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SC/AN/TDP/EPA/9
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EPA NEGOTIATIONS IN THE CENTRAL AFRICAN REGION: SOME ISSUES FOR CONSIDERATION

SYNOPSIS

This Analytical Note explores some of the main challenges that the countries of the EPA Central African region face in the EPA negotiating process, including with respect to its interfaces with WTO negotiations. After reviewing some major production and trade patterns of the region, it highlights the region's concerns in trade negotiations in an effort to increase negotiators' understanding about the EPA developmental implications.

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I. INTRODUCTION

1. The Central African region negotiating an Economic Partnership Agreement (EPA) with the European Union (EU) includes all members of the Economic and Monetary Community of Central Africa (CEMAC) - Cameroon, Chad, Central African Republic, Congo, Equatorial Guinea, and Gabon – as well as São Tomé e Príncipe and, since 2005, the Democratic Republic of Congo. The region is often referred to as CEMAC+. Central Africa was the first region, along with West Africa, to start the EPAs negotiation in October 2003.

2. With an estimated population of 93.6 million[1], and an annual GDP of US$47 billion growing at around 4.7 per cent[2], poverty is pervasive in the Central African Region, which is also characterized by volatile economies and highly instable political climate. Indeed, from all countries of the region, only Cameroun and Gabon are not classified as Least Developed Countries (LDCs). Despite a relatively high average GDP per capita (US$1899 in 2005) resulting mainly from oil exports, the Equatorial Guinea is ranked 120th, Cameroun, 144th and Central African Republic 172nd (out of 177 countries) in the human development index[3]. In fact, around one half of the region's population lives below the poverty line.

3. This note describes the main trade and institutional patterns that characterise the region and explores some of the main challenges that the countries of this region face particularly in the EPA negotiations. It highlights the region's interests in the EPAs and draws lessons from the WTO Doha negotiations to identify interfaces and possible synergies. It aims at increasing negotiators' understanding about developmental implications that result from some of the interfaces between both processes.

II. IDENTITY OF THE EPA CENTRAL AFRICAN REGION

4. Despite the vast geographical area covered by the EPA Central African region, several common economic and trade patters characterise the countries it comprises. For instance, all countries of the region rely heavily on natural resources for their exports, particularly crude oil, wood, and diamonds. However, there are also many differences among countries of the region, such as their membership to different Regional Economic Communities (RECs). This section analyses the most salient economic, trade and institutional features of the region.

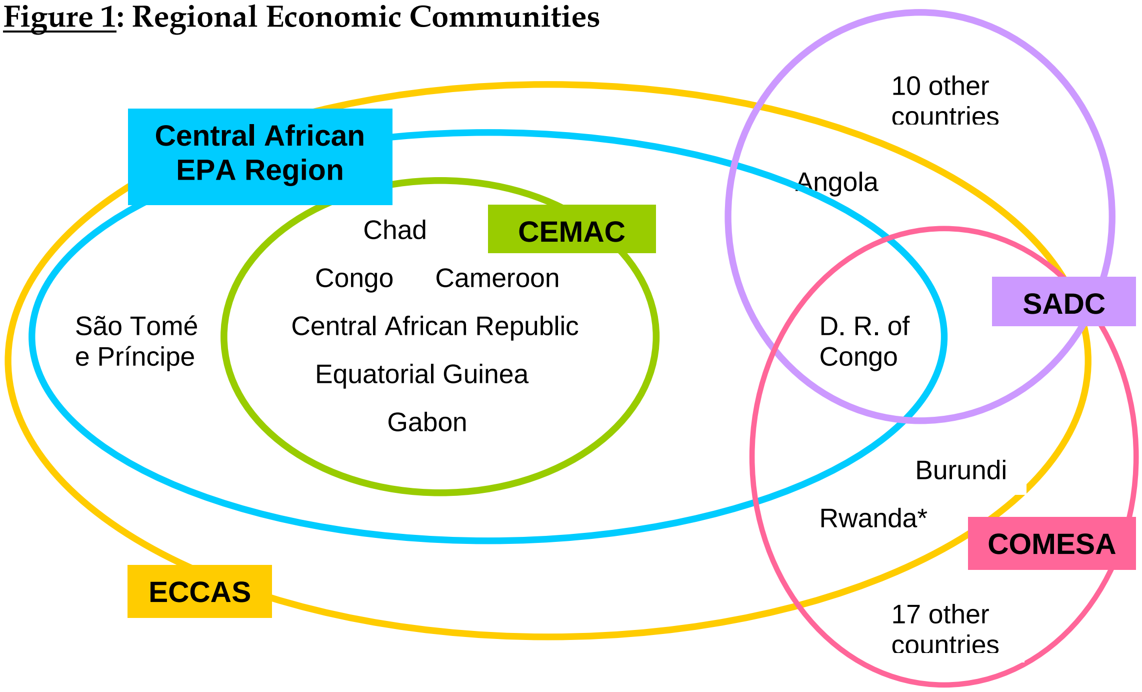
A. General Overview: overlapping membership to RECs

[1] Own calculations using data from World Bank, 2005 and including the population of the Democratic Republic of Congo.
[2] GDP growth in the CEMAC region (2003) taken from World Bank 2005.
[3] UNDP, 2006

5. The EPA Central African Region covers two major Regional Economic Communities (RECs): the Economic and Monetary Community of Central Africa (CEMAC) and the larger Economic Community of Central African States (ECCAS). The objectives ECCAS are wide, covering peace, political cooperation, and conflict prevention. CEMAC, instead, has more circumscribed objectives aiming at the establishment of a common market, the free movement of goods, services, people, and capital, the establishment of a common currency, and the convergence of macroeconomic policies. In that sense, the Central African EPA region presents a more homogenous membership than that of other African EPA regions.[4]

6. However, the shift of the Democratic Republic of Congo, in 2005, from the Eastern and Southern African EPA region to the Central African region has considerably complicated the configuration of this region. In fact, as can be seen in Figure 1, the DR of Congo is also a member of SADC and COMESA, which, each, negotiate a separate EPA.

Figure 1: Regional Economic Communities



* Rwanda has announced its withdrawal from the ECCAS in an attempt to rationalize its membership to different RECs. It should remain a member of the East African Community (EAC), the Common Market for Eastern and Southern African States (COMESA) and the Economic Community of the Great Lakes Countries (CEPGL, together with Burundi and the Democratic Republic of Congo).[5]

[4] The Easter and Southern African (ESA) and the West African EPA regions are known for being composed of countries with conflicting membership to different RECs. See for instance, "*Trade Negotiations in the Eastern and Southern African Region: Issues for consideration*" and "*Trade Negotiations in the West African region: Issues for consideration*", South Centre (2006), available at www.southcentre.org.
[5] "*Southern Africa: Country Pulls Out of ECCAS*", Musoni, Edwin (08 June 2007), available at: http://allafrica.com/stories/200706080011.html

7. It is also worth noting from Figure 1 that CEMAC+, as defined under the configuration of EPAs includes, in addition, São Tome and Príncipe. Burundi and Rwanda, the other two members of ECCAS, negotiate their EPA under the ESA region and Angola under SADC.

