



Overseas Development Institute

The Future of ACP-EU Trade Relations: An Overview on the forthcoming Negotiations*

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Acronyms

ACP	African Caribbean and Pacific
CAP	Common Agricultural Policy
CARICOM	Caribbean Community
CEMAC	Communauté Economique et Monétaire de l'Afrique Centrale
COMESA	Common Market for Eastern and Southern Africa
DG	Directorate General (European Commission)
EBA	Everything-But-Arms initiative
EAC	East African Cooperation
EC	European Communities
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States (comprising all UEMOA countries – see below – as well as the Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone; Mauritania left at the end of 1999)
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Agreement
ICTs	Information and Communication Technologies
IOC	Indian Ocean Commission (comprising Comoros, Madagascar, Mauritius and Seychelles)
IPRs	Intellectual Property Rights
LLDC	Least Developed Countries
NTA	New Trading Arrangements
REPA	Regional Economic Partnership Agreement
SACU	Southern African Customs Union (comprising Botswana, Lesotho, Namibia, Swaziland and South Africa)
SADC	Southern African Development Community (consisting of Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe)
SPS	Sanitary and phytosanitary measures
UEMOA	Union Economique et Monétaire Ouest Africaine (West African Economic and Monetary Union; comprising Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo)
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WTO	World Trade Organisation

EXECUTIVE SUMMARY

In view of the forthcoming negotiations between the African, Caribbean and Pacific (ACP) countries and the European Union (EU) on new trading arrangements, the purpose of this paper is to highlight some of the issues with which the ACP Group will be confronted. This paper does not intend to provide new analysis on these issues nor to make specific policy recommendations. It reviews the state of the current debate, presents some of the options advocated by various actors, and suggests elements for further consideration. Three main themes are considered: possible common trade interests of the ACP Group, possible ACP configurations for negotiations with the EU, and possible needs in ACP negotiating capacities.

On the first issue, the international dimension of the trade issues at stake and the similarity of concerns facing the ACP countries call for a global approach, where groups of ACP countries and the ACP Group as a whole can join forces in their efforts to obtain better deals. By pulling resources together and by coordinating, harmonising and combining efforts, ACP countries could more efficiently prepare for negotiations on issues where they have common interests and could enhance their bargaining clout. Possible common interests of the ACP include: (i) objectives, principles and procedures for negotiating with the EU; (ii) overall structure and format of NTAs; (iii) establishment of a common framework agreement; (iv) phasing of the negotiations; (v) scope for special and differential treatment provisions; (vi) status of LLDCs; (vii) implications of the Doha Round on the negotiations and possible content of NTAs; (viii) agricultural concerns, notably impact of the reform of the CAP and its future evolution, future treatment of the products currently covered by the commodity protocols, and possibilities of products or sectors exemptions from liberalisation (e.g. conditions for exclusion or temporary protection); (ix) remaining peak tariffs, escalating tariff structures and other barriers to trade impeding ACP exports to the EU; (x) trade in services: general framework; (xi) determination of common rules of origin; (xii) opportunity of introducing trade related concerns; (xiii) loss of fiscal revenues; (xiv) possible support measures from the EU; and (xv) common capacity building initiatives.

The second issue of concern is the possible ACP configurations for negotiations with the EU. The paper discusses the position of the European Commission and presents other possible options suggested by ACP actors. While the determination of the appropriate ACP configuration(s) remains a political decision, such a decision should be formed in the light of information and criteria. The paper highlights some of the elements that could influence the choice of one or more ACP configurations and identifies five main options: (i) strictly regionally based EPAs, as envisaged by the European Commission); (ii) flexible EPAs, with the possibility of differentiated treatment and variable geometry; (iii) two-tier agreements: an all-ACP framework agreement complemented by regional EPAs; (iv) an all-ACP EPA, with possible differentiated treatment for ACP LLDCs; and (v) alternative trading arrangement, including a possible extension of EBA or an enhanced GSP.

Finally, the paper stresses the importance of building capacity in ACP for the negotiations. Indeed, crucial for any trade agreement is the capacity of its members to contribute to its elaboration, to be fully involved at all stages of its negotiation and to ensure adequate implementation and enforcement of its provisions. The limited institutional and human resource capacities prevailing in many ACP countries have

often been an obstacle to the development of a comprehensive trade policy framework. The limited capacities suggests not only that external support (from donor countries and international organisations and networks) can be useful, but also that there should be concerted effort to make more effective the allocation of the limited resources at hand. It is therefore essential that ACP countries adopt a well thought out and structured approach before engaging in complex trade negotiations with the EU. Some of the main elements for capacity building for the negotiations include: (i) the determination of key interests at the national level; (ii) the translation of national interests into trade policy objectives; (iii) the choice of the appropriate level (national, regional, plurilateral, ACP and WTO levels) to pursue specific trade objectives; (iv) the identification of interests common to the ACP (Group, regions, group of countries); (v) the conduct of forward looking studies on the potential impact of various options for NTAs, including comparative studies and analyses on sectors, trade-related issues, accompanying measures, differential treatment, institutional settings and capacity, and possible alternative arrangements; (vi) the identification, at the national, regional and ACP levels, of needs, actions and support necessary to be in a position to negotiate with the EU; (vii) the determination of modalities to involve business community, civil society and other actors concerned; (viii) the development of negotiation strategies; (ix) the identification of efficient channels of communication with European actors; and (x) the development of a strategy and means to influence the EU policy position for the negotiations (including EU institutions, member states and other actors); and (xi) the definition of a clear mandate for the ACP *High Level Group of Experts* accompanied with appropriate support to carry their tasks.

1. Comprehensive ACP-EU trade negotiations ahead

In June 2000, the 77 ACP (African, Caribbean and Pacific) countries and the 15 Member States of the European Union (EU) signed a new Partnership Agreement (commonly referred to as the 'Cotonou Agreement') establishing a new framework for the relationship between the ACP countries and the EU. The Cotonou Agreement suggests a clear departure in ACP-EU economic relations from the previous 25 years of non-reciprocal preferential trade relations under four successive Lomé Conventions.

The second title - Economic and trade Cooperation - of Part 3 of the Cotonou sets the path for replacing the current non-reciprocal market access preferences from the EU for the ACP Group with WTO-compatible new trading arrangements (NTAs) due to enter into force at the latest by 2008 (Art. 37.1). Negotiations between the EU and ACP countries 'which consider themselves in a position to do so' (Art.37.5) will start in September 2002 (Art. 37.1). Possible alternative arrangements will be examined in 2004 for ACP non- LLDCs which 'decide that they are not in a position to enter into economic partnership agreements' (EPAs) with the EU (Art. 37.6). The negotiations shall notably aim at the establishment of a 'timetable for the progressive removal of barriers to trade between the Parties' (Art. 37.7). The economic and trade cooperation provisions of the Cotonou Agreement provide for the coverage of standard market access issues for commodities and services (Ch.2), with specific mentions for maritime transport (Art. 42) as well as information and communication technologies (ICTs) and the information society (Art. 43). The Cotonou Agreement also recognises the importance of trade-related areas (Art. 44) and provides for increased cooperation between the ACP countries and the EU in these new areas (Ch. 5), notably competition policy (Art. 45), the protection of intellectual property rights (IPRs, Art. 46), standardisation and certification (Art. 47), sanitary and phytosanitary measures (SPS, Art. 48), trade and environmental considerations (Art. 49), trade and labour standards (Art. 50), consumer policy and the protection of consumer health (Art. 51), as well as (in Ch.6) fishery (Art. 53) and food security (Art. 54).

While NTAs offer new opportunities to the ACP economies, they also generate numerous challenges for the ACP countries. It is therefore crucial that the ACP countries determine their key objectives clearly and identify realistic objectives for these negotiations.

The purpose of this paper is to highlight some of the issues with which the ACP Group will be confronted. In particular, three main themes are considered:

- (i) possible common trade interests of the ACP Group (in Section 2);
- (ii) possible ACP configurations for negotiations with the EU (in Section 3); and
- (iii) possible needs in ACP negotiating capacities (in Section 4).

This paper does not intend to provide new analysis on these issues nor to make specific policy recommendations. It reviews the state of the current debate, presents some of the options advocated by various actors, and suggests elements for further consideration.

2. What common ground is there for the ACP Group

2.1. From Lomé to Cotonou: Differential treatment for ACP

The Lomé Conventions treated the ACP countries as one Group, although the commodity protocols benefited some countries more than others and various limited derogations were permitted within regions (e.g. SACU). The proposal of NTAs would institutionalise differential treatment among the ACP countries within the Cotonou Agreement. Not only could differential agreements be signed with different ACP

countries or groups of countries (Art. 35.2, 37.5&6), but it suggests that trading arrangements shall take into consideration countries level of development, needs and performance, the socio-economic impact of trade measures and capacity to adapt to the liberalisation process (Art. 2, 35.3, 37.7). Even before the negotiations on NTAs, a *de facto* dichotomy among ACP countries between Least Developed Countries (LLDCs) and non- LLDCs has been established, since the introduction in February 2001 of the EU unilateral initiative 'Everything-But-Arms' (EBA) which removes all tariff and quota restrictions on imports from the 49 LLDCs (40 of which are ACP countries) on all products except for arms and, during transition periods, sugar, rice and bananas.¹

In this context, it is vital that each ACP country be able to determine the areas that touch upon its key interests as well as the areas where its own interests would converge with those of some or all other ACP countries. The perspective of differential treatment forces ACP countries to consider under which circumstances a differentiated approach would be favourable and on the contrary when a common approach would be desirable. This imperative is reinforced by the possibility, envisaged by the Cotonou Agreement (Art. 36.1, 37.7) and apparently required by the European Commission (EC, 2001) of *reciprocal* ACP-EU trade agreements. Under these, ACP countries would be required to open up their markets to most exports by the EU.²

So, ACP countries will not only have to try to secure removal of the remaining EU measures that restrict their exports to the EU market (as in the past with the Lomé Conventions, extended under the current transitional non-reciprocal preferential framework until 2008 under the Cotonou Agreement). They also will have to identify those areas where market access concessions could (most readily) be made to the EU during the forthcoming negotiations and the sensitive product domains where they would want exceptions, transition periods and accompanying measures. Contrary to their past experience with the Lomé conventions, ACP countries will have to enter into substantive and comprehensive trade negotiations with the EU.

2.2. *The need for studies on NTAs*

Such issues should be the object of the much overdue preliminary studies on the impact of EPAs on ACP countries, to be conducted at the regional level. But

¹ Official information on EBA can be found on the web site of the European Commission (DG Trade), <http://europa.eu.int/comm/trade/miti/devel/eba.htm>. For a discussion, see Hewitt (2001), Ianchovichina *et al.* (2001) Page and Hewitt (2001), and Stevens and Kennan (2001).

² Article 36.1 states that 'the Parties agree to conclude new World Trade Organization (WTO) compatible trading arrangements, *removing progressively barriers to trade between them*', an objective reaffirmed in Article 37.7 which reads 'Negotiations of the economic partnership agreements shall aim notably at establishing the timetable for the progressive removal of barriers to trade *between the Parties*, in accordance with the relevant WTO rules' (*emphasis added*). The removal of trade barriers between the EU and the ACP countries is likely to take the form of free trade agreements (FTAs), an outcome sought by the European Commission which referred to these as EPAs. These WTO rules require the partners in free trade agreements to liberalise 'substantially all the trade between the constituent territories' (WTO Article XXIV). The EU interpreted 'substantially all' trade (for its FTA with South Africa) as an average of 90% of the items currently traded between the partners (Stevens and Kennan, 2000), but there is no official WTO determination.

individual countries should also undertake such an exercise.³ To be truly effective, such national studies cannot focus only on trade relations with the EU. They should start with the identification of national policy objectives and prioritise them. Then, they should consider how trade policy can contribute to achieving these objectives. They may wish to identify politically sensitive sectors or sectors considered important because they are significant for local consumption (of intermediary products and final goods) or for economic development. Then, an overall trade strategy should be devised.

