

## Opening Speech

Billie, your speech clearly demonstrates that this gathering is a political rather than a diplomatic occasion.

But my view is that the EU-ACP relationship is a partnership, not a confrontation, and that this development partnership is about more than finance, important on that is.

It was only one week into my mandate as Trade Commissioner in late 2004 that I made my first speech to ACP ministers covering development and trade issues. My first official visit to the ACP was to Guyana just one month later. I travelled to Bamako in Mali to meet with you first hand at the 2005 Joint Parliamentary Assembly. I was impressed by the intense and lively debate there and left Bamako both stimulated and challenged to deliver on this development agenda.

Assemblies like these have a key role in influencing, questioning and improving trade reform. As elected representatives, not only do you have a direct link to the opinions of your constituents but you will also be held accountable by them for the trade agreements we deliver.

A lot has happened since the Bamako assembly. I have had many more meetings with ACP ministers and parliamentarians, both bilaterally and collectively. I am more convinced now than ever of the need – and our ability – to put development at the centre of trade. My work has been dominated by two agendas. These are the ongoing WTO talks, and the EPA negotiations that together will shape our future trade relations. I am glad to extend debate on these agendas today. This assembly was set up under the Cotonou Agreement to help us deliver on the development dimension to the benefit of your countries. I remain, personally, deeply committed to this aim.

Let me start by saying that the Doha Development Agenda is important for the ACP to promote trade and economic growth. Development is the main objective of the current talks and I have said many times, increasing South-South trade is the key for

a successful outcome for the ACP. And despite what you may hear from certain NGOs, the reality is that EU proposals serve best the interest of the ACP. We want you to benefit from liberalisation – but not such radical and over-night liberalisation that your economies cannot absorb.

The next few weeks will be crucial in the talks. I believe that a deal is feasible, but only if key players move on those issues on which they are most defensive. We are prepared to significantly improve our agricultural offer while being prudent about the ACP's interests, if the circumstances allow, *i.e.* 1) if the US incorporates into their agriculture offer an effective cut in their domestic agricultural subsidies, while bringing down their unreasonable expectations on agricultural market access; and 2) if the G20 countries (and some others) make a genuine market access contribution on industrial tariffs. This should be a Round of proportionate effort. The contribution requested from developing countries must be commensurate with their own particular level of development and will in any case be less than that of developed countries. This is based on the fundamental assumption that developing countries are not all alike and do not have identical interests. The so-called G-110 works well for advanced developing economies, but much less for small and vulnerable countries. For example, market access as demanded by the G-20 would put 70% of ACP preferential exports at risk. This is something to bear in mind in the coming weeks in the Geneva Green room.

The EU demonstrated its commitment to keep the development dimension high on the agenda, by pushing for the adoption of the “Hong Kong development package”, although less ambitious than we would have liked. Our present proposals continue to push for more and better Aid for Trade, SDT for all Developing Countries, including LDCs, new disciplines and increased multilateral rules (like Trade Facilitation).

Our next cycle of development aid, together with pledges by our Member States to match the Commission's commitment to stepping up Trade Related Assistance to 1 billion euros a year, will be key to help you adjust. And we are willing to work on the definition of small and vulnerable economies.

If we succeed, the end result of the DDA will contribute to development, through:

- 1) creating new outlets for developing countries, including via South-South trade, in other (bigger) developing countries;
- 2) providing adequate flexibilities for all developing countries, including to take account of delicate issues, such as preference erosion;
- 3) and though specific measures for developing countries such as Aid for Trade.

I am fully aware of your concerns and constraints in these negotiations. We need an inclusive process.

You are concerned about preference erosion. The EU wants to see longer transitional periods for reducing tariffs on some products for which a sudden erosion of the preferential margin could negatively affect your economies. And we need a significant Aid for Trade package that will help affected countries adjust and diversify their economies to benefit from trade liberalisation.

Make no mistake: ACP countries need to take positions that reflect their real economic interests. The G20 and the G90 do not have identical interests and capacities in trade. Some are major economic players and exporters on the world stage: others like yourselves need all the help we can give them and I am here today to confirm that the EU is fully committed to supporting your interests in those negotiations.

The same is true with negotiations concerning EPAs.

There is no shortage of debate about their "development dimension". For me the concept can be summed up in one simple statistic. If Africa's share of world trade were to grow by just 1%, the continent would earn more than 7 times the total of current official development assistance. This is what the Doha Development Agenda is about. Growth, economic independence, jobs and the security that comes from a diverse economy. This is what EPAs are about.

We are trying to bring real benefit from development finance by putting in place a better policy platform for the money being used. We need a debate about the role of development finance, and its important link to trade reform.