8. The strengthening and acceleration of the regional integration process in Central Africa is one the most important objectives of the Central African EPA, as defined in the jointly agreed Central African EPA Road Map.[6] This will require the EPA to take into account existing policies and ongoing integration efforts in the context of CEMAC. Some of the most relevant areas of activity at CEMAC level include:

Table 1: CEMAC Common External Tariff (TEC)

Product	Category	Tariff rate
Articles of first necessity	I	5 %
Raw materials and equipment	II	10 %
Capital goods and others	III	20 %
Consumer goods	IV	30 %

a. The establishment of a common market and of a Common External Tariff (which is currently being revised to be aligned to the CET applied by the West African Economic and Monetary Union WAEMU[7]);
b. A regional programme to achieve good security;
c. Common sectoral policies for the promotion of priority economic sectors such as, for instance, tourism.

9. It is, however, important to note that the level of economic regional integration in CEMAC is still very weak, as reflected in its level of intra-regional trade, lower than 2%[8]. In fact, the process or integration is slow and several decisions are either only partially implemented or not applied. The weakness of the regional integration process highlights the need for a sequenced and gradual introduction of EPA reforms so as to reinforce, and not jeopardise, that integration process.

B. Central African institutional and policy making framework

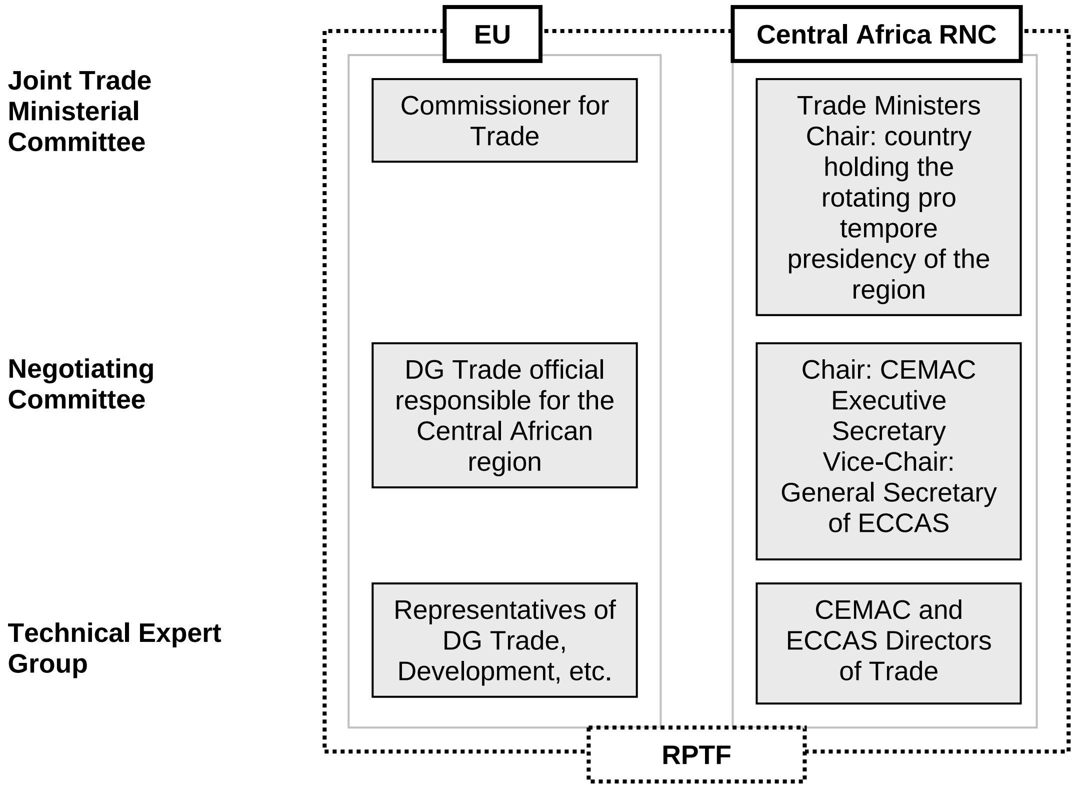
10. According to the agreed road map that guided the establishment of EPA negotiations between Central African countries and the European Commission (EC), negotiations are conducted according to a multiple layered structure, as represented in Figure 2. The structure conducts the negotiations on behalf of all countries of the region and caps the various national EPA committees.

11. Overall guidance and validation of each negotiating stage is provided at the Ministerial level by the Joint Trade Ministerial Committee. The overall programme and timeline of work, as well as technical work and recommendations are established by a Negotiating Committee, divided into thematic groups. Finally, groups of experts service the negotiations with specific research inputs.

[6] « Feuille de Route des négociations des Accrods de Partenariat Economique (APE) entre l'Afrique Centrale et l'Union Européenne » (2004). Available at:
trade-info.cec.eu.int/doclib/docs/2004/july/tradoc_118214.pdf
[7] On the CET see: http://www.izf.net/izf/TEC/Default.htm.
[8] « *Évaluation de l'impact de l'Accord de partenariat économique entre les pays de la CEMAC et l'Union européenne* », UNECA-ATPC (December 2004).

12. In addition, as in other EPA regions, a Regional Preparatory Task Force (RPTF) was established to discuss issues related to financial assistance and aid needs resulting from the negotiation and implementation of an EPA. The task force is not an official institution of the EPA negotiating structure, but rather a parallel body, entrusted with enhancing coordination and coherence between aid and trade aspects of the EU-Central African relationship. Nevertheless, the extent to which the Task Force is able to really influence the negotiating process has, sometimes, been questioned.

Figure 2: EPA Negotiating Structure



13. In addition to the official negotiating structures, civil society organisations (CSO) and representatives of the productive (private) sector are also meant to participate in the negotiating process, by voicing their concerns and sharing relevant information. The participation of such Non-State Actors (NSA), however, is ensured through the national EPA committees, and not through the regional negotiating structure, a fact that has, sometimes, hamper the ability of NSAs to effectively take part in discussions.

14. As far as the state of advancement of negotiations is concerned, the region has moved to the third and last phase of negotiations, despite the fact that there is still no agreement on aspects of negotiations under phase 2.[9] Negotiations of phase 2 had, in fact, been blocked since July 2006 owing to strong divergences among Central

[9] "*Trade Negotiations Insights: From Doha to Cotonou - EPA Negotiations Update: The state of Affairs as of mid-March 2007*" (20 March 2007). Available at: http://www.acp-eu-trade.org.

African and European negotiators concerning the format, definition and contents of EPA accompanying measures aimed at levelling up the productive capacity of Central Africa. The particularity of the ministerial arrangement found in February 2007 is that negotiations of phase 3 will move in parallel with those of phase 2. Phase 3 shall comprise work in three areas[10]:

(i) the drafting of the EPA negotiating text;
(ii) the preparation and submission of the Central African proposal on market access; and,
(iii) the identification and implementation of accompanying measures for the strengthening and levelling up of productive capacities.

15. In this manner, Central African EPA negotiations align closely to the structure and advancement of EPA negotiations in other ACP regions (particularly West Africa).

