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# Undercutting Africa

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Economic Partnership  
Agreements, forests and  
the European Union's  
quest for Africa's raw  
materials

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**Friends of  
the Earth**

*"More than ever, Europe needs to import to export. Tackling restrictions on access to resources such as ...primary raw materials...must be a high priority."*

Global Europe: competing in the world (European Commission, 2006)

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## Executive summary

Economic Partnership Agreements (EPAs), the European Union's much vaunted trade and development agreements with African, Caribbean and Pacific (ACP) countries, are in complete disarray. Despite the passing of a key negotiating deadline at the end of 2007, and relentless pressure from European Commission (EC) negotiators, many ACP countries, including Nigeria, Congo and Gabon in Africa, have refused to sign any form of EPA (even though some have lost their tariff preferences as a result). The overall consequences for their economies are simply too threatening.<sup>1</sup>

However, a number of ACP countries, including 18 African states, were eventually persuaded to initial interim or 'stepping stone' agreements, which focus on trade in goods only; and one region, the Caribbean, initialled a full EPA, including commitments to liberalise services and investment, with explicit reference to agriculture, forestry and mining. Even in the Caribbean however, there has been much heated debate about the content of the EPA, and several deadlines for finally signing it have been missed. Guyana has said that it is not in a position to sign and Haiti has expressed strong reservations.

However, one potentially significant consequence of the passing of the 2007 deadline is that for many ACP countries, most especially in Africa (where a higher proportion of countries are also Least Development Countries (LDCs) with little to lose from the failure of the negotiations) there may now be less pressure to conclude EPAs. Now is an ideal moment to reconsider the likely long-term impacts of EPAs.

One of the most worrying aspects of EPAs is that all ACP countries are being put under extreme pressure to open their markets: the European Union (EU) expects ACP countries to liberalise 80% or more of their tariff lines. This means that ACP countries signing up to an EPA will lose a key development tool used by industrialised economies themselves and can expect to experience severe economic difficulties if European imports flood their markets. Compare this with the World Trade Organization (WTO), in which most African countries are completely exempt from removing their import tariffs, precisely because their economies are weak and vulnerable. One of the EC's own Sustainability Impact Assessments even predicts that EPAs could "*accelerate the collapse*" of the manufacturing sector in West Africa.

The inclusion of investment liberalisation in the Caribbean EPA also provides a clear and worrying indication of an additional commitment the EU will seek from other ACP countries if EPA negotiations continue. Liberalising investment in sectors such as forests and agriculture – both of which are mentioned explicitly in the Caribbean EPA's investment clauses – could have a dramatic impact on deforestation rates, subsistence farming and food security. Countries agreeing to liberalise investment could have to hand over more rights to foreign corporations to exploit forests, fisheries, agriculture and other natural resources such as oil and gas, and this could in turn lead to even more forests and small farms being cleared to make way for logging, mining and export-oriented agriculture.

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<sup>1</sup> Most non-LDC ACP countries initialled interim EPAs in 2007, to avoid losing their previous EPA trade preferences. However, three countries in Africa (Nigeria, Republic of the Congo and Gabon) and seven Pacific countries (Cook Islands, Federated States of Micronesia, Nauru, Niue, Palau, Marshall Islands and Tonga) did not sign by the end of 2007. This means that, as of 1 January 2008, they export to the EU under the Generalised System of Preferences (GSP). GSP provides preferential access for vulnerable countries, including all ACP countries, but its terms are not as extensive as ACP/EPA preferences, and it excludes rice, sugar and bananas. (ODI & ECDPM, 2008: 157)

The EU is also determined to remove export restrictions that countries use to limit or prohibit exports of unprocessed raw materials, such as logs. It views these export restrictions as an unfair impediment to its manufacturing industries, implying that Europe should have an equal right to exploit other nations' natural resources.

Yet this flies in the face of the United Nations International Covenant on Economic, Social and Cultural Rights, which states that *"All peoples may, for their own ends, freely dispose of their natural wealth and resources without prejudice to any obligations arising out of international economic cooperation, based upon the principle of mutual benefit, and international law. In no case may a people be deprived of its own means of subsistence"* (UN, 1976). Similarly, the second principle of the Rio Declaration on Environment and Development, says that states have *"the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies"* (UNCED, 1992).

Indeed, the role that forests and biodiversity play in sustaining the lives and livelihoods of some of the world's poorest and most marginalised communities seems to have been almost entirely overlooked in the EPAs negotiations. Some 60 million Indigenous people across the world are wholly dependent upon forests for all their physical, cultural and spiritual requirements and 1.6 billion people depend upon forests to some extent for their livelihoods. The loss of this forest biodiversity would be especially devastating for those living in Africa, since over two-thirds of Africa's people rely directly or indirectly on forests for their livelihood, including food security.

So why is the EU pursuing such a harsh liberalisation agenda? The answer can be found in its Global Europe policy documents. These reveal that competition from increasingly strong emerging economies is behind the drive to prioritise trade concerns at all costs. These include India and most particularly China, which is increasingly present in Africa and also in pursuit of raw materials for its manufacturing industries. In other words, EPAs have been hijacked to deliver Europe's trade policies, instead of development. Environmental concerns are also a lower priority.

Yet the EU is not blind to the potential negative social and environmental consequences of its EPA negotiations. The EC's own mid-term Sustainability Impact Assessment (SIA) clearly acknowledged the likelihood of such impacts, as have previous very similar EC SIAs, which focused on the potential impact that agreements resulting from WTO trade liberalisation negotiations could have on forests and the forest products sector.

The EPAs' mid-term SIA comments that *"trade liberalization and the economic pressure that it encourages threaten biodiversity in a number of ways"* including through increasing illegal trade in endangered species, facilitating the introduction of alien invasive species, permitting the continued destruction and fragmentation of habitats, and because of increasing industrial and agricultural activities. It specifically identifies West Africa as a vulnerable region in this respect, commenting that additional pressure on primary forests in countries like Ghana and Ivory Coast *"seems difficult."*

Previous WTO-related SIAs on the agriculture, forests and fisheries sectors also identified adverse environmental trends that might be exacerbated by trade liberalisation. The forests SIA pointed out that there are likely to be significant and irreversible impacts on forests and biodiversity in 'biodiversity hotspot' countries such as Brazil, Indonesia, countries in the Congo Basin and Papua New Guinea. In addition, countries that currently protect their forest industries using trade measures can expect those industries to shrink and possibly collapse.

It is surprising then that the final summary report from the EC's SIA on Economic Partnership Agreements makes no mention of potential impacts on forests at all; and only mentions

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biodiversity once (in terms of the impacts that tourism might have on biodiversity in the Caribbean). It seems that some very serious potential environmental and social concerns are being overlooked, whether by accident or design, in the rush to finalise EPAs.

The EU also seems to be making the most of the fact that the EPAs process has allowed it to negotiate with smaller and more vulnerable economies in isolated blocks, and sometimes on a one-to-one basis. This has pitched some of the world's poorest countries into competition with each other, throwing regional integration processes into reverse and allowing the EU to extract much harsher trade concessions. The EU market, however, is already quite open to ACP countries' exports. This means that the EU will not have to make many alterations itself, although there will be changes in the rice and sugar regimes. Still, Europe is unlikely to experience any major economic setbacks as a result of the EPAs process.

Furthermore, it seems that the final content of each EPA is primarily dependent on the negotiating skills of the country or countries in question, rather than their economic and developmental needs. An analysis by the UK's Overseas Development Institute points out that *"Some of the richer countries among the list have to adjust quickly – but so do some of the poorest. The picture that emerges is entirely consistent with the hypothesis that countries have a deal that reflects their negotiating skills: that countries able to negotiate hard, knowing their interests, have obtained a better deal than those lacking these characteristics."*

An analysis of the different treatment meted out to West and Central African countries in relation to export restrictions demonstrates the variations arising in the different EPAs, and shows the potential implications that a wider application of EPAs might have for Africa's forests, biodiversity and forest-reliant communities.

Take Cameroon, for example. Whilst a chapter on illegal logging is included in the interim EPA, seemingly at the behest of the EU, it seems that Cameroon could also have to remove a range of log export restrictions intended to ensure value-added processing and prevent the export of certain species. This can hardly be seen as a discouragement to illegal logging.

Ghana on the other hand, seems to have managed to escape a complete ban on its log export restrictions, probably through adept negotiation. It seems to be one of the only countries to have managed this however. Neighbouring Côte d'Ivoire, the only other country in the West African region to have initialled an interim EPA, has fared quite differently, and would appear to have quantitative log export restrictions that will have to go, under the terms of *its* EPA. Similar restrictions appear in other interim EPAs and the possibility of an almost pan-African prohibition on the use of log export restrictions to protect biodiversity and promote on-the-spot and downstream processing remains a distinct possibility in the long term.

Overall it can be argued that the entire thrust of EPAs is in direct conflict with both the EU's commitment to sustainable development and the Millennium Development Goals, which demand the eradication of poverty and hunger and the maintenance of environmental sustainability. In this respect, the timing of the EPAs negotiations could not be worse. The UN's Secretary-General Ban Ki-Moon recently observed that Africa remains *"off track"* in its quest to achieve the Millennium Development Goals and other development targets (UN, 2008).

**EU's 2006 Renewed EU Sustainable Development Strategy**

*“Sustainable development means that the needs of the present generation should be met without compromising the ability of future generations to meet their own needs. It is an overarching objective of the European Union set out in the Treaty, governing all the Union’s policies and activities. It is about safeguarding the earth’s capacity to support life in all its diversity and is based on the principles of democracy, gender equality, solidarity, the rule of law and respect for fundamental rights, including freedom and equal opportunities for all. It aims at the continuous improvement of the quality of life and well-being on Earth for present and future generations.”*  
(EU, 2006:2)

The EU’s neo-colonialist approach to the EPA negotiations is completely unacceptable, given that they concern potential agreements with some of the world’s poorest and most vulnerable economies. In the long term, EPAs and similar approaches threaten to diminish Africa’s forests and biodiversity. The overall consequence is that the lives and livelihoods of Africa’s forest-dependent communities are threatened and the risks posed by climate change, which can be mitigated by the presence of forests, especially in the tropics, are increased (FOEI, 2008).

