

# **The EU's insistence on reciprocal trade with the ACP group**

## **Economic interests in the driving seat?**

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### **Abstract**

This paper looks at the transformation of the European Union's trade relationship with the ACP group. It starts from the observation that the EU has forcefully argued for reciprocal free trade during the negotiations on the EU-ACP Cotonou Agreement (1995-2000) and the Economic Partnership Agreements with six ACP regions (from 2002). Then the hypothesis is raised that Europe's quest for reciprocity, despite resistance from ACP countries and some European actors, can be explained by EU economic interests. Testing this hypothesis, the next section examines Europe's economic interests in terms of export opportunities to and energy dependence from the ACP countries. The analysis shows that Europe's strong insistence on reciprocity is disproportionate to the economic significance of these countries for the EU. Finally, the paper elaborates on alternative explanations for the Union's position. Although compatibility with the rules of the World Trade Organization provides a superficial explanation for the EU's drive for reciprocity, it is argued that this is more fundamentally driven by Europe's economic interests with non-ACP countries and by its ideological belief in free trade as an alternative to old recipes.

## The drive for reciprocity in the EU policy towards the ACP group

The shift to reciprocity in preferential arrangements between the European Union (EU) and developing countries has a long history. Such reciprocity was introduced at the very start of the EEC in 1958 in the relations between the EU and the member states' colonies (EEC Treaty part IV). The main effect of these 'reverse preferences' was that those colonies that granted preferential access for French products had to extend this treatment to the other member states. The Yaoundé Agreements (concluded between the EU and 18 AASM<sup>1</sup> countries in 1963 and 1968) extended reciprocity till the Lomé Convention went into force in 1975.<sup>2</sup> The main difference with the pre-1963 period was, that the unified free trade area comprising the member states and their dependent overseas countries and territories, was broken up into 18 separate Free Trade Agreements (FTAs), which had detrimental effects for the integration of the economies in SSA. 'Much time and effort were subsequently spent on regional integration efforts, which, in a context of heavy discrimination towards third countries, insufficient market scale and inconsistent national economic policies, failed to produce significantly positive consequences for the economies of the participating countries.' (Grilli 1993: 148) The introduction of non-reciprocity in the trade regime of the Lomé Convention was the next step in allowing SSA countries to isolate their economies from import competition.

In his classic overview of Europe's relations with the Third World, Grilli wrote that with Lomé 'the old notion of free trade zones' was abolished (Grilli 1993: 71). However, twenty years after the conclusion of the first Lomé Agreement, the effectiveness of non-reciprocal trade preferences to the ACP was increasingly questioned. In 1996 the well-known banana dispute before the World Trade Organization (WTO) challenged the exclusive and preferential trade relationship of the ACP on the European market. In the same year the European Commission (1996b) published its 'Green Paper on relations between the EU and the ACP countries on the eve of the 21st century', starting the discussion on an overhaul of the EU-ACP partnership. As for the trade arrangements under the new agreement, four divergent options were outlined: *status quo*, integration into the GSP, uniform reciprocity (i.e. a unified ACP EU FTA) and differentiated reciprocity (i.e. several FTAs with ACP regions). The Commission clearly indicates that the 3<sup>rd</sup> and 4<sup>th</sup> options, providing for reciprocal trade liberalization, are to be preferred (Forwood 2001: 427). As uniform reciprocity is deemed to be too rigid to take into account all the differences between the ACP economies in terms of regional integration, development needs and capabilities to engage in free trade negotiations with the EU<sup>3</sup>, the 4<sup>th</sup> option is clearly preferred.<sup>4</sup>

In their reactions to the Green Paper, member states supported the option for reciprocity. Although the Southern members were more hesitant than the Commission and the Northern countries – the typical North-South division in EU trade politics – the basic option for reciprocity was undisputed.<sup>5</sup>

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<sup>1</sup> The Associated African States and Madagascar.

<sup>2</sup> Besides the bilateral EU-ACP Lomé Agreement, Europe had already established a unilateral system of non-reciprocal trade preferences in 1971. But this Generalised System of Preferences (GSP), legitimised by the rules of the General Agreement on Tariffs and Trade (GATT), was less comprehensive and generous than Lomé.

<sup>3</sup> The 'differentiation' of the ACP group in six regional trading partners can also be seen as a way to increase the Union's asymmetric power relationship (cf. Elgström 2000: 192; Forwood 2001: 439).

<sup>4</sup> One important exception is provided: the poorest countries could receive more favourable and non-reciprocal market access under a special GSP system (the forthcoming EBA initiative), although the consequences for free trade zones with other ACP countries remained unclear (Orbie 2007b: 32-34).

<sup>5</sup> For example, France insisted on a 'reasonable' transition period and compensation in the form of developing aid. Doc No 250/97 (ACP/CODEV), 5 November 1997, p.7, 16.

WTO conformity is mentioned several times in the new Cotonou Agreement (2000), which confirmed the option for reciprocal free trade between ACP regions and the EU. Faber (2005: 86) concludes that the parties have laid down ‘a clear image of the organization of their future relationship: WTO compatible, reciprocal FTAs preferably built on regional integration among ACP countries, supplemented with other cooperation areas’. Article 36(1) of the Cotonou Agreement states that “the Parties agree to conclude new WTO compatible trading arrangements, removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade.” It is added that reciprocity will be introduced gradually and that non-reciprocal trade preferences à la Lomé will still be applied during a preparatory period. During the WTO Ministerial Meeting in Doha (2001) the EU and ACP managed to negotiate a waiver for this transition period. In 2002, the negotiations on new reciprocal free trade arrangement between the EU and the ACP started (the Economic Partnership Agreements or EPAs).

The EU has succeeded in making reciprocity a prominent principle of its future cooperation with the ACP. Ever since the publication of the Green Paper in 1996, it had presented reciprocity as a central objective of the new trade regime. Equally, the principle of reciprocity is indisputable for EU negotiators during the ongoing EPA negotiation process. Whereas Europe has made several concessions – asymmetrical liberalisation, ‘Aid for Trade’ provisions, and most recently also duty-free and quota-free (DFQF) access to the European market – reciprocal market access is still the ultimate goal. Europe’s free trade discourse is somewhat softened and more emphasis is put in flanking measures, in line with the post-Washington Consensus (cf. Goodison 2005; Orbie 2007a). Nevertheless, the goal of reciprocal liberalisation remains firmly entrenched in the EU-ACP negotiations. Substantial alternatives to EPAs, which part with the reciprocity principle, such as a GSP+ regime for the ACP countries, or the negotiation of a new WTO waiver, or the enlargement of the ACP group to the least-developed countries (see e.g. Bilal and Rampa 2006), have barely been considered.

Why has the EU been so insistent on reciprocity? What are the reasons behind the shift in favour of free trade arrangements from halfway the 1990s (negotiation of Cotonou) until today (negotiation of EPAs)?

