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## Aid for trade and climate change financing mechanisms: Maximizing benefits from complementarities

Vinay Dey Ancharaz



Trade and climate change issues are intricately linked, especially in Africa, whose economies rest on agriculture, a sector that is highly vulnerable to climate change. The cumulative evidence shows that sub-Saharan Africa will be the most affected region of the world. Climate change-induced events, such as droughts, global warming and sea-level rise, will have substantial impacts on Africa's agricultural crops, livestock and fisheries, water resources, coastal zones, infrastructure, as well as human health.

This brief focuses on the links between climate change-adaptation measures adopted by African Least Developed Countries (LDCs) and Small Vulnerable Economies (SVEs) and their trade impacts. Africa's position in world trade is marginal, and various factors, including Africa's geography, concentration on low-value, inefficient agriculture, distorted policies, deficient infrastructure and poor institutional support, have prevented African LDCs and SVEs from taking advantage of existing market access privileges to integrate the world economy in ways that make an impact on economic development and poverty alleviation.

### Aid for Trade and the Global Environment Facility

The Aid for Trade (AFT) initiative has been welcomed as a framework that carries the potential to help developing countries, and LDCs in particular, address key infrastructure-related bottlenecks, as well as helping these countries build productive capacity in the hope that these investments will allow them to generate greater exports. A significant amount of AFT resources have flowed to Africa; however, the demand for such funds far exceeds the available endowment, which, moreover, is uncertain of being replenished beyond 2010. Africa received 42 percent of

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# Editorial

As TNI was going to press, thousands of government officials, scientists and activists had descended on Copenhagen, Denmark, for the 2009 United Nations Climate Change Conference (COP15). Expectations for COP 15, were significantly dampened in the lead up to the conference. The road to Copenhagen has featured a string of lacklustre meetings that failed to considerably advance the agenda. This, of course, is of special concern for African, Caribbean and Pacific countries, many of which face dire repercussions from climate change.

Yet, as our first guest contributor, Vinaye Dey Ancharaz, remarks, "Africa's woes go beyond environmental concerns. Most LDCs are, in fact, more concerned with day-to-day survival than with climate change." Thus addressing climate change in the developing world must go hand-in-hand with promoting development; the two cannot be viewed in isolation. In this issue of TNI, we examine how trade policy can both promote economic development and address the daunting challenges posed by climate change.

Three sectors of key importance to ACP countries are under particular threat from climate change: agriculture, tourism and fisheries. On these pages, three guest experts—Jodie Keane, Keith Nurse and Paulo Ghisu—outline what is at stake in these sectors, before describing how trade measures can address the challenges.

Of course, trade policies alone are insufficient: considerable amounts of financing are also necessary if trade is to bolster resilience to climate change. In this regard, Vinaye Dey Ancharaz, a senior lecturer at the University of Mauritius, argues in favour of a complimentary approach to aid for trade and climate change financing. As Ancharaz explains, many climate change-related projects, which are desperately in need of funding, have clear trade-related impacts.

Addressing climate change also presents economic opportunities. Sub-Saharan Africa's emerging renewable energy industry, for example, has vast market potential. Yet liberalization of the renewable energy sector needs to be pursued with care, write Stephen Karekezi, John Kimani, and Oscar Onguru of the Energy, Environment and Development Network for Africa. As experience in a number of African countries has demonstrated, liberalization has the potential to strangle infant energy industries.

Also on the topic of renewable energy, Fredrik Erixon, Director at the European Centre for International Political Economy (ECIPE), argues that the Europe's Renewable Energy Directive, which mandates that biofuels must meet certain greenhouse gas savings in order to qualify for a tax-exemption, is likely in breach of WTO rules.

Of course, COP 15 is not the only big news this month. After many years in the making, the European Union's Lisbon Treaty finally entered into force on December 1st. As we discussed in our October issue, the Lisbon Treaty has potentially wide-ranging implications for ACP-EU relations. This month, TNI has invited Stephen Woolcock, an expert on trade and investment policy at the London School of Economics, to explain how the Lisbon Treaty will affect the EU's international trade policy.

Rounding out our final issue of 2009, we feature a summary of a new study by Damien Lagandré, Jean-Pierre Rolland and Arlene Alpha of GRET, which found that a significant portion of FTAs demonstrate considerable variability with respect to transition periods and the percentage of tariff lines that are liberalized. The study strengthens the argument that developing countries should be able to demand flexibilities in these areas in FTA negotiations with developed countries.

As always, we invite feedback and offers to contribute articles. These can be addressed to Damon Vis-Dunbar at [dvisdunbar@ictsd.ch](mailto:dvisdunbar@ictsd.ch).

From the editorial team at ECDPM and ICTSD, we wish you a festive season.

# News and publications

## In brief

### EU selects its next trade commissioner

The former Belgian Foreign Minister Karel De Gucht has been chosen by the President of the European Commission to lead the EU's international trade negotiations. De Gucht has been selected to take over as the EU's trade commissioner from Lord Baroness Catherine Ashton of Upholland, who was appointed last month to become the EU's first 'High Representative of Foreign Affairs and Security Policy'—a position created under the Lisbon Treaty (see next article). The EU Parliament must approve the position, with votes expected to take place in mid-January 2010. Since Ashton left her job as trade commissioner on 1 December 2009, the post is being temporarily filled by Benita Ferrero-Waldner, who is also in charge of the EU's External Relations and European Neighbourhood Policy. If approved, De Gucht would become the first trade commissioner to come from one of the EU's smaller member states. The previous two trade commissioners—Ashton and Peter Mandelson—were British, and prior to that, the post was held by France's Pascal Lamy, who is now the Director General of the World Trade Organization.

### Lisbon Treaty raises uncertainty on ACP-EU relations

The Lisbon Treaty entered into force on 1 December 2009, raising a number of questions on the future of ACP-EU relations. The Treaty states that the primary objective of EU development cooperation policy is the reduction and, in the long term, the eradication of poverty; however, specific reference to the ACP, which was present in the previous EU treaty, is omitted. A European External Action Service will aim to ensure the consistency and coordination of the EU's external action. It will be composed of single geographical and thematic desks under the authority of the High Representative of Foreign Affairs and Security Policy (Catherine Ashton). Trade remains the responsibility of the Trade Commissioner. The place of development cooperation will be determined early next year. In a letter addressed to the heads of European institutions, Mrs. Eunice Kazembe, President of the ACP Council of Ministers, said that the pending WTO deal on trade in bananas presented an opportunity for Europe to allay or confirm ACP fears aroused by the disappearance of the reference to the ACP Group in the Lisbon Treaty.

### Experts advise on the future of Africa-EU Economic Partnership Agreements

A new collection of essays published by the German Marshall Fund (GMF) reflect on the state-of-play of the Economic Partnership Agreement negotiations between the European Union and African countries, and advise on the best way forward. While the authors tend to agree that EPAs could do a better job of fostering development in African countries, their essays reveal a marked divergence of opinion on how these agreements should be improved. This is a reflection of "the complexity of the negotiations (and) the necessity of adapting EPAs to the specific needs of different regions or countries", write Emily Jones and Darlan F. Marti, the editors of "Updating Economic Partnership Agreements to Today's Global Challenges". The contributors include a variety of academic, government and civil society representatives, including Patrick Messerlin, director of Groupe d'Economie Mondiale at Sciences Po (GEM), Xavier Carim, deputy director general with the International Trade and Economic Development Division at the Department of Trade and Industry in South Africa, and Bert Koenders, the Dutch minister for development cooperation. To view this report in full, see "Updating Economic

Partnership Agreements to Today's Global Challenges", available at: [http://www.gmfus.org/doc/GMF7257\\_Final\\_Ebook.pdf](http://www.gmfus.org/doc/GMF7257_Final_Ebook.pdf)

### World Bank reports says \$93 billion a year needed for Africa's infrastructure

The World Bank warns that the poor state of much of Africa's infrastructure reduces the continent's productivity by as much as 40 percent. In a new report, the World Bank calculates that US\$93 billion in annual spending is required if African countries are to meet national development targets within the next 10 years: more than twice the figure estimated in 2005 by the Commission for Africa. The Bank notes, however, that the figure is less than the amount China has allocated to infrastructure during the last 20 years. Currently, Africa spends some US\$45 billion on infrastructure. An additional \$17.4 billion could be captured through improvements in infrastructure management and institutions, according to the Bank, which would leave a US\$31 billion funding gap. To view this report in full, see "Africa's Infrastructure: A Time for Transformation": available at <https://www.infrastructureafrica.org/aicd/flagship-report>

### New book says green box subsidies can distort trade

Current WTO requirements set no ceiling on the amount of green box subsidies that governments can provide, on the basis that these payments cause only minimal trade distortion. However, a new book points to growing evidence suggesting that green box payments can affect production and trade, harm farmers in developing countries and cause environmental damage. Governments are increasingly shifting their subsidy spending into the green box category, as they come under pressure to reduce subsidies that are more directly linked to production. According to countries' latest official reports to the WTO, the US provided \$76 billion in green box payments in 2007—over nine-tenths of its total spending—while the EU notified €48 billion (\$91 billion) in 2005, or around half of all support provided by the bloc. Contributors to the book, published by Oxford Press, say that green box payments distort trade less than other kinds of subsidy. However, "the impact of a reduction of one dollar in a less decoupled subsidy may be more than compensated for by the impact of a larger increase in a more decoupled subsidy" argue two of the contributors, Carlos Galperin and Ivana Doporto. To view this report in full, see "Agricultural Subsidies in the WTO Green Box: Ensuring Coherence with Sustainable Development Goals", available at: <http://www.cambridge.org/greenbox>

### WTO publishes two new reference books

The World Trade Organization has published two important reference tools on trade statistics and policies: "Trade Profiles 2009" and "World Tariff Profiles 2009". The former provides a country-by-country breakdown of trade flows and trade policy measures for WTO members and countries seeking to join the WTO, with information provided in a standardized format for each country. The latter provides information on market access, listing the tariffs imposed by each WTO member on its imports, along with analysis of the market access conditions it faces in its major export markets. "Trade Profiles 2009" is available here: [http://www.wto.org/english/res\\_e/publications\\_e/trade\\_profiles09\\_e.htm](http://www.wto.org/english/res_e/publications_e/trade_profiles09_e.htm) "World Tariff Profiles 2009" is available here: [http://www.wto.org/english/res\\_e/publications\\_e/world\\_tariff\\_profiles09\\_e.htm](http://www.wto.org/english/res_e/publications_e/world_tariff_profiles09_e.htm)

## Continued from front page

total AFT in 2007, but it bagged the bulk of the increase relative to the previous year. This trend is encouraging, and given donors' engagement with Africa's development agenda, it is likely to be sustained into the future, subject to further resources being available.

