



Economic Commission for Africa



United Nations Development Program



And

African Trade Policy Centre

**Ad-Hoc Expert Group Meeting on Economic Partnership
Agreements and How African Countries Can Adjust**

Meeting Conclusions

18-19 September 2006

INTRODUCTION

1. The UNECA, UNDP, Government of the Arab Republic of Egypt, the NEPAD Secretariat and AU Commission organised an Ad Hoc Expert Group Meeting on Economic Partnership Agreements and How African Countries Can Adjust. The representatives of the organising institutions addressed the opening session of the meeting.
2. The following countries were represented in the meeting: Angola, Algeria, Benin, Burkina Faso, Burundi, Cameroon, Chad, Congo Republic, Congo DRC, Central African Republic, Comoros, Cote d'Ivoire, Djibouti, Guinea Republic, Guinea Bissau, Guinea Equatorial, Arab Republic of Egypt, Ghana, Kenya, Madagascar, Malawi, Mali, Mauritius, Mauritania, Morocco, Mozambique, Namibia, Niger, Senegal, Rwanda, Sudan, South Africa, Swaziland, Togo, Tunisia, Uganda, Zambia, and Zimbabwe. The following Brussels-based African missions also attended: Republic of Congo, Ghana, Gabon, Kenya, Mali and Nigeria. Geneva-based African missions represented included: Egypt, Ghana, Namibia and ACP Secretariat. International and regional organisations included ECA, African Union Commission, UEMOA, UMA, CEN-SAD, CEMAC, ACBF, UNCTAD, NEPAD Secretariat, European Commission, ENDA-TM, NEPAD Business Group Secretariat, DFID, Namibia Chamber of Commerce, OIF, OATUU, South Centre, AERC, ILEAP, ACICI/AITIC, BIDPA, ECDPM, TRAUDCRAFT, UNDP and TWN-Africa. The list of all the participants is annexed to this report.
3. Substantive contributions first recalled the results of the EPAs impact studies highlighting the potential adjustment challenges of the EPAs implementation. The European Commission presented also their appreciation of the impact studies. The presentations on the empirical results were complemented by the experience of CEMAC and ECOWAS EPAs negotiations.
4. Presentations were then made on the experience and lessons of Egypt, Morocco, Tunisia, South Africa, and Algeria in negotiating with the EU and how they have coped and dealt with the adjustment challenges. The South Centre shared with the participants the experience of Mexico in the context of NAFTA, having been the first North-South free trade area. UEMOA and CEMAC presented the experiences of their regions in dealing with the adjustment challenges.
5. Other EPAs issues that are still being discussed in the negotiations including Article XXIV, the review process, the question of alternatives, and the need to mainstream EPAs related trade policies in the African development strategies were also discussed. The implementation of the Egypt-EU agreement was revisited including a focus on the rules of origin. The following conclusions emerged from the discussions that took place after the presentations:

A. PROCESS

6. **State of Negotiations:** The current state of negotiations has not dealt with all the difficulties and concerns of African countries. Sub-regions are still encountering the difficult areas identified in most empirical studies. Addressing the lag in the negotiations and having clear terms of reference of the negotiations can help hasten progress in dealing with the African countries concerns.
7. **Coordination of negotiations:** African Negotiators in each of the sub-region could benefit greatly from regular coordination meetings at the technical level. Since they are likely to face similar issues from the European Union means that coordinated consultations will enable them have informed positions on serious adjustment concerns as they respond to the EU positions. There is need for the coordination forum of the AU to be enhanced.
8. **Divergence between EU and ACP:** The negotiations have showed there is need for more political involvement that can facilitate the process to move forward.
9. **Impact studies:** The level of preparedness depends on availability of informed and objective options that clearly reflect each countries vision and strategy. This preparedness is only possible if countries have undertaken country-specific studies. Therefore, detailed and more specific simulation studies should continue to be undertaken for those countries that have not yet done so.

