

The EPA: Fact vs. Fiction - Issue 1

THE EPA: FACT VS. FICTION

The EPA: Fact vs. Fiction is one of a series of guides produced by the Caribbean Regional Negotiating Machinery (CRNM) on the subject of the Economic Partnership Agreement (EPA) between Europe and CARIFORUM. **The EPA: Fact vs. Fiction** is intended to address misconceptions and to clarify facts about the EPA.

Fiction: The EPA replaces the Cotonou Agreement

Fact: EPAs do not replace the the Cotonou Agreement (CA). They replace only that section of Cotonou dealing with trade. Cotonou which was concluded in 2000 and covers three broad areas of partnership - development finance cooperation, trade and economic cooperation as well as cultural, social and regional cooperation - between the ACP Group of States and the EU, **does not expire until 2020**. The CA provided for the trade regime negotiated prior to 2000 (under Lome in 1995) to be temporarily extended until 31 December 2007, and under the CA both sides agreed to negotiate a replacement trade regime which was compatible WTO rules. These new trading arrangements, including EPAs, would apply from 1 January 2008.

The temporary trade regime had been non-reciprocal and required a WTO waiver, whose validity coincided with the expiry of the temporary regime. However the EPA by being reciprocal meets the main requirement for WTO-compatibility. It therefore requires no WTO waiver.

The EPA thereby completes the commitment undertaken under the CA. While the EPA provides for no terminal date for its existence, there is provision in the case of the CA itself for termination, replacement or renewal of the agreement beyond 2020.

Fiction: The EPA has not honoured the commitment to the principle of asymmetry.

Fact: Quite the contrary, EPA obligations are highly asymmetrical with EU obligation being more extensive and adjustment periods being shorter than those for the Caribbean; an approach consistent with the differing economic and adjustment capacities of the two partners. Numerous examples of important differences in obligations by both sides can be provided, but reference to a few salient ones should suffice.

Asymmetry is most evident in the area of market access in goods where the EU is liberalising all eligible imports from CARIFORUM from 1 January 2008 (apart from rice and sugar after a brief transition), whereas CARIFORUM is liberalising most of its imports from the EC over a 15-year transition with a number of sensitive imports liberalised over periods up to 25 years. CARIFORUM does not have to begin to liberalise imports before 1 January 2011 and will permanently exclude some highly sensitive products from liberalisation.

In Services, the EU has made liberalisation commitments in 94% of the sectors whereas the corresponding figures for CARIFORUM LDCs and MDCs are 65 and 75% respectively. CARIFORUM countries have thus been able to exclude a larger number of service sectors, including sensitive ones, than the EU.

The EU has also committed to providing development support to buttress regional integration, facilitate the implementation of EPA commitments, assist adjustment and boost competitiveness and supply capacity in accordance with priorities identified by CARIFORUM, across the broad spectrum of sectors negotiated.

Fiction: EPA market liberalisation will be too fast for CARIFORUM and will disrupt production and employment

Fact: The EPA reflects the objective of minimising negative liberalisation impacts, which consumed a major share of CARIFORUM's coordination effort. Each CARIFORUM country undertook stakeholder consultations and determined very carefully what its sensitive products and sectors are, taking into

account revenue, production, employment, food security, livelihoods, rural development and environmental and other concerns.

Sensitive goods will either not be liberalised at all or liberalised over the longer periods (15, 20 to 25 years). Products committed for immediate liberalisation are mainly those with tariffs already zero-rated or with low or so-called nuisance tariffs. Thus, where import competition was the main concern, potentially competing goods imports were liberalised over the longest periods to enable improved competitiveness. Since revenue is a more important concern for most countries, revenue-sensitive items will also be liberalised over longer phases or not at all, and the EU has pledged assistance for countries wishing to make their tax systems less dependent on trade taxes. This is especially applicable to countries heavily dependent on ODCs (Other Duties and Charges) that have up to 10 years to eliminate them.

In the area of services, CARIFORUM's commitments largely comprise the binding of commitments in sub-sectors that were in practice liberalised, as well as some activities whose liberalisation was considered beneficial for particular countries, and this determination was made on a country-by-country basis.

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