

Summary: The European Union (EU) and the African, Caribbean, and Pacific (ACP) countries are entering the final phase of negotiations on Economic Partnership Agreements (EPAs), a set of WTO-compliant preferential trade agreements that will substitute the current non-reciprocal preference scheme. Such agreements would liberalize bilateral trade between the EU and six ACP regional groupings. A proposed opening of ACP markets might well provoke trade diversion, cause serious government revenue losses, and hamper regional integration. This policy brief puts forward an alternative path to liberalization that would minimize these costs while still addressing the WTO constraint and their developmental goals.

One Minute to Midnight: Is There Still Time to Rethink EPAs?

How the European Union and the African, Caribbean, and Pacific countries can reform preferential trade arrangements, comply with WTO rules, and promote development.

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For the past five years, the European Union (EU) and the African, Caribbean, and Pacific (ACP) countries have been engaged in reform negotiations of the “Cotonou Agreements,” a set of trade agreements that have continued the almost 40 years of preferential market access offered by the EU to the exports of its former colonies.

This reform was initiated to bring these preferential trade arrangements into compliance with World Trade Organization (WTO) rules. Indeed, the WTO allows for preferences only when they are part of reciprocal free trade agreements or when they benefit developing countries (DCs) on a non-discriminatory basis. And, as Cotonou preferences are not reciprocal (EU exports do face tariffs when entering ACP markets) and are extended to only some DCs (and not many DCs in Asia and South America), they are not compliant with WTO legislation. Until now, this situation was

maintained through the granting of a waiver at the WTO. However, this waiver is due to expire on December 31, 2007.

As a result, the EU is trying to convince its ACP partners to conclude new WTO-compliant free trade agreements through the signature of the “Economic Partnership Agreements” (EPAs). Such agreements would liberalize bilateral trade between the EU and six ACP regional groupings, among which free trade would also be established.²

The logic behind the European Commission’s (EC) promotion of the EPAs also relies on the belief that the virtues of regional trade integration would benefit the ACPs: specialization, economies of scale, diminution of trading costs, and increased investment.

²These regional entities are: West Africa (Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal Sierra Leone, and Togo); Central Africa (Cameroon, Central African Republic, Chad, Congo, the Democratic Republic of Congo, Equatorial Guinea, Gabon and Sao Tome, and Principe); Eastern Africa (Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia, and Zimbabwe); Austral Africa (Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and Tanzania); the Caribbean (Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and the Grenadines, Suriname, and Trinidad and Tobago); and the Pacific (Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu).

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According to the EC's official line, EPAs would thus retain the core objectives of previous EU-ACP trade arrangements: to reduce poverty and enhance development in ACP countries. EU officials represent the resulting additional trade liberalization with ACP countries as simply a means to achieve development goals, together with the deepening of regional integration, the enhancement of market access for ACP products in the EU market, and increased cooperation on services and trade-related issues. However, this reintroduction of reciprocity into EU-ACP trade relations is a major political shift, one that could have important economic consequences.³

Since the mid-1990s, the necessity of reforming EU-ACP trade relations has been increasingly apparent. Academics and policy experts have responded to this by highlighting the opportunities and risks associated with various reform options.⁴ They have recently been joined by NGOs, civil society representatives from ACP countries, and at times even representatives of EU member states. Criticisms expressed by opponents of EPAs usually concentrate on the project of establishing a free trade zone between the EU and ACP regions. In short, they fear that a surge in imports of European products (especially subsidized agricultural goods) could harm local industries and ACP agricultural sectors; that regional integration could be hampered rather than encouraged; and that ACP government revenues from tariff collection could fall significantly. As these lost revenues are not easily substitutable, they might ultimately result in diminished investment in areas that are critical to development, such as education and health, or even production and trade infrastructures.⁵ Moreover, as ACP countries already enjoy nearly complete tariff-free access to EU markets, the EU can be perceived to be asking for a lot while offering very little in return.