This question is all the more intriguing, since ACP countries have consistently opposed reciprocity. Already at the start of the negotiations for the Cotonou agreement the ACP group explicitly stated that it would like to continue the non-reciprocal preferences that were in place since 1975. The ACP’s preferred future trade arrangement would largely continue rules and mechanisms of the past. The Libreville Declaration, issued by the first Summit of ACP Heads of State and Government in Gabon in 1997, calls on the EU to:

*maintain non-reciprocal trade preferences and market access in a successor agreement;*  
*maintain the preferential commodity protocols and arrangements;*  
*adhere to transparent processes of consultation with the ACP Group prior to the adoption, execution and extension of safeguard and other restrictive trade measures, likely to adversely affect ACP States;*  
*liberalize and improve the existing rules of origin so as to foster the expansion and diversification of ACP exports;*  
*maintain and improve STABEX so that its resources are disbursed more expeditiously;*  
*maintain and improve SYSMIN so as to accelerate investment in our mining industry;*  
*encourage the development of the services sector, including tourism;*  
*strengthen and enhance the role of CDI so as to provide the ACP private sector with the necessary support in the promotion of industrial development activities.*

The ACP countries realized that their past record of export growth and development were far from satisfactory and that the EU was searching for a new approach. The heads of state and government stated that ‘trade preferences, valuable as they are, will not be enough to sustain our competitiveness and improve our export performance’ and declared their willingness to

‘commit ... to undertaking a comprehensive trade development programme’. The thought of acceding to a WTO compatible arrangement was considered out of order:

*We reaffirm our commitment to discharge our international obligations to adhere to and promote a fair international trading system. Nevertheless, we are deeply disturbed by the prospect of disruption in our fragile and vulnerable economies and disintegration of the social fabric of our countries which would arise from the insensitive application of WTO rules and obligations, as potently demonstrated by the recent ruling of the WTO Appellate Body on the EU Banana regime.*

The ACP group has accepted a Cotonou Agreement that is largely contrary to their initial position. Besides the replacement of non-reciprocal preferences by reciprocal EPAs, there are other fundamental trade reforms that were resisted by the ACP. For example, the export stabilisation schemes Stabex and Sysmin were abolished and replaced by the weaker Flex mechanism (cf. Orbie 2007a). Why have the ACP countries given in to the pressure of the EU? Why did even the ACP LDCs, who export DFQF under the ‘Everything But Arms’ arrangement, decide to participate in EPAs?

In general, we can point to the asymmetric power relationship between the EU and its former colonies of the ACP (cf. Elgström 2000: 178). While these countries disposed of a considerable amount of (real or perceived) ‘commodity power’ in the 1970s, they now occupy a marginalised place in the world economy (see also below). In the context of the EPAs, the ACP probably hoped to dilute the reciprocity principle by introducing a large amount of asymmetry in market opening, both by sector and in terms of time; and by receiving large amounts of development aid as side-payments for accepting EPAs. For some ACP countries another reason may have played a role: commitment to regional integration. These countries may have considered EPAs as a convenient (but imperfect) mechanism to stimulate regionalism, or at least to avoid being excluded from regional integration schemes (cf. Pilegaard 2007, about Zambia). Whatever the reasons, all ACP countries participated in one of the six EPA groups in early 2007.

European development NGOs have also been unenthusiastic about negotiations on reciprocity. They have mobilized around the issue (e.g. the STOP-EPA campaign, see [www.stopepa.org](http://www.stopepa.org)) and their campaigns managed to politicise the EPA negotiations in the member countries. With the impasse of the Doha Development Round of the WTO, the EU’s drive for reciprocity in its bilateral EPA negotiations has been a new target for NGOs. As illustrated below, the European demand for larger access to ACP markets is easily translated in allegations that it engages in a neo-colonial pursuit of economic interests. The issue of reciprocity has been central in NGO campaigns against EPAs. It confirmed the image of the EU, also prominent in some campaigns against the Constitutional Treaty, as a market-driven project that is primarily executing the interests of multinationals.

Even the British government has voiced criticism against the aim for reciprocal trade relations under EPAs, much to the displeasure of Trade Commissioner Peter Mandelson. The joint position paper adopted by the UK Department of Trade and Industry and Department for International Development on the UK position on EPAs had denounced the EU’s drive for reciprocity. It insisted that EPA negotiations should not be used as a backdoor means to prise open their markets and stated that ‘ACP regional groups have maximum flexibility over their own market opening’, with an unconditional 20-year plus for market opening (cited in Goodison 2005: 296).<sup>6</sup> In a leaked letter to the British government DG Trade condemned this ‘major and unwelcome shift’ in the UK’s approach and criticised the influence of campaigning NGOs and celebrities. According to this letter, the UK stance ‘could well make progress with EPA negotiations more difficult by reinforcing the views of the more sceptical

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<sup>6</sup> The Africa Commission established by the British Prime Minister Tony Blair and the House of Commons Select Committee on International Development had also been critical on this topic.

ACP states and raising the prospect of alternatives that are, in reality, impractical.’ (The Guardian, 19 May 2005)

The European Parliament (EP) is also critical on the reciprocity requirement. The Parliament (2006) is ‘very concerned that too rapid a reciprocal trade liberalisation between the EU and the ACP could have a negative impact on vulnerable ACP economies’ and states that ‘liberalising trade between unequal partners as a tool for development has historically proven to be ineffective and even counterproductive’.<sup>7</sup>

In short, the EU faced considerable resistance against the introduction of reciprocal trade liberalisation with ACP countries. Moreover, progress under the EPA negotiations has been slower than hoped for by the EU and the lengthy negotiations prove to be a huge diplomatic investment. The question then remains: how to explain the EU’s strong and continuing push for reciprocity? What has induced the EU to push reciprocity so strongly that the ACP group has agreed to a principle that is completely opposite to their original position? And why has the EU continued to insist on reciprocity in recent years – despite resistance by ACP countries, mobilization of NGOs, and reluctance with member states (such as the UK)?

The next section will focus on the most obvious line of explanation: economic interests. More specifically, it will examine the European export interests to the ACP markets and the strategic importance of energy issues for the EU. When these factors prove to be insufficient to explain Europe’s pro-activeness in reciprocal free trade, a number of alternative motives will be suggested in the last section of the paper.

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<sup>7</sup> Instead the EP (2006: 3-4) stresses ‘the necessity of greater flexibility – in terms of the timetable for negotiations regarding progressive trade opening, the length of the transition period and the degree of product coverage’.

## **Reciprocity to serve the economic interests of the EU?**

### *Rationale for the economic hypothesis*

Our initial hypothesis reads that the EU has forced reciprocity upon the ACP economies in order to protect its economic interests. There are several reasons to consider this as a plausible explanation for the EU's quest for reciprocity. First, the language of some EU documents suggests that European policy-makers deliberately started to use more offensive market access strategies since the second half of the 1990s. A few months before the Green Paper on EU-ACP reform, the Commission had published a Communication on enlarging market access in third countries for European exports. In this paper, the Commission stated that there is a need for a more active role of the EU in the negotiating and enforcement of trade deals and 'greater emphasis on the objective of third country market opening in the Community's commercial policy'. (Commission 1996a: 4) It is noted that important changes are already under way in this respect: association and (reciprocal) trade agreements have been concluded with Central and Eastern European countries, the cooperation agreements with the Mediterranean countries have been reformed by the Barcelona process (on a reciprocal footing), new initiatives have been developed to intensify the relations with Latin American countries and Asia (along WTO conform ways).<sup>8</sup>

It can thus be concluded that the proposed changes in the Lomé trade arrangements were made in a climate of a more urgently felt need to improve market access for EU exports in third markets. Similar suggestions are made in the Green Paper on a new EU-ACP partnership. The Commission puts these proposals against the background of the end of the Cold War, the ongoing globalization and the liberalization of economic policies. All this is said to necessitate a rethinking of the external policies of the EU. The Commission posits that 'the new global landscape' alters 'the EU's objective interest and those of its developing partners'. (Commission 1996b: iii) As a result, the EU must adjust to globalization in order to improve its employment situation and to stimulate the integration of developing countries in the world economy. This has consequences for the external policies of the EU, of which trade policy is one of the main components. The new mission of this policy should be to improve compliance with multilateral obligations, to realize a better managed multilateral system and be 'on the active pursuit of wider access to external markets.' (Commission 1996b: 3)

Moreover, several observers pointed to the importance of export interests (e.g. Raffer 1999: 133, 136; Van Reisen 1999: 59; Jennar 2004: 161-2; Goodison and Stoneman 2004: 733-4). Most notably, Dieter Frisch, then Director General of DG VIII (Development) was very critical in his comment on the ideas that appeared in the Green Paper. He pointed out that FTAs would serve European export interests better than the Lomé arrangement. (Frisch 1996: 68) Some commentators draw the conclusion that the weak supply capacities of ACP countries will provide EU exporters with easy markets. Raffer (2001) concludes that 'Free Trade Areas (FTAs) must ... be expected to reflect mainly if not solely European interests – to soften the pressures of globalisation on Europe, as the Commission formulated, giving European exporters an advantage over other industrialised countries. This does not suggest development considerations as the main reason.'

