



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20.11.1996

'6) 570 final

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

(presented by the Commission)

Main topics for discussion

The world is in the throes of far-reaching changes. The collapse of the Iron Curtain and the end of the East-West conflict brought about a drastic upheaval in international relations and the world economy, opening the door to closer cooperation on the basis of common values and principles but also leading to a recasting of geo-strategic interests and new, less tangible forms of risk. Economically speaking, the spread of the market economy and the demise of exclusive or privileged ties have altered the terms of supply and demand on international markets. The conclusion of the Uruguay Round trade negotiations created a new multilateral context which is speeding up a **globalization** of the economy driven by technological change and the **liberalization** of economic policies that started in the 1980s. Interdependence is growing and extends beyond the economic and financial to the social and environmental spheres. At the same time, the margin for manoeuvre in national policies has narrowed and new fault lines are being opened up by the effects of social exclusion, by the fragmentation of the social fabric in both industrialized and developing or transitional countries, by widening inequalities and by the marginalization of the poorest countries. These fault lines are destabilizing and lie behind the upsurge in extremism in its nationalist or fundamentalist guises.

This new international environment has prompted the European Union to redefine its political and security interests and give fresh impetus to the political dimension of the European integration process. The Treaty on European Union has given an institutional basis to the framing of a common foreign and security policy (CFSP), a policy which is as yet insufficiently developed to further properly the common interests of the Member States; its machinery is currently being discussed as part of the Intergovernmental Conference (IGC). But the Treaty has also provided an institutional basis for European development cooperation policy.

The European Union is gearing up for major changes

The European Union itself will be in the process of radical change at the time it embarks on a new relationship with the ACP countries.

It has a full programme of work in the years ahead as it readies itself to face the challenges of the 21st century: fine-tuning of the internal market and the prospect of a single currency, revision of the Treaty and other institutional reforms being discussed by the IGC, conclusion of a new medium-term financial agreement and the prospect of enlargement to embrace the associated countries of Central and Eastern Europe, the Baltic States and Cyprus and Malta.

The European Union's external relations have also been marked by new initiatives concerning developing countries and economies in transition. It has concluded association agreements with most European countries of the former East bloc, which are now applying for membership.

At the same time, it is supporting the process of economic and political change in the republics of the former Soviet Union and has concluded trade agreements with several of them.

Relations with non-member Mediterranean countries are now covered by a new, long-term multilateral framework for partnership between 27 countries, which go hand in hand with closer bilateral relations and cover three sets of provisions: political and security, economic and financial (chiefly the gradual setting up of a free-trade area) and social, cultural and human.

The European Union has also decided to strengthen its links with Latin America as part of a three-pronged strategy involving closer political dialogue between the two regions, encouragement of free trade combine with institutional support for the regional integration process, and technical and financial cooperation focusing on a number of priority fields.

Its new strategy in its relations with Asian countries is aimed at strengthening Europe's economic presence in this region, enhancing mutual understanding and developing a new political approach.

These new policies are the Union's response to the political and economic changes under way on the international scene and reflect the fact that the Union's external relations are not only global in scope but tailored to specific circumstances.

Relations between the European Union and the 70 African, Caribbean and Pacific countries are entering a new phase.

The Lomé Convention has provided the framework for trade and aid between the EU and the ACP countries, now numbering 70, since 1975. But Community development policy goes back to 1957 and has gone through a number of decisive phases since then. After the initial years, during which the aim was to establish ties with the Community's overseas countries and territories, cooperation continued under the Yaoundé Conventions and remained focused on French-speaking black Africa until the middle of the 1970s. After its Community's first enlargement, which took place in a markedly changing world economy, the European Community started to extend the geographical scope of its cooperation policy by opening the first Lomé Convention to other ACP countries and forging association and cooperation ties with other regions of the developing world.