While the benefits to the economy of removing trade restrictions should be fully recognised, the possibility of providing temporary exclusion from full liberalisation and designing transition measures for some sectors likely to be adversely affected by trade agreements (often referred to as ‘sensitive sectors’) could be envisaged.⁴ Such temporary policies could prevent overburdening adjustment costs that could negatively affect the whole economy. However, they could also provide shelter from trade liberalisation to politically influential sectors unwilling to face international competition. It is crucial that studies be conducted in an objective and transparent way to investigate the costs and benefits of the various possible trade agreements. Hence, while aggregate studies on the impact of (reciprocal) trade liberalisation can provide useful information, it is imperative that sectoral, product specific analyses be conducted as well. Such studies will generate a more accurate picture on the likely effects of NTAs on each sector as well as their likely spill-over effects (negative and positive) on the rest of the economy. This exercise is also necessary to determine possible accompanying measures that might reduce the possible negative effects or ensure a better redistribution of the positive effects of liberalisation. Such elements can play a pivotal role to ensure the introduction of new trade regimes conducive to sustainable development, to poverty alleviation or to other government objectives.

The trade studies must consider unilateral, bilateral, regional, plurilateral and multilateral (WTO) trade liberalisation. The concrete implication is that ACP countries should plan their negotiation strategy with the EU in the context of their national development strategy, their regional objectives, their strategic ambitions for the ACP Group and the Doha Round of WTO Trade Negotiations.

Market access for goods should not be the sole object of these studies. Trade in services has become increasingly important for developing countries (DCs) in general and for many ACP countries in particular. Sectors like financial services, tourism, communication and transports would deserve special studies. A question worth investigating is whether the ACP should aim at a negative list for trade in services (where only specific sectors are excluded if necessary), or whether a positive list would suffice to satisfy their trade concerns. A related concern pertinent to maximise the potential benefits from liberalisation of trade in services is the natural movement of persons. The ACP could consider how measures to facilitate the movement of workers could be introduced into NTAs.

Besides, for trade both in goods and services, the analyses should focus not only on current trade patterns, but rather on future production and trade perspectives, given all

³ This is the case, for instance, for Mauritius and Malawi, among others, which have already conducted such national studies.

⁴ See for instance CREDIT (1998) and EC (1999).

other changes in trade policy. For NTAs, the relevant period will start at the latest in 2008, with possible transition periods running possibly until 2020. It would therefore be erroneous or misleading to determine objectives for the forthcoming NTAs based on trade and production structures relevant at the end of the 1990s and early 2000s. Indeed, in a rapidly changing world environment where countries are subject to multiple competitive pressures, a country's comparative advantages of yesterday may not be those of today and are unlikely to be the same tomorrow.⁵ Even in the absence of NTAs with the EU, ACP countries will have to adjust their productive capacities and undertake sectoral diversification. Yet, most studies have a tendency to rely on current trade and economic data to identify the impact of new trade relations. Trade strategy objectives must be forward looking and take into consideration the future trading environment (at the national, regional and international levels) and production developments.

2.3. Studies cross-cutting countries and the identification of ACP common interests

Ideally, the trade policy studies described above should be carried out at the national level by each ACP country, at the regional level by groups of ACP countries, and at the overall ACP level as a whole group. Sectoral studies could also be undertaken over a group of ACP countries, as many ACP countries face similar trade and production patterns.

In view of the complexity of many of the issues at stake and the potential similarity of interests among many ACP countries (at least in some areas), an ACP approach to identify interests common to all ACP countries should prove extremely valuable. This is the case irrespective of the political decisions on the ACP configurations for the negotiations with the EU (discussed in Section 3). The identification of areas of common interest for the ACP Group is also relevant irrespective of the type of NTAs that could be concluded with the EU.

The identification of trade objectives common to all (or most) ACP countries could thus be a priority for the ACP Group. Such determination goes beyond the scope of this paper; it should be undertaken by the ACP. Yet, previous studies have already indicated some common features of the ACP countries, some of which are summarised below.

2.4. Insights from the REPAs' studies

An important set of such analyses are the six studies conducted for the European Commission in 1998 on the impact on ACP countries of proposed Regional Economic Partnership Agreements (REPAs). The six studies covered, respectively, SADC (without South Africa), EAC, UEMOA (plus Ghana), CEMAC, CARICOM (plus the Dominican Republic) and the Pacific ACP countries.⁶ Although by definition these studies are regional, they also revealed several common features among ACP countries. First, for most ACP countries, the EU is the main trading partner. Notable

⁵ The European Commission has often argued that it is not possible to determine the exact content of EPAs, on the ground that it will depend on the situation in ACP countries and regions at the time of the negotiations, a situation difficult to pre-judge.

⁶ The six studies are CERDI (1998), CREDIT (1998), IDS (1998), IMANI (1998), NEI (1998) and Planistat (1998). For an overview, see EC(1999) and McQueen (1999).

exceptions are the Pacific ACP countries for which the EU represents a relatively minor trading partner, apart from sugar which is of particular importance for Fiji. For these countries, the relationship with Australia, New Zealand and Asia appears much more important. Although the Caribbean region is very much turned towards its more direct regional partners, primarily the US but also the Latin American countries (with the likely forthcoming negotiation on the Free Trade Area of the Americas –FTAA and other regional agreements), the EU remains an important trading partner for agricultural products, in particular sugar, rum, bananas and rice.

For most ACP countries, agriculture remains an important sector, where EU preferences for ACP products have arguably been most valuable. This sector would therefore stand the most to lose if ACP agricultural products lost preferential treatment and access to the EU. The opening up of ACP markets to EU agricultural exports could also significantly disrupt domestic production. Overall, the REPAs studies indicated that many ACP countries are highly dependent on export of primary goods and on imports of manufactures. Agricultural products account for 37% of ACP exports to the EU. Finished manufactures account for about one fifth of ACP exports to the EU. ACP exports are also very concentrated, as ten products account for 60% of ACP exports: petroleum (15%), diamonds (11%), cocoa (6%), coffee (5%), wood (5%), sugar (4%) and bananas (2%).⁷ These products are the main exports to the EU of many ACP regions. Other important sectors for ACP regions include tobacco, beverages, meat, meat and fish products, vegetables, textile, leather and wood, footwear and building material.⁸ At national levels, exports are concentrated on an even fewer number of products than suggested by aggregated data at the ACP level.

2.5. The future of agricultural trade

In view of the importance of agriculture for ACP economies, the future evolution (or reform) of the EU Common Agricultural Policy (CAP) will be of primary importance for the ACP Group. The extent to which the EU will maintain existing access for ACP agricultural products or grant new opportunities to ACP agricultural exports will be the object of intense EU-ACP negotiations on any NTA. The ACP countries should try to be well informed on the possible evolution of the CAP and the effects on the agricultural products and policies that are most significant to their agricultural exports. The implications of EBA for ACP agricultural exports and the proposed reformed sugar policy should also be further investigated (see Hewitt, 2001).

It is worth noting that while the ACP should probably be able to obtain some concessions from the EU concerning a preferential access to agricultural markets, in particular for products currently covered by the commodity protocols, the EU (pressured by France and some other member states) has traditionally adopted a rather rigid attitude towards modification of its agricultural policy (with respect to both export and domestic supports). The move away from price support towards direct agricultural supports under the reformed CAP is likely to have a negative impact on ACP exports which have to compete with subsidised EU agricultural products. In spite of the stability of the CAP reform under Agenda 2000 claimed by the European

⁷ See table A1a in Appendix 1. For more detailed data, see

http://europa.eu.int/comm/development/stat/extrd99/index_en.htm#region

⁸ See also Bussolo (2000), Lewis *et al.* (2001) and Page *et al.* (1999) for the case of SADC, Gonzales (2000) and Nichols *et al.* (2001) for the Caribbean, and McKay *et al.* (2000) for EAC.

Commission (in particular DG Agriculture) and some EU member states, it is to be expected that further adjustments will be required owing to two major factors: the forthcoming enlargement of the EU and the WTO negotiations on agricultural trade. ACP countries should not expect to have any direct influence on the evolution of the CAP due to enlargement (although they have a WTO right to be consulted before any trade privileges are extended to others). However, they could be more influential by joining forces with other WTO members (the Cairns Group) to obtain alteration of the CAP from the EU under the WTO Round.⁹

The survival of the commodity protocols beyond 2008 seems very unlikely. The rum protocol annexed to the Lomé Convention was not renewed under the Cotonou Agreement, and bananas, beef/veal and sugar preferential treatment will face serious challenges and will probably disappear over time. The WTO waiver granted at the Doha WTO Ministerial Conference (9-14 November 2001) for the current transition preferential treatment under the Cotonou Agreement is unlikely to be renewed after 2007 under the current format, which leaves open the future regimes to be applied to these products. A common approach by ACP countries on the identification and pursuit of policy options available for these (and perhaps other) agricultural products could prove more effective (see Dunlop, 1999).

The future of the CAP will affect not only the effective access of ACP agricultural products to the EU market (including standards and direct support policies). In the event of a reciprocal trade agreement, ACP countries will also have to open up their own market to EU products. The complex EU mechanism of agricultural support will expose ACP agricultural markets to the intense competition of subsidised EU exports. Considering the limited resource capacity of ACP countries, it is unlikely that they will be able to balance this 'unfair' competition by providing additional support to their own agriculture, and this would be costly even though it were possible. ACP countries could exclude agriculture (at least partly), consider transition measures or exceptions so as to prevent a complete immediate exposure of their agriculture to EU competition. In such instances, identification of adequate measures (e.g. anti-dumping, countervailing duties) and products should be carefully undertaken. ACP countries could also investigate the possibility of resorting to countervailing measures to address EU subsidies to agriculture.

The distorting advantage conferred on EU agricultural exports by the CAP can now be countered within the WTO framework. New opportunities for agricultural liberalisation initiatives are now open following the WTO Ministerial Declaration in Doha (WTO, 2001, p.3) where WTO members, 'without prejudging the outcome of the negotiations [...] commit [themselves] to comprehensive negotiations aimed at: substantial improvements in market access; reduction of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support', while recognising the importance of special and differential treatment for developing countries. Clearly, ACP countries should insist that any coverage of agriculture within NTAs should build on these WTO commitments.

⁹ Yet, some ACP countries, which are also benefiting from the CAP, may not be willing to encourage WTO-driven reforms of the CAP. For discussions and references on the WTO negotiations on agricultural trade, including on the CAP, enlargement and developing countries, see Bilal and Pezaros (2000).

This brief discussion on agriculture illustrates the intertwined relationship between ACP-EU trade negotiations and the multilateral trade negotiation conducted within the WTO. To a large extent, the future of ACP-EU trade relations will be shaped by the outcome of the Doha Round. Hence, ACP countries should develop a comprehensive trade strategy to determine their objectives and identify priorities among actions at the WTO and the EU levels. Before entering any substantive negotiations with the EU on agriculture, ACP countries may want to focus their efforts on the WTO negotiations on agricultural trade and wait for the result the Doha Round. Only then will the ACP countries be in a position to assess any specific measures concerning agriculture they should include in NTAs.

2.6. Static trade and fiscal effects of EPAs

The static trade effects of reciprocal trade arrangements with the EU, as envisaged in EPAs, will depend, among other factors, on trade creation (i.e. trade resulting from the lowering of trade restrictions which allows imports from more efficient producers in partner countries) and trade diversion (i.e. trade resulting from the preferential treatment granted to partners away from more efficient producers discriminated against, since not part of the agreement) that they will generate. Arguably, imports of industrial products from the EU, which constitute the bulk of ACP imports, have a low elasticity of substitution.¹⁰ They are constituted mainly of vehicles, aircraft, other transport equipment (24 %), machinery and mechanical appliances (24 %) and products of the chemical or allied industries (10 %).¹¹ This suggests that reciprocal EU-ACP trade agreements should only have a limited effect on industrial outputs in ACP countries, since they are often concentrated in sectors where ACP countries have only a limited supply capacity, at least under their current set of comparative advantages. The opportunity for trade creation for the EU could therefore also be limited (at least in these sectors).¹² The potential for trade creation on exports for the ACP countries is also limited as they already enjoy preferential access to the EU market under the current regime. This is even more the case for ACP LLDCs which already enjoy almost complete free access to the EU under the EBA initiative. The potential gains from reciprocal trade agreements in terms of access to the EU market for these countries (i.e. 40 out of the 77 ACP countries) seem at best marginal.