After the start of the EPA negotiations, some commentators consider EPAs as a tool for serving EU economic interests. The Stop EPA campaign argues on its website that: 'The

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<sup>8</sup> Meanwhile FTAs have been concluded with Mexico (1997), South Africa (1999) and Chile (2002), and negotiations with the Mercosur, the Gulf Cooperation Council and the six ACP regions are in an advanced phase. End 2006 the Commission (2006c: 9) suggested that a number of 'new competitiveness-driven FTAs' need to be negotiated in order to enhance the Europe's position in international trade.

overwhelming emphasis on liberalisation in the EPA negotiations proves that these negotiations are about expanding Europe's access to ACP markets, rather than about ACP countries' development. ... The EU has narrowed down the Cotonou objectives of poverty eradication and sustainable development to a self-serving trade and investment liberalisation agenda. EPAs will increase the domination and concentration of European firms, goods and services.<sup>9</sup>

The Africa Trade Network (2007) issued a declaration during its 9<sup>th</sup> Annual Meeting that puts EPAs as the latest stage of a long standing trend: 'Over the past two decades, [the] right of African countries to pursue their own individual and collective developmental agenda have been attacked and subverted by the countries of the north that dominate the world economic system, as part of their never-ending attempts to further open up the economies of African and other developing countries for the benefit of their transnational corporations.' For Oxfam the episode with the leaked DG Trade letter (see above) confirmed the interest-driven nature of the Commission's EPA agenda:

*The European Commission clearly wants to use EPAs as a tool to open markets and further its own interests. This is not good. EPAs in their current form would be detrimental to development. They are free trade agreements by any other name and are currently designed to get the most for Europe without the necessary consideration of the negative effects on weaker developing country partners. (The Guardian, 19 May 2005)*

Has the motive of promoting EU exports been the main driving force for the EU to propose and to force FTAs onto the ACP? As mentioned above, the Green Paper might give the impression that this was the case. However, careful reading of the document shows that there is no explicit wording on the potential significance of ACP markets for EU exports. The EU interests in the ACP are placed under the headings of peace and stability, the management of global threats, solidarity, social and environmental cooperation and economic development and mutual interest. With respect to the latter the Commission (1996b: 38) remarks without much faith: 'Tomorrow the ACP states might enjoy significant economic growth so it would [be] very short-sighted to reduce the weight of Europe's influence there.' Contrary to this, the commercial interests of the EU are placed in other continents. The Commission explicitly mentions the importance of access to markets in Eastern Europe, the Mercosur and China for strengthening relations with these countries and regions. One may of course argue that the fact that the Commission and the EU do not explicitly say that economic interests are their driving reason for reciprocal arrangements with the ACP countries does not preclude that this is their hidden *leitmotiv*. The second half of the 1990s has witnessed the emergence of a strong value-based trade discourse in the EU – centred around Trade Commissioner Pascal Lamy's motto of 'harnessing globalisation' – but interest-based motives have never been out of the picture (cf. Van den Hoven 2006).

This explanation also corresponds with the view of the EU as a mercantilist actor in international trade (cf. Wolf 1995: 335-6). Indeed, the EU is often portrayed as a trade power which attempts to break open foreign markets (in competitive industrial goods) although its own market is relatively closed (especially in agriculture). From this perspective the historical anomaly that originated in the 1970s, when the EU granted preferential market access to the ACP countries without requesting anything in return, would be corrected under the EPAs.

In order to capture this hypothesis, we will investigate the economic interests the EU has in the ACP in comparison to other continents. Two variants of this economic argument will be examined. The first one relates to Europe's export interests, and posits that the EU has a strong preference for reciprocal EPAs as the EU needs access to foreign markets to expand

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<sup>9</sup> [Http://www.stopepa.org/stopepa/campaign\\_english.php](http://www.stopepa.org/stopepa/campaign_english.php) (visited 19 February 2007). The Stop, EPA campaign is supported by 30 NGOs from Africa and the EU, including Both Ends, ChristianAid, ICCO, KASA/WERKSTATT OKONOMIE and Oxfam International.

its exports. The second variety relates to the Union's import interests, and argues that EPAs will enable the EU to keep access to strategic commodities (mainly energy) in ACP countries. The figures and tables below present data on the economic relations between the ACP and the EU.

### *The ACP group as an export market*

The importance of a region as an export market is determined by the number of people and their purchasing power. The two together give the national income. The level of welfare per inhabitant is also relevant for the kind of products and services that are in demand. On these scores, the ACP group is small by all measures. In terms of Gross Domestic Product (GDP), the ACP states are very small: in 2005 their combined GDP was only 3.2 per cent of EU GDP (World Bank WDI). In global terms, the combined share of the EU and North America dominate the world economy. Asia and developing America have substantial shares in world GDP, although it is only Asia that shows a growing share (table 1). The market size of ACP group is very small indeed. This is the more so as large parts of the population of the ACP is spread over very large areas of land (Africa) and seas (the Pacific). Compare Belgium, which has a GDP of comparable size (364 billion \$, the ACP 425 billion \$ in 2005), but a concentrated population on a very small surface compared to the ACP.<sup>10</sup> In combination with the generally very low level of welfare of the ACP states, particularly in Africa, this does not make these countries booming markets for manufactured articles as produced by EU industries. This is not likely to change in the foreseeable future, given the relatively low growth rates of GDP per capita in most ACP countries (table 2). However, even at higher growth rates (as was the case in the first years of the new millennium), these markets remain small.

**Table 1 Shares in world GDP in %, 1996 and 2004**

	1996	2004
Developed America	27.8	31
EU(25)	30.5	31.2
Other developed Europe	1.6	1.5
South America	4.7	2.9
Other America	1.7	2.3
North Africa	0.7	0.7
Other Africa	1	1.2
West Asia	2.1	2.5
Other Asia	10.3	10.9
Developing Oceania	0.1	0.1
CIS	1.7	1.9

Source: UNCTAD

**Table 2 GDP per capita average annual growth rates**

	1970/80	1980/89	1990/2004
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<sup>10</sup> The surface of the ACP states is almost 50 million square km; the surface of Belgium is 'only' 32545 square km. The sea distance between the various countries of the group is not taken into account in this measurement. Source of the ACP surface: European Commission, DG Trade, September 2006.



