

Peter Mandelson

EU Trade Commissioner

EPAs: Remarks to ACP Ministers

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

ACP-EU Joint Ministerial Trade Committee

Brussels, 28 June 2006

In this speech to ACP Ministers in Brussels EU Trade Commissioner Peter Mandelson argues that EPAs offer the best possible framework for a new generation of trade relations between the EU and the ACP countries. Mandelson says that the EU is totally committed to producing flexible, development-friendly final agreements and that it looked to ACP countries to preserve their own commitment to reform. Insisting that meeting the 2008 WTO deadline to renew the trading agreements meant that the EU and the ACP needed to work together, Mandelson tells ACP Ministers: “The word partnership in Economic Partnership Agreement is not there by accident.”

A new approach for sustainable development...

Mandelson argues that a system of preferential access had not helped strengthen or diversify ACP economies and that the EPA process would help build strong regional markets in the ACP regions and integrate those markets in into the global economy. Mandelson says that although the full integration of ACP economies into the global economy is vital for their sustainable development, the EU was committed to ensuring – and defending in the WTO – sufficient flexibility “to protect fragile industries and build competitiveness”.

Fears not justified...

Mandelson tells Ministers that he believes that many of the fears associated with the EPAs are unjustified. He argues that there is no evidence and little likelihood that EU goods would flood ACP markets following eventual liberalisation because the real the level of protection of ACP tariffs is fairly low, the EU does not grow tropical crops and almost ninety percent of EU exports to the ACP are made up of complex high-end industrial goods.

Responding to worries that lowering tariff barriers would result in heavy revenue losses for ACP countries Mandelson says “we should treat these predictions with very great caution”. He argues that studies suggesting heavy losses assume immediate and complete liberalisation and ignore the cumulative benefits of reform. He says that the EU would “ensure there is no sharp drop in Government income by timing and phasing tariff reductions”. Mandelson argues that a move to funding government revenues through the fiscal returns from a growing economy would “finally break the dependence on unreliable and declining tariff revenues as source of income.”

Mandelson also assures ministers that the EU is not pushing for an immediate agreement on setting a single tariff for integrated ACP regions and would not insist that external tariffs be set at the lowest existing levels.

Funds to help adjustment...

Although development funding is not a part of the EPA negotiation, Mandelson assures ACP Ministers that EPAs are a central priority in the 22.7 billion euro 10th European Development Fund. Mandelson also says that if amounts available were not sufficient to address EPA requirements, then funding could be reviewed. However Mandelson notes that financial assistance is a means to an end and could not replace effective reform and economic diversification in ACP regions: “Policy reform will drive trade, trade will deliver growth and Africa alone needs 7% growth per year to meet the Millennium Development Goals.”

For more on EPAs please visit:

http://ec.europa.eu/comm/trade/issues/bilateral/regions/acp/regneg_en.htm

I want to talk today about partnership. Partnership is the basis of the Cotonou Agreement and it is the foundation of the EPAs. We should step back every now and again and look again at the fundamentals.

The fundamentals for me are clear. We began EPA negotiations because the era of unilateral trade preference was beginning to draw to a close. Preference margins had begun to decline, ACP economies had not diversified and the WTO waiver covering Cotonou had a limited shelf life. What we realised at the time, something just as true today, is that if we are going to do something about this, then we have to work together. The word Partnership in "Economic Partnership Agreement" is not there by accident.

When we signed Cotonou in 2000, the 2008 deadline seemed a long way away. As we begin negotiations on the texts of the EPAs, the theory fades, and the reality begins to bite. That means uncomfortable choices; making deep reforms and signing far reaching trade agreements. I know there is not a perfect match between these deadlines and your timetables for regional integration; and that creates difficulties. This was always going to be the case. But it does not make the choices either any easier or invalid.

It is at this point that the idea of partnership becomes critical. I recognise this is a difficult time in our discussions. You have my commitment that we will stay the course, we will be there to work through the difficulties, to ensure trade agreements are about development and equity, to accompany them with the development assistance you need and build on the bonds that have linked our countries for many years.

I raise this issue because I am concerned that the EPAs are being presented as the EU demanding ever more difficult policy choices from a reluctant and unwilling ACP. I do not believe this is the spirit of Cotonou. I do not believe it reflects reality. And I do not believe it is the basis on which our discussions will succeed.