The time available to find a resolution to these quandaries is very limited: the EC is pressing ACP countries to sign new agreements before the end of the year. Should these negotiations fail, the result would be very harmful to the economies of the ACP countries as the EC is offering only one alternative: a reversion to the substantially less generous General System of Preferences (GSP) offered to all DCs, with all the shocks that would entail.⁶

³The first trade agreements between the EU and the ACP countries (the Yaoundé Convention) did imply reciprocity, but this was suppressed as of 1975 (with the replacement of the Yaoundé Convention with the Lomé Convention). See Grilli (1993) for a detailed historical analysis of EU-ACP trade and cooperation. Page, Stevens, and Kennan, among others, have contributed to launching the debate as early as 1998.

⁵EU development assistance funds are envisaged to overcome those losses. This however, raises serious concerns over ACPs' increasing political dependence on the European Union.

⁶Least Developed Countries (LDCs) would enjoy more generous preferences under the "Everything But Arms" (EBA) initiative, a special GSP scheme dedicated to them. It has operated since March 2001 and provides free market access to the EU for all products, with the exception of arms and ammunitions. However, this preference scheme is still less generous than the current Cotonou preferences—especially in terms of critical Rules of Origin provisions. However, EBA might be preferred as an alternative to EPAs by countries for which liberalization with the EU would be too costly.

In all likelihood, this would also prove politically costly for the European Union: a host of experts and NGOs stand ready to point out that the EU, with its self-image as a development champion, would thus have become the first of the developed countries to raise tariffs against some of the world's most vulnerable economies.

Identifying the least costly solution has become urgent. This policy brief therefore aims to: summarize the constraints facing current EU-ACP trade arrangements and the issues which any reform must tackle (Section 1); assess the costs that would be imposed by the EU's current EPA proposals (Section 2); and put forward an alternative path to liberalization which would minimize these costs while still addressing the concerns identified in Section 1 (Section 3).

The need to reform

1.1 The European Commission's credo

Since 1996 and the publication of a "Green Book on the Relations between the European Union and the ACP Countries on the eve of the 21st Century" (EC, 1996), the EC has acknowledged the failure of its preferential scheme in favor of its ex-colonies. Despite 99 percent tariff-free exports and commodity protocols,⁷ ACP countries' share of the EU market declined from 6.7 percent to 2.8 percent between 1976 and 1999, and from 14.8 percent to 4.1 percent of the EU's total trade with DCs. (Ravenhill, 2002) Trade even fell in absolute terms between the 1980s and the 1990s. ACP countries' dependency on primary products has remained high, while the relative prices for these products have declined. Several countries still rely on one single product for over 40 percent of export revenues. (Ribier, 2007)

Furthermore, trade preference schemes are eroding as multi-lateral trade liberalization is deepening.⁸ By the time EPAs enter into force, the benefits of preferences might have been significantly reduced. One of the EC's officially-proclaimed motivations in proposing EPAs, is the critical need to address the preference erosion question.

The EC's argument in pursuing EPAs further relies on the intent to foster liberalization gains in ACPs via the interaction between enhanced regional integration among ACP countries and the establishment of a free trade area with the EU. According to the Commission, this would allow the creation of an enlarged

⁷ The commodity protocols allow ACP countries to export specified amounts of the concerned commodities (bananas, beef, sugar, and rum) at reduced levels of duty and at guaranteed domestic prices, on the EU market.

⁸ The value of a preferential scheme, of course, depends on the number of countries receiving trade preferences.

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market “governed by a stable, transparent and predictable framework for trade [that] will allow for economies of scale, will improve the level of specialization, will reduce production and transaction costs and will, altogether, help to increase the competitiveness of the ACP region.” (EC, 2002) All of this, in turn, would positively affect both domestic and foreign investment. On a more political level, EPAs are seen as a “check valve” that would help efficiently address the fragmentation of ACP markets, their over-protection, and the lack of harmonization in the legislation governing them. EPAs would also foster the bargaining power of ACP countries on the multilateral scene by locking-in their reform processes and increasing their credibility. The EU would help facilitate this transition with financial aid and development assistance.