African LDCs have also been receiving aid from the Global Environment Facility and from bilateral donors to implement climate change-related adaptation projects. These projects have spanned a wide array of sectors, involving a multitude of specific measures. Under the LDC Fund (a fund that helps LDCs carry out National Adaptation Programmes of Action), 80 projects, with a total project value of US\$101.3 million, have been approved for funding, 14 of which are currently under implementation. These projects will use up a large chunk of the LDC Fund's endowment of US\$179.9 million, and will leave little for future projects. The total cost of projects based on National Adaptation Programmes of Action (NAPAs) submitted by African LDCs amount to US\$586 million, which is far above the fund that is left to be utilized.

In the absence of additional resources, it will not be possible for these countries to implement adaptation projects. While other funding options are available, the requirement for co-financing will mean that African LDCs and SVEs incapable of pooling funds from other sources (including debt) will not be able to adapt adequately to climate change. Those that do will actually be paying to adapt to climate change. This would be really unfortunate since it is well established that these countries contribute the least to climate change but are the most affected by the phenomenon.

### Linking trade and climate change financing

Co-financing between AFT and the GEF provides an opportunity to secure the additional funding needed to implement projects that integrate components of climate change adaptation and trade competitiveness. A complementary and reinforcing approach between the two financing initiatives is likely to bring additional

benefit and greater effectiveness in tackling climate change and trade-related issues, given the fact that many of the climate change-related projects have clear trade-related impacts. The synergies are most obvious in sectors like agriculture, fisheries and livestock, and water resources. Climate change adaptation needs in these sectors can be matched to AFT categories such as economic infrastructure or building productive capacity in so far as they have impacts on export capacity or competitiveness. Table 1 depicts a possible mapping of AFT and climate change-related projects.

“Co-financing between AFT and the GEF provides an opportunity to secure the additional funding needed to implement projects that integrate components of climate change adaptation and trade competitiveness.”

While AFT resources can supplement available GEF funds to support projects that address both climate change adaptation and trade competitiveness, it is crucial that *additional* resources be mobilized for aid for trade: existing AFT funding should not be diverted to finance climate change adaptation needs.

The case studies of adaptation and AFT projects show that the desired complementarity between climate change financing mechanisms and aid for trade is already a reality. Based on the lessons learned from these case studies, we propose a strategy for making these development assistance frameworks complementary and mutually reinforcing in meeting a common set of objectives. This strategy rests on four pillars:

### Maximizing synergy

A significant degree of complementarity already exists between the types of projects that are financed on AFT and climate change. Many of the adaptation projects identified in the NAPAs have clear links to economic infrastructure and/or building productive capacity in the AFT initiative. These links should be recognized and built upon to develop and maximize synergies between AFT and climate change projects. One way in which this can be done is by specifying the trade impacts of NAPA projects, and linking up NAPAs and Poverty Reduction Strategy Papers (PRSPs).

### Inadequacy and co-financing requirements in adaptation funds as scope for AFT

Adaptation funds are grossly inadequate to meet the numerous projects in need of funding. Moral responsibility calls for greater resources to be put at the disposal of vulnerable countries to combat the damaging economic effects of climate change. Yet, the future of the LDC Fund is uncertain. On the other hand, while AFT commitments have increased from the 2005 baseline, there is no guarantee that these funds will continue to flow in smoothly far into the future. It is therefore critical that LDCs impress on their richer, industrial partners the need—indeed, the moral obligation—to provide more aid for adaptation purposes. In so doing, LDCs and SVEs can appeal for AFT and climate change financing initiatives to be coordinated in a way that would permit greater coherence, transparency and predictability in the two initiatives. Moreover, the AFT initiative can help co-finance climate change projects that will have a measurable impact on the trade capacity of the implementing countries, provided additional resources are provided.

### Governance structure

Achieving complementarity between AFT and climate change financing mechanisms at the operational level requires, in the first place, that a country submits its NAPA and PRSP at the same time and to the same funding agency as complementary documents to be

**Table 1: Mapping AFT to Climate Change-related projects**

AFT category	AFT sub-category	Climate change related project
Trade Policy and Regulation and Trade-related Adjustment	Trade Policy/Multilateral trade negotiations	<ul style="list-style-type: none"> <li>Market access for new products</li> </ul>
Economic infrastructure	Transport and Storage	<ul style="list-style-type: none"> <li>Investments in dams, hydraulics, modern water distribution systems</li> <li>Rehabilitation of weather-battered infrastructure</li> <li>Protection of coastal zones from sea-level rise</li> </ul>
	Energy supply and generation	<ul style="list-style-type: none"> <li>Energy-related projects (hydropower, renewable energies)</li> </ul>
Building productive capacity	Agriculture	<ul style="list-style-type: none"> <li>Soil rehabilitation, land terracing, fertilization</li> <li>Diversifying into climate change-resistant crops</li> <li>Changes in crop mix, changes in mix of livestock breed and fish species</li> </ul>
	Industry	<ul style="list-style-type: none"> <li>Diversifying away from sectors vulnerable to climate change (agriculture)</li> </ul>

read together. This is not only technically cumbersome—especially for human resource-constrained LDCs and SVEs—it is also impracticable because the AFT initiative lacks a governance structure like that of the GEF. As long as adaptation projects are financed through global funds like the GEF while AFT projects are funded directly by donor countries, it will prove difficult to achieve the desired complementarity between the two funding initiatives. Hence, the call for greater complementarity between AFT and climate change financing initiatives is a call for greater coordination in the disbursement of AFT resources, ideally through a centralized facility like the GEF.

“Africa’s woes go beyond environmental concerns. Most LDCs are, in fact, more concerned with day-to-day survival than with climate change.”

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### Learning from experiences

Both AFT and climate change financing initiatives have existed long enough to generate positive experiences that can be drawn upon in the effort of making the funds operate in a coherent, complementary and mutually reinforcing manner. In fact, each financing initiative boasts some features that the other initiative can learn from and adapt to improve delivery and effectiveness of aid. Climate change-funded projects are generally better coordinated and are more fully owned by the implementing country than AFT projects are. On the other hand, the latter are more deeply rooted in development and poverty reduction.

### Conclusion

Africa’s woes go beyond environmental concerns. Most LDCs are, in fact, more concerned with day-to-day survival than with climate change. It is widely recognized that trade can lift these countries out of poverty and place them on the path of sustainable growth. Consequently, a number of these countries have received AFT to help them invest in trade-related economic infrastructure and to build supply-side capacity. This article argues that climate change and aid for trade financing initiatives can be used in a complementary manner to overcome their specific weaknesses, promote

synergies, and provide a common voice to affected countries in their plea for more aid.

Promoting greater coherence and complementarity between these financing initiatives should be motivated by lessons of good practice in their implementation. It also calls for the formalization of the aid-for-trade initiative, which has, until now, operated at the bilateral level in a rather uncoordinated manner.

### Author

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### Notes

- This brief is based on a larger article forthcoming as an ICTSD publication. See Ancharaz, V.D. and R.A. Sultan (2009). “Aid for Trade and Climate Change Financing Mechanisms: Best Practices and Lessons Learned for LDCs and SVEs in Africa”.

# Trade, climate change and agriculture: Towards a low-carbon future

**Jodie Keane**

Even if the most ambitious climate change mitigation measures are adopted, global temperatures are likely to rise by at least 2°C since pre-industrial levels by the end of this century, if not sooner<sup>1</sup>. The resulting increase in the intensity and frequency of extreme climatic conditions and decrease in predictability of normal rainy seasons could potentially jeopardise agricultural export earnings unless alternatives are sought or climate-proof investments are made.



In the absence of action to mitigate climate change, some of the most highly dependent developing country agricultural exporters face an estimated loss of more than 50 percent of their total agricultural output before the end of this century (this includes taking into account carbon fertilisation effects, in which an increased concentration of carbon dioxide in the atmosphere acts as a stimulus to crop productivity). Less developed countries such as Malawi may need to adapt to a 20 percent reduction in agricultural export earnings, because of reduced agricultural output as a result of climate change<sup>2</sup>. Although rudimentary, such estimates may be grossly underestimated given population growth, which may also result in a further reduction of agricultural output (surplus) sold onto international markets.

In addition to the physical effects of climate change<sup>2</sup>, developing countries will need to adapt to the changing rules and regulations (public and private) likely to shape trade in a future carbon constrained world<sup>2</sup>. For example, global and national efforts to price carbon and other greenhouse gases (GHGs), at the point of production or consumption, may have related impacts on global trade flows, including that of agricultural goods and related inputs used for production (such as fertiliser).

## Designing appropriate certification methodologies

The transition to a low-carbon economy is likely to include labelling or other certification schemes that describe the carbon content of products (embodied carbon). Indeed, increased trade in certified low-carbon agricultural products is a global climate change mitigation strategy; a well-designed labelling scheme could promote the production of low-carbon agricultural

products in countries that are more carbon efficient because of their favourable geographic location. This could include a range of agricultural products (including those that are also processed) as well as some types of biofuels, such as bioethanol, produced from sugar cane<sup>3</sup>.

“Increased trade in certified low-carbon agricultural products is a global climate change mitigation strategy”

However, without a well designed carbon accounting methodology (such as lifecycle analysis) there are risks that some low-carbon products will not be recognised. This would be a problem, for example, if costs of compliance and related financial and technical barriers remain high, thus limiting the scope of coverage of low income and less developed countries<sup>4</sup>.

