

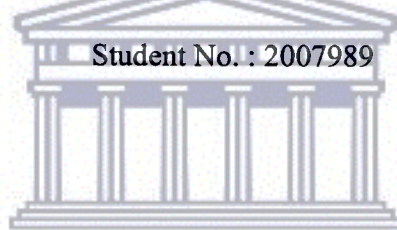
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**TOWARDS A FAIRER MULTI-LATERAL TRADE RELATIONS  
BETWEEN THE EUROPEAN UNION AND AFRICAN CARIBBEAN and  
PACIFIC COUNTRIES?**

by

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**NOVEMBER 2005**



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**Declaration**

I, Clydenia Edwina Delpont, hereby declare that this dissertation, *Towards fairer multilateral trade relations between the European Union and African Caribbean and Pacific countries*, is my own original work and that it has not been submitted for examination for the award of any degree at any other University.

Signed.....

Clydenia Edwina Delpont



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## **Acronyms**

ACP	African Caribbean and Pacific Countries
AAMS	Association of African States and Madagascar
CAP	Common Agricultural Policy
CPA	Cotonou Partnership Agreements
EBA	Everything But Arms
EC	European Community
ECSC	European Coal and Steel Community
EDF	European Development Fund
EEC	European Economic Community
EIB	European Investment Bank
EPAs	Economic Partnership Agreements
EU	European Union
EURS	European Union Sugar Regime
FTA	Free Trade Agreements
GATT	General Agreement on Trade and Tariffs
GSP	General System of Preferences
IMF	International Monetary Fund
LDC	Least Developed Countries
LLC	Land Locked countries
MFN	Most Favoured Nation
MTN	Multilateral Trade Negotiations
MTS	Multilateral Trading System
OCTs	Overseas Countries and Territories
RTA	Regional Trade Agreements
UK	United Kingdom
USA	United States of America
WTO	World Trade Organization

**Key words**

European Union and African Caribbean and Pacific countries  
Multilateral Trading System

Treaty of Rome

Yaoundé Convention

Lomé Conventions

Cotonou Partnership Agreements

Fair Trade

Developing countries and Least Developed countries

Trade relations



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## Chapter One: Introduction

*'Trade is not just trade. It is not the mere exchange of goods for money. Trade must have purposes. Open up your markets, we get the money, we develop our people.'*

Ugandan Minister: Edward Ruguwayo<sup>1</sup>

### 1.1 Introduction

Sugar, bananas, beef and cotton are some of the few products, which are the primary commodities in many African, Caribbean and Pacific countries (ACP).<sup>2</sup> Many are highly vulnerable small islands, landlocked and least developed states,<sup>3</sup> thus rendering the above-mentioned sectors, of great importance to their economies.<sup>4</sup> In these countries, for instance, the sugar producers often provide housing, health care, education and other benefits.<sup>5</sup> If changes should occur in their current trade relations their dependence on the above commodities and even more important, the prevalence of unfair trade relations could contribute to an already unstable economic environment.<sup>6</sup>

Currently, seventy-nine countries form part of the African, Caribbean and Pacific group.<sup>7</sup> In the ACP group, forty-eight of the countries are located in Africa, accounting for all the countries from Sub-Saharan Africa, sixteen are island states of the Caribbean and fifteen are Pacific islands.<sup>8</sup>

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<sup>1</sup> At the Doha Conference, held in November 2001. See also: 'Globalisation: a further compendium of views' [http://www.appropriateeconomics.org/materials/globalisation\\_a\\_further\\_compendium\\_of\\_views.pdf](http://www.appropriateeconomics.org/materials/globalisation_a_further_compendium_of_views.pdf) [Accessed on 17 August 2005]

<sup>2</sup> Laurent (May-June 2005) 4

<sup>3</sup> Annexure A provides a list of ACP states that are least developed, landlocked and small island states.

<sup>4</sup> Rouhier, P 'WTO case on EU Sugar: Implications for Africa on preferential access' *Tralac Trade Brief* Agri-Conference September 2004 3 [www.tralac.org](http://www.tralac.org)

<sup>5</sup> *Ibid.*

<sup>6</sup> Laurent *op cit* 5

<sup>7</sup> [www.acpsec.org/en/acp\\_states.htm](http://www.acpsec.org/en/acp_states.htm) [Accessed on 12 August 2005]

<sup>8</sup> *Ibid.*

According to United Nations Conference on Trade and Development (UNCTAD),<sup>9</sup> from the lists of fifty least-developed countries, forty-one are members of the ACP.<sup>10</sup> As a result, ACP countries have had much difficulty integrating into the world economy. However, according to UNCTAD Least Developed Countries (LDCs) series report of 2004, '[i]nternational trade can play a major role in reducing poverty in the LDCs',<sup>11</sup> but in practice LDCs trade relations with more developed economies has not brought about the necessary changes in their domestic economies.<sup>12</sup> This begs the question whether there is a problem with the ACP agreements and secondly, whether it would not be more beneficial to include fairer terms that bear in mind the circumstances that exists in the LDCs.

The African, Caribbean and Pacific countries share in global trade is very small and continues to decline.<sup>13</sup> In world exports, for example, the ACP's share in trade fell from 3.4% in 1976 to 1.9% in 2000, whilst European Union (EU) imports fell from 6.7% in 1976 to 2.8% in 2000.<sup>14</sup> Currently ACP exports represent 2% of global exports against 6% in 1980<sup>15</sup>. As mentioned before, ACP exports to the EU are not very diversified: in 2001, for example, ten products accounted for 60% of total ACP exports. One such product, petroleum oil, is the most important ACP export (29% of total ACP exports).<sup>16</sup> The European Union (EU) is the largest trade partner of most of these countries. In 2000,

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<sup>9</sup> [www.unctad.org/Templates/Webflyer.asp?docID=5681&intItemID=1634&lang=1](http://www.unctad.org/Templates/Webflyer.asp?docID=5681&intItemID=1634&lang=1) [Accessed on 17 February 2005]

<sup>10</sup> [http://europa.eu.int/comm/development/body/cotonou/landlocked\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/landlocked_en.htm) [Accessed on 2 March 2005]

<sup>11</sup> Non-Governmental Organizations such as Oxfam and Traidcraft are constantly emphasizing the role that trade can play to better the circumstances in lesser-developed countries.

<sup>12</sup> <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=3074&lang=1> [Accessed on 3 March 2005]

<sup>13</sup> [http://trade-info.cec.eu.int/doclib/docs/2004/november/tradoc\\_120303.pdf](http://trade-info.cec.eu.int/doclib/docs/2004/november/tradoc_120303.pdf) [Accessed on 17 February 2005]

<sup>14</sup> [http://europa.eu.int/comm/trade/bilateral/acp/index\\_en.htm](http://europa.eu.int/comm/trade/bilateral/acp/index_en.htm) [Accessed on 17 February 2005]

<sup>15</sup> [http://trade-info.cec.eu.int/doclib/docs/2004/november/tradoc\\_120303.pdf](http://trade-info.cec.eu.int/doclib/docs/2004/november/tradoc_120303.pdf) [Accessed on 17 February 2005]

<sup>16</sup> [http://europa.eu.int/comm/trade/bilateral/acp/index\\_en.htm](http://europa.eu.int/comm/trade/bilateral/acp/index_en.htm) [Accessed on 17 February 2005]

Other products that were exported in this period from these countries diamonds, coffee, tobacco and bananas.

trade with the EU represented 29% of total ACP exports or 33% of total African ACP exports and 29% of total imports (38% of total African ACP).<sup>17</sup>

In real terms, trade with ACP countries amounted to over 58 billion euros in 2001, with the EU importing thirty-one billion Euros and exporting twenty-seven billion.<sup>18</sup> Since agricultural raw material makes up almost half of ACP exports and more than 50% of their agricultural exports to the EU<sup>19</sup>, it is little wonder that exports from ACP countries remains greatly dependent on the European market. For many of the ACP countries the EU is their key trading partner.

## 1.2 Agreements

In its lifespan, the EU has concluded a number of agreements with the ACP countries.<sup>20</sup> Despite these agreements, the relationship between the two regions has been seen as largely colonial, which some authors argue might have affected the ability of the ACP countries to negotiate trade matters from a strong position.<sup>21</sup> Had the relationship been equal, they argue,<sup>22</sup> the ACP countries might have profited more by ensuring the inclusion of fairer terms that would have benefited them. If the goal of the existing agreements were the alleviation of poverty in these exceedingly poor countries, changes need to have been apparent not only in their economies, but also in their policies.

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<sup>17</sup> [http://europa.eu.int/comm/trade/bilateral/acp/index\\_en.htm](http://europa.eu.int/comm/trade/bilateral/acp/index_en.htm) [Accessed on 17 February 2005]

<sup>18</sup> *Ibid.*

<sup>19</sup> 'ACP' [http://trade-info.cec.eu.int/doclib/docs/2004/november/tradoc\\_120303.pdf](http://trade-info.cec.eu.int/doclib/docs/2004/november/tradoc_120303.pdf) [Accessed on 17 February 2005]

<sup>20</sup> The following agreements were concluded between the parties: Yaoundé II Conventions and I; Lomé I, II, III and IV Conventions.

<sup>21</sup> Holland (2002) 27

<sup>22</sup> *Ibid*

The Treaty of Rome<sup>23</sup> was the first document that analysed the relationship of EU member states with their colonies.<sup>24</sup> Since the treaty was not a bilateral trade agreement, it merely defined the existing relationship of the EU with these countries. In the Treaty of Rome, the signatories to the European Economic Community (EEC) expressed their support with the colonies and Overseas Countries and Territories (OCTs) as they committed themselves to contribute to their prosperity.<sup>25</sup> It was apparent that the EU and ACP needed a more formal agreement to describe their relations. Thus, there was need for a new agreement, which resulted in the Yaoundé Convention being established.<sup>26</sup> The two Yaoundé Conventions were concluded to enhance the relations between the European Economic Community (EEC), seventeen African States and Madagascar (AAMS). The Yaoundé I Convention, which had to deal with many changes that were taking place in the EEC, was concluded for a period of five years.<sup>27</sup> The bulk of the resources that were offered went to French speaking Africa.<sup>28</sup> It maintained the reciprocal granting of tariff preferences for industrial products and for some tropical products.

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<sup>23</sup> Purpose of the Treaty was to: '[t]o lay the foundation of an ever closer union among the peoples of Europe Resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe...affirming as the essential objective of their efforts the constant improvement of the living and working conditions of their peoples...recognising that the removal of existing obstacles calls for concerted action in order to guarantee steady expansion, balanced trade and fair competition,...anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions, ...desiring to contribute, by means of a common commercial policy, to the progressive abolition of restrictions on international trade. Intending to confirm the solidarity which binds Europe and the overseas countries and desiring to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations, Resolved by thus pooling their resources to preserve and strengthen peace and liberty, and calling upon the other peoples of Europe who share their ideal to join in their efforts.'

<sup>24</sup> Dorman, R 'European Union and the Third World' <http://www.poptel.org.uk/against-eurofederalism/lome.html> [Accessed on 11-January-2005] According to the writer: '[a]rticles 131-136 of Part 4 of the Treaty of Rome provided for non-European countries and territories, which had special relations with a Treaty member state to have association status with the EEC. Although all 26 countries, which acquired association with the EEC at this stage, were dependencies or trustee territories of EEC states, Article 238 provides for a special association with reciprocal rights and obligations between the EEC and any third country.'

<sup>25</sup> [http://www.ecdpm.org/Web\\_ECDPM/Web/Content/Content.nsf/vwPrint/921AB4E8C0FBAC23C1256C7500587AA2?O](http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/vwPrint/921AB4E8C0FBAC23C1256C7500587AA2?O) [Accessed on 25 February 2005]

<sup>26</sup> In July 1963, Yaoundé I was signed and on the 29 July 1969 Yaoundé II.

<sup>27</sup> Von Geusau (1977) 20

<sup>28</sup> [http://www.ecdpm.org/Web\\_ECDPM/Web/Content/Content.nsf/vwPrint/921AB4E8C0FBAC23C1256C7500587AA2?O](http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/vwPrint/921AB4E8C0FBAC23C1256C7500587AA2?O) [Accessed on 25 February 2005]

Yaoundé II Convention, which was negotiated in December 1968, did not fundamentally change the pattern of the trade relations.<sup>29</sup>

When Britain acceded to the EEC, it was necessary to conclude a new agreement to enable its colonies to form part of these unique relations. This is how the Lomé Convention, the longest standing of the Agreements,<sup>30</sup> came into being. Although several ACP countries benefited from this agreement, according to former EU trade commissioner Pascal Lamy, the ACP as a whole did not make sufficient progress.<sup>31</sup> However, when the convention was reviewed, it was not because of the failure of the preferences granted under the convention, but because the EU felt that ACP countries should diversify their exports.<sup>32</sup>

The establishment of the World Trade Organization (WTO)<sup>33</sup> in January 1995 forced the EU to reassess its trade relationship with the ACP countries, since member countries put strong pressure on the EU to reform its preferential trade policy towards ACP countries. The decision to make the Lomé Convention compatible with WTO rules followed towards the end of 1995. To assist the ACP countries to comply with the new multilateral trading system, the EU-ACP trade relations had to be re-negotiated eighteen months before the expiry of Lomé IV on February 29 2000.<sup>34</sup>

The new trade agreement, the Cotonou Partnership Agreement (CPA), which was signed into operation on 23 June in 2000,<sup>35</sup> has brought about many changes in the trade relationship between the EU and ACP. The Economic Partnership Agreements (EPAs)

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<sup>29</sup> Von Geusau (1977) 20

<sup>30</sup> The Association agreement, and Yaoundé I and II. The Lomé Convention governed the trade relations between the EU and ACP countries from 1975. It is seen as the first agreement to establish a close link between the North-South Relations, which arose concern, since it would be the first major relationship between countries with such different backgrounds.

<sup>31</sup> "EU and ACP countries negotiate Economic Partnership Agreements" *the Courier ACP-EU* July-August 2002 13

<sup>32</sup> *Ibid.*

<sup>33</sup> [www.wto.org](http://www.wto.org). [Accessed on 15-October- 2004]

<sup>34</sup> "ACP-EU trade: into the new millennium" *the Courier ACP-EU* November-December 1997 64

<sup>35</sup> <http://www.nedlac.org.za/docs/pr/2002/pr0812.html> [Accessed on 2 March 2005]

with ACP countries, which are to be formed after a period of consultation and a phasing out of preferential trade over seven years, must show whether this Agreement has better results than its predecessors. Intended to allow ACP partners to retain their preferential access to European markets, however, Cotonou Agreement requires reciprocation meaning that ACP countries open their markets to imports from Europe. Since this could threaten the fragile economic balance of ACP countries that form the majority of least-developed countries (LDCs), it has already led to opposition by a number of Non-Governmental Organisations (NGOs) such as Oxfam and Traidcraft who are urging the EU to seek for other alternatives.

### 1.3 Development of the current problem

With the establishment of European Economic Community (EEC) in 1952, the founding members of the EEC wanted to move progressively towards the establishment of a more uniform sugar industry and thus proposed some changes to the existing sugar regime,<sup>36</sup> which they did by way of Article 39, of the Treaty of Rome. This led to the launching of the aims and principles of the Common Agricultural Policy (CAP) of Belgium, France, Germany, Italy, Luxembourg and the Netherlands in 1962. The objectives of this policy, mainly aimed to satisfy the needs of European people, were to ensure that: (1) supplies were available, (2) food reached consumers at reasonable prices, (3) a fair standard of living could be obtained for the agricultural community, (4) agricultural productivity would increase through the promotion of technical progress and efficiency, and, (5) that markets would stabilize.<sup>37</sup>

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<sup>36</sup> <http://www.acpsugar.org/history.htm> [Accessed on 20 January 2005]

<sup>37</sup> 'What is the CAP?' [http://www.nfu.org.uk/stellentdev/groups/public/documents/faqs/cap-whatisthecomm\\_ia412f4559-1.hcsp](http://www.nfu.org.uk/stellentdev/groups/public/documents/faqs/cap-whatisthecomm_ia412f4559-1.hcsp) [Accessed on 28 February 2005]

Under this policy, farmers in each European Union (EU) country received payments and market support.<sup>38</sup> Many of these farmers have been benefiting from the CAP to ensure protection from fluctuations in the world sugar prices.<sup>39</sup> The tariffs on imported sugar from outside ensure that EU farmers are faced with little competition.<sup>40</sup> Even though, the EU farmers benefited from CAP, they were producing too much sugar for the European market which is why the EU have been dumping million tones of sugar on the world market.<sup>41</sup> The surplus sugar is dumped in other markets that cause the world sugar price to decrease, leaving many non-European sugar farmers with smaller profits.<sup>42</sup>

As a result of Europe's colonial ties with ACP countries growing sugar cane, negotiations for a new Sugar Regime for these countries were also started in 1965 and concluded in 1973. The idea was to support ACP countries to enable them to deliver a stable supply of sugar to the EU market.<sup>43</sup> While the sugar markets of the members were originally organized individually, this process merged them into a common organisation known as the EU Sugar Regime (EUSR) in 1972.<sup>44</sup>

The enlargement of the European Economic Community in 1973, with the accession of the United Kingdom (UK), Ireland and Denmark, meant that new arrangements had to be considered, especially because of the links between the UK and its many Commonwealth countries, most of which were in Africa, the Caribbean and the Pacific.<sup>45</sup> As the UK wanted the EEC to take the Commonwealth Sugar Agreement (CSA), which described their position in the sugar industry, into consideration, they urged the European

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<sup>38</sup> What is the CAP?' [http://www.nfu.org.uk/stellentdev/groups/public/documents/faqs/cap-whatisthecomm\\_ia412f4559-1.hcsp](http://www.nfu.org.uk/stellentdev/groups/public/documents/faqs/cap-whatisthecomm_ia412f4559-1.hcsp) [Accessed on 28 February 2005]

<sup>39</sup> 'Case study-The sugar trade' [http://www.globaleye.org.uk/secondary\\_summer/focuson/case-sugar.html](http://www.globaleye.org.uk/secondary_summer/focuson/case-sugar.html) [Accessed on 28 February 2005]

<sup>40</sup> *Ibid.*

<sup>41</sup> *Ibid.*

<sup>42</sup> *Ibid.*

<sup>43</sup> Chambron, A 'Case study: the import regime for sugar' <http://www.farmerslink.org.uk/euirs.htm> [Accessed on 28 February 2005]

<sup>44</sup> *Ibid.*

<sup>45</sup> <http://www.acpsugar.org/> [Accessed on 20 January 2005]



Community to form a new proposal that would encompass their former colonies.<sup>46</sup> When Britain became a full member of the EEC on 1 January 1973,<sup>47</sup> the Sugar Protocol was negotiated to give assurance to the United Kingdom that their cane suppliers and refining interests would not be disrupted.<sup>48</sup> This protocol was later annexed to the Lomé Convention, which has regulated the trade and aid relations between the European Union and its ex-colonies, together with other protocols on bananas, rubber, rice, beef and rum, since 1975.<sup>49</sup>

During the negotiations of the Sugar Protocol, Europe needed to import sugar because its own level of production was insufficient to meet the demand.<sup>50</sup> Although it was already clear that the EU's need for ACP sugar would exist only as long as Europe could not or did not provide all of its own sugar needs, the EU secured stable supplies and prices at the time. In fact, under a protocol to the Lomé Convention, the EU paid above world market prices to import 1.3045 million tonnes of raw sugar annually from 17 of these countries.<sup>51</sup> In the meantime, the EU production reached between 17 and 19 million tonnes of sugar per year, while its consumption declined to 14 million tonnes.<sup>52</sup>

The Sugar Protocol benefited those countries that had relations with the European Union (EU). One example is Fiji, where the sugar industry employs a quarter of the workforce and the sugar exports are nearly 40%.<sup>53</sup> However, countries that were not ACP members,

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<sup>46</sup> <http://www.acpsugar.org/> [Accessed on 20 January 2005]

<sup>47</sup> *Ibid.*

<sup>48</sup> Chambron, A 'Case study: the import regime for sugar' <http://www.farmerslink.org.uk/euir.htm> [Accessed on 28 February 2005]

<sup>49</sup> *Ibid.*

<sup>50</sup> *Ibid.*

<sup>51</sup> Blackburn, P 'ACP sugar exporters seek to strengthen EU ties' <http://www.expressindia.com/fe/daily/19981130/33455644p.html> [Accessed on 28 February 2005]

<sup>52</sup> *Ibid.*

<sup>53</sup> 'Case study-The sugar trade' [http://www.globaleye.org.uk/secondary\\_summer/focuson/case-sugar.html](http://www.globaleye.org.uk/secondary_summer/focuson/case-sugar.html) [Accessed on 28 February 2005]

struggled to compete in the world sugar market, this resulted in hunger and malnutrition, as many farmers could not afford to feed their families.<sup>54</sup>

The WTO was created by the Uruguay round of negotiations, which was held from 1986 until 1994. However, the organization only became operational in January 1995 as an inter-governmental institution designed to police global trade,<sup>55</sup> which led to the formation of the multilateral trading structure.

With the formation of the WTO and its newly established Dispute Body, an ongoing dispute over the relationship between the European Union (EU) and African Caribbean and Pacific countries were getting more vigorous. The opposition claimed that, the principles of the WTO rendered the existing trade relations (Lomé Convention) between the European Union (EU) and African, Caribbean and Pacific countries (ACP) as incompatible.<sup>56</sup>

Under the WTO agreement, Brazil and Australia brought a complaint against certain aspects of the EU sugar regime in August 2003. The main aspects of the complaint were that:

1. The EC cross-subsidizes exports of C-sugar. These subsidies are not included in its schedule of commitments, and that;
2. The EC exports an equivalent quantity of its ACP/India preferential imports with export subsidies, which are again not included in its schedule.<sup>57</sup>

As a result of these complaints, the European Union was found guilty in February 2005 of illegally dumping millions of tonnes of subsidised sugar on world markets, in so doing,

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<sup>54</sup> 'Case study-The sugar trade' [http://www.globaleye.org.uk/secondary\\_summer/focuson/case-sugar.html](http://www.globaleye.org.uk/secondary_summer/focuson/case-sugar.html) [Accessed on 28 February 2005]

<sup>55</sup> Thomas, R.H. 'The WTO and Trade Cooperation Between the ACP and the EU: Assessing the Options' (1997) Working Paper No.16 Maastricht: ECDPM

<sup>56</sup> *Ibid.*

<sup>57</sup> Rouhier, P 'WTO case on EU Sugar: Implications for Africa on preferential access' Agri-Conference September 2004 3 Tralac Trade Brief [www.tralac.org](http://www.tralac.org)

destroying poor farmers' livelihoods.<sup>58</sup> It must now act to reform the regime in a way that benefits poor countries including non-ACP countries, even though that could raise a problem for ACP sugar-producing countries that have been benefiting from the EU sugar regime.<sup>59</sup>

From the above, it is clear that within the international trade forum, discrepancies exist, which have been fuelled by the inequity amongst nations, more so by a trade structure that provides little benefits for countries that need it urgently. This issue is challenging, in view of the fact that international trade amongst countries have been a mechanism for eradicating poverty and promoting development. According to Koubou,<sup>60</sup> these ambiguous trade agreements are the root of the inequity in global trade, because they are structured to serve the interests of rich countries.