At its core, however, the EC’s argument for the EPAs rests largely on the need for WTO compliance. This argument serves both to justify the need to reform the Cotonou Agreement and, most importantly, to determine the type of agreement that might be adopted as a replacement for the current scheme.

1.2 WTO obligations

The need to become compliant with WTO rules implies two major constraints on EPA negotiations. First, that they must be concluded by December 31, 2007. And second, that they should comply with the two exceptions to the most-favored nation (MFN) general rule of the General Agreement on Tariffs and Trade (GATT), which deals with regional trade.

On the one hand, regional trade agreements (RTAs) are permitted if they comply with a number of provisions, which are meant to make them inoffensive to non-party countries. Article XXIV of the GATT (1947) allows for the creation of free trade agreements (FTAs) and customs unions (CUs), but only on the condition that they “facilitate trade between the constituent territories” and do not “raise barriers to trade of other contracting parties with such territories.” These RTAs are thus considered WTO-compatible if trade barriers are eliminated by all contracting parties for “substantially all trade” within a “reasonable length of time.”

On the other hand, the 1979 “enabling clause,” officially named “Decision of Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries” allows developed countries to grant preferential access to all DCs, or to all least developed countries (LDCs), under the GSP. To conform to WTO legislation, future EU-ACP agreements would therefore need either to (i) imply reciprocity or (ii) extend

the scope of the beneficiaries to all DCs (or to all LDCs) by deepening market access granted under GSP. The latter option would imply tremendous preference erosion for ACP countries, and has therefore not been envisaged in the EPA negotiations by the EC or ACP countries — who clearly prefer the first solution.

In this context, WTO conformity would thus require ACPs to liberalize “substantially all trade” with the EU within a “reasonable length of time.” The EU understands this definition quantitatively, in terms of a minimum share of trade volume. With reference to previous RTAs between the EU and DCs, the EU considers “substantially all trade” as 90 percent of its volume, without equality between parties. In this precise case, as ACP countries are being offered 100 percent tariff-free market access to the EU, they would have to liberalize about 80 percent of their trade. Thus, 20 percent of their trade volume could still be protected, so as to exempt “sensitive products” from liberalization. It should be noted that the 90 percent threshold and its breakdown between the EU and the ACPs reflect the EC’s interpretation of Article XXIV, but these two interpretations are not shared by all WTO members.

Assessing current EPA proposals

2.1 Insights into the potential impacts of EPAs

Even though EPAs are still in negotiation, we can safely assume that they will involve, roughly-speaking, a two-level integration process: a first level pertaining to the integration between ACP countries and the EU — a North-South integration — and a second one affecting trade relations among ACP countries — a South-South integration.

One of the key issues in the analysis of regional integration, made in Viner’s pioneering work (1950), is that preferential agreements are beneficial as long as they allow shifts toward more efficient producers. In this case, consumers will benefit from reduced prices and increased consumption. This is called trade creation. So long as European producers do not replace more efficient foreign producers who are supplying ACP countries before the EPAs enter into force, the latter should be trade creating. Whenever this is not the case, ACP countries would suffer from costly trade diversion. Indeed, the government will lose previously collected tariffs on diverted trade. The net outcome then depends on the balance between trade creation and trade diversion.

The loss of tariff revenue is of particular importance for some ACP countries, notably the least developed African countries.

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On average, tariff revenue accounted for nearly 34 percent of their total government revenue over the period 1999-2001. (UNECA, 2003) And, as long as tariffs are kept on efficient non-partner countries, costs induced by trade diversion will still be in play. ACP countries would thus benefit from EPAs in as much as the latter are used as a means of accelerating their integration into the world economy and not only with the EU. This can be achieved through lowering their MFN tariffs.