The Lomé Convention has been overhauled every five years to adjust it to economic and political developments, add new cooperation instruments and set fresh priorities. The last revision took place in 1995.¹

The EU has also gradually built up other, non-Lomé instruments for aiding the developing countries in the form of specific budget headings (for desertification control, AIDS, etc.) or components of other Community policies that can also contribute to development policy (scientific policy under the framework research and development

¹ The first three Conventions were concluded for a period of five years. The fourth covers the period from March 1990 to February 2000 and includes a financial protocol concluded for five years. At the same time as the negotiations for the second financial protocol a mid-term review of the Convention was carried out. The text of the fourth Lomé Convention as revised by the agreements signed in Mauritius on 4 November 1995 was published in the ACP-EU Courier, No 154 of January-February 1996.

programme (FRDP) is one such). The ACP countries are also eligible for these forms of aid.

New general guidelines have been drawn up for EU policies in a number of sectors or fields of cooperation as a result of the work under way since 1992 "on the outlook for cooperation in the run up to the year 2000"² to implement the new Treaty provisions on European development policy.³

On the threshold of the 21st century the future shape of the EU's relations with the ACP countries needs to be examined in depth. With the current Convention due to expire in February 2000, which is not far distant, and the two parties' contractual obligation to start negotiations at the latest 18 months beforehand, plus the need to establish against the background of the tighter disciplines of the WTO a trade cooperation framework fully in line with the new multilateral rules, we have an ideal opportunity to go ahead with this reappraisal and embark on a wide-ranging debate on the future of relations between the EU and the ACP states.

The debate on the future of ACP-EU relations must first take account of the new global environment

Not only does the new global landscape alter the EU's objective interests and those of its developing partners, it also involves increased responsibilities for a player of the EU's size. These responsibilities are first and foremost political in nature: the EU must actively support the moves towards more openness that started when the cold war came to an end in the second half of the 1980s and in particular help anchor the democratization process, which is still precarious in many ACP countries. These responsibilities are also of an economic nature: the EU must complement the effects of globalization by making the necessary adjustments within the Union to improve job prospects and reverse trends towards exclusion by playing an active role in international economic cooperation, helping frame and enforce multilateral rules and easing the gradual integration of developing countries into the world economy. Another aspect of globalization are the changes resulting from progress towards an information society; this is a new economic factor that is opening up extraordinary prospects in areas such as trade, education and health but also threatening to marginalize still further countries that are not locked into international information networks.

For the European Community - faced with the difficult task of adjusting its economic and social systems and having to frame its political action to fit a multi-rather than bipolar world and prepare for eastward enlargement - there is now a new dimension to development cooperation, particularly with the ACP countries, viz how can we take on a global role without responsible strategies for the different regions of the developing world, notably those worst hit by poverty and marginalization?

The EU's efforts to reduce poverty and inequalities in development around the world are also closely linked to the quest for peace and stability, the need for better

² SEC(92) 915, 15 May 1992, and Council Declaration of November 1992.

³ Articles 130u to 130y of the Treaty.

management of global interdependence and risks, and promotion of a kind of world development that is more compatible with European political and social values.

The EU's development policy offers Europe a gateway to regions with enormous development potential which are now starting to bestir themselves.

As the 21st century dawns, relations between the EU and the ACP countries should be put on new footing to take account not only of changed political and economic conditions for development but also of changed attitudes in Europe. The colonial and post-colonial period are behind us and a more politically open international environment enables us to lay down the responsibilities of each partner less ambiguously.

Second, with the primary aim of making cooperation more effective, we must draw on the lessons of over four decades of cooperation with the ACP countries

In view of the patchy achievements of ACP-EU cooperation and a degree of scepticism about the scope for developing the ACP countries against the background of tight budgets in donor countries and an inward-looking tendency borne of social difficulties in Europe, partners on both sides are now seeking to place more emphasis on the effectiveness of cooperation and to review their priorities with an eye to better reflecting the concerns of European and ACP societies.