## Facilitating trade in low-carbon products

Policies and appropriate trade-facilitation measures that support and promote trade in low-carbon products are vital to the mitigation of dangerous climate change. This applies to all products and sectors, but particularly in relation to agriculture: the increased stress to agricultural production systems which could result from climate change makes reform in global agricultural policies arguably even more important.

Aid for Trade aims to help developing countries design and implement trade policy effectively and to assist producers within them to be competitive given the policies,

markets, products and conditions which they face now and in the future. As a recent review suggests, there is much scope for existing trade facilitation measures such as Aid for Trade and new sources of climate change mitigation finance to work together<sup>5</sup>. Both sources of financing are in large part about the delivery of global public goods, and many of the same donors programming Aid for Trade are also providing mitigation and adaptation finance. However, coordination between institutions and programs needs to be improved and checks and balances put into place. The need to establish and delineate financing mechanisms that can stand alone if necessary becomes even more important in the current

## Author

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## Notes

- 1 Anderson, K. (2009) "The Challenge of Growth: Can growth be compatible with climate change mitigation targets?" Presentation made 9th February 2009, <http://www.odi.org.uk/events/report.asp?id=426&title=challenge-growth-can-economic-growth-be-compatible-climate-change-mitigation-targets>
- 2 Keane, J. Page, S. Alpha, K. Kennan, J. (2009) "Climate Change, Agriculture and Aid for Trade: How could, and should, Aid for Trade and climate change finance work together to address the challenges faced by the agricultural sector in poor countries?", <http://ictsd.org/climate-change/agriculture-and-biofuels/>
- 3 Keane, J. and Stevens, C. I. (2008a) "Biofuels and Development: Will the EU help or Hinder?" <http://www.odi.org.uk/resources/download/436.pdf>
- 4 Ellis, K. and Keane, J. (2008b) "A Review of Ethical Standards and Labels: Is there a gap in the market for a new Good for Development label?" <http://www.odi.org.uk/resources/download/2457.pdf>
- 5 Editor's note: For further analysis of complementarities between AFT and climate change related financing, see our lead article in this month's TNI, "Aid for Trade and Climate Change Financing Mechanisms: Maximizing Benefits from Complimentaries".

# Trade, tourism and climate change: Responding to the ecological and regulatory challenges

Keith Nurse



**Table 1:**  
Tourism and Travel in the Developing World, Share of GDP, Employment and Exports (2007)

	GDP	Employment	Exports
Caribbean	14.8	12.9	14.6
Oceania	11.7	12.4	16.9
Sub-Saharan Africa	7.9	5.6	6.9

Source: World Travel and Tourism Council (2009)

The challenge of climate change is particularly significant for the developing world in the context of the tourism and travel industry; the sector is both a victim (i.e. increased health and natural disaster risks) and vector of climate change through the contribution of the airline and cruise ship industry to greenhouse gas emissions (GGE). It is critical, therefore, to look at both the ecological impact of climate change as well as the effects of mitigation policies on the tourism sector.

## The impact of climate change on tourism

Tourism is one of the main drivers of growth in many developing economies. It is also particularly reliant on ecological assets and the built environment, both of which are vulnerable to the impacts of climate changes, such as rise in temperature, rainfall changes, sea level rises, coral bleaching and increased storm intensity (see box 1).

### Box 1: Economic Impact of Hurricanes on the Caribbean Basin

Damage from tropical cyclones or hurricanes for the period 1979 to 2006 amounted to US\$18 billion for the Caribbean Basin. Estimated projected losses for the period 2020 to 2025 are almost seven-fold with the largest share of the increased burden being borne by Mexico (71.4%).

Source: De la Torre, A., Fajnzylber, P., & Nash, J. (2008). *Low Carbon, High Growth: Latin American Responses to Climate Change*. World Bank: Washington DC.

The costs of adapting to climate change will likely be substantial. For example, estimates for the Caribbean suggest that the costs of inaction will amount to 22 percent of GDP for the region as a whole by 2100 and that revenue loss to the tourism industry is a major element of the problem.

However, funding the adaptation process is often difficult for developing countries. Many of them are dependent upon a narrow range of agricultural and mineral extraction industries, which have declining terms of trade, and therefore face financial and

capacity constraints. Indeed, tourism and its associated services have been the main means by which these economies have diversified in the last few decades, as shown by their contribution to GDP, employment and exports (see table 1).

## The impact of climate-change policies

The climate-change challenge, however, goes a step further, given the high dependence of many developing economies on the visitor traffic generated by the airline and cruise ship industries, which are major emitters of greenhouse gases. As a result, the tourism industry in developing countries is vulnerable to climate regulation on international aviation, as well as the shift in consumer preferences towards short-haul destinations.

International aviation and shipping are excluded from the Kyoto Protocol because of the difficulties in allocating emissions to specific countries; however, these industries are now under the spotlight and will likely form an important element of the post-Kyoto talks. Already, the European Commission plans to include international aviation in the European Union Emissions Trading Scheme (ETS) from 1 January 2012. The implementation and potential impact of this scheme is of grave concern to tourism stakeholders as well as airlines originating in the developing world.

An example of the challenges of such emission mitigation schemes for developing countries is the UK airline passenger duty, which taxes carbon emissions on flights out of the UK. The Air Passenger Duty (APD) was first introduced in 1994 as a flat-rate tax. However, since November 2009 it operates with four distance-related bands based on the distance between London and the capital city of the destination country. In the new APD scheme flights to the Caribbean incur 25 percent and 87 percent more in taxes in 2009 and 2010, respectively. The Caribbean also falls into band "C" while all of the US, including Hawaii, is in category "B".

Schemes like the APD could make the tourism product in developing country regions less competitive relative to destinations in Europe and North America. Emission mitigation schemes may also

penalize airline operators from developing countries, by concentrating the market on routes that are of key interest to the major carriers and their strategic partners. Many developing countries may, as a result, fall prey to oligopolistic practices that reduce consumer welfare.

## Conclusion

Most developing countries are not large contributors to the problem of climate change; however, it is forecasted that these countries are vulnerable to increased ecological, health and natural disaster risks and that tourism will be heavily impacted. While adaptation is the key issue for these countries, some mitigation efforts can be achieved through pursuing green tourism to counter the shift in consumer preferences away from long-haul travel. From this perspective, developing countries could utilize the climate-change agenda as the basis for building a low-carbon tourism strategy. This could become a driver for economic transformation considering the possibilities of restructuring current production and consumption modes in order to cope with the challenge of climate change.

However, since developing countries lack the technologies required to make the shift towards a low-carbon economy, they require the transfer of efficient and clean energy technologies from developed countries. They should also pursue innovation policies to facilitate more rapid adaptation responses. The liberalization of trade in energy efficient goods is needed in areas where there is no competitive local production. Such trade-policy measures can include tax incentives or zero-tariff measures for environmentally friendly products. Last but not least, developing countries should support a global sectoral approach for aviation once funding is allocated for technology transfer and financing for developing country airlines.

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# Trade, climate change and fisheries: Building resilience through trade-policy reform<sup>1</sup>

Paolo Ghisu

The fisheries sector provides a source of direct and indirect employment for some 200 million people worldwide. It also plays a crucial role in advancing food security, accounting for a large source of per capita animal protein intake in many coastal areas. Overexploitation of fish stocks, however, is threatening the survival of this industry in many countries, a problem likely to be exacerbated by the effects of climate change. In order to make fisheries resilient to these challenges, countries need to advance policy reform on a number of fronts, including trade policies. Appropriately designed trade rules can discourage economically unviable and environmentally damaging fishing practices, support supply side capacity in developing countries, and allow sufficient policy space to support adaptation to climate change.



## The impact of climate change on fisheries

The effects of climate change on fisheries are complex, and are likely to be different depending on the region, the species, and the state of the stocks. Some research indicates that the impacts will be greater on coastal species than on those living in mid-water or close to the surface, and on temperate rather than on tropical species. Global warming will also lead to migration of species in many regions. These changes may alter current patterns of production and trade in fisheries with potential gains in certain regions and losses in others.

“The extensive use of certain fisheries subsidies in developed countries, such as fuel tax exemptions for fishing vessels provided in the EU, can make it profitable for fishermen to overfish depleted stocks.”

Studies also show that fisheries in Small Island Developing States (SIDS) as well as many Least Developed Countries (LDCs) and Small and Vulnerable Economies (SVEs) are particularly vulnerable<sup>2</sup>. These countries tend to have a high degree of dependency on fisheries, with the sector constituting a large source of employment, export revenue and food security. Moreover, these countries are highly exposed to environmental hazards linked to climate change, and have limited adaptive capacities due to widespread poverty and the small size of their economies. Finally, developing countries' fisheries are

usually dominated by small-scale and artisanal actors, who have limited resources and capacities to adapt to unforeseen events that may result from climate change.

## How can trade policies help?

One key area in which trade policy reform can address the problem of over fishing relates to fisheries subsidies. There is an ongoing effort at the World Trade Organization (WTO) to discipline fisheries subsidies that lead to overcapacity and overfishing, taking into account the importance of this industry and its development potential in developing countries. The extensive use of certain fisheries subsidies in developed countries, such as fuel tax exemptions for fishing vessels provided in the EU, can make it profitable for fishermen to overfish depleted stocks. These subsidies also threaten the viability and competitiveness of the fisheries sector in developing countries (while developing countries also provide fisheries subsidies, their scale is much lower than those provided in developed countries). At the same time, however, certain subsidies can help conservation efforts, or aid vulnerable communities adapt to climate change. WTO disciplines, therefore, need to allow for subsidies that address the stresses facing the fisheries sector, especially as it impacts poor and vulnerable communities, while eliminating subsidies that contribute to unsustainable fishing practices.

More broadly, it is important that developing countries that are currently highly dependent on the fisheries sector are able to move up the value chain, while at the same diversifying their economies beyond the fisheries sector. However, certain trade measures such as technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS) frustrate efforts to enhance diversification of

production and exports of high value-added processed fisheries products in developing countries. SPS and TBT measures are often intended to safeguard the public interest by ensuring safe food. However, health, safety and quality requirements imposed by importing markets for fish and fishery products, which have steadily increased in recent years, pose a big challenge for exports from developing countries who often find it difficult to comply with these requirements. Moreover, the stringency of SPS measures increase with each processing stage, creating further obstacles for developing countries to advance in the value chain. Therefore, there is the need to identify trade rules that protect measures that are legitimately in the public interest, without creating insurmountable barriers to trade for producers from developing countries.