Parallel to their trade liberalization with the EU, ACP countries would benefit from engaging in South-South integration. Indeed, by opening their markets to each other, ACP countries would benefit from eventual economies of scale. In addition, this would lessen the investment-diverting “hub and spoke” phenomenon.⁹ Intra-regional integration would also help ACP countries address common issues and engage in common projects, notably in infrastructure and trade facilitation, or enhancement of food security.

There is, however, one potential risk inherent in South-South integration. It is the eventual concentration of production in certain countries — generally the most developed ones — to the detriment of other, often poorer, countries. In their 2006 paper, Kowalski and Shepherd show that, although the global outcome of different liberalization schemes between Sub-Saharan African countries is positive, the impact across countries would be very heterogeneous. Such effects should, however, be lessened by the interaction with the North-South integration scheme. In fact, in all cases where European producers are the most efficient, local ACP producers would not be able to supply regional markets, thus reducing the scope of any agglomeration effects. Yet, the risk pertains for the products provided solely by local producers, and for the “sensitive” products that will remain heavily protected. Compensation schemes would then have to be set up. This said, many issues pertaining to the practical implementation of EPAs have yet to be considered.

2.2 Review of impact assessment studies

For a precise assessment of possible outcomes from the EPAs, one first needs to examine the extent to which the dismantling of tariffs would impact protection. The review then focuses on three crucial points: the potential of EPAs to create trade; their impact on critical agricultural sectors; and their practical implications, in terms of intra-regional integration.

⁹ Investors are encouraged to invest in the “hub” region (here, the EU) from where they can access all the markets of the “spokes” (ACP countries), whereas, from one spoke, they can access only the EU’s market, but not that of the other spokes (as there is no intra-spoke integration).

Comparing the actual tariff structures of the ACP countries with the EC’s tariff-dismantling proposal, Stevens and Kennan (2005) find that most ACP countries could sign EPAs and still avoid a rapid and substantial liberalization, if they chose to retain their highest tariffs. Indeed, high tariffs (which allow effective protection) are imposed on only a limited number of products, which do not represent much more than 20 percent of their imports from the EU. Retaining tariffs on the 20 percent of trade that face the highest tariffs rates, would imply eliminating relatively low tariffs. The maximum tariffs that would have to be eliminated (marginal tariffs) are shown on a regional basis in the table below:

The real extent of EPA liberalization – marginal tariffs by region

Region ^a	Marginal Tariff (%) ^b	Range	Outliers
Caribbean	20	15-30	St. Kitts, St. Lucia, Surinam
Central Africa	30	20-30	None
East and Southern Africa	25	5-100	Burundi, Djibouti, Ethiopia, Seychelles
SADC	5	0-42.5	Angola, Botswana, Mozambique, Tanzania
West Africa	20	20-30	Nigeria

Notes: (a) the Pacific region is not taken into account, as data was unavailable (b) the marginal tariff reported is the most frequently encountered marginal tariff for all countries if they liberalize on 80 percent of imports. Source: Stevens and Kennan, 2005.

Looking at the problem from the opposite point of view is even more telling. Products which currently face tariffs of 10 percent or less (that is, tariffs that are less protective), represent over 50 percent of total imports from the EU for 43 of the 55 countries considered by Stevens and Kennan (2005). Removing these tariffs would thus allow these ACPs to fulfil a significant share of the effort asked in EPAs without considerably undermining their current protection scheme.

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This means that EPAs would not, in practice, foster liberalization to any significant extent, as is often claimed. The theoretical gains associated with liberalization could therefore be small. Notably, the allocation of resources would probably not shift significantly towards more efficiency.

Net Trade Creation: Impact studies, however, remain problematic in projecting the net trade potential of the EPAs. Results are so varied, both on a regional and on a country basis, that it is very difficult to forecast their potential effects. One implicit conclusion might be that trade creation will not easily be fostered.

And yet, estimates of probable tariff revenue losses are very significant. This is not surprising: it is on low tariffs, which allow imports, that governments raise tax monies. According to impact studies, West Africa would be the region most affected. At the top-end of estimates, the countries of the Economic Community of West African States (ECOWAS) could lose up to 89.5 percent of tariff revenue, which is 20 percent of total revenue. (Busse et al., 2004) But even the most optimistic studies suggest losses of at least 30 percent in West Africa.