16. Finally, it is important to note that, at the highest political level, Central African ministers have restated their desire to conclude EPA negotiations by the initially agreed deadline of 31 December 2007. That decision should be interpreted as a commitment to engage the best efforts of the region in that direction. However, it contrasts with the sentiment of several negotiators, who, given the amount of outstanding issues to be negotiated, think it would be very difficult, if not impossible, to conclude negotiations in time.[11]

C. Central African economic, productive and export profile

17. The Central African region has a market size of more than 97.7 million people generating a real GDP of approximately US$ 47.4 in 2005. The desegregation of these figures, however, reveals wide differences among the 8 countries in the region. Cameroun and Gabon — the only non-LDC countries in the region — together contributed to more than half of the region's total real GDP by 2005 estimates.

18. Congo DR, with a population of 58 million and 45% of the region's total land area is the largest country negotiating the EPAs under CEMAC. São Tomé e Príncipe exercises the least share in region's GDP, population and land area accounting for less than 0.5 per cent in all three indicators.

19. Countries of Central Africa are among the most indebted developing economies with a debt to GDP ratio of 110 per cent in 2004. All countries in the region are major recipient of donor funds from both multilateral and bilateral donors, of which the biggest is France. 70 per cent of São Tomé e Príncipe's budget is externally supported. All member countries negotiating the EPAs under CEMAC, except Gabon

[10] « *Communiqué Final du Comité Ministériel Commercial Conjoint élargi* » (6 February 2007). Available at http://trade.ec.europa.eu/doclib/docs/2007/february/tradoc_133268.pdf.
[11] "*EPA Negotiations: African Countries Continental Review*", UNECA-ATPC (December 2006). Available at www.uneca.org/eca_resources/news/ecaupdate/number1/ReviewEPA%20Negotiatons.pdf

and Equatorial Guinea, subscribe to the Highly Indebted Poor Country (HIPC) Initiative of the World Bank. None of the countries subscribing to HIPC Initiative in the Central African region has qualified to access the MDRI[12]. Debt service as a percentage of GDP however, remains substantial for most countries—5.6% for Cameroun and 13.3% in Congo.

20. As for Central Africa's productive and trade structure, the region is dominated by natural resource and primary commodity-dependent countries. As a matter of fact, over 50% of the region's exports are attributable to mineral fuels and oils (mostly no value added, crude oil). Oil exports represent over 90% of exports in Chad Congo, and Equatorial Guinea. Only the Central African Republic and São Tomé e Príncipe deviate from that pattern, but their economies are heavily dependent on diamonds and wood respectively (Table 2).

<u>Table 2</u>: Predominance of oil exports

Country	Oil exports as a share of total exports
Cameroon	49.60%
Central African Republic	0.38% (50.83% of exports correspond to diamonds)
Chad	93.31%
Congo	90.26%
Congo, Democratic Republic	17.16% (45% of exports correspond to diamonds)
Equatorial Guinea	94.20%
Gabon	76.24%
São Tomé e Príncipe	0.00% (49.89% of exports correspond to cocoa and cocoa preparations)

<u>Source</u>: *World Bank (2005) and ITC TradeMap Trade flows (2005)*

21. After oil, agricultural or natural resource exports come next in generating export revenues for the region. Cameroun relies on agriculture and timber for its exports earnings. Cocoa and rubber plantation production are the major sub-sectors of its economy. Timber is Gabon's second largest export; agriculture has been limited and over 50% of the country's food needs are imported.

22. Table 3 shows the total merchandise export in value exported by the countries of Central Africa including the leading export products. The region's total merchandised exports amounted to approximately 23 billion in 2005. The United States, the EC and China are the main importing market of the region aggregating over 95 per cent of her exports. The United States and China are especially important markets for petroleum products accounting for example, 64% of total merchandise exports from Congo, 45% in Equatorial Guinea, 69% in Gabon, and over 80% in Chad. The EU's share of total merchandise exports grows in significance in relatively agro-based and relatively diversified markets in Cameroun (63%), Congo DR (60%)

[12] Completion of the step-wise arrangements under the HIPC initiative qualifies countries for further debt relief under the so-called Multilateral Debt Relief Initiative (MDRI)—a result of the G8 2005 Summit in Gleneagles, Scotland. Cameroun which is currently at the completion point of the HIPC, has reduced total debt as a share of GDP to 46.6% (2005) from 79.5% (2000).

and São Tomé e Príncipe (60%).

Table 3: The leading products exported by CEMAC+ member countries in 2005

Country	Leading products exported (Harmonized system of classification)
Cameroun	Petroleum oils and oils; Cocoa beans, whole or broken, raw or roasted; Cotton, not carded or combed; Lumber, non-coniferous; Technically specified natural rubber (TSNR)
Central African Rep.	Diamonds non-industrial excluding mounted or set diamonds; Logs, non-coniferous; Lumber, tropical hardwood; Diamonds industrial excluding mounted or set diamonds
Chad	Petroleum oils; Petroleum oils& oils obtained from bituminous minerals, o/than crude etc; Cotton, not carded or combed; Gum arabic
Congo	Petroleum oils; Logs, tropical hardwoods; Cobalt ores and concentrates; Lumber, tropical hardwood
Congo Democratic Rep.	Diamonds non-industrial unworked or simply sawn, cleaved or bruted; Cobalt ores and concentrates; Logs, tropical hardwoods;
Equatorial Guinea	Petroleum oils; Methanol (methyl alcohol); Logs, tropical hardwoods; Butanes, liquefied
Gabon	Petroleum oils; Logs, tropical hardwoods; Manganese ores and concentrates etc; Veneer, tropical woods
São Tomé e Príncipe	Cocoa beans, whole or broken, raw or roasted; Vessels and other floating structures for breaking up; Measuring or checking instruments, appliances and machines.
Source: ITC Trademap	

23. One important pattern of the trade between Central African and the EU is that it is heavily concentrated on a handful of little or no value added products (Table 4). Typically, not more than 20 products account for virtually all Central African exports to the EU. However, the bulk of exports from the region enter the EU on a duty free basis, owing to the trade preferences established by the Cotonou Partnership Agreement (CPA) and the Everything But Arms scheme for LDCs. While export concentration is true of Central African trade with the rest of the world, there tends to be a slight larger diversification of exports oriented to the EU.

Table 4: Trade between Central Africa and the EC

Country	Number of tariff lines corresponding to 95% of	Share of tariff lines traded on a	Share of value traded on a duty

	bilateral trade	duty free basis	free basis
Cameroon	17	93%	90.6%
Central African Rep.	7	98.1%	99.7%
Chad	4	100%	100%
Congo	21	90.9%	100%
Congo, DR	14	95.9%	99.0%
Gabon	14	98.3%	100%

Source: *World Tariff Profiles, ITC, UNCTAD, WTO (2007)*

24. On the import side, the region is heavily dependent on the EU as a trading partner, and its imports are heavily concentrated on agricultural and food as well as on capital and consumer goods (Table 5). The main agricultural products imported by the region from Europe include: wheat, chicken, diary, wheat flour, malt, wine, soy oil, canned tomatoes (box) and flour and semolina preparations.