On the other hand, although the EU is the main trading partner for most of the ACP countries, the introduction of reciprocity will lead them to liberalise their trade with the EU. In the absence of parallel trade liberalisation by ACP countries towards the rest of the world, the potential for trade diversion in favour of the EU remains high. The lack of supply capacities in ACP economies combined with the fact that potential trade diversion outweighs trade creation could lead to an even greater sectoral as well as geographical concentration of ACP trade than currently existing. The ACP countries need on the contrary to diversify their production and their exports, so as to become less dependent on preferences granted by and to a main trade partner, the EU. As this problem is encountered by most ACP countries, they could usefully coordinate their efforts to foster a common strategy that would reduce dependence resulting from trade preferences with the EU. Obviously, coordination among ACP countries may not extend to sectors, as diversification policies will affect different

¹⁰ See McQueen (1998).

¹¹ See <http://europa.eu.int/comm/trade/bilateral/acp/acp.htm> and Appendix 1 (Table A1b).

¹² See EC (1999).

sectors in different countries. However, coordination of strategies at the ACP level, with identification of policies stimulating investment in new sectors and entrepreneurship, as well as common strategies to obtain effective support from the EU to enhance supply capacities across sectors, could usefully strengthen national initiatives.

The introduction of a reciprocal trade regime, as envisaged by EPAs, will generate a loss of income for all ACP countries owing to the abolition of the duties levied on EU imports. The larger the share of current imports from the EU in total imports by an ACP country, the higher the level of tariff and the lower the price elasticity of demand for imports, the larger the loss of fiscal revenue to be expected from an EPA. The diversion of trade from partners subject to duties towards tariff-free imports from the EU under an EPA would diminish tariff revenues of ACP countries within an EPA. Given the generally significant share of fiscal revenues in ACP countries generated by trade restrictions, a reciprocal trade agreement with the EU, their main trade partner, will most probably lead to a sizeable loss of revenues for ACP countries.¹³

As this loss of fiscal revenue will affect most ACP countries, the ACP Group as a whole could seek to find principles for accompanying measures and additional support by the EU following a common framework.

2.7. The special case of LLDCs

ACP LLDCs have already access to the EU market under EBA. Their main concern in terms of market access is therefore the future of the commodity protocols. In the likely event that the protocols will not continue beyond the new WTO waiver (valid until 31 December 2007), ACP countries will lose their preferential access to the EU for these commodities. Even if they can remain competitive and increase their exports to the EU, gains from exports might not increase as the liberalisation of the EU regime will lead to lower prices. LLDCs could therefore be negatively affected by the end of the transition period under the Cotonou Agreement. The question is whether new commodity protocols or, perhaps more likely, alternative arrangements can be found for ACP LLDCs, and whether such arrangements will be part of an EPA.

A second issue at stake for the ACP LLDCs is whether EPAs that would include trade-related concerns would provide potential gains for LLDCs, for instance by removing technical and regulatory barriers to trade with the EU, as claimed by the European Commission. Last, LLDCs will have to see whether they could be exempted from the reciprocity principle of EPAs, and what would be the likely consequences of joining an EPA (with and perhaps without reciprocity) as compared to EBA.

2.8. For a cumulation of rules of origin

Another trade issue that could be tackled in common by the ACP Group concerns the rules of origin to be adopted for NTAs. This is obvious in the event of the negotiation of a single trade agreement between all ACP countries and the EU. But a common ACP approach is similarly relevant in the event of multiple NTAs between sub-groups of ACP countries and the EU. The adoption of different rules of origin for different

¹³ Tables in Appendix 2 summarise some of the estimates provided by some studies.

NTAs would only increase the intricacy of the framework of trade agreements in which ACP countries are involved and would further hinder trade among ACP countries belonging to different trade arrangements, as well as trade with the rest of the world. In negotiating a common principle for the rules of origin in NTAs, ACP countries should aim at a simple set of rules, easy to administer, and that allows for the broadest scope of trade among all ACP countries, with the EU and with third parties. Such rules should aim at the broadest cumulation of origin so that ACP countries can use imports from the EU, from other ACP countries belonging to a different NTA and from the region in any combination to meet the minimum content and processing criteria imposed.

2.9. On the opportunity of including trade-related concerns

Apart from standard market access issues, ACP countries could also consider the opportunity of introducing trade related concerns in NTAs, beyond their WTO commitments, as provided by the Cotonou Agreement (Art. 44-54). In particular, ACP countries will have to assess whether it is in their interest to include issues such as investment opportunities, intellectual property rights, competition policy, antidumping and anti-subsidy issues, public procurement, standardisation and certification, SPS measures, trade and environment, trade and labour standards, health and safety regulation, and if so what would be the appropriate measures, and at which level. Indeed, it is not sufficient for ACP countries to recognise that they may have an interest in pursuing some of these issues; they also have to consider whether an NTA is the appropriate framework to address these trade related issues. While the opportunity of common rules on such concerns has been discussed and analysed in different contexts, the debate remains often opaque.¹⁴

The Commission has argued that some of these issues, such as competition, have already been agreed in the Cotonou Agreement. Yet, there is scope to negotiate specific provisions and implementation measures, when appropriate, to make an agreement effective. Conversely, were the ACP unwilling to commit further on some trade related issues, these could be kept out of the negotiations.

A common ACP approach to consider the pros and cons of each of these issues and their likely implications for ACP countries, at least at an initial stage, could avoid stretching the already limited resources and capacity of most ACP countries.

2.10. Supporting supply and capacity building initiatives

ACP countries can try to ensure that the negotiations and implementation of NTAs, irrespective of their form, be accompanied by support measures from the EU to enhance production, supply and trade capacity by ACP countries, so as to enable them to take full advantage of any new market opportunities that could result from such agreements. Support for capacity building for trade analysis and negotiations may also be useful. Trade and trade-related concerns could be integrated into the development

¹⁴ The merits of introducing common rules or principles on several of these trade related issues in a multilateral framework are also the object of discussions at the working groups level within the WTO.

support programming exercise of the ACP countries. To the extent that ACP countries face the same type of difficulties, even though to various degrees, a coordinated or common ACP approach to these questions could facilitate the process and ensure a more harmonised, equitable and suitable framework for EU support to the ACP economies.

2.11. Summary

In conclusion, the international dimension of the trade issues at stake and the similarity of concerns facing the ACP countries call for a more global approach, where groups of ACP countries and the ACP Group as a whole can join forces in their efforts to obtain better deals. The need for cooperation and coordination among ACP countries is even more pressing in view of the scope and the complexity of many of the issues put on the negotiation tables, and the limited resources available in ACP countries to effectively prepare for these negotiations. By pooling resources and by coordinating, harmonising and combining efforts, ACP countries could more efficiently prepare for negotiations on issues where they have common interests. Moreover, the relative small economic size of ACP countries in the world economy and as trading partners of the EU make them particularly vulnerable in international negotiations. Their bargaining clout can definitely be enhanced by defending together issues of common interest.

Box 1: Possible common interests of the ACP

Prior to the identification of any negotiation strategy by the ACP Group, the following elements must be addressed:

- determination of key interests at the national level;
- translation of national interests into trade policy objectives;
- choice of appropriate level (national, regional, plurilateral, ACP and WTO levels) to pursue specific trade objectives;
- identification of interests common to the ACP (Group, regions, group of countries);

The possible common interests of the ACP could include:

- objectives, principles and procedures for negotiating with the EU;
- overall structure and format of NTAs; establishment of a common framework; phasing of the negotiations;
- scope for special and differential treatment provisions; status of LLDCs;
- implications of the Doha Round on the negotiations and possible content of NTAs;
- agricultural concerns:
 - impact of the reform of the CAP and its future evolution,
 - future treatment of the products currently covered by the commodity protocols,
 - possibilities of products or sectors exemptions from liberalisation (e.g. conditions for exclusion or temporary protection);

- remaining peak tariffs, escalating tariff structures and other barriers to trade impeding ACP exports to the EU;
- trade in services: general framework;
- determination of the rules of origin
- opportunity of introducing trade related concerns
- principles to address the loss of fiscal revenues in the ACP
- possible support measures from the EU
- common capacity building initiatives
- others...

3. Options for configurations of the ACP countries for negotiations with the EU

3.1. Provisions in the Cotonou Agreement

The Cotonou Agreement foresees negotiations of NTAs between the EU and its members states on the one hand, and the ACP countries on the other hand. The precise form suggested for these NTAs remains vague in the Cotonou Agreement. In particular, the configuration of ACP countries to enter into negotiations on EPAs with the EU is at no point clearly defined. In fact, Article 37.5 indicates that the choice of ACP configuration clearly rests on ACP countries:

Negotiations of the economic partnership agreements will be undertaken with ACP countries which consider themselves in a position to do so, at the level they consider appropriate and in accordance with the procedures agreed by the ACP Group, taking into account regional integration process within the ACP.

Only ACP countries willing to negotiate EPAs with the EU will have to do so (i.e. those ‘which consider themselves in a position to do so’). Others may decide to opt out. Article 37.6 then provides for the examination of ‘alternative possibilities’ for the ACP non- LLDCs that have, by 2004, ‘decide[d] that they are not in a position to enter into [EPAs]’. Therefore, EPAs are not the only option, at least in principle. The European Commission has not yet suggested any alternative to its vision of EPAs. This is an area where ACP countries can be imaginative and look for alternative viable solutions, when necessary. Specific investigations on what the alternative arrangements might be should be undertaken, including a detailed quantified assessment of the impact of the measures they might contain.

The ACP configuration for the negotiations will be a political decision, but such a decision should be formed in the light of information and criteria. In view of the significant delays encountered by ACP countries in the conduct of regional studies and in the mobilisation of political forces, the ACP are not in a position, or willing, to commit to a definite geographical configuration to start the negotiations next year. The purpose of this section is to highlight some of the elements that could influence the choice of one or more ACP configurations.

3.2 The position of the European Commission

The European Commission, in a recent document, has clearly set out its preferences in terms of geographical configuration principles for the ACP countries. This document, entitled 'Orientations on the Qualification of ACP Regions for the Negotiation of Economic Partnership Agreements', defines the criteria that will determine the Commission's position concerning the identification of ACP regions that would qualify for negotiations with the EU, as foreseen by the Cotonou Agreement (EC, 2001).¹⁵

3.2.1. The emphasis on effective regional groupings

The emphasis of the Commission is on ACP regional groupings, following principles contained in the Cotonou Agreement. Article 37.5, mentioned above, states that the negotiations of EPAs shall 'tak[e] into account regional integration process within the ACP'. The reference to the regional integration process is a recurrent theme in the Cotonou Agreement and appears in numerous articles.¹⁶

It is on this ground that the European Commission envisages negotiations with ACP current regional groupings. This conception by the Commission was already presented in its 1996 Green Paper, which developed the notion of Regional Economic Partnership Agreements (REPAs). The emphasis on regions is based on the Commission perception that regional integration is a stepping stone toward further trade liberalisation and thus integration into the world economy. The thrust of the argument is the following. By removing barriers to trade among a group of countries, as well as by eliminating other factors susceptible to create market segmentation and prevent the free flow of trade, a greater integrated market is created. This larger market allows for economies of scale in production, increases in efficiency, unrestricted access for more consumers to a larger bundle of products, stimulation of investment flows, and increase level of competitiveness of the domestic economies, leading to larger trade flows among regional partners and with the rest of the world, which should ultimately lead to a better and smoother integration of the ACP groupings into the world economy. The EU, being a major trading partner of the ACP countries, could play a positive role in the development and fostering of regional integration processes for the ACP by entering into EPAs with those ACP groupings that constitute *effective* regional trading arrangements, either in the form of Free Trade Areas (FTAs) or Customs Unions (CUs). Not only could the EU provide direct support to these regional processes, but the establishment of EPAs with the relevant ACP groupings could help to 'lock-in' their regional integration processes and to enhance the credibility of their regional initiatives, while extending the market opportunities for their producers (who could export without constraints to the EU) and

¹⁵ This emphasis on regional initiatives is enshrined in the title of the Commission paper which presents 'Orientations on the qualification of ACP *Regions* for the Negotiation of Economic Partnership Agreements' (emphasis added) and not on the qualification of ACP *countries*.

