

**Economic Partnership Agreements with Africa, Caribbean and Pacific countries  
UNICE Position on the EPA Process**

**Executive Summary**

UNICE is a strong supporter of the EPA process launched in September 2002 to develop a new path for growth, development and competitiveness in the ACP countries and the EU. EPAs represent a necessary break with the current EU-ACP policy based on non-reciprocal trade preferences which is not in line with WTO non-discrimination rules and which is not focused enough on strengthening the export competitiveness of the ACP countries. For UNICE, the EPAs should provide ACP countries with a springboard to put their economies back on the path of international competitiveness while contributing to strengthening the competitiveness of ACP and EU companies. When combined with the initiatives being launched by multilateral organisations and EU Member States (i.e. the Commission for Africa Report) to promote development in these countries, the EPA process should contribute significantly to improving the development prospects of the ACP countries and their integration into the world economy.

For European business, the goal of the EPA process is to ensure that ACP countries enter into a dynamic process of growth and development with a view to creating more attractive markets and enhancing their ability to attract investment. Reducing barriers to trade is an important step in a broad based development strategy. The medium to long term objective remains the development of open and vibrant markets in partnership with the EU.

The EPA process should be complementary to multilateral trade negotiations in the WTO. UNICE urges the ACP countries and the EU to cooperate more closely in the WTO to ensure that the specific concerns of the ACP countries can be addressed constructively in multilateral negotiations.

This paper focuses on the EPA process as a whole. More specific comments on the regional negotiations with West Africa, Central Africa, Eastern and Southern Africa, the Southern African Development Community, the Caribbean and the Pacific will be developed, if needed, as the regional negotiations proceed.

The UNICE position on the EPA process can be summarised as follows:

- 1) Strong support for the EPA focus on regional integration and asymmetrical (during a phase-in period) regional trade and investment agreements to encourage economic growth in the ACP regions.
- 2) A call for a reasonable time-table for the implementation of EPA goods liberalisation commitments based on the development objectives of the ACP countries. The aim should be to create a dynamic for pro-competitive reform in the EU and the ACP countries.
- 3) The need to address a broad range of trade issues that can contribute to economic development in both the ACP and the EU including trade facilitation, services liberalisation, public procurement and foreign direct investment while recognising the specific needs and requirements of the ACP countries.

- 4) The need to adapt and coordinate EU (EU & Member State) development assistance to promote market reform and opening and to focus on the development of vibrant, internationally competitive private sectors in the ACP regions.
- 5) A call to strengthen the role and dialogue with the private sector to make the EPA process a success.

## **Conclusion**

UNICE will pursue the dialogue with EU officials and ACP governments and business organisations on this important process to develop a new path for growth, development and competitiveness in the ACP countries and the EU. This preliminary position will evolve as EPA negotiations develop.

**Economic Partnership Agreements with Africa, Caribbean and Pacific countries  
UNICE Position on the EPA Process**

**Detailed Comments**

**1. EPAs: the right approach for competitiveness**

The ACP countries and the EU are facing increasing competitive pressures on world markets due to the rise of powerful emerging countries. EPAs are an appropriate trade policy response to rising competitive pressure because they will:

- Increase access to the EU market for ACP exporters and will, after a reasonable transition period, open ACP markets to EU exporters.
- Encourage intra-regional (south-south) trade in the six ACP regions, thereby expanding the size of their markets and providing a platform for economic development by stimulating competition.
- Encourage and facilitate national, regional and foreign direct investment in the ACP countries by making their markets larger, more viable and open, more predictable and more attractive to private investors.
- Strengthen regional cooperation among the ACP while at the same time giving them a bigger voice in international economic affairs.

**2. Ambitious Commitments for Goods**

ACP countries already benefit from a large degree of market access to the EU for around 90% of goods under the Cotonou Agreement. Therefore, the EPAs need to include additional ambitious liberalisation commitments for goods to create a dynamic for pro-competitive reform in the ACP countries and the EU. UNICE therefore calls for trade liberalisation commitments based on a clear and reasonable timetable.

- The EU should progressively open its market to all goods produced in the six ACP regions as of the date of implementation (target date: 1 January 2008).
- To develop a strong regional platform for trade and growth, each ACP region should liberalise trade in goods on a regional basis at the date of implementation with as limited exceptions as possible. Regional market integration is essential for the success of the EPA process.
- To ensure that EPAs are reciprocal and contribute to dynamic competitive change, EPA regions should open their markets to EU goods and to goods from the other ACP regions within a reasonable phase-in period.
- The EU and the ACP regions should significantly reduce and/or eliminate non tariff barriers to trade. This may also require some regulatory approximation by the ACP regions and further reflection by the EU on the impact of its regulations on EU-ACP trade.
- WTO Rules governing regional trading arrangement (RTA) should be clarified with respect to asymmetrical agreements in line with the EPA trade creating objectives.