Table 5: Central African Import Profile

Country	Import Product (Share)	Main Supply Market (Share)
CEMAC	Petroleum Product (13%), Oil Drilling Machinery (8.6%), Food Imports (7.6%), Medicaments (2.2%)	EU (45%), USA (9%), Nigeria (9%), China (5%)
Cameroon	Petroleum Product (25%), Oil Drilling Machinery (4.4%), Food Products (14%), Medicaments (1.7%), Worn Clothing (1.5%)	EU (35%), Nigeria (22%), China (5%), USA (5%)
Central African Rep.	Petroleum Products (16.7%), Food Products (9.5%), Lumber (24.8)	CEMAC (41%), Cameroun (16%), EU (20%)
Chad	Petroleum Products (4.2%), Oil Drilling Machinery (24.4%), Food Product (4.9%), Medicaments (4.3%)	EU (60%), USA (15%), Cameroun (7%), China (4%)
Congo	Petroleum Products (5.6%), Oil Drilling Machine (6.7%), Food Products (9.1%), Medicaments (2.4%), Worn Clothing (2.4%)	EU (46%), China (16%), India (8%), USA (7%)
Congo DR	Petroleum Products (10.7%), Food Products (12.3%), Other Machinery (12.1%)	EU (40%), South Africa (20%), Zambia (7%), USA (5%)
Equatorial Guinea	Petroleum Products (10.1%), Oil Drilling Machinery (39.5%), Alcoholic Products (2.8%)	EU (54%), USA (26%), Cote d'Ivoire (9%), China (2%)
Gabon	Oil Drilling Machine (9.8%), Food Products (15.2%), Other Machinery (9.3%)	EU (66%), USA (7%), China (3%)
São Tomé e Príncipe	Aircraft (8.8%), Petroleum Product (6.7%), Food Products (15.4%)	EU (64%), USA (18%), Malaysia (6%)

Souce: ITC Trademap (2005).
Notes: Food Products include only the main food imports and is not exhaustive

25. Despite Central Africa's marked reliance on oil exports, agriculture is fundamentally important in the region, be it as a source of revenue for the rural population, as a source of employment, or as a contributor to the food security of the region. Several countries in the region are Net Food-Importing Developing Countries (NFIDCs). Sao Tomé e Principe, Central African Republic, Gabon, Equatorial Guinea and Chad depend on imports for more than 50% of their food needs. This situation impacts heavily on budgets of the CEMAC countries.

26. Moreover, agricultural exports to the EU are also very important. Cameroon is the main supplier of agricultural products in the region. The European market is very important for Cameroon (29.9% of all exports) for São Tomé e Príncipe (83,1%) and for Chad (91%). Products typically exported include bananas, cocoa and cocoa products, pineapples, and coffee.

27. Finally, with respect to the contribution of trade in services to the region, the figures of specific contributions are incomplete and scattered. The share of services exports in total regional exports amounts to 8%. The share of total services imports in total imports amount to an average of 45%.[13] Furthermore, it is stated that the predominant services sectors are distribution services, public services, transportation and other services to households. These four sectors amount to an average of 65% of the production of services in the sub-region.[14]

28. According to one Sustainability Impact Assessment conducted for the region[15], sectors of critical importance from the import perspective are financial services, transport, travel, computer and related services. For all the countries in the region transportation services is the most significant import although a shift towards financial services between 1990 and 2004 in Congo appears to have occurred, at least in part at the expense of transport services, whose share declined in that period. In terms of exports, in 1990, Cameroon exported the largest amount of commercial services, followed by Gabon. Service exports from the region were dominated by transportation services in all countries except for Chad and Gabon, where information and other services were dominant. The export of financial services was marginal for all countries in the region with the exception of Central African Republic where it made up a significant proportion of exports, but where exports of commercial services in general are extremely low.

III. CHALLENGES AND OPPORTUNITIES ARISING FROM EPA NEGOTIATIONS

29. In this section, selected areas of relevance to the EPA negotiations are assessed, drawing specific comparisons with similar areas being discussed in the WTO Doha

[13] Report of ILEAP workshop on trade in services negotiations, and trade facilitation in the Central African Economic and Monetary Union (CEMAC)
[14] Ibid.
[15] Sustainability impact assessment of the EU-ACP Economic Partnership Agreements, Phase three, Financial services in central Africa, Final report, September 2006.

Round, to identify possible synergies and lessons.

A. Development dimension and regional integration

30. The definition and content of the development dimension of the Central African EPA remains one of the most contentious aspects of the negotiations. This is, however, not a particularity of the region but a common pattern of EPA negotiations in other ACP regions too. Central Africa has focused on capacity-building measures and financial assistance to support the structural transformation of the region towards a competitive and diversified productive economy. This would entail support to the private and productive sectors, improvement of the general investment climate, and reduction of production costs (e.g. improvement of infrastructure).

31. By contrast, while acknowledging the need to include support measures in an EPA, the EC refuses to include such measures in an EPA text. Instead, it proposes to have them covered under external instruments, separated from the EPA, such as WTO Aid for Trade and the programming of the European Development Fund (EDF). The EC has already agreed, at least in principle, to support programmes to enhance the competitiveness of sectors concerned by the EPAs, to assist governments of Central Africa to transition out of tariffs as a source of government fiscal revenue, and to assist in the implementation of EPA reforms.

32. The modalities of those intentions remain to be defined, but an instrument that has been increasingly discussed is an EPA Regional Fund which would not constitute a fund per se, but which would most likely facilitate access to existing aid instruments, particularly those programmed under the 10th EDF. The Regional Fund will have a coordinating role, to ensure that the aid by EU Commission, the EU member states, and possibly other donors, is delivered in the most efficient and timely manner to support the implementation of the EPAs.

33. The EC retains, in addition, that the implementation of trade-related rules and the creation of trade-related institutions will also deliver development. This vision transpires clearly from the negotiating text proposed by the EC to Central Africa. Implementation, proper application and enforcement of wide ranging trade rules are indeed the most salient feature of that text.

34. One important aspect of the developmental dimension of the Central Africa EPA is that it will necessarily have to support and strengthen the economic integration of the region. Regional integration is, in fact, together with the levelling up of the region's productive competitiveness, one of the main EPA objectives as defined in the 2004 roadmap. This will require that, in addition to possible accompanying measures, the trade rules and concessions agreed in the context of the EPA are sequenced in such a way to support the construction of more robust local markets.

B. Market Access

35. Market access in the context of the EPAs covers both agricultural and non-agricultural products. It covers also negotiations for the reduction or elimination of both tariff and non-tariff measures (e.g. quantitative restrictions). The scope of negotiations is indeed quite large and the implementation of concessions could prove to be quite challenging. The most commonly cited example of a challenge resulting from the EPAs is the loss of fiscal revenues due to the elimination of tariffs on EU products.

36. The current phase of negotiations should comprise the exchange of market access offers. The EC has already announced that it will provide market access on a duty free and quota free basis to all ACP products (including those of non-LDCs). On the Central African side, the preparation of an offer is, however, subject to the prior identification of sensitive products in the region – both agricultural and industrial. Moreover, the CEMAC+ offer will also count with the flexibilities provided for in WTO GATT for an asymmetrical and gradual opening of markets. This is important in a region where manufacturing activities are still so incipient (Table 6). Given the urgent need of the region to diversify its economies away from low value-added natural resources and oil exports, the details of how tariffs and other policy instruments will be eliminated will be a test for gauging the compatibility of EPAs with some of its own objectives.