#### 1.4 Aims and underlying assumptions of the study

In the light of the recent problems in relation to the banana and more so the sugar industries, the study examines how the four trade agreements have contributed to the existing uneven relations between the EU and ACP and what possible options the ACP countries have that could ensure faster economic development and the alleviation of poverty. Against the background of fair trade, the specific aims are to review the basis for the trade relations between the EU and the African, Caribbean and Pacific (ACP) countries and establish how the relationship developed before the establishment of the WTO. Furthermore, to ascertain how the multilateral trading system double standards affected the ability of ACP countries to address their socio-economic difficulties. Lastly,

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<sup>58</sup> 'EU sugar subsidies ruled illegal' <http://www.oxfam.org.uk/press/releases/sugar040804.htm> [Accessed on 1 March 2005]

<sup>59</sup> The concept of fairness implies that *all* countries have to be treated equally as it would be insignificant if only ACP countries were allowed to benefit from such trade arrangements.

<sup>60</sup> Koubou, G 'Inequity in world trade and the crisis of development in Africa' [www.nai.uu.se/newsfromnai/arkiv/2005/koboueng.htm](http://www.nai.uu.se/newsfromnai/arkiv/2005/koboueng.htm) [Accessed on 22 February 2005]

the aim is to investigate, the means whereby the Cotonou Agreement tends to address the unfair trade relations between the EU and ACP countries to assist these countries to improve their situation.

The assumption underlying this study is that many ACP countries need more trade and less aid. They have grown too dependent on other countries that have assisted them or granted them certain preferences to accommodate their needs. While the EU-ACP relationship was established precisely to address these problems, not many of the ACP countries were able to use the preferences and aid to their advantage. This meant that especially poorer countries benefited less from the trade arrangements. As a result, the EU approach towards the ACP countries has been severely criticised.

Since ACP countries have begun to realise that more trade might alleviate their problems, trade has become an important issue in many of these countries. However, the current trading system according to Non-Governmental Organizations such as Oxfam and Traidcraft, has not improved the developmental status of many of these countries, thus they are urging ACP countries to explore other alternatives which could accommodate their needs and ensure that their small producers benefit. It is in this mindset that, the paper needs to discuss the concept of fair trade; a notion that has in recent years been adamantly promoted by these NGOs.

### **1.5 A fair trade framework**

During the World Trade Organization (WTO) round of negotiations in Seattle, many demonstrators had concerns and complaints about the unfair actions and outcomes promoted by the WTO. The organisation's ideology of free trade and globalization has been seen to be responsible for the exploitation of workers, the degradation of the

environment, and the growing inequality amongst countries around the world.<sup>61</sup> Thus, the demand for fairer trade between the industrialized countries and the developing and least-developed countries has increased.<sup>62</sup> Before we can make assumptions as to the fairness or unfairness of the agreements, we firstly have to examine the concept of fair trade and its key principles in more detail.

Even though the concept of fairness is more of a moral argument, it can ensure further parity among the countries in the multilateral trading system. One reason why fairness has been avoided is that there is an expectation of uncompensated losses which inspires claims of unfairness in trade policy discussions.<sup>63</sup> If everyone believed that free trade would generate benefits for all, then there would never be any reason to hold that free trade is unfair.<sup>64</sup> However, only a small group of countries, most of which are industrialised, believe in this notion. These countries have a tendency to 'preach' to developing and least developing countries, about these free trade policies, but are unwilling to practice it.<sup>65</sup> They use these countries' vulnerable position as a means to ensure compliance to their terms. It is for the above reasons, that their actions are perceived as unfair; as it is mostly developing and least-developed countries that suffer losses.

According to International Fair Trade Association (IFAT) the key principles of fair trade are: (1) to create opportunities for economically disadvantaged producers; (2) involves transparency and accountability; (3) to promote capacity building; (4) payment of a fair

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<sup>61</sup> Suranovic, S 'Introduction to Fair trade' <http://www.internationalecon.com/fairtrade/fair> [Accessed on 22 February 2005]

<sup>62</sup> *Ibid.*

<sup>63</sup> *Ibid.*

<sup>64</sup> *Ibid.*

<sup>65</sup> The EU and USA provide a number of subsidies to their farmers.

price; (5) gender equity; (6) safe working conditions; and (7) better environmental practices.<sup>66</sup>

Even more, the Fair Trade Resources Organisation<sup>67</sup> describes fair trade as entailing that trading partnerships be based on reciprocal benefits and mutual respect; that prices paid to producers reflect the work they do; that workers have the right to organize; that national health, safety, and wage laws are enforced; and that products are environmentally sustainable and conserve natural resources. Others believe that *'fair trade works to create opportunities for marginalised communities and to improve their living and working conditions. Its mission is to promote social equity, environmental accountability and financial security through trade, awareness raising and campaigning.'*<sup>68</sup>

In addition, fairer trade relations have the ability to further the growth of both parties as equal partners to the trade agreement. Since, it is not a single entity; it can coincide with other principles of international trade such as gradual integration into the world market and more negotiating powers to smaller countries.<sup>69</sup>

In this light, the problems described above between the EU and ACP countries appear to point to a lack of fair trade. However, to form a complete view on the fairness or unfairness of the trade relations between the European Union (EU) and African, Caribbean and Pacific Countries (ACP), it is necessary to discuss the background of these agreements. When an understanding has been developed on the part that these agreements have played, it will then be determined whether or not the concept has been promoted and how it can be improved in future trade relations between these regions.

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<sup>66</sup> [www.ifat.org](http://www.ifat.org) [Accessed on 19 October 2005]

<sup>67</sup> <http://www.fairtraderesource.org/faqs.html#Q5> [Accessed on 24 February 2005]

<sup>68</sup> 'The concept of fair trade' <http://www.worldshops.org/fairtrade/ftconcept.pdf> [Accessed on 27 July 2005]

<sup>69</sup> 'The fair trade way' <http://www.cafecampesino.com/consumer/fairtrade.html> [Accessed on 24 February 2005]

However, it appears that within this relationship, there has also been a case of external unfairness. As the Sugar Protocol demonstrates that, it was not only the ACP countries that were treated unfairly, but also non-ACP countries that suffered great loss. As the Protocol assisted sugar cane farmers, in such a way for ACP countries to sell sugar to the EU market, tariff free and at a higher price. This trade arrangement made it possible for these countries to compete more successfully in the world sugar market.

With this in mind, one can conclude that equal fairness demands that all parties be treated the same and thus that no country whether ACP or not is discriminated against. Even though it would be fair to the sugar farmers in ACP countries, it would certainly not be fair to countries like the Philippines, whose sugar industry is also vital to their economy.

## **1.6 Methodology**

Against the background of the previous Conventions, this paper contributes to the debate on how countries in the ACP grouping can use their trade relations with the EU, to (1) further their domestic trade markets, (2) become more trade focused and lastly, less aid dependent. As such, it hopes to provide some recommendations for the improvement of economies of ACP countries and the relationship between these regions.

In order to be able to assess the ability of the Cotonou Partnership Agreement (CPA) to improve the relationship between Europe and the ACP countries, it is necessary to review the development of trade relations between the EU and the ACP countries over time. The three Conventions drafted between 1965 and 1975 are analysed to provide a background to the main argument of this study that these regions need to work towards fairer trade relations and thus leave behind the past colonial relations. The study further identifies those changes brought about by the WTO that have a direct bearing on the economic

growth and relations between the EU and ACP countries. Finally, the potential of Cotonou to change the socio-economic position of least developed and developing countries, specifically some African countries, is gauged within the context of fair trade.

As mentioned before, the aim of the study is to explore the relations between the EU and ACP, which have developed over the years. Since it is not possible to focus on all seventy-seven-member states of the ACP, the study concentrates on mainly African countries. The Agreements that formed the core of the relations between the EU and ACP countries are examined from this perspective.

### **1.7 Sequence of the chapters**

Chapter Two of this study focuses on the background of the EU-ACP trade relations, from colonial times to the establishment of the European Economic Community (EEC). The chapter will also be discussing the Yaoundé Conventions to determine how this relationship developed after some of these countries gained their independence. Chapter Three will review the four Lomé Conventions to determine the role the Conventions played to enhance the relationship between the EU and ACP countries. In addition, the chapter will review some of the significant features of the Conventions. Chapter Four analyses the changes that occurred after the establishment of the WTO and its effect on the trade relations between the European Union (EU) and ACP countries. The concepts of fair trade and trade liberalization or free trade will be discussed to determine the more suited trade principle for countries in the ACP region. In addition, this chapter will not be complete without references to two cases that have been decided by the WTO Dispute Panel, which will have definite effect on the economies of the ACP countries. Chapter Five outlines the Cotonou Partnership Agreement (CPA) and the effectiveness of Article 23(g) to promote a fairer approach in the relations. Since, the Cotonou Agreement is set



to be replaced by Regional Partnership Agreements, by 2005; this chapter will analyze the impact these agreements will have for various African countries that form part of the ACP group. The study concludes with recommendations applicable to the role ACP countries can play to promote their economies in the international trade arena. Additionally, the chapter will provide guidelines on the role that the EU can play to assist not only the ACP region but also other countries struggling under the current trade system. Lastly, the chapter will conclude by providing an answer to the question whether there has been a move towards fairer trade relations between the EU and ACP countries.



## Chapter Two: Background of the European Union-African Caribbean and Pacific countries relations

### 2.1 Introduction

According to Martin Holland,<sup>1</sup> “Europe’s formal relations with the developing world are as old as the European Community (EC) itself.” Although many European countries had relations with the developing world years before the European Coal and Steel Community (ECSC) was established, it was with the establishment of this body that countries such as France instigated a distinctive approach towards its previous colonies, albeit because of its own political and economic motives.<sup>2</sup>

Chapter one addresses the question regarding the basis for the trade relations between the European Union (EU) and African Caribbean and Pacific (ACP) countries. The question needs to be examined from a historical perspective, as it may provide a clearer understanding of the connection between the EU and ACP countries. As the Treaty of Rome and the Yaoundé Conventions placed the foundation for relations between the EEC and the ACP countries, the chapter provides a discussion of these two agreements.

Therefore, by the end of the chapter, the reader should have an understanding of the historical ties between the EU and Africa specifically concerning the current trade relations. To avoid confusion with the current formation of the EU reference is

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<sup>1</sup> Holland (2002) 1

<sup>2</sup> *Ibid.*

made to the European Economic Community (EEC) and the European Coal and Steel Community (ECSC), throughout the chapter.

## 2.2 France's role in establishing the relations

In 1956, France was the first ECSC country to propose a more pragmatic approach.<sup>3</sup> As it had many colonies that were controlled and governed from Paris; their economies were developed in correlation to the French national economy.<sup>4</sup> These colonial ties incorporated predominantly the states of French West Africa, French Equatorial Africa and island dependencies in the Pacific and elsewhere.<sup>5</sup>

France's relationship with their colonies was based on three key elements: (1) the trade system, (2) the Franc zone and (3) the political relationship.<sup>6</sup> The formation of closed and centralized areas, which were determined by special relations, was a means for France to ensure closer co-operation with its colonies.<sup>7</sup> The zone franc set up a monetary union between France and most of west and central Africa. In relation to the political element, association status was given to specific Overseas Countries and Territories (OCTs) that had special relations with a Member state.<sup>8</sup> Other member states of the EEC also benefited from the Association linking their current colonies and former colonies to the agreement. The relation was of such a

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<sup>3</sup> Brown (2002) 40

<sup>4</sup> von Geusau (1977) 16

<sup>5</sup> These states were Algeria, Morocco, Mauritania, Senegal, Mali, Guinea, Ivory Coast, Niger, Burkina Faso, Benin, Gabon, Congo, Central African Republic, Chad, French Somaliland and Madagascar.

<sup>6</sup> Brown *op cit* 39

<sup>7</sup> von Geusau *op cit* 16

<sup>8</sup> Holland (2002) 26

nature that by 1956, 23% of imports to France came from and 32% of its exports went to overseas territories.<sup>9</sup>

As France wanted to maintain the close political and commercial relations with its overseas departments, it insisted on the extension of national controls and relationships to the EEC countries.<sup>10</sup> This insistence stemmed mainly from the country's dependence on the trade links between itself and its colonies; were the ties to be broken, it would have been detrimental to the French economy, in several ways:<sup>11</sup>

1. If the colonies set a common external tariff France would have needed to pay more for raw materials;
2. If the colonies were not able to export French products competitively, their economies were in danger of decline, which would only have increased their dependencies on French aid, and
3. If the economies of these colonies declined, their market would be very weak for French goods.

At the same time, the colonies were strongly dependent on the French market, as many of their products were exempted from tariff and or quantitative import restrictions and certain tropical products could even be sold in France at guaranteed prices that were higher than those of world markets.<sup>12</sup>

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<sup>9</sup> von Geusau *op cit* 16

<sup>10</sup> Archer & Butler (1996) 142

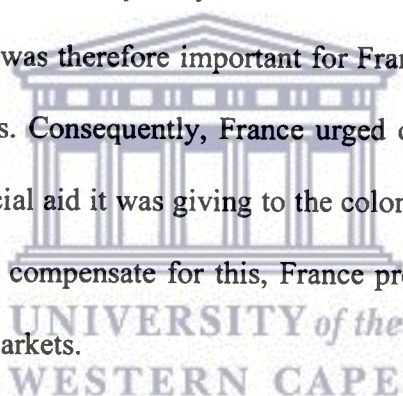
<sup>11</sup> 'Common Foreign and Security Policy'

<http://homepage.gallaudet.edu/David.Penna/commonforeign.html> [Accessed on 11 January 2005]

<sup>12</sup> von Geusau (1977) 16

This mutually rewarding relationship, known as the “surprix” system, was so unique that it induced France to claim special treatment for its colonies as a condition to becoming a member of the Rome Treaty. As it would simply not have been possible to accept the establishment of a customs union, as it would have had to impose tariffs for the colonies.<sup>13</sup> Because France would not have been able to offer the colonies the same preferential trade terms as the United States of America (USA) or the United Kingdom (UK) could do,<sup>14</sup> it would then have lost political influence with its client states.

To ensure economic and monetary unity between their colonies and the members of the Treaty of Rome, it was therefore important for France to create a link between Europe and its colonies. Consequently, France urged other European countries to participate in the financial aid it was giving to the colonies, a move that would also lift its own burden. To compensate for this, France provided these countries with access to its overseas markets.



### **2.3 Treaty of Rome**

As a result of World War II,<sup>15</sup> the states of Europe sought an economic system that could rebuild their continent and a political system that would ensure that such

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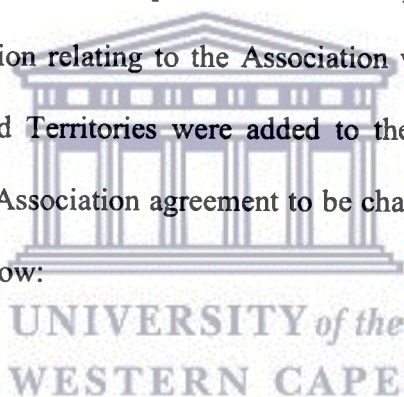
<sup>13</sup> von Geusau (1977) 16

<sup>14</sup> *Ibid.*

<sup>15</sup> After WWII, the European members established the ECSC, in 1951. The aim of the Treaty of Paris, as it was known, was for the members to pool their coal and steel resources together to prevent another war. But with time the member’s focus shifted to the establishment of a common economic system that would cover all areas, including coal and steel. The ECSC, served as the foundation for the later development of the EEC.

devastation would never recur.<sup>16</sup> The Treaty of Rome established the European Economic Community (EEC) in 1957, an event that would signal a new era of trade relations between Europe and Africa.<sup>17</sup>

Another consequence of the war was that colonial territories outside Europe had begun to demand gradual independence from the European colonial member states.<sup>18</sup> Since, the Treaty emphasized, the importance of respecting the sovereignty of states, especially those in Africa, some of these countries gained their independence, whilst, and an association with other overseas countries and territories was formed. Thus, upon a French request, Part Four and the Implementing Convention relating to the Association with the Community of the Overseas Countries and Territories were added to the Treaty of Rome.<sup>19</sup> These regulations caused the Association agreement to be characterized by two elements, which are described below:



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<sup>16</sup> In 1946, the British Prime Minister, Sir Winston Churchill made a very pronounced speech, which by many was seen as the first step towards European Integration in the post-war period. He said: '[I] wish to speak to you today about the tragedy of Europe.... Yet all the while there is a remedy which, if it were generally and spontaneously adopted by the great majority of people in many lands, would as if by a miracle transform the whole scene, and would in a few years make all Europe, or the greater part of it, as free and as happy as Switzerland is today. What is this sovereign remedy? It is to recreate the European Family, or as much of it as we can, and to provide it with a structure under which it can dwell in peace, in safety and in freedom. We must build a kind of United States of Europe.... The first step in the recreation of the European Family must be a partnership between France and Germany....' Speech at Zurich University 19 September 1946 <http://www.historiasiglo20.org/europe/antecedentes2.htm> [Accessed on 16 March 2005]

<sup>17</sup> On 25th March 1957, two treaties were signed in Rome that gave birth to the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (EURATOM): the Treaties of Rome.

<sup>18</sup> Dorman 'European Union and the Third World: Part 1: Post World War II arrangements' <http://www.poptel.org.uk/against-eurofederalism/lome.html> [Accessed on 11 January 2005]

<sup>19</sup> von Geusau 1977 15

1. The progressive establishment of a free trade area between the EEC and the associated countries and territories, by the reciprocal reduction of tariffs and quantitative restrictions,<sup>20</sup>
2. The establishment of a European Development Fund (EDF) for granting Community financial aid to the associated countries and territories to promote their social and economic development.<sup>21</sup>

### 2.3.1 Establishment of a free trade area

Part Four of the Treaty contained a section that described the structure of the EEC relations with colonies and ex-colonies. In Articles 131 to 136, provision was made for non-European countries and territories that had special relations with a member state to ensure association status with the EEC.<sup>22</sup>

In terms of Article 131<sup>23</sup>, it is evident that the EEC wanted to establish close ties with their former colonies, especially through trade. The guiding principle was to promote economic and social development and to further the interest of and prosperity of the Association countries and territories. The absence of the association countries during the negotiations should have alerted them to the fact that their interests might not be served. However, greater concerns had given them

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<sup>20</sup> Article 131-134 ECSC Treaty.

<sup>21</sup> von Geusau (1977) 19

<sup>22</sup> *Ibid.*

<sup>23</sup> Which provides: '[T]he purpose of association shall be to promote (their) economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole...association shall serve primarily to further the interest and prosperity of the inhabitants of these countries and territories in order to lead them to the economic, social and cultural development to which they aspire....'

little choice in the decision on whether to develop relations with their former colonial powers.

The aim of Article 132<sup>24</sup> was to ensure the association granted Most Favoured Nation (MFN)<sup>25</sup> status to EEC countries, even though it meant that the association limited their options with other countries such as the US and the UK. As a result, the Association countries became dependent on the EEC as a trade partner, thus forsaking all other markets that could have offered them terms that were more favourable. Had they faced steeper competition at the time, they might have been better prepared for the future.

Article 133<sup>26</sup> was concerned with the direct repercussions of the association, such as the abolition of customs duties on goods imported from the Associates. Although the Article did permit the Associates to levy duties for development purposes, it was implied that they ‘...should be of a temporary nature and should eventually be reduced to the general tariff levels in existence.’<sup>27</sup> If such tariff levels were to cause

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<sup>24</sup> Article 132 defined in more detail: ‘[t]he nature of Association as far as the Community and its member states were involved; with the Community and the Associates agreeing to a de facto recognition of Most Favoured Nation status between each other, and where the principle of non-discrimination was applied to the right of establishment for citizens and business ventures for both Community and Associates states....’

<sup>25</sup> Article I of GATT: Most Favoured Nation Principle implies that with respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters referred to in paragraphs 2 and 4 of Article III, any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.

<sup>26</sup> Article 133:1. ‘Customs duties on imports into the Member States of goods originating in the countries and territories shall be completely abolished in conformity with the progressive abolition of customs duties between Member States in accordance with the provisions of this Treaty. (2) Customs duties on imports into each country or territory from Member States to form the other countries shall be progressively abolished....’

<sup>27</sup> Archer & Butler (1992) 143



problems for any Community member state, it had the right, in terms of Article 134,<sup>28</sup> to ask the Commission to interact and propose solutions.

Article 136<sup>29</sup>, delegated the specific tasks of bringing the Association into being an Implementing Convention. Although this did not greatly widen the scope of the relationship to include the social and political aspirations of the Associates, -such as independence, -it nonetheless suggested that the Community could take a greater role in promoting the rounded development of its Associates.<sup>30</sup>

Even though the EEC aim was to promote the trading system of the association, a great deal of harm was done to the economies of Association countries. Thus, the EEC unintentionally caused the Association to become more dependent on its aid. This, in turn, hampered the negotiating power of Association countries, which had to be loyal to the EEC to ensure better trade deals.



### **2.3.2 The European Development Fund (EDF)**

Articles 131 and 136 of the 1957 Treaty of Rome provided for the creation of the European Development Fund with a view to granting technical and financial assistance to African countries that were still colonized at the time. Whereas the

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<sup>28</sup> Article 134: 'If the level of the duties applicable to goods from a third country on entry into a country or territory is liable, when the provisions of Art. 133 (1) have been applied, to cause deflections of trade to the detriment of any Member State, the latter may request the Commission to propose to the other Member States the measures needed to remedy the situation.'

<sup>29</sup> Article 136: 'For an initial period of five years after the entry into force of this Treaty, the details of and procedure for the association of the countries and territories with the Community shall be determined by an Implementing Convention annexed to this Treaty. Before the Convention referred to in the preceding paragraph expires, the Council shall, acting unanimously, lay down provisions for a further period, on the basis of the experience acquired and of the principles set out in this Treaty.'