¹⁶ Article 1(4) states that 'Regional and sub-regional integration processes which foster the integration of the ACP countries into the world economy in terms of trade and private investment shall be encouraged and supported'. Article 2 mentions regionalisation as one of the fundamental principles, noting that 'Particular emphasis shall be placed on the regional dimension'. This can be found in many aspects of the Cotonou Agreement not directly related to the negotiation of NTAs. With respect to economic and trade cooperation, Article 35.2 stipulates that 'Economic and trade cooperation shall build on regional integration initiatives of ACP States, bearing in mind that regional integration is a key instrument for the integration of ACP countries into the world economy'. See Appendix 3 for a detailed discussion.

to their consumers of intermediary products and final goods who would have unrestricted access to EU products and technology.¹⁷

The Commission also stresses that negotiations on EPAs should be conducted with ACP groupings relying on and further enhancing ‘functioning’ and ‘effective’ regional integration processes among ACP countries (as defined by EC, 2001, section 4.1.1). In view of the poor record of some regional groupings among ACP countries, the concern of the Commission is obviously to enter negotiations on EPAs with regional groupings which have a more than purely formal existence and which pursue or have achieved substantial economic integration in practice. Yet, the determination of criteria to distinguish between an ‘effective’ and an ‘ineffective’ regional integration initiative may prove controversial.¹⁸

3.2.2. Regional groupings with overlapping membership

In order to solve the problem of overlapping membership, the Commission requires in principle ACP countries belonging to more than one regional grouping (which is the case of many ACP countries in particular in Africa) to commit to one grouping to form an EPA with the EU. Although the Commission recognises the possibility of multi-speed negotiations, depending on the level of development and integration of the groupings, ‘the Commission must require that the negotiations take place in one single setting [...] and lead to one single agreement’ (EC, 2001, section 4.1.1). The objective is that, if possible, all ACP countries belong to one and only one regional grouping, and that an EPA be negotiated with each ACP regional grouping. ACP countries which are members of an effective regional grouping should not be eligible for individual negotiations with the EU (EC, 2001, section 4.1.4).¹⁹

The Commission proposal recognises, however, the possibility to carry out negotiations with ACP regions with overlapping membership provided that the regions concerned adopt closely harmonised positions and that the negotiations are conducted under one setting, leading to a single EPA. Hence, it would be acceptable from the Commission point of view to negotiate a single EPA encompassing SADC and COMESA for instance, provided the two regions can adopt a common position on EPA. With respect to sub-regional groupings within a broader ACP region, such as SACU within SADC, and UEMOA within ECOWAS, the Commission proposes

¹⁷ The official views of the European Commission can be found in numerous documents, many of which are available on their web site at <http://europa.eu.int/comm/trade/bilateral/acp/acp.htm>.

¹⁸ Section 4.1.1 of the Commission Orientation paper (EC, 2001) states that “Regional economic integration initiatives based on the objective to establish a customs union or a free trade area, which have not been implemented and for which *legally binding interim agreements* do not exist or are not *effectively implemented in accordance with their schedule*, should not be considered for the negotiations of EPAs” (*emphasis added*). Effective implementation could however sometimes be difficult to assess in practice. Besides, some ACP regional economic integration initiatives, in particular in Africa, have failed to meet self-determined timetables, and legally binding agreements are in no way sufficient to ensure prospects of effective implementation. Finally, such a strict interpretation could, at least in principle, also penalise more ambitious regional initiatives which have set somewhat over ambitious timetables.

¹⁹ Hence, the Commission position on overlapping membership entails four basic components: (1) EPA negotiations must take place within a regional framework, (2) each EPA should be self-contained (hence can not allow overlapping or competing initiatives), (3) all members of regional groupings negotiating an EPA must speak with one voice (common position), and (4) within the negotiation process of an EPA, a multi-speed approach may be envisaged.

either to negotiate only with the deeper integration grouping, leaving out the wider region, or to negotiate with the wider region, in which case the sub-region will only be considered as a member of the wider grouping. Again, the objective of the Commission is to avoid overlapping EPAs. In the second case, the Commission could negotiate a multi-speed agreement, where an ‘accelerated approach towards the more integrated sub-region may be considered’ (EC, 2001, section 4.1.2A). This could be the situation for UEMOA for instance, which has already taken the formal decision to negotiate an EPA with the EU.²⁰

It is worth noting that the regional studies undertaken for the Commission covered the six major ACP regions. The Commission indirectly indicated its preference among regional groupings in 1998 by choosing the ACP regions for which the impact of REPAs should be assessed, that is UEMOA, CEMAC, EAC SADC CARICOM (plus the Dominican Republic) and the Pacific ACP countries. Yet, the Commission claims that these studies were conducted for illustrative purposes only.²¹ The regional studies that the ACP Group agreed to undertake cover ECOWAS, UEMOA, SADC, COMESA, CEMAC, CEEAC/ECCAS, CARICOM, EAC, and the Pacific Forum, as well as the Dominican Republic and Mauritania. The results of these studies should shed light on the possible impact of EPAs for these regions. However, it would be desirable to conduct parallel studies on the implications, for instance, of negotiating a single EPA for SADC and COMESA, or on the consequences of a multi-speed approach to an EPA negotiation involving UEMOA and ECOWAS.

3.2.3. The negotiation of country-specific agreements

The ‘Orientation’ paper of the European Commission also addresses the question of negotiations with individual countries. Such country-specific negotiations of an EPA would only be possible for countries which do not belong to any regional grouping which, in the eyes of the Commission, would qualify for negotiations of EPAs.

The Commission imposes however two conditions. First, such country-specific negotiations must not ‘negatively affect regional integration initiatives within the ACP’ (EC, 2001, section 4.1.4). This criteria remains somewhat ambiguous and would need to be further clarified. Obviously, an EPA specific to the Dominican Republic could have adverse consequences on the Caribbean regional integration process.

Second, the negotiation of EPAs for individual countries ‘should only be considered if the establishment of EPAs is likely to contribute to the sustainable development of the country concerned and to the eradication of poverty in this country. Whether this will be the case can only be assessed on a case by case basis. The size of the country concerned, its economic potential and the importance of its trade with the Community

²⁰ See UEMOA Directive No. 03/2000/CM/UEMOA ‘Donnant mandat à la Commission pour ouvrir et conduire les négociations en vue de la conclusion d’un accord de partenariat économique régional (APER) entre l’Union Economique et Monétaire Ouest Africaine et la Communauté Européenne et ses Etats membres’, http://212.52.130.131/actes/2000/DIR_03_2000.htm

²¹ The ‘Orientation’ paper recognizes that ‘it is primarily the prerogative of the ACP to decide on the geographical configuration of future EPAs’ (EC, 2001, section 1), in accordance with Art.37.5. However, the Commission sets its views on what criteria would determine viable ACP groupings that could negotiate an EPA.

will play a crucial role in this assessment.’ This statement is perhaps the only official acknowledgement by the Commission that EPAs could entail negative effects on ACP countries and therefore may not always be worth pursuing.

It is not clear why the Commission considers this possibility only in the case of individual countries not part of a customs union (CU) or a free trade area (FTA) and not for all ACP countries and regional groupings as well. Obviously, all EPAs have to be carefully considered and evaluated, on a case by case basis, before ACP countries can commit themselves.

3.2.4. ACP groupings with non-ACP members or excluded from EPAs

A perhaps more serious issue is the question of ACP regional groupings which encompass countries that are not part of the ACP Group, as in the case of Egypt (which belongs to COMESA and has already an FTA with the EU) or, for trade, South Africa. Both Egypt and South Africa have FTAs with EU, so the Commission argues that, in principle, excluding a non-ACP country from a regional EPA would not be a problem if this region is an FTA, as the members of an FTA are free to pursue independent external trade policies, it recognises that this could entail negative effects for the region concerned (EC, 2001, section 4.1.3).²² In other words, leaving Egypt outside of an EPA between the EU and COMESA, or South Africa outside one with SADC, could adversely affect the regional integration processes of COMESA or SADC. The Commission therefore suggests ‘to consider, at the appropriate time, the possibility to extend the geographical coverage of EPAs by merging the existing agreements’.

3.2.5. The principle of reciprocity and the differential treatment of LLDCs

Reciprocity is a corner stone to the approach of the Commission to the negotiations of EPAs (EC, 2001, section 4.3).²³ However, it raises questions about its consistency with the implications of the “Everything but Arms” (EBA) initiative, where the EU grants non-reciprocal market access to all LLDCs.

At issue is whether ACP- LLDCs could retain, or even extend, their non-reciprocal trade preferences with the EU under an EPA. In its ‘Orientations’ paper, the Commission suggests that ACP- LLDCs would have to give up the non-reciprocal EBA benefits to be part of an EPA. This of course raises the question of whether ACP- LLDCs (40 countries out of the 77 ACP countries) have any serious incentive to join an EPA.

²² For instance, given the existing characteristics of the EU-South Africa FTA, what would be the consequences on the terms of an EPA with SACU or with SADC? Given that the members of SACU, a CU, are already explicitly associated to the EU-South Africa FTA, what would be for them the benefits of an EPA? What would they have to gain from negotiations with the EU? How would the situation of Namibia and Swaziland, members of not only SACU and therefore SADC, but also COMESA, be affected by an EPA? And which EPA? Is it possible for SADC countries to obtain better condition under an EPA than the ones contained in the South Africa-EU FTA? And if not, what is there to negotiate in an EPA for SADC?

²³ The Commission states that ‘Reciprocity is one of the basic elements of EPAs from which no partner wishing to participate can be excepted without depriving EPAs of their essence’ (EC, 2001, section 4.3).

The informal argument of the Commission appears to be that EPAs will encompass much more than standard market access measures, and will include trade-related measures as well. Yet, the superiority of an EPA over EBA, in terms of benefits for ACP countries, has not been demonstrated, as no study seems to have explicitly compared the impact of the two initiatives (in particular on LLDCs). Of particular relevance to LLDCs will be the future preferential market access for products currently covered by the commodity protocols. Analyses of such practical considerations are obviously urgently needed.

Based on informal sources, some observers have argued that the Commission could be ready to adopt a more flexible approach, allowing LLDCs which would join an EPA to keep their preferential access to the EU without having to provide reciprocity. This process could be facilitated if the market access to the EU under an EPA is similar to the conditions existing for EBA, an outcome envisaged by the Commission.

Such non-reciprocal FTAs are unlikely to be WTO compatible under current WTO rules (Art.XXIV). However, the forthcoming WTO negotiations on regional integration agreements could open the door for a differential treatment within such agreements. Indeed, the WTO Ministerial Declaration in Doha states that WTO members 'agree to negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions applying to regional trade agreements. The negotiations shall take into account the developmental aspects of regional trade agreements' (WTO, 2001, p.6). This is to be considered in view of the other WTO commitment in Doha that 'all special and differential treatment provisions shall be reviewed with a view to strengthening them' (WTO, 2001, p.9).²⁴ ACP countries will have an important role in WTO negotiations, which could be crucial for the format and content of EPAs to be negotiated with the EU.

3.3. Criticisms of the Commission's position

The Commission's approach has raised many criticisms.

