

Chapter 4 Transformation of the Relationship between Africa and Europe: The Cotonou Agreement and the Elimination of the Pyramid of Preferences

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1. Introduction

In June 2000, the European Union (EU) and 77 African, Caribbean, and Pacific (ACP) countries, which had been colonised by European countries, concluded the Cotonou Agreement¹ at Cotonou, the capital of Benin. The two contracting parties renewed the Lomé Convention every five years since it was first signed in 1975. (The Lomé IV was effective since 1990 for 10 years, but it was reviewed in the middle of the period, in 1995. See the chronological table at the end of this chapter.) The Lomé IV then expired in February 2000 and was not renewed as the 'Lomé V' despite the wishes of ACP countries. Instead, the Lomé Conventions were replaced by the Cotonou Agreement, which provides a new framework for trade and development assistance between ACP countries and the EU for the period ending in 2020.

One of the reasons for the termination of the Lomé Conventions, the EU points out, is that they were not consistent with the reciprocity and non-discrimination principles of the GATT/WTO. The EU judged such discriminatively and unilaterally preferential trade treatment given to ACP countries - which were exempted from obligations under the GATT regime - could be no longer viable. Why did the EU prioritise the request for a multilateral framework (GATT/WTO) over its relations with ACP countries, and why did ACP countries accept the EU's policy? What international political and economic situations does this reflect? What implications will the Cotonou Agreement have to future relations between Africa (and ACP countries) and the EU? This chapter is intended to identify the North-South relations between Africa and Europe by investigating these issues.²

This chapter is organised as follows. Section 2 overviews the trajectory of the Lomé Conventions. As there are plenty of past literature on this subject (for example, Maeda (2000) and Takashima (1991)), only those issues which relate to the context of this chapter are pointed out. In section 3, the 1996 Green Paper, which provided the basis for the Cotonou Agreement, issued by the European Commission (EC) will be examined. Subsequently the major provisions of the Cotonou Agreement and its implications will be investigated. Then, the reasons

ACP countries (in particular Africa) signed the Cotonou Agreement - which should have negative implications to the ACP countries compared to the Lomé Conventions - are identified. The recent development of ACP-EU negotiations on the Cotonou Agreement is also reported. In section 4, transformation of the relations between ACP countries, with particular reference to Africa, and Europe will be discussed, and section 5 concludes this chapter

2. Transformation of the Conventions

The Lomé I was signed in 1975 and was renewed every five years: the Lomé II in 1980 and the Lomé III in 1985. In 1990, however, the Lomé IV was concluded with an effective period of 10 years. These Lomé Conventions provided for equal sovereignty between ACP countries and their former colonial powers, confirmed autonomous rights of ACP countries to formulate their development policies and to use of financial assistance, and gave ACP countries favourably discriminative and nonreciprocal access to European markets as well as financial support, i.e. the Stabilisation of Export Earnings (STABEX) system.

The Lomé Conventions, which stipulated the principle of equal status on the one hand and gave one-sided financial assistance and preferential trade conditions to ACP countries, on the other hand, represented the typical North-South relations at that time. Why did Europe sign the Lomé Conventions, which were epoch-making in that they were quite such favourable to ACP countries? Brown (2000), EC (1997) and Raffer and Singer (2001) present the reasons that (i) the need to restrain demand for the realisation of a new international economic order (NIEO); (ii) geopolitical interests at that time (i.e. the Cold War period); (iii) concerns about the securing natural resources triggered by the oil crisis in 1973 and (iv) the need to ensure foreign markets for European products. Brown points out the independence of colonial territories based on the right to independence recognised under the UN system after the World War II and the subsequent state-building process defined North-South relations. The North countries provided development assistance and preferential treatment to not only fulfil their responsibilities as former colonial powers but to contain the South within their camp in the Cold War. For South countries, such relations provided an opportunity to transform 'the right to attain independence' into 'the right to develop'.

After the Lomé II, however, the preferential conditions given to ACP countries began to erode. In the negotiation process of the Lomé II in 1979, different stance towards the preference between ACP and Europe became

conspicuous and the latter became less generous; while ACP countries insisted on expanding the STABEX system, the EC succeeded to introduce the SYSMIN system, which allowed the EC to control the scope and degree of preference. The European side had the sole right to choose whether to provide funds to ACP countries. Subsequently, by the Lomé III the European side controlled the provision of all funds, including those under the STABEX system.