- The EU is well placed to assist the ACP regions in opening their markets to one another on a regional basis and to address the competitiveness challenges associated with market opening. EU technical assistance should therefore be targeted to assisting the ACP regions in achieving their development objectives in the trade field. Close cooperation with the World Bank is also essential.

### **3. Pursue Broader Liberalisation Goals**

UNICE strongly supports a broad liberalisation and rule-making agenda for the EPA negotiations. The EPAs should go beyond traditional goods negotiations by including services, public procurement and investment and pursuing negotiations on issues that are vital for competitiveness such as trade facilitation.

- Trade facilitation is an essential element to increase the export competitiveness of the ACP countries. The first step in the process should be to facilitate trade within each EPA region (transit, harmonisation of trade procedures, establishment of customs cooperation) and for the ACP countries to make requests to the EU in this field (improvement of port and customs procedures in the EU). UNICE also expects the ACP countries and the EU to make trade facilitation commitments in the WTO DDA negotiations. The vast number of World Bank, EU and national technical assistance programmes devoted to trade facilitation should help the ACP countries make pragmatic progress in this field.
- Many ACP countries have developed an economic specialisation in services (tourism, financial services); however, many services sectors remain underdeveloped in these countries – in particular infrastructure related services (water, electricity, telecommunications, etc.). UNICE believes that the ACP countries could take advantage of EPA negotiations to open their services markets in order to attract investment and to develop competitive regional services hubs or specialisations. The first step should be to progressively liberalise services within each of the EPA regions in order to increase the size and efficiency of services markets. The speed of regional services liberalisation will depend on how advanced each ACP region is in their regional integration process. UNICE is also open to ACP requests for access to EU services markets.
- Efficient and transparent public procurement markets are essential for both the ACP countries and the EU. The ACP regions should progressively liberalise their public procurement markets to one another through the EPA process. With respect to market opening to the EU, UNICE would like the ACP countries to start by adopting common rules for transparency and to progressively open their procurement markets to EU suppliers – in particular in markets that have already been opened to foreign suppliers.
- One of the priorities of the EPAs should be to enhance the ability of the ACP countries to attract investment - national, regional & foreign. The first step should be to liberalise investment and strengthen the legal security for investment on a regional basis. Special attention should be paid to rules for national treatment, non-discrimination and incentives/disincentives for investment and bilateral dispute settlement. UNICE also encourages the EU and the ACP countries to focus development aid on creating a favourable investment climate. The World Bank *Investment Climate Survey* and *Doing Business Project* provide excellent benchmarks to assist the ACP countries in improving their local investment climate.

#### 4. Development Cooperation: An essential tool to make the EPAs a success

Development cooperation is an important pillar of the EPA process. It should be targeted to the specific needs of each ACP region to meet regional integration objectives and develop vibrant and open markets in each ACP region.

The six ACP regions have attained different stages of economic development and regional integration. Some ACP countries are fairly advanced economies while others are considerably underdeveloped. Similarly, some ACP regions have a long history of regional integration – with functioning institutions and decision-making procedures – while other regions have only begun the integration process recently. Consequently, development cooperation should be flexible and adapted to the needs of each ACP region and to specific country needs.

Nevertheless, development cooperation in the EPA process needs to contribute to accelerating the regional integration process of each ACP region. Therefore, the EU development assistance supporting deeper regional integration should be targeted to help ACP countries achieve concrete regional integration objectives within a reasonable time frame such as: creating a functioning regional free trade area or customs union; improving customs cooperation and transit procedures; liberalising services on a regional scale; establishing regional regulatory convergence or harmonisation; enhancing their ability to attract investment. UNICE is adamant that such assistance should be regularly reviewed to ensure that the ACP regions proceed with deeper regional integration.<sup>1</sup> The success of the EPA negotiations depends largely on the ACP countries living up to their trade commitments to one another and to the EU.

Finally, UNICE urges that significant development cooperation be devoted to the development of vibrant and open markets in the ACP regions. It is essential that the ACP markets pursue outward looking, growth-oriented strategies that enable them to compete in global markets. Some of the issues that UNICE would like to be included in EU-ACP development cooperation are:

- Promoting Good Governance: A stable economic, social and political system based on the rule of law is the fundamental basis for economic development in the ACP and the EU. The EPA process should contribute to good governance by strengthening legal regimes and by promoting best practice in the ACP countries. Special consideration should also be given to eradicating corruption, which undermines development and makes doing business very difficult at all levels.
- Promoting economic infrastructure: Export competitiveness is closely linked to sufficient transport capacities (roads, ports, airports) and stable power and water supply. In many ACP countries the economic infrastructure is heavily underdeveloped and represents a bottle neck for integration into the world economy. Therefore EU development assistance should be responsive to the needs of ACP countries in the area of economic infrastructure. Whenever possible the opportunity for Public Private Partnerships (PPP) should be grasped. In order to render PPPs feasible for the private sector, an appropriate risk sharing should be arranged by using innovative instruments, such as output based aid.

