

Update on regional EPA negotiations

Central Africa - EU Economic Partnership Agreement



The purpose of this *Update* series is to provide relevant information on the Economic Partnership Agreement (EPA) negotiations between the 6 African, Caribbean, and Pacific (ACP) regional groupings and the European Union (EU). Each Update offers a snapshot of the progress made in the respective regions, including the main issues at stake and outstanding challenges. This Update series complements the Overview of Regional EPA Negotiations series and will be produced every 6 months until the conclusion of the EPAs.

The negotiating calendar

After the first phase of negotiations at the all-ACP level (which started in September 2002), Central Africa became one of the first ACP regions to officially launch EPA negotiations with the European Union (EU) in October 2003. For various political, capacity and substantive reasons, however, it took almost a year for both parties to agree on a roadmap to structure the negotiations. One of the major sticking points related to the question of financial support to address supply-side constraints in the region. A joint roadmap very similar to the one agreed between the European Union and the West African region was finally signed in Brussels in July 2004.¹ This laid out the main objectives and principles of the negotiations and prioritised regional integration and capacity building. The roadmap also defines the structure of the negotiations and provides an indicative calendar, divided into three phases.

Phase one (September 2004 to July 2005) was dedicated to the identification of key regional economic integration priorities, based on the regional integration agenda of the Economic and Monetary Community of Central Africa (CEMAC) and the establishment of an EPA reference framework in these areas. The formulation and implementation of upgrading and competitiveness-enhancement programmes also started in phase one, but is meant to continue during the whole negotiating process and beyond. **Phase two** (September 2005 to July 2006) involved the definition of the overall EPA architecture as well as a first draft agreement on trade-related issues, agriculture, development

issues and fisheries. Negotiations on bilateral trade liberalisation for goods and services will take place during **phase three** (September 2006 to December 2007), which should lead to the conclusion of an EPA.

Phase one: the regional integration agenda

Phase one highlighted the state of play of the regional integration process explored areas to be strengthened and gave orientations for the next phase. Its concrete objectives ranged from the completion of a customs union and harmonisation of regional macro-economic policies to the coordination of sectoral policies, the strengthening of technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) capacity and improvement of the customs climate. Since December 2000 the region has formally been a free trade area, and a common external tariff (CET) was adopted. Implementation lags however, with many shortcomings remaining and several tariff and non-tariff barriers still in place.

Issues linked to customs procedures constitute a major challenge. Regional administrative procedures are cumbersome and inadequate, often triggering lengthy customs clearance and additional costs. Adequate enforcement of the single customs code has therefore been adopted as an objective of the regional integration process, and should contribute to alleviating customs-related limitations. Also of concern is the inconsistent CET enforcement within the region, as exonerations regarding the application of the CET are accorded on a regular basis.² The

prohibition of such exonerations and the enforcement of a unique CET across the region will be addressed in the subsequent negotiations phase.

Although 95% of Central African exports reach the EU duty free, bad export performance typifies the region. This is in part due to its lack of capacity to comply with technical barriers, norms and SPS measures. With this in mind, efforts to improve TBT and SPS compliance have been agreed. Priority products will now be identified and efforts to meet trade norms will be concentrated on these so as to improve export performance. A study on rules of origin (RoO) has been commissioned to identify potential obstacles in that area. Technical and institutional capacity building related to standardisation and certification bodies will be prioritised to enhance the region's trade capacity.

Preliminary discussions have been initiated on trade in services, on investment and competition policies, on the link between trade and environmental policy, on intellectual property rights and on public procurement. However, substantive exchanges are to take place only in subsequent negotiation phases.

Closing the first phase of negotiations, the European Commission (EC) emphasised the "ambitious pro-development agenda" that the Central African region and the European Union were negotiating.³ The EC also underscored the need for full implementation of the legal framework in place in the CEMAC region.

Phase two: the political and development dimension

Phase two of the negotiations commenced in early 2006. While talks on regional integration were pursued, other prospective chapters of an EPA were also brought to the negotiating table, including on the productive sector, the political and development dimension of the agreement, provisions for additional resources to reinforce capacity, trade-related areas (competition and public procurement in particular) and institutional issues.

Although details on the substance of the negotiations have not been widely shared, broad conclusions can be drawn on the main outcomes and potential points of contention:⁴

- A common list of priority sectors should be drawn up with regard to the liberalisation of trade in services, so as to leave some space for special and differential treatment.
- Disagreements are emerging in relation to the political dimension of the potential EPA, linking it to the Cotonou Agreement. The Central African region so far opposes all attempts by the European Commission to include human rights, democracy, rule of law and good governance considerations in an EPA.

- With regard to intellectual property, work in the present and next stage of the negotiations should concentrate on harmonisation of intellectual property rules across the region and their subsequent implementation.
- Investment policies have been jointly explored, although no concrete outcome is yet evident at this stage.

As with nearly all of the EPA negotiating groupings, the Central African region recommends inclusion of financial mechanisms to assist regional integration institutions to build their capacity, to strengthen the production capacity of key sectors and to build up regional infrastructure. On this issue, however, the EC remains elusive, and has pushed for the discussion to take place only once the overall institutional framework of the agreement is in place.

Talks on the productive sector are advancing. Both parties have put forward papers on strengthening production capacity. In that regard, Central Africa has prioritised the following areas: improvement of the business environment, financial mechanisms for small and medium-sized enterprises and the building of basic infrastructure to reduce production costs. The European Commission is pushing the region to identify sensitive sectors that could potentially benefit from special and differential treatment in relation to liberalisation of trade in goods. From the list of sensitive sectors, the region would then be better able to assess its support needs. Market access discussions will be tackled in depth in autumn 2006.

Negotiations stalled on support for production capacity

Finally, a draft structure of the future EPA has been developed, with the broad agreement of both parties. The draft is structured as follows: (i) regional integration objectives and actors, (ii) investment framework, (iii) competition policy, (iv) public procurement rules, (v) capacity reinforcement and leveling, (vi) trade in goods, (vii) trade in services, (viii) trade-related areas and (ix) institutional issues. Detailed texts related to each chapter will be further discussed and elaborated in the coming months.

As it stands, negotiations on the Central African EPA have progressed steadily, although the current stage has revealed areas of divergence in terms of the additional financial mechanisms to be included in an EPA and the political dimension of the future trade agreement. The Central African region has made a strong case for securing additional resources to offset costs incurred as a result of EPA implementation, and expects flexibility and consideration in the treatment of this question from the European Commission. Central Africa argues that it will not continue on to the next phase of negotiations on market access while the issue of reinforcement of production capacities is not settled.

Notes

- ¹ "Feuille de Route des Accords de Partenariat Economique (APE) entre l'Afrique Centrale et L'UE"; July 2004; European Commission
- ² "Regional Integration in Central Africa: Key Issues"; African region Working Paper No. 52; June 2003; World Bank
- ³ "Economic Partnership Agreements: EU and Central Africa agree next phase of negotiations"; November 2005; European Commission
- ⁴ See "EPA Negotiations Update" in *Trade Negotiations Insights*, Vol.5 No. 2 and 3; 2006; ECDPM

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