## Author

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## Notes

- 1 This article refers to an ICTSD Information note by Paolo Ghisu and Moustapha Kamal Gueye, (October 2009). Climate Change and Fisheries: Policy, Trade and Sustainable Development Issues. Information Note Number 15, ICTSD, Geneva. Available at: [HYPERLINK "http://ictsd.org/publications/57654/"](http://ictsd.org/publications/57654/) <http://ictsd.org/publications/57654/>
- 2 See for instance Macfadyen, G., and Allison, E. (2009). "Climate Change, Fisheries, Trade and Competitiveness: Understanding Impacts and Formulating Responses for Commonwealth Small States". Commonwealth Secretariat/Poseidon/WorldFish.

# Energy poverty, renewable energies and the Economic Partnership Agreements<sup>1</sup>

Stephen Karekezi, John Kimani, and Oscar Onguru

It is widely recognized that the availability of modern, reliable, and efficient energy services is an essential driver for development. Modern energy supports productive activities, is a determining factor of costs and global competitiveness and, in this sense, a pre-requisite for sustained economic and social growth. Yet, sub-Saharan Africa is characterized by some of the world's lowest levels of access to modern energy services with many rural areas recording electrification rates of less than 10 percent<sup>2</sup>. Renewable Energy Technologies (RETs) have the potential to accelerate universal access to modern energy, generate employment and investment opportunities, and contribute to sub-Saharan Africa's capacity to adapt to a changing climate.



This article describes the potential implications of the Economic Partnership Agreement (EPA) negotiations between the EU and African countries and argues that, if African negotiators are not alert to the potential pitfalls of EPAs, the growth of a promising embryonic renewable energy industry could be permanently stunted.<sup>3</sup>

## Renewable Energy Technologies and Africa

Africa, especially sub-Saharan Africa, holds the potential to be one of the world's largest markets for renewable energy, given the continent's vast natural endowment in renewable energy sources (hydroelectric, geothermal, biomass, solar and wind potential<sup>4</sup>), as well as the fact that the majority of the population in sub-Saharan Africa lives in dispersed rural settlements, which favours decentralised RET units.

De-centralised RETs also prove strategic since the conventional power sector in sub-Saharan Africa is crippled, with governments in the region often resorting to very high cost stopgap oil-fired emergency power supply measures. As a result, many sub-Saharan African electricity tariffs are twice as high as tariffs found in much of the industrialized world and in other developing parts of Asia and Latin America. The high cost and poor performance of conventional power systems makes renewables competitive purely on financing terms. In contrast to industrialized countries that need to subsidize renewables on environmental grounds, renewable energy development in sub-Saharan Africa can be justified on economic grounds<sup>5</sup>.

As a result, there is now an emerging infant African renewable energy industry, particularly within the agro-industrial sector. For example, sugar-processing factories use one of their primary waste products, bagasse, to provide heat for sugar production and

generation of electricity for their own internal use and export to the grid. Through cogeneration, the sugar industry in Mauritius meets over half the country's electricity needs and electricity sales are now more profitable than their sugar business<sup>6</sup>. The tea industry in eastern and southern Africa is also beginning to grow its energy business, taking advantage of the excellent small hydro potential that results from its location in the highlands combined with good rainfall patterns and numerous rivers. A number of tea plantations have become energy self-sufficient and are exploring possibilities of exporting excess electricity to national grids<sup>7</sup>.

The success of these installations demonstrates that renewable energy can play an important role in ensuring that agro-industries remain profitable and are better able to compete in a bruising world market of continuously falling prices for primary commodities. Having in mind that most renewable energy technologies are generally not very sophisticated—much of the required expertise is in the public domain—Africa faces a unique opportunity to establish a competitive RET industry with the concomitant benefits that accompany industrialization: generation of better paying and more secure jobs, rural development, more competitive export revenues, and increased government tax revenues.

## EPAs and the liberalization of the renewable energy industry in SSA

The key question pertaining to the EPAs is whether they will assist or strangle the embryonic renewable energy industry in sub-Saharan Africa. Sub-Saharan Africa needs to tread carefully in order to avoid repeating the unhappy experience with liberalization and reforms linked to the energy sector and the World Bank-led Structural Adjustment<sup>8</sup>.

The few investors from more advanced economies that deemed sub-Saharan African countries to be of interest asked for and secured enormously advantageous short-term deals that virtually eliminated all risks and allowed for higher than normal profits by means of some of the world's highest electricity prices to poor sub-Saharan Africa economies<sup>9</sup>. The financial crisis now affecting much of the industrialized world has resulted in many of the investors from more advanced industrialized countries losing interest in sub-Saharan Africa. The end result is that there are very few serious long-term large investors in the region's power sector, virtually no significant local investment in the power industry and continued under-performance of the electricity sector.

The unhappy result of liberalization of the power sector in many sub-Saharan Africa countries have led countries such as Senegal, Cameroon, Chad, Mali, and Cape Verde to return the power sector back to state hands, thus missing out on some of the more attractive benefits that liberalization and local private sector participation could deliver: in effect, throwing the baby out with the bathwater<sup>10</sup>.

It is possible that if sub-Saharan Africa's negotiators are not alert to the potential pitfalls of EPAs, a similar pattern could emerge with respect to renewable energy. The European renewable energy industry is likely to opt to expand production of renewable energy technologies in Europe to be exported to sub-Saharan Africa instead of establishing what it will probably consider as un-economic small renewable energy industries in these countries. In fact, many of the components of renewable energy technologies would be manufactured, under European license, in China, India, and parts of Southeast Asia, and simply assembled in

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The few investors from more advanced economies that deemed sub-Saharan African countries to be of interest asked for and secured enormously advantageous short-term deals that virtually eliminated all risks.”

Europe for onward export to sub-Saharan Africa. The resulting influx of over-engineered and unnecessarily sophisticated renewable energy technologies would place European-based service providers at an advantage and cut out local service providers. Moreover, given the low regulatory capacity of African governments, foreign investors could “cherry-pick” the most lucrative investments at the expense of more remote and poor rural users.

In order to avoid this scenario, it is particularly important that Africa’s trade negotiators carefully consider the following:

*Elimination of import duties on imports of RETs:* The removal of import duties on renewables could lead to an influx of unnecessarily sophisticated and/or expensive technologies that utilize little local content.

*Liberalization of investments:* While proponents of investment liberalisation claim that liberalization can establish conducive conditions to attract much needed foreign capital, past experience in the energy sector in sub-Saharan Africa shows that liberalization does not always lead to a significant increase in foreign investment.

*Liberalization of provision of energy services:* Most policies that have accompanied the liberalization of Africa’s power sector have been designed to attract large-scale foreign investors and have failed to mobilize and enhance the participation of local small-scale energy investors. Liberalization of the renewable energy sector could very well replicate the adverse impacts of power sector liberalization in sub-Saharan Africa.

### Which way for EPA negotiations?

Past experience in energy liberalisation in African allows for the enumeration of the following lessons:

First and foremost, the European Union and African negotiators must truly treat EPAs as vehicles for sustainable development in sub-Saharan Africa. This implies that the EU’s commercial interests in the agreements should be secondary to the development of a local infant renewable energy industry.

Second, liberalization *must* lead to a significant amount of new capital investment or expansion of existing investment in sub-Saharan Africa, not to surges in the import of finished renewable energy products.

Third, liberalization must be gradual and managed. This would require the speed of liberalization to be adjusted to reflect different levels of competitiveness in different renewable energy technologies.

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The unhappy result of liberalization of the power sector in many sub-Saharan Africa countries have led countries such as Senegal, Cameroon, Chad, Mali, and Cape Verde to return the power sector back to state hands.”

Fourth, liberalization of the renewable energy industry *should* involve the local private sector in a significant way, particularly through the local manufacture of key components, the emergence of joint ventures, the transfer of technology and significant local shareholding in greenfield investments.

Last but not least, the success of EPAs and the associated liberalization in the African energy sector largely depends on capacity and skills of African EPA negotiators. The bulk of African trade negotiators have limited specialized expertise in energy and renewables and have not been able to forge

effective partnerships with existing African renewable energy experts that can be found in national utilities, African academia, civil society, and diaspora. Forging these partnerships is likely to be a key factor to unlocking the benefits that EPAs could deliver to Africa’s infant renewable energy industry.

### Authors

AFREPREN/FWD - Energy, Environment and Development Network for Africa

### Notes

- 1 This article is based on a longer article, written by Stephen Karekezi, John Kimani, and Oscar Onguru, published by the German Marshall Fund of the United States: Jones E. and Marti D. (2009), “Updating the EPAs to today’s global challenges”. German Marshall Fund of the United States Economic Policy Series 09, available at: [http://www.gmfus.org/doc/GMF7257\\_Final\\_Ebook.pdf](http://www.gmfus.org/doc/GMF7257_Final_Ebook.pdf)
- 2 S. Karekezi, J. Kimani, O. Onguru, and W. Kithyoma (2009). “Large Scale Hydropower, Renewable Energy and Adaptation to Climate Change: Climate Change and Energy Security in East and Horn of Africa.” Nairobi, Kenya: Energy, Environment and Development Network for Africa (AFREPREN/FWD).
- 3 Jones E. and Marti D. (2009), “Updating the EPAs to today’s global challenges”. German Marshall Fund of the United States Economic Policy Series 09, available at: [http://www.gmfus.org/doc/GMF7257\\_Final\\_Ebook.pdf](http://www.gmfus.org/doc/GMF7257_Final_Ebook.pdf)
- 4 “The Eastern Africa Market Assessment Acceleration.” Geothermal Market Assessment Report, Geothermal Conference Agenda. Washington, DC: Business Council for Sustainable Energy; Federal Ministry for Economic Cooperation and Economic Development, Undated. Note to CODEV: Hydropower Outlook for Africa. Accessed on August 27, 2009 at: [http://www.energypartnership.eu/download/BMZ-DEV\\_Note\\_Hydropower\\_Outlook\\_for\\_Africa\\_2007.pdf](http://www.energypartnership.eu/download/BMZ-DEV_Note_Hydropower_Outlook_for_Africa_2007.pdf)
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- 6 Based on 2007 data from the Mauritian national utility (Central Electricity Board - CEB). It should be noted that cogeneration power stations in Mauritius are dual-fired: they use bagasse during the sugar harvest season (on-crop) and during the non-harvest season (non-crop) they use coal. Approximately 19% of Mauritius’ electricity comes from bagasse.
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# Standard as protectionist device: the EU Renewable Energy Directive

**Fredrik Erixon**

In its Renewable Energy Directive, adopted earlier this year, the European Union has ushered its biofuels policy farther in the direction of protectionism. The professed environmental ambition to substitute fossil fuels with biofuels is warranted, but the design of Europe's biofuels policy and the Renewable Energy Directive has moved away from this ambition. Too often now it is little more than a tool of industrial policy for the uncompetitive agro-industrial sectors.



