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## **EU-ACP trade negotiations on Economic Partnership Agreements A gender approach**

### **Abstract**

The article briefly reviews and assesses the moves towards free trade taking place in EU-ACP trade negotiations on Economic Partnership Agreements under the Cotonou Agreement. Negotiations have started in September 2002 and are foreseen to enter into force in January 2008. The major touchstone for future trade arrangements is the question how such arrangements will affect poor women and men, and under which conditions such arrangements will contribute to poverty alleviation. The article is based on a study in Zimbabwe on 'EPAs – What's in it for women?', and a workshop in Dakar on engendering EPAs. It concludes that only if a range of policy changes and measures are introduced will poor women and men be able to benefit from any moves towards free trade.

### **The new ACP-EU Partnership Agreement**

From the very beginning, the Treaty of Rome (1957) made provision for the association of overseas countries and territories with the European Community. Since then, through two Yaoundé Conventions and the four Lomé Conventions (1975-2000), the EU has maintained a special relationship with the African, Caribbean and Pacific (ACP) Group of countries.

In June 2000, a new ACP-EU partnership agreement, known as the Cotonou Partnership Agreement, was signed in Benin to take this relationship into the 21<sup>st</sup> century. The Cotonou Partnership Agreement currently includes 77 ACP countries and will run for the next twenty years. The overall objectives of the Cotonou Agreement are economic development, reduction and eventual eradication of poverty, and the smooth and gradual integration of the ACP states into the world economy. It is distinct from the previous Lomé Convention in two main new respects:

1. The establishment of free trade arrangements in the ACP region and between the ACP countries and the EU.

The Cotonou Agreement foresees setting up Economic Partnership Agreements (EPAs) between the ACP states in various regions, and between the EU and regional ACP configurations. Consequently, preferential treatment for ACP export products entering the EU will be reduced. Formal negotiations for the EPAs have started in September 2002 with a first all-ACP phase which has resulted in a list of issues of divergence and convergence. The second phase of sub-regional negotiations has started with the launch of negotiations between the EU and the ECOWAS and Central Africa in autumn 2003, and with Eastern and Southern Africa in spring 2004. In January 2008, the EPAs should enter into force. The period between now and 2008 should be used to prepare for the new trade arrangements. As a result of this exercise, EU-ACP trade relations should be WTO compatible by 2008.

2. The involvement of non-state actors (NSA) including civil society in policy formulation and programme identification, implementation and evaluation.

The importance of the role of civil society organisations in the South and the need for enhanced co-operation between these organisations and official donors and Southern country governments is emphasized in the Cotonou Partnership Agreement. This is important for the process of drawing up Country Strategy Papers (policy priorities, National Indicative Programme). It is stated that civil society will be informed and consulted, in particular about

decisions concerning Community aid and, more generally, on the economic, social and institutional reforms which the EU intends to support.

3. From a gender perspective, is it noteworthy that the Cotonou Agreement includes clearer commitments to gender equality than its predecessors.

Indeed, the Agreement contains specific articles and sections on gender issues, and gender considerations are explicitly integrated in some areas. However, it is a basis for major concern that gender issues are missing in relation to the 'hard' areas of negotiations especially trade and trade-related areas. In the context of Economic Partnership Agreement negotiations, this is even more problematic as those areas appear to be the most contentious areas (Arts 2001).

### **The Economic Partnership Agreements**

The current negotiations will be quite different from anything the ACP states have yet engaged in. No longer will the ACP simply be negotiating their terms of access to the EU market, they will also be called upon to extend a range of trade preferences to the EU which they do not extend to any other developed economies. This will have important implications for production for domestic and regional markets throughout the ACP. What is more, the ACP will be called upon to extend preferences to the EU in large part simply to ensure that they continue to enjoy the conditions of market access from which they currently benefit under the Cotonou Agreement. To a certain extent this can be taken further, as some in the ACP fear that rejection of the EU's Economic Partnership Agreement proposals could lead to a downsizing of their aid allocations under the Cotonou Agreement.