World			
Developed America	2.4	2.6	2.2
EU(25)	2.6	2.1	1.9
Other developed Europe	1.4	1.6	1.5
South America	3.2	-0.1	0.9
Other America	2.9	-0.7	1.5
North Africa	4	0.4	1.1
Other Africa	0.1	-0.9	0.4
West Asia	3.5	-1.9	1.4
Other Asia	3.4	5.1	4.9
Developing Oceania	3	1.4	0.6
CIS	..	..	-1

Source: UNCTAD

Given the fact that the ACP market is small, it is only natural that the share of EU exports destined to these countries is small as well (table 3). In the 15 years before the 1996 Green Paper, the share of the ACP countries in EU exports fell to around 5 per cent from a level of around 8 per cent. Even though a share of a bit less than 5 per cent might be considered to be not insignificant, it is spread over three continents. A concentrated, homogeneous market like Japan (or ASEAN) that attracted a comparable 4.5 per cent (4.2 per cent) of EU exports in 2005, is commercially much more attractive. In fact it is quite artificial to call the ACP a 'market', which suggests a degree of social, cultural and geographic unity that does not exist.

**Table 3 EU(25) extra trade with the ACP group, as a % of total external trade, 1995 to 2005**

	1980*	1990*	1995	2001	2002	2003	2004	2005
Exports to ACP	8,1	6,3	5,2	4,7	4,7	4,8	4,5	4,7
Imports from ACP	7,4	6,8	5,6	5	5	4,8	4,4	4,6

\* Trade by EU (15)

Source: Eurostat (2006), External and intra-European Union Trade Statistical Yearbook Data 1958-2005 (Luxembourg: Office for Official Publications of the European Communities) and Eurostat (2004) External and intra-European Union Trade Statistical Yearbook Data 1958-2003 (Luxembourg: Office for Official Publications of the European Communities)

The conclusion is, that the ACP group constitutes a relatively small market for EU exporters, that tend to become less important over time compared to other continents and regions that have more dynamic growth rates over long periods. Furthermore, the ACP group is not a market like Japan or Switzerland. It is very thinly spread over three continents and not homogeneous in terms of climate, culture and consumer preferences. This conclusion holds for the second half of the 1990s when the Cotonou Agreement was prepared and negotiated and the first five years of the new millennium when the EPAs came under negotiation, and for the coming decade as well. Even if one would assume that the ACP countries would shift to a higher growth trend in combination with free access for EU products, it would take a long time before the countries concerned would become substantial larger relative markets for the EU than is the case at present.

### *The ACP countries as suppliers of energy*

The first Lomé Convention was concluded in a time that there was an urgently felt dependency of the EU on the imports of commodities, and minerals in particular. The OPEC had raised oil prices in the first oil crisis of 1972/73 and the importation of all kinds of strategic non-fuel minerals was considered as a weak spot in Europe's position in world politics, where the Cold War was impacting upon all international relations. Grilli points out that: "Europe in the early 1970s rediscovered itself as the industrial area most exposed to the threat of action by commodity producers, with only Africa to rely on as a source of vital raw materials." (Grilli 1993: 26) The ACP countries were supplying substantial quantities of these commodities, such as tropical timber (46 per cent of EU imports), iron ore (21.5 per cent), manganese ore (31 per cent) and ores of uranium and platinum (99 per cent). It was a logical argument to consider the Lomé Convention as a means of securing access to such minerals. Coppens c.s. (1976: 180) analysed the Convention from that perspective. Their conclusion was that 'the ACP group's contribution to the EC's security of raw material provision, both actually and, through the Convention also potentially, is important. On the other hand, our analysis shows in an indirect way that other suppliers, among which non-ACP developing countries, remain indispensable for the EC as well.' In fact it was difficult to find instruments in the Convention that were instrumental for securing access to strategic minerals. It was only in the second Lomé Convention that SYSMIN was introduced. However, this appeared to be a rather weak tool. Ravenhill (2002: 4) argues that fears about the supply of raw materials have contributed to the proposal by the EU to make Lomé a more comprehensive and more generous agreement than its predecessors. This is far from an arrangement that secures access to strategic minerals by direct means.

As the fears for raw material shortages ebbed away, the role of the Lomé Convention was no longer put in this perspective. Recently, however, the provision of the EU with energy has become a growing concern. As a result of high growth rates in large developing countries such as China and India, and political instability and interruption of supply, oil prices are both instable and rising in the long run. The origin of EU imports of crude oil has gradually changed over the last five years (Figure 1). The share of Russia is rising and has surpassed the 30 per cent level. The share of Norway has come down to below 20 per cent, while Saudi Arabia and Libya show a constant share of around 10 per cent. The smaller suppliers in the top eight are rather stable with the exception of Nigeria that experienced a decline of import share. Nigeria is the largest SSA oil supplier. Figure 2 shows that the share of Nigeria in the supply of the EU with crude oil has gone down from almost 4 to a bit more than 2 per cent between 2000 and 2004. The share of the ACP as a whole was heavily influenced by Nigerian exports. Since 2000, oil exports from other ACP countries are now somewhat larger than those from Nigeria. Compared to the EU, China is a fast growing buyer of African oil. In 2000, Africa supplied 3.6 per cent of China's oil imports. In 2005 the figure has risen to 13.2 per cent. Angola supplied half of China's oil imports from Africa, Sudan was in second place. (Broadman 2007: 82/83) The US is equally relying more and more on crude oil from Africa, and West Africa in particular. It is expected that the US will import a quarter of its oil from this part of Africa in 2015. (New York Times, 20 March 2007) Angola is the region's biggest supplier for the US. The EU sees its oil imports from Africa decline in relative terms: in 1997 and 1998, the EU (15) received 50 per cent of Africa's oil exports. In 2002 this share had fallen to 29 per cent. (UNCTAD 2005) It looks as if the EU is unable to maintain its position in African oil production in a region that was for a long time considered as the region where Europe had a dominant position, based on historical and geographic reasons. In this climate of

competition to secure the supply with oil among the EU, the US and China, it is a legitimate question whether EPAs and reciprocity belong to the instruments that the EU uses.

We will answer this question by looking at the (lack of a) common energy policy of the EU and its link with the cooperation policy of the EU with the ACP group. The second argument that we develop flows from an analysis of the negotiations of the Cotonou agreement and the subsequent EPAs.

In a Green Paper published in 2000, the Commission of the EU sketched the rising dependency of the EU on imported energy. Without correcting action, the import dependency might rise from 50 per cent in 2000 to 70 per cent in 2030. (Commission 2000) The external policy aspects of the EU energy situation are indicated, but proposals on concrete measures are limited in scope. The EU-Russia Energy Charter and cooperation with the Mediterranean countries are presented. The main reason for this rather modest approach by the Commission is that the EU does not have strong powers in the area of international energy policy. The external aspects of energy policy are the competence of EU member states. A coordinated policy seems far away: ‘... the national differences in energy policies and strategies increasingly threaten the political cohesion and do undermine the EU’s evolving CFSP.’ (Umbach 2007) However, the rising oil prices in the first five years of the 21<sup>st</sup> century and the Ukraine-Russia gas dispute in January 2006 disclosed the shortcomings of not having common external energy policy. Against this background, the Commission issued a Green Paper spelling out proposals to achieve ‘sustainable, competitive and secure’ energy supplies. (Commission 2006a) One of the six priority areas is the security of supply. The Commission rightly states that this requires agreement on a European Energy Policy. Such a policy is dependent on the progress with internal policies and, in particular, the creation of the internal market for energy. Other external policies, such as trade and development policies should be injected with the external energy policy, according to the Commission. As a follow up to this Green Book the Council agreed to a number of energy measures in March 2007, all in the area of domestic consumption to combat climate change and to promote sustainability, to take effect in the coming years. This brief overview shows that an EU *external* energy policy is still in the stage of design. External shocks, such as rising prices and threats of supply interruptions have been major stimulants for the member states to enter into this stage. It is clear that at the time of the preparation for the negotiations on the Cotonou Agreement, and the start of the EPA negotiations, the EU had not even developed the principles of such a policy. This makes it unlikely that such a policy was having an impact on the EU’s quest for reciprocity in its cooperation with the ACP countries.