The Renewable Energy Directive adds a new dimension to the EU's use of trade restrictive measures in biofuels: technical regulations that operate as a standard. To qualify for the tax-excite exemption for biofuels, the greenhouse gas savings of shifting to biofuels must be higher than 35 percent. This is also the requirement for biofuels to be counted in the national obligation for the use of biofuels. Such abject discrimination, however, is not likely to stand the test WTO examination.

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The argument provided by the EU is that some biofuels will not have been produced in a way that is acceptable from an environmental point of view.”

GATT Article I is one of the hurdles. It sets out a core principle of the GATT/WTO system: like products should be treated equally. “Likeness” is not defined in the GATT. Case law, however, offers interpretations. Two unadopted panel reports have ruled that products are not unlike just because there are differences in

*production methods*, when these differences do not affect the physical characteristics of the final product<sup>1</sup>. Even if these reports were unadopted, they can, as later cases have shown, be a “useful guidance”, especially as they have not been opposed in subsequent cases.

In rulings from the Appellate Body, four criteria have consistently been used to define likeness. But none of these criteria provide legal cover for EU biofuels discrimination. The Renewable Energy Directive is principally inconsistent with this Article as it is based on discrimination of products that are like. The argument provided by the EU is that some biofuels will not have been produced in a way that is acceptable from an environmental point of view. This may be true, but it has no bearing on the physical characteristics of biofuels. It has been suggested that a recent case (EC-Asbestos) provides the legal legitimacy to distinguish products on the basis of the environmental impact of production methods. The Appellate Body ruled that consumer perceptions are relevant when considering “likeness”. But they ruled on the basis of the use of chemical components with physical characteristics and hence established a link between the production process and physical properties of the end product.

It is clear that the directive runs counter to several core GATT articles. Yet it can still be consistent with the GATT if it can be established that the directive qualifies to be treated under the General Exception – Article XX. This article justifies exceptions if it can be established that an otherwise GATT-inconsistent regulation is necessary to – in this case – “protect human, animal or plant life and health” or if it relates to “the conservation of exhaustible natural resources”. This article, however, does not provide an open-ended excuse to adopt any sort of trade-restrictive measure.

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The problem for the EU will be to justify violations of GATT articles on the basis of effectiveness of the measure and scientific evidence in favour of the particular landbased sustainability criteria chosen by the EU.”

The problem for the EU will be to justify violations of GATT articles on the basis of effectiveness of the measure and scientific evidence in favour of the particular land-based sustainability criteria chosen by the EU. What also causes concern is that the directive itself suggests other and less-trade restrictive methods could be used to ensure the same policy objectives.

“The directive is fairly straightforward in its intention to pursue trade-restrictive measures. Blockage of biofuels imports will also corrupt the environmental ambition to switch to biofuels as the price of biofuels will become artificially high.”

Yet the most difficult part will be to square the Renewable Energy Directive with the chapeau requirements of Article XX. The chapeau of Article XX disciplines the potential misuse of the Article. To that end, the Appellate Body has clarified in rulings that there must be a rational connection between the measure and the environmental goal in order to avoid “arbitrary and unjustifiable discrimination”. Panel reports have opined that the way to test this is to examine whether “the design, architecture and revealing structures” indicate an intention to “conceal the pursuit of trade-restrictive objectives”. This will be a difficult test for the EU. The directive is fairly straightforward in its intention to pursue trade-restrictive measures. Blockage of biofuels imports will also corrupt the environmental ambition to switch to biofuels as the price of biofuels will become artificially high.

“The 35 percent threshold ensures that domestic rapeseed oil will qualify with a small margin but that the default greenhouse gas saving of palm oil biodiesel and soybean biodiesel—the main foreign competitors to domestic rapeseed biodiesel—will not.”

The fact that the EU has adopted a so-called process and production method (PPM) regulation complicates WTO consistency. There is less favourable treatment of imports if the PPM and the non-PPM product are *in a direct competitive relationship and the design has the effect that imported products are treated less favourably than like domestic products*. This is particularly problematic in view of criteria used for calculating greenhouse gas impact used in EU biofuels policy as they arguably have been selected as much on the basis of the EU’s domestic performance as on scientific criteria. The 35 percent threshold ensures that domestic rapeseed oil will qualify with a small margin but that the default greenhouse gas saving of palm oil biodiesel and soybean biodiesel—the main foreign competitors to domestic rapeseed biodiesel—will not. The principal effect of the directive is that it essentially closes future market expansion for the main biodiesel competitors. This is not environmental policy; it is industrial policy.

#### Author

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#### Notes

- 1 GPR, US-Tuna (Mexico); GPR, US-Tuna (EEC)

# The Treaty of Lisbon: Implications for EU Trade Policy

**Steve Woolcock**

The Treaty of Lisbon (ToL) entered into force on 1st December 2009. This article first summarises the three main changes the new treaty brings about with respect to external trade and then considers how these might affect African, Caribbean and Pacific (ACP) states. As much depends on how the ToL is implemented, the real implications for the ACP must remain speculative at this stage, but ACP policy makers should probably think more about the role of the European Parliament and what their interests are in a common EU investment policy.



## Clarification of EU competence

The ToL (Art 207)<sup>1</sup> streamlines EU trade policy by confirming that all key aspects of external trade including all services<sup>2</sup>, trade related intellectual property rights and, most importantly, foreign direct investment (FDI) will henceforth come under exclusive EU competence. Exclusive competence means the formal basis for decision making is qualified majority voting. It also means that mixed agreements (those parts of agreements that include EU and Member State competence) will become marginal.

The extension of exclusive competence to FDI means that the EU can now negotiate comprehensive agreements covering trade and investment. In the short term existing bilateral investment treaties (BITs) between the EU Member States and third countries are likely to be grandfathered and thus remain valid. But the EU can be expected to aim to develop a model EU investment agreement for application in future free trade agreements (FTAs) or EU bilateral investment treaties (BITs).

## An increased role for the European Parliament (EP)

The formal position of the EP in EU external trade policy is enhanced in three main ways. First, Article 207(2) means the Council will now have to share powers under the Ordinary Legislative Procedure (equivalent to the old co-decision making) to adopt measures that define the framework for implementing the common commercial policy

(i.e. EU legislation concerning external trade) with the EP. Up to now, the Council has determined EU regulations implementing trade such as anti-dumping rules. From now on autonomous trade measures such as Generalised System of Preference (GSP) rules will therefore be adopted jointly by the EP and Council. The EP does not, however, have any direct role in implementing trade instruments. This will remain primarily a duty of the European Commission, but with the Council and possibly the EP exercising some

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The EU can be expected to aim to develop a model EU investment agreement for application in future free trade agreements or EU bilateral investment treaties.

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control. Exactly how the Council will control the European Commission in the implementation of trade instruments remains to be decided.

Second, Art 207 enhances the ability of the EP to influence the Commission during trade negotiations. The International Trade Committee (INTA) of the EP will be provided with information on the same terms as the Council's Trade Policy Committee (the former Art 133 Committee). The latter appears, however, to retain more power in that it will also assist the Commission, whereas the Commission is only required to report to the INTA committee. The ToL does not grant the EP powers to authorise the EU to engage in trade negotiations. Arts 207 (3) (ex Art 133) and 218 (2) ToL (ex Article 300 TEC) clearly state that the Council, on the proposal from the Commission, retains power to authorise the opening of negotiations. Therefore, in contrast to the role of the US Congress, the EP is not empowered to authorise and thus set the objectives of trade negotiations. The EP is, however, seeking a greater say in shaping the negotiating aims by setting some preconditions for its ultimate consent. This is likely to feature in the new Inter-Institutional Framework Agreement that will have to be adopted post ToL.

Third, the ToL enhances the EP's role in ratifying trade agreements. Arts 218 (6) (a) (v) adds a further criterion requiring the EP to grant its consent (previously assent) if an agreement covers fields to which OLP applies. As trade is now covered by the OLP, this appears to confirm that the EP must give its consent before all trade agreements are adopted.

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In the short term there are unlikely to be radical changes that affect ACP states.

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#### **Inclusion of trade under the common external action of the Union**

Article 205 brings EU trade policy into the common EU external action, together with development, environmental and foreign policy, as well as humanitarian assistance. The aim here is to promote greater coherence across the range of EU external policies. Article 218 (3), which provides a common basis for negotiating all external policies, gives the Council the authority to nominate either the Commission or the High Representative of the Union for Foreign Affairs and Security Policy (HRFSP) as EU negotiator. In practice the HRFSP is likely to negotiate foreign policy issues and the Commission to continue to negotiate trade agreements. It is noteworthy that the trade officials who hold the EU's institutional memory and expertise on the substance of trade policy will remain in DG Trade and not move to the European External Action Service (EEAS) that will serve the HRFSP.

#### **Implications for ACP states**

In the short term there are unlikely to be radical changes that affect ACP states. The confirmation of the EP's powers to grant 'consent' for all trade agreements does not really change much since the EP would in any case have been asked to ratify EPAs, as well as any Doha Development Agenda (DDA) agreement. But henceforth the EP will also share powers with the Council when it comes to any changes in autonomous trade policy instruments, including the GSP.