Community aid is of major importance for many ACP countries and has unquestionably helped to improve living standards. It has often been a testing ground for new ideas and universally acknowledged expertise has been built up in certain areas. But like any form of aid it has had failings, which a critical analysis of the results of ACP-EU cooperation has identified at three levels.

1. The general framework within which development operations are carried out: it has to be admitted that the principle of partnership has lost its substance and been only partly put into practice. Aid dependency, coping with short-term needs and managing crisis situations have increasingly coloured political relations between the two sides. Dialogue on economic and social policies has proved difficult to put into practice with countries with little institutional capacity and ineffectual public administration with the result that partnership is limited to day-to-day resource management.

2. EU-commissioned evaluation reports on cooperation policies have generally concluded that financial and technical cooperation matches Community objectives and the needs of the recipient countries and that effectiveness is relatively high, notably as regards infrastructure and social projects. However, the state of the institutions and economic policy in the recipient country have often been major constraints, making Community aid less effective in raising living standards and the level of development.

The impact of trade preferences has been disappointing by and large. Preferential arrangements, especially the protocols on specific products, have certainly contributed significantly to the commercial success of some countries⁴ which managed to respond with appropriate diversification policies. But the bulk of ACP countries have lacked the economic policies and the domestic conditions needed for developing trade.

⁴ Examples are Côte d'Ivoire, Jamaica, Mauritius and Zimbabwe.

Furthermore, three new factors now have to be taken into consideration in designing a new trade regime: (i) the Marrakesh agreements and tougher dispute settlement procedures could put the future of differentiated, non-reciprocal preferences schemes in doubt; (ii) the speeding-up of liberalization at multilateral and inter-regional levels; (iii) the growing importance in international trade talks of new issues, such as the environment, competition policies, investment codes, technical and health standards and compliance with basic social rights. These developments affect the relative value of tariff preferences.

3. Where financial and technical cooperation is concerned, the fact that some financial resources are granted automatically (the proportion has now been cut) and the EU's tendency, in common with other donors, to take the initiative away from its weaker partners, have not encouraged ACP governments to display the genuine political commitment expected of them. There has been a drift towards a **tendency for development instruments to dictate policy rather than the other way round**. A lack of flexibility has meant that our cooperation does not adjust easily to a rapidly changing political and economic scene and is slow to produce new political initiatives reflecting the concerns of society in Europe and the ACP countries and the desire to make aid more effective in the long term.

~~The debate should also take into account the new political, economic and social outlook in the ACP countries~~

In a rapidly changing global and regional environment, the ACP countries have to face up to many challenges: halting their economic marginalization and integrating into international trade, implementing the domestic, political, economic and social changes needed to build a democratic society and a market economy, and creating the conditions for sustainable development and poverty alleviation in a context of still high population growth.

The widening gap between developing countries in general, and within the ACP group in particular, is undoubtedly a crucial factor. Political and economic transition has gone further in some countries than in others and the EU's efforts will be gauged in terms of its ability to ease the constraints on the development of the ACP countries while supporting the factors of change emerging in a growing number of countries. Above all, in more political terms, they will be judged by whether policy for the ACP countries, especially sub-Saharan Africa regains a strong sense of purpose. **The negative image that many have of a continent that has lost its way does not reflect the real Africa.** Africa is not all of a pattern. The unprecedented political developments and the recent improvement in growth performance in some countries,⁵ stemming chiefly from better management of economic policy and the implementation of structural reforms, are promising signs.

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⁵ Côte d'Ivoire, Uganda and Benin spring to mind.

In the light of a decline in the general acceptance of the very principle of development aid in a global environment beset with risks and new opportunities, the European Union and its ACP partners must strive to make their cooperation more successful. **This will entail identifying the ACP-EU cooperation achievements that are worth preserving, making further progress in refining and implementing recent guidelines and initiatives, and determining which of the various possible options for future reform are most consistent with mutual objectives and undertakings.**

A stronger political relationship between the EU and the ACP countries is needed to breath new life into the partnership

The difficulties of putting "partnership" into practice should not call into question the value of this form mutual political commitment. **The circumstances and huge challenges facing many ACP countries are good reason to preserve the strengths and qualities of the present relationship, in particular the predictability and contractual nature of the aid. But this political commitment must be made more explicit and more effective.**

Are the European Union and its ACP partners ready to do this?

