



Sustainability Impact Assessment of the EU-ACP Economic Partnership Agreements*

The Sustainability Impact Assessment of the European Union-Africa, Caribbean, Pacific (EU-ACP) Economic Partnership Agreements (EPAs) has yielded several conclusions and recommendations for negotiators and other stakeholders that can help ensure that the EPAs promote development that supports economic, social and environmental sustainability.



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The EU-ACP Economic Partnership Agreements

Economic Partnership Agreements (EPA) are being negotiated between the European Union and 77 African, Caribbean and Pacific countries within the framework of the Cotonou agreement.

The Economic Partnership Agreements (EPAs) are being negotiated between the European Union and the African, Caribbean and Pacific (ACP) group of countries within the framework of the Cotonou Agreement. The 77 countries that make up the ACP – developing countries, least-developed countries (LDCs), landlocked countries and small island developing states – face special challenges related to development. Most ACP countries are relatively weak in terms of their trading positions with the EU and the rest of the world. There is a high level of dependence on single commodities (often where international prices are falling) and low levels of regional integration, which aggravates supply-side constraints.

The EPAs will replace the Lomé Conventions' trade preferences.

The EPAs are being negotiated within the framework of the Cotonou Agreement. The Cotonou Agreement replaced Lomé IV as a temporary measure in 2000 and includes similar non-reciprocal preferential access to the EU market for certain ACP agricultural and other goods, through to the end of 2007. Trade provisions in the Cotonou Agreement have been sanctioned by a waiver granted by the World Trade Organisation (WTO).

EPAs will cover "substantially all trade", be WTO compatible, and will require a degree of asymmetry.

The EPAs will be reciprocal, cover "substantially all trade" and will be WTO-compatible. They will take into account the level of development of the Parties and the particular economic, social and environmental constraints the ACP countries face in terms of their capacity to adjust to the new trading arrangements. This is required by Article 37(7) of the Cotonou Agreement which provides that, "*on the Community side, trade liberalisation shall build on the acquis and shall aim at improving current market access*" for ACP countries. The negotiations will be flexible in establishing the duration of a sufficient transitional period and in the final product coverage (taking into account sensitive sectors). This requires a degree of asymmetry in terms of the timetable and extent of tariff dismantling which, in turn, requires careful consideration of what constitutes "substantially all trade".

Negotiations should be completed in 2007.

The EPA negotiations began in September 2002 and should be completed by 31 December 2007. The EPAs will be implemented between 2008 and 2020.

The EPAs will have a strong development component.

The EPAs are intended to have a strong development component and several of the principles governing the negotiations refer to the role that the EPAs can play in promoting sustainability. Because the EPAs are situated in the broader context of the Cotonou Agreement they are perhaps better suited than many trading arrangements to address sustainability challenges. The central objectives of ACP-EU co-operation as set out in the Cotonou Agreement are: "*poverty reduction and ultimately its eradication; sustainable development; and, progressive integration of the ACP countries into the world economy*" (Article 19).

How can ACP countries promote economic growth and sustainable development through trade?

The EPAs present the ACP countries with new opportunities to trade, improve investment and capital flows, and generate advances in technology (including information technology) to promote economic growth, development and raise the living standards of the people in the ACP regions. Whether or not these potential gains can be realised depends on, inter alia, improving competitiveness, productivity, horizontal diversification, vertical integration, the delivery of basic services, and improved infrastructure (such as transportation, communications and financial services).



The SIA involved developing a methodology, undertaking case studies in key sectors throughout the ACP, and undertaking extensive consultation with negotiators, experts, and relevant stakeholders in civil society in the EU and in the ACP regions.

The EU-ACP Sustainability Impact Assessment

Trade is not an end in itself, but rather a tool for sustainable development.

Trade is not an end in itself, but rather an essential tool contributing to sustainable development. The European Union is committed to understanding the impacts of its trade agreements on economic, environmental and social sustainability and seeks to ensure that its trading relationships promote, rather than detract from, efforts to pursue sustainable development.

EU-ACP SIA aims to assess the economic, environmental and social impacts of trade.

This is why the European Union (EU) is undertaking a Sustainability Impact Assessment (SIAs) of Economic Partnership Agreements to identify the economic, environmental and social impacts of trade negotiations in order to integrate these issues into the agreements currently being negotiated between the EU and the ACP regions.

The SIA aims to encourage trade that promotes economic, social and environmental sustainability.

The objectives of the EU-ACP SIA

The ultimate objective of the EU-ACP SIA programme is to help ensure that trade between the EU and the ACP Group of countries supports economic, social and environmental sustainability. Fundamental to the EU-ACP SIA is the premise that strengthened regional integration in the ACP can be a tool for achieving sustainability.

The SIA should help ensure that the EPA negotiations take sustainable development into account.