Furthermore, Economic Partnership Agreement negotiations will not only be about tariffs and trade. The EU is proposing to include negotiations on a range of trade related issues (tourism, financial services, telecommunications, culture, construction and related engineering services) and issues arising in trade in services (competition policy, intellectual property rights, standardisation and certification, sanitary and phytosanitary measures, trade and environmental issues, labour standards, consumer policy). The European Commission has declared that they would like to see negotiations with the ACP in these areas go beyond existing WTO commitments. Unfortunately, virtually all ACP governments are poorly placed to take up this negotiating challenge, particularly as they will be involved in parallel processes of negotiations in the WTO.

#### *From non-reciprocal trade preferences to reciprocal trade relations*

In the run-up to the launch of the negotiations on EPAs, it became clear that the European Commission strongly favours a fundamental transformation of the basis for ACP-EU trade relations, from a system of non-reciprocal trade preferences to a system of reciprocal trade relations. The European Commission put forward two arguments in favour of this fundamental change:

- the need to ensure the WTO compatibility of future ACP-EU trade relations;
- the failure of the past system of non-reciprocal trade preferences to deliver on trade performance and wider development objectives in ACP countries.

The limits imposed on future ACP-EU trade arrangements by current WTO rules (Article XXIV of GATT) on non-discrimination and regional free trade areas are generating uncertainty about the extent to which Economic Partnership Agreements will actually be able to accommodate the particular needs and concerns of ACP countries, whilst at the same time being acceptable to all other WTO members.

*'Everything But Arms'*

An exception has been made for the least developed ACP states (39 out of 77) which would continue to benefit from a Generalized System of Preferences arrangement if they were not to join an EPA. Separate from the Cotonou Partnership Agreement, the European Commission has proposed the 'Everything But Arms' (EBA) arrangement according to which all least developed countries have been granted duty free and quota free access for all products except arms. Phasing-in periods were established for sugar, rice and bananas. Although many recognize the benefits from an EBA arrangement, it may also have negative effects for non-least developed ACP countries. It also remains unclear whether least developed countries will be able to benefit from EBAs once they join a regional EPA.

All in all, an extremely complicated picture emerges regarding the way forward for EU-ACP trade relations, if only because the ACP will need to define geographical configurations and because of the different situations for least developed and non-least developed countries in the ACP region.

#### *An instrument for development?*

Overall, the proposed Economic Partnership Agreement negotiations will pose a major challenge to ACP governments. Each ACP government will have to identify its long-term trade and development interests. ACP states will need to identify the likely impact of moves towards free trade with the EU on existing patterns of production and areas of production which it would like to see developed.

From a development perspective, the major question is whether any future trade agreement with the EU will contribute to the structural transformation of ACP economies in order to lay a solid foundation for progressive eradication of poverty. Major issues are the sequencing of liberalisation with broader support measures to improve infrastructural or human constraints on competitive production such as unreliable public utility provision, unhealthy and poorly trained workforce, poor transport infrastructure, weak institutional and policy frameworks or management systems. Without addressing these complex and diverse supply side constraints and capacity, without support through additional financial resources prior to opening up markets to reciprocity, it remains unclear how EPAs will become more than a free trade agreement.

Increasingly, the case is made that unless there is increased productivity and product diversification, unless there is an improved regional common market providing a solid basis for productivity, ACP states will not benefit from any moves towards trade liberalisation. On the contrary, increased competition from EU imports on ACP markets would threaten existing local manufacturing and food processing industries, in particular in areas where continued subsidies are provided for European producers.

An important condition for EPAs to become an instrument to reduce poverty and promote sustainable development, is that ACP states strengthen their weak negotiation capacities, and develop common strategies and joint positions at sub-regional and all-ACP level.

