

EUROPEAN PARLIAMENT

2004



2009

Committee on Development

2008/0061(AVC)

16.2.2009

OPINION

of the Committee on Development

for the Committee on International Trade

on the proposal for a Council decision concluding the Economic Partnership Agreement between the European Community and its Member States, of the one part, and the CARIFORUM States, on the other part
(COM(2008)0156 – C6-0000/2008 – 2008/0061(AVC))

Rapporteur (*): Jürgen Schröder

(*) Associated committee – Rule 47 of the Rules of Procedure

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SHORT JUSTIFICATION

Justification

In Article 36 of the Cotonou Partnership Agreement EU and ACP countries agreed to conclude WTO compatible new trade agreements *"removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade."* Article 37 provides that the *"Economic Partnership Agreements shall be negotiated during the preparatory period which shall end by 31 December 2007 at the latest"*.

In 2002, the first phase of negotiations started between the Commission and the ACP group on issues of general interest to the all ACP countries of the agreements followed by separate negotiations with six ACP regions that were established for the EPA negotiations (Caribbean, West Africa, Central Africa, Eastern and Southern Africa (ESA), SADC minus, Pacific). At the end of the negotiations in 2007, the EAC (Eastern African Community) split up from the ESA negotiation group.

Only the Caribbean agreed after five years of negotiations in the end of 2007 to initial a full economic partnership agreement, which includes all aspects of economic cooperation and development. On 16 December 2007, the Commission for the European Community and 15 CARIFORUM States (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago) initialled the agreement, which was signed by the EU and 13 CARIFORUM States on 15 October 2008, and by Guyana on 20 October 2008. Haiti did not sign the agreement.

Since beginning 2008, the duty and quota free access of CARIFORUM products to the EU market had been applied according to Council Regulation (EC) No 1528/2007 of 20 December 2007 applying the arrangements for products originating in certain states which are part of the African, Caribbean and Pacific (ACP) Group of States provided for in agreements establishing, or leading to the establishment of, Economic Partnership Agreements (OJ L 348, 31.12.2007, p. 1). Immediately after signature, the Commission notified the agreement to the WTO, therewith proving the WTO conformity of the EU import regime for goods from ACP States having signed EPAs.

Strong difficulties appeared during the negotiations and after initialling, in particular when the debate was reopened in Guyana. Guyana would have preferred to sign only the "goods part" of the agreement. While this request was not agreed, provisions in the protocol attached to the agreement call for an evaluation of the impact within five years time leading to possible amendments. The rapporteur welcomes these provisions, as regular evaluation can be an important instrument to ensure the development friendly implementation of the EPA. The EU should demonstrate a flexible and empathetic approach to implementation and should be ready to modify provisions of the agreement, if the review indicates so.

Beside difficulties of substance obviously tone and tactics of the Commission negotiators jeopardized the traditionally good EU-Caribbean negotiations. Your rapporteur deplores this deeply, and explicitly welcomes the change of tone in the European Commission following

the replacement of the Commissioner for Trade. However, your rapporteur sees sufficient reason to congratulate the CARIFORUM States for the result of negotiations and their decision to sign the EPA.

Haiti, as the only LDC of the CARIFORUM group, did not sign the EPA. As LDC, it can benefit of the Everything But Arms schedule under the General System of Preferences (GSP). Therefore, the immediate need to secure the free access to the EU market via the EPA does not exist. Given the difficult political and economic situation of the country, Haiti should not be pressed but given the time, it needs to decide.

The EPA with CARIFORUM could have positive impact on the development of the Caribbean countries. In the view of your rapporteur, a swift ratification and implementation process combined with the necessary reforms are conditions to bring about the positive impact of the EPA. It can not be neglected that the improved market access for goods, investment and services can be more easily seized by EU companies in the Caribbean than by Caribbean companies in Europe due to lack of capacity. This may lead to an unbalanced outcome - very much, depending on how the agreement is implemented.

Implementation of the EPA and reforms can only work properly if the EPA is accompanied by considerable Aid for Trade (AfT) packages to make up for net customs losses and increase the economic activity in the CARIFORUM states. However, articles on development cooperation in the agreement do not bind the EU to provide additional financial assistance in connection to the EPA.