The specific goals of the EU-ACP SIA are to:

- Enhance the analytical awareness and understanding of the negotiators of the links between trade liberalisation (and the EPAs in particular) and sustainability to ensure that the EPA negotiations take sustainable development fully into account.
- Contribute to research and policy efforts related to the EPA negotiations and to encourage negotiators to adopt positions that will promote sustainability in the EU and in the countries of the ACP.
- Help define, and provide input into, policy packages being developed by the EU and by the countries of the ACP to accompany EPAs to ensure that the outcome of the negotiations contributes to sustainable development.
- Increase transparency by developing a basis for the discussion with European and ACP stakeholders about sustainability implications associated with the negotiations.

The SIA involved a four-year process in parallel with the ACP-EU trade negotiations.

Stakeholder participation was an important element of the SIA process.

The SIA process

The EU-ACP SIA was undertaken in parallel with the EPA trade negotiations, between December 2002 and December 2006. The SIA team employed a framework methodology developed in the first phase of the SIA to undertake six sector studies on a range of issues, one in each of the ACP regional negotiating configurations:

- Horticulture in Eastern and Southern Africa (ESA)
- Rules of origin in the Southern African Development Community (SADC) Group
- Financial services in Central Africa
- Agro-industry in Western Africa
- Tourism services in the Caribbean
- Fisheries in the Pacific

An important element of the SIA was public participation throughout the process to disseminate information, raise awareness, increase transparency, and ensure that the work is relevant and responds to the major concerns of stakeholders. This involved the development of a sustained dialogue with stakeholders, in a range of fora, about issues related to sustainability and the EPAs. Stakeholders were involved through various means: electronic mechanisms such as a dedicated Internet website or electronic discussion groups; stakeholder workshops in the EU and ACP regions to present and discuss the preliminary findings of the SIA. Over the four-year period, the SIA consortium made presentations at more than 30 meetings bringing together a broad range of stakeholders including trade negotiators and experts as well as representatives from private sector, trade unions or non-governmental organisations (NGO) in the EU and across the ACP.

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Key findings & results of the EU-ACP SIA

The Sustainability Impact Assessment (SIA) of the EU-ACP Economic Partnership Agreements (EPAs) has yielded a set of twelve overall conclusions and recommendations for negotiators and other stakeholders that can help ensure that the EPAs promote development that supports economic, social and environmental sustainability. They reflect the body of work that has been undertaken through case studies in key sectors and they are considered to be broadly relevant for the diverse regions and countries of the ACP.

Regional integration:

- **Regional integration (recommendation #1).** The EU and ACP countries should strive to ensure coherence between EPA negotiating configurations and overlapping efforts at regional integration and should ultimately pursue, at regional level, strategies for developing key economic sectors and for promoting sustainability.

Trade measures:

- **Market access - tariffs in the EU (recommendation #2).** All ACP countries should retain duty free and quota-free access to the EU market and access to the EU should be improved for the few products not yet fully liberalized.
- **Market access - tariffs in the ACP countries (recommendation #3).** To mitigate potential negative impacts of reciprocity and encourage positive impacts, negotiators should classify some products as “sensitive” and ensure that there is an appropriate safeguard provision in the EPA taking into account the goal of promoting sustainability.
- **Rules of origin (recommendation #4).** Negotiators should explore policy options to simplify and relax rules of origin that will encourage increased trade in transformed products.
- **Trade in services (recommendation #5).** Negotiators should increase commitments in the services sectors examined in this SIA to improve certainty and transparency, and encourage trade, and support sustainable development.
- **Foreign Direct Investment (recommendation #6).** The EPAs should contribute to a stable climate for Foreign Direct Investment (FDI) and encourage FDI and regional investment that support sustainability through, *inter alia*, including means of cooperation to achieve compliance with environmental and social regulations at the national level by foreign investors.
- **Standards and accreditation (recommendation #7).** EU-ACP cooperation on standards should focus on addressing obstacles to trade, maintaining high levels of protection for consumers and the environment and assisting ACP countries to develop their own national and regional approaches to Sanitary and Phytosanitary Measures (SPS) and technical barriers to trade (TBT).
- **Trade facilitation (recommendation #8).** The EU should engage in ongoing cooperation with the ACP on several areas related to trade facilitation, including, *inter alia*, customs, transportation, technology, business information and human resources.

Measures to promote sustainable development:

- **Diversification and increased value added (recommendation #9).** Development cooperation should focus on priority needs for diversification of production and exports towards higher value-added products, with an emphasis on reinforcing economic and industrial sectors impacted by the EPAs, while ensuring the sustainability of new development.
- **Data collection on trade and sustainability (recommendation #10).** Development cooperation should focus on technical cooperation and assistance to collect information and data on trade and sustainability to support sound policy development.
- **Capacity building (recommendation #11).** Development cooperation should focus on capacity building to promote sustainable development in both the private and public sectors with an emphasis on training, research and development, and a sound regulatory framework.

Institutional mechanisms and oversight:

- **Institutional mechanism to monitor implementation (recommendation #12).** A permanent institutional mechanism should be developed to monitor the implementation of the EPAs from the perspective of economic, environmental and social sustainability.