#### **A gender approach**

##### *Why a gender perspective? Why a micro level analysis?*

Women form the majority of the poor in ACP countries. The possible impact of new trade arrangements between the EU and the ACP on women in ACP countries is seen as an issue of critical concern, given the stated objective of the ACP-EU Cooperation with regard to poverty eradication. If future ACP-EU trade arrangements do not improve the position of women in

ACP countries, then they will not materially improve the situation of the poor. This would be in direct contradiction with the major stated objective of ACP-EU cooperation to eradicate poverty.

Because of the complexity of the issue, there is a danger that the official negotiators on both the EU and ACP side will focus on the macro-economic and political implications of future trade arrangements, and skip over an analysis of the effects on different social and economic groups in society.

Trade positions must differentiate and be informed by the likely impact of moves towards free trade on different social and economic groups. The majority of the poor in most ACP countries are women living in rural areas who are engaged in resource poor and low scale (informal) economic activities. A gender analysis is needed to inform trade positions and identify specific issues and areas of concern. Specific measures need to be defined to protect markets and economic sectors and to allow for poor women and men to benefit from new opportunities under moves towards free trade. Otherwise, women are likely to carry the burden of adjustment costs arising due to increased competition and structural transformation.

#### *Lessons from gender analysis*

Production units are not individual units but interact between the household and the community. They interact and depend on activities within the formal *and* the informal economy. Women's contribution in the reproductive, community and informal economy is the backbone of production units, and without women's care and economic activities, production in the formal sector would not be sustainable.

Trade policy is made by social institutions which are embedded in this social context. It is those institutions who decide about resource allocations and policy regulations which enable or disable women's possibility to benefit from market liberalisation.

But women's unequal share in the division of labour and their contribution to economic activities remain invisible, and their contribution is not accounted for and ignored by macro economic policies. The costs of ignoring women's contribution, the refusal to provide them with productive assets and favourable policy regulations have not yet been measured in statistics and accounts. Women's contribution is not accounted for and ignored by macro economic policies. It can be concluded that women experience poverty because they lack access to, and control over productive resources, which would enable them to participate actively in economic development and to produce and trade competitively in the market.

#### **EPAs: What's in it for Women? – A case study from Zimbabwe**

APRODEV chose to engage in a country case study in order to differentiate between effects on different social and economic groups in society. Commonly, trade studies focus on major products which are traded on national or international markets, and tend to neglect economic and social developments in markets and production areas which are important to poor women and men. It is thus necessary to complement macro studies with micro level studies. In order to know how trade arrangements will impact on poor women and men, we need to apply a gender perspective.

The study identifies the likely effects of EPAs on poor women and men, and makes proposals for policy measures which would limit the negative effects and enhance the beneficial effects. The study focuses on a non-least developed country in Southern Africa (Zimbabwe) identifying issues at stakes also important in other regions. The preface of the French translation illustrates the relevance of the findings of the study for francophone countries in Africa (APRODEV 2002)

### *Past benefits and costs from trade relations with the EU*

The study looks at the past benefits which Zimbabwe has derived from its trade relationship with the EU, including a review of the costs and benefits associated with moves towards free trade and a short review of the experiences of incorporating the gender dimension into ACP-EU cooperation.

Under preferential access to the EU market and prior to the present economic crisis, Zimbabwe was among one of the 5 most successful ACP countries in taking advantage of preferential access to the EU market, and has increased its EU exports to 35%. The EU also offered an alternative market for textile exports after difficulties in the regional market.

A 1997 Review of 24 EU funded development projects in ACP countries found that 21 in no way addressed gender inequalities (European Commission 1997). Within ACP-EU development cooperation practice, women have largely been marginalised, while a relatively small group of men have been the decision-makers and main beneficiaries of ACP-EU cooperation. The gender experience accounts for a considerable gap between the professed intentions of the EU and the reality on the ground.

### *Women in poverty*

A focus is on women in communal areas, since this is where the vast majority of poor women live. 62% of the rural population is classified as poor to very poor, and 74% of female-headed households are poor compared to 54 % of male-headed households. In 2002, the HIV/AIDS infection rate has been around 30%.