EPAs, like other trade liberalisation agreements, effectively commodify natural resources, relegating them to the status of merchandise, rather than that of a public good that needs to be protected. Fundamentally, trade liberalisation is about opening an increasing number of economic sectors to competition by limiting state intervention. Trade liberalisation agreements such as EPAs lock countries into a virtually irreversible economic model based on the export of raw materials.

The EPA negotiations should be stopped, and those agreements that have already been initialled should be repealed. Instead, the EU and its member states should focus on developing a real, equitable partnership with the ACP, ensuring financial and practical support to ACP countries so that they can develop genuinely fair and sustainable societies.

ACP countries should be able to maintain their sovereignty and policy space, including in relation to the appropriate use of their own natural resources. They should be able to use investment regulations, tariff barriers and export restrictions to promote equitable, local and sustainable economic development and protect their natural resources. The EU certainly has no automatic right of access to other countries’ raw materials; rather, it should implement a full and immediate review of its trade strategy, placing sustainable development for the poor and their environment at the top of its agenda, and take urgent steps to delink its own economy from excessive resource use and fossil fuel dependence. There should be no need to usurp Africa’s natural resources.

Finally, there is a pressing need to improve transparency and accountability in relation to intergovernmental negotiations such as these, to ensure the development of agreements that fully reflect the needs of people living in ACP and other developing countries.

## 1. EPAs, process and pressure

### 1.1. From aid to trade: the rocky road to EPAs

The Economic Partnership Agreements (EPAs) being negotiated by the European Union and African, Caribbean and Pacific (ACP) countries are already causing great concern, because they threaten to undermine economic development in some of the world's poorest and most vulnerable countries. As a result, many ACP countries are refusing to sign up.

Essentially, EPAs replace previous non-reciprocal, development-oriented agreements between the EU and the ACP, with a fragmented and inconsistent series of sub-regional 'reciprocal' free trade agreements, supposedly in order to comply with World Trade Organization rules. However, this new trade focus is conveniently in keeping with the European Union's aggressive trade liberalisation objectives, as laid out in the European Commission's Communication 'Global Europe: competing in the world' (EC, 2006), which seeks to secure access to natural resources and open markets to European goods and services.

The EU and the ACP countries first established a development cooperation agreement in 1975, when the first Lomé Convention was agreed between the EU and former colonies of some of the EU's member states. Lomé provided a framework for development aid and investment flows from the EU to the ACP countries and granted non-reciprocal preferential access for ACP exports to the EU (ACP, 2008).

However, in the 1990s, the EU decided to replace these preferences with a reciprocal trade regime that would not need special permission (known as a 'waiver') from the WTO. The EU and ACP countries thus renegotiated the Lomé Agreement.

The new EU-ACP accord, the Cotonou Agreement, was signed in 2000. It foresaw negotiations to establish WTO-compatible reciprocal trade agreements, known as Economic Partnership Agreements (EPAs), which would replace the existing preferential regime on 1 January 2008. A further WTO waiver protected ACP countries' trade preferences until that date.

Thus, for the first time, ACP countries were expected to participate in reciprocal trade agreements with the EU, in return for development assistance. This means they are now expected to give trade concessions, in order to get – or even retain – their trade preferences. The extraordinary negotiations which ensued saw the previous EU-ACP relationship turned on its head, as the EU sought to use EPAs to drive home an aggressive trade liberalisation strategy, which is now expressed through its 'Global Europe' strategy.

EPAs, should they be completed and implemented, look set to force ACP countries to open up their struggling markets to European industrial (and some agricultural) exports; and to foreign investment, targeted especially at the agricultural, forestry and mining sectors, all of which are likely to aggravate deforestation and food security concerns. The ACP countries, especially the 32<sup>2</sup> located in Africa, stand to get little in return, especially since Least Developed Countries (LDCs) already qualify for the EU's Duty-Free Quota-Free access to European markets.

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<sup>2</sup> There are 33 LDCs in Africa, but Somalia has played no part in the EPAs negotiations (ODI & ECDPM, 2008:7)

## 1.2. Natural resources: what the EU really wants from EPAs

### 1.2.1. Global Europe, raw materials and energy

In 2006 the EU set out its free trade stall in a policy known as Global Europe. An analysis of the EC's statement on Global Europe quickly clarifies the EU's chief trading concerns, which are spelled out in no uncertain terms.

The entire agenda appears to be driven by the EU's anxiety to maintain competitiveness in relation to emerging economies such as China and India. Securing and maintaining cheap natural resources and energy supplies, especially in order to continue to manufacture and *export* products (rather than for domestic consumption) is at the heart of the EU's approach.

*"More than ever, Europe needs to import to export. Tackling restrictions on access to resources such as energy, metals and scrap, primary raw materials... must be a high priority. Measures taken by some of our biggest trading partners to restrict access to their supplies of these inputs are causing some EU industries major problems. Unless justified for security or environmental reasons, restrictions on access to resources should be removed...Energy will be a particularly high priority."* (EC, 2006:7)

One of the EU's main objectives in this respect is the elimination of export taxes and other export restrictions preventing access to natural resources. This desire has been pursued through thick and thin, both within the WTO's Non-Agricultural Market Access (NAMA) negotiations (see below) and now in the newly initialled EPAs.

Similarly, the Global Europe policy also homes in on the liberalisation of foreign direct investment (FDI), competition and public procurement (known as the Singapore Issues, since the creation of working groups on these issues was accepted at the WTO's first Ministerial in Singapore in 1996). The EU regards securing investment opportunities for European business as an absolute priority, because of the ongoing globalisation of supply chains and the need to ensure a physical presence in foreign countries in order to *"realise business opportunities"* (EC, 2006:8). Similarly, public procurement is seen as *"an area of significant untapped potential for EU exporters"* (EC, 2006:8). The EU also seeks to *"ensure European firms do not suffer in third countries from unreasonable subsidisation of local companies or anti-competitive practices"* (EC, 2006:8).

Global Europe has since provided the context within which all of the EU's trade negotiations, both multilateral and bilateral, have been conducted. Understanding Global Europe and its overwhelming preoccupation with securing continued supplies of natural resources, as well as new markets, is now key to understanding potential developments within the EPA negotiations.

### 1.2.2. The EU in the WTO – forests, fisheries and minerals

Even if the EU insists that it does not have particular offensive interests in the EPAs negotiations, a comparative analysis of the EU's WTO negotiating objectives and its ambitions and achievements in relation to EPAs provides some startling results.

Its starting point in both is, of course, the same: trade liberalisation, especially in natural resource sectors.

However, in EPAs, the EU completely ignores the concessions already given to poorer, more vulnerable economies in the WTO. In addition, the EC blithely dismisses the fact that its investment, competition, government procurement and export restriction agendas have entirely

failed to make the grade within the WTO (with the first three having been overtly rejected<sup>3</sup>; and the fourth currently mired in the stalled Doha negotiations). These issues all resurface in the EPAs, as rendezvous clauses in the interim EPAs and dedicated articles and annexes in the Caribbean EPA.

### ***The EU, WTO and natural resources***

#### **Liberalising trade in goods**

The WTO has been widely criticised for its disregard for development concerns. Yet even in the WTO's NAMA negotiations, which the EU and US have been trying to use to increase market access to the global South's manufacturing and natural resource sectors – including forests, fisheries and mining – many of the poorest and most vulnerable economies are exempted from liberalisation commitments.

In particular, the LDCs are not required to make any changes to their 'applied tariffs'<sup>4</sup>, although they are 'expected' to increase their tariff 'binding':

*"LDCs shall be exempt from tariff reductions. However, as part of their contribution to the DDA<sup>5</sup>, LDCs are expected to substantially increase their level of tariff binding commitments. Individual LDCs shall determine the extent and level of tariff binding commitments in accordance with their individual development objective"* (WTO, 2008).

Thus – to take West Africa as an example – Benin, Burkina Faso, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Sierra Leone and Togo are only asked to voluntarily increase their 'binding coverage'.

The WTO also makes concessions for other economies which are not yet fully integrated into the WTO process (those which have not yet 'bound' (i.e. capped) the upper limit that many of their tariffs might be set at); and those considered to be small and vulnerable economies. Looking to West Africa again, this means that Côte d'Ivoire, Ghana and Nigeria are also exempted from applying the proposed tariff reduction formula proposed in NAMA.<sup>6</sup>

The fact that so many countries do not have to make changes to their actual tariffs is a source of great frustration to market-hungry economies like the EU, which wants the NAMA negotiations to bite into 'real' tariffs.

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<sup>3</sup> The Singapore Issues were rejected during the WTO's 5th Ministerial Conference in Cancun, by a group of countries known as the G90. This group consisted of the African, Caribbean and Pacific Group (ACP), the Africa Union (AU) and the Least Developed Countries (LDCs). Collectively, they represented a majority of developing countries in the WTO.

<sup>4</sup> 'Applied' tariffs are the actual tariffs that countries may use, and 'bound' tariffs are theoretical upper limits or caps to these. 'Binding coverage' refers to the proportion of tariff lines that have so far been bound or capped under WTO rules, and differs from country to country.

<sup>5</sup> DDA refers to the WTO's 'Doha Development Agenda', its current round of trade liberalisation negotiations, which were launched at its 4th Ministerial Conference in Doha in 2001.

<sup>6</sup> If current WTO negotiations are concluded, countries with a low level of binding would only be required to increase the number of tariff lines that are subject to binding and to ensure an average bound level for those tariff lines of 28.5% or less.