<sup>30</sup> Archer & Butler (1992) 143

Treaty of Rome had suggested that the relationship with the Association countries be indefinite, as with the creation of the EEC itself, the Convention provided for a five-year period for the workings of the Association.<sup>31</sup> In addition to regular bilateral overseas assistance or aid, the European Development Fund was created primarily to offer grants to Associates.<sup>32</sup>

Not only was the EDF not implemented swiftly, but also the funds were not dispersed for the development of the colonies. Instead, a majority of the contracts for aid work went to French companies that were operating in the territories.<sup>33</sup> Notwithstanding these criticisms, however, the EDF has since been the main instrument for Community aid for development cooperation with the ACP countries and the Overseas Countries and Territories (OCT).<sup>34</sup>

However, the way in which the two main elements of the Treaty of Rome have affected developing countries show that the agreement favoured the EEC rather than those who were intended as the beneficiaries. Although this was largely unintended, the effects of this imbalance are still visible today.

## 2.4 The Yaoundé Conventions

Several former colonial territories achieved independence shortly after the Treaty of Rome had come into force. It was however decided that the association regime between the EEC members and the associated states would continue until the end of

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<sup>31</sup> Archer & Butler (1992) 143

<sup>32</sup> *Ibid.*

<sup>33</sup> Brown (2002) 41

<sup>34</sup> 'European Development Fund' <http://europa.eu.int/scadplus/leg/en/lvb/r12102.htm> [Accessed on 17 March 2005]

the determined period of five years. As these newly independent states wanted to assure the continuation of their trade relations with the EEC, they requested negotiation on a new association treaty. One of the key reasons to form the new agreement was that they wanted to be more actively involved in the relationship. Thus, they urged that the parties concerned base the new agreement on equal participation throughout the process.

Members such as Germany and the Netherlands opposed the suggestion, as they thought that the association agreement was only for the five-year transitional period, which meant that the agreement would expire once these associated states gained full political and economic independence.<sup>35</sup> However, France held the opinion that the association should be part of a permanent structure of relations between Europe and Africa.<sup>36</sup> Therefore, the associated states used Article 131 of Part Four as the basis entitling them to request for the continuation of the association.

Thus, when Germany and Netherlands had agreed to the continuation of negotiations for a new association, the EEC and eighteen (later 19) African States and Madagascar established the Yaoundé Convention in Cameroon in 1963.

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<sup>35</sup> von Geusau (1977) 19

<sup>36</sup> *Ibid*

### 2.4.1 Yaoundé I Convention

Due to ratification delays by the signatories, the Yaoundé Convention could only enter into force on 1 June 1964.<sup>37</sup> Since the new convention was concluded for a period of five years, it was intended to expire on 31 May 1969. The establishment of this agreement led to the formation of the Association of African States and Madagascar (AASM).

Due to political and economic differences between the Implementing Convention and the new agreement, the Yaoundé Convention introduced some changes to Article 131 to 136 of the Treaty of Rome. The parties agreed that if the Association of African States and Madagascar (AASM) were to receive preferential access to the EEC markets, they had to grant better access terms for EEC products than they granted other countries.<sup>38</sup> They also agreed to maintain the reciprocal granting of tariff preferences for industrial products and for some tropical products.

To meet the demands of non-associated developing territories, the EEC preferences were reduced and in some instances even abolished.<sup>39</sup> In addition, the Community controlled the importation of agricultural products from the Association that would compete with EEC products. The EEC countries feared that the admittance of agricultural products from the Yaoundé countries to the EEC on a large scale would have undermined the Common Agricultural Policy (CAP).<sup>40</sup> The policy was largely responsible for the changes in the economic relations. However, in accordance with

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<sup>37</sup> von Geusau (1977) 20

<sup>38</sup> Brown (2002) 42

<sup>39</sup> von Geusau *op cit* 19

<sup>40</sup> Dorman 'European Union and the Third World: Part 1: Post World War II arrangements' <http://www.poptel.org.uk/against-eurofederalism/lome2html> [Accessed on 11 January 2005]

the proposals of France, the financial aid by the EDF was increased from 581.25 million to 730 million as a means to compensate for the changes in the trading system.<sup>41</sup>

Another characteristic of the relations was the introduction of joint AASM-EEC institutions, which was established to direct and manage the relationship. These bodies, which composed of a Council aided by a Committee, a Parliamentary Conference and a court, could take major decisions such as the accession of any further AASM member states that could affect the Association.<sup>42</sup>

Although these changes were an improvement on the Treaty of Rome, they did not have a major effect on the trade relations between Europe and the AASM countries. As a result, AASM members, who increasingly emphasized their own economic problems, began to search for measures that could address the inadequacies within the association system. In addition, many AAMS countries had become over-reliant on the production of key primary commodities. They therefore sought a second convention at which they could demand more trade preferences.

#### **2.4.2 Yaoundé II Convention**

The Yaoundé II Convention was signed on 29 July 1969. The Convention included an EDF of 918 million of aid and repeated the trade regulations that were enshrined in the first Yaoundé Convention, which included the continuation of preferential access to the EU market that gave the associates some protection from exports of

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<sup>41</sup> von Geusau *op cit* 21

<sup>42</sup> Archer & Butler (1992) 143

other countries.<sup>43</sup> However, it was required of the AASM countries to apply the MFN principle and not to discriminate between EEC members.

On the other hand, the financial and technical assistance granted by the Communities amounted to 2381.25 million.<sup>44</sup> However, over the twelve year period of Yaoundé I and II Conventions investment reached ECU 7.4bn.<sup>45</sup> This shows that prior to Yaoundé I, investment in the 18 countries involved averaged ECU 720 million, which in succeeding years was reduced to an average of ECU 620 million. Nonetheless the assistance offered by the European member states was of great importance for the associated countries as it was to further their economies. In addition, although the community aid was given in the form of grants and the EC had the choice whether they wanted to finance a project, the competent authorities within the associated states were responsible for the execution of the projects.

However, the EEC interest within the associates declined as new markets became lucrative because of liberalization of the world economy. Since the Treaty of Rome provided in Article 238 that the EEC could conclude agreements with other Third World countries that had a similar level of development to the AASM,<sup>46</sup> the EU formed alternative agreements such as the Arusha Convention and the Lagos

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<sup>43</sup> Brown (2002) 42

<sup>44</sup> von Geusau (1977) 22

<sup>45</sup> Dorman 'European Union and the Third World: Part 1: Post World War II arrangements' <http://www.poptel.org.uk/against-eurofederalism/lome2.html> [Accessed on 11 January 2005]

<sup>46</sup> Dorman 'European Union and the Third World: Part 1: Post World War II arrangements' <http://www.poptel.org.uk/against-eurofederalism/lome2.html> [Accessed on 11 January 2005]

Convention.<sup>47</sup> Trade between the EEC and the AASM expanded less quickly than the EEC trade with any other group of Third World countries.<sup>48</sup>

The EEC failed to minimize the disparity between them and the associates; in fact, the associates became more reliant on the EEC for aid after Yaoundé II.

## 2.5 Conclusion

The focus of chapter two was to determine the foundation for the relations between the EU and ACP countries. In order to determine this aim, the chapter provided an analysis of the historical events from the colonial ties to the Yaoundé Conventions.

However, throughout this discussion, it has become evident that members of the AASM were not seen as equal partners in the negotiations by EEC member states.

In addition, the EEC had little regard for the independence of these countries.

Although the relations between the EEC and the AASM that were initially based on colonial ties were later given more substance through Article 131 to 136. Moreover,

the primary purpose of the Treaty of Rome and Yaoundé Conventions was to build a base to establish better trade relations, however, little had been achieved by the

end of the Yaoundé Conventions. The AASM failed to make adequate use of the trade, technical and financial preferences offered by the EEC. Thus, the result was

that the Convention failed to minimize the disparity between the EEC and the associates; in fact, it was the start of the relentless reliance on the EEC for aid after

Yaoundé II.

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<sup>47</sup> Arusha convention was concluded with Tanzania, Uganda and Kenya, while the Lagos Convention was concluded with Nigeria.

<sup>48</sup> Brown *op cit* 42

The notion throughout the chapter is that the principles of fairness were not recognized during this period of EU-ACP relations. Had these countries pressured the EEC members to give regard to their position as independent countries, they would have forced their hand, in further negotiations. This would have resulted in better trade terms and given them the choice of concluding more lucrative trade negotiations with other countries.





## Chapter Three: The Lomé Convention: Twenty-Five Years of supremacy

*'[I]n the past we gave support to the likes of Amin, Bokassa or Mobuto. That will never happen again. We want to build a self-confident, new African bourgeoisie based on democracy and the rule of law.'*

Commissioner for Development: Manuel Marin<sup>1</sup>

### 3.1 Introduction

The disappointing results<sup>2</sup> of the Yaoundé Conventions and the persistence of the United Kingdom (UK) to become part of the European Economic Community (EEC) induced the EEC countries eagerness to embark on talks of possible negotiations for the establishment of a new agreement. Given this, the enlargement of the EEC from the original six to nine in 1973 inevitably implied that a new approach regarding the external relations of the EEC had to be developed.<sup>3</sup>

A new agreement was instituted at Lomé in Togo to ensure the further development of the EC relations with the Third world. Since the previous chapter recognized that the basis for the relations between the EC and ACP was largely colonial, the four Lomé Conventions are discussed here to examine the changes that were introduced, and the effect of the four Conventions on the EU-ACP relationship. Also, included is a discussion on some of the significant features of the Lomé Conventions: the financial protocol, trade co-operation, partnership principle and a focus on aid allocation. Lastly, the chapter concludes with a brief summation of the Convention.

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<sup>1</sup> Guardian 10 September 1993

<sup>2</sup> The history of these relations had already been discussed in Chapter Two.

<sup>3</sup> Holland (2002) 32

### 3.2 The Lomé Conventions

Since, it had been decided that the second Yaoundé Convention was to expire on 31 January 1975, article 62 of this Convention made provision for the negotiations of a new Agreement to start at least eighteen months before the expiry date.<sup>4</sup> As the overwhelming interest of France had to be considered and seeing as, Britain was making aggressive demands for its participation in the EEC, the Convention could not simply be extended for further matters: thus, a new agreement had to be assembled.

A major concern for the UK upon accession to the EEC was the protection of its Commonwealth developing countries. This meant that the EEC relations had to be extended not only to Africa, but also to the Caribbean and Pacific countries. The fact that the relations between the UK and the Commonwealth countries were different from those of France and its Francophone states complicated the matter. They were more diverse, but not as complicated as the relations that France had with its colonies. The needs of the Commonwealth countries were also unlike those of the associate Francophone states. Eventually, all the parties agreed that this diversity would have to be incorporated in the new agreement.

The actual negotiations on the conclusion of the new Convention began after a ministerial conference in Brussels in 1973. During this gathering both sides (EEC and the UK), were given the chance to present their concerns. These negotiations were different from those of the Yaoundé Convention, as members of the Commonwealth (African, Caribbean and Pacific countries) had this time made sure that they would take an active part in the

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<sup>4</sup> von Geusau (1977) 32

negotiating process.<sup>5</sup> Although the large number of African, Caribbean and Pacific countries rendered the negotiating process laborious, the groups were able to define their common objectives and aspirations by the conclusion of the negotiations. During the negotiations, these three regions established a group called the African, Caribbean and Pacific Countries (ACP) to replace the AASM and stood together as a united front, which proved to be a successful technique. Frans Alting von Geusau<sup>6</sup> describes the ACP unity as follows:

1. The ACP countries realized during the negotiations that they had a common economic interest, which led to the awareness of their potential as an economic power;
2. They also grew conscious of their combined political power at the negotiating stage; and
3. They wanted to improve their relationship with Britain and France.

The negotiations had run relatively smoothly, however one big obstacle stood in the way: the divergent sugar industries. The approaches of France and Britain to the sugar industry, which formed the core link between the two countries and their colonies, were remarkably different. The parties therefore had to agree on how to create a balance between British sugar preferences and the Common Agricultural Policy (CAP). Due to the fact that, the CAP had already produced a significant surplus in sugar beet, the inclusion of British sugar would amount to a surplus in the world market. However, as the UK support to its Commonwealth sugar producers was especially significant to the economies of these countries, the signing of an overall agreement became conditional on

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<sup>5</sup> von Geusau (1977) 34

<sup>6</sup> *Ibid.*

this issue alone.<sup>7</sup> Only at the last minute, on 1 February 1975, did the parties come to a settlement.<sup>8</sup>

### 3.3 The entering into force of the Lomé Convention

The first Lomé Convention was signed on 28 February 1975 and entered into force on the 1 April 1976. The new ACP group consisted of the original Yaoundé member states, the six African states that had signed the Arusha Convention and those countries that formed part of the Commonwealth. The Convention signaled the beginning of a new chapter in the relations between the European Economic Community (EEC) and a large number of developing countries. In view of the fact that it linked the nine European Community (EC) states with developing countries and was supposedly implemented to be of benefit to all the members, it was not merely a continuation of the past association between the EEC and some African countries.

It was a treaty-based relationship, which defined the principles and objectives of EEC cooperation with ACP countries. The main characteristics of all four Conventions were their partnership principle, their long-term perspective, the contractual nature of the relationship, and the combination of aid, trade and political aspects.<sup>9</sup> The aim of the

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<sup>7</sup> Holland (2002) 34

<sup>8</sup> *Ibid.*

<sup>9</sup> 'The Cotonou Agreement: From Lomé I to IV bis'

[http://europa.eu.int/comm/development/body/cotonou/lome\\_history\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/lome_history_en.htm) [Accessed on 11 January 2005]

Lomé Convention was to ensure that ACP states achieved comprehensive, self-reliant and self-sustained development.<sup>10</sup>

### 3.3.1 Lomé I and II

The first Lomé Convention was concluded in 1975 between the European Economic Community (EEC) and forty-six ACP countries. After the accession of Britain to the Community, it aimed at including some of the Commonwealth countries in the cooperation programme, as it was required of all members to participate in the various programmes implemented by the EEC. Throughout, it focused on a number of areas such as the non-reciprocal preferences for most exports from ACP countries to EEC, which implied that the ACP countries were not expected to grant similar preferences to the EEC for their exports.

After much criticism of the negotiating process of the Yaoundé Conventions, the EEC preferred to include a clause stating that the parties (EEC and ACP countries) were equal partners to the agreement and that they should strive to respect one another's sovereignty, mutual interest and interdependence.<sup>11</sup> This implied that the EEC would have to allow the ACP countries to determine their own policies. Other areas of negotiating included '(1) financial and technical co-operation (aid) to help ACP states develop and improve their

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<sup>10</sup> **THE LOMÉ CONVENTION! HAS IT CHANGED ANYTHING WITHIN THE ACP COUNTRIES?**  
<http://homepages.uel.ac.uk/mye0278s/ACP1.htm> [Accessed on 29 March 2005]

<sup>11</sup> 'The Cotonou Agreement: From Lomé I to IV bis'  
[http://europa.eu.int/comm/development/body/cotonou/lome\\_history\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/lome_history_en.htm) [Accessed on 11 January 2005]

position; (2) a system of financial aid to stabilize ACP export earnings from commodity exports (Stabex), and (3) joint institutions to oversee co-operation.<sup>12</sup>

The first of these objectives made provision for aid allocations to the ACP countries. Since, the Convention was legally binding; the EEC could not withdraw aid once it had been allocated.<sup>13</sup> Even though the objective provided for joint-management of aid, the responsibility for the utilization of the aid remained with the ACP countries. Provision was also made for the ACP countries to initiate projects that were compatible with their development strategies, which implied the drafting of a plan describing the manner whereby the aid would be used. However, the final approval remained with the EEC, in other words they could bar ACP projects without consulting with these countries. Since, the final decision of allocation was with the Commission and member states, they also had considerable power to favour those ACP states with whose politics or policies they agreed.<sup>14</sup> Such ambiguous terms undermined the so-called partnership principle of the Convention, and serve to show the continuation of inequality into post-colonial times.

The second objective of Lomé I, the Stabex system, was designed to stabilize the export earnings of the ACP countries. Articles 16-24 provided that the focus of the system was to '*remedy the harmful effects of the instability of export earnings*' for the ACP countries.<sup>15</sup> The system worked in accordance with a procedure, which determined when payments would be made to compensate for losses due to falls in export earnings for a variety of products.<sup>16</sup> In terms of the system, an ACP country would qualify for benefits,

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<sup>12</sup> Brown (2002) 58

<sup>13</sup> Appendix 3 specified the procedure for granting such aid.

<sup>14</sup> Brown (2002) 59

<sup>15</sup> *Ibid.*

<sup>16</sup> *Ibid.* Products covered by the system include; groundnuts, cocoa, coffee, cotton, coconuts, palm products, raw hides and leather wood products, fresh bananas, tea, raw sisal and iron ore. The country had

if its earnings from one or more of these products satisfied the prescribed criteria. Although the criteria proved to be an exceptionally intricate system, the system gave ACP countries the authority to determine how the transfers should be used. Even though it did not address the problems, for which it was implemented: it was favoured by the ACP countries, as they could decide how to spend the transfers.<sup>17</sup> In addition, it was important, for the ACP, who depended on a limited number of products, seeing that they were vulnerable to variations in world market prices.<sup>18</sup>

The third objective of Lomé I was the establishment of joint institutions whereby the implementation of the Convention could be managed.<sup>19</sup> Amongst these institutions were an ACP-EEC Council of Ministers, a Committee of Ambassadors and a Consultative Assembly.

Lomé I, reproduced some of the aspects emphasized by the Yaoundé Convention, but also included some novel features, such as the non-reciprocal trade preferences, in contrast with the earlier mutual or reciprocal trade arrangement. Due to the ACP group insistence to widen the scope of the Stabex system, which did not meet the interest of primary mineral exporters, the Lomé II Convention was instituted to address the matter.

During Lomé II, which ran from 1 March 1981 to 1 March 1985, the number of ACP countries involved rose from 46 to 63 countries.<sup>20</sup> The structure of this Convention was

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to be dependent on the product, in other words the country had to rely on the product for 7.5% of export earnings....'

<sup>17</sup> *Ibid.*

<sup>18</sup> Holland (2002) 36

<sup>19</sup> 'These institutions were similar to that of the EEC. They had to do preparatory work and supervise Council of Ministers committees. The body composed of representatives of the EEC and each ACP state that would discuss Lomé matters, at least once a year....' Brown *op cit* 62

<sup>20</sup> 'The European Parliament and the Third World' <http://www.aede.org/a33a.html> [Accessed on 29 September 2004]

similar to that of Lomé I. However, in the second Convention provision was made for the following issues:

1. Many new ACP states that were eager to become part of the relationship;
2. A new system known as the Sysmin Facility; and
3. The inclusion of human rights issues that were part of the negotiation.<sup>21</sup>

Even though, the negotiations of Lomé II took place under difficult economic circumstances<sup>22</sup>, the ACP countries sought this opportunity as a means to advance their interest in the agreement with the EEC. They made the following list of demands:

1. Complete free access of products to the EEC market, including products covered by CAP;
2. Changes to the rules of origin to ease ACP access;
3. Increases in access for special commodities such as rum, beef and sugar; and
4. An end to the safeguard clauses for ACP products.<sup>23</sup>

As eager as the ACP countries were, the EEC was not interested in advancing these relations, as they were more eager to further their relations with other developed countries, such as the United States, and thus wanted to maintain the current Lomé I structure. As they wanted to build a platform for future economic expansion in the world, their focus had shifted.

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<sup>21</sup> 'Common Foreign and Security policy' <http://homepage.gallaudet.edu/David.Penna/commonforeign.html>  
[Accessed on 11 January 2005]

<sup>22</sup> Holland (2002) 40

The successive oil crises and global recession rendered it difficult for countries to negotiate on economic matters.

<sup>23</sup> Brown (2002) 64



Despite internal conflict among EEC members, two significant issues on the EEC list were eventually agreed on; a human rights clause and the Sysmin system. The human rights provision, an introduction of a clause that would permit the suspension of aid during such violations, was agreed to only because the UK was furious at the gross human rights violations caused by Idi Ahmin in Uganda, while the EEC proposed the Sysmin system because the production of copper and other minerals was falling.

Since EEC countries had large investments in African mining, they stood not only to lose heavily, but also to become more dependent on stronger countries such as the USA and Canada. Covering minerals such as copper, cobalt, phosphate, manganese, bauxite, aluminium and tin, the aim of the Sysmin system was therefore ostensibly to initiate a *'revival in mineral production in areas where it (the EEC) was experiencing falls in production and exports.'*<sup>24</sup> Although it was similar to Stabex, it had a dependence threshold of 15 per cent for export earnings and 10 per cent for productive capacity. If the occurrence were beyond the control of the ACP countries,<sup>25</sup> the amount would be awarded in the form of special loans to restore productive capacity.<sup>26</sup> It was only later that the ACP members realized that the system was concerned with the protection of the production of minerals for the sake of the continued economic independence of the EEC countries.

During Lomé II Convention, the EC did not grant major concessions to the ACP countries, which was a disappointment to the ACP countries. However, they were

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<sup>24</sup> Brown (2002) 64

<sup>25</sup> *Ibid.*

<sup>26</sup> Brown *op cit* 64

hopeful that during the next negotiations, more progress could be made in the relationship.

### 3.3.2 Lomé III and IV

The renewal of negotiations for an extension to the Lomé Convention was due to the continuation of the economic downfall of African countries, many of which were now faced with an increase in debt, food crises and famine. Thus, Lomé III took effect in 1985, as the EEC became determined to redefine their relations with the ACP countries,<sup>27</sup> and was signed with 68 ACP countries.

The ACP countries brought forward the same claims as with Lomé II. However, they again achieved little success, as the EEC was more interested in reforming the basis of their relations with the ACP countries, particularly in the field of aid.<sup>28</sup> The main attention therefore shifted from the promotion of industrial development to self-reliant development based, self-sufficiency and food security,<sup>29</sup> but in an attempt to ensure co-operation between the parties, the EEC also sought to link the concept of policy dialogue with aid. To achieve this purpose, Article 215 was proposed to ensure that the dialogue on policies would be carried out in discussions concerning the ACP countries so that policies would be formulated that suited their situations. The EEC, whose economies were considered more used to these matters, could then help the ACP countries, in return for which they wanted to ensure that Community funds would be spent on projects that had a purpose and could be of assistance to the ACP countries.

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<sup>27</sup> Brown (2002) 67

<sup>28</sup> *Ibid.*

<sup>29</sup> 'The Cotonou Agreement: From Lomé I to IV bis'

[http://europa.eu.int/comm/development/body/cotonou/lome\\_history\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/lome_history_en.htm) [Accessed on 11 January 2005]

Despite the fact that the ACP countries recognised the proposal as a violation of their rights in the Convention,<sup>30</sup> the EEC had no trouble in achieving their goal, because the ACP countries had minimal negotiating power. As a result, the new version of Lomé III, which was extended to include 70 ACP countries in 1995, provided for an increase in aid, the promotion of rural development and food security.<sup>31</sup>

The Lomé IV Convention ran from 1990-2000, adding more aid, improving the Stabex and Sysmin systems, and emphasising partnership, environmental and human rights protections. It was seen as the most extensive development co-operation agreement between northern and southern countries, both in terms of scope (aid and trade) and in the number of signatories.<sup>32</sup>

Under the chapters of development-finance cooperation, the Convention covers a broad range of sectors eligible for support, among which environment, agriculture, food security and rural development, fisheries, commodities, industry, mining and energy, enterprise (private sector) development, services, trade, cultural, social and regional cooperation.