There are three areas when it comes to the impact of the ToL on decision making: the degree to which the INTA Committee becomes an integral part of the EU trade policy process, the arrangements for implementing EU trade law, and whether the amalgamation of trade with development, environment and foreign policy contributes to coherence across these policies.

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In the medium term ACP governments will have to recognise, more than some have perhaps in the past, that they will have to work with all three EU institutions that shape trade policy.

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In the medium term ACP governments will have to recognise, more than some have perhaps in the past, that they will have to work with all three EU institutions that shape trade policy: the European Commission, the Council and the European Parliament. Another medium term development to watch is work on a model EU investment agreement.

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#### **Notes**

- 1 References to treaty articles which can be found in 'Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union' Official Journal C 115 9 May 2008.
- 2 There remains scope for member states to have recourse to unanimity in decision making when agreements 'risk prejudicing the Union's linguistic and cultural diversity' or 'seriously disturbing the national organisation of such services and prejudicing the responsibility of Member States to deliver them.'

# Free-trade agreements: the other side of liberalization - What is developing countries' room to manoeuvre?

Damien Lagandré, Jean-Pierre Rolland and Arlène Alpha

*The degree and pace of liberalization necessary for a free-trade agreement (FTA) to comply with WTO rules (especially Article XXIV of GATT) remains an important discussion point in EPA negotiations.<sup>1</sup> This article helps clarify the different interpretations of Article XXIV by analysing some 40 free-trade agreements notified to the World Trade Organization, including interim EPAs.*

The number of bilateral FTAs negotiated between developed countries and developing countries has increased dramatically since 2000, in contrast to the WTO negotiations, which have tended to stall. Out of 158 FTAs notified to the WTO<sup>2</sup>, 86 were concluded between developed countries and developing ones (far fewer involved Least Developed Countries. The liberalization commitments implemented in these agreements tends to go beyond the multilateral framework, since they often apply to areas which are still under WTO negotiation, and in some cases involve LDCs which are not required to liberalize their trade at the WTO. If we consider Economic Partnership Agreements (EPAs) as primarily development tools for the Africa, Caribbean and Pacific countries (ACP), a greater flexibility might be needed, both in terms of the pace and scope of liberalization in FTAs. This requires maximizing the asymmetry between developed and developing countries authorized under WTO rules.

Article XXIV of GATT covers FTAs involving at least one developed country. It states that FTAs must cover substantially all trade and be implemented within a reasonable length of time. The Understanding on the Interpretation of Article XXIV adopted in 1994 specifies that a reasonable length of time should exceed 10 years only in exceptional cases. In the framework of the EPA negotiations, the European Commission (EC) considers that the transition period should not exceed 15 years and that substantially all trade should equal at least 90 percent of the total value of trade. If the EU opens 100 percent of its market, the EC argues that under the principle of asymmetry, ACP partners should liberalize at least 80 percent of their imports from the EU.

Our study of about 40 FTAs shows that, despite the Understanding, some existing FTAs demonstrate significant flexibility in the interpretation of Article XXIV, and have not been subject to dispute at the WTO. These count as useful precedents when negotiating FTAs.

## A long and often asymmetrical transition period

A number of agreements (20 out of the 41 examined) have defined a transition period for liberalization that exceeds 10 years, even over 15 years for five of them. While most liberalization is reached within 10 years, extending the transition period enables some very sensitive sectors to adapt to increasing competition. Asymmetry in the transition period is often a flexibility granted among countries with different levels of development.

## Flexibilities according to the sensitivity of products

The liberalization schedule often offers progressive liberalization according to the sensitivity of products. Sometimes, a moratorium is

implemented to allow sensitive sectors additional time to adapt. In some FTAs, *rendezvous* clauses also enable countries to negotiate liberalization in stages (i.e., the liberalization goal indicated in the agreement only affects the first phase and can be less than 80 percent of tariff lines.) Two examples illustrate this point:

In the Pakistan-China trade agreement notified under Article XXIV of GATT, the first phase is quite short (five years) and only concerns 36.4 percent of China's tariff lines (44.4 percent of imports in value over 2004-06) and 35.4 percent of Pakistan's tariff lines (30.3 percent of imports in value). No deadline has been settled for the second phase, although it should be discussed later and could lead to a liberalization of at least 90 percent of products.

The liberalization schedule for industrial goods in the EU-Tunisian Association Agreement is particularly complex: liberalization is immediate for a first list of products annexed to the agreement; then, liberalization is implemented over a five-year period for a second list of goods; for the third list, the transition period is 12 years and for the last list, covering the most sensitive products, liberalization will begin five years after the agreement has entered into force.

## The degree of liberalization is not always high

Not all FTAs liberalize 90 percent of their value of trade, or tariff lines. In 30 per cent of the cases examined, less than 90 percent of trade is liberalized, and in 13 percent, it is less than 80 percent, with an asymmetry between developing and developed countries. The India-Singapore trade agreement is an example. India liberalized only 23.6 percent of tariff lines, representing 75 percent of its trade, allowing the country to shield a significant number of sectors it considers a priority.

## Special treatment for the agricultural sector

Most agreements acknowledge the sensitivity of the agricultural sector, in particular for developing countries, and offer it a larger flexibility: lower degree of liberalization, longer transition period, and special safeguards. Some agreements partially or completely exclude agricultural products, since the latter are covered by specific agreements (not notified to the WTO) or are subjected to a more or less detailed *rendezvous* clause. For instance, in the EU-Mexico trade agreement, while the EC and Mexico respectively benefit from a three-year and seven-year period for industrial goods, it goes up to 10 years for agricultural products. Furthermore, Mexico liberalized only 29 percent of its agricultural tariff lines. It annexed an important list of agricultural products not liberalized; although they should have been negotiated for additional opening in 2003 (this deadline has not been respected).

## Bilateral safeguard clauses

Various safeguards measures can be used, temporarily, to correct the negative effects of liberalization, such as threats to infant industries, food security (found in some Interim EPAs) or sensitive agricultural products. The last case is interesting for developing countries that have bound their tariffs and hence have no access to the special safeguard clause of the WTO Agreement on

Agriculture. Nevertheless, these measures are generally only applied during the transition period.

## Other possible flexibilities

The following flexibilities can also be used:

- More binding review clauses linked to benchmarks (for instance the number of persons living under the poverty line);
- Exceptions to national treatment to apply lower taxation on imported products;
- Increased protection on imported products benefiting from subsidies;
- Asymmetrical rules of origin more favourable to developing countries;
- A development component as an integral part of FTAs.

To conclude, it seems necessary to once again question Article XXIV. Developing countries can make proposals for flexibilities in the FTAs they negotiate with developed countries. The concept of asymmetry justifies this approach, and these flexibilities are an important means for adjusting to liberalization that goes beyond WTO requirements. Two WTO legal texts can be used as a basis: on the one hand, the enabling clause which states that "contracting parties may accord differential and more favourable treatment to developing countries, without according such treatment to other contracting parties", and, on the other hand, the General Agreement on Trade in Services (GATS), which allows some flexibility to developing countries depending on their global and sectorial and subsectorial development level.

At a time when the West Africa and Central Africa EPA negotiations have stalled over provisions that would provide more flexibility, the analysis of the FTAs notified to the WTO reveals that there is room to manoeuvre. Indeed, the precedent set in some FTAs is a basis for understanding and accepting the ACP's request to liberalize 60 percent — and not 80 percent — of their market or to benefit from a 25-year transition period.

*This article is based on a study carried out by Gret with the support of the French Development Agency, entitled Based on the inventory of 158 FTAs in the WTO database on Regional Trade Agreements, information for 41 of them was immediately available and these agreements were thus analysed. The full report is available on the Gret Website: <http://www.gret.org>. The views expressed in this article are those of the authors.*

## Authors

Rolland J.-P. Lagandré D. Alpha A. *This article is based on a study carried out by Gret, entitled "Etude comparative des accords de libre échange impliquant des PED ou des PMA" (Comparative study of Free-Trade Agreements involving developing countries and LDCs), October 2009.*

## Notes

- 1 See Lui, D. and S. Bilal (2009), "Contentious issues in interim EPAs", ECDPM Discussion Paper 89, [www.ecdpm.org/dp89](http://www.ecdpm.org/dp89) and the recent El Hadji Diouf's article, TNI 8(7), September 2009, [www.acp-eu-trade.org/tni](http://www.acp-eu-trade.org/tni).
- 2 WTO database on Regional Trade Agreements (RTAs), October 2009.

# WTO Roundup

## Trade ministers meet in Geneva

Trade ministers from around the world descended on Geneva on 30 November – 2 December for the WTO's first formal Ministerial Conference in four years. The ministerial was intended to review the WTO's activities and discuss the institution's role in aiding recovery from the global economic crisis. It was not billed as a meeting for advancing the troubled Doha Round negotiations.

However, WTO members agreed to launch another push for a deal in the Doha Round negotiations, with a 'stocktaking' exercise by March 2010 to determine whether the long-running talks can be brought to a close by the end of the year.

A sense of déjà vu is forgivable. WTO members had previously vowed to conclude the talks by the end of 2005, 2006, 2007, and 2008. Most of these years were marked by informal or formal deadlines for framework agreements on agriculture and industrial goods trade. All were pushed back — and ultimately missed.

Nevertheless, senior officials are scheduled to meet in Geneva later this month to chart a course forward for the negotiations in the new year.

"Ministers reaffirmed the need to conclude the round in 2010 and for a stocktaking exercise to take place in the first quarter of next year," said the conference chair, Chilean Finance Minister Andrés Velasco, in his summary of the three days of discussions. He reported "strong convergence on the importance of trade and the Doha Round to economic recovery and poverty alleviation in developing countries."

It is unclear what this stocktaking exercise would look like, what it would try to accomplish, or whether ministers would be involved. It could conceivably be anything from a full-fledged attempt for deals on 'modalities' — formulae and figures for tariff and subsidy cuts, a prerequisite for a full Doha deal — to a lower-key examination of the state of the talks, to quiet recognition that the end-2010 target is unachievable.