The main reason for the decision to include Article 36 in the Cotonou Agreement was the non-compatibility with WTO rules of the free access of goods from all ACP countries to the EU under the Lomé Treaties. Therefore, the biggest part of the EPA deals with the trade in goods. However, it was made clear from the beginning by all parties that the objectives of the agreement would be in line with the objectives of the Cotonou Partnership Agreement, which is the basis of the EPA EC-CARIFORUM.

The EPA itself (Article 1), formulates the "reduction and eventual eradication of poverty through the establishment of a trade partnership consistent with the objective sustainable development, the Millennium Development Goals and the Cotonou Agreement" as its first objective, followed by "promoting regional integration, economic cooperation and good governance thus establishing and implementing an effective, predictable and transparent regulatory framework for trade and investment between the Parties and the CARIFORUM region."

The EPA with CARIFORUM is linked in different ways closely with the Cotonou agreement. It is "based on the Fundamental Principles as well as the Essential and Fundamental Elements of the Cotonou Agreement". It shall "build on the provisions of the Cotonou Agreement and the previous ACP-EC Partnership Agreements [i.e. the four Lomé-Agreements and the preceding Yaoundé-Agreements] in the area of regional cooperation and integration as well as economic and trade cooperation.

The agreement contains detailed rules for the import and export of goods. The EU accepts to apply no customs duties and quotas since 1 January 2008, most CARIFORUM States will

gradually open their markets for about 87% of the goods imported from the EU and originating in the EU over the next 25 years. This will lead to net-losses in customs revenue, but the CARIFORUM States have time to adjust and will be supported by Aid for Trade. It is hoped that the necessary reform in the customs and fiscal sector could be of benefit for the development of the public financial system of the CARIFORUM States in general.

The EPA contains provisions for Trade in Services, investment, competition, innovation, intellectual property and procurement. All these areas have been examined with some preoccupation by players in the CARIFORUM States and in the EU. Considerable obligations derive from these provisions, but they also open opportunities for economic development. The impact of these chapters on the development of the CARIFORUM States is difficult to predict. However, safeguards are included as well as accompanying measures in order to make the provisions a success in terms of development of the countries concerned. The EU must show maximum flexibility in view of the CARIFORUM using safeguards especially in the light of implementation costs and the uncertain development impact.

The available financial instruments for development cooperation will be used by the EU in order to accompany the EPA with CARIFORUM. Financial support will come from the Regional and National Indicative Programmes of the EDF as well as from the all-ACP programmes. In addition, CARIFORUM will receive its share of the trade related assistance of annually € 1 billion pledged by the EU and € 1 billion pledged by the Member States. However, little additional finance is guaranteed.

The agreement EC-CARIFORUM has been negotiated for the specific needs and interests of the Caribbean ACP countries. Future EPAs in other regions may include considerable different provisions and could include a different number of areas, depending on the development of each region.

Conclusion

The Committee on Development calls on the Committee on International Trade, as the committee responsible, to propose that Parliament gives its assent to concluding the Economic Partnership Agreement subject to its ratification by CARIFORUM States and their parliaments where their constitutions so require.

PROCEDURE

Title	Economic Partnership Agreement between the EC and Cariforum						
References	COM(2008)0156 – 2008/0061(AVC)						
Committee responsible	INTA						
Opinion by Date announced in plenary	DEVE						
Drafts(wo)man Date appointed	Jürgen Schröder 27.5.2008						
Discussed in committee	8.12.2008						
Date adopted	21.1.2009						
Result of final vote	<table> <tr> <td>+: </td><td>25</td></tr> <tr> <td>–: </td><td>3</td></tr> <tr> <td>0: </td><td>0</td></tr> </table>	+:	25	–:	3	0:	0
+:	25						
–:	3						
0:	0						
Members present for the final vote	Margrete Auken, Thijs Berman, Josep Borrell Fontelles, Danutë Budreikaitė, Marie-Arlette Carlotti, Thierry Cornillet, Corina Crețu, Koenraad Dillen, Alexandra Dobolyi, Beniamino Donnici, Fernando Fernández Martín, Juan Fraile Cantón, Alain Hutchinson, Madeleine Jouye de Grandmaison, Filip Kaczmarek, Maria Martens, Luisa Morgantini, José Ribeiro e Castro, Toomas Savi, Frithjof Schmidt, Jürgen Schröder, Feleknas Uca, Anna Záborská, Jan Zahradil, Mauro Zani						
Substitute(s) present for the final vote	Maria Berger, Raymond Langendries, Miguel Angel Martínez Martínez, Manolis Mavrommatis, Anne Van Lancker						