The Lomé IV explicitly supported structural adjustment measures of the World Bank. In particular, the 1996 mid-term review of the Lomé IV incorporated political conditionality into the development assistance for ACP countries. The EU's aid policies were hence matched by those of the World Bank and IMF. The Lomé IV did not require ACP countries to obtain approval from the World Bank and IMF in implementing economic reform programs, which were the conditions required to receive assistance under the Lomé regime. The EU, however, would not in practice provide assistance to ACP countries without the approval of those international financial organisations (Raffer and Singer 2001).

As mentioned above, the essence of the Lomé Conventions is to provide for discriminative trade agreements and assistance. This meant that non-ACP countries were excluded from these agreements and preferential treatment which was given to the former colonies of European countries. After the Lomé II, however, European countries began giving less preferential treatment. Why? Raffer and Singer (2001), among other studies, point out that there were considerations given to new member states (with no relations with ACP countries) joined the EC in 1986, notably Spain and Portugal; the debt crisis of the countries in the South in the 1980s; and the end of the Cold War diminished the political bargaining power that ACP countries enjoyed. This issue is discussed in the following sections.³

3. The Cotonou Agreement and Its Implications

(1) The European Commission's Green Paper

In 1996, two years before the start of negotiations on the Cotonou Agreement in 1998, the EC published the *Green Paper on Relations between the European Union and the ACP Countries on the Eve of the 21st Century* (EC 1997). This green paper presented the stance of the Commission regarding EU-ACP relations at that time and possible options after the expiration of the Lomé IV in 2000. Many of the options were actually reflected in the 2000 Cotonou Agreement.⁴ It is especially worth noting that the Green Paper clearly stated the need to drastically redesign the EU's assistance policies toward ACP countries as the colonial and postcolonial periods came to an end and showed an intension of thee EU to leave the

traditional Lomé regime (EU 1997).

- Effects Brought about by the Lomé Conventions

According to the Green Paper (EC 1997), approximately 94% of total ACP exports to EU markets entered duty-free and without quantitative restriction (100% in the case of industrial products and 80% for agricultural products). In addition, based on the four special protocols for beef, sugar, bananas and rum, ACP countries could export these items to the EU with no quantitative restrictions. Despite this preferential access to EU markets, ACP countries were becoming poorer even compared to non-ACP countries, and the EU thought that the Lomé Conventions were not achieving their intended objectives. As of 1999, 39 of the poorest countries in the world were ACP countries, with their exports accounting for a minor part of the international trade, and they suffered from severe poverty (EC 1997). While imports from ACP countries accounted for 6.7% of the EU market in 1976, that figure was halved to 3.4% in 1997. Also, while ACP countries accounted for 3% of the world trade in 1976, that percentage was decreased to slightly more than 1% in 1997. ACP countries also failed to diversify their export items, with more than 60% of total ACP exports composed of primary products (oil, diamonds, cocoa, coffee, sugar, beef, etc.) (Gibb 2000).

There are, however, some successful cases under the Lomé regime: 21 of the 71 ACP countries saw a success to some extent thanks to the preferential duties approved by the Lomé Conventions (Solignac-Lecomte 2001).⁵ At the same time, some non-ACP countries, mainly East Asian countries, achieved steady growth, increasing their shares in EU markets without receiving any benefits under the Lomé regime. Therefore, it cannot be said that the Lomé Conventions alone has been defective; rather ACP countries may have had their own problems. The Green Paper points out that an insufficient infrastructure, lack of entrepreneurship, low-level materials and human resources as well as savings and investments, and an insufficiently developed financial sector have been responsible for ACP's disappointing performance. Based on this understanding, the paper calls for sound policies to ensure macroeconomic stability, realistic and stable exchange rates, excellent administrative organs and good governance, efficient resource allocation and reliable importing and taxation systems. This recognition provided the basis for the EU's assistance policies toward ACP countries set forth in the Lomé IV Convention and Cotonou Agreement.

- GATT/WTO and the Lomé Conventions

It is clear that trade-related provisions of the Lomé Conventions — specifically, the discriminative and nonreciprocal natures — are not consistent with the Enabling Clauses and Most-Favored-Nation rule of the GATT/WTO. The Lomé Conventions were implemented subject to exemption from obligations under Article IX of the GATT.