WTO Director-General Pascal Lamy said that this stocktaking would be necessary to measure whether concluding the round in 2010 "is doable or not." Lamy said that some sort of "breakthrough" would be necessary by the "end of the first quarter" for the negotiations to be wrapped up by the end of the year.

## South-South trade deal agreed

In a move significant for reasons political as much as economic, 22 developing nations approved a framework deal on 2 December, the final day of the WTO ministerial conference, to cut tariffs by a fifth or more on a substantial majority of each others' exports.

The decision established the ministers' agreement on the framework for a new round of tariff cuts under the Global System of Trade Preferences among Developing Countries (GSTP), a South-South trade scheme negotiated under the auspices of the UN Conference on Trade and Development (UNCTAD).

In addition to Argentina and Brazil, signatories include Egypt, Indonesia, Morocco, and Mexico, both North and South Korea, and some countries still trying to accede to the WTO, like Algeria and Iran. The GSTP, which entered into force in 1989, has 43 members. Only 22 of them participated in the just-concluded negotiations, which started in Sao Paulo in 2004. China and South Africa are not part of the GSTP, and thus have not been participating in the talks.

With the framework in place, each participating country will now begin drawing up a list of products that will face extra tariff cuts. Those lists must account for at least 70 percent of each country's total number of agricultural and industrial tariff lines that are not already bound at zero. While approving each other's lists, countries will have the chance to seek additional tariff concessions through a 'request-offer' process. Least-developed countries wishing to join the agreement would be eligible for special and differential treatment, possibly in the form of a greater margin of preference. Argentina indicated that the group hoped to conclude these negotiations by September 2010.

“

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Crucially, tariff cuts negotiated under the GSTP will not be extended to other countries. What this means in practice is that India could end up levying a 10 percent duty on car parts imported from the US, while identical parts from Brazil face a tariff of 8 percent or less. This departure from the WTO's non-discrimination principles is sanctioned by the Enabling Clause of the General Agreement on Tariffs and Trade, which authorises such preferential trade arrangements among developing and least-developed countries.

## Banana deal ripe

The long-running dispute over trade in bananas was being settled, as TNI went to press. The agreement, which would cut EU tariffs faced by Latin American banana exports, has sparked concern among ACP group of states, which face a future of declining exports to the EU.

The draft deal will eventually cut the EU tariff faced by Latin American exporters to €114 per tonne, from the current €176 per tonne over a period of eight years.

One recent study by Professor Giovanni Anania of the University of Calabria looked at the implications of the July 2008 accord and projected that EU banana imports would increase by 6 percent between 2005 and 2016. ACP exports to the EU would decrease by 14 percent over the same period, while there would be a 17 percent increase in exports from other countries, largely Latin American.

To help soften the blow to ACP banana producing countries, the EU has indicated

that it will provide €190 million as ‘Banana Accompanying Measures’ — or BAMs — to help these countries restructure their economies.

One negotiator who is close to the negotiations indicated that the ACP had initially sought compensation of €500 million, while the EU offered a lower figure of around €100 million. The latest proposal from the EU would provide up to €190 million, plus an additional €10 million if these “should become available in the course of the annual budget procedure.” However, the source reported that “the EU has said it can’t go beyond that”.

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Talks are continuing on the specific cuts that would be undertaken by ‘tropical products’ — for which Latin American countries in particular seek faster and deeper tariff cuts in the Doha Round — and also on products likely to be affected by preference erosion, for which ACP countries are seeking the opposite treatment. However, an agreement has been reached in principle on these products.

#### Rules Group discusses sensitive issue of RTAs

The chair of the WTO’s Negotiating Group on Rules convened a meeting of senior capital- and Geneva-based officials on 25 November to offer a run-down of the state of play in the talks and try to build some momentum for the group’s negotiations. The one-day meeting marked the first such high-level gathering devoted to the rules talks since the chair of the group, Ambassador Guillermo Valles Galmés of Uruguay, released a full draft text in late 2007.

The rules group is charged with negotiating disciplines on a range of topics: fisheries subsidies, anti-dumping, horizontal subsidies, and regional trade agreements, or RTAs. The latter topic, however, has fallen by the wayside recently; members have not officially broached the subject since early 2007. Delegates “have no appetite” for butting heads over the very sensitive questions related to RTAs, the chair has said. But now he is hoping to get the issue back on the agenda.

In 2002, members created a “roadmap” for the work of the Committee on Regional Trade Agreements, which was founded in 1996. A decade later, members agreed on a transparency mechanism for RTAs, which sets out a series of notification requirements for members that sign on to such deals. Since then, though, the RTA talks have languished, despite the urging of the chair.

Regional trade agreements, along with their bilateral counterparts, have flourished in recent years, even as multilateral trade talks have continually stumbled. Some say that the preferential trade deals do more harm than good. Columbia University professor Jagdish Bhagwati dubbed the deals “termites in the trading system” in his book of the same name; he blames the pacts for clogging and confusing the rules that govern cross-border commerce.

“

Regional trade agreements, along with their bilateral counterparts, have flourished in recent years, even as multilateral trade talks have continually stumbled.

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RTAs remain a politically touchy subject at the WTO. Members are reluctant to define the nature of the relationship between RTAs and the WTO, and to give a precise definition for many of the terms—such as “substantially all trade” and “neutrality”—that could have far-reaching implications for their economies.

But despite any underlying tensions, senior officials at the Rules meeting largely steered clear of any potentially inflammatory statements.

*This information has been summarised from ICTSD’s Bridges Weekly Trade News Digest*

# EPA Update

## Melissa Julian

### EU Ministers adopt a series of conclusions on development and external relations policies

The EU's General Affairs and External Relations Council meeting on 17 November 2009 adopted conclusions on the European Communities development and external assistance policies; on an operational framework on aid effectiveness; and on policy coherence for development<sup>1</sup>. This opens a variety of opportunities for advancing a joint European agenda for technical cooperation reform and calls for an action plan for policy coherence for development to be established next year.

In relation to meeting development aid targets, a European Commission (EC) report showed that so far, four countries—Denmark, Luxembourg, the Netherlands and Sweden—are above the 0.7 percent level and Ireland is above 0.56 percent. The EC Development Commissioner warned Ministers that just five of the twenty-seven Member States are on course to meet a self-imposed target of giving 0.56 percent of national income in aid to developing countries by 2010. That target was an interim benchmark on the way to a pledge agreed by the Member States that they should give 0.7 percent of gross national income in aid by 2015.

### ACP Ministers agree joint WTO position and discuss EPAs

ACP Trade Ministers and the ACP Council met in November and agreed a communiqué and declaration, building on the African Ministers of Trade meeting held at the end of October, setting out their common position on all major issues to be discussed at the World Trade Organization (WTO) Ministerial Conference on 29 November-2 December. The ACP called for the multilateral trading system to support all countries in their development efforts and expressed concerns over the lack of progress in the Doha Development Agenda negotiations. They also called for negotiations to build on past agreements and urged partners to make firm commitments to provide adequate financial and technical assistance and capacity building programmes, including aid for trade.

The EC representative at the meeting indicated the bloc's frustration at the failure of the United States to fully engage in the WTO process, and noted that it is unlikely the round will be concluded before 2011 without greater involvement by the US.

The ACP Geneva Secretariat presented a document entitled "Understanding and managing the notification of Economic Partnership Agreements (EPAs) at the WTO: A manual for ACP delegations". The manual seeks to provide a better understanding of the provisions of the WTO transparency mechanism on Regional Trade Agreements (RTAs) and the procedural and substantive challenges that both the notification and examination of EPAs entail. It highlights some of the complex issues which may be raised during the review process, such as those relating to the definition of "substantially all trade" coverage, transition periods for tariff liberalisation and the Most Favoured Nation (MFN) provisions of EPAs.

ACP Ministers noted that while it was a requirement to notify interim or full EPAs to the WTO, as they are implemented, signature is not a technical precondition for notification. The EC had insisted on signature ostensibly because this was a legal prerequisite on its part. Compliance with the current provisions of Article XXIV of the General Agreement on Tariffs and Trade (GATT) as interpreted by the EC, in terms of definition of substantially all trade and transition periods, was identified as a major stumbling block for most ACP States and regions to conclude the trade in goods part of the EPAs.

ACP Ministers were informed that the EC remains reluctant to hold the requested ACP-EU EPA Summit on the grounds that contentious issues are being resolved at a regional level.

Other issues were discussed, such as the need for a review of the Rules of Origin so that cumulation could take place at the regional and all-ACP levels, including with non EPA ACP States, and the creation of an ACP Ministerial Fisheries Mechanism to ensure recommendations are taken into

account when major ACP-EU programs, projects and/or texts are being reviewed. Ministers will seek inclusion of language in the revised ACP-EU Partnership Agreement (the "Cotonou Agreement") to provide for ACP countries to benefit from accompanying measures to improve their competitiveness in light of the effects of tariff liberalisation. The ACP is also seeking amendments to other trade related aspects in the Cotonou Agreement's revision.

The ACP Council elected Dr. Mohamed Ibn Chambas, current Secretary General of the Economic Community of West African States (ECOWAS) Secretariat, to be the next ACP Group Secretary General from 1 March 2010-1 March 2015.

### Progress in West Africa-EU talks on development issues. More negotiation necessary on market access

West African and EC technical and senior officials met in Abidjan from 10-13 November and agreed the text of the articles that will be included in the EPA agreement relating to development. These will include a commitment by the EC and its Member States to mobilise the necessary financing for implementing the development dimension of the EPA and to seek complementary financing from other donors. There is also a commitment to create financing mechanisms should the Cotonou Agreement expire. A Joint EPA Council will seek synergies between the rhythm of the implementation of tariff liberalisation commitments taken by West Africa and the advances obtained in the implementation of the EPA Development Programme (EPADP), including mobilisation of financial resources and the improvement of competitiveness and production capacities in the region.