### *Women in the wider economy*

The participation of women in the Zimbabwean economy shows that women play a pivotal role in different areas of the agricultural sector. Sectors, products and markets important to women as producers, traders, employees and consumers are identified. For example, 80% of the rural population gains their livelihoods directly or indirectly through agriculture in communal or commercial farming, and 71% of the total female population gains employment from communal areas farming. Only 20% of female population work as casual (some permanent) labourers on commercial farming, manufacturing industry, government service, other service industries, mining sector and small scale sector enterprises.

### *Women in the agricultural sector*

The reform process of the Common Agricultural Policy (CAP) is designed to enhance the competitiveness of EU agricultural and value added product industries on national and international markets. Evidently, this will have an impact on the market conditions facing ACP producers of similar or competing products, and the likely impact on the income of women involved in the different stages of agricultural production, processing and marketing needs to be assessed.

### *Cereal production*

Zimbabwe has an important cereals sector feeding into a relatively sophisticated cereals based value added food products industry, and women form the majority (70%) of small-holder producers of grain. Maize is not only a basic crop for household security but also an important source for household cash income. If women are to benefit and compete in the small-scale food-processing sector, it is of critical importance to address major stumbling blocks such as access to funds and technical capacity gaps which may prevent women from meeting market

standards. It will be imperative that issues related to technical assistance to upgrade conformity procedures and standards are addressed, including appropriate technology transfer. Cereals and cereal-based products should therefore be subject to special trading arrangements drawn up under a special protocol to protect the food processing industry from competition.

#### *Horticulture and floriculture*

In the cut flower sector, women are the principal beneficiaries of the improvement in wages and working conditions which the expansion of the cut flower sector has brought about. Women would most likely be adversely affected by any loss of preferential access to the EU market. Capacity building would thus be needed to secure trade arrangements which maintain Zimbabwe's current favourable conditions of access to the EU market in this sector.

The ethical trade initiative launched in the cut flowers sector in Zimbabwe has been a significant factor in supporting an improvement in labour conditions on farms. With premium prices being received for ethically produced flowers, the growers have found it economically beneficial to improve labour conditions, both in terms of production efficiency and financial returns. This case demonstrates how incorporating greater gender sensitivity into labour practices not only brings social and economic gains to the households affected but also makes sound commercial sense, through the retention of trained staff and ensuring a higher return per bloom.

#### *Sugar and beef sector*

Female employment in the sugar sector is mainly in the packing operations for refined sugar. Under the current SADC protocol, Zimbabwe's sugar industry can exploit the protected and high priced refined sugar market, with positive spin-offs in terms of female employment. Should free trade with the EU be introduced in the sugar sector in the context of continued CAP distortion, then this could pose a real threat to the expansion of Zimbabwe's refined sugar exports to the Southern African region.

New export opportunities to be created in the beef sector through a broadening of the range of beef products which can be exported duty and levy free to the EU market are likely to increase employment opportunities for women.

#### *Economic and structural adjustment costs*

The experience of the Economic and Structural Adjustment Programme (ESAP) of the 1990s in Zimbabwe has caused high levels of poverty, death, joblessness and social collapse. Prices of basic commodities sky rocketed. Expenditures on education and health were reduced. The reality was that women have lost the most and gained the least under ESAPs. Given the likely loss of government revenues with the introduction of free trade, and considering the difficulties faced in diversifying government revenues, work will need to be initiated on identifying possible alternative sources of government revenue and improving the efficiency of existing government expenditure.

#### *Conclusions*

The study concludes that only if a whole range of policy changes and measures are introduced, will poor women and men be able to benefit from the EPAs. Such policies need to address the specific constraints women are facing. If not, women are likely to continue to carry the burdens of adjustment associated with economic restructuring whilst gaining little or nothing from such adjustments. Careful consideration must be given to women in rural and communal areas and implications of moves towards free trade. As a signatory to the

Millennium Development Goals, the EU has committed itself to reduce the number of people living in extreme poverty in developing countries by half, in 2015. Future trade regimes will have to be measured against this objective.