I know there are doubts in some quarters about the course we have embarked on. But I would ask whether the fundamental questions we faced at the outset have changed: are preferences more secure? Are the trading positions of ACP countries improving? Have our options for a WTO compatible trade regime changed? Has the need to create viable regional markets diminished? I strongly believe the answer to all these questions is no. This is why we need the EPAs.

But I believe equally strongly that we can only address these problems together – in partnership. We can then make the EPA concept a reality, a modernised and effective development vehicle, building on the best “trade policy technology” around the world. To do so, to my mind we have to do five things:

The first is carefully programming the liberalisation inherent in a free trade area. Our challenge is to use available flexibility to protect fragile industries and build competitiveness, to give time and space for industry to grow and bring down the price of key imports. We have common ground on this with the African Union, who called this month for the immediate removal of all tariffs on fertiliser and its inputs.

The second is removing non-tariff barriers. EPAs can support trade facilitation, better communication and less bureaucracy in SPS, removing border procedures for landlocked countries simplifying rules for exporters and importers. It takes 18 signatures on average to ship cargo from Africa but just 3 in the OECD. We can address this kind of problem together and in a mutually supportive way.

The third is delivering better services. Services are often as much as a fifth of industrial production costs not including final transport. Cut service costs, and industry grows. Services deliver technology transfer and training far better than publicly funded schemes. I'm interested in an ambitious deal between us, and quite ready to talk with EU Member States about opening up access on all services modes, including modes 3 and 4 covering workers and businesses.

The fourth is agreeing the rules and economic governance to make an attractive business environment. Competition policy delivers value for money, investors need rules to be confident, customs laws need to be transparent. All of these are essential development tools.

The fifth is deeper regional integration to build viable markets of which there are too few in the small and vulnerable ACP economies. Only genuine, open regional markets will attract private investment outside the traditional natural resource sectors. EPAs can bring Europe's support to show the private sector that your regional markets are an attractive legal reality.

These, I believe, are the big challenges we face. The issue is how we handle them. It is clear that we have differences of opinion. It would be remarkable if we did not. But I don't believe that we have really divergent interests.

Let's look at a few of the problem areas.

Let me start with the concern that EU goods will flood your markets. The real level of protection of ACP tariffs is fairly low. In the EU we don't grow tropical crops, agriculture is just 12% of our exports to you and we export mainly complex high end industrial goods. I believe the real risk you face in this regard comes from goods produced in G20 countries. If we work together we have ample WTO flexibility in EPAs to deal with products sensitive to EU competition.

I recognise that the choice of EPA geographical configurations is also difficult. The EU will not interfere in your sovereign choices. But as your partner and as a party to these negotiations, we have to avoid unworkable solutions. We cannot, for example, make it possible to be part of two customs unions at once. But we do not need a common regional tariff in place overnight, and no one is suggesting this automatically requires alignment on the lowest applied tariff in the region.

There are also doomsday estimates being put about on fiscal losses. We should treat these predictions with caution. If we look closely, most studies are highly theoretical. They assume immediate and complete liberalisation, and ignore the economic benefits of reform. Some studies even confuse VAT and customs duty. We can ensure there is no sharp drop in Government income by timing and phasing tariff reductions. We will put in place, as we already are doing in two regions, programmes to help those affected and we will support reform to break finally the dependence on declining tariff revenues as source of income.

This brings me to the issue of Europe's development finance. It is not possible to contractualise finance into an EPA with no end date. The Cotonou Agreement does not specify development assistance sums, but we have delivered a considerable amount of assistance. The way forward is to identify the commitments you will make in the EPAs, and the financial needs. I believe the money is there. EPAs are a central priority in the 22.7 billion euro 10th EDF. If there is not enough set aside for EPAs, then we will mobilise our Member States or others and review the commitments before you sign.

Assistance is important, but it is above all the right policies that will make our partnership work. Policy reform will drive trade, trade will deliver growth. Let us remember that Africa alone needs 7% growth per year to meet the Millennium Development Goals. This requires, inevitably, a much greater – but progressive and supported – integration in the global economy.

I believe we can achieve the vision of a new partnership for development and growth we set out together in 2000. But we will only make progress towards our common objectives by working together, and by dialogue between friends. After almost ten years of discussion, we now must move fast, together, in a spirit of partnership and trust, to reinvigorate this trading relationship, and allow it to fulfil its development promise.