

# The EU strategy towards the Developing World

Written by Fiona Cumberland

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## The EU strategy towards the Developing World

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FIONA CUMBERLAND, MAY 21 2010

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### **Critically assess the extent to which the Cotonou agreement marked a change in EU strategy towards the Developing World**

The African, Caribbean, and Pacific states-European Union (ACP-EU) Partnership Agreement, known as the Cotonou Agreement, is a partnership in name, but arguably not in nature. From the formation of the EU and the 'special relationship' it promoted with former colonies, through the rise of neoliberalism and the changes in global trade, the relationship has experienced circumstantial development that cannot be solely attributed to the architects of the relationship. Cotonou is a result of, and a force for change, and the EU's approach is dramatically different in terms of its political and developmental endeavors that more adequately tackle poverty eradication and economic integration. By reflecting on political, economic and development strategies before and after 2000, it is clear that the EU is increasingly seeking to develop ACP countries according to need, regardless of colonial ties, but the historical inequality remains and the EU is very much the dominant partner.

Economic and trade cooperation between the EU and ACP has been the foundation of the relationship since the initial provisions in the Treaty of Rome, and is the major priority in Cotonou despite the elevated importance of political cooperation. The EEC initially sought to increase trade and promote economic development of both EU and ACP countries through free trade agreements, development aid and investment (Bartels, 2007). The first Lomé Convention moved away from the principal of reciprocity in the Yaoundé Conventions in 1975 and saw the beginning of an era characterized by non-reciprocal trade preferences between the EU and ACP partners (Evrensel, 2007, Faber and Orbie, 2007). After 1963, the division of EU-ACP countries into 18 Free Trade Agreements (FTAs) caused Sub-Saharan African economies to suffer, and non-reciprocity sought to protect them from import competition and stimulate development (Faber and Orbie, 2007). In reality, non-reciprocity has not been beneficial; it is discriminatory and therefore incompatible with the Most Favored Nation and National Treatment Principles of General Agreements on Tariffs and Trade (GATT) (McQueen, 1998, Avafia and Hansohm, 2004). This is exemplified by the Banana Protocol of Lomé where the EU allowed preferential access to ACP bananas, and effectively penalized non-ACP exports (Babarinde and Faber, 2003). Successive Lomé Conventions failed to generate sustained economic development, as ACP countries' export performance declined regardless of preferential access to EU markets (Avafia and Hansohm 2004). Cotonou acknowledges the failures of protectionism and radically implements World Trade Organization (WTO) compatibility for legal security of preferences, while preserving preferences for Least Developed Countries (LDCs). This revolutionizes aid as it is specific and need based (McQueen, 1998). Non-LDC's operate within WTO compatible, Regional Economic Partnership Agreements (REPA's) that work towards full trade liberalization and eventually mass integration of ACP countries to the global economy, as outlined in Maastricht. ACP countries are now more capable of coping with economic policies that the EU tried to implement in Lomé, and Cotonou's increased development through political dialogue is promoting change (McQueen, 1998). The instigation of EPAs marks the end of non-reciprocity and an unequivocal change in economic policy between the EU and ACP countries, however the drive for liberalization along with EPA's have been criticized creating potential export markets for the EU, instead of prioritizing ACP development. Reassuringly, the agreement does not discuss the ACP market, instead focusing on political cooperation and therefore reiterating commitment to development. ACP interests focus on economic integration, a failed attempt in Lomé forces the new comprehensive

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structure of Cotonou as economic policy is increasingly fused with political endeavors (Babarinde and Faber, 2003). Cotonou also makes a revolutionary step at integrating its policies into civil society by cooperating with the private sector.