### **Engendering Economic Partnership Agreement in West Africa**

The following is based on a regional workshop on engendering EPAs in the ECOWAS countries. The workshop was co-organised by APRODEV and Aid Transparency, and took place in Dakar in October 2003. It brought together a range of gender activists, mainstream development actors at national or regional level and economic or trade experts, media and journalists, interested to advance the public debate on EPAs. The objective was to stimulate interest among women's organisations and mainstream actors to engage in trade policy formulation and its gender dimension in West Africa.

#### *A wake up call*

Existing liberalisation introduced under World Bank and International Monetary Fund programmes and conditionality imposed on fiscal and macro-economic policies in the PRSP chapter has not resulted in poverty reduction but considerably limited policy space of national governments. These are issues of predominant concern.

With ongoing trade negotiations at the multilateral level, a public debate on the shape and impact of EPAs has not been started by autumn 2003, despite the fact that ECOWAS has launched the start of regional EPA negotiations in autumn 2003.

Reduction of tariffs began 20 years ago under Structural Adjustment Programmes and continues under PRSPs and the WTO regime. Under the debt burden, governments opt for export-oriented growth and fail to prioritise the development of domestic economies with its small and medium sized activities and actors.

#### *Gender and trade debate*

Gender activists criticise the IMF, the WB and the WTO for not yet taking the Millennium Development Goals seriously as an important basis for their policies. In addition, they question the PRSP process and the Millennium Development Goals for its absence of debate on trade issues. This has partly led to the isolation of the women's movement, working in a vacuum, when at the same time trade policies will have a major and decisive impact on poverty.

Even though women form the majority of (cross border) traders, women are absent in trade and investment policies at national level. Women are not recognised as economic actors, and are pushed into informal markets which, some challenge, are the only thing that works for women. As long as women's economic contribution is not recognised and safeguard nets put in place, women will not gain from any moves towards trade liberalisation. Further tariff reductions would be akin to sacrifice women and children rights and is likely to result in more food insecurity and increased inequality.

Gender activists in the region call for trade alternatives which challenge the underlying paradigms of trade liberalisation concepts and advocate for the prominence of human rights frameworks (Convention on the Elimination of Discrimination Against Women - CEDAW). They call to measure the invisible and to develop benchmarks for non-negotiable points in trade negotiations.

*What is it that we Africans want from EPAs?*

How much reciprocity? What kind of product coverage? What length of time? What kind of progress of liberalisation and sequencing? Which of all these steps will have what impact on gender inequalities?

Under reciprocity of agricultural trade, product coverage and transition periods need to look at the treatment of individual products under reciprocity. Criteria need to be developed for sensitive products such as cacao, coffee, groundnuts, peanuts, fish, poultry, cotton, shear butter, oil, and services like electricity and water. Special arrangements and safeguards need to be put in place for those products of major importance for women's, and indeed everybody's livelihoods.

National trade policies need to give priority to small-scale resource poor producers and incentives are needed for local investors and enterprises. Stable prices and government expenditures on social and health sector need to be secured. These are major conditions to increase domestic productivity and to promote product diversification.

Concrete cases need to be made to provide substance and gap filling data to inform the debate and trade policy-making. Quantifying and qualifying the informal sector, exploring alternative tax revenue systems, identifying the gender dimension of trade facilitation, or the existing degree of liberalisation and remaining policy space are but some areas which need further research. This could be done by means of community type research on women in specific sectors, or EPA negotiation research evidence-based studies.