***The EU, WTO and natural resources continued...*****Forcing through the 'Singapore issues'**

The controversial 'Singapore Issues' (investment, competition, government procurement and trade facilitation) have been on the EU's wish list for many years and it has already failed to finalise multilateral negotiations on these issues in both the Organisation for Economic Cooperation and Development (OECD) and the WTO.

Plans to conclude a Multilateral Agreement on Investment in the OECD – which would have been open to others to sign and would effectively have set the parameters for acceptable investment and competition regulations in non-OECD countries as well – were abandoned in 1998, following objections from France, as well as widespread public protest. Similarly, developing countries roundly rejected the Singapore issues in the WTO, even though this led to the very public collapse of the WTO's 5<sup>th</sup> Ministerial Conference in Cancun, in 2003.

The Singapore issues, if agreed, would:

- Maximise foreign enterprises' access to developing country product and investment markets, including the forest and agricultural sectors;
- Minimise the rights of host governments to regulate foreign investors;
- Prohibit governmental measures, including public procurement policies which support or encourage local enterprises, such as small-scale mining and local food production.

**Dismantling export restrictions**

As part of a broader strategy to dismantle 'non-tariff barriers' (NTBs)<sup>7</sup>, the EU also has a long-held ambition to dismantle export restrictions, which it has been pursuing in the WTO. Whether or not it will succeed with this in the WTO is a moot point at present, since negotiations are currently stalled. However, as part of this negotiation, the EC has clearly identified export restrictions applying to wood and forest products as a key EU target (along with minerals, metals, textiles and hides) (WTO, 2005:2, EC:2008c).

**1.3. The EU and the ACP: a deteriorating relationship?**

The EU has clearly failed to meet its trade liberalisation objectives in the OECD and the WTO; and sees EPAs (and other bilateral trade and investment agreements) as an alternative means of securing supplies of natural resources and new markets. The EU's determination to meet its trade objectives, and its willingness to use unfair and underhand tactics to do so, has transformed what was once a much more amicable EU-ACP partnership into an unequal and dysfunctional relationship.

EC trade negotiators seem to consider it entirely acceptable to bully and exert extreme pressure on their ACP counterparts, even during negotiations concerning sustainable development in ACP countries. At one point, the EC even argued that it had no mandate from the EU Member States to enter into negotiations on development assistance (ODI & ECDPM, 2008:72).

The EC has also been reluctant to consider addressing ACP countries' productive and trading capacities, which would clearly need substantial development if they were to engage in increased

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<sup>7</sup> NTBs can include a wide range of regulations and standards, including in relation to environment and health, at national borders and 'behind the border', i.e. inside the country. They may be perceived or challenged as barriers to trade and are a key offensive interest for the EU in bilateral trade negotiations. Together with the Singapore Issues they constitute a new frontier that the EU would like to open up through trade liberalisation.

international trade. The EC argued that these would be dealt with outside the trade negotiations in so-called Regional Preparatory Task Forces.

### ***EPAs and the EU's aggressive approach to 'development'***

The EU's disingenuous approach to EPAs is clearly illustrated by the underhand manoeuvres and bullying that it has engaged in during EPA negotiations.

Non-LDC countries were bluntly threatened with the removal of their tariff preferences – there seemed to be little concern for the very serious economic impacts that such a development would have in already vulnerable economies.

*"Political and economic pressures are being exerted by the European Commission on African countries to initial Interim Economic Partnership Agreements."*

Assembly of the African Union, Tenth Ordinary Session, 31 January – 2 February 2008

*"It's clear that Africa rejects the EPAs...We are not talking any more about EPAs, we've rejected them."*

Abdoulaye Wade, President of Senegal (ICTSD, 2007)

*"The last few weeks of 2007 were very painful....[the European side] has created a lot of strain and mistrust in the process."*

Satiawan Gunessee, Mauritius's ambassador to the EU

*"This [the threat to impose tariffs from 2008] led to a situation where a country that was unwilling to sign on did so under duress and with little enthusiasm."*

Rob Davies, South Africa's deputy trade minister

There seem to have been several occasions when the EC threatened to walk out of these 'development' negotiations in order to secure the levels of liberalisation required. At one such meeting, countries "gave in on virtually every issue" as a result. Similarly, "In what has been described as 'a particularly brutal meeting' late December, the European Commission threatened to impose GSP tariffs if the Caribbean could not improve its market access offer." (Jessop, 2007, quoted in ODI & ECDPM, 2008:81).

There are also allegations of EC negotiators claiming progress in other regions in order to move negotiations forward.

The EU even upped the pressure by moving from regional negotiations, to bilateral negotiations with countries with which there might be more chance of agreement.

Source: ODI & ECDPM, 2008 and ICTSD, 2007

EC negotiators have also promised parallel development assistance – critical if ACP countries are to be enabled to make the economic adjustments likely to be necessary following the economic upheaval that accompanies extensive liberalisation. However, negotiators argue that this is already dealt with through the European Development Fund, which has a set budget, regardless of any additional and demanding commitments the ACP may be obliged to take on board as a result of EPA negotiations<sup>8</sup> (ODI & ECDPM, 2008:72). The EC has since relented to a certain degree, agreeing to a small amount of additional bilateral funds; a strategy on, and pledge to raise

<sup>8</sup> €22.7 billion for the period 2007-2013.

funds for, Aid for Trade; and development chapters within the texts. However, no binding commitments have been made with respect to any of these promises (ODI & ECDPM, 2008:63).

Nevertheless, as the 2007 end-of-year WTO deadline approached, extraordinary and quite brutal pressure was applied by the EC, seemingly with some success in the case of countries like Ghana and Cameroon. The EU simply ignored all alternative proposals made by the ACP countries and others<sup>9</sup> and insisted on the initialling of 'interim' goods-only EPAs. It was able to operate an effective divide-and-rule strategy by negotiating not only in regions, but bilaterally with some countries within those regions.

#### **1.4. Chaos reigns: who has and hasn't 'initialled' so far?**

In spite of the intense pressure applied, many ACP countries refused to sign up by the end of 2007. Resistance came mainly from those Least Developed Countries (LDCs) who would still qualify for Duty-Free Quota-Free (DFQF) access under the EU's Everything But Arms (EBA) initiative, but also from a few non-Least Developed Countries, some of whom are able to fall back on income from oil resources (such as Nigeria, Gabon and the Republic of the Congo).

The Caribbean, with just one LDC – Haiti – thus had the most to lose, and was the only region that initialled a full EPA. However, even in the Caribbean, there remains considerable disquiet about implementation of the agreement, especially and most vocally from Guyana; and although deadlines for finally signing the document have been agreed, they have been missed several times (IPS, 2008).

A further 20 countries initialled interim or 'stepping stone' goods-only texts (with tariff schedules agreed) and generally assented – although reluctantly and without committing to anything – to a range of further negotiations.

The EU argued that this outcome would at least be in compliance with WTO rules, and that those who signed could retain their trade preferences. For some of these non-LDC signatory countries, the EU proceeded to remove all remaining tariffs and quotas, except on sugar and rice, in January 2008<sup>10</sup> (ODI & ECDPM, 2008:64). This does translate into trade benefits for a few: Cameroon, for example, has exports totalling some €176 million affected and is identified as one of the key 'beneficiaries'. Ghana, on the other hand, has qualifying exports of just €14 million. In general, the main export sectors to obtain increased market access in the EU will be agricultural, e.g. fruit, beef, some fresh vegetables, flour, cocoa and olive oil (ODI & ECDPM, 2008:65-66).

However, for LDC countries, EPAs do little more than maintain the preferential treatment previously accorded. At the same time they are expected to open their own markets to European imports to an unprecedented extent.

Table 1 shows which countries have and have not initialled interim EPAs. A key point to note is how many countries (many with significant areas of tropical forests and/or biodiversity) have so far refused to commit themselves.

<sup>9</sup> ACP countries suggested constructive and feasible alternative proposals, such as the EU applying for another WTO waiver (a temporary exemption from WTO rules) or granting GSP+ preferences to all ACP countries (GSP+ is a system which depends on countries ratifying a number of international conventions and which would provide ACP countries with Duty-Free Quota-Free Access for 88% of their exports (Oxfam, 2008:36).

<sup>10</sup> There will also be a transition phase for the Sugar Protocol; and DFQF for rice will begin in 2010.

**Table 1: African countries that have initialled interim EPAs**

Countries in italics indicate those who have initialled in each negotiating region. Countries underlined denote non-LDCs (note that only three of these have not initialled)

<b>West Africa (ECOWAS + Mauritania)</b>	<b>Central Africa (CEMAC + Democratic Republic of Congo and Sao Tomé &amp; Príncipe)</b>	<b>Eastern and Southern Africa (ESA)</b>	<b>East African Community (EAC)</b>	<b>Southern Africa "SADC Group"</b>
Benin Burkina Faso Cape Verde <u>Côte D'Ivoire</u> Gambia <u>Ghana</u> Guinea Guinea- Bissau Liberia Mali Mauritania Niger <u>Nigeria</u> Senegal Sierra Leone Togo	<u>Cameroon</u> Cent. African Republic Chad Republic of <u>Congo</u> DR Congo Equatorial Guinea <u>Gabon</u> Sao Tomé & Principe	<i>Comoros</i> Djibouti Eritrea Ethiopia <i>Madagascar</i> Malawi <u>Mauritius</u> <u>Seychelles</u> Sudan Zambia <u>Zimbabwe</u>	<i>Burundi</i> <u>Kenya</u> <i>Rwanda</i> <u>Tanzania*</u> <i>Uganda</i>	Angola <u>Botswana</u> <i>Lesotho</i> <i>Mozambique</i> <u>Namibia</u> <u>South Africa</u> <u>Swaziland</u> <u>(Tanzania*)</u>

\*The EC lists Tanzania under both EAC and SADC on its update at [http://ec.europa.eu/trade/issues/bilateral/regions/acp/regneg\\_en.htm](http://ec.europa.eu/trade/issues/bilateral/regions/acp/regneg_en.htm) (as of 23.07.08) but it seems that, as far as EPAs are concerned, it is considered a member of EAC.

