focus on the geopolitical tangle in their backyard. But this makes it even more in the interest of Cote d'Ivoire and Ghana to ratify their interim agreements as they would provide an insurance policy – making sure that trade preferences for bananas and cocoa paste are maintained. Let me also make

clear that they would be superseded when the regional EPA is applied and would not be in the way of future integration, as some have tried to suggest.

Finally, though the situation with the Southern African Development Community is challenging we have also made progress here. All issues that need to be discussed are now on the table. Europe is prepared to eliminate more tariffs than its counterparts but we still need a balanced result.

So that is where we stand: We need to do more if we want to cross the finish line but there are real signs of progress. I think if serious efforts are made we can move quickly to get the right result for all of us.

The Commission's proposal to amend the Market Access Regulation is part of that process.

From its inception, the Market Access Regulation was always going to be temporary. We knew that putting the new system in place would be complicated so we allowed – in good faith – for some extra time. But by definition a temporary measure cannot continue forever.

Economic operators need legal certainty. The present situation does not allow businesses to plan future trade or investment.

On top of this, maintaining free market access for all is also fundamentally unfair. It is not right to give the same treatment to countries that don't implement EPAs and to those do go through challenging, if ultimately

beneficial, reforms. The situation doesn't help Governments that implement necessary reforms.

Finally, the amendment allows plenty of time before the measure enters into force: Sufficient time to ratify and apply existing interim EPAs as well as to conclude on-going negotiations and put those EPAs into application.

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Honourable Members,

Let me reassure you: Nobody will force ACPs into agreements which are not in their interests.

Those who do not want to enter into EPAs are free to take other paths.

Those who do not want to participate in a trade facilitation agreement will not be coerced.

But they would be missing a major opportunity.

The world economy is changing fast.

Those who profit from it will be those who adapt.

Trade is a fantastic tool to help that process. We all have a date with history here. We should be sure not to miss it.