The two sides also considered West Africa's revised market access in goods offer which offers tariff liberalisation for 67 percent of the region's goods and calls for up to 25 years transition periods for some products. The EC called on the West Africans to further refine the offer towards reaching a liberalisation threshold of 70 percent coverage of tariff lines and volume and for some products to be liberalised faster.

Negotiations were planned to continue in December; however, an ECOWAS-EC meeting scheduled for 7 - 11 December in Cotonou, Benin, has been postponed.

### Central Africa-EU negotiations postponed again

Central African meetings that were scheduled to be held from 9-13 November to prepare for a December round of EPA negotiations with the EU were postponed. The joint technical level negotiations with the EC have, therefore, also been postponed. Delays are largely due to difficulties in finding mutually convenient dates for preparatory meetings in the region because of elections being held in Congo, Gabon and Equatorial Guinea. A new joint calendar of meetings will be agreed for the first quarter of 2010. There have been no joint negotiating meetings since February.

### East and Southern Africa consultations ahead of December ministerial meeting

The East and Southern Africa (ESA) Group's chairperson, Zambian Trade Minister Felix Mutati, has been travelling to countries in the region with a view to identifying the challenges and narrowing the differences among those countries that have not yet signed the region's interim EPA (IEPA) with the EU. "Time is running out as per our commitment to sign this year, but there are still differences in perspectives, hence the need for patience. If we rush to sign, we may not get the outcome we want and we don't want to use time as a pressure point especially when dealing with sovereign states because countries are also consulting their citizens and these processes take time," Mutati reportedly said<sup>2</sup>. Mutati also said that the development dimension (ensuring supply side constraints are addressed), and not market access, must be the basis of EPA negotiations with the EU. A ministerial meeting of the ESA group is scheduled to be held on 7 December to take stock of the ESA Chair's consultations and provide guidance to negotiators on the way forward.

### East African Community-EC to meet in December to resolve outstanding issues

Outstanding issues to be resolved before signing an initialled EAC-EU Framework EPA, which includes the use of safeguards and export taxes and MFN clause provisions, will

be negotiated from 2-11 December at a EAC-EC-EPA senior officials meetings. Trade in services remains an unresolved issue holding back further negotiations towards a full EAC-EC EPA. <sup>2</sup>The EAC region is seeking a common regime on trade in services before negotiating commitments with the EU in this area.

### Southern African Development Community-EC EPA meetings postponed to next year

The scheduled round of Southern African Development Community (SADC)-EC experts, senior officials and ministerial negotiations scheduled to be held on 23-27 November was postponed to allow further preparation on the SADC side.

Senior SADC EPA officials met in Gaborone on 18 November, marking the first major engagement among SADC EPA States since the signing of the interim EPA (IEPA) by Botswana, Lesotho, Mozambique and Swaziland (BLMS) in June. Officials discussed the status of ratifying and implementing the IEPA and work carried out at the technical level on how to resolve the outstanding negotiating issues that prevented the other three countries (Angola, Namibia and South Africa - ANSA) from signing the IEPA. Officials also discussed the way forward with respect to finalising the EPA, considering in particular issues relating to MFN, definition of parties, agriculture safeguards, inclusion of services and investment. There were a number of very sensitive issues discussed, which relate to the notification of the IEPA to the WTO and provisional application of the agreement, as well as the question of how Namibia, who is mentioned as a party to the IEPA, but has not signed it, will be treated. The EC has indicated that Namibia should either sign the IEPA or a declaration should be issued saying that Namibia is neither subject to the obligations nor the rights of the agreement. A common SADC EPA position must be formulated on this as ANSA countries refuse to sign the IEPA in its current form and the BLMS continue with the process of ratifying and implementing the IEPA.

Details on Southern African Customs Union (SACU)-South Africa Trade and Development Cooperation Agreement tariff alignment to preserve SACU tariff preferences; rules of

origin harmonisation; and other unresolved issues are still to be dealt with by the Joint SADC EPA-EC Council.

A next meeting of SADC EPA senior officials is scheduled to take place in February next year, after which a formal meeting with the EC can be held.

### Southern and Eastern African trade blocs agree Free Trade Area roadmap

The Chief Executives of COMESA, EAC and SADC met in Dar es Salaam on 9 November and agreed the legal documents and next steps required for the Tripartite Free Trade Area (FTA) for the 26 countries of these regional groupings planned for 2011. The FTA is intended to ensure a fully integrated and internationally competitive regional economic community. The documents have been transferred to the member states for consideration in preparing for the next meeting of the Tripartite Summit to be held in April or May 2010.

### First meeting of the Joint Council of the CARIFORUM-EC EPA delayed again

The delay is partly due to scheduling difficulties, but also to the fact that the Caribbean Community and Common Market (CARICOM) and the Dominican Republic have yet to resolve their differences over the setting up of an EPA Coordination Mechanism<sup>3</sup>. The Dominican Republic is a member of CARIFORUM (Caribbean Forum of African, Caribbean and Pacific States) which officially signed the EPA with the EU, but is not yet a member of CARICOM.<sup>4</sup> By now the Caribbean had hoped to establish a six-member agency for coordinating and implementing the agreement. Secretary General Edwin Carrington says they are hoping to have the matter resolved by year-end. United Kingdom Minister of State with responsibility for Africa, the Caribbean and Central America, Glenys Kinnock, also hopes that EPA implementation will be speeded up.<sup>4</sup> "The concern that I have is that the implementation process is progressing very slowly and we do need to see more coordination and coherence directed, of course, by CARIFORUM, in order to ensure that things can move ahead," she said. "It is a very challenging set of issues, but I think it is important that now that the EPA is signed and agreed that things can move forward

and the funding can be used in a positive way for the benefit of the citizens of the Caribbean.”

The EU Council in November adopted three decisions on the creation of a Joint CARIFORUM-EU EPA Council.<sup>5</sup> The decisions concern EU positions on: the rules of procedure; the trade development committee and special committees provided for by the EPA; participation in the CARIFORUM-EU consultative committee and the selection of its representatives; and on the Rules of Procedure for Dispute Settlement and the Code of Conduct for Arbitrators and Mediators.<sup>6</sup>

The new Director-General of the CARICOM Office of Trade Negotiations, Gail Mathurin, was formally introduced to the Caribbean on 16 November<sup>7</sup>. She said that her office was working closely with the EPA Implementation Unit to ensure that arrangements were in place for the execution of the EPA.

On 9 November, more than a year after the Bahamas signed the Caribbean-EU EPA, the country's services offer to be annexed to the agreement was agreed with the EC<sup>8</sup>. According to the Bahamas Minister of State for Finance, Zhivargo Laing, all sectors reserved for Bahamians in the National Investment Policy are protected in the EPA. Under the National Investment Policy thirteen sectors are exclusively reserved for Bahamians, including the wholesale and retail sector; commission agencies engaged in the import/export trade; real estate and the domestic property management agencies and public relations firms; nightclubs and restaurants except specialty, gourmet and ethnic restaurants and restaurants operating in a hotel; security services; distribution of building supplies; and construction companies. EC officials are expected in the country in December or January to formally sign and annex the offer to the EPA.

Haiti signed the Cariforum-EU EPA on 11 December 2009, thus joining the 14 Caribbean states that signed in October 2009.

OECS Heads of Government meeting in November pledged to sign a new trade treaty before year-end aimed at facilitating the

creation of a single economic space within the nine-member grouping<sup>9</sup>.

### Fiji signs Interim EPA

On 11 December 2009, Fiji signed the trade and development Interim EPA, initiated in November 2007.

#### Author

Melissa Julian is Knowledge Management Officer at ECDPM.

#### Notes

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- 8 “Bahamians still come first,” The Guardian (Bahamas), 18 November 2009. <http://www.thenassauardian.com/bixex/373893090531334.php>
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# Trade Negotiations Insights

## Calendar and resources

### ACP-EU Events

- December**
- 30-3 18th Session of the ACP-EU Joint Parliamentary Assembly meeting, Luanda, Angola
- 1-2 EPA information seminar in the EAC region, Nairobi, Kenya
- 1-3 Meeting of the UEMOA / ECOWAS Joint Technical Secretariat, Abuja, Nigeria
- 1-3 UN conference on South-South Cooperation, Nairobi, Kenya
- 3-4 UNIDO Ministerial Conference for LDCs, Vienna, Austria
- 6-8 AERC Conference on Rethinking African Economic Policy in Light of the Global Economic and Financial Crisis, Nairobi, Kenya
- 7 Ministerial Meeting of the ESA group on the EPA and the way forward, Lusaka, Zambia
- 7-8 COMESA Council of Ministers meeting, Lusaka, Zambia
- 7-11 EU-EAC Technical and Senior Officials meetings, Nairobi, Kenya
- 7-11 13th UNIDO General Conference on green industries and the opportunities for developing countries, Vienna, Austria
- 7-18 15th Meeting of the Conference of the Parties (COP 15) on Climate Change, Copenhagen, Denmark
- 10 - 11 EU - ESA Informal Seminar on the EPA, Harare, Zimbabwe
- 10-11 3rd ACP Civil Society Forum, Brussels, Belgium
- 10-11 EPA information seminar in the ESA region, Harare, Zimbabwe

### WTO Events

- December**
- 30-02 7th WTO Ministerial Meeting
- 8-10 Trade Policy Review Body — Georgia
- 17– 18 WTO General Council
- 13-15 EMRC Africa Finance and Investment Forum 2009, Amsterdam, The Netherlands
- 21 ECOWAS Summit of Heads of State and Government, Abuja, Nigeria
- January**
- 13 Implementing the CARIFORUM-EC EPA – Positioning Jamaican Exports for the Future, Kingston, Jamaica
- EU-ESA Technical and Senior Officials meeting, Lusaka, Zambia (Date and venue TBC)
- EU - Central Africa Technical and Senior Officials meeting, Brussels, Belgium (Date and venue TBC)

## Resources All references are available at: [www.acp-eu-trade.org/library](http://www.acp-eu-trade.org/library)

#### Updating EPAs to Today's Global

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**Resolution on the impact of the financial crisis on the ACP States**, EU-ACP Joint Parliamentary Assembly, 3 December 2009, [www.europarl.europa.eu](http://www.europarl.europa.eu)

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