Sources: EC, 2008 and UN, 2008b

Chaos now prevails. In total, 41 countries had at the time of writing refused to sign up. Nigeria, for example, is reported to have refused to initial anything because of concerns that the European Union would not provide the funds needed to make the necessary adjustment costs under an EPA; and because of a desire to ensure that the texts of an agreement are 'indigenous', not foisted on ACP countries by the EU (Leadership Nigeria, 2008).

Of those that have signed up, only the Caribbean and the East African Community (EAC) have initialled regional agreements. The others have initialled individually negotiated agreements that differ significantly from each other, even within regions. This latter fact is likely to have significant negative implications for regional integration and trade patterns (in spite of the fact that regional integration is one of the key objectives of EPAs and of the Joint Africa-EU Strategy).

Furthermore, some of the poorest countries in the ACP have been obliged to agree to the sharpest cuts in the least amount of time – clearly because their negotiating skills were not as well honed as those of some of the larger and slightly wealthier ACP countries. The Overseas Development Institute in the UK, for example, points out that "no clear pattern can be identified that the poorer countries have longer to adjust than the richer ones or of the EPAs being tailored to development needs. Some of the richer countries among the list have to adjust quickly – but so do some of the poorest. The picture that emerges is entirely consistent with the hypothesis that countries have a deal that reflects their negotiating skills: that countries able to negotiate hard,

*knowing their interests, have obtained a better deal than those lacking these characteristics" (ODI & ECDPM, 2008:xii).*

However, one potentially significant consequence of the passing of the 2007 deadline is that for many ACP countries, most especially in Africa, where a higher proportion of them are LDCs, there is now no real, political deadline for concluding EPAs negotiations, even though the EC hopes to conclude by the end of 2008 (ODI & ECDPM, 2008:62).

Within the region, African civil society groups have consistently raised strong concerns and opposition to the negotiations. Their calls for the deals to be stopped were recently renewed. In a meeting of the Africa Trade Network<sup>11</sup> (ATN) in August 2008, campaigners argued that it was "most unwise and inappropriate for African governments to be entering into far-reaching, long-term, fixed and highly questionable and contentious agreements with the EU", particularly in the context of the international energy and food crises that are affecting Africa most seriously. ATN called on African governments to strengthen their resistance to EPAs, including against EU manoeuvres to draw them into negotiations on full EPAs (ATN, 2008).

The EC will no doubt continue to exert pressure to negotiate in the key areas that it has prioritised, which are reflected in a number of 'rendezvous clauses'. These are, in essence, the areas where there is so far no agreement (for a full list of these, see ODI & ECDPM, 2008:62). These same issues have already been negotiated in the 'full' Caribbean EPA.

All African interim EPAs contain rendezvous clauses on services, as well as on investment and competition – the infamous Singapore Issues (see above). Those for the three Central and West African countries that have signed up also contain rendezvous clauses on intellectual property rights; and environment and sustainable development is still listed as an outstanding issue for Cameroon and Côte d'Ivoire.



West African Social Forum day of action on EPAs, January 2008 in Lomé, Togo ©Friends of the Earth Togo

<sup>11</sup> The African Trade Network is a major long-standing network of African social, labour, women's, faith-based, developmental, environmental, farmers, human rights and other organisations.

## 2. Forests and biodiversity at risk in EPAs

EPAs, should they be finalised and implemented, are likely to have a serious impact on the environment in many ACP countries, especially those that are rich in forests and biodiversity. This is particularly so in West and Central Africa (see Table 2).

Central Africa is home to the world's second greatest tropical forest after the Amazon – the Congo Basin. This vast ecosystem is not only a locally vital resource, and home to some of this planet's most abundant biodiversity. It is also integral to climatic regulation, both regionally and globally and thus to the world's efforts to stem climate change (FOEI, 2008).

The West African region is home to the Guinean Forests of West Africa, a biodiversity hotspot with extraordinary but endangered biodiversity (since these forests are already fragmented and vulnerable). These forests contain more than a quarter of Africa's mammals, including over 20 primate species (CI, 2008), including the white-collared mangabey, Roloway monkey, Stampfl's putty-nosed guenon, Miss Waldron's red colobus, and the Cross River gorilla (CEPF, 2008).

These impacts also have grave implications for many of the continent's poorest and most marginalised communities: worldwide, 60 million Indigenous people are wholly dependent upon forests for all their physical, cultural and spiritual requirements; and 1.6 billion people depend upon forests to some extent for their livelihoods (and more so in times of economic hardship)(FAO, 2008).

Over two-thirds of Africa's people rely directly or indirectly on forests for their livelihood, including food security (World Bank 2006). Those living in the forests are wholly dependent on the biodiversity contained within:

*“Most African forest people spend much of the year near a village where they trade bush meat and honey for manioc, produce, and other goods. A forest family will almost always trade with the village family of its choosing, and once determined, usually continues to trade exclusively with the same family. Sometimes, the relationship between the forest family and the village family will be passed on to future generations. The forest people could stay in the village if they choose, but instead return to the better life of the forest where they have less disease, cleaner water, less work, more choices, less uncertainty, no need for money, and less disputes. Studies have revealed that African forest people have better health and dietary intake than other populations in Sub-Saharan Africa.”* (Mongabay.com, 2008b)

**Table 2: ACP countries with significant areas of tropical forest and biodiversity by ranking**

Country	World ranking in terms of area of tropical forest (top 50 only)	Worldwide biodiversity ranking by number of species (top 60 only)	Total area of forest (1000s ha)*	EPA region
<b>DR Congo</b>	2	18	133,610	Central Africa
<b>Angola</b>	8	43	59,104	SADC Group
<b>Zambia</b>	11	55	42,452	ESA
<b>Tanzania</b>	12	21	35,257	EAC
<b>Papua New Guinea</b>	14	17	29,437	Pacific
<b>CAR</b>	15	-	22,755	Central Africa
<b>Congo</b>	16	40	22,471	Central Africa
<b>Gabon</b>	17	38	21,775	Central Africa
<b>Cameroon</b>	18	27	21,245	Central Africa
<b>Zimbabwe</b>	20		17,540	ESA
<b>Guyana</b>	22	37	15,104	Caribbean
<b>Suriname</b>	23	52	14,776	Caribbean
<b>Madagascar</b>	26	24	12,838	ESA
<b>Chad</b>	27	-	11,921	Central Africa
<b>Nigeria</b>	28	51	11,089	West Africa
<b>Côte d'Ivoire</b>	31		10,405	West Africa
<b>Senegal</b>	32		8,673	West Africa
<b>Burkina Faso</b>	35		6,794	West Africa
<b>Guinea</b>	36		6,724	West Africa
<b>Ghana</b>	37		5,517	West Africa
<b>Uganda</b>	42	47	3,627	EAC
<b>Kenya</b>	43	34	3,522	EAC
<b>Malawi</b>	44		3,402	ESA
<b>Liberia</b>	45		3,154	West Africa
<b>Sierra Leone</b>	46		2,754	West Africa
<b>Benin</b>	48		2,351	West Africa
<b>Solomon Islands</b>	49		2,172	Pacific
<b>Guinea-Bissau</b>	50		2,072	West Africa
<b>South Africa</b>		6		
<b>Ethiopia</b>		36		
<b>Mozambique</b>		42		
<b>Dominican Republic</b>		53		
<b>Haiti</b>		59		

\* This figure is used as a proxy for area of primary forest as data is generally not available.

Source: mongabay.com (2008). Mongabay uses forest figures derived from FAO's Forest Resources Assessment 2005, biodiversity figures from World Conservation Monitoring Centre of the United Nations Environment Programme (UNEP-WCMC), 2004; and Species Data (unpublished, September 2004).

Yet an analysis of the existing interim EPAs in the West and Central African regions, and of the Caribbean full EPA, indicates that EPAs could force through changes in trade regulations that have a direct and dramatic impact on the regions' forests and biodiversity, including by increasing foreign investment in natural resource and agricultural sectors; banning the use of export restrictions, including in relation to timber exports; and generally increasing levels of poverty and thus reliance on natural resources.

The EC's final Sustainability Impact Assessment (SIA) of the EPAs, undertaken by law firm/consultancy PricewaterhouseCoopers (PWC), does address a number of issues relating to environmental concerns, including environmental standards, increased use of fossil fuels and waste, and food security. However, the final *'Summary of Key Findings, Policy Recommendations and Lessons Learned'* uses a case study methodology that fails to even identify forests or biodiversity as potential areas of concern (PWC, 2007). Forests are not mentioned at all.

However, these concerns have been raised previously, including by PWC themselves (in a 2003 mid-term report on the SIA, see box). Whether by accident or design then, it seems that concerns about forests and biodiversity have been dropped from the final SIA.