In theory, as tariffs on imports are eliminated, consumer prices should fall and consumption increase. The shift from import taxes to a more broadly-based consumption tax could then maintain government resources. However, political and economic factors in ACP countries might very well prevent such a smooth transition.¹⁰ And, as the transition will take time, in the interim, only EU development assistance can fill the gap, which would undermine the sovereignty of the ACP governments. (Messerlin, 2006)

Agriculture: Agriculture employs over 60 percent of the population of ACP countries, and more than two-thirds of their exports of manufactured goods are agricultural products. While these figures are higher than in developing countries as a whole, indicators of agricultural performance, on the contrary, are much lower in ACP countries than in the average DC. Numerous studies — mainly by NGOs — underline the particular vulnerability of ACP agricultural sectors to the competition of highly subsidized European products. In Senegal, for example, between 1994 and 2001, tariffs on tomatoes and processed tomato products

were reduced by an average of 36 percent, and quotas were completely eliminated, while the state-owned tomato-paste factories were privatized. Tomato-paste industries stopped buying fresh tomatoes from local producers and began importing European triple-concentrate. As a result, the staple tomato industry, which provided the best-paid jobs to rural households in the 1990s, was largely undermined.

“EPAs would not, in practice, foster liberalization to any significant extent, as is often claimed.”

The United Kingdom’s House of Commons rejected the idea that “ACP states should be asked to open their markets to EU [agricultural] products until all trade-distorting subsidies have been removed” and demanded that “the transition period for full reciprocity in the agricultural sector should be explicitly linked to Common Agricultural Policy (CAP) reform” (House of Commons, 2005). This has, however, never been offered by the EC.

Intra-regional Integration: A last point of major concern relates to EPAs’ actual potential to foster intra-ACP regional integration. Indeed, the harmonization of sensitive products lists at the regional level could be a difficult task. And, if sensitive products differ from one country to another, borders would again have to be settled within ACP regions. The problem is that “natural” national choices of sensitive products do not overlap on a regional basis. Stevens and Kennan (2005) find that “in all cases, apart from East and Southern Africa, over half (and as much as 92 percent for West Africa) of the products included in any one country’s basket of exclusions would be absent from the exclusion lists of all of its partners.” This is due to the high diversity of the sub-regions’ production structures. (Ribier, 2007)

Moreover, countries might have different priorities and political objectives when choosing sensitive products. Indeed, three concerns can motivate the product choice: (i) protection against fiscal and budget losses; (ii) protection against EU competition; and (iii) protection against negative effects on labor, food security, or other social trends. In addition, lobbies will be at work within countries but also between countries. According to Faivre-Dupaigre (2007), powerful countries could try to game this situation for their own benefit, trying to influence regional choices in their own interests (e.g. Ivory Coast in West Africa). Furthermore, the fact that LDCs can benefit from tariff-free

¹⁰This will depend, first, on the extent to which the elimination of import tariffs will be accurately reflected in consumer prices, thus allowing consumption increases. Secondly, it will depend on the extent to which part of the production structure is dedicated to self-subsistence or transits through the informal sector and, thus, is de facto excluded from the tax system. Finally, it will depend on the political and financial capability of governments to widen the tax basis and to overcome the difficulties in collecting the tax (since administrating a consumption tax is much more costly than applying import duties).

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access to the EU through the Everything But Arms initiative (EBA) means that they have weaker incentives to enter EPAs than non-LDCs. If some of them chose to stick to EBA preferences and not open their markets to EU exports, they would have to implement new border controls with EPA-signing neighbor countries in order to prevent European products from transiting through them.