Table 6: Economic Structure of selected CEMAC countries

1. Cameroon	1985	1995	2004	2005
Industry	36	23.9	14.6	14
Manufacturing	11.5	10.2	7.4	7.1
2. Central African Rep.				
Industry	15.9	21.1	21.8	21.4
Manufacturing	9.8	10.2	..	..
3. Chad				
Industry	13.1	13.6	45.5	51.2
Manufacturing	10.4	11.2	5.2	4.7
4. Gabon				
Industry	66.5	52.4	60.7	57.6
Manufacturing	7.2	5	4.8	4.5

Source: World Bank Development Indicators

Table 7: Tariff profile of Central African countries (%)

Country (year of reference)	Binding coverage at WTO	Average applied rate		Maximum applied rate
		AG	Non-AG	
Cameroon (2005)	13.3%	22.1%	17.4%	30%
Central African Republic (2005)	62.5%	22.1%	18%	30%
Chad (2005)	13.5%	22.1%	17.4%	30%
Congo, Republic of (2006)	16.1%	22.6%	17.7%	30%
Congo, Democratic Republic of (2006)	100%	12.8%	11.9%	30%
Gabon (2005)	100%	22.1%	17.4%	30%

Source: ITC, UNCTAD, WTO: World Tariff Profiles (2006)

C. Agriculture

C.1 Market access, preference erosion, and accompanying measures

37. Recognizing the socio-economic importance of agriculture and the food insecurity situation in the region, a regional agricultural strategy was adopted in 1999. This strategy entails coordination of agriculture policies, in the context of a broader goal related to improving integration of the regional market. The strategy identifies the key challenges that the region faces in terms of agriculture trade and production and aims at:

- Improving the livelihood of producers and increasing their income;
- Increasing productivity of agriculture in the region. According to FAO estimates, satisfying the needs of the region by 2010 would imply increasing by 290% agriculture production;
- Developing infrastructure to overcome high transportation costs within the region and improve its competitiveness;
- Ensuring political coordination of positions in trade negotiations and agreements, notably EPAs and WTO;
- Increasing the amount allocated to agriculture finance in national budgets;
- Promoting the diversification and rural development of the sector particularly in CEMAC oil-exporting countries affected by the Dutch disease.

38. Capacity building and assistance for the levelling up of Central African productive agricultural capacity are central in attaining those objectives. In addition, notwithstanding the trade preferences that Central Africa currently enjoy in the EU market, market access conditions continues to hinder exports to the EU. For instance, since 1st January 2006 controls in the EU border were reinforced to control compliance with EU regulations on sanitary and phytosanitary standards (SPS). EU standards are more restrictive than internationally recognised codex alimentarius (as for residue content level and number of substances allowed). Compliance with SPS standards from the European Union is a source of concern to CEMAC countries due to its costs and the lack of technical capacity to deal with procedures involved. This problem currently affects banana and pineapple exports but could also affect other products of potential export interest of CEMAC countries including fruits and vegetables and vegetable oils. Reduction of trade nuisances created by non-tariff measures is certainly one area of possible contribution from the EPA process.

39. Improving the competitiveness of the region's agricultural exports is all the more important as the trade preferences established by the CPA are being quickly eroded. Preferences included:

(a) secure market access to the EU (through quotas and low or zero tariffs);
(b) guaranteed, stable prices (for bananas, sugar, beef and veal), sometimes higher than world prices, and;
(c) in sectors that have been highly protected by the EU Common Agriculture Policy (CAP).

40. These benefits, however, are set to be eliminated through the reform of the EU's Common Agricultural Policy (CAP and Commodity Protocols), through WTO dispute settlement cases (bananas and sugar) and through the reduction of the EU's tariffs bound at the WTO.

41. The modification of protocols on sugar and banana are not directly linked to EPA negotiations but will have an impact on market access conditions to the European market. This is particularly relevant for:

- *Cameroon*, given export volumes and given the increasing trend in exports (of bananas) since 1998. Cameroon has traditionally filled its quota and, benefiting from relaxation of provisions related to quota administration by the EU, has also used quotas of other CEMAC country members. However since 1 January 2006 the quota system has been replaced by a tariff-only regime. The impact of this change on Cameroon exports is uncertain and will depend on the level of the tariff to be applied. In this sense, although efforts in terms of improving competitiveness have yielded positive results, transportation infrastructure and services still increase the transaction costs.[16]
- *Congo*. Studies indicate that trade diversion, resulting from changes affecting the sugar protocol will benefit Brazil, Fiji, Mozambique and Malawi to the detriment of Congo's exports.

42. In order to deal with the challenge of eroding preferences, ACP countries in the WTO have requested a trade-solution consisting, among various options, of maintaining preference margins and delaying liberalization in order to provide sufficient time to adjust, as some sectors would be unable to compete under liberalised conditions. This option has proved controversial, particularly with Latin American countries seeking access the EU market for similar products. In any case, any additional time to space the erosion of preferences will necessarily have to be accompanied by targeted measures to level up the competitiveness of Central African agriculture and prepare producers for new competition conditions when preferences are removed. This will require more than what is currently proposed by the EU in the context of EPA negotiations.[17]

43. From a defensive point of view, the EPA proposed by the EC represents a larger challenge for CEMAC countries if compared to the WTO, as most of the region's countries would not be required to undertake tariff cuts in the Doha Round either because they are not yet members of the WTO (Equatorial Guinea and Sao Tomé and Principe) or by virtue of their LDCs status. The remaining countries would be required to reduce tariffs through a harmonizing formula, structured by bands,

[16] "*New chapters in EU babana dispute underway as EPA negotiations speed up*", in Trade Negotiations Insight, vol.6 n.3, May-June 2007.
[17] The EPA text proposed to the CEMAC+ region by the EC recognizes the potential challenges that liberalization within the EPA context pose in terms of food security and underscores the need for cooperation to improve productivity. However, it limits cooperation to an overall commitment on financial aid, outside the EPA, in the context of the European Development Fund (EDF). In the specific case of agriculture, the text only foresees information exchange on policy issues (such as standards).

triggering higher reduction to higher tariffs. These reductions would start from national WTO bound rates. Special and Differential treatment will apply, for instance by requiring developing countries' tariff reduction contribution to be only 2/3 of the contribution of developed countries.

44. By contrast, under an EPA, the entire CEMAC+ region would be expected to reduce and eliminate agricultural applied (not bound as in the WTO) tariffs. Only a limited number of tariff lines would be treated separately by virtue of their sensitiveness (some have suggested up to 20% of tariff lines). Given that the EU has already opened its markets to ACP producers, the bulk or all the burden of reducing tariffs would rest on CEMAC+ countries, raising the question of fairness and convenience of the EPA.

C.2 Sensitive products: justifying selective agricultural tariff protection and safeguards

45. In spite of its relative economic importance, the agriculture sector is of great importance from the social perspective in terms of urban population and percentage of population living below the poverty line in rural areas.