Lomé IV also made extensive provisions for trade cooperation, which included preferential treatment to ACP exports to the EEC, and underwent a mid-term review in

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<sup>30</sup> Brown *op cit* 69

<sup>31</sup> 'Common Foreign and Security Policy' <http://homepage.gallaudet.edu/David.Penna/commonforeign.html> [Accessed on 11 January 2005]

<sup>32</sup> 'The Cotonou Agreement: From Lomé I to IV bis' [http://europa.eu.int/comm/development/body/cotonou/lome\\_history\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/lome_history_en.htm) [Accessed on 11 January 2005]

1994,<sup>33</sup> which resulted in approval of the eighth environment development fund to cover the five-year period 1995 to 2000.<sup>34</sup>

Even more, Lomé IV identified the shortcomings that existed in the previous three Conventions. Throughout this Convention, some adjustments were made as a means to enhance the relationship between the EU and ACP countries. These changes are evident in some of the features of these Conventions.

### **3.4 Some significant features of the Lomé Conventions**

#### **3.4.1 The Financial protocol**

Lomé is the first Convention to cover a ten-year period, even though the attached financial protocol had a duration of five years, which ran from 1990 to 1995. It provided for 12 BECU, 10.8 of which were from the seventh European Development Fund (EDF), and the rest from the European Investment Bank (EIB).

A Mid-Term Review of the Convention was scheduled for 1995 and during this meeting, great emphasis was put on the promotion of human rights, democracy and good governance; strengthening of the position of women; the protection of the environment; decentralized cooperation; diversification of ACP economies; the promotion of the private sector; and increasing regional cooperation. The aim was to use the funds to address these important issues. The second term stretched from 1995 to 2000 and supplied 14.625 BECU until the eighth EDF.

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<sup>33</sup> 'The Cotonou Agreement: From Lomé I to IV bis'

[http://europa.eu.int/comm/development/body/cotonou/lome\\_history\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/lome_history_en.htm) [Accessed on 11 January 2005]

<sup>34</sup> *Ibid.*

The signing of the ten year Lomé IV (1990-2000) marked another turning point in Lomé's history as the EC embarked on dialogue with the World Bank and International Monetary Fund (IMF) on the best measures to support the structural adjustments within the ACP to promote economic growth.

### 3.4.2 Trade co-operation

The trade provisions between the EEC and the ACP countries were entrenched in Title I of the Lomé Convention, article 15. Although it was rather difficult to agree on the terms of the trade provisions, due to divergent markets, economies and traditions between the EEC and the ACP, the parties agreed on the following terms:

1. Access for ACP goods to the Community market
2. The principle of non-reciprocity in trade commitments
3. Access for community products to the ACP
4. Rules of origin
5. Non-tariff barriers<sup>35</sup>

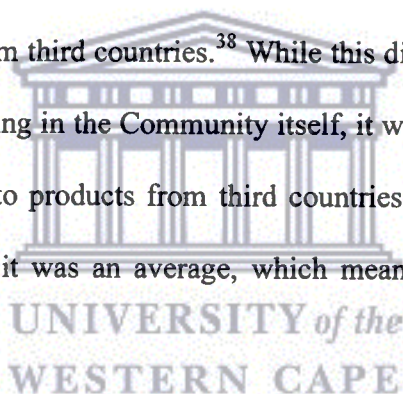
In short, the ACP wanted goods from their markets to enter the shores of the EEC free from customs duties, quantitative restrictions, levies and other charges. Many ACP countries were annoyed at the EEC for not yielding access for fruit and vegetables and wanted the EEC to grant them unrestricted access. However, the EEC did not want negotiations to take place regarding agricultural products, as it would have meant that they had to revise the terms of the Common Agricultural Policy (CAP). In recent years,

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<sup>35</sup> von Geusau (1977) 36

the CAP had become the political weapon of European politicians to ensure that they had their farming lobbyists vote on their side.

This approach by the EEC left the distinction between industrial and agricultural products unclear and, because 80% of the economies of the ACP countries were agricultural, it was extremely damaging to them.<sup>36</sup> Despite an offer by the EEC to the ACP, whereby a declaration was included in the minutes of the Convention that the EEC would examine the problem raised by ACP countries, this dispute remained a sensitive issue.<sup>37</sup> In terms of this regime, agricultural products that were part of the CAP and were imported from the associates (5.8 per cent of the ACP agricultural exports to the EEC) were to be treated in the same way as those from third countries.<sup>38</sup> While this did not remove the protection offered for products originating in the Community itself, it was more favourable than the general regime with regard to products from third countries. Although the 5.8 per cent seemed small at first sight, it was an average, which meant it could be important for certain ACP countries.<sup>39</sup>



During the negotiations of the new Convention, the Belgian and French delegates were of the opinion that the new association should continue to be based on the principle of free-trade areas. In terms of the principle of non-reciprocity in the Yaoundé Convention, the AAMS had to remove their trade barriers for products from the EEC and to grant so-called reverse preferences. The ACP members were not allowed to discriminate among the Member States and had to treat the Community in no less favourable a way than they

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<sup>36</sup> von Geusau (1977) 36

<sup>37</sup> *Ibid.*

<sup>38</sup> The offer was seen as an improved version of the special regime provided for under the Yaoundé Convention. Holland (2002) 40

<sup>39</sup> von Geusau *op cit* 39

would the most favoured nation.<sup>40</sup> In other words, ACP countries had to offer preferential treatment to all the EEC Member States, as they were not allowed to grant such treatment to only one or certain member states.

However, since the community granted these concessions only to products that originated from the ACP countries, in terms of the Rules of Origin the customs officials in the community had to identify exactly which products originated in ACP states and were eligible for free access. This meant that the products from the ACP countries could be scrutinized against the conditions for originating status, which were all mentioned in Protocol 1 of the Lomé Convention.<sup>41</sup> Even if the Lomé Convention provided free access to the EEC market, the conditions for originating status served as an additional trade barrier. Since the rules of origin under the Yaoundé and Arusha Conventions were too stringent for the ACP countries, under the current Lomé Conventions they attempted to seek a revision of the rules. In addition, they wanted the rules to promote industrial cooperation and particularly, to grant the status of originating products to all goods that had been produced in one or several of the ACP countries.

### **3.4.3 Partnership**

The preamble of the Convention claimed that it aimed to ‘... establish on the basis of complete equality between partners, close and continuing co-operation... and are resolved to establish a new model for relations between developed and developing

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<sup>40</sup> Lomé Convention, Article 7 (2) (a)

<sup>41</sup> von Geusau (1977) 42

State'.<sup>42</sup> One of the features of the Lomé Convention was its commitment to engage in an equal partnership between Europe and the ACP countries. This intention was entrenched in the Convention Preamble; *'to establish on the basis of complete equality between the partners, close and continuing co-operation in a spirit of international solidarity'* and to *'seek a more just and more balanced economic order.'* To enhance the provision of equal partnership, it included the establishment of joint institutions by the EEC and ACP countries to oversee the implementation of the Convention.<sup>43</sup> This approach appeared to be different to that of the Yaoundé Convention, which was promoting the dependency of these countries on the assistance of the EEC.<sup>44</sup>

#### 3.4.4 Aid

The EEC now provides 10 to 30 percent of total adjustment aid to ACP economies, notably to education and health programmes.<sup>45</sup> It accepts that aid has been used to good effect, for example in Africa south of Sahara, where it provides 10% of development assistance and added to the funds from its Member States, brings the total to 60%. It notes that this assistance has been reformed over the years to respond to new situations and needs. Food aid has been used, for example, to help recipient countries improve their food security. Special structural Adjustment Programmes have been developed and all aid for that purpose is offered as a grant. The EEC has linked aid with political reform, with

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<sup>42</sup> ACP-EEC Convention of Lomé 1975

<sup>43</sup> Discussed on page 6

<sup>44</sup> Holland (2002) 34

<sup>45</sup> 'The Cotonou Agreement: From Lomé I to IV bis'

[http://europa.eu.int/comm/development/body/cotonou/lome\\_history\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/lome_history_en.htm) [Accessed on 11 January 2005]



the emphasis on greater democracy, better respect for human rights and similar aspirations.

However, the Green Paper<sup>46</sup> also highlights a number of problems and defects in the Lomé aid programmes. It stresses the idea of partnership between donor and recipient states, but says that in practice there has been too little partnership and too much aid dependence. The thinking on development has changed to an emphasis on state relations, but the Green Paper notes that Lomé cooperation is still mainly among states. Although EEC aid has had considerable success with social schemes and infrastructure projects, now however, there has been no automatic improvement in development indicators.

### 3.5 Conclusion

The Lomé Convention should be recognized as an agreement that was no more than a constraint attempt at furthering the relations between the industrialized world and developing countries. Although more specific aims were to promote the growth and development of the ACP states, little was achieved, as these countries are now even more dependent on Europe to provide aid and assistance. Regarding the trade cooperation, many ACP countries at the end of Lomé, were therefore worse off than before the Convention. Whether this was due to their inability to use these advantages to diversify their economies and focus on forming trade relations with other countries is unsure. Even though, the Convention required that both parties engage on equal footing, the ACP countries were unable to act on those issues that were of importance them.

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<sup>46</sup> European Commission. 1996. *Green Paper on relations between the European Union and the ACP countries on the eve of the 21st century - Challenges and options for a new partnership*. Brussels: European Commission

The most aspiring event of Lomé was the unification of ACP countries. While the aim had been to promote cooperation among EEC and ACP countries, as well as among ACP member states, it seemed to have promoted the latter more successfully than the former of these goals. It emphasized that the co-operation had to be based on partnership, equality, solidarity and mutual interest and recognised the principle of sovereignty, implying that each of the ACP states had the right to define its own development strategies and policies and affirming that development should be focused on people, and that human, political, social and economic rights should be respected and promoted. However, the EEC was the sole proprietor and since it was providing the funds, it was in control of making decisions on important issues, which excluded the participation of the ACP countries.



## Chapter Four: EU-ACP in the multilateral trading system

### 4.1 Introduction

The World Trade Organization (WTO) is described as *'the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible and its goal is to improve the welfare of the peoples of the member countries'*.<sup>1</sup>

The WTO was established to provide more certainty and equitable distribution of wealth in the global trade system. However, the imbalances of the trading system has caused many problems, especially for the developing and least developed countries in the African, Caribbean and Pacific group.<sup>1</sup> These countries are vulnerable to fluctuations in the trade market, and some are exceedingly dependent on the special treatment to which they have become accustomed. Even more problematic is that these special arrangements will soon be eroded, which leaves these countries in an extremely challenging situation. In addition, since many of them do not have the infrastructure or funds to deal with the new measures, it would be difficult and time-consuming for them to be able to partake in the new system.

To understand the concerns of these countries, it is necessary to discuss the origins of the WTO, in order to create a better understanding of the trading system. This chapter presents several of the WTO principles that are used interchangeably. In addition to the presentation of these principles, the chapter also debates the suitability of fair versus free trade principles in the world trade system.

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<sup>1</sup> [http://www.wto.org/english/thewto\\_e/whatis\\_e/inbrief\\_e/inbr00\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr00_e.htm) [Accessed on 10 March 2005]

The dialogue would not be complete without discussing other issues that also played a role in restructuring the relations between the EU and ACP countries. The chapter analyses the relations between the EU, WTO and ACP, by highlighting the cases that have been decided by the WTO Dispute Body and the probable consequences of these judgements on the EU-ACP trade relations. The chapter concludes by looking at the extent to which the establishment of the WTO has affected the relationship between the EU and ACP countries.

#### **4.2 The Origin of the World Trade Organization**

Trade has been part of international transactions for centuries. It can be a means of sustaining the economic development and growth of many countries, since it increases the ability of countries to enhance their human development. However, it was only in 1947 that certain countries decided to draw up the General Agreement on Tariffs and Trade (GATT) as a means of recording the results of these trade and tariff negotiations. Since the GATT was not an organization, but only an agreement that provided the foundation for rules relating to trade tariffs, most countries were of the opinion that this accord would be better implemented by an internationally recognized trade organisation.

Thus there were discussions on establishing the International Trade Organization (ITO), an institution whose establishment was to coincide with the other Bretton Woods Institutions, viz. the World Bank and the International Monetary Fund (IMF). However, these discussions were halted by a major impediment in 1950, when the United States administration abandoned efforts to seek congressional ratification. The resistance by the USA to have their trade policies regulated by a uniformly established institution did not

however derail attempts for further negotiations. The result of this uncooperative behaviour by the USA led to more determination on the part of the relevant parties to ensure that they composed standardized international trade policies.<sup>2</sup>

The determination resulted in many rounds of negotiations, the most important being the Uruguay Round. It lasted from 1986 to 1994, and is said to have been the most comprehensive set of multilateral trade negotiations since the GATT.<sup>3</sup> The negotiators at the Uruguay round had the difficult tasks of extending the ambit of the GATT to include various new issues that had emerged. These issues included the strengthening of the markets for services and the protection of intellectual property, which ultimately led to the establishment of the General Agreement on Trade in Services (GATS) and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).

GATS was implemented to reduce discrimination against foreign providers of services, and to reduce barriers that impede the efficient delivery of services.<sup>4</sup> The effect was that matters related to these services had to be discussed in regular rounds of negotiations. TRIPS was aimed at extending the safeguarding of intellectual property, which was previously covered by the other agreements.<sup>5</sup>

However, the above issues were not the only matters raised throughout the discussions. One other matter was the formation of a World Trade Organization (WTO); an international body intended to deal effectively with the implementation of the agreements and to address socio-economic problems, using trade rules. Further dramatic

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<sup>2</sup> 1956-Round of multilateral trade negotiations in Geneva; 1960-Dillon Round of negotiations; 1964-Kennedy Round of negotiations; 1967-Tokyo round.

<sup>3</sup> 'From the Uruguay round to the Doha Ministerial'

<http://www.worldgrowth.org/pages/materials/Chapter4.doc> [Accessed on 28 May 2005]

<sup>4</sup> [www.wto.org](http://www.wto.org)

<sup>5</sup> *Ibid.*

developments in the global trading system created new issues, which the GATT could not address. Even though the GATT lacked institutional mechanisms, it had successfully lowered tariff barriers. But countries such as the USA and its European counterparts wanted an institution that would be able to deal with all aspects of trade, including services and intellectual property.

Thus in 1994, ministers of various countries gathered to sign the final act establishing the WTO. The organisation was officially established on the 1<sup>st</sup> of January 1995, which signalled a new era for the world trading system. The establishment of the organization marked a turning point for international trade regulation. For the first time an attempt was made to regulate virtually all aspects of trade between nations by a democratic organization with both judicial and regulatory authority.<sup>6</sup>

Even though many of the GATT principles have been unified under the WTO umbrella, some of the new features of the WTO are:

1. It operates by consensus and decisions are binding;
2. It is a single undertaking;<sup>7</sup>
3. The Dispute Settlement Body (DSU) has been established; and
4. The Trade Policy Review Mechanism has been created.

The functions of the WTO include being charged with facilitating the implementation and operation of the Multilateral Trade Agreements (MTA), providing a forum for negotiations, administering the dispute settlement mechanism; providing multilateral

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<sup>6</sup> Minyard 'The World Trade Organization: History, Structure and Analysis'  
<http://www2.netdoor.com/~aminyard/> [Accessed on 16 May 2005]

<sup>7</sup> It means that once, a country affirms to abide to the all the rules, even if their industries have no need for such regulations.

surveillance of trade policies and co-operating with the IMF and World Bank to achieve greater coherence in global economic policy making.<sup>8</sup>

#### 4.2.1 WTO principles and concepts

In order to perform these tasks, the functioning of the WTO depends on a number of legal documents and principles, some of which formed part of the GATT system. Since 1947, the multilateral trading system has been applicable. It is generally used to describe the trading arrangement between countries, which assumes that countries will not introduce devious trade laws to the disadvantage of others. Even though the system originated from the GATT, it now forms an integral part of the WTO. However, it is the principles enshrined in the legal texts that have proven to be the basis of the multilateral trading system. There are basically five working principles: non-discrimination, transparency, fair trade, 'special and differential' treatment and progressive trade liberalisation.<sup>9</sup> This chapter will only focus on certain of these principles, as the others will be discussed in chapter five.

In the multilateral trading system there are two forms of non-discrimination: between WTO members (Most Favoured Nation or MFN)<sup>10</sup> and between domestic and foreign traders (National Treatment).<sup>11</sup> MFN requires that trade should occur without countries discriminating against each other. In terms of the WTO agreements, whenever one country grants a favour, it has to grant such favour to other countries as well. In regards

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<sup>8</sup> Article III of (5) of the Marrakesh Agreement establishing the WTO

<sup>9</sup> Dunkley (2004) 191

<sup>10</sup> Article I GATT 1947

<sup>11</sup> Dunkley *ibid.* 191

to the National Treatment, foreign traders must be treated similar to local traders. This principle implies that countries are not allowed to afford more favourable terms to its locally produced goods than to imported goods. However, to every rule there are some exceptions, one being that countries are allowed to deviate from the MFN principle where countries have agreed to a free trade agreement and where some special treatment is afforded to developing countries.

A significant principle of the WTO is for countries to negotiate freer trade terms through discussions. The organization urges countries, by way of consultation, to lower barriers such as tariffs and quotas that distort the free flow of trade. However, the WTO emphasizes that the free flow of goods will only be possible if countries adhere to their promises. For this reason, those that agree to lower their tariffs are in fact bound to their commitments. This pledge by its member states is seen by the WTO as a viable method of ensuring stable and predictable markets that encourage investment and create job opportunities.

To ensure that members fulfill their obligations, clarity on the policies of the WTO members is vital. Thus trade and protection policies of members must be reported to the WTO. However, such disputes are costly, which makes it difficult for poor countries to report these unfair trading schemes

According to the WTO, fair trade means avoiding unfair export subsidies and dumping, and anti-dumping duties are imposed. NGOs like Oxfam claim that developed countries abuse these unfair trade practices. The WTO uses the MFN principle to suppress statements that it is a proponent of free trade, by claiming that these principles are aimed



at ensuring the existence of fairer trade relations between countries, and that they promote and encourage development.

#### 4.3 Fair trade and/ or Free trade

International trade has been the catalyst for development and wealth creation in the world.<sup>12</sup> However, only a few have benefited from the regime as many poorer countries have been excluded from the arrangements, partly due to their own fault and partly due to the unfairness of the trading system.<sup>13</sup> These trade arrangements have exacerbated the inequity among nations.<sup>14</sup> For this reason, there is an overwhelming call for trade rules to occur in fairer ways to ensure equal distribution of benefits. In order to be able to argue in favour of fairer systems, the following concepts need to be understood: free trade or trade liberalization, protectionism and fair trade.

The *Dictionary of Trade Policy Terms* defines trade liberalization as “a general term for the gradual or complete removal of existing impediments to trade in goods and services of which the ultimate aim would be free trade.”<sup>15</sup> According to the Marrakech Declaration, “Ministers believe that the trade liberalization and strengthened rules achieved in the Uruguay Round will lead to a progressively more open world trading environment.”<sup>16</sup> However, the effects of trade liberalization have created both losers and winners. Not many countries are benefiting from the system, as it requires countries to open up their markets to competition from other producers or manufacturers. However,

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<sup>12</sup> Kobou G: ‘Inequity in world trade and the crisis of development in Africa’  
<http://www.nai.uu.se/newsfromnai/koboueng.html> [Accessed on 4 February 2005]

<sup>13</sup> *Ibid*

<sup>14</sup> Kobou, *op cit*.

<sup>15</sup> Goode (2003) 355

<sup>16</sup> Marrakech Declaration of 15 April 1994

these countries are highly vulnerable to competition from outsiders, as their markets are not diverse; they have few products that can be exported and depend heavily on trade preferences.<sup>17</sup>

Some researchers contend that the actual driving force behind trade liberalization is globalization, to which there are opposing views. Those who favour it believe that it leads to rapid development or improvement in the world economy. Opponents of globalization view it as the underlying factor that increases the gap between rich and poor countries. Many developing countries are not able to take part in the rapid process of globalization, as they do not have the economic infrastructure that the developed countries possess.

Rich countries promote trade liberalization as the most effective way of reducing poverty in the developing world.<sup>18</sup> However, trade liberalization has less impact if we take expected economic growth into account. The full effects of any agreement for trade liberalization will not be felt for a certain period. Trade barriers are typically phased out over time, and economies take time to adjust to the new relative prices that will exist in a world of liberalized trade.

One principle that has been aligned with trade liberalization is free trade, which emerged in the 1800's. This concept favours minimal or zero trade restrictions.<sup>19</sup> Well-known economists such as Adam Smith and David Ricardo were in favour of this view, but not

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<sup>17</sup> "Easing the pain of free trade" *Business Day* February 2005 11

<sup>18</sup> Mark Weisbrot, David Rosnick and Dean Baker: *Poor numbers: the impact of trade liberalization on world poverty*. 18 November 2004 Centre for Economic and Policy Research

<sup>19</sup> Williams (2003) 2

dogmatically so<sup>20</sup>; they argued that international trade could be of benefit for all if the following two conditions were in place:<sup>21</sup>

1. Each country specialized in producing and selling the goods that it could produce more efficiently relative to another country (the law of comparative advantage);
2. There was a free and unregulated flow of goods among and between countries.

However, many argue that free trade is only good in theory but not in practice, or that it does not exist in reality because certain countries 'cheat too much.'<sup>22</sup> According to Dunkley, the free trade doctrine should be rejected on the following grounds: (1) it is excessively narrow and omits a range of non-economic considerations; (2) it entails changes that are undemocratic or non-consensual and lastly (3) that it is over-simplified and based unduly on questionable myths and assumptions.<sup>23</sup>

At the same time, the protectionists argue in favour of protecting the domestic market by way of tariffs and quotas.<sup>24</sup> In other words, government interference is seen as a priority to sustain and protect the domestic markets of a country.