In an unpublished paper presented in the House of Commons (2005), the UK's Department for International Development (DFID) warned that "the EU is seeking to impose a European model of regional integration on DCs which is at least out of date and probably inappropriate." According to Stevens, "all in all, the outlook for EPAs to support regionalism is not good." (Stevens, 2005)

Rethinking the EPAs

3.1 Questioning WTO flexibility

The key question regarding WTO obligations is how far they can be circumvented when dealing with the special circumstances of the ACP countries, a group which includes most of the LDCs and the poorest rural populations of the world. The WTO can indeed be flexible if all of its members are in agreement. For several years now, the United States has granted non-reciprocal and discriminatory preferential access to African countries through the African Growth and Opportunity Act (AGOA), and to Caribbean countries through the Caribbean Basin Initiative (CBI). Besides, complaints before the WTO Dispute Settlement Body are rarely dealt with promptly, and often take years to reach a resolution. WTO conformity is therefore probably not as binding and urgent as the EC has been proclaiming.

Moreover, Article XXIV remains very elusive. An ideal reform of EU-ACP trade deals would therefore have taken place in conjunction with a reinterpretation of Article XXIV in the Doha Round, as was initially planned. It would have been an opportunity to reform rules that were established when the WTO was still a circle of relatively prosperous developed countries. However, given the current state of multilateral negotiations, there is little hope that any revision of Article XXIV will be initiated. That said, there should be room for innovation. If the EU and ACP countries can bring to the table an agreement with appeal to non-party countries, they should obtain the permission to sign only broad interim agreements. More time could then be used to carefully think through the precise features of the agreements.

3.2 Alternative agreements

The previous section's assessment indicates that some of the conditions needed to limit the potential negative outcomes of EPAs are linked to the nature of the liberalization scheme proposed, rather than to its extent.

Three interpretations of liberalization are possible: it can be understood as the diminution of all applied tariffs by a certain percentage (the U.S. vision); the elimination of a percentage of applied tariff lines (the EU vision); or as the diminution of certain tariffs and the (eventual) increase of others, leading to an overall decrease of bound tariffs. The only option envisaged in EPA negotiations until now has been the second. Negotiations therefore concentrate on the percentage of trade volume that will have to be liberalized and on the choice of the sensitive products that will still enjoy tariff protection.

However, this definition of liberalization might not be the most efficient, and the third understanding of moving towards free trade might be more adapted. As suggested by Messerlin, moving towards a more or less uniform bound tariff structure (which might actually imply increasing some tariffs) is not often considered as a move in the direction of liberalization. Yet, such a "re-balancing" of bound tariffs at a level close to the applied tariff rates can be considered an effort towards freer trade as it significantly increases trade predictability and diminishes distortions. If considered from a multilateral perspective, such an approach could surely receive support in the WTO framework. The EU could offer 100 percent tariff-free market access to ACP countries in exchange for an effort towards free trade that would benefit the world as a whole. This should gain the support of third-party WTO members for an agreement that would not be respecting WTO rules to the letter of the law. For ACP countries themselves, a non-discriminatory re-balancing of tariffs would have several very significant advantages over a selective removal of tariffs only on EU imports.

First, from an economic perspective, regional integration between the EU and ACP countries would be most beneficial if the integration process was opened to the rest of the world, so as to limit trade diversion. Second, tariff re-balancing would have several advantages compared to tariff elimination with exceptions (sensitive products).

Chiefly, it would help regional integration by eliminating the problems raised by the choice of sensitive products evoked in Section 2.2. It would also ease internal political governance

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by tremendously reducing the incentives for particular lobbies and limiting the loss of government revenues. Indeed, with the EC's proposal, political leaders in ACP countries will face a dilemma between saving government revenues (by cutting tariff peaks) or limiting the increase in competition for domestic products on domestic markets (by retaining tariff peaks). And, as in all countries in resolving this dilemma, lobbying by special interest groups will likely play a role that might not favor the interest of the majority. Considering the limited political strength of some governments, they might end up lowering already low tariffs and maintaining the high ones, thereby maximizing the efficiency loss provoked by increasing distortion of the tariff structure. Government revenues losses would be maximal, while gains for consumers would be minimal (as they will benefit only from small import price reductions). Furthermore, a uniform tariff structure would facilitate border controls and reduce corruption risks.