Table 8: Socio-economic indicators related to CEMAC+ agriculture

	Percentage of rural population in total population	Percentage of population living below poverty line	
		Urban	Rural
Cameroon	49%	41,4%	59,6%
Central African Rep.	67%	..	..
Chad	75%	67%	63%
Congo	46%	..	..
Equatorial Guinea	52%	..	..
Gabon	16%	..	..
Sao Tomé and Principe	62%	..	..

Source: *Douya, et al. Impact sur l'agriculture de la CEMAC et Sao Tomé et Principe d'un Accord de Parténariat économique avec l'Union Européenne. GRET/CIRAD. Mars 2006.*

46. As a matter of fact, simulations conducted by CIRAD and GRET[18] on the impact of EPA liberalization for Cameroon point to the fact that although an EPA may increase market openings for bio-products and non-traditional products it is also likely to increase imports, reduce domestic production of agro processed products, reduce income per household and increase in poverty in rural areas.

47. Although the EPA text proposed by the EU recognizes the social and economic importance of agriculture and the food security and livelihood security needs of the region, it negates the importance of tariffs as an instrument to promote this sector. This contrasts with the approach taken in the WTO Agricultural negotiations, where

[18] Douya, Emmanuel, Hermelin, Bénédicte et Ribier Vincent. Op. cit.

many developing countries consider tariff protection to be justified because of the economic and social importance of agriculture and because it is the only means available for developing countries to protect their farmers (not all developing countries can use tariff-rate quotas, agriculture safeguards or subsidies). For that reason, there is a direct link between tariffs and livelihood and food security concerns.

48. In the context of the WTO Doha Round, two instruments are being negotiated to deal with sensitivities in the agriculture sector: special products and sensitive products (Table 9). In the context of EPAs, however, only economic criteria (such as amount traded and economic importance) have been discussed as a basis for the designation of sensitive products. Given the limited number of products that are likely to benefit from designation as sensitive, Central African governments will have hard choices in identifying which products to protect.

Table 9: Agricultural Special and Sensitive Products in the WTO Doha Round

Special Products	▪ Available only to developing countries. ▪ Designation should respond to criteria related to food security, livelihood security and rural development ▪ Creates exemptions from tariff reduction or allows milder tariff reductions than would be required for other products (G-33 Proposal on the *Modalities for the Designation and treatment of […] Special Products)*
Sensitive Products	▪ Will be available to developed and developing countries alike ▪ Are meant to deal with commercial sensitivities.

49. Options to enhance the synergies between the WTO and EPA negotiations could include using the following proposals for the identification of sensitive products:

- Consider protecting local products that would be put in direct competition with products receiving subsidies from the EU[19];
- Have a homogenous methodology across ACP regions in order to compare data.
- Consider developing a list of criteria at the EPA level that is more complete than in the WTO (for instance protecting products of importance to develop regional complementarities and for the protection of subsistence farming);

50. In relation with the concept of regional importance of products, the agricultural products that are currently traded within the region include: palm oil, sugar, tobacco, beer, and cocoa powder. Several studies based on complementarity indexes suggest that there is potential to increase intra-regional trade of beef, paddy rice, cocoa and sugar, provided that some conditions are met (such as improvements to transport infrastructure, information exchange about trading and business opportunities and effective protection against import surges).

51. As for safeguard measures specifically designed for agriculture, the WTO

[19] According to Douya, Emmanuel, Hermelin, Bénédicte et Ribier Vincent (2006), these products would be wheat flour, chicken, soja oil and sugar

Agreement on Agriculture provided for the possibility of having a mechanism in the event of import surges. Practice has shown that only developed countries and few developing countries were able to utilize this mechanism. Most developing countries faced technical difficulties to implement it. As a result, developing countries have proposed, in the WTO Doha negotiations, to create a new "special safeguard mechanism" to address price depressions and import surges. Such mechanism would be automatic and easy to access and implement, but its creation and details remain a controversial issue among WTO members.

52. Congo, Congo DR. Gabon and Central African Republic are among countries that have suffered more from import surges during the period 1982-2003 in the CEMAC region[20]. FAO studies did not determine whether in all cases trade remedies were needed to redress the situation, but the incidence of import surges are undeniable.

53. In the EPA context, a safeguard clause is provided for if the implementation of the agreement leads to problems related to the availability or access to foodstuffs or other products essential to ensure food security, if such a situation may give rise to major difficulties for any party. Although specific disciplines and procedures have not been drafted, this kind of instrument does not seem to guard wholly against situations of cheap subsidized imports from the EU nor import surges or price depressions.

C.3. Subsidies and the EU CAP Reform

54. The effects of subsidies have been well documented: they cause unfair competition and dumping, distort markets, and divert the benefits of trade liberalization from more efficient producers, out competing local producers with cheap imports. Subsidies have become a symbol of inequities in current multilateral trade rules. Indeed, developing countries, for whom 70% of the population rely on agriculture, lack the financial means to provide support to their farmers, and are ill-equipped to deal with the type of volatility and instability of agricultural markets caused by subsidies.

55. WTO is the only negotiating forum where subsidies are being tackled. In fact, the proposed CEMAC+ EPA text proposed by the EC rejects any commitment from the EU to reduce or eliminate agricultural domestic subsidies. Only export subsidies are mentioned, replicating what is already proposed under the WTO. It is worth noting that one of the CEMAC members (Chad) has been very active questioning subsidies affecting the cotton sector denouncing the poverty implications linked to these payments.

56. As a result of the EPA, European and Central African farmers will be in direct competition, including on the consumer markets of the region. Because of subsidies, CEMAC+ farmers run a major risk of disloyal competition and the risk of producers in the region going out of business. Risks concern products such as dairy products,

[20] FAO (October 2006). Import surges: What is their frequency and which are the countries and commodities most affected? FAO Brief on Import Surges No. 2.

sugar, chicken, vegetable oils and wheat flour[21]. The EU benefits from both a level of productivity and of public support which would not allow Central African agriculture to resist. This should be a main subject for concern.

D. Trade in Services

57. The European Union has repeatedly stated that it considers trade-related areas, beyond merchandise trade, such as competition, investment, public procurement and trade in services, to be key topics for EPAs. It would indeed seem, from the 2004 agreed Central African EPA roadmap, that trade-related rules and trade in services will be part, in a way or another, of the region's EPA. However, the starting point for an analysis of the implications of the inclusion of services trade in an EPA is the fact that Central Africa needs not include services in its EPA.

D.1 On whether or not to negotiate trade in services in an EPA

58. The WTO waiver for the Cotonou is a trade in goods-only waiver. By necessary implication, it does not cover trade in services. Currently, ACP countries do not enjoy trade preference in services in the EU market. If conformity with WTO rules are not a consideration for the inclusion of trade in services in the CEMAC EPA, countries of the region should therefore have other considerations when deciding whether or not and how to negotiate trade in services with the EC.

59. The challenges that an EPA on services would bring for CEMAC countries would need to be assessed from the perspective of whether an EPA will bring trade creation, increased opportunities for CEMAC companies in EU services markets, and whether the cost of this (i.e regulatory challenges, such as limitations to national treatment) is balanced with an overall positive outcome. If included in an EPA, Central African countries would benefit from flexibilities included in WTO services rules[22].

