



**COUNCIL OF
THE EUROPEAN UNION**



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Main results of the ACP-EC Joint Council of Ministers: trade and financial issues

The ACP-EC Council of Ministers, meeting in Brussels on 25 May 2007, assessed the state of ongoing negotiations on Economic Partnership Agreements (EPAs) between the ACP states and the EU. It endorsed a joint review of the negotiations, as required by Article 37(4) of the Cotonou Agreement¹, based on six regional reviews for all EPA regions.

The EPAs are intended as instruments for promoting sustainable development and poverty eradication in the ACP states by fostering regional integration and improving access to the EU market, complemented by trade-related assistance.

¹The ACP-EC Partnership Agreement. Signed in June 2000 in Cotonou (Benin), it entered into force on 1 April 2003 and was revised in June 2005

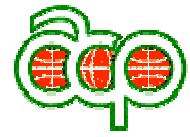
P R E S S

The Council of Ministers also discussed other aspects of trade cooperation, following up on a ACP-EC Committee of Ambassadors meeting on 27 April and on a meeting of the ACP-EC Subcommittee on Trade Cooperation on 17 April, addressing certain specific products.

On the financing of development cooperation, the Council of Ministers agreed to a reallocation of funds under the 9th European Development Fund (EDF), in the light of an end-of-term review. This will allow replenishment of the African Peace Facility by up to EUR 100 million, of which a substantial share will be used for the African Union Mission in Sudan (AMIS). The Council of Ministers further assigned additional resources of EUR 36 million from the 9th EDF for Somalia and decided to allow supplementary voluntary contributions from EU Member States to the African Peace Facility in order to support AMIS.

The Council of Ministers adopted a joint declaration on combating drought and desertification, with a view to supporting the ongoing reform process within the United Nations Convention to Combat Desertification (UNCCD).

Furthermore, the Council mandated the ACP-EC Committee of Ambassadors to take several decisions concerning the revision of Protocol III of the Cotonou Agreement as regards South Africa, the FLEX mechanism (providing support in the event of short-term fluctuations in export earnings), tendering rules and procedures under Annex IV of the Cotonou Agreement, and a special support allocation for Somalia under the 10th EDF.



ACP - EU

Economic Partnership Agreement Negotiations

Cotonou Agreement Article 37.4 Review

SECTION 1: INTRODUCTION AND OVERVIEW

1. BACKGROUND

- 1.1 Article 37.4 of the Cotonou Agreement states that "The Parties will regularly review the progress of the preparations and negotiations and will, in 2006, carry out a formal and comprehensive review of the arrangements planned for all countries to ensure that no further time is needed for preparations or negotiations."
- 1.2 In this context, the joint ACP – EU Council of Ministers in May 2006 mandated the ACP - EU Joint Ministerial Trade Committee (JMTC) to agree on the elements and modalities necessary for the conduct of this review.¹ The agreed elements and modalities are set out in the joint declaration attached as Annex 1. In this declaration, Ministers agreed that the reviews should be carried out at the regional level in the first instance, together with an input at the all ACP level, a consolidated joint review report would be presented to the JMTC in March 2007.
- 1.3 The JMTC was held on 1st March 2007 but was not able to examine a consolidated report as a number of the regional reports were still being finalised. The JMTC concluded that all outstanding work should be completed in time for a consolidated report to be passed to the ACP - EU Committee of Ambassadors. The ACP-EU Committee of Ambassadors mandated its Co-chairs to supervise the finalization of the consolidated report that would be submitted to the ACP-EC Council of Ministers.
- 1.4 All 6 regional EPA reviews were completed by mid May 2007. The following report therefore constitutes the formal and comprehensive review required under Article 37.4 of the Cotonou Agreement.

¹ Decision n°2 /LXXXIII/06 of the 83rd session of the ACP council of Ministers held in Port Moresby from 28th to 31st May 2006.

2. OVERVIEW AND ALL ACP PERSPECTIVE

- 2.1 The ACP and EC reaffirm their shared commitment to the overall objectives of EPAs as set out in the Cotonou Agreement. These are: the sustainable development of ACP countries, their smooth and gradual integration into the global economy and the eradication of poverty. The ACP and EC are strongly committed to defining an EPA that contributes to sustained development, increases the production and supply capacity of the ACP States, fosters the structural transformation of ACP economies and their diversification, promotes the strengthening of regional integration, facilitates trade and attracts private investment to the ACP regions, thus fostering growth and creating employment.
- 2.2 The ACP and EC also agree that EPAs should directly contribute to the development of the ACP countries, by seeking to enlarge their markets and by improving the predictability and transparency of the regulatory framework for trade, thereby creating the conditions for increasing investment and mobilising private sector initiatives and thus enhancing the supply capacity of the ACP States.
- 2.3 The ACP and EC recognise that, to achieve this, EPAs must take account of the specific economic, social, environmental and structural constraints of the ACP countries and regions concerned, as well as of their capacity to adapt their economies to the EPA process. They further need to build on the development policy objectives and regional integration timetables of the ACP countries and regions concerned. Furthermore, EPAs should be economically, environmentally and socially sustainable.
- 2.4 Reaffirming this shared vision, all of the six joint EPA regional reviews confirm the commitment of the parties to conclude negotiations by the end of 2007 as stated in the Cotonou Agreement. However, meeting this deadline depends in all regions on mutually acceptable progress and in particular in three areas, namely (i) market access, (ii) the text of the agreement, and (iii) the accompanying measures, including development finance and EPA related adjustment costs (to be defined through Regional Preparatory Task Forces or their equivalent structures). The regional reviews indicate that to conclude on time, work must be undertaken in parallel in each of these three areas. Ministerial stock-taking meetings are foreseen to ensure that progress remains on track.