On the EU side, the political dialogue with the ACP countries must be part and parcel of its common foreign policy. A more relaxed framework for dialogue where issues of good governance, democracy and human rights, and the consolidation and maintenance of the rule of law can be broached, along with the development of a genuine European conflict prevention and resolution policy, would seem to be preconditions for a more effective European policy. **On the ACP side, commitment to push through institutional reforms and conduct economic, social and environmental policies reflecting the major undertakings made at the Rio, Vienna, Cairo, Copenhagen, Beijing, Istanbul and Rome international conferences,⁶ must be the foundation of the new partnership.** The EU's aid activities, in common with those of other donors, can have major political repercussions for these countries; their relevance depends on a range of conditions, notably political conditions. The parties' respective responsibilities in the context of these activities must be expressed in political terms.

If a mutual political commitment is made on this basis, the principal subjects of the proposed dialogue (such as domestic security issues, migration, the fight against drug trafficking, etc.) and most appropriate geographical configuration (global dialogue or dialogue tailored to groups of countries) must be established.

North-South relations are part of the external face of the European Union and the special relations between the EU and the ACP countries fall within this wider relationship. The link between the politics and aid and with multilateral commercial policy is an application of the general principle of consistency in external action. Strengthening the Union's capability for external action is one of the key subjects broached in the Intergovernmental Conference (IGC). In its opinion on the IGC, the Commission argued in favour of bringing together "the various strands comprising foreign relations in a single effective whole, with structures and procedures designed to enhance

⁶ Earth Summit, Human Rights Conference, Population, Social Development, Women, Habitat II, World Food Summit.

consistency and continuity".⁷ Each strand should, however, retain its distinctive features. Community development cooperation policy, in particular, must retain sufficient autonomy to pursue its own objectives, which require a long-term view and continuity of action. This linkage does, however, entail greater selectivity in Community aid with a view to improving its effectiveness and this would lead to changes in the actual implementation of cooperation.

~~The framework of cooperation should also be adjusted to help the ACP countries open up to international trade~~

A number of new principles would facilitate this process.

First, the principle of differentiation: not all ACP countries can at present engage in political and economic partnership with the European Union on the same basis. Policies and methods of cooperation have to be suitably tailored for reasons of efficiency:

Second, European and ACP partners must strive to reconcile two requirements: (i) ultimate responsibility for reforms and development policies must be shouldered by the recipient countries; (ii) the EU, however, must be able to account to the citizens of Europe for the use made of the aid it gives. In this case, the only alternative to traditional forms of aid is to step up the policy dialogue, improve local capacity for policy-making and planning, and refocus Community monitoring of aid on results and progress rather than the means deployed. The implementation of sectoral policies that will put resources to better use and more coordination between donors is part and parcel of this process.

The EU and the ACP countries must set themselves the target of developing new forms of cooperation: the EU is unique in being able to put forward an array of instruments and promote scientific, economic and technological cooperation. New forms of partnership could be promoted in innovative fields such as new technologies; pilot projects would be a way of stimulating information flows between individual communities (research on the Internet) and providing practical opportunities for cooperation (in telecommunications services, for instance).

Finally, in a similar vein, more active participation in development by non-governmental players (private sector and other representatives of civil society) could be envisaged, either in the form of a dialogue on cooperation priorities or in the shape of direct access to some of the funding.

~~The geographical scope of the future partnership agreement could change~~

The ACP group is in reality neither a political group nor an economic entity. It grew up for essentially historic reasons and exists only in the framework of relations with the European Union.

⁷ COM(96)90, Commission Opinion "Reinforcing political union and preparing for enlargement".