#### **Potential impact of EPAs on forests and biodiversity**

*"From an environmental perspective, key indicators that are emerging as important components of this SIA focus in the ACP regions principally on the use of natural resources. This includes overexploitation of marine resources that support the fisheries, it also includes forest products, particularly in Africa and in the Central American Caribbean countries, and pollution impacts brought about by the use extraction and processing of petroleum, the use of inefficient and old technologies, and the use of fossil fuels as a major energy source. Biodiversity is also emerging as an area of potential focus, in particular because of the increasing fragmentation and loss of habitats as a result of patterns of migration, urbanisation and agricultural activities."*  
(PWC, 2003:22)

*"Western Africa as a region is well endowed with a wide diversity of habitats and species of flora and fauna. Its forests are particularly diverse. However, there are serious threats to the biodiversity in the region, through habitat loss brought about by human behaviour [which] has led to the loss [of] a number of species of flora and fauna and threatens many more. Population pressures can put pressure on habitats as lands are converted for urban development and agricultural plantations to service growing population. In addition, it can lead to over-harvesting of plants and animals due to increasing population and rising consumption levels. Trade liberalization and the economic pressure that it encourages threaten biodiversity in a number of ways. Most directly, [trade liberalization] involves the potential for a depletion in species brought about by an increase in the trade in endangered species, without adequate enforcement of international MEAs [Multilateral Environmental Agreements] such as CITES. In addition, increased trade can facilitate the introduction of alien invasive species (which dominate and alter habitat conditions). Economic pressures could also lead to the continued destruction and fragmentation of habitats (including deforestation), accelerated by increasing populations and increasing industrial and agricultural activity. This might include clearing and burning of forests, uncontrolled or illegal logging, fuel wood extraction, shifting agriculture, nomadic cattle rearing, overgrazing, and the continuous exploitation of marginal lands."* (PWC, 2003:63)

*"An additional pressure on primary forest [is] wood exploitation [which] will need serious management of the resource, mainly in countries like Ghana and Ivory Coast."* (PWC, 2003:129)

This failure to mention potential impacts on forests and biodiversity in PWC's *Summary of Key Findings* is also in stark contrast to previous EC SIAs, conducted for WTO negotiations. These have stated, for example, that *"The sectoral SIAs for agriculture, forests and fisheries have all identified significant adverse environmental trends that may be exacerbated by the trade liberalisation scenario, unless countered by appropriate mitigating policies"* (EC, 2006b: 67).<sup>12</sup>

Similarly, the EC's dedicated forest products SIA, again targeted at WTO negotiations, pointed out that there are likely to be significant and irreversible impacts on forests and biodiversity in 'biodiversity hotspot' countries such as Brazil, Indonesia, countries in the Congo Basin and Papua New Guinea. In addition, countries that currently protect their forest industries using trade measures can expect those industries to shrink and possibly collapse. Yet no comparable assessment of the impacts of trade liberalisation on forests and biodiversity seems to have been commissioned by the EC for the EPAs process (EC, 2005).

The EU's SIA on EPAs is remarkably weak in comparison. It does identify some of the economic impacts identified in this report, but seems to do so inconsistently. For example, it observes that "increased production in the agricultural and other sectors could lead to increased pressure on the environment". However, in the paragraph immediately preceding this one it also asserts that: "There are unlikely to be major changes associated with land use brought about by liberalisation per se". The potential for increased deforestation seems to be overlooked (PWC, 2007:60).

Critically, the underlying premise that ACP countries should liberalise by at least 80% is not challenged. In general, the report recommends 'add-on' solutions focusing *inter alia* on the development of regional strategies on environmental standards, industry guidelines and capacity-building; ensuring production and processing are governed by sound environmental and social regulations; prioritising trade in environmental goods and services; promoting technology transfer; prohibiting the lowering of environmental standards in order to attract investment; and developing waste, water and recycling infrastructure. Perhaps its strongest recommendation is that there should be mandatory requirements on foreign direct investment to ensure that sustainability is prioritised (PWC, 2007:73).

No general chapters on sustainable development and the environment have yet been included in the West and Central African EPAs. It is also worth noting that the completed Caribbean EPA, which does have a chapter on the Environment<sup>13</sup>, says that parties "reaffirm their commitment to promoting the development of international trade in such a way as to ensure sustainable and sound management of the environment" but does not otherwise address the issue of how other chapters in the Agreement might damage the environment (CARIFORUM-EC, 2008).

The one possible exception to this rather weak approach to environmental concerns can be found in the Cameroonian EPA, which includes a dedicated chapter on 'non-discriminatory means' of achieving the elimination of illegal logging. This, no doubt, relates to the EU's Forest Law Enforcement Governance and Trade (FLEGT) process, and the fact that it is in the process of negotiating a Voluntary Partnership Agreement (VPA) on logging with Cameroon. However, as can be seen below, this potential plus point is likely to be negated by other provisions in Cameroon's EPA which could increase deforestation rates.

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<sup>12</sup> The mitigating policies referred to here tend to be 'flanking' policies, additional measures that do not address or challenge the underlying trade liberalisation process itself.

<sup>13</sup> The environment chapter also addresses the sustainable management of natural resources and the environment, multilateral and regional environmental agreements, promoting trade in goods and services considered to be beneficial to the environment and the need to adopt international standards where possible.

### **FLEGT and the timber trade**

The EU's approach to EPAs contrasts sharply with the approach that it has adopted as part of the VPA negotiating process under the EU's FLEGT Action Plan, which does at least aim to consider adverse impacts on people and communities. The European Council of Ministers for example:

*“urges the Community and Member States to enter into political dialogue with key target countries to instigate forest sector governance reforms, more specifically to:*

- *Strengthen land tenure and access rights especially for the marginalised, rural communities and indigenous peoples; [and to]*
- *Strengthen effective participation of all stakeholders, notably of non-state actors and indigenous peoples, in policy-making and implementation.”*

The implementation of this has been varied. In Ghana, for example, many different civil society and other stakeholders have been involved in discussions with Ghanaian officials. However, experiences in other countries, such as Malaysia, have not so far been so favourable.

In spite of the FLEGT process, the problem of 'illegal' logging is likely to persist in participating countries. In particular, because VPAs are intergovernmental agreements, and (in the case of Ghana, at least) because civil society has been unable to discuss VPAs fully and directly with the EU's FLEGT negotiators, the interests of the communities are unlikely to be properly represented. Thus the definition of 'illegal logging' may include the cutting of timber used by local and impoverished peoples, denying them access to this important resource; the costs associated with certifying 'legal' timber may be too high for local communities and small and medium enterprises to participate; and the certification process itself may be equally prone to the same persistent corrupt practices and practitioners (Friends of the Earth Ghana, 2008).

## **2.1. Deindustrialisation, poverty and natural resources**

In spite of the stark disparities between the EU and ACP countries, the EC, which negotiates on behalf of the 27 member states, has been urging ACP countries to aim to remove at least 80% of their import tariffs; and the EC notes that planned tariff liberalisation rates in those ACP countries where EPAs have actually been initialled as being between 80% and 97.5% (EC, 2007).

It is disingenuous to argue that this overtly market-opening tactic is for the benefit of ACP countries. There is already considerable evidence to suggest that such rapid and extensive market opening can trigger deindustrialisation. Many developing countries, for example, were obliged to open vulnerable markets when undertaking World Bank and IMF Structural Adjustment Programmes in the 1980s and 1990s. War on Want gives the following examples of countries that fared particularly badly when their domestic industries failed to compete with cheaper imports:

- Côte d'Ivoire, which witnessed the virtual collapse of its chemicals, textiles, shoe and automobile assembly sectors when tariffs were cut by 40% in 1986;
- Kenya, with beverages, tobacco, textiles, sugar, leather, cement and glass products sectors all struggling to survive following a major trade liberalisation programme in 1993;
- Cameroon, Malawi, Mozambique, Tanzania, Zambia and Zimbabwe, all of which experienced the closure of large numbers of manufacturing firms following structural adjustment in the 1990s (War on Want, 2005:4).

Indeed, the risks to small and weak economies are widely acknowledged and many ACP countries are, as a result, entirely exempt from market opening in the WTO's Non-Agricultural Market Access negotiations. Yet the EC still insists its demands are not only reasonable, but 'generous':

*“The EU believes the benchmark for WTO compatibility in this case should be 100% liberalisation of EU Trade and at least 80% of ACP trade over 15 years, with the majority of this in 10 years. This represents the most generous interpretation of WTO rules ever applied.” (EC, 2008b:3)*

#### **Asymmetries between the EU and the ACP**

	<b>EU</b>	<b>ACP</b>
<b>Number of countries</b>	27	77
<b>Population</b>	426 million (EU-25)	706 million
<b>GDP</b>	€10,817 billion (2005)	€300 billion ('current')
<b>GDP per capita</b>	€23,413 (2005)	€426 ('current')
<b>Least Developed Country (LDC) members</b>	None	38 (33 in Africa, 5 in the Pacific, 1 in the Caribbean)

Source: PWC 2007

Thus, far from promoting development, EPAs could push ACP countries into deindustrialisation, by forcing ill-prepared and infant industries to compete with European imports with little protection; and by removing a critical source of government revenues.

Although the EC claims that EPAs will promote industrial diversification and that this will allow countries to move away from their current dependence on natural resource exports to earn hard currency, the mid-term version of the EPAs SIA predicted that EPAs could in fact lead to the collapse of the manufacturing sector in West Africa (PWC, 2003:127).

The economic shocks that can be expected to occur as a result of extensive liberalisation may be worsened by increasing food insecurity, partly because increasing foreign direct investment flows into agricultural sectors could promote the production of food for export rather than local consumption (see below), and because food export restrictions may be prohibited.

Tanzania’s recently imposed food exports ban, for example, put in place because of the current food crisis, could be forbidden under what has been described as the “*blanket prohibition*” on export restrictions in all other EPAs (ODI & ECDPM 2008:57). Fortunately this ban does not apply to the particular EPA that Tanzania has initialled, which explicitly refers to food security concerns (ODI & ECDPM, 2008:57). Chad provides an example of a country that uses potentially EPA-incompatible food export restrictions, on cereals and beef, to protect food security and its livestock population respectively. If Chad signs up to the same EPA as Cameroon, it may find itself in difficulty in relation to these food security measures (ODI & ECDPM, 2008:13).<sup>14</sup>

Increases in poverty, unemployment and hunger are also likely to worsen pressure on forests and biodiversity – the resources that marginalised people increasingly rely upon in times of economic hardship.

<sup>14</sup> Some of the EPAs do make provision for some pre-emptive safeguards to limit imports and protect food security: this is permitted in Cameroon, Ghana and Côte D’Ivoire (and the Caribbean), but only for a maximum of 200 days. It is not allowed for in the EAC, ESA or SADC texts (ODI & ECDPM, 2008:58).