From an economic point of view, it has been noted that the Commission tends to ignore the potential negative effects of regional integration agreements, in particular among developing countries, and of EPAs based on reciprocal regional FTAs.²⁵ ACP regional groupings, in particular in Africa, are characterised by large differences in the size of their economies and levels of development, as well as in the structure of their tariff rates. As a result, preferential trade liberalisation is likely to generate significant trade diversion and a transfer of resources, through the loss of revenues from import duties in favour of the dominating country in the regional ACP grouping which is often more industrialised and imposes higher tariffs on industrial goods.²⁶ Regional integration among poor countries with different sizes and levels of

²⁴ A Commission official has explained that this reform is intended to permit regions with developed and developing members to offer preferences for least developed and also poorer non-least developed members.

²⁵ See the studies of REPAs commissioned by the Commission (see footnote 5) and among others Cadot *et al.* (2000), McQueen (1998, 1999), Raffer (2000), Solignac Lecomte (2000), Stevens and Kennen (2000), and Winters (1998, 2001).

²⁶ This is the case for instance for Ivory Coast in UEMOA or to some extent for Kenya in EAC. See Cadot *et al.* (2000).

development can lead to income divergence among the partners (see Venables, 1999).²⁷

Preferential liberalisation to the EU could lead to severe loss of fiscal revenues resulting from the abolition of customs duties and may require significant adjustments to domestic production because of competition from EU products, as discussed in Section 2. These elements could destabilise the ACP regional integration process which the EU seeks to reinforce.

Negotiating EPAs may result not only in trade diversion, but may also divert the attention of ACP countries away from other regions and multilateral considerations. The danger of 'EPA-centrism' is reinforced by the limited negotiating capacity of ACP countries and regions which is likely to be over-stretched during the EPA negotiation, and which may not allow ACP countries to devote enough efforts to WTO negotiations.

Some ACP countries have been very hesitant or sceptical about the EU proposal of EPAs. Under ACP pressures during the negotiations, the EU removed any explicit references to REPAs in the Cotonou Agreement. Yet the EU retains its overall approach, as shown by the numerous explicit Cotonou Agreement references to supporting the ACP regional integration process.

Many observers however note that the approach pursued by the Commission may lead to splitting the ACP Group. The EBA initiative has already divided the ACP group into two distinct categories, LLDCs (benefiting from EBA) and non-LLDCs. The danger is looming that the ACP Group will lose its coherence and may end up divided into regional entities.

Raffer (2001) argues that this is indeed the objective of the EU which had already attempted to pursue such divisive objectives in 1975, when it wanted reciprocal trade agreements with several associated countries, before conceding, under US pressures, non-reciprocal preferences under the Lomé Convention.²⁸ The negotiation of separate EPAs with each regional ACP grouping would further divide the ACP Group.

Parallel EPAs negotiations entail several dangers for ACP countries. By negotiating with a subset of ACP countries, the EU could reinforce its bargaining position vis-à-vis the ACP countries. It is easier to negotiate with a smaller partner or group of partners. Lack of coordination on EPAs' negotiations on the ACP side could allow the EU to target more effectively the ACP measures regional grouping that it would like to see abolished, in particular in sectors where EU exporters would have a strong competitive advantage, while offering only limited concessions on market access in

²⁷ See also Faber (2001) for an overview.

²⁸ Raffer's assessment of the Cotonou Agreement leads him to conclude that: "The present 'partnership' is an Orwellian relation where one partner has no rights at all, the other perfect arbitrariness. It is not a horse and rider relation, as the rider also depends on the horse as a means of transport while the ACP countries appear to be a historical burden the EU might not be unhappy to get rid of." (Raffer, 2001, p.8)

sectors where the ACP region would have only limited production capacity. Such behaviour could be particularly pronounced in agriculture.

A strategy of selective sectoral liberalisation towards only those ACP countries that do not have export capacity would not be possible with identical market access is granted for all ACP countries. This argument suggests that a coordinated approach to EPAs, where conditions granted within one EPA have to be generalised to all EPAs, would have advantages. An extension of this approach would be to generalise the market access granted to LLDCs under EBA to all ACP countries.

Finally, the position of the Commission is sometimes viewed as too prescriptive, *de facto* imposing the criteria for ACP configuration to the negotiations, while the choice is nominally one for the ACP, not the EU.

3.4. Alternative options to the EU proposal

The ‘non-paper’ circulated by Mauritius (2001) provides a detailed discussion of an all-ACP-EU EPA negotiation. Noting the EBA initiative, the perspective of deeper pan-African integration with the establishment of an African Union, the free trade agreements in which some ACP countries could be involved with countries outside the ACP and the EU (the free trade area of the Americas for the ACP Caribbean countries, the creation of a free trade area in the Pacific region, involving non-ACP countries like Australia and New Zealand), Mauritius suggests that an all-ACP approach would, among other advantages: ‘preserve the unity and solidarity of the ACP Group’, ‘ensure coherence between the overall objectives the Cotonou Agreement’, avoid the difficulties of overlapping regions, ensure a negotiating mandate common to all ACP countries, facilitate the adoption of rules of origin allowing cumulation across regions, reduce the burden on limited ACP ‘human resources, institutional capacity and expertise/experience to negotiate EPAs’, allow for a broader concept of the regional integration process ‘not necessarily restricted to the narrow concept of the setting up of FTAs as the Commission seems to argue’, provide for the creation of ‘a critical mass of members at the WTO that will make the WTO acceptance [of an EPA] relatively easier’, and increase the bargaining power of ACP countries and regions.

In its essence, the Mauritius non-paper suggests undertaking a common negotiation between all the ACP non-LLDCs and the EU, while allowing the ACP LLDCs to join the negotiations on EPA should they wish to do so. It is worth noting that such an all ACP negotiation would also strengthen the position of smaller ACP economies, which would be better able to defend their trade interests (such as sugar and textiles in Mauritius for instance).

A common approach to the ACP-EU negotiations has been suggested informally by other ACP actors. One proposal is to separate the negotiations into three phases. In the first stage, ACP countries would identify and agree on certain issues of substantive concern common to all ACP countries. They would also establish procedures to be followed for the conduct of the negotiations, so as to preserve the rights and core interests of all ACP countries. In the second phase, negotiations on regionally specific EPAs could be undertaken with the ACP sets of countries that wish to do so, on the basis of principles and approaches commonly agreed upon at the ACP Group level. In

the third phase, the ACP and the EU will come back together to finalise the different agreements within a common all-ACP framework.

On the first phase, the European Research Office (2001) has identified and discussed seven substantive issues that can be considered of common interests to the ACP countries. These are: (i) the clarification of underlying objectives in the negotiations, (ii) the fiscal impact of EPAs on ACP countries, (iii) ensuring the right of LLDCs to non-reciprocal trade preferences, (iv) the adverse effects of the CAP on ACP agricultural and value added agro-processing sectors, (v) the design and implementation of programmes of support to addressing supply side constraints in ACP countries, (vi) the scope for the consolidation and expansion of EBA duty free access for all ACP countries, and (vii) the adoption of a structure, form and time tables for the negotiations conducive to address the ACP negotiation capacity constrains. (Some of these issues have already been discussed in Section 3.)

A common framework could also be envisaged to cover issues such as consultation and dispute settlement procedures, common provisions on rules of origin, custom procedures and cooperation, pre-shipment inspections, etc.

Issues which could depend on negotiations within the WTO could also be left to a later stage, after the conclusion of the Doha Round. These could include agricultural trade liberalisation (and the implication of an WTO agreement on the CAP), measures relatives to anti-dumping and anti-subsidy measures, the potential for special and differential treatment, in particular within regional agreements (with the possible revision of Art. XXIV), as well as the trade related issues.

These proposals seek to preserve the cohesion of the ACP Group as well as the coherence of the trade relations between the EU and the ACP countries, within the EPA(s) framework. They also provide avenues for maximising the bargaining power of the ACP Group, assuming that sufficient internal cohesion can be maintained among the ACP countries during the negotiations.

Other proposals for the configuration of EPAs include:

- *negotiations on a bilateral basis between the EU and individual ACP countries*: this option, so far ruled out by the Commission except in exceptional circumstances, would lead to a multitude of different EPAs
- *negotiations of EPAs by the EU with groups of ACP countries based on their level of development*: while this option, implicitly proposed in the Green Paper, would be consistent with the principle of differentiation enshrined in the Cotonou Agreement, it would not 'build on regional integration initiatives of the ACP States', but on the contrary could lead to frictions within regional groups;
- *negotiation of EPAs at the regional level with differentiated treatment of ACP countries in function of their level of development and specificity*: this approach resembles the EPAs scheme proposed by the Commission, but allows for greater flexibility in terms of country specific transition measures and specific provisions; apart from their level of development, countries specificities, such as small islands, land-locked countries, dependence on specific exports, etc., and could be allowed under a reformed Article XXIV;
- *EPAs flexible in terms of regional coverage and content*: with this option, wider regional configurations could be envisaged, such as a common Western and

Central Africa EPA, or an all-Africa EPA; it could also, like the option above, fully implement the principle of differentiation; different configurations for different parts of the negotiations could also be envisaged

In order to better assess the implication of ACP configurations for the negotiations of EPAs, it appears therefore necessary to conduct studies on the content and the provisions of the EU-Egypt FTA and the EU-South Africa FTA. This will supply most valuable information on the likely contours of possible EPAs from Southern and Eastern African regions with the EU and their impact on the ACP countries of these regions. It will hence allow ACP countries to make informed decisions on the most favourable configuration for EPAs and the type of agreements and provisions within EPAs they should seek.

Box 2: Configurations of the ACP countries: Main options

- strict regionally based EPAs (option proposed by the European Commission);
- flexible EPAs, with possibility of differentiated treatment and variable geometry
- two-tier agreements: an all-ACP framework agreement complemented by regional EPAs;
- all-ACP EPA, with possible differentiated treatment for ACP LLDCs;
- alternative trading arrangement
 - extended EBA,
 - enhanced GSP,
 - others...

4. Capacity building for the negotiations

4.1. Capacity: A necessary component of trade policy

Crucial for any trade agreement is the capacity of its members to contribute to its elaboration, to be fully involved at all stages of its negotiation and to ensure adequate implementation and enforcement of its provisions. In this respect, capacity building in ACP countries could make any attempt to initiate trade policies more effective. The OECD (2001, p.4) argues that “the record suggests that no country has been able to achieve substantial gains in trade without an effective trade policy framework”. The limited institutional and human resource capacities prevailing in most developing countries have often been an obstacle to the development of a comprehensive trade policy framework. The limited capacities suggests not only that external support (from donor countries and international organisations and networks²⁹) could be useful, but also that there should be concerted effort to make more effective the allocation of the limited resources at hand. It is essential that developing countries adopt a well

²⁹ Multilateral initiatives aimed at donor supports to building trade capacity in developing countries include the Joint Integrated Technical Assistance Programme (JITAP) by the ITC, UNCTAD and WTO (<http://www.jitap.org>) and the Integrated Framework for Trade-Related Technical Assistance for Least Developed Countries (IF) by the IMF, ITC, UNCTAD, UNDP, World Bank and WTO (<http://www.ldcs.org>). For a complete list of multilateral, regional and bilateral technical assistance providers, see Appendix 4.

thought out and structured approach before engaging in complex international trade negotiations.

In the context of the Cotonou Agreement, as for any trade policy, ACP countries must therefore put significant emphasis on capacity building initiatives which will enable them, :

- to determine the key interests to be promoted during the negotiations with the EU;
- to translate broad objectives into concrete trade policy measures to be implemented, within NTAs or through other trade policies;
- to design flexible negotiation strategies which can be adapted to changes in the multilateral, international, regional and domestic environment during the negotiations;
- to prepare for implementation requirements and possible constraints resulting from the conclusion of an NTA with the EU or any trade agreements.

Capacity requirements may take multiple forms; ACP countries have to manage their commitments at the national, sub-regional, regional (with ACP as well as non-ACP countries), ACP and WTO levels.

4.2. Key elements for building capacity for trade

Traditional forms of capacity building focus on institutions, technical cooperation and financial assistance. Recently, the renewed emphasis on capacity building needs has been accompanied by a broadening of the concept. Capacity building is now also associated with ‘building systems or networks – across institutions and individuals, often across borders, to achieve common objectives’; hence, ‘capacity development for trade today is [also] about mobilising participatory approaches to deal with complex trade agendas’ (OECD, 2001, p.4).