Fair trade rejects the arguments of both free trade and protectionism and proposes a middle position.<sup>25</sup> It promotes and encourages trade but is open to imposing restrictions on imports especially in the areas of agriculture and infant industries. The concept of fair trade has several meanings, including that it is a trading system in which rights and

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<sup>20</sup> Dunkley (2004) 12

<sup>21</sup> Williams *ibid* 2

<sup>22</sup> Dunkley *op cit* 8

<sup>23</sup> *Ibid.*

<sup>24</sup> Williams (2003) 2

<sup>25</sup> *Ibid.*

obligations are balanced and observed by participants in the system. In other words, countries have equal roles and the rules of the countries are respected. In the 1980's, fair trade came to be defined by some as meaning something akin to managed trade, such as the effort to achieve a forced bilateral balance of trade. In competition policy, fair trade refers to the conduct of commercial activities without resort to anti-competitive behaviour as described by a country's competition laws.

Many writers argue that free trade needs to be fair, as the WTO's pro-liberalization approach is not of benefit to the poorer countries.<sup>26</sup> Despite all the recommendations emerging from various studies, the WTO still promotes free trade as it is assumed beneficial to all participants in world trade.<sup>27</sup> Due to the obvious differences in the economic strength of developed and developing countries, the situation has worsened, and little has been done to address the inequality in world trade. The root of the problem is the preferential agreements<sup>28</sup>, on which many developing and least developed countries rely, as these agreements cannot exist within a free trade system. A free trade system expects countries to be able to compete on an equal basis without the operation of preferential agreements. Fair trade, despite its different meanings, has the potential to reduce poverty, even though most companies continue to ignore the positive impact it could have on the world trading system. Fair trade proponents such as Oxfam and Traidcraft argue for more equitable and just trade relationships and trade terms that are more favourable, especially to developing and least-developed countries.

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<sup>26</sup> 'Towards a fairer world trading system-The Cancun Ministerial –A Fair Trade Perspective: Position of the International Federation for Alternative Trade (IFAT) regarding the 5<sup>th</sup> Ministerial Conference of the WTO' 10-14 September, Cancun Mexico <http://www.ifat.org> [Accessed on 19 October 2005]

<sup>27</sup> Kobou G 'Inequity in world trade and the crisis of development in Africa' <http://www.nai.uu.se/newsfromnai/koboueng.html> [Accessed on 4 February 2005]]

<sup>28</sup> The Lomé Convention was also a preferential agreement; the term has already been discussed in the previous chapter.

#### **4.4 The reasons for establishing the new agreement**

The EU-ACP trade relations have had to endure major changes since the establishment of the WTO. The pressure from the international trade community forced these long-standing trade partners to review the Lomé Convention, as it was found to be incompatible with the WTO rules. The banana case is an exceptionally good example of the pressure that the EU and ACP countries had to endure from the international community. However, the incompatibility of Lomé was not the only reason for the re-assessment of this unique trade affiliation. The enlargement of the European Community (EC) also played a major part, as the community's focus shifted from its former colonial territories to the formerly Communist East European countries.

The review of the Lomé convention provided the opportunity for the EC to modify their relations with the ACP countries. This sub-section will discuss the factors that led to the negotiation of a new agreement.

##### **4.4.1 The incompatibility of Lomé**

The Lomé IV Convention, which expired on 29 February 2000, provided for non-reciprocal trade preferences for ACP states. However, the trade regime did not produce the growth and development that was needed. The reason for this failure was that many ACP countries had failed to develop either as significant exporters or as markets for EU

products.<sup>29</sup> Some areas where the ACP countries enjoyed preferential treatment, included the banana regime, but this led to many difficulties for the ACP region.

The EU banana regime, which was established in 1993, involved a complex tariff quota system, which was set up to eliminate internal barriers between the EU countries. The underlying reasons for the establishment of this regime were that, prior to 1993, there were three different banana import regimes in the EU.<sup>30</sup> Germany imported bananas from Latin America on an open market basis, without any import restriction. These Latin American countries had zero tariffs on banana imports within an annual banana quota that was sufficient to cover market requirements.<sup>31</sup> Countries like France gave preferential access to countries with which they had historical and colonial links, of which most were in the ACP group. The remaining EU countries imported bananas mainly from Latin America, without any quantitative restrictions.

Due to this diverse banana regime, the European Single Market was created as the EU countries wanted to harmonize the variety of banana import regimes in the EU. Thus they established the Common Market Organization (CMO) for bananas, i.e. the EU Banana Regime. This onerous system dealt with the importation, sale and distribution of bananas in the EU. The objectives of the system were:

- To eliminate internal barriers to trade to allow for the free circulation of bananas within the EU;

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<sup>29</sup>Grynberg The WTO incompatibility of the Lomé Convention trade provisions Asia Pacific School of Economic Management Working Paper 1998 3

<sup>30</sup>'The EC banana regime, GATT/WTO challenges, and the evolving policy framework'  
<http://r0.unctad.org/infocomm/anglais/banana/ecopolicies.htm> [Accessed on 29 March 2005]

<sup>31</sup> *Ibid*

- To maintain the preferences for former colonies in order to protect their production;
- To protect the local producers so that they could maintain their level of income; and
- To grant more opportunities to European distributing companies.

The regime affected many developing countries, in particular those that were dependent on the export of bananas, such as the ACP countries. The result of this complicated system led to a dispute in the WTO, as many internal markets were filled with uncertainty. The new regime had created more barriers for Latin American exporters and US companies who were responsible for the marketing of bananas from Latin America. This meant that opportunities were taken away from US companies and given to EU companies. It was due to this that the US objected to the European quotas that were supposedly designed to benefit poor African and Caribbean countries, as few of these benefits went to these countries.

The case was brought to the GATT by several Latin American nations, but the EU ignored the GATT findings. After several years of failing to reach a conclusion, the complainants again filed a case against the EU Banana Regime in the WTO in 1997. In terms of the findings of the WTO, the EU regime was inconsistent and they were under an obligation to make some changes. However, by 1999, the EU had not rectified the flaws in the system. In response, the WTO authorized the US to impose retaliatory sanctions on EU exports.

The EU and US have since concluded a new agreement, which became effective on July 1, 2001. The agreement led to the suspension of sanctions imposed by the US. The EU

obtained a waiver from the WTO rules to allow it to reserve a fixed quantity of bananas for ACP countries. These ACP countries have gained more security from the new agreement than from the EU Banana Regime. These waivers allow the EU to provide tariff preferences on ACP exports to the EU.

Even though there is uncertainty as to what type of trade preference arrangements are WTO consistent, the Lomé trade regime was found, in principle, to be incompatible with WTO rules, as the rules of the WTO provide for reciprocal trade benefits between countries. Reciprocal trade benefits mean that *governments should extend similar concessions to each other, as when one government lowers tariffs or other barriers impeding imports in exchange for equivalent concessions from a trading partner.*<sup>32</sup>

However, where developing countries formed part of an arrangement, it was acceptable for a departure from the MFN rule, based on the enabling clause. Such departures were permissible as long as all developing countries were treated equally.<sup>33</sup>

Since the EC only afforded the trade arrangements under Lomé to developing countries in the ACP group, they approached the WTO to grant them a waiver. In terms of the provisions of the GATT 1947, waivers were awarded for ten or more years, but in terms of the GATT 1994, which came into force with the establishment of the WTO, waivers were only allowed for one year. The renewal of these 1994 waivers was dependent on the progress made by the countries receiving it. Thus, before the closure of the GATT 1947 rules, the EC sought a waiver for the Lomé Convention. The WTO granted a five-year waiver to the EU and ACP countries to give them time to negotiate alternatives to the

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<sup>32</sup> Goode *op cit* 290

<sup>33</sup> Grynberg: The WTO incompatibility of the Lomé trade provisions. Asia Pacific School of Economic Management Working Paper 1998 11



non-compatible regime. The system could only be maintained because the WTO granted a waiver from the obligations of Article I of the GATT.<sup>34</sup>

#### **4.4.2 The ongoing EU enlargement**

The EU is a regional organization that is constantly evolving, as more European countries are eager to become part of the Union. This means that EU assistance has to be extended to these countries; furthermore, it also implies that these countries' citizens have to receive priority over other countries or regions, such as the ACP.

Europe provided assistance in the form of aid and trade to the Lomé countries but few have encountered radical transformation. Instead, they have become more dependent on the EU as a source of financial contribution. The establishment of the WTO, the disputes that arose due to the relations with the ACP countries, and the subsequent decisions made against them, was a severe blow to the EU. Addressing the interest of the former Eastern Bloc countries in Europe therefore provided an ideal opportunity to the EU to diffuse the negative image it had in the world community.

As more European countries wanted to share in the wealth of the EC, the Member states saw this as an ideal opportunity for an enlarged Europe, as it would enhance the prospects of the Community during WTO negotiations. The EC started to negotiate with these candidate countries on possible membership. However, they were faced with a problem, as these Eastern and Central European countries that wanted to become members of the EU were not economically as strong as the other European states. Consequently, huge

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<sup>34</sup> Article I – General Most Favoured Nation Treatment GATT 1947

amounts of money had to be invested in the development of these states, which was largely at the expense of the ACP countries.

Becoming part of the EU meant that these countries would not only have to abide by the Union's regulations and rules, but would also have to help shoulder its obligations.<sup>35</sup> Even though they have been receiving large amounts of funds from the EU, they will eventually also become donors as fully-fledged members of the Union. The EU finances almost half of the world's development aid, being committed to the recently established Cotonou Agreement and the more familiar European Development Fund (EDF).<sup>36</sup>

Many of these new member countries had little interaction with the African countries, and countries such as Greece and Ireland had never been colonial powers. Nevertheless, the EU has assured the ACP countries that it will continue to provide assistance to them. However, the ACP countries remain uncertain of their relations with the enlarged EU.

Currently, the EU consists of twenty-five member states<sup>37</sup> and four more countries are to join the Community in 2007.<sup>38</sup> There is no doubt that the EU enlargement will definitely affect Third World countries, especially ACP countries, whether it is in the area of trade, development aid or investment.<sup>39</sup> These new developments should raise concerns among ACP members, as they have to start looking at other countries to which they can export their goods. They should also focus on improving other areas such as services and ensuring internal economic stability to increase investment prospects. There are other

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<sup>35</sup> Michaux (2002) 18

<sup>36</sup> *Ibid.*

<sup>37</sup> England, Spain, France, Portugal, Italy, Greece, Sweden, Netherlands, Denmark, Belgium, Germany etc.

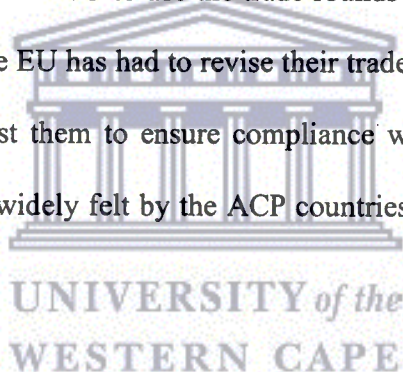
<sup>38</sup> The candidates include Romania, Bulgaria, Croatia and Turkey.

<sup>39</sup> Michaux *op cit*

opportunities available to the ACP countries but they need to review these options to ensure more viable and fairer economic relations and partners.

#### **4.5 The EU and the WTO**

The EU counts for a sizeable portion of the trade in the world. However, the trading arrangements of the enlarged EU have caused uproar in recent years. In the past few years, they have received much criticism for their ambiguous trading arrangements with especially the ACP group. Other powers such as the USA have used this relationship to persuade other members of the WTO to use the trade rounds as a means of voicing their grievances. Consequently, the EU has had to revise their trade relations after a number of disputes were brought against them to ensure compliance with the multilateral trading system. The effect has been widely felt by the ACP countries, as the EU is their biggest trading partner.



##### **4.5.1 EU sugar proposal**

Although the facts of the sugar case have already been dealt with in Chapter One, this section will provide a brief overview of the current developments within the EU sugar regime and the possible effects it could have on the EU-ACP relations.

Following the WTO ruling against the EU appeal relating to the 2004 judgement whereby much of the EU sugar regime was declared illegal, the European Commission is set to

publish a proposal on June 22, 2005.<sup>40</sup> Many foresee that the proposal will be introducing harsh price and quota cuts. EU farmers are also likely to see the four years' implementation period as not enough to time to adjust to these proposals. The Commission proposes to substantially cut back sugar exports and export refunds, abolish intervention, reduce EU production and the internal sugar price and grant a de-coupled payment to sugar beet farmers. As the existing EU policy will expire in June 2006, the EU Council will be reviewing the proposed reforms to the sugar regime in July, and they aim to reach an agreement by November. The review of the proposal is set for 2008.

It is said that these proposals have a dual purpose; they intend not only to reinforce the EU position in the global sugar framework, but also to continue providing a market for developing countries.<sup>41</sup> In addition, the restructuring of the EU sugar regime will balance EU production with preferential imports and exports of other countries. Consequently, the lowering of the EU price will provide an opportunity to a large number of these developing countries to invest in more sustained sugar production.<sup>42</sup>

However, within the EU, member states such as France and Germany have not been eager to agree to these new reforms. These countries are the two major sugar-producing countries<sup>43</sup> within the EU, and their farmers are set to be the losers in the new regime. This has led to a divide within the EU.

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<sup>40</sup> 'Disagreement among EU members on pace and extent of sugar reform' Smith, Jeremy; Reuters, 11 May 2005. Also found on [www.tralac.org](http://www.tralac.org).

<sup>41</sup> [http://europa.eu.int/newsletter/index\\_en.htm](http://europa.eu.int/newsletter/index_en.htm) [Accessed on 13 June 2005]

<sup>42</sup> [http://europa.eu.int/newsletter/index\\_en.htm](http://europa.eu.int/newsletter/index_en.htm) [Accessed on 13 June 2005]

<sup>43</sup> Even though, almost all of the EU member states produce sugar, Germany and France, account for almost half of the EU-25 production, followed by Poland, United Kingdom and Italy. *Commission proposes radical overhaul of sugar regime* [www.cec.org.uk/press/we/we04/we0427.htm](http://www.cec.org.uk/press/we/we04/we0427.htm) [Accessed on 13 June 2005]

The EU commitment to the ACP countries has come under scrutiny as many these countries are opposed to the rapid implementation of the EU's proposals. Mozambique's Minister of Trade and Industry, Antonio Fernando fears that, "...*European Union plans to reform its sugar price regime could destroy local producers. He said liberalisation was acceptable as a long-term goal but had to be introduced gradually. If the EU goes ahead, 30,000 jobs will be threatened in the country.*"<sup>44</sup>

While the ACP members realise that the EU is under pressure from the WTO, they are adamant that they would not be able to implement the new proposals within such a short period. As a result of the threatened reform to the sugar regime, as well as the threat from cheaper producers of sugar like Brazil and the Caribbean countries, the ACP countries are threatening to take the EU to the International Court of Justice over the planned cuts.<sup>45</sup>

The above changes will have an effect on some members of the ACP group, but the severity of the problem will depend on their willingness to address it and thus be able to partake in the global sugar industry. Even though the EU has assured these countries that the new developments will not hinder their sugar relations with the EU, the recent shuffling within the EU appears to contradict this assurance. The degree to which the farming lobbies in the EU Council will be able to force the Community to revise the proposal to ensure safer terms for them remains unclear. On the other hand, it is the duty of the sugar producing ACP countries to ensure that the final arrangement is a fair one that favours not only them, but also non-ACP members. Nevertheless, the ruling has been

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<sup>44</sup> 'EU's sugar plans threaten African producers' *Mail and Guardian*, 24 May 2005

<sup>45</sup> *op cit*, Camillo

made, and it is now up to these sugar producing ACP members to decide how they will deal with it.

#### 4.6 Africa and the WTO

African countries' participation in the WTO negotiations has not delivered the much-desired results. Owing to their differences in trade and continuous political tribulations, they have been unable to ensure that their issues are addressed during negotiations and implemented afterwards. Even though their trading products are as diverse as coffee, cotton and cashew nuts, the disparity in their level of development can also be considered as a contributor.<sup>46</sup>

Agriculture is an especially sensitive and contentious issue for many African countries, as they depend greatly on these exports to developed countries. Owing to this dependence, many Africans are insisting that the EU and USA cut billions of dollars they pay to subsidize EU and US farmers, as these subsidies prevent millions of impoverished Africans from taking part in, and winning, a share of the global market.<sup>47</sup> Important issues like these have made developing countries realize the benefits that they can obtain from trade. In recent years, they have become more outspoken against developed countries like the EU, US and Canada.<sup>48</sup> They have been using the WTO as the forum to voice their opinions, and have even refused to continue with the trade negotiations unless their issues were dealt with. Even though this has led to a shift in the balance of power,

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<sup>46</sup> 'Africa seeks to rescue global trade talks' 18 February 2004 [www.sabcnews.com](http://www.sabcnews.com) [Accessed on 29 July 2004]

<sup>47</sup> *Ibid.*

<sup>48</sup> *Ibid.*

the important issue of agriculture has been left unresolved. In the end, developing countries remain dependent on developed countries opening their markets.

While the involvement of these countries in the WTO negotiations has increased, they are not satisfied with existing WTO agreements.<sup>49</sup> They are of the opinion that the rules and disciplines embedded in the agreements were negotiated in different historical conditions from those prevailing today, and, as in the past, the *status quo* continues to favour the small group of developed countries that designed them.<sup>50</sup>

Back in 1947, with the establishment of the GATT, developing countries were promised that their interests would be taken care of. However, it was only recently that their issues were addressed by way of the Doha Development Agenda<sup>51</sup>, which would endeavor to ensure reforms to provide these countries with trade opportunities. Although countries like the EU and US made commitments to the Doha Agenda, the inability to enforce it caused the failure of the Cancun discussions.

Developed countries have in recent years failed to build domestic constituencies in support of agricultural reform.<sup>52</sup> Instead, they want to focus on the controversial Singapore issues.<sup>53</sup> These issues are of little importance to developing countries, which want to focus instead on matters such as agriculture, special and differential treatment.

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<sup>49</sup> Multilateralism offers best protection' *Business Report* 13 May 2003 See also [www.tralac.org](http://www.tralac.org) [Accessed on 29 March 2005]

<sup>50</sup> *Ibid.*

<sup>51</sup> After the failure of the Seattle round in December 1999, countries reconvened at Doha two years later. The issues that were going to be addressed at Doha were similar to those in the lead up to Seattle, which included the very sensitive issue of agriculture and services.

<sup>52</sup> 'Doha Development round: A way forward' Oxfam Paper October 2003 [www.oxfam.org](http://www.oxfam.org) [Accessed on 1 March 2005]

<sup>53</sup> The Singapore issues are investment, government procurement, competition policy and trade facilitation. Before the launch of the Cancun round, about 90 developing countries indicated, they were not ready to launch negotiations in these matters. Even though they made it clear that these issues had to be discussed at a later moment, countries such as Japan, the EU and Canada hoped they would decide otherwise.

Special and differential treatment is the term used for the way in which developing countries are treated differently to developed countries within the WTO system.<sup>54</sup> An example of such treatment is that developing countries are afforded longer time periods to implement WTO agreements. The Doha Ministerial Declaration emphasized that more work was needed on the special and differential treatment. Furthermore, the Doha ministerial declaration asked ministers to recognize that the world trade system was deeply imbalanced and that they had to respond to improve the needs and aspirations of developing countries, which comprised the vast majority of the WTO membership.<sup>55</sup>

#### 4.7 Recent events

During the next WTO ministerial conference, the Doha Development Agenda will most definitely be the focal point. The sixth WTO Ministerial Conference will take place in Hong Kong, from 13 to 18 December 2005. A number of issues have been highlighted and may or may not receive the dire attention that they need. However, it is certain that the problems of the African continent will receive attention. This has been guaranteed by the recent G8 summit where eight of the world's leading industrialized countries proposed to write off the debt of the 18 poorest countries (14 of them in Africa).

However, the finer detail in these announcements has to be scrutinized, as many of these countries should know by now that everything is not always what it seems to be. It is merely a proposal and still has to be approved by the IMF, World Bank and donors

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<sup>54</sup> Bolton (2000) 5

<sup>55</sup> 'Doha Development round, A way forward' Oxfam paper October 2003 [www.oxfam.org](http://www.oxfam.org) [Accessed on 1 March 2005]



outside of the G7.<sup>56</sup> In the past, these promises were also not kept or, even worse, were slow to be implemented. However, due to the high profile that the proposal has received it is necessary to look in depth at some of the conditions that have been suggested.

In order to qualify for the debt cancellation, these countries have to meet the standards of good governance, which implies that they need to tackle fraud, cut corruption, free up their economies and liberalize trade. In Africa, many leaders have been exposed for their corrupt activities, thus it can be understood that these industrialized countries want to ensure that those who are in need benefit from the arrangements. However, freeing and liberalizing trade is problematic as they are seen to increase poverty. It has been said that free trade policies are the cause of developing countries' reliance on aid and debt relief. Thus, in order for the above proposal to be effective, the G8 countries should rather amend their policies to fit in with the proposal, as they are the culprits that are preventing these countries from capitalizing on global trade relations.

It is not clear which role the WTO is playing, since it is the so-called enforcer of trade rules. However, these soon to be debt-free countries will only be sure of their plight, once the G8 summit in Scotland from 6-8 July is concluded. Decisions taken here will provide relief to these African countries, but the cost at which this is to happen, is uncertain.

Throughout the conferences, non-governmental trade organizations such as Oxfam have used protests to urge these industrialized countries to review their trade policies in order to allow poor countries to use trade as a means to fight poverty. As mentioned earlier, trade has the ability to ease the living conditions of many people. Campaigns like those of Oxfam's 'Make Trade Fair' or 'Make Poverty History' assert that trade can play a vital


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<sup>56</sup> <http://www.globalissues.org/TradeRelated/Debt/g8summit2005.asp> [Accessed on 28 June 2005]

role in alleviating poverty. But in order for this to happen, trade needs to be fair. The WTO and now the G8 are promoting free trade in countries that cannot provide enough food for their own people, and are not economically stable enough to withstand competition from outsiders.

The ACP group has a difficult task, as they cannot expect to receive much support from the WTO or EU. These countries have to start looking at their own policies and their neighbours, if they want to benefit from the multilateral trading system. As the WTO policies show little evidence of providing relief for these countries, they have to start by collectively viewing options that would be of benefit for them.

#### **4.8 Conclusion**

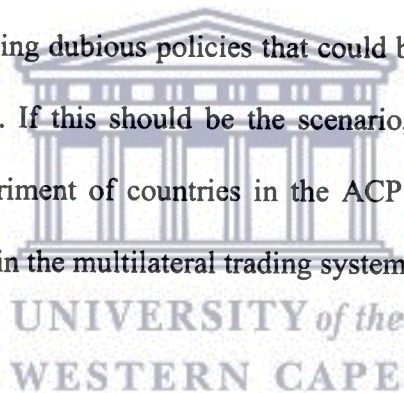


Although the WTO was established in 1995, it is merely a continuation of the GATT 1947, which was set up by a few developed countries to further their aims. To ensure a more fruitful application of the WTO, all the participants in the WTO have to establish new rules that are more suited to the problems that are encountered by countries at present.