60. For instance, it is known that in order for an economy to reap optimal benefits from liberalization of trade in services (i.e. an outcome that balances market access interests with the state's obligations to provide services to its constituents), or even simply to reap highest economic potential from such market openings, there is need for strong regulatory institutions, operating on the basis of a sound and robust regulatory framework. The key questions for CEMAC countries are whether they have the capacity to tame the effects of liberalization through regulation, or whether liberalizing markets with the EU, in the absence of this regulatory capacity will lead

[21] Douya, Emmanuel, Hermelin, Bénédicte et Ribier Vincent. Op. cit.

[22] WTO compatibility of the EPAs would require respect of the provisions of Article V:3 of the GATS which allows for developing countries engaged in an EPA to make less commitments in market access, and national treatment. Compatibility would also require respect for *progressive liberalization*, which is a core principle of the GATS. The principle allows for countries to be in control of the extent, scope, and timing of the liberalization of their services sectors. Developing countries are further protected in Article XIX: 2, that provides for the possibility to open fewer sectors, liberalize fewer types of transaction, progressively extend market access in line with their development situation, and when making their markets available to foreign services suppliers, attaching such conditions aimed at achieving the objective of their increased participation in international trade.

to positive results.

61. Moreover, judging by the framework text that the EC has proposed to other ACP regions[23], it is expected that the EPA will require a dismantling of regulatory trade barriers that limit access to services in CEMAC. At this stage, access to the CEMAC financial services market, for example, is free, there are no restrictions on National Treatment (NT) within the region. It could be argued that the negative effect of EPAs will therefore be limited. However, while not having NT restrictions within CEMAC, the region has other ways in which it regulates access, such as through approval requirements, risk management practices and the harmonization of banking and insurance services. There must be policy reasons why CEMAC has chosen these tools, in spite of its openness to NT. One could be the desire to, without discrimination internally, still maintain some level of caution that allows the member countries to regulate in public interest, or to retain some amount of licenses for preference to domestic companies.

62. It is noteworthy that the proposal that the EU gave to other regions also has a large level of regulatory provisions in specific. The EU proposal devotes an entire section to regulatory framework issues relating to their preferred scope of regulation on mutual recognition, transparency and disclosure of confidential information. In addition, it details how the EU wishes to see computer services, financial, telecommunication, and other services regulated. The EU aim here is to dismantle barriers, to ease trade in services.

63. The implication of this would be that CEMAC countries would have to accept regulatory regimes developed on EU terms, conditions, and circumstances and abolish CEMAC regulations if inconsistent with proposed new regimes. This is problematic because the countries in this region would need to maintain regulatory autonomy, so as to produce regulations, at the national level, suited to their situations. CEMAC countries would have, as the thinking behind their regulatory processes, including on services, the need to increase accessibility to health care for example. The EU on their part, would approach regulation from the efficiency and cost effectiveness viewpoint-two approaches that are diametrically opposed. In the WTO Domestic Regulation negotiations, the right of countries to regulate has been considered sacred, with developing countries fighting for its sanctity tooth and nail.

D.2 National Treatment and Most Favoured Nation: regional integration implications

64. In accepting to trade in services in an FTA-like process with the EU, CEMAC would have to give national treatment to EU services suppliers. In simple terms, NT is a core principle in WTO law that outlaws discrimination, within the border, against foreign services suppliers. This, by its very nature, would potentially lead to an increment in CEMAC imports of services from the EU, which would almost certainly wipe out Small and Medium-size Enterprises. In addition, accepting to give

[23] On the EU services framework text, see for instance the analysis of the ESA region situation in "*Development at Crossroads: The Economic Partnership Agreement Negotiations with Eastern and Southern African Countries on Trade in Services*", South Centre Research Paper 11. Available at www.southcentre.org

EU NT would in effect mean that CEMAC is giving up its right to regulate in ways that favour nationals of the region against foreign services supplier, in a situation where there is clear need to increase the participation of CEMAC nationals in trade in services. Developing countries may wish to have a certain number of their locals mandatorily recruited as a condition precedent to liberalization in certain sectors. Some of the reasons for this include skills circulation, employment opportunities, technology transfer, increase of export capacity, and general welfare improvement.

65. Moreover, experience has shown that multinational companies like to set up base in urban areas, leaving the rural ones to fend for themselves. This is so because they do not find the rural areas lucrative in business terms. As such the problem of *accessibility* to services, including basic services, would most likely remain a challenge. In terms of financial services for example, the Price Water House Coopers sustainability impact assessment on CEMAC, also reveals that the results could be asymmetrical. The study shows that Central African companies pay higher freight insurance fees to foreign insurance companies than they do to Central African companies. Central African insurance companies and banks have limited access to the EU market because of regulatory obstacles. The study also finds that under reciprocity-based trade with the EU, development opportunities in financial services will remain limited, with the possible exception of insurance companies and banks which may potentially gain market share for financial transfers from clients in the EU, who are of Central African origin. This is not a strong enough argument for CEMAC to base its decision to commit financial services with the EU in the EPA process, because in any case, CEMAC originating clients will transact with CEMAC banks naturally, notwithstanding EPA provisions.

66. The EU would like Most Favored Nation treatment (MFN) for its establishments and investors in the countries engaged in EPA negotiations. MFN treatment with the EU and CEMAC would give EU services suppliers immediate and unconditional access equal to that which is available under the integration processes of CEMAC countries. There are reasons why it may be in the interests of CEMAC countries to extend MFN treatment only to members of CEMAC. For instance, the need to build competitiveness in certain sectors, allowing for countries to develop *niche* competitiveness within the region. Whether it is wise at this stage in the integration processes of CEMAC countries to open up, on MFN terms for the EU is very curious. Even if one argued that the EU would be giving MFN in return to CEMAC countries, CEMAC countries would not be able to tap the EU market with remotely comparable ability owing to capital resource constraints.[24]

67. There is also the problem of membership in multiple RTAs and what this will mean for affected countries at implementation stage. There is no reason to rest assured that all regional groupings will agree to the same conditions with the EU on services. In the case of services for example, what would happen if COMESA resisted national treatment and CEMAC accepted? How would the DR Congo deal, from a practical implementation viewpoint with EU services suppliers in COMESA? Problems such as these would be very hard to resolve. The legal, institutional and

[24] The harmonization of regulatory issues within CEMAC, and its infancy, would be shaken by granting EU services suppliers unfettered rights to MFN treatment.

administrative challenges that come with this are overwhelming.

68. The EU further proposes that countries give up the right to maintain quantitative restrictions through quotas, to have limitations on the total value of transactions, economic needs tests, limitations on number of operations and limitation on the participation of foreign capital, or even restrictions on the types of establishments. In the GATS context, countries are free to maintain restrictions, through scheduling. It is in the interest of CEMAC countries to have a firmer hand on the type of services suppliers that come into their countries, how much they contribute in terms of employment, creation of wealth, and the extent to which such firms contribute to meeting national development objectives. Losing this power for CEMAC countries is not in their interest.

D.3 Modes of supply

69. From a modal perspective, a reading of the services texts that the EU has tabled to other groups such as ESA, reveal the high level of ambition that the EU has particularly in cross border supply (Mode 1), and commercial presence (Mode 3).