#### *Institutional framework*

At present, ECOWAS is de facto the main functional structure for economic integration of West Africa. Yet, it has a diverse grouping of countries and lines of linguistic divides and is also one of the epicentres of conflicts in West Africa. Nevertheless, ECOWAS has an advanced scheme for political and economic cooperation in Africa, with connections with other sub-regional groups and protocols superseding bilateral agreement. ECOWAS member states usually adopt a common position in the WTO, often together with the ACP as a whole. ECOWAS has a parliament which meets quarterly; there is an ECOWAS passport and a protocol which governs the circulation of people and goods. ECOWAS has common external import and export tariffs, as well as internal tariffs. Efforts are made to establish a monetary union which would eventually lead to an ECOWAS central bank. Gender and women's concern clearly need to be more integrated into ECOWAS institutions, most notably the EPA negotiations.

There is major concern about the sequencing of EPAs. Fundamentally, 'regionalism' should have priority over 'open regionalism' (opening up markets to third parties). There is a need to set priorities, benchmarks and timetables for EPAs, allowing the region to negotiate from a position based on regional coherence. Time is the essence for ECOWAS members to build up the basis for their economic transformation and strengthen their own process of regional integration, before entering in negotiations with the EU as a third party.

#### *Lessons learnt from SADC*

The experience of SADC illustrates the contradictory outcomes of demonstrated commitment to gender equality at the institutional level and lip-service paid to gender-related issues in sectoral policies, notably trade. Lessons learnt from the SADC experience highlight that gender advocacy on trade policy formulation needs to start at national level. A bottom-up approach is essential for sustainable gender advocacy on trade issues and transformation of minds; events-based advocacy will not do. Media is key in raising demands from bottom-up trade policies. Women's group and networks must be involved in trade policy formulations,

but must bear in mind that gender mainstreaming at institutional level alone will not be sufficient if root causes of inequality and poverty are not addressed.

### **Recommendations and ways forward**

Based on the experience of APRODEV and other civil society organisations in applying a gender approach to assess the likely impact of future EU-ACP trade arrangements, it can be concluded that:

The gender analysis of market access issues needs to look at sectors, production areas and trading opportunities important to women. A gender analysis of the impact of reciprocity under free trade regime needs to recognise women producers and consumers and acknowledge their central role in agriculture. A gender analysis of the fiscal dimension should not only look at the specific trade (tariff) issues but at the different contextual factors and existing domestic macro economic policies notably fiscal policies and national budgets. The gender analysis of the development dimension needs to address women's specific supply side constraints and identify ways to improve women's access to productive resources.

More specifically, results from the activities above can be summarised in a list of key recommendations:

1. Only if a range of policy changes and measures are introduced will poor women and men be able to benefit from any moves towards free trade. The establishment of specific policies and flanking measures are needed to promote shifting patterns of production with stronger demand growth and more favourable price trends, and the production of more value added goods to sell competitively on national, regional and international markets. The physical and policy constraints need to be addressed that currently inhibit the ability of women producers in ACP countries to produce and trade higher value products competitively. Expenditures of greatest importance to poor women and men need to be protected from budget cuts. Programmes need to be established which are specifically designed and implemented in ways which facilitate women's participation in the future trade opportunities.
2. The EU needs to take account of the effects of a reformed Common Agricultural Policy which will increase the competitiveness of EU exports of agricultural and value added products and its impact on the conditions and income of women's producers in ACP countries.
3. Trade policy making needs to start at national level. A bottom-up approach is essential for sustainable gender advocacy and transformation of minds. Further research is needed providing gap filling data and evidence and making the case for pro-poor and gender just policies. Benchmarks need to be developed at national and regional level for non-negotiable points to prevent women to pay future adjustment costs. Sustainability Impact Assessments should apply a systematic gender analysis to inform positions of trade negotiators.
4. Strategic and broader alliances are needed to strengthen national social movements pressuring for transparency and accountability of trade policy making at national level. Coalitions could reach out to religious communities, agriculture and farmers organisations, trade unions, health institutions, ministers, teachers and migrants in the EU. Campaign tools should be used for different social and economic groups and decision-making levels such as videos, local radio, water campaign, house parties, city council and local government resolutions.

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