The WTO establishment forced the EU and ACP countries to review their relationship. This was needed, as the Lomé Convention did not bring about a profound change to the economic system and growth of the ACP countries. However, the EU enlargement has also raised some concerns amongst African countries, as the EU focus has in recent years shifted to these former Communist countries.

The EU is considered as the world's trade force, but its trade policies have been scrutinized by the DSU in a number of cases. Since the establishment of the World Trade Organization, a critical eye has been cast over preferential agreements. This implies a gradual reformation of the current trading system, in the direction of free trade, which involves the setting up of a new trade agreement to define the relations between the EU and ACP.

However, many do not see the institution as doing much to improve the welfare of the people. The WTO is perceived as an institution created by the developed countries, to further their interests, since the establishment of the body makes it easier for them to create more wealth by imposing dubious policies that could be detrimental to developing or least developed countries. If this should be the scenario, then the institution would most certainly be to the detriment of countries in the ACP group, who are battling to adjust to these arrangements in the multilateral trading system.



## Chapter Five: The Cotonou Partnership Agreement

*“[T]he new agreement will benefit the poorest.”*

Former European Commissioner for Development and Humanitarian Aid

Poul Nielson

### 5.1 Introduction

The establishment of the World Trade Organisation (WTO), the disappointing results of the Lomé Convention and the enlargement of the European Union provided the ideal opportunity for the EU to reassess its relations with its former colonies. As international trade moved towards freer competitive global trading conditions, the non-reciprocal provisions of Lomé became unacceptable.<sup>1</sup>

Even more, the dismal performance of the African, Caribbean and Pacific countries (ACP) had tarnished the EU's international reputation, as it was under pressure from not only the international community but also from the ACP to negotiate fairer and more development focused trade relations. Since many of the ACP countries had not experienced the growth projected by the EU, they were partially willing to go back to the drawing board. The changes within the EU could also be attributed to uncertainty, since many of the new EU members were unfamiliar with its colonial relations with the ACP group. Thus, many ACP members feared that little consideration would be given to their interests. However, the events within the world trade system meant that these countries emerged as a powerful force within the WTO, which was noted by the EU. The EU used its past relations and the vulnerability of particularly the ACP LDC, to persuade ACP members to form a new agreement.

The ACP countries had come to rely on the EU as their main trading partner. With new trading arrangements, they would most probably have had to begin focusing on other

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<sup>1</sup> Wedderburn 'A perspective on the Cotonou Partnership Agreement' <http://cpdcngo.org> [Accessed on 26 November 2004]

markets for their products. However, the EU and ACP agreed that due to the developments in the multilateral trading system, they would be willing to start working towards an alternative that would suit all the parties.

This chapter will provide a detailed discussion on the framework of the new agreement with the aim of assessing the means by which it can improve the situation within the ACP regions. The chapter is divided into two sections. The first section focuses on the unique features (inclusion of non-governmental organisations etc.) of the new agreement. The second section analyses the new trade framework that the parties have concluded. The section will critically examine the suitability of these arrangements and use the Southern African Development Community (SADC), Economic Partnership Agreements (EPAs) as illustrations of the ongoing negotiations within the ACP group.

The observations of Non-Governmental Organisations (NGO) such as Oxfam and Traidcraft regarding EPAs are examined to provide the EU and ACP countries with ideas on the implementation of such fair trade principles. In addition, Article 23 (g): the EU and ACP fair trade objective is analysed to reveal its relevance to the creation of fairer trade relations between these parties. Ultimately, Chapter Five attempts to provide answers to whether (1) the new agreement has the potential to assist the countries to embrace the new developments with the EU and (2) whether it has the potential to move the innovative relations towards fairer trade relations.

## **5.2 The negotiations for the new agreement**

The renewal of the ACP-EU relations has been the subject of much intensive public debate since 1996, with the publication of the Commission Green Paper:

*“[T]he aim of the Green Paper is to provide food for thought, trigger wide-ranging debate and pave the way for dialogue between those concerned by the expiry of the Lomé Convention. It is addressed to all those involved in development. Our goal is clear, to revitalize ACP-EU relations; open new horizons and boost the chances of success.”<sup>2</sup>*

The above paper reveals that, by 1996, the EU was searching for alternative trade arrangements with ACP countries. The EU was especially eager for their relations with the ACP countries to enter into a new phase and thus launched these Green Paper discussions to find alternatives for the relations.

As the end of the twenty-five year period of the Lomé Convention approached, new negotiations started in September 1998. At the forefront of the negotiations was the problem as to which trading system would be most suitable for the ACP countries and the EU.<sup>3</sup> The EU was adamant that the new trade agreement had to be based on WTO-compatible arrangements. Hence, they were accused of applying the rules much more strictly and more narrowly than the WTO had done in the past.

The ACP countries were aware of the potential solutions<sup>4</sup>, but instead wanted the EU to improve the non-reciprocal trade preferences, even though it would obviously be in violation of the WTO rules. Towards the end, the EU and ACP agreed to other options

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<sup>2</sup> European Commission. 1996. *Green Paper on relations between the European Union and the ACP countries on the eve of the 21st century - Challenges and options for a new partnership*. Brussels: European Commission. <http://www.rrojasdatabank.org/intro.htm> [Accessed on 19 July 2005]

<sup>3</sup> Henri-Bernard Solignac Lecomte-Effectiveness of developing country participation in ACP-EU negotiations Working Paper, October 2001,16  
[http://www.odi.org.uk/iedg/participation\\_in\\_negotiations/acp\\_eu.pdf](http://www.odi.org.uk/iedg/participation_in_negotiations/acp_eu.pdf) [Accessed on 19 July 2005]

<sup>4</sup> According to Henri-Bernard Solignac Lecomte the following solutions were available to the parties: transforming non-reciprocal preferences into Free Trade Agreements (FTAs), while respecting certain rules of contained within Article XXIV of GATT; abolishing discriminatory character of preferences by extending Lomé type benefits to all developing countries, e.g. by reforming the EU's General System of Preferences (GSP), enhancing its benefits..; to abolish trade preferences and radically reduce EU's MFN tariffs to the benefit of the ACP and other WTO members.

such as Regional Economic Partnership Agreements (REPAs), because the EU perceived the ACP mandate as not being in accordance with the WTO rules.

Indeed, the ACP had the opportunity to ensure that a compliant solution, which would benefit their circumstances, would be brought to the table, but they squandered their chances due to the inadequate timeframe of the EU and their inability to co-operate with each other.<sup>5</sup> Their diverse interests also contributed to this inability to put forward a comprehensive proposal encompassing all their needs. The Caribbean and Pacific islands, for example, were more in favour of maintaining their benefits from commodity protocols, whereas African countries wanted to maintain the Stabex and Sysmin systems.<sup>6</sup> However, these differences can be attributed to the fact that, during this time, many of the African countries within the group were faced with political instability. However, since a high number of these countries were classified as 'least developed', the non-reciprocal trade preferences would continue.

The EU however, used the situation to push forward their proposal, even if it was not suitable for many countries within the ACP. As with Lomé, the EU was the dominating partner, using the WTO rules to ensure the formation of Economic Partnership Agreements (EPAs) and thus push ACP countries towards rapid trade liberalisation.<sup>7</sup> However, since the EU and ACP countries agreed to conclude the negotiations by early February the next year, the latter were not afforded enough time to reject the EU trade proposal.<sup>8</sup> Notwithstanding these irregularities, the agreement was promoted as a mutually acceptable.

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<sup>5</sup> Solignac Lecomte *op cit* 17

<sup>6</sup> *Ibid.*

<sup>7</sup> Linus 'WTO rules used to kill Lomé' <http://www.twinside.org.sg/title/lome-cn.htm> [Accessed on 15 October 2004]

<sup>8</sup> Goulangana (2000) 4

### 5.3 The Cotonou Partnership Agreement

Eighteen months of negotiations between the ACP and EU states were concluded in early February 2000. The signing of the new agreement was scheduled to take place in Fiji, but due to political instability<sup>9</sup>, the meeting was rescheduled for a later date. Thus on 23 June 2000, a new convention known as the Cotonou Partnership Agreement (hereafter referred to as Cotonou) was signed in Cotonou, Benin, to cover the next twenty years of relationships between the EU and ACP countries.<sup>10</sup> Seventy-seven ACP countries and fifteen EU member states agreed to the successor agreement to four generations of Lomé Conventions.<sup>11</sup>

The agreement intends to *provide a context for constructive and effective cooperation between the developed and developing countries, promoting a partnership approach to development cooperation.*<sup>12</sup> In essence, the Agreement aims to alleviate poverty, and to promote sustainable development and the integration of the ACP countries into the world economy.<sup>13</sup> The discussion in the following two parts will concentrate on (1) the unique features of the Cotonou Partnership Agreement and (2) the new trade framework.

## PART ONE: THE UNIQUE FEATURES OF COTONOU

### 5.3.1 Four pillars of the Agreement

The idea behind the establishment of the new agreement was to break away from the traditions of the Lomé Conventions. The EU sought for an agreement that would be more

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<sup>9</sup> A failed coup attempt by rebel forces in Fiji.

<sup>10</sup> Goulangana *op cit* 4

<sup>11</sup> A list of the signatories to the Cotonou Partnership Agreement is included.

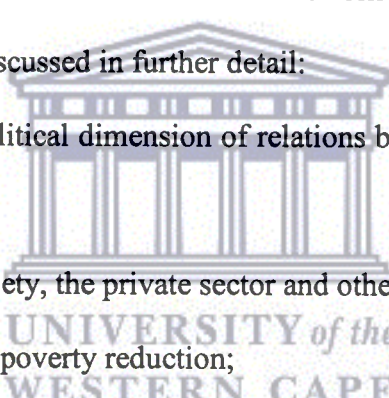
<sup>12</sup> Wedderburn 'A Perspective on the Cotonou Partnership Agreement' <http://cpdcngo.org> [Accessed on 26 November 2004]

<sup>13</sup> Article 1 of the Cotonou Agreement



flexible so that future changes to the package could be easily concluded.<sup>14</sup> To prevent the burden of renegotiations and ratifications, they drew up two separate legal documents instead of one single document, as in the case of Lomé.<sup>15</sup> Hence, the Cotonou Agreement does not contain all the details of ACP-EU cooperation; it only sets out the general framework.<sup>16</sup> However, the compendium contains the text that deals with development co-operation objectives and strategies.<sup>17</sup> This means that the compendium would be the document that can be updated at any time.

What makes the new agreement even more profound than the Lomé Conventions is that it is construed as a combination of politics, trade and development.<sup>18</sup> It is actually based on five pillars<sup>19</sup>, but I will deal with the economic framework section in Part Two. The remaining four pillars will be discussed in further detail:

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1. Reinforcement of the political dimension of relations between ACP countries and the European Union;
  2. Involvement of civil society, the private sector and other non-State players;
  3. A strengthened focus on poverty reduction;
  4. Reform of financial cooperation.

Political dialogue is viewed as an important component, as a high number of countries, not only in Africa, are politically unstable. Thus important matters such as peace building, conflict-prevention policies and migration, have been introduced into the new agreement.<sup>20</sup> Owing to the increased focus on politics, the agreement makes it possible

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<sup>14</sup> Arts (2003) 98

<sup>15</sup> *Ibid.*

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*

<sup>18</sup> Moreau (2000) 6

<sup>19</sup> 'The new ACP-EC Agreement-General Overview'-

[http://europa.eu.int/comm/development/body/cotonou/overview\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/overview_en.htm) [Accessed on 29 September 2004]

<sup>20</sup> *Ibid.*

for the EU and ACP countries to partake in regular dialogue on political concerns.<sup>21</sup> The parties agreed that for political dialogue to be effective, urgent matters needed to be addressed in a flexible manner, in other words within and outside the institutional framework, at national, regional or ACP level. Cotonou, like Lomé IV, has deemed respect for human rights, democratic principles and the rule of law as essential elements. Thus if any of these elements are violated, a country may face suspension from the Cotonou Agreement.<sup>22</sup> The EU and ACP countries have agreed on measures to deal with those that violate these elements.<sup>23</sup>

As a means of emphasizing both parties' approach to the relationship, a focus on good governance and corruption has been added. The parties had a difficult task in compiling a definition for the concept of 'good governance' but came up with a workable definition as seen in Article 9.3, which stipulates that '*...good governance is the transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development. It entails clear decision-making procedures at the level of public authorities, transparent and accountable institutions, the primacy of law in the management and distribution of resources and capacity building for elaborating and implementing measures aiming in particular at preventing and combating corruption.*'

A country that faces allegations of financial corruption will face the same procedures as those established for breach of an essential element.<sup>24</sup> In the past, many countries in the

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<sup>21</sup> Cotonou Agreement Articles 8 to 13. Article 8 stipulates that the EU and ACP 'shall regularly engage in a comprehensive, balanced and deep political dialogue.'

<sup>22</sup> Article 96 contains the consultation procedure, which countries have to follow, before taking this drastic measure.

<sup>23</sup> In March 2002, the ACP had consultations with Liberia, who were suspected of violating the Cotonou Agreement essential elements and good governance. After they assessed the volatile situation in Liberia, the Council decided to adopt measures that would allow them to observe the situation. Arts (2003) 103

<sup>24</sup> Holland (2002) 203

ACP group misused EDF funding, therefore, the approach by the EU and ACP clearly indicates their commitment to avert such violations.

The second relatively new area of focus in the EU-ACP Agreement is the inclusion of civil society. Since Lomé exclusively provided for interaction between State actors, parties agreed that the participation of Non State Actors was especially needed to curb the problem of corruption.<sup>25</sup> The Agreement stipulates that these parties will be provided with information on the EU-ACP Agreement, to ensure their involvement in implementing projects and policies that encourage EU and ACP actors to work together.<sup>26</sup> The problem with this pillar is that many countries in the ACP region have a dismal record of working with these non-state actors. In addition, many observers<sup>27</sup> are of the opinion that there is a lack of clarity about the procedures, and that the lack of arrangements for these non-state actors to access funding is likely to lead to problems.

The third pillar is centred on using development strategies to alleviate poverty in the ACP group. This is a fairly difficult task, as poverty is prevalent in many ACP countries. The Cotonou Agreement states that: *“Poverty reduction is the central objective of the new partnership as formulated in the general provisions of the Agreement and in the provisions, which will guide Development strategies.”*<sup>28</sup> Poverty eradication has become an important issue among developed, developing countries and international donors.<sup>29</sup> A high number of the world’s population live in extreme poverty, and most can be found in

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<sup>25</sup> The term non-state actors refer to private sector, economic and social partners, including trade unions, and civil society.

<sup>26</sup> Article 4 of the Cotonou Agreement

<sup>27</sup> Holland *op cit* 203 and Arts (2003) 101

<sup>28</sup> ‘The new ACP-EC Agreement –General Overview’:

[http://europa.eu.int/comm/development/body/cotonou/overview\\_en.htm](http://europa.eu.int/comm/development/body/cotonou/overview_en.htm) [Accessed on 29 September 2004]

<sup>29</sup> Wedderburn ‘A perspective on the Cotonou Partnership Agreement’ <http://cpdcngo.org> [Accessed on 26 November 2004]

the developing world.<sup>30</sup> As the ACP group consists of some of the world's poorest countries, the parties have made provisions for development strategies. This provision implies that the ACP, the EU and civil society need to work together to enable this poverty eradication framework to be successful. It would appear that the EU has done its research on analysing the complexity and multi-dimensional nature of poverty.<sup>31</sup>

Thus they have established three areas where cooperation will be integral among the parties concerned namely: economic development, social and human development and regional integration and cooperation. Matters such as gender equality and environmental sustainability, which are important, have also been addressed. In Africa, due to the impact of AIDS, women have become the sole providers, but gender inequality in many of these countries makes it difficult for them to earn a living. It is circumstances such as these, which will reveal the effectiveness of the ACP-EU approach towards poverty alleviation.

The fourth pillar is set to improve efficiency in the sphere of financial cooperation between the EU and ACP countries. Thus, the new agreement has made provision for only two financial instruments under the European Development Fund (EDF): an instrument for granting subsidies for long-term development support and an investment facility to promote the private sector in the ACP countries.<sup>32</sup> In terms of the new Agreement, funds will now be allocated to an ACP country based on its needs and its performance level. This means that the amount will no longer be fixed but change according to results of the periodic evaluations.<sup>33</sup>

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<sup>30</sup> The majority of these countries can be found in Africa. According to the UN Human Development Index, 2004, twenty-five of the least livable countries in the world are from Africa. <http://www.infoplease.com/ipa/A0778562.html> [Accessed on 15 July 2005]

<sup>31</sup> Moreau (2000) 8

<sup>32</sup> Goulangana (2000) 5

<sup>33</sup> *Ibid.*

The ninth EDF (2000-2005) was set at 13.5 billion euro, which was almost the same as the figure that was granted under the eighth EDF. The lack of any noticeable increase in the EU funding makes some question the commitment of the EU, as the main aim of the Cotonou Agreement is to eradicate poverty, which will require more funding than that granted under the ninth EDF. Even though the ACP countries will be responsible for development programme priorities, the decision to fund any project or programme remains with the EU.<sup>34</sup>

The pillars provide an in-depth analysis of the commitment on paper from the EU and ACP countries. Each of the four pillars discussed have the ability of transforming the current situation in the ACP countries, if they are implemented accordingly. Moreover, the Agreement emphasizes that all parties involved must play an active role and work collectively, in order to achieve the determined goals. The first part of the paper reveals that the EU and ACP are committed to addressing the social and financial dilemmas within the ACP group. However, there is some concern that the Agreement provides little detail of the manner in which they want to achieve the aims and obtain the unilateral approval of the EU regarding the allocation of funds.

## **PART TWO: THE NEW TRADE FRAMEWORK**

### **5.3.2 Introduction**

As the first part of this chapter dealt with a discussion of the four pillars, this section will now examine the fifth pillar, which is, 'a new framework for economic and trade

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<sup>34</sup> Holland (2002) 206

cooperation, including differentiations in the arrangements for ACP countries and regions (reflecting different levels of developments).<sup>35</sup>

Since the preferential system between the EU and ACP countries could not be retained because of its incompatibility with WTO rules,<sup>36</sup> the parties had to establish a new trade arrangement that would not only assure compliance with the rules<sup>37</sup>, but also strengthen the economic situation of these countries in order to further the core aspiration, the eradication of poverty.

### 5.3.3 Framework for Economic and Trade Cooperation

Provision was made in the Cotonou Agreement for a new arrangement that would be characterised by the progressive abolition of obstacles to trade between the EU and ACP countries.<sup>38</sup> According to the Cotonou Agreement, the objectives of economic and trade cooperation are: *to promote the smooth and gradual integration of ACP economies into the world economy; to enhance production, supply and trading capacities; to create new trade dynamics and foster investment; and to ensure full conformity with the WTO provisions.*

The whole idea behind the economic and trade cooperation process is for it to foster the smooth and gradual integration of the ACP states into the world economy and thus promote the sustainable development of the ACP countries.<sup>39</sup> Furthermore, it can be an ideal device to eradicate poverty, the primary goal of the agreement. The parties involved

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<sup>35</sup> Part III of the Agreement

<sup>36</sup> Linus 'WTO rules used to kill Lomé' <http://www.twinside.org.sg/title/lome-cn.htm> [Accessed on 15 October 2004]

<sup>37</sup> The WTO Dispute Panel found that the EU was discriminating between developing countries by according preferential treatment to the ACP, thereby excluding developing countries in Asia and South America.

<sup>38</sup> Goulongana (2000) 5

<sup>39</sup> Wedderburn 'A perspective on the Cotonou Partnership Agreement' <http://cpdcngo.org> [Accessed on 26 November 2004]

in the new agreement have realised the ability of trade to eradicate poverty and to establish a foundation for future development in their assorted industries. Even more, their awareness in 2004 of the vulnerability of ACP economies has ensured the implementation of regular assessments of the situation of most developed and least developed ACP countries. The evaluation will be done to determine firstly, whether these countries would be able to enter into these new arrangements and secondly, whether other options are available. This process is being followed to ensure that by 2008, new trading arrangements can be implemented, which would entail that reciprocal and more liberal trade, the foundation of the current negotiated agreement, would replace the non-reciprocal trade preferences.

The successor to Lomé provides that from the year 2000 to 2007, non-reciprocal trade preferences will be sustained for those ACP states that are not in a position to negotiate an agreement. The EU has approached the WTO to grant a waiver until 2008, in order for the Lomé provisions to continue. Thus, in September 2002, the EU and non-LDC ACP countries started negotiations on this innovative agreement. The EU proposed that during the preparatory period, the new trade framework would be negotiated between the Community and subgroups of ACP states, whereby each region would then conclude separate treaties with their European counterparts. The agreement will provide for reciprocal liberalization of virtually all trade.

#### **5.3.4 Economic Partnership Agreements (EPAs)**

The EU and ACP countries have committed themselves to these new arrangements and have since been involved in negotiating the EPAs, which will come into force in January 2008. EPAs or Economic Co-operation Agreements (ECAs), as they are also known, are defined in the Dictionary of Trade Policy terms as bilateral or plurilateral agreements, which aim to promote deeper economic cooperation between the partners. To promote

stronger support, agreements of this nature do not contain trade barriers to the free flow of goods between the trading parties, which is supposed to enhance co-operation in all areas related to trade. In order to achieve such collaboration, the principals of partnership, regional integration, development and WTO compatibility, are emphasized as important to achieve the aims and the effective implementation of this economic and trade framework. These principals will be discussed in detail below.

EPAs are principally seen to be partnership agreements, which mean that certain rights and obligations exist for both of the affected parties. However, this concept is not new to the ACP-EU relations, as it was also emphasized throughout the past Lomé Conventions.<sup>40</sup> Owing to the problems of the past relations, both parties realized that in order for the relationship to be successful, continued dialogue was of utmost importance for development. Moreover, each side had to respect their obligations and ensure the exchange of data on all-important matters including politics, respect for human rights and the rule of law.

However, critics argue that the EU as dominant party will use its influence during negotiations to dictate the guidelines, which will ensure that its proposals are implemented, instead of a combination of both parties' proposals. This begs the question whether the relations between the EU and ACP can be seen as being based on a partnership. If this were indeed a fair and outright partnership, the EU would not have dictated their terms in such a manner, which reveals that even now they have little regard for the role of the ACP countries in these extensive negotiations.

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<sup>40</sup> This point has been emphasized in the earlier chapters.