---

<sup>1</sup> Special consideration should, however, be given to difficult situations (i.e. civil unrest, conflict situations) which may undermine further regional integration. In such cases, the other countries of the ACP regions should not suffer due to problems in another country over which they have little control.

- Project management / procurement: The preparation and conduct of EU development projects must be further improved. Partner countries should be more comprehensively assisted in the preparation and conduct of projects. The quality of feasibility studies must be improved. More attention should be given to long lasting quality and life cycle cost optimization. Whenever possible, the responsibility for operating the projects should be transferred to the private sector (PPP).
- Developing sound education and health policies: ACP countries must base their future competitiveness on sound education and health policies to ensure that their workforce can compete in the global economy. EU development aid should aim to help the ACP countries increase the level of education of all their citizens – including women. Many ACP countries are also facing very serious health policy issues, which undermine their economic development. Therefore, EU development assistance should aim to help ACP countries establish efficient basic health services. Also in this field, PPP represent an enormous opportunity.
- Strengthening competition and increasing investment: The regional integration aspect of the EPA process will require the development of pro-competitive policies in the ACP countries. Similarly, the ACP countries will need to exploit the EPA opportunity to attract new (national, regional & foreign) investment to fuel economic growth. EU aid policy should therefore provide technical assistance on how to develop and implement pro-competitive policies and regulations. Private sector capacity building is also essential to ensure that the business sector can contribute to creating an enabling environment in the ACP countries.
- Cooperating closely with multilateral and regional aid organisations (World Bank, African Development Bank, IMF) to assist the ACP countries to integrate and compete more effectively in the global market.

## **5. The role of business in the EPA process**

European business is prepared to work with representative business partners in the ACP countries and with EU and ACP negotiators to make the EPAs a success by supporting an EU-ACP private sector dialogue and by contributing to public-private partnerships.

- Private sector dialogue: To date, the private sector has not been actively involved in the EPA process. UNICE would like that to change and therefore proposes that the EU and the ACP countries support an EU-ACP Private Sector Dialogue which would give the views of the private sector on EPA negotiations and promote EU-ACP private sector cooperation on multilateral issues (i.e. WTO, Development issues, etc.). UNICE and its member federations support strengthening business organisations in developing countries. The time is now ripe for UNICE and representative ACP business associations to enter into a more regular and active dialogue. UNICE is prepared to elaborate further on this proposal with the relevant EU and ACP officials and with ACP business partners.
- Public-Private Partnerships (PPP): Experience has shown that PPP can contribute significantly to strengthening the effectiveness of development cooperation on the ground. UNICE therefore calls on the EU to further develop and to provide adequate funding for PPP initiatives for the ACP countries in its future development policy. Special consideration should also be given to ensuring that small and medium sized enterprises can play a part in EU development strategies.

**Annex: Background information on the EU-ACP Relationship**

**The Six ACP Regions**

	West Africa CEDEAO+ Mauritania	Central Africa CEMAC+STP	East South Africa ESA	Southern Africa "SADC group"	Caribbean	Pacific
1	Benin	Cameroon	Burundi	Angola	Antigua, Barb	Cook Is.
2	Burkina Faso	Centr. Africa	Comoros	Botswana	Bahamas	Fed. Micron.
3	Cape Verde	Chad	Congo (Dem. Rep.)	Lesotho	Barbados	Fiji
4	Gambia	Congo	Djibouti	Mozambique	Belize	Kiribati
5	Ghana	Equat. Guinea	Eritrea	Namibia	Dominica	Marshall Is.
6	Guinea	Gabon	Ethiopia	Swaziland	Dominican Rep.	Nauru
7	Guinea Biss.	S. Tome, Princ	Kenya	Tanzania	Grenada	Niue
8	Ivory Coast		Malawi		Guyana	Palau
9	Liberia		Mauritius		Haiti	Papua N. G.
10	Mali		Madagascar		Jamaica	Samoa
11	Mauritania		Rwanda		St Lucia	Solomon Is.
12	Niger		Seychelles		St Vincent	Tonga
13	Nigeria		Sudan		St. Ch. & Nevis	Tuvalu
14	Senegal		Uganda		Surinam	Vanuatu
15	Sierra Leone		Zambia		Trinidad & Tobago	
16	Togo		Zimbabwe			

The EU imports over €28 billion annually from the ACP countries, primarily basic goods such as petrol, diamonds, cocoa, fish, wood (55% of ACP exports to the EU). It also imports industrial products such as textiles, yachts and cruise ships, among other products. The EU imports around twice as many agricultural products from the ACP as it exports to them (close to €9 billion in imports in 2003).

The EU exports over €26 billion annually to the ACP countries – mainly manufactured products (machinery, transport equipment & chemicals). Nigeria, Angola and the Bahamas are the biggest EU export markets among the ACP.

The EU has invested over €50 billion (investment stocks) in the ACP countries. EU investors invest around €4 billion in the ACP every year.

The EU provides around €3 billion in development cooperation to the ACP countries. EU Member States also provide considerable development assistance to the ACP countries.