A second line of argument might be that the EU tries to create reciprocal obligations for the ACP group in order to improve the security of the supply of energy to the EU. The reciprocity involved in this area would be a more secure access of EU companies to energy resources in the ACP countries concerned. Comparing the Cotonou Agreement with its predecessor, the articles on energy have become much briefer. While Lomé IV had separate titles on Mining Development and Energy Development, Cotonou only has a brief sub-article 23(f) that stipulates that the cooperation shall support the ‘development of competitive industrial, mining and energy sectors, while encouraging private sector involvement and development.’ The drive for reciprocity does not have had a strong impact on the access to energy resources so far. Instead, the EU tries to establish energy cooperation as part of more traditional development cooperation. In a background document to the Green Paper on energy of 2006, the Commission (2006b) gives some examples of EU initiatives in the field of energy cooperation with Africa. The ACP-EU Energy Facility has been initiated in 2006 and has a total amount of €220 million to spend on energy related projects in ACP countries aimed to alleviate poverty. The European Development Fund (EDF) supplies the money for the grants.

The other example is the Africa-Europe Partnership on Infrastructure that is a result of the EU Strategy for Africa, adopted at the end of 2005. The Partnership is a cooperation between the African Union and the EU. It is aimed to improve the continental and regional interconnectivity and to promote regional integration and economic growth. It combines promotion of physical infrastructure investment and support for the efficient operation and service delivery, also in the energy sector. These initiatives are linked to development policy and primarily serve development objectives. They are not reciprocal in nature, are not part of EPAs and serve the EU security of supply only in a very indirect way. Our conclusion is that the Cotonou Agreement and the initiatives taken in the area of energy cooperation with ACP countries at the EU level cannot be considered as very effective measures to safeguard the supply of energy to the EU. This would require different measures. During the EPA negotiations, the supply of energy to the EU is not an issue in the negotiations.

**Figure 1**

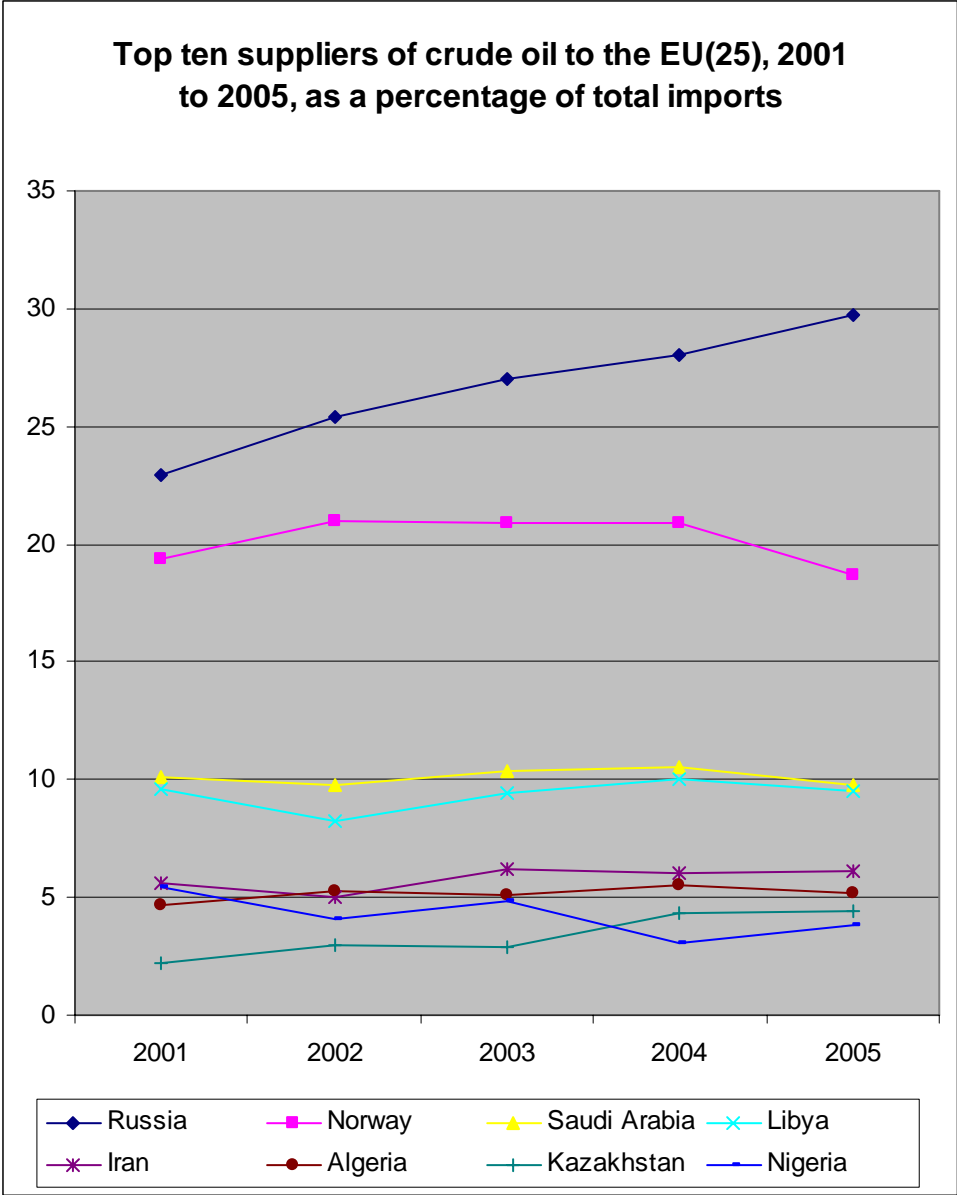
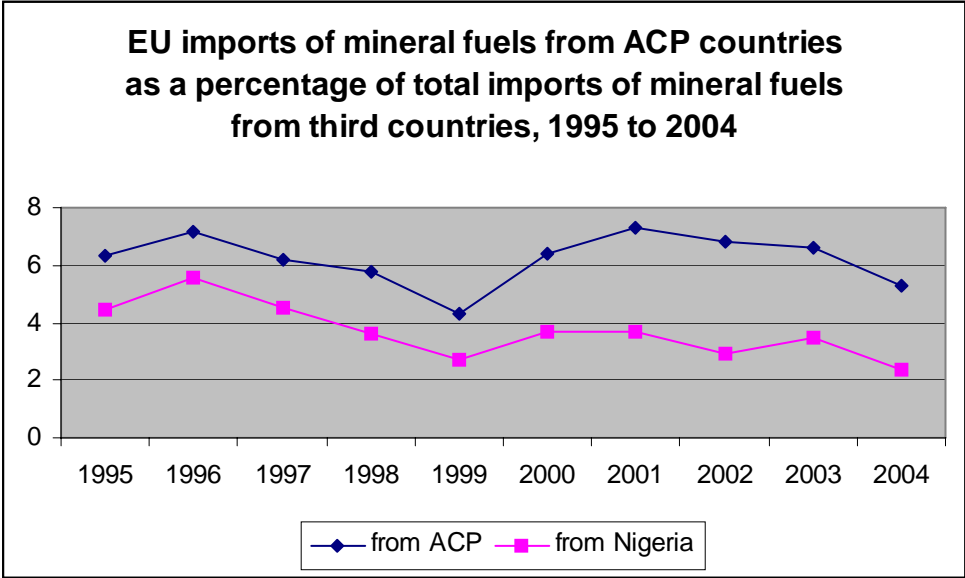