### **Poverty and natural resources**

As the UN Millennium Ecosystem Assessment points out *"the degradation of ecosystem services is harming many of the world's poorest people and is sometimes the principal factor causing poverty"* and *"The world's poor depend disproportionately on ecosystem services to provide for their systems of small-scale agriculture, grazing, harvesting, hunting and fishing. Without access to infrastructure providing safe drinking water, electricity, fuel and transportation, poor people rely on natural sources of clean air and water, fertile soil, renewable energy and biodiversity to meet their needs"* (Sachs & Melnick, 2005).

Similarly, a report from the World Resources Institute, the World Bank, the United Nations Environment Program and the United Nations Development Program also argues that natural resources represent a route out of poverty for the impoverished: *"three-fourths of them live in rural areas; their environment is all they can depend on. Environmental resources are absolutely essential, rather than incidental, if we are to have any hope of meeting our goals of poverty reduction"* (UNDP *et al*, 2005).

In addition, the Food and Agriculture Organization (FAO) published a research report on the links between trade and sustainable forest management in 2004 (bearing in mind the EC SIA's point that domestic forest industries in certain countries could collapse as a result of trade liberalisation). It found that, *"In many developing countries, domestic forest products trade is important for economic development and the livelihoods of rural communities, even if it may appear to contribute relatively little to gross national product"* (Mersmann, 2004).

Furthermore, loss of customs duties on imports will remove a large part of ACP governments' revenue. The UK's Institute for Development Studies (IDS) has estimated that, from a base scenario of 80% liberalisation, three quarters of ACP countries could lose 40% of their EU tariff revenue, while over a third may lose as much as 60% or more (IDS, 2005). Indeed, the extent of the liberalisation being proposed is surprising, especially when compared with the considerably less stringent regime that would apply to these same countries in the WTO's Non-Agricultural Market Access (NAMA) negotiations. See Table 3 below.

**Table 3: Liberalisation and predicted revenue losses in West and Central African interim EPAs**

<b>Country</b>	<b>% of goods to be liberalised under EPAs, by value, by 2022</b>	<b>% of goods likely to be liberalised under NAMA (assessment on the basis of ongoing negotiations)</b>	<b>Theoretical loss from revenue if liberalised under EPAs (millions of US\$)</b>
Cameroon	79	0* **	99
Côte D'Ivoire	80	0**	139
Ghana	79.7	0*	97

\* These countries may be defined as Small and Vulnerable Economies that have a low percentage share in world trade.

\*\* These countries are exempt from making reductions to their applied tariffs as they are countries with less than 35% of their tariff lines already bound (i.e. capped).

Source: ODI & ECDPM, 2008; South Centre, 2007; South African businesses, 2007

## 2.2. EPAs and foreign direct investment

It is evident from negotiations held so far – both in terms of rendezvous clauses still outstanding and in view of the content of the Caribbean EPA – that the EU hopes to liberalise investment regimes through the EPA process.<sup>15</sup> All of the interim EPAs initialled so far in West and Central Africa, for example, contain rendezvous clauses on the Singapore issues<sup>16</sup>; and these are now formally enshrined, in detail, in the new Caribbean EPA.

In general, in terms of forests and biodiversity, the liberalisation of investment and the other Singapore issues will entail handing over more rights to foreign corporations to exploit forests, and other natural resources such as oil and gas. Critically, the Caribbean EPA explicitly includes investment in the forestry, fishing and mining sectors, although some countries have listed exemptions (CARIFORUM-EC, 2008b). One can therefore predict that similar objectives may prevail in the other regions.

Even though tariff liberalisation in the forest and forest products sector – in relation to unprocessed timber especially – is not predicted to have much of an impact on trade in that sector (because tariffs are already low (FAO, 2005)), investment liberalisation could still make a significant difference to deforestation rates. It could close down ACP governments' policy space, preventing them from regulating the activities of foreign corporations and preventing corporate abuses in the forest sector. Ultimately, it means that poor communities will increasingly be severed from their forest resources.

In general, the kind of policies that would be targeted include restrictions on land ownership, performance requirements (such as local content rules), restrictions on non-residents establishing subsidiaries or branches in a country and/or requirements that any foreign investment be part of a joint venture also involving residents and/or the government.

In practice, in the forestry sector, a wide range of measures, including licenses and permits, agricultural policies and planting and harvesting restrictions are considered restrictions on investment (IADB, 2006). A typical example might be Cameroon's policy that licenses to exploit forests are only granted to Cameroon's residents or firms headquartered in the country whose capital composition is known to the Forests and Fauna minister (WTO TPR).

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<sup>15</sup> In terms of investment, the EU's negotiating mandate is restricted by the member states. It is only mandated to negotiate market access for EU investors. Thus it aims to incorporate what are known as 'pre-establishment' measures into potential trade treaties. But the right to negotiate 'post-establishment' measures, which include investment protection measures such as investor-state dispute settlement, remains with the EU's member states. These would be included in Bilateral Investment Treaties (BITs).

<sup>16</sup> Whether or not public procurement will be negotiated within the Ghana interim EPA is unknown at present (ODI & ECDPM, 2008:135).

### ***FDI and natural resources in Ghana***

Ghana has 'initialled' an interim EPA which contains rendezvous clauses relating to investment and competition. In other words, these areas remain contentious, and the EC still seeks to gain certain trade benefits through them. However, Ghana already has a relatively liberal investment regime and it is not entirely clear what the EU's additional interests are beyond liberalising market access and subsidisation in the petroleum sector (which *is* clear, and is probably of particular interest because of Ghana's recent offshore oilfield discoveries).

Recent EU questions concerning Ghana's trade policy, however, (discussed in the WTO in March 2008), indicate that the EU's concerns could include local content restrictions; the continued existence of a number of fully-state owned enterprises (including in the electricity and petroleum sectors); a requirement for local participation in mineral and oil projects, with the government acquiring 10% equity in ventures at no cost; and prohibition on land ownership and ownership of fishing operations by foreigners<sup>17</sup>.

Source: WTO TPR

It seems that there are a range of investment restrictions in place to conserve natural resources and/or promote local and small-scale economic development in countries such as Ghana and Cameroon. These are at risk if investment is included in EPAs.

Even though ACP countries can and have exempted some of their most critical agricultural tariff lines from market liberalisation, investment in the agricultural sector could also have a major impact on both food security and deforestation if it resulted in increased and/or intensified production. Investment liberalisation in agriculture – already explicitly included in the Caribbean EPA (CARIFORUM-EC, 2008b) – can be expected to promote an economic model whereby agricultural production is oriented towards increased exports of agricultural products, including biofuels, rather than the production of food for local consumption. This would force communities off their land to make way for foreign companies, pushing them towards urban centres or the forest margins. This policy could also impact negatively on precious forest resources as land is cleared to make way for further agricultural exports.

Examples of this are given in the EU's own impact assessments (again, more succinctly in the 2003 mid-term report, see box below). Forests have been cleared in West Africa when the economies were re-oriented to export cash crops such as coffee, cotton and sugar (PWC, 2003).

### ***Clearing African forests to grow food***

*"Forests have...been cleared for agriculture, particularly during the 1970s and 1980s when high incomes could be earned from cash crops such as coffee, cotton and sugar. Local communities often suffer most from forest degradation as they lose vital sources of firewood, construction materials, clothing, pharmaceutical products, food, hunting, accessories, cultural and religious apparatus and grazing land for animals. In addition, the region loses key carbon sinks that can contribute to mitigating the challenge posed by global climate change."* (PWC, 2003:64)

*"An increase of production of agricultural products, if not properly managed, will result in (sic) a pressure on lands and soils. In Sahel countries it is a major concern and the increase of lands devoted to cotton production will probably result in an increase of possible desertification; additional production will also induce the need of bigger farms and thus the reduction of small family farms with more mechanisation, more fertilisers, more chemicals."* (PWC, 2003:128)

<sup>17</sup> Except for tuna, where 50% ownership of tuna fishing vessels is permitted by foreigners.

Any deal on investments could also lock ACP countries into their liberalisation commitments. Additionally, any ACP countries going beyond EPAs and agreeing to BITs that incorporate additional investor protection measures could find that this allows corporations to bring cases against them, either directly or with the assistance of their government (see, for example, Article 10 of the 1989 Agreement for the Promotion and Protection of Investments between the UK and Ghanaian governments (FCO, 2008)). Many such cases have already been brought before the International Centre for the Settlement of Investment Disputes, including by mining, oil and gas corporations targeting some of the poorest states in the world, such as Niger and the Central Africa Republic, over disputed exploration and exploitation concessions.<sup>18</sup>

### 2.3. Export restrictions, forests and biodiversity

In the forest and forest products sector, tariff liberalisation is not really an issue as tariffs are mostly low, especially in developed countries (FAO, 2005). However, quantitative export restrictions are another matter, since many developing countries use such measures to promote value-added domestic processing; to protect the environment and natural resources (especially forests and fisheries); and/or to generate fiscal revenue (OECD, 2003).



Logging harvest ©Flickr

Export restrictions in the forest sector include total export bans, export quotas and selective bans based on species, export taxes or export levies, restrictions on quantity because of limits on harvest levels and administrative controls such as permits and licences. FAO reports a general shift away from export taxes towards quantitative restrictions and points out that,

*“Although sometimes criticized, such restrictions can contribute to industrial development and prevent the destruction of forests, albeit at a substantial cost. They can also enhance people’s well-being, provided that the restrictions are adapted to local situations and used in combination with other policy instruments aimed at rural or industrial development.”* (FAO, 2005:111)

<sup>18</sup> For more details relating to these and other cases, see web pages for completed cases at <http://icsid.worldbank.org/ICSID/Index.jsp>

The EU, however, views these export restrictions as an unfair impediment to its manufacturing industries and is determined to remove them in order to secure supplies of raw materials. This objective has been clearly identified as a top priority in its Global Europe strategy; and it has *“identified at least 450 restrictions on more than 400 tariff lines consisting of various raw materials (metals including ores and scrap, wood, hides and skins, oil and gas, ceramics, chemicals, textile)”* (EC, 2008c).