What are, therefore, key elements in strengthening trade policy making capacity? In a recent study, Solignac Lecomte (2001) draws the following major lessons from the experiences of African and Caribbean countries.

First, proper analysis is required to identify the strategic priorities of trade policy in a constantly evolving economic and political environment. Capacity building should therefore aim at enabling policy makers to conduct analysis as well as encouraging analysis by independent centres (think tanks, universities, etc.) and at establishing linkages between the two. At a second stage, strategic objectives need to be translated into trade policy strategies and measures. Last, implementation capacity must be enhanced to allow domestic economies to take full advantage of the opportunities provided by trade agreements and policies. In this respect, it is interesting to note that capacity-building programmes and the implementation issues and concerns raised by developing and least-developed countries were given prominence in the agreed new Round of multilateral trade negotiations by WTO members adopted 14 November 2001 in Doha (WTO, 2001). Table 4.1 gives an overview of the main steps for building trade policy capacity.

Table 4.1: Developing trade policy capacity

Level of intervention	Objective	Main actors
<i>Analysis</i>	<ul style="list-style-type: none"> Monitoring of trade and trade policy issues 	<ul style="list-style-type: none"> Government Independent think-tanks Universities
<i>Formulation</i>	<ul style="list-style-type: none"> Coherence within development strategy Definition of strategic trade objectives and priorities Decision on ways of achieving them 	<ul style="list-style-type: none"> Government (trade, finance, agriculture, foreign affairs, etc.) Professional organisations Civil society
<i>Negotiation</i>	<ul style="list-style-type: none"> Promotion of the country's interests, reactively and actively, in various fora (WTO, regional organisations, etc.) Consultation and alliance building 	
<i>Implementation</i>	Actual and efficient implementation of trade policy: <ul style="list-style-type: none"> domestic (legislation, tariffs, etc.) international (complying with obligations, exercising rights) 	<ul style="list-style-type: none"> Customs Standards agencies Trade facilitation bodies Judicial Etc.

Source: Solignac Lecomte (2001)

4.3. ACP negotiations with a broader policy perspective

A danger for many ACP countries is developing an approach to trade policy centred mainly around the perspectives and requirements imposed by the forthcoming negotiations on EPAs with the EU. By adopting a general and comprehensive approach to the development of their trade policies, the risk of policy making and limited capacities being captured by the Cotonou agenda can be greatly reduced. In designing their trade policy strategy, ACP countries should therefore consider the following elements³⁰:

- identification of their general national and regional development strategy and prioritisation of these objectives;
- identification of how external trade policy can best contribute to the achievement of their general strategic development objectives;
- identification of their specific trade interests in the framework of their overall development strategy;
- determination of the appropriate fora favourable to the defence of their trade interests: unilateral trade policy, bilateral, sub-regional, regional or international agreements, agreements with the EU, relations with the ACP Group, multilateral negotiations; some policy objectives can be better pursued at one level than the other;
- translation of trade interests into policy and negotiation goals at the appropriate level;
- distributions of roles among actors and allocation of resources to develop, negotiate and implement these trade policies.

4.4. Effective preparation for trade negotiations

For this process to be effective, Solignac Lecomte (2001) identifies three key components of best practice. First, *leadership* plays a central role in driving the process forward. Lack of political interest or commitment will stall the process. The

³⁰ Figure A5 in Appendix 5 highlights some of the elements of a trade policy process. See also Page *et al.* (1999) and Solignac Lecomte (2001).

other two critical elements to the efficiency of the trade policy process are the *inclusiveness* of the process and the development of appropriate *institutional capacity*. All relevant actors must be involved to the policy process and institutional capacities must support this process. Mechanisms must be put in place in each country to involve all Ministries directly or potentially concerned by the negotiation of trade agreements. So, these must include not only the Ministries of Trade, Foreign Affairs, and Finances and Economics (for fiscal effects, competition, etc.), but also the other Ministries covering areas subject to negotiations, such as the Ministries of Agriculture, Industry (e.g. for measures to enhance supply capacity, transition measures), Transport, Communications and Tourism (e.g. for trade in services), Health (e.g. for sanitary and phytosanitary measures, standards), Consumption (e.g. standards, protection of consumers' interests), Justice (e.g. for intellectual property rights), Environment (e.g. environmental protection), Employment (e.g. trade and labour protection), etc.³¹ Effective inter-ministerial coordination mechanisms must be developed to integrate these various elements into the trade policy process. Communication with the business community, trade unions and consumer associations is central to ensure their involvement in the trade policy process. Contacts with the civil society, NGOs, think tanks and universities also allow for a more encompassing approach to policy making, where both independent analyses and various interests are represented. Finally, coordination mechanisms must be put in place for national interests to be represented and coordinated (or harmonised) at the regional, sub-group and ACP Group levels, if ACP countries negotiate within groups and within an overall ACP framework. Channels of communication with the various EU institutions (Committees, Commission, Council, European Parliament, lobby groups) and EU member states (governments, parliaments, committees and specific interest associations and independent bodies), as well as with international bodies (Commonwealth Secretariat, Organisation internationale de la francophonie) and multilateral organisations (UNDP, UNCTAD, World Bank, etc.) may also be useful

4.5. Concrete suggestions for building capacities to negotiate NTAs

A possibility for the efficient allocation of scarce resources to building trade negotiation capacities is to pool resources at the national, sub-regional, and in particular at the regional and ACP Group levels to set centres of expertise combining policy making capacities and independent expertise to prepare for the negotiations. A good example is the Caribbean experience with the Regional Negotiating Machinery.³² Lessons can usefully be drawn. Other regions may be able to set up their own mechanisms of analysis and coordination, adopting the structure and mandate adapted to their needs and objectives. More generally, ACP countries should share their own domestic and regional experiences with one another, so as to benefit from others' experiences. For instance, the inter-ministerial coordination and public-private sector dialogue in Mauritius provides an interesting case study.³³

ACP countries should also link up with countries and regions which have been or are currently negotiating trade agreements with the EU. Useful lessons can be gained from studying the experience of South Africa, Egypt, Tunisia or Mercosur in dealing with the EU. Such analyses can help both increase the understanding of the way the

³¹ See also Page *et al.* (1999) and Page (2000).

³² For an extensive presentation and discussion, see Gonzales (2000).

³³ See Indian Ocean Commission (1998).

EU negotiate FTAs and the possible strategies for internal institutional mechanisms conducting to effective negotiations with the EU.

A coherent plan of action, assigning responsibilities for specific actions with realistic timetables, must be put in place at the national, regional and ACP levels. This plan should include a communication and lobbying strategy at the European level, covering the Commission (DG Trade and DG Development), the Council (including the Council Secretariat), the European Parliament (targeting influential MEPs) and the joint ACP-EU Parliamentary Assembly, as well as the Member States (the Presidency of the EU and other influential Member States). Linkages with the business community and civil society in Europe could also prove useful to build support to the ACP position.

Box 3: Capacity building for the negotiations

- conduct of forward looking studies on the potential impact of various options for NTAs, including comparative studies and analyses on sectors, trade-related issues, accompanying measures, differential treatment, institutional settings and capacity, and possible alternative arrangements;
- identification, at the national, regional and ACP levels, of needs, actions and support necessary to be in a position to negotiate with the EU;
- determination of measures to involve business community, civil society and other actors concerned;
- development of negotiation strategies;
- identification of efficient channels of communication with European actors and means to influence the EU policy position for the negotiations.
- provide the *ACP High Level Group of Experts* with well defined terms of references and appropriate support to carry their tasks;
- others...

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Appendix 1: Statistical Appendix

Table A1a: 1999 main EU imports from ACP

	EU exports rs4 to ACP	% total of region	ACP cumul.% of total imports	1000 Euro	Share of extra-EU
2709	PETROLEUM OILS AND OILS OBTAINED FROM BI	15,4%	15,4%	3.284.887	6,4%
7102	DIAMONDS, WHETHER OR NOT WORKED, BUT NOT	11,1%	26,5%	2.374.551	18,1%
1801	COCOA BEANS, WHOLE OR BROKEN, RAW OR ROA	6,0%	32,5%	1.276.377	95,8%
8802	POWERED AIRCRAFT -E.G. HELICOPTERS AND A	5,7%	38,2%	1.217.169	6,0%
0901	COFFEE, WHETHER OR NOT ROASTED OR DECAFF	4,7%	42,8%	994.982	23,4%
1701	CANE OR BEET SUGAR AND CHEMICALLY PURE S	4,1%	47,0%	883.531	89,1%
4407	WOOD SAWN OR CUT LENGTHWISE, SLICED OR B	2,5%	49,5%	533.440	12,4%
4403	WOOD IN THE ROUGH, WHETHER OR NOT STRIPP	2,4%	51,8%	504.001	23,9%
2401	UNMANUFACTURED TOBACCO; TOBACCO REFUSE	2,2%	54,1%	480.372	22,4%
0803	BANANAS, INCL, PLANTAINS, FRESH OR DRIED	2,0%	56,1%	424.469	23,0%
7108	GOLD, INCLUDING GOLD PLATED WITH PLATINU	1,9%	58,0%	408.396	6,1%
1604	PREPARED OR PRESERVED FISH; CAVIAR AND C	1,9%	59,9%	400.654	29,9%
0306	CRUSTACEANS, FIT FOR HUMAN CONSUMPTION,	1,5%	61,4%	319.290	16,8%
5201	COTTON, NEITHER CARDED NOR COMBED	1,4%	62,8%	300.874	32,4%
6110	JERSEYS, PULLOVERS, CARDIGANS, WAISTCOAT	1,4%	64,2%	300.709	5,6%
2818	CORUNDUM, ARTIFICIAL, WHETHER OR NOT CHE	1,4%	65,6%	297.484	61,1%
2208	UNDENATURED ETHYL ALCOHOL OF AN ALCOHOLI	1,2%	66,8%	266.476	41,6%
7601	ALUMINIUM, NOT ALLOYED, UNWROUGHT	1,2%	68,0%	253.831	6,0%
2601	IRON ORES AND CONCENTRATES, INCL, ROASTE	1,1%	69,1%	230.540	8,5%
2606	ALUMINIUM ORES AND CONCENTRATES	1,1%	70,2%	227.881	66,0%
0603	CUT FLOWERS AND FLOWER BUDS OF A KIND SU	1,0%	71,2%	215.418	40,5%
6109	T-SHIRTS, SINGLETs AND OTHER VESTS, KNIT	0,9%	72,1%	200.211	6,3%
0902	TEA, WHETHER OR NOT FLAVOURED	0,9%	73,0%	195.058	39,1%
2710	PETROLEUM OILS AND OILS OBTAINED FROM BI	0,9%	73,9%	191.649	2,1%
0304	FISH FILLETS AND OTHER FISH MEAT, WHETHE	0,8%	74,8%	180.416	9,2%
0303	FROZEN FISH (EXCL, FISH FILLETS AND OTHE	0,8%	75,6%	170.193	16,7%
8903	YACHTS AND OTHER VESSELS FOR PLEASURE OR	0,8%	76,3%	164.422	10,9%
1511	PALM OIL AND ITS FRACTIONS, WHETHER OR N	0,7%	77,1%	157.991	20,1%
0307	MOLLUSCS, WHETHER IN SHELL OR NOT, AND O	0,7%	77,8%	155.372	16,3%
1804	COCOA BUTTER, FAT AND OIL	0,7%	78,5%	151.674	63,1%
0804	DATES, FIGS, PINEAPPLES, AVOCADOS, GUAVA	0,7%	79,2%	142.498	24,6%
2844	RADIOACTIVE CHEMICAL ELEMENTS AND RADIOA	0,7%	79,8%	139.546	14,2%
1803	COCOA PASTE, WHETHER OR NOT DEFATTED	0,6%	80,5%	135.580	92,1%
0302	FISH, FRESH OR CHILLED (EXCL, FISH FILLE	0,6%	81,1%	131.026	8,7%
4408	VENEER SHEETS, SHEETS FOR PLYWOOD, WHETH	0,6%	81,7%	128.958	21,6%
0708	LEGUMINOUS VEGETABLES, SHELLED OR UNSHEL	0,6%	82,3%	127.186	72,0%
6203	MEN'S OR BOYS' SUITS, ENSEMBLES, JACKETS	0,6%	82,9%	126.311	2,4%
4001	NATURAL RUBBER, BALATA, GUTTA-PERCHA, GU	0,6%	83,4%	120.285	17,4%
7202	FERRO-ALLOYS	0,5%	83,9%	111.560	6,1%
2711	PETROLEUM GAS AND OTHER GASEOUS HYDROCAR	0,5%	84,5%	110.723	1,1%
	Total imports from ACP		100%	21.353.776	2.77%