Figure 2



Note: EU(15) from 1999 EU(25)

Source: retrieved from Eurostat (26 March 2007)

## WTO compatibility – in perspective

### *More favourable than most-favoured nation*

Besides economic interests of the EU, the most plausible explanation is the need to comply with the rules of the WTO. ‘WTO compatibility’ can indeed be seen as the *leitmotiv* through the post-Lomé trade reforms. Given the centrality of this legal argument, it is important to sketch a short overview of the international framework in trade relations. Non-reciprocity under Lomé constituted a major exception of the Most-Favoured Nations principle, which is the cornerstone of the GATT/WTO regime as it has developed in the post-war period. The MFN idea implies that countries cannot discriminate between their trading partners: when a particular country is granted a favour (such as a lower tariff for a specific product) this generosity has to be extended to all other WTO members. However, three categories of exceptions to this MFN rule have established, allowing that a more favourable treatment for specific countries should not be extended to the other WTO members. The EU has extensively used these exceptions in building its ‘spaghetti bowl’ of preferential trade relations (cf. Bhagwati 2002).

First, article XXIV of the GATT allows for free trade areas (or customs unions) between trading partners, with reciprocal tariff concessions beyond MFN level, provided that ‘substantially all’ trade is liberalised within a ‘reasonable length of time’. The overall outcome of these regional integration schemes should not be more protectionist than the point of departure. In fact, the establishment of the EC itself – and its subsequent enlargements – forms an application of this rule. The same is true for the EU’s recent and forthcoming FTAs with e.g. Chile, South-Africa, the Southern Mediterranean Countries, the Mercosur, and the EPAs with the ACP.

Second, the Generalised System of Preferences, established under the GATT Enabling Clause in the 1970s, allows for a more favourable *and* non-reciprocal treatment of developing country exports. Until the recent FTA negotiations, the GSP regime has traditionally been the most important opportunity for Asian and Latin American exports to the European market. Under the GSP they receive a tariff ‘reduction’ – at least to some extent, and especially for non-sensitive products – without having to open their markets for European products. On the basis of objective and transparent criteria, a graduation in GSP treatment can be established. In recent years the EU has added further differentiation within its GSP system, with the ‘Everything But Arms’ (EBA) regime for the LDCs and the GSP+ system for countries complying with international conventions on sustainable development and good governance.

The Lomé regime was traditionally legitimised by a third form of exception: a waiver under article IX of the GATT/WTO. As with the GSP, such a waiver enables non-reciprocity in trade relations with developing countries; but in contrast with the GSP, it allows for preferential market access to a geographically defined group of countries – apart from their objective development level. Ever since the first Lomé Convention in 1975, waivers have granted the ACP group non-reciprocal access to the European market. This selective generosity towards a specific group of countries – for obvious political and historical reasons – gave rise to an anomaly in EU trade relations. The ACP group is composed of LDCs (e.g. Zambia, Tanzania, and Angola) as well as more prosperous countries (e.g. Kenya, Namibia, Nigeria, the Caribbean countries except from Haiti). However, they all receive the same tariff treatment. Non-ACP LDCs such as Bangladesh, Vietnam, and Laos need to export under the less favourable GSP system. EBA somehow puts this discrimination right, catapulting all the LDCs to the top of the preferential pyramid.<sup>11</sup> Moreover, non-LDC ACP countries such as

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<sup>11</sup> However, the picture is more complicated. Non-ACP LDCs do not benefit from other trade-related advantages for ACP countries under the Lomé/Cotonou system, such as aid and better rules of origin. ACP LDCs may well

Senegal, Kenya and the Ivory Coast receive more beneficial market access than other non-LDCs such as Brazil, Argentina, Thailand, India, Thailand and Pakistan.

This explains why the non-ACP countries have always been reluctant towards the granting of WTO waivers for the EU-ACP trade relationship. These developing countries have always exported to the European market under less favourable regimes: traditionally the GSP, and more recently FTAs. Their insistence on WTO compatibility refers to the latter option: reciprocal liberalisation of substantially all trade under GATT article XXIV. Then ACP regions continue to benefit from more favourable access to the EU market, but not without reciprocity.

As explained in the introduction of this paper, compatibility with article XXIV was eventually foreseen in article 36(1) of the 2000 Cotonou Agreement: 'In view of the objectives and principles set out above, the Parties agree to conclude new World Trade Organisation (WTO) compatible trading arrangements, removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade.' This article further points out that the new reciprocal trade regime will be introduced gradually during a preparatory period. Article 37 makes clear that Economic Partnership Agreements will be negotiated between 2002 and 2008.<sup>12</sup> Because non-reciprocity à la Lomé would continue during this transition period, another waiver was necessary. During the Doha summit the EU and ACP managed to secure this waiver as part of the package deal that launched the new trade round.

#### *Negotiating a waiver: mission impossible?*

This episode in Doha seems to illustrate the argument that obtaining a waiver for non-reciprocity towards the ACP is a matter of political negotiations rather than legal requirements. Although the legal framework of international trade makes it rather difficult to guarantee a waiver, and although securing a waiver has become even more difficult since the establishment of the WTO, this is not an impossible task for a powerful trade actor such as the European Union. In consequence, the decision on reciprocity stems from political preferences in the EU, rather than from the world trade rules embodied in the WTO.

Several analyses of the post-Lomé trade reforms have confirmed this argument. As Stevens (1999: 9) put it, "The WTO is at the centre of these negotiations because the EU has placed it there."<sup>13</sup> Hurt emphasises that although the WTO rules are presented as fixed and external, in fact they constitute a political construction. WTO compatibility has deliberately been used by EU policy-makers as a strategic argument to justify trade policy reforms in conformity with their own preferences. In the same vein, Ravenhill (2002: 13) argues that the question is not so much whether Lomé was compatible with WTO rules, but rather why the European argumentation in terms of WTO compatibility was scarcely questioned: 'Less important than the accuracy of the logic of the argument that Lomé was incompatible with the WTO, however, is that it was widely accepted throughout the EU and used as the basis for its negotiating mandate on the successor arrangements to the Lomé Convention.'

In this regard, we can also mention the speech by Miguel Rodriguez Mendoza, the then vice Deputy Director-General of the WTO, shortly before the Seattle summit. He stated

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choose to negotiate EPAs with the EU, instead of non-reciprocity under EBA. For an elaboration of these and other considerations, see Faber and Orbie (2007).

<sup>12</sup> If an ACP country decides that it is 'not in a position' to enter into such a reciprocal trade arrangement, the parties will examine 'alternative possibilities' which are in 'in conformity with WTO rules'. In practice this would involve a generous version of the GSP regime, but this possibility has not been used.

<sup>13</sup> See also Dickson's analysis of the banana protocol, which concludes that recent reforms are driven by EU preferences: "trade liberalisation is now firmly entrenched on the European development agenda precisely because the EU has made WTO compatibility such a key factor in new negotiations" (Dickson 2004: 53).

that the WTO does not prevent the EU and ACP from extending the status quo by means of a waiver – as had always been the case under the Lomé Conventions. He further emphasised that the choice for reciprocity had been made by the EU and the ACP countries. The idea that this is imposed by the WTO is based on a misunderstanding (Agence Europe 7604 1/12/1999)<sup>14</sup>.