Although it has failed to achieve this objective within the WTO, it has been considerably more successful in the EPAs negotiations, having inserted prohibitions on various export restrictions into the full and interim EPAs that have so far been initialled (see Table 4). In general, the EU has sought to ban quantitative export restrictions; and to limit the use of export duties. In *some* interim EPAs some exceptions are permitted, including for environmental protection, but these are only temporary.

**Table 4: Prohibitions on export restrictions in interim and full EPAs**

<b>Country/ Country grouping</b>	<b>Export duties</b>	<b>Abolition of NTBs and quantitative measures</b>
<b>Cameroon</b>	No new export duties shall be introduced / existing export duties increased. Temporary introduction / increase allowed in case of environmental protection or to maintain currency value stability. EC needs to be consulted; provision will be jointly reviewed periodically.	Prohibition of any import or export restrictions other than customs duties and taxes (notwithstanding antidumping/countervailing measures). But, in case of public finance difficulties or environmental protection, temporary customs/excise duties might be introduced if the EC agrees (periodic review).
<b>CARIFORUM</b>	Existing export duties have to be abolished after three years.	Prohibition of any import or export restrictions other than customs duties and taxes – notwithstanding antidumping/countervailing measures and safeguards.
<b>Côte d’Ivoire</b>	No new export duties shall be introduced / existing export duties increased. Temporary introduction / increase allowed in case of infant industry / environmental protection or to maintain currency value stability. EC needs to be consulted; provision will be jointly reviewed after 3 years.	Prohibition of any import or export restrictions other than customs duties and national taxes/regular fees and charges. But temporary introduction of customs/excise duties in ‘exceptional circumstances’ (cross references to infant industry provision).

Country/ Country grouping	Export duties	Abolition of NTBs and quantitative measures
<b>East African Community</b>	No new export duties shall be introduced / existing export duties increased. Temporary introduction / increase allowed in case of infant industry protection or to maintain currency value stability, subject to authorisation of joint Council. EPA Council reviews measures after 2 years.	Prohibition of any import or export restrictions other than customs duties and taxes (notwithstanding anti-dumping / countervailing measures). But temporary export restrictions to prevent critical shortages of foodstuff/infant industry protection. Import and export prohibitions necessary to the application of standards for the classification / marketing of commodities.
<b>Eastern and Southern Africa</b>	No new export duties shall be introduced / existing export duties increased.	Prohibition of any import or export restrictions other than customs duties and taxes (notwithstanding anti-dumping / countervailing measures). But temporary introduction of customs/excise duties in 'exceptional circumstances' (cross references to infant industry provision).
<b>Ghana</b>	No new export duties shall be introduced / existing export duties increased. Temporary introduction / increase allowed in case of infant industry / environmental protection or to maintain currency value stability. EC needs to be consulted; provision will be jointly reviewed after 3 years.	No new customs duty on exports or equivalent charges shall be introduced or increased. But: temporary introduction of customs/excise duties in 'exceptional circumstances' (cross references to infant industry provision).
<b>Pacific</b>	Temporarily allowed in exceptional circumstances (infant industry protection) subject to mutual agreement. All other export duties need to be abolished.	Prohibition of any import or export restrictions other than customs duties and taxes (notwithstanding anti-dumping / countervailing measures). But temporary introduction of customs/excise duties in 'exceptional circumstances' (cross references to infant industry provision).
<b>Southern Africa</b>	No new export duties shall be introduced / existing export duties increased. Temporary introduction / increase allowed in exceptional circumstances (infant industry protection); EC needs to be consulted.	No new customs duty on exports or equivalent charges having equivalent effect (notwithstanding anti-dumping/countervailing measures) But SADC countries (except South Africa) may introduce temporary export taxes for infant industry protection purposes.

Source ODI &amp; ECDPM, 2008



**Table 6: Examples of forest-related export restrictions in African countries that have not yet signed up to an EPA**

<p><b>Central African Republic</b></p> <p>(Source: WTO TPR 2007)</p>	<p>Forestry is a key subsector and export duties and forestry royalties constitute an important source of fiscal earnings; a large source of export earnings; value added for the first stage of timber processing; and jobs for some 4,000 people, while others derive their income indirectly from the subsector. A Forestry Code will implement a stronger ban on exporting logs and promoting the export of timber processed on the spot. Gold, diamonds, wood, cattle and live wild animals are all subject to export duties and taxes. However, CAR has already eliminated all quantitative export restrictions.</p>
<p><b>Republic of Congo</b></p> <p>(Source: WTO TPR, 2006)</p>	<p>Various taxes are levied on timber exports, to fund the cost of controlling forest product exports and paying for roads; on the basis of value, species and the degree of processing; and on rough timber above quotas. Under the Forestry Code, only processed wood in the finished or semi-finished state may be exported, but in practice each forestry enterprise is required to limit rough timber exports to 15% of its total production volume. This threshold is often exceeded, triggering payment of the 15% surcharge. In 2004, about 84% of wood exports (in volume terms) were in rough timber form.</p>
<p><b>Gabon</b></p> <p>(Source: WTO TPR, 2007)</p>	<p>Under the new Code, two logging permits are available to enterprises: the sustainable forest concession (CFAD); and the associated forestry permit (PFA), which is only available to nationals. The authorities are responsible for following up the implementation of the land-use, industrialisation and reforestation plans, but they have indicated that they lack the necessary human and financial resources. A proposal for a National Forest Fund (FFN) is being considered by Parliament. With a view to promoting the industrialisation of the wood sector, the new Code establishes a minimum level of processing for logs produced in Gabon, which will be 75% from 2012 (compared with about 43% in 2006). This provision would be progressively implemented by means of an export quota set annually. This system appears to have been in operation since July 2007.</p> <p>Gabon has abolished most of its export duties and taxes. Only logs and manganese are subject to an export tax of 17% and 3.5% respectively. However, processed wood products can be exported free of export taxes.</p>

Source: WTO Trade Policy Reviews

There is some debate about what the consequences of removing export restrictions would be, both in terms of deforestation rates and the development of value-added processing within the countries concerned. A 2006 assessment of literature on export restrictions (Reichert, 2006) found some disagreement about the extent to which export restrictions benefit the environment. A UNEP study found that trade liberalisation in another ACP country, Tanzania, led to a rapid increase in deforestation as exports for forest-based products rose dramatically, as exports of processed wood increased alongside domestic production (UNEP, 2001). Similarly, in Indonesia, a reduction in the export tax applied to logs led to a rapid growth of both legal and illegal log exports, resulting in increased deforestation (Pribadi, 2002). The World Bank, on the other hand, argues that the removal of export duties will lead to environmental benefits by increasing processing efficiency.

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The same research also found that a range of developing countries, including Indonesia, Malaysia, the Philippines, the Dominican Republic, Mexico (an OECD member but considered a developing country in the WTO) and Nicaragua have explicitly stated that the export taxes levied in their country serve environmental and resource conservation objectives.

Malaysia has also argued that domestic circumstances mean that it is very difficult to implement environmentally more efficient instruments like fees on the number of cut trees or the auctioning of logging quotas. Taxation of natural resources is under the jurisdiction of state governments, which are presumably not willing to use those instruments, while the federal government is allowed to implement uniform export taxes and timber products (Reichert, 2006).

The key difficulties in timber exporting countries are weak governance and enforcement capacity. Trade liberalisation tends to exacerbate such problems, leading to increased deforestation and loss of biodiversity. Thus a prohibition on the use of export restrictions is likely to be counterproductive, potentially leading to rising exports of wood products, while expected improvements in efficiency of processing industries do not seem to materialise automatically (Reichert, 2006). Export taxes are inferior to instruments such as stumpage fees from an environmental policy perspective, but they can be used as a 'second-best' instrument that is easier to administer especially in countries with relatively weak governance structures (Reichert, 2006). Export restriction should not be challenged through EPAs.

It is also important to note that the EU's approach to export restrictions seems to imply that Europe should have an equal right to exploit other nations' natural resources. This flies in the face of the United Nations International Covenant on Economic, Social and Cultural Rights, which states that *"All peoples may, for their own ends, freely dispose of their natural wealth and resources without prejudice to any obligations arising out of international economic cooperation, based upon the principle of mutual benefit, and international law. In no case may a people be deprived of its own means of subsistence."* (UN, 1976)

Similarly, the second principle of the Rio Declaration on Environment and Development reiterates the fact that states have *"the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies"* (UNCED, 1992).

The removal of export restrictions could also be used to prevent countries using trade measures to restrict food exports in response to food crises. This is another key area that seems to have been overlooked during the EPAs negotiations that urgently requires further attention.

The EPAs negotiations cannot continue to challenge national sovereignty over natural resources. Countries need to maintain their policy space, and be able to use export restrictions to promote equitable, local and sustainable economic development and protect their resources. The EU has no automatic right of access to other countries' raw materials.

### 3. Conclusions

If negotiations on Economic Partnership Agreements continue, they could lead to trade deals that have significant negative impacts on forests, biodiversity and forest-dependent communities. The EC's own mid-term Sustainability Impact Assessment (SIA) clearly acknowledged the likelihood of such impacts, as have previous EC SIAs, which focused on the potential impact that agreements resulting from WTO trade liberalisation negotiations could have on forests and the forest products sector.

Yet the final summary report from the EC's SIA of Economic Partnership Agreements makes no mention of potential impacts on forests at all; and only mentions biodiversity once (in terms of the impacts that tourism might have on biodiversity in the Caribbean). It seems that some very serious potential environmental and social concerns are being overlooked, whether by accident or design, in the rush to finalise EPAs.

For example, the EC SIA conducted for WTO negotiations stated that *"Overall adverse effects on climate change and global biodiversity are expected, primarily through increased transport and pressures for increased agricultural production in biologically sensitive areas"* (EC, 2006b:v). Similarly, the EC's dedicated forest sector SIA, again targeted at WTO negotiations, pointed out that there are likely to be significant and irreversible impacts on forests and biodiversity in 'biodiversity hotspot' countries such as Brazil, Indonesia, countries in the Congo Basin and Papua New Guinea (EC, 2005:7). In addition, countries that currently protect their forest industries using trade measures can expect those industries to shrink and possibly collapse. Yet there seems to be no comparable publicly-available assessment of the impacts that trade liberalisation brought about by EPAs might have on forests and biodiversity.