Table 10: The GATS Modes of supply

The WTO GATS defines provision of services depending on the way a service is delivered, that is, according to 4 *modes* of supply.	
Mode 1 Cross-border delivery	Includes the delivery of services across borders without physical movement of persons, for example, through the use of technologies such as Information Communication Technologies. In the case of financial services for example, it would consist the transfer of funds from CEMAC banks to Europe or vice versa.
Mode 2 Consumption Abroad	Entails the provision of services through consumption abroad. In this case, a services consumer from Europe would for example move to Equatorial Guinea, to consume tourism services.
Mode 3 Commercial Presence	Involves serving foreign markets by setting up local operations (such as banks, insurance companies, hospitals, construction sites, legal offices) through foreign direct investment (FDI). For example, the establishment of affiliated banks in Gabon to provide banking services.
Mode 4 Movement of natural persons	Workers deliver services through travelling to the place of delivery of such services. For example, a Chad originating teacher would move to Europe to provide educational services.

70. The CEMAC region does have interest in mode 1 evidenced from the high level of banking and insurance transactions in the region. It is also true that the process of harmonizing these services at the regional level tells interest in the mode *intra-regionally.* However, in order for the CEMAC providers to be competitive against the EU, they would need to have well developed telecommunications infrastructure, financial services, energy services, skilled manpower, to mention but a few. In addition, it is critical that countries intending to utilize Mode 1 have developed regulatory capacities to follow up on how these processes are contributing to other national development priorities. CEMAC countries would still need to develop these

capacities and other services infrastructure before liberalizing under the EPAs.

71. Mode 3, is a mode of particular interest to the EU and one with links to *investments and the right of establishment*. While FDI is an important element for key sectors, such as construction, financial services, telecommunication, and whereas liberalizing mode 3 with EU may lead to spill-over impacts on other economic sectors, and encourage investment, it is also important to note that there are many other trade measures which impact on investment decisions. It is also worth analyzing the *type* of investments that the EU would bring to CEMAC. A clarification between long term brick and motor investment (which would be great for CEMAC), what it would really take to attract this form of investment, and *portfolio investment,* which entail increased participation of shareholders in companies control of capital would be important to make to inform CEMAC decisions.

72. National authorities in Central African countries have sought to attract FDI by providing companies with incentives such as favorable tax treatment. However, fiscal incentives included in the investment codes have not played an important role. In general, low levels of economic development in the region are a constraint to FDI outside of the primary resource sectors. There is very little FDI linked to market-seeking strategies and even less directed towards cost-cutting through outsourcing. The main factors explaining the weak ability of the CEMAC region to attract FDI include the potential political unrest; a weak business environment; lack of physical infrastructure; weak capacity of human capital; high financial intermediary costs; weakness of the industrial fabric; weak management of opportunities and mitigation of external shocks; and, high levels of risk. Moreover, there are 'bottlenecks' in terms of capacity and governance that constrain the integration process and the full application of regional decisions at the national level.

73. The above is notwithstanding the overall openness of the region and the fact that, as is seen from the table on WTO commitments (Table 11), these countries are quite open in some strategic sectors. This goes to show that liberalization commitments in and of themselves, are not a *panacea* to attracting FDI. Indeed, the relationship between Mode 3 commitments in the GATS and FDI inflows still require further research. In his thoughts on challenging conventional wisdom, Luis Abugattas, clearly articulates that there are more factors that play on investment such as domestic policies, support infrastructure, regulatory capacity, political security, and others.[25]

<u>Table 11</u>: Services sectors for which concessions were scheduled at the WTO

Country	Service Sector (s)
Cameroon	Other business services, maintenance services which applies to maintenance services for industrial equipment used in manufacturing spare parts and in activities exercised by small and medium-sized enterprises, which applies to the following sub sectors: agricultural and agro-industry production; industrial and small-scale fisheries;

[25] Luis Abugattas Majluf, and Simonetta Zarrilli, "*Challenging conventional wisdom:development implications of trade in services liberalisation*", study series no.2 Trade, Poverty and Cross cutting development issues, March 2007.

	forestry: timber processing. Tourism and travel related services: hotel and restaurant services, hotel services, restaurant services, Travel agencies, and tour operator services. Exemptions to MFN treatment are maintained on maritime transport. Cameroon did not participate in the WTO negotiations on basic telecommunications, nor on financial services.
Central African republic	Business services: Other Business Services like services incidental to agriculture, hunting and forestry, services incidental to fishing, communication services such as audiovisual services, environmental services, other services, wildlife protection service, environment, .tourism and travel related services, hotels and restaurants (including catering), travel agencies and tour operators services, Other Services, recreational, cultural and sporting services, entertainment services, sporting and other recreational services, news agency services, libraries, archives, museums and other cultural services
Chad	Tourism and travel related services: hotels and restaurants (including catering), travel agencies and tour operators services
Equatorial Guinea	Professional services; financial services; banking; catering; hotels; maritime transport services; tourism; transport services.
Congo	Tourism and travel related services including on hotels, and catering.

74. An analysis of the EC framework text on Mode 4 reveals that the EU is not willing to go beyond their WTO commitments on that Mode. The targets the EC talks about as beneficiaries are skilled professionals (managers, specialists), graduate trainees, business visitors, contractual services suppliers, and independent professionals. Despite the interest of CEMAC in this mode of supply, given the region's current supply capacity, it is very unlikely that Mode 4 commitments as proposed by the EU, and especially in the sectors singled out, will have commercial meaning for CEMAC countries at this stage.

75. The CEMAC region may seriously consider focusing on building its own capacity from the intra-regional perspective. It is important that CEMAC countries find ways to develop capacity in services and one way would be to mainstream the development cooperation articles in the CPA. Some of the real challenges that the CEMAC countries find themselves faced with in services include the issue of developing capacity to provide universal access to basic services for their populations at a domestic level. Critical sectors like health, education, and other essential services such as water and its availability to all, remain a challenge.

IV. CONCLUSION

76. There are several interfaces between EPAs and the WTO Doha Round that would be missed out or even be antagonised by over compartmentalising trade negotiations. It would indeed seem that some flexibilities painstakingly negotiated at the multilateral level are not being reproduced under the Central Africa EPA. Moreover, areas in which the EPA could add value by going beyond the WTO, such as sectoral cooperation, technical and financial assistance, improvement of market

access for priority products, have not yet materialised. Greater exchange of information and more coordinated action in both negotiations may not only guarantee that the outcomes of both processes is mutually compatible, but may lead to the identification of positive synergies in both negotiations.

77. Because of their scope and ambition, trade negotiations in the EPA context are crucially important for the Central African region. However, the technical, human and financial capacities of countries of the region to effectively negotiate and influence the outcomes of both processes are limited. The region's limited negotiating capacity is further accentuated by the need to move EPA and WTO negotiations in parallel. Moreover, few, if any at all, targeted impact studies have been conducted and, when available, it is uncertain how they influence negotiations.

78. Finally, it would seem that a real pro-developmental outcome in the context of the EPA would require greater time, which is difficult given the enormous pressure that there is on the region to conclude negotiations before the end of the year. In that sense, it may be strategically interesting for the Central African region to continue to negotiate its EPA with Europe, but at the same time start discussing an alternative in case the scheduled deadlines cannot be met without compromising the developmental promise of the EPAs.

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