Is it really so easy to obtain a waiver? The Doha negotiations suggest that this is not impossible, but it should be noticed that when the EU and ACP submitted a waiver request in March 2000, they explicitly argued that this was for a transitional period only, as agreed in the Cotonou Agreement. The major decision on reciprocity as the ultimate objective of future EU-ACP trade relations had thus been made *before* this issue was addressed by the decision-making process in the WTO. Article IX(3) of the WTO Agreement states that a waiver can be granted in ‘exceptional circumstances’. In 2000/2001 it was argued that the transitional period between the Lomé and Cotonou regimes – during which EPAs were to be negotiated – constitutes such circumstances. Thus although it is unclear what the provision of ‘exceptional circumstances’ exactly means – which provides some scope for an interpretation supportive of the ACP – the situation anno 2007 is less favourable than in 2000/2001.

The same observation holds for the decision-making procedure in relation to waiver requests. According to Article IX(3), if consensus is not reached within 90 days, the decision must be taken by three fourths of the WTO members.<sup>15</sup> This is a relatively high threshold, but not insurmountable given the collective voting weight of the ACP and the EU and the latter’s diplomatic clout (cf. Dickson 2004: 53ff). But again the procedure to obtain a waiver would be more complicated today, compared with the previous request. In a footnote of Article IX it is stated that ‘a decision to grant a waiver in respect of any obligation subject to a transition period or a period for staged implementation that the requesting Member has not performed by the end of the relevant period shall be taken only by consensus’. Any prolongation of the existing waiver will thus require a consensus among the members of the WTO.

Thus, one conclusion reads that WTO compatibility is increasingly difficult. Nonetheless, the EU still has a considerable leverage in the WTO and could use this in order to obtain a waiver. As Bassilekin (2007) states, “there can be no implacable hostility to the extension of the waiver, provided that the costs of a request for a new waiver are fully assessed, quantified, and borne by the parties concerned.”<sup>16</sup> There is plenty of room for trade-related concessions by the EU and its 25 member states in the framework of the ongoing Doha Round as well as in its bilateral trade negotiations. It concerns areas such as Mode IV of the services negotiations, trade facilitation, intellectual property rights, ‘Aid for Trade’, fisheries, and of course various aspects of the debate on trade in agricultural products. The Doha summit illustrated that normative arguments in terms of ‘development-friendliness’ can also play an important role (cf. Van den Hoven 2004) in the opposition against reciprocity: the ACP countries themselves (including most LDCs) have been hesitant towards reciprocity while several studies point out that the benefits of reciprocal liberalisation are small or ambiguous. (McQueen 1998; Szepesi 2004) From a development perspective the ‘exceptional circumstances’ of Article IX may be explained as applying to the weak economic position of the ACP. Then, resistance against an EU-ACP waiver would be seen as an assault on the development objectives of the Doha round.

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<sup>14</sup> He does indicate, however, that the dispute settlement case on the banana case has reinforced the ‘negative perception’ of the WTO’s role.

<sup>15</sup> Another hurdle is that waivers will be reviewed annually by the Ministerial Conference (Art. IX(4)).

‘Any waiver granted for a period of more than one year shall be reviewed by the Ministerial Conference not later than one year after it is granted, and thereafter annually until the waiver terminates.’

<sup>16</sup> However, the author adds that the duration of a new waiver will always be limited which will inevitably lead to tariff erosion.



The general point is that obtaining a waiver is largely a political process, despite legal entanglements<sup>17</sup>, and that the EU and the ACP have a relatively strong economic and normative position in the WTO. But is the EU interested in engaging in this debate? This question brings us to the second conclusion: today's legal difficulties in deviating from the reciprocity principle stem from deliberate decisions by EU policy-makers. Europe's choice for reciprocity since the 1996 Green Paper has been anchored in the Cotonou Agreement and in the ensuing waiver that was granted in Doha. Again, this raises the question of the more fundamental reasons behind the EU's preferences for reciprocity.

### *Economic interests, after all?*

Obtaining a waiver carries a price. This is the most obvious reason for the EU's reluctance to continue a trade regime that requires regular waiver requests. Although negotiating a Lomé style waiver continues to be a feasible option, it would imply considerable concessions towards the non-ACP trading partners in the WTO. The Doha summit illustrates this point: a new waiver was only granted after European compensations towards Thailand, Indonesia and the Philippines with regard to canned tuna, and towards the Latin American countries with regard to the banana regime. Given the increased assertiveness of these non-ACP countries and the more difficult legal situation, a new waiver would certainly be more costly than the Doha waiver,<sup>18</sup> involving products such as bananas, sugar, tuna, textiles and beef (cf. Bassilekin 2007).

Many of these non-ACP opponents of a waiver form part of the G20 group of emerging economies such as Brazil, Mexico, Argentina, Thailand, Indonesia, India, and China. Since the launching of the Doha Round the political and economic importance of these countries has only increased. The G20 managed to maintain a relatively coherent and strong profile in international trade policies since its establishment shortly before the 2003 Cancun summit. The group usually takes tough positions in agricultural negotiations vis-à-vis the EU; but its growing markets also offer attractive export and investment opportunities for European manufactured products and services. Therefore these countries have become important trading partners for the EU. Although it would be too simple to speak of a deliberate trade-off, the EU-G20 negotiating dynamics shed light on Europe's abandonment of exclusive and non-reciprocal trade relations with the ACP.<sup>19</sup> Defending the Lomé acquis is undoubtedly costly for the EU, whereas its erosion can only benefit Europe's relations with more significant trading partners in Asia and Latin America.

More generally, it should be noticed that, after the accomplishment of the internal market project, the EU has evolved from a regionalist and introspective trade actor to a global and offensive power in international trade relations. Therefore the EU has much to gain from an international trading regime that is based on free trade, as institutionalised in the WTO (cf. Gibb 2000: 13; Babarinde and Faber 2003: 15-17; Hurt 2003: 174). The interventionist and discriminatory Lomé regime does not fit in this picture. In this regard Kerremans (2000: 140-1) talks about the 'bloc size' effect: since Europe's economic importance has grown, it has more stake in a stable and credible WTO system. Therefore it is important that the EU itself is

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<sup>17</sup> It should be noticed that EPA conformity with GATT Article XXIV is also questionable. Although FTAs are usually presented as a WTO compatible option, they may be problematic from a legal point of view because of the asymmetric liberalisation schemes, limited product coverage and exceptions for a number of products from both sides, and long transition periods (cf. Matambalya and Wolf 2002: 20). Here too there is a certain 'flou diplomatique' around the GATT/WTO rules.

<sup>18</sup> These concessions also led to an erosion of ACP preferences to the European market.

<sup>19</sup> In the process of multilateral and bilateral trade negotiations the EU basically opens its agricultural markets in exchange for G20 concessions in services and non-agricultural products. From this perspective the EU and the G20 share a commitment to reciprocal (albeit hard-fought) market opening.

following the rules of the WTO, since the world trade regime is largely based on voluntary compliance and perceived credibility. This also reduces the risk that other trade actors – especially the US – would engage in too flexible applications of the GATT/WTO rules.

This line of reasoning does not mean that the ACP group was cynically discarded and left to the forces of the free market: through the 1990s European policy-makers became convinced that reciprocity is the best way to stimulate development through trade.