Source: Eurostat (<http://europa.eu.int/comm/development/stat/extrd99/import/z1.htm>)

Table A1b: 1999 main EU exports to ACP

EU exports rs4 to ACP		% total of region	cumul. % of total imports	1000 Euro	Share of extra-EU
8802	POWERED AIRCRAFT -E.G. HELICOPTERS AND AEROPLANES-	7,3%	7,3%	1.564.741	6,6%
8901	CRUISE SHIPS, EXCURSION BOATS, FERRY-BOATS, CARGO	6,3%	13,6%	1.365.074	30,2%
3004	MEDICAMENTS CONSISTING OF MIXED OR UNMIXED PRODUCT	3,2%	16,8%	695.838	3,2%
8703	MOTOR CARS AND OTHER MOTOR VEHICLES PRINCIPALLY DE	2,6%	19,4%	564.065	1,4%
2710	PETROLEUM OILS AND OILS OBTAINED FROM BITUMINOUS M	2,4%	21,8%	515.393	5,3%
8903	YACHTS AND OTHER VESSELS FOR PLEASURE OR SPORTS; R	2,0%	23,8%	430.801	17,9%
0402	MILK AND CREAM, CONCENTRATED OR CONTAINING ADDED S	1,9%	25,7%	411.369	22,3%
8704	MOTOR VEHICLES FOR THE TRANSPORT OF GOODS, INCL, C	1,5%	27,2%	324.340	9,0%
8517	ELECTRICAL APPARATUS FOR LINE TELEPHONY OR LINE TE	1,5%	28,7%	313.747	2,5%
8708	PARTS AND ACCESSORIES FOR TRACTORS, MOTOR VEHICLES	1,3%	30,0%	288.285	1,9%
8471	AUTOMATIC DATA PROCESSING MACHINES AND UNITS THERE	1,3%	31,3%	272.291	2,2%
0303	FROZEN FISH (EXCL, FISH FILLETS AND OTHER FISH MEA	1,1%	32,4%	238.217	39,6%
6309	WORN CLOTHING AND CLOTHING ACCESSORIES, BLANKETS A	1,1%	33,5%	229.730	51,2%
8431	PARTS SUITABLE FOR USE SOLELY OR PRINCIPALLY WITH	1,0%	34,4%	205.073	5,3%
8502	ELECTRIC GENERATING SETS AND ROTARY CONVERTERS	0,9%	35,4%	203.357	11,8%
8409	PARTS SUITABLE FOR USE SOLELY OR PRINCIPALLY WITH	0,9%	36,2%	183.834	4,7%
1101	WHEAT OR MESLIN FLOUR	0,8%	37,0%	177.871	33,9%
2402	CIGARS, CHEROOTS, CIGARILLOS AND CIGARETTES OF TOB	0,8%	37,8%	174.414	10,1%
1001	WHEAT AND MESLIN	0,8%	38,6%	161.762	13,6%
8525	TRANSMISSION APPARATUS FOR RADIO-TELEPHONY, RADIO-	0,7%	39,3%	159.951	1,8%
8544	WIRE AND CABLE -INCL, CO-AXIAL CABLE- FOR ELECTRIC	0,7%	40,1%	157.519	4,0%
99RR	RETURNED GOODS")	0,7%	40,8%	157.377	11,6%
3808	INSECTICIDES, RODENTICIDES, FUNGICIDES, HERBICIDES	0,7%	41,5%	153.153	6,9%
8479	MACHINES AND MECHANICAL APPLIANCES HAVING INDIVIDU	0,7%	42,2%	149.475	1,9%
1701	CANE OR BEET SUGAR AND CHEMICALLY PURE SUCROSE, IN	0,7%	42,9%	142.916	14,0%
8701	TRACTORS (OTHER THAN TRACTORS OF HEADING NO 8709)	0,6%	43,5%	137.904	5,3%
8411	TURBO-JETS, TURBO-PROPELLERS AND OTHER GAS TURBINE	0,6%	44,1%	136.244	0,9%
8413	PUMPS FOR LIQUIDS, WHETHER OR NOT FITTED WITH A ME	0,6%	44,8%	134.440	3,3%
7308	STRUCTURES AND PARTS OF STRUCTURES 'FOR EXAMPLE, B	0,6%	45,4%	132.750	5,8%
2208	UNDENATURED ETHYL ALCOHOL OF AN ALCOHOLIC STRENGTH	0,6%	46,0%	131.015	3,0%
8473	PARTS AND ACCESSORIES (OTHER THAN COVERS, CARRYING	0,6%	46,6%	129.357	1,3%
8536	ELECTRICAL APPARATUS FOR SWITCHING OR PROTECTING E	0,6%	47,2%	128.543	2,2%
8504	ELECTRICAL TRANSFORMERS, STATIC CONVERTERS, E,G, R	0,6%	47,8%	126.081	2,8%
9403	FURNITURE AND PARTS THEREOF N.E.S. (EXCL. SEATS AN	0,6%	48,3%	119.175	2,2%
8474	MACHINERY FOR SORTING, SCREENING, SEPARATING, WASH	0,5%	48,9%	118.078	6,1%
8438	MACHINERY, NOT SPECIFIED OR INCLUDED ELSEWHERE IN	0,5%	49,4%	117.990	5,7%
8414	AIR OR VACUUM PUMPS (EXCL, GAS COMPOUND ELEVATORS	0,5%	50,0%	116.262	2,6%
8422	DISH-WASHING MACHINES; MACHINERY FOR CLEANING OR D	0,5%	50,5%	115.657	2,7%
2106	FOOD PREPARATIONS N,E,S,	0,5%	51,0%	114.064	6,4%
8429	SELF-PROPELLED BULLDOZERS, ANGLEDOZERS, GRADERS, L	0,5%	51,5%	111.337	4,6%
2204	WINE OF FRESH GRAPES, INCL, FORTIFIED WINES; GRAPE	0,5%	52,1%	111.067	2,8%
1901	MALT EXTRACT; FOOD PREPARATIONS OF FLOUR, MEAL, ST	0,5%	52,6%	110.861	10,2%
8418	REFRIGERATORS, FREEZERS AND OTHER REFRIGERATING OR	0,5%	53,1%	108.443	4,6%
Total exports to ACP			100%	21.555.584	2.85%

Source: Eurostat (<http://europa.eu.int/comm/development/stat/extrd99/export/z1.htm>)

Appendix 2: Regional process in the Cotonou Agreement.

The ACP regional integration process and its broad regional dimension is an important element of the Cotonou Agreement. All in all the word 'regional' is mentioned 83 times in the 100 Articles of the Cotonou Agreement.

Article 2 mentions regionalisation as one of the fundamental principles, noting that 'Particular emphasis shall be placed on the regional dimension'. This can be found in many aspects of the Cotonou Agreement not directly related to the negotiation of NTAs. Article 8 indicates that political 'dialogue shall cover [...] questions of [...] regional or sub-regional interest' (Art. 8.3), shall be conducted 'at the appropriate level including regional and sub-regional [...] level' (Art. 8.6), and that 'Regional and sub-regional organisations [...] shall be associated with this dialogue' (Art. 8.7). Article 11.1 notes that 'an active, comprehensive and integrated policy of peace-building and conflict prevention and resolution within the framework of the Partnership [...] shall in particular focus on building regional, sub-regional and national capacities'. Article 13.3 on migration refers to regional programming. Article 17 on the Joint EU-ACP Parliamentary Assembly foresees that 'With a view to strengthening regional integration and fostering cooperation between national parliaments, meetings between EU and ACP members of parliament may be arranged at regional or subregional level'. Article 20.1 mentions that 'ACP-EC cooperation strategies shall aim at [...] fostering regional cooperation and integration' (Art.20.1(a)). Article 21 says that 'Cooperation shall support the necessary economic and institutional reforms and policies at national and/or regional level, aiming at creating a favourable environment for private investment, and the development of a dynamic, viable and competitive private sector' (Art.21.1) and that 'Cooperation shall promote business development [...] by [...] encouraging inter-firm linkages, networks and cooperation including those involving the transfer of technology and know-how at national, regional and ACP-EU levels' (Art.21.2(d)); Article 22.1 provides that cooperation shall ACP support efforts to [...] encourage regional cooperation and progressive integration of macroeconomic and monetary policies' (Art.22.1(b)(v)). Article 23(d) mentions that cooperation shall support 'regional food security'. Article 25.2 states that cooperation shall aim at round-table discussions at national and/or regional level'. Article 33.5 calls for the cooperation 'to foster the emergence of non-State actors [...] and to strengthen structures for information, dialogue and consultation between them and the national authorities, including at regional level'. Article 56.1 indicates that 'Development finance cooperation shall be implemented on the basis of and be consistent with the development objectives, strategies and priorities established by the ACP States, at both national and regional levels'. Article 58.1 notes that '(b) regional or inter-State bodies to which one or more ACP States belong and which are authorised by those States; and (c) joint bodies set up by the ACP States and the Community to pursue certain specific objectives' are 'eligible for financial support provided under the Agreement', as well as 'national and/or regional public or semi-public agencies' (Article 58.2(a)). Article 61.4 indicates that 'The instruments of import programmes or budgetary support defined above can also be used to support eligible ACP States implementing reforms aimed at intra-regional economic liberalisation which generate net transitional costs'. Article 67, in defining the aim of structural adjustment support indicates that 'The ACP States and the Community recognise the necessity to encourage reform programmes at regional level'. Article 77 states that cooperation shall provide support to (Art.77.2(c)) 'regional guarantee funds' and 'participation in the core funding of national and/or regional initiatives to reduce the commercial risks for investors' (Art.77.3). 'Technical cooperation shall assist the ACP States in the development of national and regional manpower resources' (Art.79.1) and shall 'increase [...] regional capabilities' (Art.79.2). Article 84.2 indicates that 'special attention shall be paid in respect of [LDCs, landlocked and island countries] as well as countries in post-conflict situations to: (a) the strengthening of regional cooperation'.

Section 3 of Chapter 2, Title I, Part 3 of the Agreement (Articles 28 to 30) is entirely devoted to regional cooperation and integration.

Appendix 3

Table A3a: The 1998 REPAs studies prepared for the European Commission:
Effects of a REPA on fiscal and tariff revenue losses

	% fiscal revenue loss	% customs revenue loss
SADC¹		
Angola	3.7	n.a.
Botswana	1.0	6.0
Lesotho	0.4	0.8
Malawi	1.4	6.3
Mauritius	9.3	27.9
Mozambique	5.2	23.0
Namibia	0.8	2.5
Seychelles	29.7	70.0
Swaziland	0.4	0.8
Tanzania	8.2	30.0
Zambia	2.0	22.0
Zimbabwe	3.1	18.0
EAC²		
Kenya	12	82
Tanzania	20	73
Uganda	16	69
CEMAC³		
Cameroon	8.2	81.9
Central Afr. Rep.	14.9	79.2
Congo	14.1	71.3
Gabon	6.5	51.0
Guinea	5.0	67.0
Chad	18.2	76.7
Total CEMAC	9.9	66.8
Pacific ACP countries⁴		
Papua New Guinea	0.6	2.8
Fiji	0.3	1.4
Salomon Islands	1.4	2.5
Vanuatu	1.4	2.7
CARICOM/Dominican Republic⁵		
Antigua Barbuda	9.5	14
Bahamas	n.a.	n.a.
Barbados	0.6	17
Belize	1.0	16
Dominica	1.4	6
Dominican Republic	1.9	19
Grenada	2.1	13
Guyana	2.6	12
Haiti	n.a.	n.a.
Jamaica	0.9	11
Montserrat	4.6	10
St Kitts and Nevis	2.0	10
St Lucia	2.5	15
St Vincent and the Grenadines	7.1	17
Suriname	n.a.	17
Trinidad and Tobago	0.4	16

Source: CE (1999); ¹Imani Development (1998); ²CREDIT (1998); ³Planistat (1998); ⁴NEI (1998); ⁵IDS (1998).