It's not easy to combine multilateral reform, regional trade agreements and integration of different national markets. But we all share the same objective - to use trade to promote sustainable development and poverty reduction just as we agreed in the Cotonou agreement. The Morgantini report to the EU Parliament on EPAs came to the clear conclusion that a well designed EPA is good for development. Our job is to deliver well designed EPAs.

We will not achieve this in delayed or watered down EPAs.

Preserving existing trade relations means preserving existing poverty. We have to change. But simply discussing market access to the EU is not the way to deal with the challenges facing the ACP. The figures in my recent reports to the EU parliament on the use of EU trade preferences speak for themselves. Over 97% of ACP exports enter EU markets free of duties but the ACP share of EU imports remains at only 3%. The issue is one of marginalisation and it will get worse as multilateral trade reform further erodes ACP preferences, as long as we do not put in place alternative policies to grow your regional trade and your capacity to attract investment. That is what EPAs aim to achieve. That's why we must keep EPA negotiations on track and on time. There is no time to lose.

A well designed EPA with development at its core means three things: (i) clear and simple rules covering all areas key to investment and markets, such as services, movement of goods and harmonised regional legislation; (ii) linking the EPA to accompanying development support to help in the process of change and protect the vulnerable; and (iii) gradual changes in ACP market access with the greatest and fastest liberalisation on the EU side. It is all three aspects that combine to form the development dimension of an EPA.

We must not fall into the trap of focusing only on market access. Our joint objective is, and always has been, market building before market opening. There is absolutely no question of the immediate or complete removal of market protection by the ACP - the doomsday scenario painted by anti EPA campaigners. There will be asymmetry – in other words, the EU will liberalise faster and deeper than the ACP, for whom changes will phase in over many years.

Neither must we fall into the trap of equating development with levels of development financial assistance. It is higher company earnings and investment, lower services costs, better workers wages and lower prices for the daily shopping that will lift you out of poverty. Development assistance in the form of handouts from the EU taxpayer are no substitute for the dignity and security of real development. For development we need policy reform, political will, legal frameworks and clear rules, better public procurement and new opportunities for entrepreneurs. Development assistance is a means to help us get there, and we must not confuse the ends with the means.

Of course, development assistance is important. It helps to put in place reforms and to protect the vulnerable from the impact of change. This includes helping to manage the effects on Government finances and public services. We have the money to help. A growing proportion of increasing EU development assistance budgets is going to the ACP with clear EU commitments on trade related assistance.

However, we must base our assistance on needs and regional priorities, linking it to poverty reduction strategies, other ongoing reforms and the activities of our Member States and other donors. This is why, as my fellow Commissioner Louis Michel explained yesterday, we are addressing the issue through the development assistance provisions of the Cotonou agreement. We should not duplicate these.

Let me also make this clear. There is no question of us failing to respect legitimate ACP political choices or not working with regional timetables for change. However, facts are facts. It is just not possible, for example, for a country to be in more than one customs union at the same time. We cannot negotiate 77 separate bilateral

agreements and we cannot continue with all ACP preferences. This is not an EU imposition, this is the world we live in.

Importantly, EPAs uniquely offer long term stability in a trade regime. This is what you and your investors have demanded. But if we are to make such a long term vision work, if we are to sustain the development dimension, EPAs must define the rules and institutions that are essential in the future. We want to change history, not lock the regional integration problems of today into redundant arrangements that will still be in force 20 years from now.

To those who wish to exclude services, investment, competition and other trade related issues from the EPAs, I simply say this. This is your choice to make that judgement but be aware that by doing so you will be sacrificing the very development gains the EPAs seek to put in place. ACP negotiators agreed to include these issues in EPA negotiations in the Cotonou Agreement for good reasons. This was not because of any WTO negotiating tactic but because they are crucial elements of development. They determine your investment climate, reduce crippling transport and insurance costs and improve financial services. Why does it still cost more to transport a ton of maize to Tanzania from Zambia than it does to bring it there from mid west America? We can change that. Moreover, it is not in the trade of basic goods that we will break poverty. Services represent over half the foreign direct investment flows and have been one of the fastest growing components of international trade for over 15 years. People deserve a chance to access that growth and turn to new opportunities, but the ACP is not keeping pace – the ACP share of world services trade is declining. A labour force trapped in basic agricultural work offers no long term future for the youth. This is what we have to change, to turn round. And it requires strong decisions and choices now, not in five, ten or fifteen years time.

So there is a lot for us to talk about. There is no convincing alternative that offers the same development opportunities. If we are to deliver on the development dimension then we must not settle for second or third best. So let's continue to understand, question and improve the EPA process. That is the purpose of assemblies like this.

That is the purpose of the forthcoming report on EPAs by the International Trade Committee of the European Parliament. These are important decisions and it is by this kind of debate and open discussion that we can address them together. This is the spirit of partnership and vision set out in the Cotonou Agreement. It is the same one with which I thank you for listening to me today.