European involvement in the developing world has been driven by political relationships and responsibilities that have changed over time. France's trade with its colonies within the French Union after the war was unsustainable; French markets became saturated with colonial products and global commodity prices declined, and importing goods from outside the colonies was cheaper (Bartels, 2007, Martin, 1995). Despite being economically unviable, it was politically impossible for France to disregard its historical responsibilities and the maintenance of colonial ties was consequently embedded into EU history through the Treaty of Rome and subsequent Yaoundé Conventions (Bartels, 2007, Dinan, 1999). The later Lomé conventions reassessed these principals as the Georgetown Agreement in 1975 consolidated the ACP countries and enabled a more balanced cooperation. Lomé I was a strategic partnership during the Cold War as the USSR and the West sought to secure developing country resources to strengthen their respective positions. The fall of the Soviet Union and the consequential shift in political order saw the political agenda take precedence over economic agreements (Olsen, 1998, Forwood, 2001) Initial attempts at political conditionality in Lomé IV presented questionable motives as it presented potential means to discontinue aid (Olsen, 1998). Cotonou prioritizes political dialogue, making its continued conditionality less threatening as it is expressly motivated by desire for development, deciding that only serious corruption would result in aid termination. Cotonou is also flexible towards countries such as China who seek to improve socio-economic conditions yet are technically undemocratic. This shows the EU's intention to cooperate with countries through increase in political dialogue in order to achieve balanced and sustainable development (Avafia and Hansohm, 2004)

Restructuring and developing ACP countries has been an EU goal that has varied in approach and success since the Yaoundé Conventions. The European Development Fund (EDF) provided African countries with technical and financial aid in the wake of decolonization (Brown, 2000). The later approach to development in Lomé was praised for its equality, mutual respect and interdependence, yet the reality within the ever changing global order and resultant power imbalance between the two blocs prevented a balanced partnership (Brown, 2000, Crawford, 1996). The fall of the Soviet Union heralded a change in EU foreign and economic policy; trade and aid to eastern and central Europe increased and ACP aid declined, demonstrating the realignment of global trading blocs and the emergence of a new era with less emphasis on historical commitments (Forwood, 2001). The oils crisis and collapse in global commodities in 1970s lead to the debt crisis in 1980, resulting in key actors such as the IMF and World Bank initiating the redirection of funds from projects, to 'policy reform' (Flint, 2009 and Brown 2000). The EU's attempt to increase performance through economic conditionality failed, thus political conditionality was introduced in the hope that political stability would result in development. (Flint, 2009, Maxwell and Christiansen, 2002). Cotonou's framework approach to development was radically different insofar as it explicitly defined its purpose to eradicate poverty through sustainable development and economic integration (Babarinde and Faber, 2003). Lomé did not specify an outcome and focused on economic development, however this narrow approach saw total export debt soar, particularly in the 1980's, regardless of provisions such as STABEX and SYSMIN or the assistance from the EDF (Babarinde and Faber, 2003 and Rajana, 1982). Cotonou acknowledges that stipulations in aid relationships typically apply more to recipient countries, demonstrating 'asymmetrical accountability' which would seem to detract from the principal of equal partnership. Lessons from the inadvertent endorsement of the Algerian War in Lomé explain why such conditionality is necessary within a legally binding agreement (Maxwell and Christiansen, 2002). It is also justified on the basis that the conditions will promote development. Cotonou emphasis on equality within the development strategy is somewhat undermined by factors that demonstrate how the ACP countries have been coerced into cooperation throughout the reforms. ACP countries reluctantly accepted reciprocity and concluding on EPAs in 2008 was a contentious issue as ACP leaders believed that regional integration should take precedence over free trade with the EU. Although the ACP countries argue that rapid liberalization could damage their economies, the decisive step by the EU to impose WTO standards and fully integrate the region demonstrates targeted advancement of the bloc, in the hope that free trade will provide greater autonomy (Stevens, 2006, Flint, 2009, and Evrensel, 2000).

The EU's position as a global actor in international trade has undoubtedly impacted on its partnership with ACP countries, and although it is criticized for rapidly implementing trade liberalization, this demonstrates the new

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treatment of ACP countries as an individual trade bloc and reinforces their autonomy. The EU's external trade policy is now prioritizing the emerging economies of Latin America and Asia, demonstrating that the circumstantial developments of the modern economy impact on the relationship too. Colonial ties have somewhat eroded over time, but contrary to the assertion that former colonies are being neglected, the EU is setting clear targets to integrate ACP countries into the world economy through firmly establishing reciprocity and stipulating WTO compatibility. Strengthening regional integration and implementing REPA's, demonstrates goal-orientated initiatives that will initially involve adjustment costs, but will ultimately strengthen the region as an independent actor. This also demonstrates acknowledgement of the previously disregarded ACP countries' desire for regional integration. Cotonou emphasizes political cooperation, representing a comprehensive and dedicated movement towards sustainable economic and social development. Change was inevitable as Lomé expired, but Cotonou heralds a new era of adherence to principals of democracy and equality, and indiscriminately develops countries that need it most.

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