The initialled texts of both the interim EPAs and the full Caribbean EPA, taken together with the EPAs' negotiating history to date, clearly indicate that the EU aims to use these agreements to increase access to natural resources and secure new trade and investment markets. This has little to do with development: rather it is in complete accordance with the EU's current approach to trade and investment, as laid out in its 'Global Europe' policy. According to this, priority is given to the need to secure access to raw materials imports in order to ensure Europe's continued ability to export to global markets on a competitive basis.

The Caribbean EPA, for example, includes investment liberalisation clauses that explicitly include the agriculture, forestry and fisheries sectors, and other countries can thus expect to be faced with similar requests from the EC, should they proceed with EPA negotiations. This is borne out by the fact that all of the interim EPAs initialled so far in West and Central Africa contain rendezvous clauses on the Singapore Issues.

Liberalising investment means handing over more rights to foreign corporations to exploit forests, and other natural resources such as oil and gas. Investment liberalisation would close down ACP governments' policy space, preventing them from regulating the activities of foreign corporations and stopping corporate abuses in the forest sector. Ultimately, it means that poor communities would increasingly be severed from their forest resources.

Even though ACP countries can and have exempted some of their most critical agricultural tariff lines from market liberalisation, investment liberalisation in the agricultural sector could also have a major impact on both food security and deforestation if it resulted in expanded and/or intensified agricultural production.

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The initialled EPAs also contain prohibitions on export restrictions, which could have a significant impact on measures currently in place in a number of African countries to protect forests and biodiversity and promote domestic processing. The removal of export restrictions could also prevent countries using trade measures to prevent food exports in response to food crises.

However, the precise nature of these prohibitions differs from agreement to agreement. Ghana, for example, seems to have managed to escape a complete ban on its log export restrictions (presumably through adept negotiation). However, both neighbouring Côte d'Ivoire and Cameroon, the only other countries in the West and Central African regions to have initialled interim EPAs, have fared quite differently. The texts for both prohibit the use of export restrictions or any permanent increases in export taxes. This means that current export restrictions, in the forest sector in Cameroon for example, might have to be removed.

Other countries in West and Central Africa (such as the Central African Republic, Congo and Gabon) also employ export restrictions that may have to be removed, should these countries relent and sign up to an EPA with the EU. An almost pan-African prohibition on the use of log export restrictions to protect biodiversity and promote on-the-spot and downstream processing remains a distinct possibility.

The EC is quite wrong to argue – as it does in its Global Europe documents – that *“the dependence of EU industries on imports from third countries means they need better access to raw materials to compete on a fair basis”* (EC, 2006c). There is no legal or moral requirement for countries to share their natural resources with others – quite the opposite, in fact. The United Nations International Covenant on Economic, Social and Cultural Rights, which came into force in 1976, states that *“All peoples may, for their own ends, freely dispose of their natural wealth and resources without prejudice to any obligations arising out of international economic cooperation, based upon the principle of mutual benefit, and international law. In no case may a people be deprived of its own means of subsistence.”* (UN, 1976) Furthermore, Principle 2 of the 1992 Rio Declaration on Environment and Development, and Article 3 of the Convention on Biological Diversity both confirm states' sovereign right to exploit their own resources in accordance with their own environmental policies.

The EC is also being disingenuous when it equates trade liberalisation with development. If this were really the case it would not be necessary to force unwelcome issues, such as the Singapore issues (which include liberalisation of investment, competition and government procurement) onto the negotiating table – especially when they have been already roundly rejected by developing countries in the WTO.

Similarly, why should ACP countries be required to open some 80% plus of their tariff lines to European imports, when no such requirement is made of them in the WTO, precisely because their economies are vulnerable and developing? There are many who believe that such drastic liberalisation will undermine domestic production and economic development, and threaten food security – precisely the opposite of what is desired.

The sub-regional and now bilateral negotiating approach in operation within the EPA negotiations also seems to offer the EC a very effective opportunity to divide and rule. ACP countries are having to negotiate in isolation or in small groups, and those countries and groups are increasingly finding themselves in competition with each other, which is having a negative impact on regional integration.

Overall, it seems that ACP countries, especially those who are LDCs (as most African countries are) have little to gain from EPAs and are participating simply to try and retain their existing trade

preferences with the EU. But it seems they may have a great deal to lose if they sign up to and implement EPAs. There is a significant chance that EPAs will increase poverty and hunger, rather than reduce them, and have negative impacts on forests and biodiversity.

For example, the mid-term version of the EPAs SIA predicted that EPAs could in fact *“accelerate the collapse”* of the manufacturing sector in West Africa (PWC, 2003:125). This goes entirely against the grain of the Millennium Development Goals agreed in 2000, which list the eradication of poverty and hunger and the maintenance of environmental sustainability as two of the world’s most pressing priorities.

EPAs’ potential impacts on forests and biodiversity could also have direct social and economic repercussions on the poorest people in participating ACP countries, by removing the natural resources they rely on, especially in times of hardship. As the UN Millennium Ecosystem Assessment points out *“the degradation of ecosystem services is harming many of the world’s poorest people and is sometimes the principal factor causing poverty”* and *“The world’s poor depend disproportionately on ecosystem services to provide for their systems of small-scale agriculture, grazing, harvesting, hunting and fishing. Without access to infrastructure providing safe drinking water, electricity, fuel and transportation, poor people rely on natural sources of clean air and water, fertile soil, renewable energy and biodiversity to meet their needs”* (Sachs & Melnick, 2005).

Similarly, a report from the World Resources Institute, the World Bank, the United Nations Environment Program and the United Nations Development Program also argues that natural resources represent a route out of poverty for the impoverished: *“three-fourths of them live in rural areas; their environment is all they can depend on. Environmental resources are absolutely essential, rather than incidental, if we are to have any hope of meeting our goals of poverty reduction”* (UNDP et al, 2005).

However, one potentially significant consequence of the passing of the WTO’s 2007 ‘waiver’ deadline is that for many ACP countries there is now no real, political deadline for concluding EPAs negotiations, even though the EC hopes to conclude them by the end of 2008 (ODI & ECDPM, 2008:62). This is particularly the case in Africa, where most countries are LDCs and have little to lose if the EPAs process stops: they will still maintain most of their trade preferences under the EU’s ‘Everything But Arms’ agreement.

In conclusion then, it seems that there are many social and environmental reasons not to proceed with EPAs; and little political reason to continue. The European Union must find alternative routes to assist ACP countries to develop fair and sustainable societies.

## 4. Recommendations

Friends of the Earth believes that Economic Partnership Agreements have the potential to seriously damage both the economy and the environment in ACP countries, especially in view of the fact that EPAs are likely to contain liberalisation commitments that could have negative impacts on forests, biodiversity and forest-dependent communities.

As such, EPA negotiations should be stopped, and those agreements that have already been initialled should be repealed. Instead, the EU and its member states should focus on developing a real, equitable partnership with the ACP, ensuring additional financial and practical support to ACP countries so that they can develop genuinely fair and sustainable societies.

ACP countries should be able to maintain their sovereignty and policy space, including in relation to the appropriate use of their own natural resources. They should, for example, retain their ability to use investment regulations, tariff barriers and export restrictions to promote equitable, local and sustainable economic development; and to protect their natural resources. The EU certainly has no automatic right of access to other countries' raw materials.

As part of this transformation, the EU should stop:

- Arguing that reciprocal trade liberalisation negotiations will deliver development and biodiversity conservation in ACP countries, when their own SIAs say that this is unlikely;
- Bullying and harassing ACP negotiators in order to conclude trade deals under the guise of development;
- Creating artificial negotiating deadlines and refusing to accept feasible political alternatives, for example: in relation to negotiating deadlines, or the use of GSP+; and
- Challenging other countries' export restrictions.

Instead, the EU and its member states should:

- Implement a full and immediate review of Europe's trade strategy, placing sustainable development for the poor and their environment as the number one priority;
- Engage in a genuine dialogue with ACP countries, focusing on their sustainable development, concerns and how these can be addressed;
- Support robust social, political, and economic integration within the ACP grouping;
- Ensure that all negotiating partners are treated in a fair, open and consistent manner; and
- Take urgent steps to delink the European economy from the excessive resource use and fossil fuel dependence that drives the EU's exploitative relationship with less powerful trading partners.

Finally, there is a pressing need to improve transparency and accountability in relation to intergovernmental negotiations such as these, to ensure the development of agreements that fully reflect the needs of people living in ACP and other developing countries.

## 5. Glossary

ACP	African, Caribbean and Pacific countries
ATN	Africa Trade Network
BIT	Bilateral Investment Treaty
CARICOM	Caribbean Community and Common Market
CARIFORUM	Caribbean Forum of ACP states (CARICOM plus Dominican Republic)
CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale or Economic and Monetary Community of Central African States
DDA	WTO's Doha Development Agenda negotiations
DFQF	Duty-Free Quota-Free market access
EC	European Commission
ECOWA	Economic Community of West African States
EPA	Economic Partnership Agreement
FDI	Foreign Direct Investment
FLEGT	EU Action Plan for Forest Law Enforcement, Governance and Trade
GSP	Generalised System of Preferences
GSP+	Generalised System of Preferences plus
IMF	International Monetary Fund
LDC	Least Developed Countries
NAMA	WTO Non-Agricultural Market Access negotiation
NTB	Non-Tariff Barrier
OECD	Organisation for Economic Co-operation and Development
PWC	PricewaterhouseCoopers
SADC	South African Development Community
SIA	Sustainability Impact Assessment
VPA	Voluntary Partnership Agreement within FLEGT
WTO	World Trade Organization

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