- 2.5 The EU has presented a Market Access offer for EPAs whereby, after certain transitional periods with special treatment for a restricted number of highly sensitive products, all ACP States with the exception of South Africa shall be granted full duty-free and quota-free market access. Transitional periods have been proposed in the EU's market access offer for rice and sugar. For bananas, the European Commission will make, before the end of the negotiations, an evaluation of developments and, if necessary, submit relevant proposals in order to ensure adequate treatment is provided. The commodity protocols shall be addressed according to the provisions of Article 36.4 of the Cotonou Agreement. For market access benefits to accrue to the ACP, the EC has agreed to review Rules of Origin to make them simpler, more transparent and easier to administer and to assist ACP countries to comply with SPS and TBT requirements.
- 2.6 As regards sugar, the ACP states that Article 36.4 of the Cotonou Agreement provides for the joint review of the Commodity Protocols, including the Sugar Protocol with a view to safeguarding the benefits derived therefrom while taking into account its special legal status. While the ACP welcomes the EC offer on market access, it reiterates its position that the offer should comply with the provision of Article 36.4 of the Cotonou Agreement. The EC affirms that its market access offer is fully compatible with Article 36.4 of the Cotonou Agreement and that the review of the Commodity Protocols is taking place within the context of the regional negotiations.
- 2.7 On Rules of Origin, the EC has presented an approach based on the Value Added system as a basis for negotiation with the EPA regions. The ACP proposes that rules should be structured so that qualification for market access would be based on the value added criterion or a change in tariff heading (CTH), depending on the nature of the product and the manufacturing process involved. The ACP and EC also agree that cumulation be applicable at the all ACP level. The parties have agreed to continue to explore appropriate ways to find consensus, duly considering pro-development scenarios.
- 2.8 The ACP and the EC recognize the need to apply trade defence measures, as necessary. The ACP is of the view that there is a limited potential impact on European Union commercial interests from ACP exports. Therefore, the ACP propose that the EC should consider waiving its right to apply safeguard measures under EPAs. The EC has proposed asymmetry in both safeguard measures and liberalisation schedules as the means to take account of the development needs of the ACP in this respect.

- 2.9 With regard to the opening of the ACP markets under EPAs, it is necessary to make full use of the in-built flexibility of WTO rules concerning both the duration of transition period for tariff dismantlement, its scheduling and its coverage. Although the regional market access offers will vary to reflect the optimal development package for each region, all regional reviews share the one common principle of using maximum flexibility for maximum development benefits.
- 2.10 The EC has also confirmed its readiness to open discussions in each region on Services with a view to offering access in all modes of provision, including on Mode IV (the temporary movement of persons for the delivery of services). The ACP regions have exhibited different interests and capacities of dealing with the negotiations on trade in services. Discussions in this area will take account of regional specificities.
- 2.11 Some of the regional reviews recognise that rules such as competition, investment and public procurement are key issues for development, with the potential to act as levers to help secure higher investment and growth levels. However, progress in this area will depend on and be guided by regional positions and ambitions.
- 2.12 The ACP and EC also reaffirm the importance of EPA related development cooperation in all regions. In this regard, use of the Cotonou Agreement instruments for EPA support are core to delivering EPA support, particularly the 10th European Development Fund (EDF) National and Regional Indicative Programmes, all ACP support programmes and specific commodity related funding. The ACP and EC recognise that the parallel negotiations in market access, the text of the agreement and accompanying measures are essential to conclude the negotiations.
- 2.13 Additional resources from EU Member States and other donors will also be sought to accompany and complement this support. In this regard, the ACP and EC recall the commitment made by the EC and EU Member States in the EU Council to increase "Trade Related Assistance" to € 2 billion per year by 2010, with a substantial part of that increase going to ACP countries through Member States contributions which are additional to the EDF.

- 2.14 The ACP anticipates receipt of information from the EU side on the actual amounts of this “Trade Related Assistance” commitment that will be earmarked for EPAs on the basis of the financing proposals emerging from the EPA process. The ACP and EC agree that Aid for Trade funds (which will support building productive capacity, trade development, trade related infrastructure, trade related adjustment and trade policy and regulations) will contribute to meet the specific EPA related development and adjustment needs.
- 2.15 To accelerate and coordinate support, the ACP and EC agreed that regionally owned funds and procedures, to be established where they do not exist, have the potential to act as effective tools to deliver support for implementation of the EPA by the EC and possibly EU Member States and other donors. The EC agrees to contribute to such regional funds and to encourage EU Member States to do likewise.
- 2.16 In order to build on the framework established by the EPA and increase production and supply capacity in the ACP, the EC has underlined its readiness in each regional review to provide support for the competitiveness of productive sectors. The EC has also agreed to contribute, in full complementarity with fiscal reforms, to absorbing the net fiscal impact resulting from EPA liberalization and to support accompanying measures linked to the implementation of the future Agreements.
- 2.17 The ACP and EC recognize the need to agree on and reinforce the institutional mechanisms for the effective implementation of EPAs.
- 2.18 The ACP and EC recognize that the negotiations are behind schedule and that they have fallen behind the previously agreed roadmaps and timelines. The ACP and EC agree that the capacity of the ACP States to assume obligations needs to be taken into account in defining the length of transition periods. However, the ACP and the EC have expressed their commitment to make every effort to address outstanding issues and conclude on time in order to avoid any disruption of trade. In this regard, the frequency of meetings will be increased and both parties have undertaken to respond expeditiously to each others proposals.
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