The parties have agreed that the EU will negotiate with various ACP regions, as part of the regional economic integration process.<sup>41</sup> Furthermore, ACP countries, as provided by the Cotonou Agreement, have to decide on the geographical configuration of the future EPAS<sup>42</sup>. Even though there are seventy-eight ACP members, only seventy-six will be part of negotiating EPAs with the EU.<sup>43</sup> The negotiation tactics are viewed as a viable method to ensure the integration of the ACP states into the world economy.

The European Commission has already started negotiating EPAs between the EU and six ACP regions, which have been divided in Central<sup>44</sup> and Western Africa<sup>45</sup>. Moreover, to avoid a difficult and laborious process, the parties have decided to divide the EPA regional negotiations into a number of phases. Phase I began in Brussels on 27 September 2002, with the South Southern Africa (SSA) group being given the opportunity to negotiate with the EU on certain trade issues. Another set of negotiations was launched in October 2003, with two of the four SSA sub-regions, CEMAC and Ecowas. Discussions with a number of countries in Eastern and Southern Africa (ESA)<sup>46</sup> (February 2004) are also underway, including those countries within the Caribbean region (April 2004), seven members of the Southern African Development Community<sup>47</sup> (July 2004), and with ACP

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<sup>41</sup> The EU negotiation mandate also emphasized the above and given more substance by Article 37 (5) of the Cotonou Agreement.

<sup>42</sup> Article 37 (5)

<sup>43</sup> South Africa has already concluded a separate Trade and Development Cooperation agreement (TDCA) with the EU, as well as Cuba.

<sup>44</sup> They include the six Member States of CEMAC (Economic and Monetary Community of Central Africa), namely Cameroon, the Republic of Congo, Gabon, Equatorial Guinea, the Central African Republic and Chad as well as Sao Tome and Principe, which is not a member of CEMAC.

<sup>45</sup> The fifteen Member States of the ECOWAS (Economic Community of West African States) are represented, namely Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo, Cape Verde, Gambia, Ghana, Guinea, Liberia, Nigeria, Sierra Leone, and Mauritania, the latter not being a member of ECOWAS.

<sup>46</sup> A group of 16 countries - Burundi, Comoros, Djibouti, DR Congo, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe

<sup>47</sup> The countries, which have decided to negotiate an EPA with the European Community under the Southern African Development Community (SADC) configuration, are Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and Tanzania. South Africa will participate in an observatory and supportive capacity.

Pacific countries (September 2004).<sup>48</sup> During the April 2005 negotiations, these parties discussed a number of issues, which included: trade in goods; free trade areas; Article XXIV of GATT; customs legislation and trade facilitation.<sup>49</sup>

In the Caribbean region, negotiations have already started between CARIFORUM and the EU, who are currently in the second phase, ending September 2005.<sup>50</sup> Another aspect of the negotiating process is that between the EU and SADC region. The SADC-EPA negotiations were officially launched on the 8<sup>th</sup> July 2004 in Windhoek, Namibia. In order to have a coherent focus, the overall objectives of the SADC, such as the eradication of poverty and a smooth and gradual integration into the global economy, relate to the ACP-EPA negotiations. Second phase negotiations, which started in January 2005, are set to continue at least until June 2007. For the duration of this stage, substantive negotiations will cover numerous issues of importance to the SADC-EPA negotiations. Both parties aim to have established, by the end of 2005, a common understanding outlining the future SADC-EU relations.

It appears that the EPA negotiations are progressing smoothly, but many ACP countries are sceptical as to whether they will be able to finish the negotiations before 2008, and some have even proposed an extension to the current WTO waiver. Given that the EU-ACP negotiations have undergone drastic changes, in order to comply with the WTO rules, and since this is the first large scale Free Trade Agreement (FTA) negotiation package between countries with such huge economic differences, an extension would be particularly beneficial to the six ACP regions. However, it is doubtful that the WTO will grant this extension.

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<sup>48</sup> See Joint report on the state of play of regional EPA negotiations Dated: 2004-11-10  
<http://www.epawatch.net/general/text.php?itemID=2438&menuID=26> [Accessed on 3 August 2005]

<sup>49</sup> Julian (2005) 6

<sup>50</sup> *Ibid.*

### 5.3.5 Article XXIV of GATT

Reference has been made in several points to the fact that the EU and ACP countries want to conclude an agreement, which is WTO compatible. It has already been established that the parties have agreed on forming EPAs; however, now they will have to ascertain whether the new agreement is in line with Article XXIV of the General Agreement for Tariffs and Trade (GATT) of 1994.<sup>51</sup> Article XXIV provides the guidelines for the establishment of a FTA or Customs Union, whereby the parties involved would have to liberalise all trade within a reasonable period<sup>52</sup>, which is the ultimate goal of the new trade framework.

As mentioned above, Article XXIV regulates the situation where either a FTA or Customs Union has been established. The Article has a list of requirements to which parties must agree to ensure conformity. This part of the chapter will briefly review some of these requirements.

In terms of the clause, parties involved have to agree to reciprocal free trade arrangements. Article XXIV: 8(b) stipulates that a free trade area '*shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce... are eliminated on substantially all the trade between the constituent territories in products originating in such territories*'. This is the focal point of the provision. The clause exempts these countries of having to comply with Article I: Most-Favoured Nation Principle. One of the reasons why the Dispute Body ruled against

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<sup>51</sup> Part III Article XXIV-Territorial application-frontier traffic-Customs Unions and Free-trade Areas

<sup>52</sup> Article XXIV (4) emphasizes that the purpose of a customs union or of a free trade area should be to facilitate trade between constituent territories and not to raise barriers to the trade of other contracting parties with such territories.

the Lomé trade provisions was its non-reciprocal nature, which was contrary to the requirements of Article XXIV.<sup>53</sup>

Another important requirement is the stipulation in the Article that FTA negotiations will cover *substantially all the trade* from the EU into the ACP and trade from the ACP into the EU, whereby duties between these groups would have to be eliminated.<sup>54</sup> Another factor that should be taken into account is the combination of developing and least-developed countries in the ACP. Irrespective of level of development, the EU would have to provide equal access to all countries in the ACP group.<sup>55</sup> If the EU fails to do so, these countries would not be able to move towards the establishment of a customs union, due to their inability to implement a Common External Tariff.

The EU and ACP have to consider the level of 'substantially all trade' as is referred to in Article XXIV. According to Pearson,<sup>56</sup> the EU has in the past interpreted it to be an average of 90% of trade. A good example of these diverse interpretations is the Trade and Development Co-operation Agreement (TDCA) between South Africa and the EU. According to the TDCA, South Africa will liberalise 86% of its EU-originating imports whereas the EU will liberalise 94% of its SA imports. Even more significant is that the EU will open its markets more rapidly than South Africa.

Another important provision of Article XXIV is for the formation of an FTA to be completed within a reasonable length of time, which should surpass ten years only in exceptional cases. The TDCA provides South Africa, which is more economically viable than countries in the ACP, with a 12-year period to liberalise its trading arrangements.

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<sup>53</sup> EEC-Member States' Imports Regimes for bananas, DS32/R (1993)

<sup>54</sup> Pearson (2005) 1

<sup>55</sup> *Ibid.*

<sup>56</sup> Pearson *op cit* 1

Thus, there is a strong argument that the conditions between the EU and ACP group can be seen as exceptional, warranting an implementation period of longer than ten years.

Ultimately, the level of the trade arrangement will depend on how far the EU is willing to go to ensure that the ACP, being the most trade deprived, can achieve the estimated level of development. Moreover, each region, would have to 'defend' those products on which they are excessively dependent, which would most probably include a number of agricultural products. However, it will be interesting to observe the manner in which the EU will manage to engage in trading with countries with such different levels of development in each of the six regions.

### **5.3.6 Differentiation between Developing-and-Least-Developed ACP states**

Unlike Lomé, which applied a uniform trade approach to the ACP countries, Cotonou differentiates between the levels of development of Developing and Least-Developed (LDC) ACP states. Since not all members of the ACP group would be able to negotiate free trade areas with the EU, the Cotonou Agreement introduced the principle of differentiation.

A problematic issue for the EU was the shaping of regional groups, which would inevitably include a number of LDC countries. In view of the fact that the agreement provides for the "fostering participation of LDC-ACP states in the establishment of regional markets and sharing benefits<sup>57</sup>", the EU had to devise a plan whereby these LDCs would not be required to take part in the aggressive trade liberalization process.<sup>58</sup> Thus it was decided that due to their limited development in trade, special treatment would be afforded them to assist with their progress. Therefore, according to a country's development status, special treatment is afforded to those ACP states classified as

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<sup>57</sup> Article 29 of the Cotonou Partnership Agreement

<sup>58</sup> Abstract taken from Holland (2002) 170

LDCs.<sup>59</sup> More developed ACP countries, which were not in a position to negotiate on EPAs, also had to be taken into consideration. The EU was faced with the task of implementing an alternative agreement for these countries.

### **5.3.7 Alternative treatments for LDC and non-EPAs members**

#### **5.3.7.1 Everything but Arms (EBA) and Generalised System of Preferences (GSP)**

The special treatment was in the form of the Everything but Arms agreement (EBA), adopted as a Council Regulation<sup>60</sup> on 28 February 2001. The EBA provides LDCs with duty-free and quota-free access to the EU market for a transitional period (2006-2009), for all goods except arms.<sup>61</sup>

Since the EU has been accused of favouring the ACP countries, they also made the EBA agreement available to those LDCs that are not part of the ACP group. Thus, the EBA provides full access for the world's poorest countries into the European markets without these countries having to reciprocate.

In terms of the agreement, they will not be required to open their markets to products from the EU, thus holding on to their Lomé trade preferences. However, sensitive ACP products such as bananas, rice and sugar are exempt, as liberalization in these commodities is to be phased in over a period.<sup>62</sup> For the thirty-eight ACP LDCs, this was a lucrative opportunity, even though it meant splitting up the ACP group into LDC and non-LDC countries.<sup>63</sup> The access to the European market seems more suitable for the

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<sup>59</sup> Article 37(9), provides that at the latest by 2005, products from LDC ACP states, will enjoy 'duty free access for essentially all products ...building on the level of existing trade provisions....'

<sup>60</sup> 416/2001

<sup>61</sup> Holland *op cit* 226

<sup>62</sup> *Ibid.*

<sup>63</sup> Van Hove and Bilal 'ACP-EU trade relations in the context of WTO negotiations' <http://www.acp-eu-trade.org/documents/> [Accessed on 31 August 2004]]

ACP LDCs that are not in a position to conclude EPAs with the EU. The EBA will ensure free access for 'essentially all' products from all LDCs by 2005 at the latest.<sup>64</sup>

Most of the non-LDC ACP states are in the process of negotiating free trade areas with the EU. However, a few are uncertain or have already negotiated similar agreements, and thus are unwilling to establish new trade agreements with the EU. Nevertheless, those countries that are indecisive on forming part of the EPAs will be transferred to the EU's Generalised System of Preferences (GSP).

The GSP is a system whereby developed countries grant preferential treatment to eligible products imported from developing countries. Developed countries like the EU use tariff preferences as an incentive to developed countries' traders to import products from developing countries, which in turn, provides an ideal opportunity to developing countries to enhance their export earnings, promote their industrialisation and encourage the diversification of their economies.<sup>65</sup> The EU's Generalised System of Preferences (GSP) grants products imported from developing countries part of the GSP either duty-free access or a tariff reduction depending on their arrangement with the EU. Consequently, these developing countries would not be subject to the normal customs duties.<sup>66</sup>

However, under the GSP, tariff and non-tariff reductions and exemptions are less generous, and rules of origin are stricter than for ACP imports.<sup>67</sup> Furthermore, it covers fewer products (54 % of tariff lines compared to 95 % under Lomé) and notably excludes agricultural products. The GSP is not negotiable, but can be unilaterally offered and thus

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<sup>64</sup> Holland (2002) 228

<sup>65</sup> <http://www.eubusiness.com/links/Link.2003-10-30.4554> [Accessed on 29 July 2005]

<sup>66</sup> *Ibid.*

<sup>67</sup> [http://www.ecdpm.org/Web\\_ECDPM/Web/Content/Navigation.nsf/index2?readform&http://www.ecdpm.org/Web\\_ECDPM/Web/Content/Content.nsf/0/A65321D325D969DBC1256C75005CFA36?OpenDocument](http://www.ecdpm.org/Web_ECDPM/Web/Content/Navigation.nsf/index2?readform&http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/0/A65321D325D969DBC1256C75005CFA36?OpenDocument) [Accessed on 29 July 2005]

revoked by the EU.<sup>68</sup> The GSP system was established to benefit developing countries, but those ACP-LDCs who are not in a position to enter into an EPA, could be transferred to the system, even though its terms are less generous than those offered under Lomé. Even though these countries are economically vulnerable, they would be in a better position by concluding EPA negotiations with the EU. In view of the fact that, under the GSP, the EU has unilateral power, they are in a position to offer these countries anything, which, according to them, is fair.<sup>69</sup>

### **5.3.8 Effect of EPAs on the primary commodities of ACP countries**

The previous chapters provide a detailed discussion on the sugar and banana sectors, which have come under a lot of scrutiny in recent years. In this section, the focus will be on the treatment of these commodities under EPAs and its possible effect on the goods.

According to the current provisions in the Cotonou Agreement, ACP countries will be allowed to identify certain products that they would like to protect from the free trade agreement. However, they are not allowed to exclude entire sectors, such as agriculture, but can exclude individual products, e.g. green beans, from the agreement. However, goods such as bananas and sugar will be dealt with under different agreements that are in the process of being finalized.

Due to international pressure, the European Commission released a proposal in July 2004 on the reform of the EU sugar regime. The proposal provided for reforms to be instituted in the sugar sector of the ACP countries and India, who have enjoyed preferential and

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<sup>68</sup> [http://www.ecdpm.org/Web\\_ECDPM/Web/Content/Navigation.nsf/index2?readform&http://www.ecdpm.org/Web\\_ECDPM/Web/Content/Content.nsf/0/A65321D325D969DBC1256C75005CFA36?OpenDocument](http://www.ecdpm.org/Web_ECDPM/Web/Content/Navigation.nsf/index2?readform&http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/0/A65321D325D969DBC1256C75005CFA36?OpenDocument) [Accessed on 29 July 2005]

<sup>69</sup> Pearson (2005) 1



guaranteed access to the European market.<sup>70</sup> The Commission urged that these countries should engage in dialogue to develop a plan. The plan was published in January 2005, and aims particularly to improve international and regional trading conditions for ACP countries.

The initiative will be implemented over four years, and it aims to ‘substantially cut back sugar exports and export refunds, abolish intervention, reduce EU production and the informal sugar price and grant a de-coupled payment to sugar beet farmers.’<sup>71</sup> The action plan details the EU commitment to support ACP countries affected by the sugar reform. Furthermore, the Sugar Protocol will be integrated into EPAs, whereby three types of measures will be instituted to help support the adjustment process of ACP countries affected by the sugar reforms. The support will focus on the needs of sugar dependent areas but is not intended to be applicable to this sector alone. Since Protocol III has already been adopted in EU law, ACP countries will not be able to renegotiate it in the EPA. Only by means of internal EU reform and WTO negotiations can reforms be introduced.<sup>72</sup>

The EU has also come up with a new plan for the banana sector, whereby the quota-based system will be replaced in 2006 by a single tariff. The ACP banana producing countries will rely on EPA negotiations to ensure that these products enjoy duty-free treatment and to maintain the beneficial features of the banana Protocol.

It is uncertain what impact EPAs will have on these commodities. These countries will have to learn to adapt to market changes and invest in new productive activities. Chapter Six provides some recommendations to assist these countries to deal with these changes.

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<sup>70</sup> Critique of the EC’s Action Plan for ACP countries affected by EU sugar reform. Joint NGO briefing Paper-1 June 2005

<sup>71</sup> Laurent (2005) 5

<sup>72</sup> *Ibid.*

However, the above has revealed that there are a few barriers in the structure of EPAs, since it is uncertain as to how each region in the ACP will be dealing with these commodities. Furthermore, the EU seems especially reluctant to get rid of its Common Agricultural Policy (CAP), which is another matter that needs to be addressed by the ACP countries.

### 5.3.9 Problems with current EPAs

Scepticism about the effect of EPAs on national economies does not only relate to the primary commodities but also stems from the fact that within a free trade area, there is no room for trade barriers such as tariffs. The problem with the elimination of these trade barriers is that many countries within the ACP rely on the revenues from tariffs as an income. Thus without this much-needed income, there is a distinct possibility that they may endure balance of payment difficulties, de-industrialization and unemployment. This could have a dramatic impact on the already weak economies of African countries. As Phil Bloomer puts it: *A free trade agreement creates a level playing field between different businesses to trade and investment but is far from creating a level playing for competition between industries of the ACP and EU.*

The criticism has also come from other observers, who agree that a free trade agreement between economies as diverse as those of Portugal and Sweden causes no major concerns. However, to create a free trade agreement between economies as diverse as an industrialised country like Germany and an agricultural country like Zimbabwe, would be a big mistake.<sup>73</sup> Many argue that the EU idea of creating EPAs was a response to the USA African Growth Opportunity Act, which they concluded with a number of African

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<sup>73</sup> Statement by Carl Greenidge, vice-chairman of the ACP group, in an Article by Linus 'WTO rules used to kill Lomé <http://www.twinside.org.sg/title/lome-cn.htm> [Accessed on 15 October 2004]

countries. It appears that the EU and USA are involved in a trade war over access to markets in Africa.<sup>74</sup>

Critics of EPAs have drawn up a list of grievances, which include (1) that the trade arrangements, which are essentially free trade agreements, were forced on the ACP countries due to economic and political pressure<sup>75</sup>; (2) that they have little to do with development, and that the EU's strict interpretation of the WTO rules is a disguise for them to affirm their dominance in world trade; and (3) Article XXIV is more applicable to the establishment of free trade areas between developed countries, and thus not suitable to advocate trade relations between the EU and ACP countries.

The effects of EPAs are still largely unclear, due to the fact that they are the first trade frameworks of their kind to be concluded between countries with such major economical differences. Thus, there is no real evidence to prove that they will be able to deliver their expected results. On the other hand, it would also be extremely presumptuous to assume that they will ruin the already fragile economies of the ACP countries. Even though the new frameworks are evoking many concerns and though some critics emphasize the unfairness of the arrangements, measures had to be taken to assist these countries. There is some optimism, though, that fair trade will result from the new trade frameworks.

#### **5.4 Fair Trade focus: Article 23(g)**

##### **'Trade development should include the promotion of fair trade'**

Some observers believe that international pressure from especially non-governmental organizations was the reason behind the EU decision to enlist a fair trade section. These

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<sup>74</sup> Lee 'African countries-Pawns in the trade War between the US and EU'  
<http://www.seatini.org/bulletins/6.16.php> [Accessed on 28 May 2005]

<sup>75</sup> 'Stop EU-ACP free trade agreement'  
<http://www.bilaterals.org/article.php3?id-article=199> [Accessed on 28 May 2005]

NGOs like Oxfam and Traidcraft have been pushing the EU to work towards the establishment of fairer trade relations with these lesser-developed countries. Thus, the European Union and ACP countries have made provision for a focus on fair trade in the new agreement. Article 23, which deals with 'Economic sector development', stipulates that the parties involved should use development co-operation to promote fair trade. The section could be a feasible path to ensure the inclusion of fair trade programmes and partner organizations.<sup>76</sup> At present, the EU has not produced a workable plan other than promoting its own European Fair Trade Association (EFTA), to ensure the proper implementation of this suggestion.

Nevertheless, this is a unique opportunity for organizations such as Traidcraft and Oxfam to assist the EU and ACP regions to establish a program that will ensure that fair trade principles of equity and sustainability are integrated into all aspects of the wider trade relationship.<sup>77</sup> The participation of these NGO's is vital as they have experience in the preparation of fair trade policies in various countries, and they have knowledge of the situation in rural communities. Organizations such as Traidcraft believe that trade can be a powerful development tool provided that it works to support poor producers and is based on principles of equity and sustainability.<sup>78</sup> Thus, they are working to ensure that the EU and ACP commitment to fair trade is made a reality in all aspects of the agreement, including EPAs, thus giving meaning to the central aim of Cotonou: poverty eradication in ACP countries.<sup>79</sup> They want to ensure that *the principles of fair trade are central to the negotiations and not sidelined, and that the EU explicitly recognises the*

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<sup>76</sup> Traidcraft Policy Unit briefing: The Cotonou Agreement [policy@traidcraft.co.uk](mailto:policy@traidcraft.co.uk) [Accessed on 25 February 2005]

<sup>77</sup> *Ibid.*

<sup>78</sup> Traidcraft Policy Unit briefing: The Cotonou Agreement [policy@traidcraft.co.uk](mailto:policy@traidcraft.co.uk) [Accessed on 25 February 2005]

<sup>79</sup> *Ibid.*

*unequal relationship with the ACP and commits not to using strong-arm negotiating tactics.*<sup>80</sup>

A good example of the implementation of fair trade principles is the method used by the Max Havelaar Foundation, which was set up in 1992 by six large Swiss charity groups.<sup>81</sup> Their goal is to improve the terms of trade for small producers of bananas, cut flowers, coffee and other products in developing countries such as Zimbabwe. Max Havelaar is just one of dozens of fair trade groups that have sprung up in Western Europe and the United States, that offer consumers the option to buy everyday products that give farmers and producers a better deal.<sup>82</sup> They do not market the item, but for an incredibly small licensing fee, the foundation will lend its name as seal of approval to products that meet its stringent social and environment criteria.

The organization aims to promote fair trade products that have become a force in world markets, by encouraging other major players in certain industries to change their way of dealing unfairly with small producers. The chief executive of the organization, Paolo Ghillani's response to the wave of interest in fair trade products, is that she is *an advocate of globalization, but fair and healthy ones that serves human development.*<sup>83</sup>

These arguments suggest that the principle of fairness needs to be taken seriously when evaluating international trade policies, as there is a growing call for policies that are fair. For this reason, the EU and ACP have to engage NGO's in their attempt to promote fairness in the twenty-five member states of the EU and various ACP regions. A mere reference to fair trade is not sufficient; moreover, both parties have to seek ways to ensure the execution of these more just principles. To conclude, since the EU and ACP

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<sup>80</sup> Traidcraft Policy Unit briefing: The Cotonou Agreement [policy@traidcraft.co.uk](mailto:policy@traidcraft.co.uk) [Accessed on 25 February 2005]

<sup>81</sup> "Bearing Fruit" *Time* 7 February 2005

<sup>82</sup> *Ibid.*

<sup>83</sup> *Ibid.*

aim to eradicate poverty in the ACP regions, the use of fair trade principles can be a means of achieving that goal.