Table A3b: Impacts of REPAs on fiscal revenues of CARICOM

Years	Estimated Revenues under REPA /US\$'000/	As % of Tax Revenue	As % of Current Revenue	As % of GDP
JAMAICA				
1997	95,093.01	23.1	20.7	5.8
1998	92,569.09	20.8	18.9	5.6
1999	89,027.93	20.8	18.7	5.4
2000	87,612.42	NA	NA	NA
Average		21.6	19.4	5.6
TRINIDAD & TOBAGO				
1997	92,526.80	7.6	6.3	1.6
1998	89,268.50	7.1	5.8	1.5
1999	103,339.90	7.8	6.8	1.5
2000	100,698.40	NA	NA	NA
Average		7.5	6.3	1.5
OECS				
1997	173,950.60	34.8	29.8	7.5
1998	182,127.70	33.2	28.6	7.3
1999	180,286.60	32.0	27.2	6.8
2000	179,526.40	NA	NA	NA
Average		33.3	28.5	7.2

Source: Nicholls *et al.* (2001).**Table A3c:** UEMOA: Loss of fiscal revenue as % of 1997 GDP

	Official rates	Applied rates
Benin	0.65	0.54
Burkina Faso	0.82	0.30
Cote d'Ivoire	1.14	0.73
Mali	0.70	0.36
Niger	0.44	0.20
Senegal	1.63	0.84
Togo	0.87	0.55
Total UEMOA	1.04	0.59

Source: CERDI (1998)

Appendix 4 : List of trade-related technical assistance providers

Table A4a: Multilateral Organizations

Multilateral Organizations	Web-site	E-mail contact
Food and Agriculture Organization	www.fao.org	Harwig.deHaen@fao.org
International Labor Office	www.ilo.org	
International Organisation of Legal Metrology	www.oiml.org	biml@oiml.org
International Textiles and Clothing Bureau		itcb@bluewin.ch
International Organisation for Standardization (ISO)	www.iso.ch	eltawil@iso.ch
International Telecommunication Union (ITU)	www.itu.int	arthur.levin@itu.int
International Plant Genetic Resources Institute (IPGRI)	www.cgiar.org/ipgri	s.bragdon@cgiar.org
Office International des Epizooties	www.oie.int	oie@oie.int
Organisation of Economic Cooperation and Development (OECD)	www.oecd.org	herwig.schlogl@oecd.org
United Nations - DESA	www.esa.un.org/techcoop	civili@un.org
United Nations Environment Programme	www.unep.ch/etu	etu@unep.ch
Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	www.cites.org	cites@unep.ch
International Trade Center (ITC)	www.intracen.org	jouvenat@intracen.org
United Nations Conference on Trade and Development (UNCTAD)	www.unctad.org	
United Nations Industrial Development Organisation (UNIDO)	www.unido.org	e.merz@mbox.unicc.org
World Health Organisation (WHO)	www.who.org	dragern@who.org
World Bank	www.worldbank.org	penglish@worldbank.org
World Customs Organisation (WCO)	www.wcoomd.org	information@wcoomd.org
World Intellectual Property Organisation (WIPO)	www.wipo.org	
United Nations Institute for Training and Research (UNITAR)	www.unitar.org	
World Trade Organisation (WTO)	www.wto.org	jean-maurice.leger@wto.org claud.mercier@wto.org chiedu.osakwe@wto.org
Common Fund for Commodities	www.common-fund.org	ManagingDirector@common-fund.org

Source: WTO, http://www.wto.org/english/tratop_e/devel_e/teccop_e/tecwebsites_e.htm

Table A4b: Regional Organizations

Regional Organizations	Web-site	E-mail contact
African, Caribbean and Pacific (ACP)	www.acpsec.org	gakunu@acpsec.org
Asia Pacific Economic Cooperation (APEC)	www.apecsec.org.sg	info@mail.apecsec.org.sg
Asociación Latinoamericana de Integración (ALADI)	www.aladi.org	sgaladi@aladi.org
Banco Centroamericano de Integración Económica (BCIE)	www.bcie.org	webmaster@bcie.org
Common Market for Eastern and Southern Africa (COMESA)	www.comesa.int	cchanthunya@comesa.int
Commonwealth Secretariat	www.thecommonwealth.org	R.Faruqui@commonwealth.org info@commonwealth.org
European Bank for Reconstruction and Development	www.ebrd.com	costaam@ebrd.com
Economic Commission for Africa (ECA)	www.un.org	ecainfo@un.org
League of Arab States		
Instituto Interamericano de Cooperación para la Agricultura (IICA)	www.iicacan.org	office@iicacan.org
	www.iicanet.org	rquiros@iicanet.org
Organismo Internacional Regional de Sanidad (OIRSA)	www.oirsa.org.sv	oirsa@nsl.oirsa.org.sv
Economic Commission for Latin America and the Caribbean (ECLAC)	www.eclac.cl	cepal@eclac.cl
Economic Commission for Europe (ECE)	www.uece.org	carol.cosgrove-sacks@unece.org
Secretaría de Integración Económica Centroamericana (SIECA)	www.sieca.org.gt	apimentel@sieca.org.gt
Sistema Económico Latinoamericano (SELA)	http://lanic.utexas.edu/~sela	tpulgar@sela.org
Organisation of American States (OAS)	www.sice.oas.org	tradecourse@sice.oas.org
Inter-American Development Bank	www.iadb.org	robertde@iadb.org
Secretaría General de la Comunidad Andina	www.comunidadandina.org	eluenigo@comunidadandina.org
Economic and Social Commission for Asia and the Pacific (ESCAP)	http://www.unescap.org	sawhney.unescap@un.org

Source: WTO, http://www.wto.org/english/tratop_e/devel_e/teccop_e/tecwebsites_e.htm

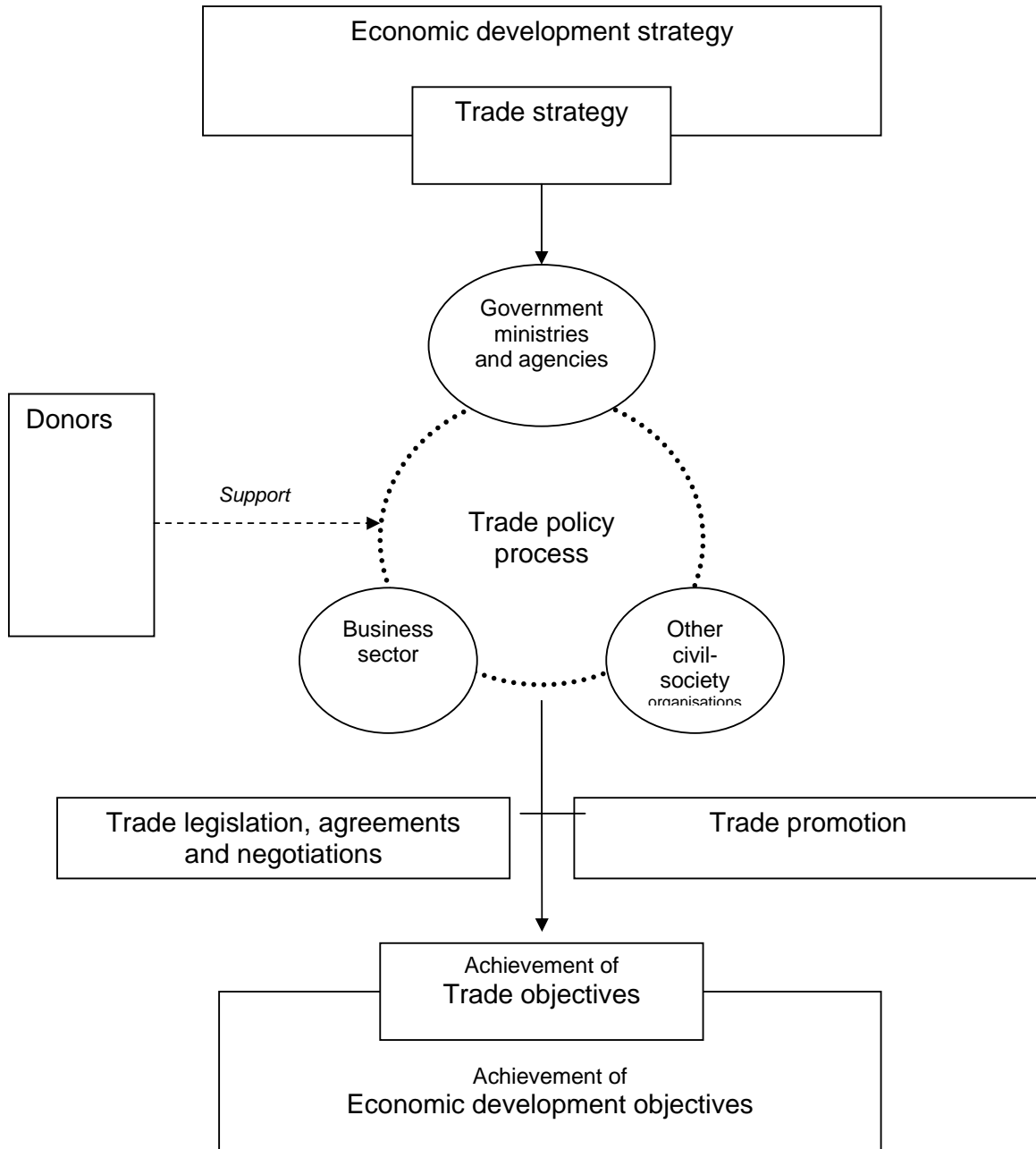
Table A4c: Bilateral Donors

Bilateral Donors	Web-site	E-mail contact
Austria	www.bmaa.gv.at	SectionVII@wien.bmaa.gv.at
Australia	www.ausaid.gov.au	InfoAusAid@ausaid.gov.au
Canada	www.acdi-cida.gc.ca	mariette_maillet@acdi.cida.gc.ca liette.david@dfait.maeci.gc.ca
Denmark		um@um.dk
Finland	www.formin.fi	raimo.anttola@formin.fi
Germany	www.bmz.de	Poststelle@www.bmz.de
Greece		e6c@dos.gr e6a@dos.gr
Japan		nobuaki.ito@mofa.go.jp
Korea (Rep. of)	www.mofat.go.kr	wto@mofat.go.kr
New Zealand	www.mft.govt.nz/nzoda	
Netherland		e.a.muller@minez.nl
Norway	www.norad.no	postmottak@ud.telemax.no
Singapore	www.mfa.gov.sg	mfa_scp@mfa.gov.sg
Switzerland		remigi.winzap@seco.admin.ch
Sweden		gautam.bhattacharyya@foreign.ministry.se
Taipei	www.moeaboft.gov.tw	3rd-dept@moeaboft.gov.tw

Source: WTO, http://www.wto.org/english/tratop_e/devel_e/teccop_e/tecwebsites_e.htm

Appendix 5:

Figure A5 – The trade policy process, a simplified sketch



Notes:

- Trade strategy is part and parcel of a country's economic development strategy.
- The process requires input from a variety of actors, and brings about a permanent adjustment of objectives, negotiating goals, roles and resource allocation.
- Donors do not interfere with strategies, objectives, legislation or negotiations.
- Support is focused on institutional capacity-building, so as to help structure the process and make it sustainable, rather than simply strengthening the capacity of individuals.

Source: Solignac Lecomte (2001).