Will it remain a relevant partner for the Union in the future? In other words, should the present framework for relations between the seventy ACP states and the EU be maintained?

The answer certainly lies partly with the ACP countries themselves, which must adopt their position on the matter on the basis of their common interests and their desire to develop a negotiating capacity as a political or economic group on the international stage outside their relationship with the EU.

For the EU the choice is above all a political one, taking account of the way in which cooperation with the ACP countries meshes with the totality of the EU's relations with developing countries.

Other factors should also be taken into account.

The geographical coverage of the cooperation agreement might be changed to take on board factors such as the diversity within the ACP group, the need for differentiation of cooperation objectives and priorities and, possibly, trade regimes, plus the prospect of reduced aid requirements for certain countries and graduation. Changing the non-reciprocal preference arrangements which are different from those of other developing countries could become unavoidable and involve different trade arrangements tailored to the type of economy concerned.

The importance that the EU attaches to the cooperation and regional integration process for economic as well as political reasons will also influence the shape of a new accord.

There are four possible options:

1. **the status quo, with a few adjustments.** The principle of an overall agreement with all the ACP countries could be maintained, but with different arrangements and priorities;
2. **an overall agreement supplemented by bilateral agreements.** Differentiation would be taken a step further and the overall agreement would contain only undertakings of a very general nature;
3. **splitting up the Lomé Convention into regional agreements.** An agreement with sub-Saharan Africa that embraced South Africa would clearly be meaningful for Europe. Where the progress of regional cooperation allowed, subregional agreements could also be envisaged. There are a number of options in the Caribbean, notably the idea of an enlarged cooperation arrangement for the whole of the Caribbean area leading ultimately to integration of cooperation with these countries into the framework of relations with Latin America. In the Pacific region, enlargement of the framework of cooperation to other island states would increase the effectiveness of European policy, especially as regards trade with the APEC countries.⁸

⁸ Asia Pacific Economic Cooperation.

4. a specific agreement for the least developed of the ACP countries, possibly open to other LLDCS. This option, which does not exclude elements of the other three options, would recognize the LLDCs' special circumstances and offer the possibility of policies better suited to their problems and needs, in the case of trade especially. But in terms of political and financial cooperation it seems an inappropriate solution. Another consideration is that a regional approach has always been adopted in relations with the ACP countries. The global perspective of European development cooperation is not what it was in 1957 or 1975: the EU now has cooperation links with a large number of countries and is present in all regions of the world.

The European Union should adopt a more coordinated and consistent approach to the ACP countries in order to be more effective

The general discussion about the consistency of European policies as they affect the developing countries has in recent years led to a number of initiatives to assess the effects of Community policies other than development cooperation on development objectives and to strengthen coordination between the Community and Member States and other donors in order to improve the effectiveness of cooperation overall.

Even if the current situation is often deemed unsatisfactory, consistency - in the strict sense of the term, i.e. taking into account the external effects of the other policies, cannot be the subject of an international undertaking by the Community. Consistency is a matter for political appraisal in the face of sometimes conflicting objectives.

The lack of coordination could, on the other hand, be remedied not only by actively continuing the EU's efforts to improve coordination of policies, operations and participation in international forums but also by making specific new undertakings when the time comes to renew the ACP-EU agreement. There are two possible options here:

- the Union could set itself the objective of formulating an overall European strategy for the ACP countries which would commit both Member States in their national operations and the Community. A framework of common understanding would facilitate efforts to achieve greater complementarity, a principle laid down in the Treaty, and would gradually boost operational effectiveness across the board;
- it could also propose to its partners putting in place machinery to provide information, monitoring and coordination services for Member States' and Community development activities and policies. The Union would thereby commit itself to providing the means for better coordination.

Stepped-up European coordination could also underpin efforts to improve coordination within the whole donor community and within the multilateral system in the framework of inter-institutional rapprochement decided at the recent G7 summit, which singled out Africa for particular attention.