Of course, higher or lower uniform tariffs deprive governments of using commercial policy as a strategic economic tool. However, by guaranteeing tariff revenues, it gives them the "policy space" to use other more efficient instruments, such as consumption or production subventions (especially for the agricultural sector) that are acceptable at the WTO for developing countries. (Messerlin, 2006 and Page, 2007)

Conclusion

As anticipated in the 2000 Cotonou Partnership Agreement, the EU and ACP countries have entered the final phase of negotiations. Just a few months before the deadline, imposed in order to avoid new sanctions in the WTO, the EU has not been able to convince the ACP countries that the declared objectives of enhancing development and reducing poverty will be met by the establishment of gradual, managed, and aid-accompanied trade liberalization.

Reviewing impact assessment studies, this policy brief finds that the fears expressed by the opponents of current EU proposals are far from groundless. On the contrary, opponents of EPAs have a number of valid points, which the EC should be taking on board. While trade diversion might not be a risk for all countries, it will be for many. Government revenue losses will most certainly be significant. Regional integration will not be easily fostered. Agricultural producers will find it hard to resist the competition brought on by EU imports — especially in remote areas. The choice of sensitive products will be costly, both as a result of lobbying and of lost economic efficiency. However, this policy brief does not call for maintaining non-recipro-

cal preferences *ad vitam aeternam*. Yet, brutally forcing through changes in the system, at any cost, is not the solution either. Contrary to what had been promised to ACP countries in the Cotonou Agreement, the EC has proposed no other acceptable alternative. There is a pressing need to rethink the concrete arrangements of the agreements, so as to maximize the potential for positive outcomes under a new framework.

In particular, this policy brief calls for an investigation into the effects of an alternative definition of liberalization — one that would lead to the adoption, by ACP countries, of non-discriminatory more or less uniform bound tariffs. Rather than pressing ahead with complex and wrongheaded negotiations over tariff elimination choices, the EC should take the opportunity, even at so late an hour, to consider alternative solutions.

It is senseless to attempt to conclude, under the gun and with so little time, agreements that are of such critical importance to poor countries' development. While WTO compliance is a commendable objective, the particular situation of ACP countries (and the historical debt of responsibility they are owed by European Union member states for their current predicaments) should be reason enough for the EU to seek a way of finding the necessary time to reach more mutually-acceptable solutions. A proposal to make future agreements valuable for non-party countries by a non-discriminatory liberalization in ACP countries should help the EU and the ACP countries get the support for broad interim agreements. This will then allow the necessary time to prepare for more economically, fiscally, and therefore politically-sound final agreements.

“Rather than pressing ahead with complex and wrongheaded negotiations over tariff elimination choices, the EC should take the opportunity, even at so late an hour, to consider alternative solutions.”

The economic growth and development of ACP countries is, ultimately, in the EU's own best interest. Not only because the ACP zone is a potential market for ACP products, but also because its development and well-being are closely linked with migration flows to Europe. Furthermore, according to a Eurobarometer survey of public opinion, 91 percent of EU citizens express their belief in the importance of policies that promote

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development. (EC, 2005) Taking the time to conclude agreements that truly promote development is an opportunity to take a laudable and ambitious step in the right direction.

Political leaders in the EU should also be aware that — should the EPA negotiations fail, or continue along their current path to an unsatisfactory and unsavory outcome — ACP countries are not the only ones who will pay the price. If signed into effect, the current Economic Partnership Agreements (and European trade policy more generally) risk becoming a scapegoat — rightly or wrongly — for the continuing economic problems of Africa and the plight of some of the world's most vulnerable populations. Meanwhile, China will not stay waiting in the wings, given the way the Chinese are already challenging the EU both economically and politically on the African continent.

It is now one minute to midnight. But, if the political will can be found, there is still time for the EU to avoid a tragic error, slow the rush to conclude hasty and ill-conceived agreements, and find a better track.

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