## 5.5 Conclusion

There is no doubt that a new agreement was needed to salvage the relations between the EU and ACP countries. The Cotonou Agreement provides a relatively new look at the relationship, even though it emphasizes some of the principles of the Lomé Conventions. The inclusion of non-state actors is a good initiative as most governments in the ACP are unable to cope with the developments in the international trade arena. However, more detail is needed on their participation in the various countries or regions, since not many ACP countries have a good record of dealing with these groups. In order to eliminate poverty, the EU and ACP will have to work as partners, which means that regular dialogue on all issues is of importance. Concerning the first part, the Cotonou Agreement recognizes the problematic matters and much has been learned from the failures of the former Lomé regime.

The formation of EPAs is an exceedingly radical approach. Many have argued that these countries are not in a position to conclude free trade agreements, and stand a good chance of being in an even worse position. However, it must be emphasized again that as these are the first agreements of their kind, it is exceedingly difficult to determine the problems that these countries will face. Yet many NGOs are in favour of the fair trade approach, which has been given little attention, even though it appears to have the ability to improve the position of disadvantaged groups.

The differentiation between LDC and non-LDC ACPs shows that the parties have realized that these two groups cannot receive the same treatment. However, the ACP and

EU still need to establish a way in which they will treat especially LDCs in a regional context. Since this thesis has been emphasising the importance and practicality of fair trade, it appears to be most suitable for these countries. Even though more is needed on the implementation of article 23 (g), there is doubt that it would replace the free trade approach, which is so eagerly promoted by the EU. However, the outcome of the discussions in the upcoming WTO round of negotiations, might give the ACP countries another chance to negotiate fairer trade arrangements.

Nevertheless, Cotonou, with its innovative suggestions, provides a small step towards fairer trade relations between the EU and ACP countries.



## Chapter Six: Conclusion and Recommendations

*'[G]overnments in Africa are quick to sign agreements. If Africa was measured by the number of agreements signed it would be a developed country.'*  
Unknown African Ambassador<sup>1</sup>

### 6.1 Introduction

*"The situation for sugar producers, like Mozambique, is similar. Mozambique is third from the bottom on last year's UN human development index. Three out of four people live on less than US\$2 a day. An HIV/AIDS infection rate of 15 percent coincides with a high incidence of malaria, cholera, and tuberculosis. Infrastructure is virtually nonexistent – only one decent road runs up the edge of the country – but the land is fertile and could develop quickly with more agricultural production and trade."*<sup>2</sup>

This recent article by Mary Robinson reveals the dire need for fairer trade terms for countries in similar positions to that of Mozambique's. Mozambique is only one of many sugar-producing African countries that are willing to secure a better future for its people but are unable to depart from their dependency on aid to a more trade-focused environment due to unfair trade rules.

This paper has used the European Union's (EU) long-standing and unique relationship with the African Caribbean and Pacific (ACP) countries to illustrate:

- (1) The need for these countries to focus on trade as a means of alleviating poverty;
- (2) The ineffective trade policies pursued by the EU to deal with the ACP's economic and social problems;

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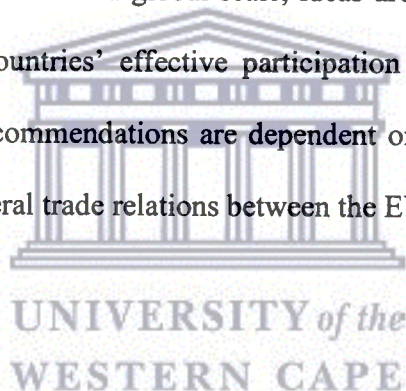
<sup>1</sup> Grawitzky (2002) 65

<sup>2</sup> Robinson, "Africa needs fair trade, not charity" *Yale Global* 23 August 2005  
<http://yaleglobal.yale.edu/display.article?id=6210> [Accessed on 19 October 2005]



- (3) The inability of the WTO to establish fairer trade policies and their implementation in the international trade arena; and lastly
- (4) The limited possibility of the new agreement to ensure fairer trade relations as a means of eradicating poverty.

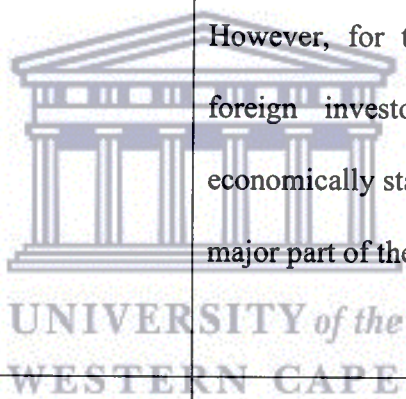
The relations between the EU and ACP countries have already been discussed in much detail; therefore, this final chapter provides recommendations towards addressing a few problems identified in the previous chapters. These recommendations include a short focus on the role that international and national NGOs can play in assisting these countries. Also, to ensure reform on a global scale, ideas are presented on what the EU can do to facilitate these countries' effective participation in the multilateral trading system. Ultimately, these recommendations are dependent on whether there has been a move towards fairer multilateral trade relations between the EU and ACP countries.



## 6.2 Recommendations

Problems	Recommendations
(1) Colonial dependency: <i>A number of countries are too reliant on the EU as a trading partner and as a provider of aid.</i>	The ACP needs to focus on countries within their own regions, as possible trade partners, since they will most likely be in a similar economic position. Also, they should rather opt for trade-related aid, as a means of equipping their industries to be more competitive.

<p>(2) Agricultural commodity focus: <i>Several of the ACP countries focus largely on producing agricultural commodities.</i></p>	<p>Even though many ACP countries do not have the infrastructure to deal efficiently in other trade-related areas, due to dangers such as natural disasters, it is important for them to pursue other sectors progressively.</p> <p>Thus they need to diversify their economies, or look at other areas such as tourism or foreign investment. However, for this to happen they need to assure foreign investors that they are politically and economically stable. In South Africa, tourism forms a major part of the economy.</p>
<p>(3) Unfairness of WTO rules: <i>There has been a call for an end to the rigged rules and double standards of international trade.</i></p>	<p>ACP countries must not wait for these rules to be changed, but should rather join other developing countries in demanding a change in international trade rules. As a combined force, these LDCs and developing countries stand a better chance of success. In addition, African countries need to become more involved in the design of trade-related policies. They also need to ensure that they appoint skilled staff in</p>



	<p>their various local trade departments and offices in Geneva.</p>
<p>(4) Radical transformation to EPAs: <i>The new agreement is based on forming regional economic partnership agreements, according to which the ACP countries would have to open their borders for EU goods and services.</i></p>	<p>Many ACP countries are deeply concerned about the radical liberalization process. They should urge the EU to provide them with more time to adjust to the radical transformation period. They could also approach the WTO in the next Ministerial Conference to obtain a waiver. Until the ACP countries have become more settled in the trade environment, it would be advisable, for the time being, to exclude the Singapore issues from the Cotonou agenda.</p> <p>In addition, the ACP needs to urge the EU to propose alternatives for those countries that do not want to be part of EPAs.</p>

## 6.2.1 Additional recommendations

### 6.2.1.1 Role of Civil Organizations

In Chapter Five, reference was made to the inclusion of civil organizations in the trade and development process in ACP countries. This inclusion is strongly recommended to

ACP governments by the EU. Many countries within the ACP need to make use of the assistance offered by the respective NGOs within their borders. These organizations have exceedingly useful information and tools to assist their governments in eradicating poverty more effectively. As they have formed close relationships with the various farming communities in which they play an active role, they can help governments to gather information involving the needs and interests of these people.

A good example of such a national organization is the South African National Non-Governmental Organisation Coalition (SANGOCO). The organization's goals are similar to that of the South African government, which is to end poverty, restructure the economy, democratise the state and strengthen the role of civil society. Other African civil organizations playing vital roles in their respective countries include the Kenyan-based EcoNews Africa, the Agency for Cooperation and Research in Development (ACORD) in Nairobi, Kenya, and the African Women's Economic Policy Network in Uganda.

On an international level, organizations mentioned in previous chapters such as Oxfam and Traidcraft, with their thorough understanding and experience of international and national trade, would be in a favourable position to advise these governments and national NGOs on future trade and development programmes. In addition, the innovative methods applied within the Max Havelaar Organizations would be ideal for small producers in especially those African countries that rely heavily on agricultural produce.

### **6.3 What the EU can do to assist ACP developing and least-developed countries**

#### **6.3.1 At the WTO:**

The EU has a powerful position in the international trade arena, thus they could urge other developed countries like the United States to reduce the protection and subsidies offered to their farmers. They could also insist that other global players end the dumping of their agricultural exports in developing countries.<sup>3</sup> Of great importance is that the EU should recognise and respect the interests of developing countries and urge these countries to focus on trade that encourages development.<sup>4</sup>

#### **6.3.2 At the G8:**

The EU should persuade other developed countries to offer better access for agricultural products to their markets. Even though the G8 has decided to write off the debt of poor countries, the conditions attached to the acceptance of the proposal encroaches on the ability of these countries to unilaterally decide which trade system is best suited for them.<sup>5</sup>

#### **6.3.3 Sugar Reform:**

In relation to the reformation of the sugar protocol, a more gradual price reduction, deeper domestic quota cuts and a longer transition period are needed for the sufficient integration of LDCs in the global trade system.<sup>6</sup> Another option is for the EU to form a development-centred reformation of the sugar protocol, and provide additional

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<sup>3</sup> This was also emphasized by the Commission for Africa.

<sup>4</sup> Making trade work for development in 2005, Oxfam Briefing Paper, May 2005. This implies that the EU should allow developing countries to decide their own agricultural policies.

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

adjustment assistance for countries that will suffer as a result of the sugar reform.<sup>7</sup>

Adjustment assistance should:

- Ensure that guidance is given on the protection of the environment;
- Be delivered in a timely and effective way;<sup>8</sup> and
- Focus on reducing poverty in all areas, particularly rural areas.

#### **6.4 Fairer multilateral trade relations between the EU and ACP countries?**

The analysis of the past agreements between the EU and ACP countries in this thesis was intended to bring to light the need for specific trade principles for countries that are plagued by poverty. Even though the past agreements contained some reference to such principles, they remained essentially empty words, leading to the conjecture that the EU and ACP relationship was not based on an equal partnership.

To complicate matters further, the relationship has in recent years embarked on new and somewhat unknown territory in multilateral trade discussions. Even though there were other more suitable options available, the EU, as the leading role player, urged the ACP to engage in talks on the formation of these regional trade agreements. As has been shown in previous sections of this thesis, the decision resulted in much opposition, because these countries' poor economies and record of social troubles did not justify such an approach.

Despite this opposition, the EU and ACP are currently concluding these new trade arrangements. Many NGOs wish to debate the matter, but it is uncertain to what degree

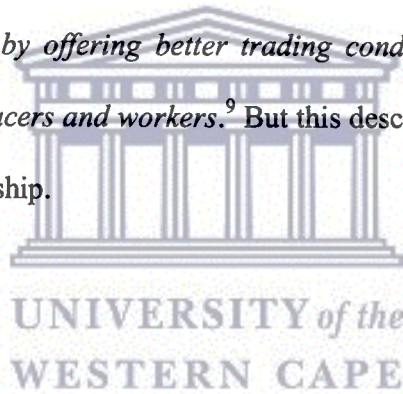
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<sup>7</sup> Critique of the EC's Action Plan for ACP countries affected by the EU sugar reform WWF and Oxfam Briefing Paper, June 2005

<sup>8</sup> *Ibid.*

they would be able to bring these negotiations to a halt. Perhaps these NGOs would be more useful in assisting ACP countries to deal with the latest measures, instead of attempting to derail the process.

From the foregoing we can conclude that even though some recognition has been given to promoting fair trade within the relationship, there is doubt as to what degree the EU, in particular, would want fair trade principles and actively participating role players in the relationship. However, if the EU and ACP decide in future to work towards a fair trade approach, it would most probably imply *a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade and contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers.*<sup>9</sup> But this description certainly does not fit the current EU-ACP relationship.



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<sup>9</sup> <http://www.worldshops.org/fairtrade/ftconcept.pdf> [Accessed on 27 July 2005]

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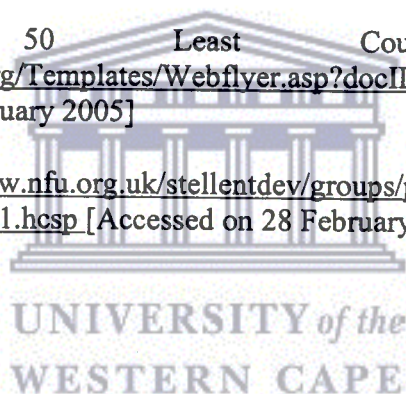
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**Annexure A.1**

**ACP Member States**

	<b>Country</b>	<b>Capital</b>	<b>Lists of LDCs and LLC</b>
1	<u>Angola</u>	Luanda	<b>LDC</b>
2	<u>Antigua and Barbuda</u>	Saint John's	
3	<u>Bahamas, The</u>	Nassau	
4	<u>Barbados</u>	Bridgetown	
5	<u>Belize</u>	Belmopan	
6	<u>Benin</u>	Porto-Novo	<b>LDC</b>
7	<u>Botswana</u>	Gaborone	<b>LLC</b>
8	<u>Burkina Faso</u>	Ouagadougou	<b>LDC &amp; LLC</b>
9	<u>Burundi</u>	Bujumbura	<b>LDC &amp; LLC</b>
10	<u>Cameroon</u>	Yaounde	
11	<u>Cape Verde</u>	Praia	<b>LDC</b>
12	<u>Central African Republic</u>	Bangui	<b>LDC &amp; LLC</b>
13	<u>Chad</u>	NDjamena	<b>LDC &amp; LLC</b>
14	<u>Comoros</u>	Moroni	<b>LDC</b>
15	<u>Congo, Dem. Rep. of the</u>	Kinshasa	<b>LDC</b>
16	<u>Congo, Rep. of the</u>	Brazzaville	
17	<u>Cook Islands</u>	Avarua	
18	<u>Cote d'Ivoire</u>	Yamoussoukro	
19	<u>Cuba</u>	Havana	
20	<u>Djibouti</u>	Djibouti	<b>LDC</b>
21	<u>Dominica</u>	Roseau	
22	<u>Dominican Republic</u>	Santo Domingo	
23	<u>East Timor</u>	Dili	<b>LDC</b>
24	<u>Equatorial Guinea</u>	Malabo	<b>LDC</b>
25	<u>Eritrea</u>	Asmara	<b>LDC</b>
26	<u>Ethiopia</u>	Addis Ababa	<b>LDC &amp; LLC</b>
27	<u>Fiji</u>	Suva	
28	<u>Gabon</u>	Libreville	
29	<u>Gambia, The</u>	Banjul	<b>LDC</b>
30	<u>Ghana</u>	Accra	
31	<u>Grenada</u>	Saint George's	
32	<u>Guinea</u>	Conakry	<b>LDC</b>
33	<u>Guinea-Bissau</u>	Bissau	<b>LDC</b>
34	<u>Guyana</u>	Georgetown	
35	<u>Haiti</u>	Port-au-Prince	<b>LDC</b>

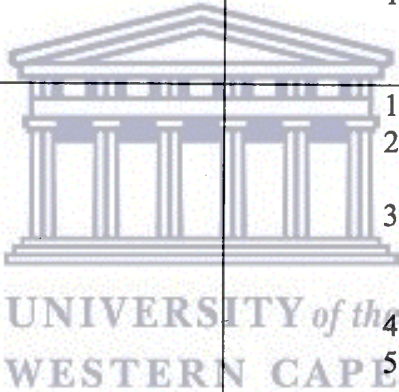



36	<u>Jamaica</u>	Kingston	
37	<u>Kenya</u>	Nairobi	
38	<u>Kiribati</u>	Tarawa	LDC
39	<u>Lesotho</u>	Maseru	LDC & LLC
40	<u>Liberia</u>	Monrovia	LDC
41	<u>Madagascar</u>	Antananarivo	LDC
42	<u>Malawi</u>	Lilongwe	LDC & LLC
43	<u>Mali</u>	Bamako	LDC & LLC
44	<u>Marshall Islands</u>	Majuro	
45	<u>Mauritania</u>	Nouakchott	LDC
46	<u>Mauritius</u>	Port Louis	
47	<u>Micronesia, Federated States of</u>	Palikir	
48	<u>Mozambique</u>	Maputo	LDC
49	<u>Namibia</u>	Windhoek	
50	<u>Nauru</u>	no official capital	
51	<u>Niger</u>	Niamey	LDC & LLC
52	<u>Nigeria</u>	Abuja	
53	<u>Niue</u>	Alofi	
54	<u>Palau</u>	Koror	
55	<u>Papua New Guinea</u>	Port Moresby	
56	<u>Rwanda</u>	Kigali	LDC & LLC
57	<u>Saint Kitts and Nevis</u>	Basseterre	
58	<u>Saint Lucia</u>	Castries	
59	<u>Saint Vincent and the Grenadines</u>	Kingstown	
60	<u>Samoa</u>	Apia	LDC
61	<u>Sao Tome and Principe</u>	Sao Tome	LDC
62	<u>Senegal</u>	Dakar	LDC
63	<u>Seychelles</u>	Victoria	
64	<u>Sierra Leone</u>	Freetown	LDC
65	<u>Solomon Islands</u>	Honiara	LDC
66	<u>Somalia</u>	Mogadishu	LDC
67	<u>South Africa</u>	Pretoria	
68	<u>Sudan</u>	Khartoum	LDC
69	<u>Suriname</u>	Paramaribo	
70	<u>Swaziland</u>	Mbabane	LLC
71	<u>Tanzania</u>	Dar es Salaam	LDC
72	<u>Togo</u>	Lomé	LDC
73	<u>Tonga</u>	Nuku'alofa	
74	<u>Trinidad and Tobago</u>	Port-of-Spain	
75	<u>Tuvalu</u>	Fongafale	LDC
76	<u>Uganda</u>	Kampala	LDC & LLC
77	<u>Vanuatu</u>	Port-Vila	LDC
78	<u>Zambia</u>	Lusaka	LDC & LLC
79	<u>Zimbabwe</u>	Harare	LLC

Source: [www.unctad.org](http://www.unctad.org)

**Annexure A.2**

**LIST OF THE ACP REGIONS**

EAST AFRICA	<ol style="list-style-type: none"><li>1. Burundi</li><li>2. Djibouti</li><li>3. Eritrea</li><li>4. Ethiopia</li><li>5. Kenya</li><li>6. Madagascar</li><li>7. Mauritius</li><li>8. Rwanda</li><li>9. Seychelles</li><li>10. Somalia</li><li>11. Sudan</li><li>12. Tanzania</li><li>13. Uganda</li></ol>
CENTRAL AFRICA	 <ol style="list-style-type: none"><li>1. Cameroon</li><li>2. Republic of Congo</li><li>3. Democratic Republic of Congo</li><li>4. Gabon</li><li>5. Equatorial Guinea</li><li>6. Chad</li></ol>
SOUTHERN AFRICA	<ol style="list-style-type: none"><li>1. Angola</li><li>2. Botswana</li><li>3. Lesotho</li><li>4. Malawi</li><li>5. Mozambique</li><li>6. Namibia</li><li>7. South Africa</li><li>8. Swaziland</li><li>9. Zambia</li><li>10. Zimbabwe</li></ol>
WEST AFRICA	<ol style="list-style-type: none"><li>1. Benin</li><li>2. Burkina Faso</li><li>3. Cape Verde</li><li>4. Cote d'Ivoire</li><li>5. Gambia</li><li>6. Ghana</li></ol>

	<ol style="list-style-type: none"> <li>7. Guinea</li> <li>8. Liberia</li> <li>9. Mali</li> <li>10. Mauritania</li> <li>11. Niger</li> <li>12. Nigeria</li> <li>13. Senegal</li> <li>14. Sierra Leone</li> <li>15. Togo</li> </ol>
CARIBBEAN	 <ol style="list-style-type: none"> <li>1. Bahamas</li> <li>2. Barbados</li> <li>3. Belize</li> <li>4. Dominica</li> <li>5. Dominican Republic</li> <li>6. Grenada</li> <li>7. Guyana</li> <li>8. Haiti</li> <li>9. Jamaica</li> <li>10. St. Kitts &amp; Nevis</li> <li>11. St. Lucia</li> <li>12. St. Vincent &amp; The Grenadines</li> <li>13. Suriname</li> <li>14. Trinidad and Tobago</li> </ol>
PACIFIC REGION	<ol style="list-style-type: none"> <li>1. Cook Islands</li> <li>2. Federated States of Micronesia</li> <li>3. Fiji</li> <li>4. Kiribati</li> <li>5. Marshall Islands</li> <li>6. Nauru</li> <li>7. Niue</li> <li>8. Palau</li> <li>9. Papua New Guinea</li> <li>10. Samoa</li> <li>11. Solomon Islands</li> <li>12. Tonga</li> <li>13. Tuvalu</li> <li>14. Timor Leste</li> <li>15. Vanuatu</li> </ol>

Source: [www.witfor.org/bw/press/acp\\_countrieslist.htm](http://www.witfor.org/bw/press/acp_countrieslist.htm)

## Annexure B

ACP countries compared to other major sugar producers/exporters:

<i>Country</i>	<b>2003 Sugar</b>		<b>Sugar as a % of:</b>		<b>Sugar Sector Employment</b>
	<i>Production</i>	<i>Exports (MT)</i>	<i>GDP</i>	<i>Total Agriculture</i>	
Barbados	36,00	35,161	1.8	41.4	9,500
Belize	111,109	100,462	9.5	61.9	10,600
Congo	45,000	42,524	1.0	NA	1,000
Cote d'Ivoire	145,000	31,518	0.9	3.3	5,000
Fiji	330,356	273,756	8.1	93.0	101,600
Guyana	302,000	261,207	15.8	30.0	33,100
Jamaica	153,670	131,117	1.0	13.9	51,500
Kenya	NA	NA	NA	NA	NA
Madagascar	35,000	6,837	3.9	NA	18,000
Malawi	257,000	118,059	4.9	NA	21,800
Mauritius	537,723	517,506	8.0	70.0	51,600
Mozambique	NA	NA	NA	NA	NA
St. Kitts and Nevis	22,000	15,921	28.0	74.0	9,400
Swaziland	615,949	478,648	24.0	51.0	93,000
Tanzania	217,513	22,723	3.1	5.0	52,000
Trinidad and Tobago	66,914	54,202	0.6	27.8	41,400
Zambia	229,757	118,784	2.3	15.0	62,000
Zimbabwe	482,309	124,289	2.3	17.2	162,000
<b>Total</b>	<b>3,587,300</b>	<b>2,332,744</b>			<b>729,500</b>

Source: [www.acpsugar.org](http://www.acpsugar.org)