### *Free trade, above all?*

Ideological issues also come into play. Quite simply: how do EU policy-makers think about the relationship between trade and development? The ideological shift in the EU's trade policy towards developing countries has been widely illustrated in the literature. Whereas the first Lomé Convention (1975) was seen as a remarkable (albeit imperfect) application of the demands for a New International Economic Order, the Cotonou Agreement marked the dominance of neoliberal thinking in the EU. The more interventionist 'spirit of Lomé' had already evaporated since the negotiations of Lomé II in 1978-79, but the dominance of neoliberal ideas on EU trade politics manifested itself more radically in the second half of the 1990s (Hurt 2003: 163; Raffer 1999: 128, 134). Holland (2003: 162) talks about a 'paradigmatic departure' and the 'new European ideology' of free trade. In this context Arts and Dickson (2004: 11-12) argue that Europe's development policy has evolved 'from model to symbol': 'Whereas in 1975 the EU was prepared to challenge the prevailing liberal consensus and sign an innovative chapter with the ACP, by the 1990s this was no longer the case.'

Without elaborating on explanations for this ideological shift in EU trade politics *vis-à-vis* developing countries (see Gibb 2000; Brown 2000; Ravenhill 2004; Hurt 2000; Hurt 2004; Arts and Dickson 2004), the role of the following factors are obvious: the general ideological climate since the 1980s, the establishment of the WTO, Europe's changing economic interests, and the failure of the Lomé recipes for development. This last element is particularly important for explaining Europe's ideological shift. The lack of tangible economic progress in the ACP countries, which had received preferential treatment for several decades, gave rise to a belief that a different approach has to be tried. Free trade recipes found fertile soil in the widespread Lomé fatigue among EU policy-makers. Non-reciprocal market access was seen as an obstacle to economic development for preference-receiving countries. The Commission's 1996 Green Paper (pp.17-18) on Lomé trade reforms suggested that liberalisation by the ACP would increase their competitiveness, since it would allow for a transparent transmission of world price signals to domestic producers.

This ideological dimension is closely intertwined with the establishment of the WTO in 1995, and with the EU's globalised economic interests, as described above. But it also stems from a genuine belief that Lomé has failed and that reciprocity provides a promising alternative. Moreover, the post-Lomé reform was inspired by the idea that the European model of regional integration can, at least to some extent, be exported to the South. The successful model of liberalisation on the European continent was mirrored in the six ACP regions.

To some extent, the ideological course of the EU is also reflected in its institutional architecture. The far-reaching delegation of EU trade policy-making to the European Commission explains why the latter – as an agent of the Member States – is generally more favourable towards free trade options. But there are also different approaches within the Commission, with DG Development as a traditional advocate of the ACP countries and DG

Trade focusing with a more global and free trade oriented view.<sup>20</sup> It is noticeable that in 1999 the competence for trade negotiations with the ACP shifted from the former to the latter (cf. Carbone 2007: 55).

The Cotonou negotiations coincided with the high days of this changed thinking on the trade and development nexus. More recently Europe's discourse seems to have changed. In line with the emergence of the post-Washington Consensus (PWC), the EU has increasingly emphasised the aid dimension of trade politics. In the Doha negotiations Europe has supported ambitious 'Aid for Trade' commitments; in its policy towards the ACP it agreed on additional aid disbursements accompanying trade liberalisation, on improvements of the FLEX mechanism, and on compensations for affected banana and sugar producers. But up to now this softer approach does not seem to herald a radical break with the policy choices that are laid down in the Cotonou Agreement.

### **Concluding remarks**

In its recent communication on the contribution of trade policy to stimulating growth and creating jobs in Europe, the European Commission underlines the importance of bilateral trade agreements for the European economy. Based on a number of economic criteria, such as market size and the level of protection against EU exports, some priority countries/regions for Free Trade Agreements are listed: ASEAN, Korea, Mercosur, India, Russia, the Gulf Cooperation Council, and even China<sup>21</sup>. The Commission's justification in terms of European economic interests is remarkably straightforward, compared with previous documents. It is reminiscent of the Market Access Strategy in 1996. However, the ACP group is absent in the Commission's economic calculation. The Commission suggests that the EPAs with the ACP countries do not serve Europe's 'main trade interests' and that development concerns prevail in this trade relationship (European Commission 2006c: 9).

The findings of this paper confirm that the EU's remarkable drive for reciprocity towards the ACP – during the Cotonou negotiations as well as the ongoing EPA negotiations – cannot be explained by Europe's export interests or investment opportunities. This does not simply mean that Europe's claimed development-friendliness prevails. Neither does the argument of WTO compatibility provide a sufficient explanation for the EU's pursuit of reciprocity.

Instead it was argued that economic interests do play a role, but rather in an indirect way. The emerging economies in Asia and Latin America have become a top priority in the EU's external trade policy. Maintaining a non-reciprocal relationship with its former colonies of the ACP – which are largely marginalised in the world economy – would carry significant economic costs for the EU. Although the renegotiation of a WTO waiver is not impossible, Europe's concessions towards the G20 trading partners would be disproportionate with the minor economic importance of the ACP for the European market. Then, economic interests are important in explaining the EU's quest for reciprocity, but not in the way that was anticipated in our initial hypothesis.

While these costs can be seen as a push factor away from Lomé style preferences, the new free trade oriented approach in development thinking constituted a pull factor in the direction of reciprocity. Through the 1990s the belief that mutual trade liberalisation was the best option for development of the South found much acceptance in the EU. This new

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<sup>20</sup> Nevertheless, during the 1990s free trade thinking also gained in importance in DG Development (Elgström 2000; Hurt 2004).

<sup>21</sup> Negotiations with the Mercosur and the GCC have been underway for several years; the negotiation mandates for India, ASEAN and Korea have been approved by the Council in April 2007.

ideological orthodoxy provided a clear alternative in a situation of Lomé *fatigue*, while also corresponding to the idea that Europe’s regional integration project serves as a development model. Institutionally this option has been anchored within the EU (DG Trade in the driving seat) and the WTO (waiver requests for transitional period).

Table 4 summarises several explanations that were addressed in the paper. In doing so, it makes a distinction between Europe’s shift to free trade in the post-Lomé reforms on the one hand, and the EU’s continuing insistence on reciprocity during the ongoing EPA negotiations on the other. Both the legal requirements and the economic costs for the EU seem to have increased since the Cotonou negotiations, explaining why the reciprocity is still central in the EU-ACP talks.

*Table 4: Continuing EU insistence on reciprocity with the ACP: in search of explanations*

	<i>Economic interests</i>	<i>WTO compatibility</i>	<i>Economic costs (waiver) for EU</i>	<i>Political beliefs (ideology in EU)</i>
<b>1995-2000</b> (Cotonou)	Low relevance	Ambiguous/difficult	Significant	Strong ideological consensus
<b>2002-....</b> (EPAs)	Even lower (despite energy)	More difficult (path-dependency)	More significant (G20)	Somewhat mitigated (post-WC)

However, one aspect points to the opposite direction. In recent years the EU’s belief in the virtues of free trade for development has been softened, or at least complemented with a bigger emphasis on flanking measures, transition periods, asymmetric commitments and ‘Aid for Trade’ funding. This changing attitude is in line with the ‘post-Washington Consensus’ which puts more emphasis on aid and the Millennium Development Goals. It also responds to the increased politicisation of international trade politics in general, and the EPA negotiations in particular. But up to now Europe’s choice for reciprocity has not fundamentally been altered. As a global power in world trade, the EU still has much to gain from a global trading system based on the principles of free trade. Moreover, the path-dependent process that was established by the EU during the second half of the 1990s is difficult to turn around, even if the original enthusiasm for trade liberalisation is somehow mitigated. Ironically, the Cotonou trade regime may take the same course as the Lomé regime from the 1970s: although its merits are increasingly questioned its foundations may only gradually erode.

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