B. ADJUSTMENT COSTS AND BENEFITING FROM OTHER EXPERIENCES

10. **Potential adjustment costs remain an issue:** Countries negotiating the EPAs are still grappling with the potential adjustment costs of the EPAs and the questions of how to adjust still persist. Clear measures therefore still need to be defined that will help these countries address the challenges of adjustment.
11. **Fiscal implications:** Customs revenue remains an important adjustment issue. A global approach to the tax revenue losses anticipated from the EPAs implementation could help dampen the magnitude of the losses.
12. **Adjustment support programmes:** The EU helped establish well-funded adjustment programmes for North African countries. These support programmes helped leverage enterprises in implementing the Association Agreements. While it might still be too early, North African countries have apparently managed to cope through this wide array of adjustment support received from the European Union. Broad adjustment facilities are therefore important to limit the adjustment costs of the EPAs. The accompanying adjustment facility should cover social development; economic reforms; and

institutional support. These support facilities can only be negotiated if the African countries clearly define their national priorities.

13. **Governance support programmes:** Twinning agreements as complementary measures that draw from the experience of EU Governments Ministries could be useful instruments for building public sector capacity in African countries as they undertake policy reforms brought about by the EPAs.

C. OTHER ISSUES

14. **Rules of origin:** Limited amount of work seems to have been devoted to the question of the rules of origin by the African countries. These countries should pay particular attention to the revision in the method of applying rules of origin with the development dimension of the EPAs in mind. Pan-SSA rules of origin should continue to be explored given their potential to deepen intra-African trade.
15. **Regional integration:** Whereas geographic configuration remains a challenge in the EPAs negotiations, and while countries in each EPAs grouping are at different levels of development, the deepening of regional integration among African countries could be an important way of preparing the individual African economies cope with adjustment challenges of EPAs. Reinforcement of regional integration is therefore a pre-requisite to the African countries being able to benefit from the EPAs.
16. **Internal policy reforms:** Internal policy reforms undertaken together with or in parallel to trade reforms necessary during the implementation of EPAs can help the economies cope with adjustment challenges of the EPAs. Such reforms were said to have been beneficial to the North African economies as the implementation of their Association Agreements with the EU progressed. These included institutional reforms in the areas of customs administration, commercial court system, competition and investment authorities. Reforms in regulatory frameworks in some key sectors such as insurance, telecommunications and intellectual properties that have a bearing to the cost of doing business; deepening of private sector development; and trade policy reorientation towards multilateral and regional dimensions could broaden the capacity of the economies to deal with reforms that will be necessitated by the EPAs implementation.
17. **Article XXIV:** Article XXIV, unless appropriately reformed will limit the flexibility of the African countries to adjust. African countries should determine the most appropriate methodology for computing substantially all trade in order to guarantee the best outcome in terms of adjustment purposes.
18. **Alternative to EPAs:** The discussion on alternatives (to) EPAs within the context of the Cotonou Agreement is welcome and useful.

19. Coherence between the Doha Round and EPAs negotiations: The EPAs negotiations are intertwined with the Doha Round of multilateral negotiations. The suspension of the Doha Round is therefore likely to have serious implications on the progress and content of the EPAs negotiations and on the final agreed EPAs texts. The need to ensure coherence in any commitments by the African countries in the EPAs texts with the progress made in the Doha Round must be emphasised.

D. THE WAY FORWARD

20. EPAs Review: There is ample evidence that there are still issues that require serious attention in the EPAs negotiations. These issues require interventions both at the political and technical level. Active participation in an all-inclusive EPAs review will help draw appropriate recommendations with regards to outstanding issues, flexibilities, and what needs to be done. The review report will assist in helping the negotiators in terms of the way forward for the negotiations. The participants saluted the AU/ECA and ACP Secretariats for commencing the EPA review for African ACP countries.

21. Continued Support: The participants welcomed the financial support provided by CIDA, Canada Fund for Africa, DFID and Belgium Government to assist African countries in building their capacities on trade negotiations.

22. Vote of Thanks: The participants thanked the ECA, ATPC and UNDP for their technical support in the negotiations. They called upon them to strengthen this support in this critical stage of the negotiations.