The EU inevitably reviewed the Lomé regime because:

- (i) it was unclear whether exemption from obligations under Article IX could be maintained under the WTO system established in 1995 (which has strict dispute settlement system and enforcement measures of sanctions);
- (ii) the margin of preferential duties provided by the EU to ACP countries was eroding due to the promotion of free trade under GATT negotiations⁶; and
- (iii) the new subjects, such as investment, the environment, and competition policies (the so-called 'Singapore Issues'), would be more important in international trade (Maeda 2000 and Gibb 2000). Particularly with regard to the (i) above, as reflected in the United States' criticism against the Banana Protocol, the Lomé Conventions exerted bad influence over not only non-ACP developing countries but also developed countries in the economic globalisation and complication of capital and production networks built across national borders⁷. As such it appeared that the Lomé regime could not be maintained over the long term.

- Shift to East European and Mediterranean Countries and Economic Cooperation outside the Areas

Besides the economic crisis during the 1980s, the reasons for the ACP's decline include that the EU shifted its focus of interest in from ACP countries to East European and Mediterranean countries. Accordingly, the EU began to give substantial financial assistance to these areas. For example, Poland has been the largest recipient of EU's financial assistance since 1997, and the top ten recipients of the EU assistance were all East and Central European and Mediterranean countries (OECD 2001). This directly reflected the interest of France in the Mediterranean area as well as the interest of a reunified Germany in East Europe (Gibb 2000; Maeda 2000).⁸ These trends implied a substantial change in the EU's development assistance policies within broader shifts of the EU towards the market and monetary unification promoted throughout the 1990s and the expansion of the EU by the accession of Eastern European countries in May 2004 (Maeda 2000).

Also, in the worldwide resurgence of interests in regionalism in the 1990s onwards, including the Treaty of Maastricht in 1992, the EU has concluded trade

agreements with Latin America, including Mexico (a member of the North American Free Trade Agreement), Southeast Asia, Mediterranean countries and Eastern Europe. In addition to the aforementioned erosion of the margin of preferential duties to ACP countries due to the Uruguay Round, economic cooperation between the EU and developing countries, including non-ACP countries, based on free trade agreements (FTAs) also made the Lomé Conventions less significant.

The Green Paper clearly states that the Lomé regime would not be suitable for EU-ACP relations in the 21st century, and that the international trade environment is urging the EU to alter the Lomé regime. The progress of international trade liberalisation questioned the preferences for ACP countries. Moreover, in light of the philosophy of neoliberalism, on which the structural adjustment policies by the World Bank and the IMF stood, the Paper believed the Lomé Conventions were incompatible with the multilateral trade systems represented by the WTO.

(2) Elements of the Cotonou Agreement

On 23 June 2000, at Cotonou, the economic capital of Benin, 77 ACP countries and 15 EU member states signed the Cotonou Agreement, which replaced the Lomé Convention. The Agreement comprises six parts with 100 articles, and the effective period is set at 20 years (with revisions in every five years during the period). The main features of the Agreement are as follows.

i) Recognition of diversity and regionalisation

In determining the priorities of and measures for economic cooperation, the EU will attribute importance to situations peculiar to the target countries and areas, including their economic development situations and long-term development strategies. However, the basic policies of promoting the development of private sectors and regional integration, which is a key to the integration of ACP countries into the world economy, will be maintained. Under the Agreement, the EU will promote relations with individual areas and countries of ACP, not with ACP countries as a whole.

ii) Compatibility with WTO rules

As mentioned before, compatibility with WTO rules is repeatedly referred to. To this end, the EU and ACP countries will pursue the enforcement of '(regional) economic partnership agreements' (EPAs/REPAs, explained later). During the transition period, the preferential conditions granted to ACP countries under the Lomé regime will be maintained. The Agreement provides for the establishment of reciprocal free trade areas between existing customs unions or those to be

established in ACP countries and the EU through EPAs⁹. In the same token, the STABEX and SYSMIN systems, which are nonreciprocal preferential systems under the Lomé regime, will be abolished, and the special protocols will be reviewed. The fact that the preferential systems contributed little to the industrialisation in ACP countries justified the discontinuance of these systems by the EU.

iii) Strengthened conditionality

Economic and political conditions will be imposed on individual assistance projects to be implemented under the Agreement. The EU will not automatically give assistance to ACP countries; the provision of assistance will depend upon the performance of the ACP side in terms of respect for human rights, compliance with democratic principles, governance by laws, institutional reforms, utilisation of resources, reduction of poverty and measures to achieve sustainable development. The EU could suspend the provision of assistance depending when necessary. Assistance programs will be designed for individual ACP countries based on country cooperation strategies, and a size of aid budget will be determined accordingly. The EU will initially give assistance to ACP countries for five years, and depending on the performance of these countries, the EU will decide whether to increase or decrease the amount of financial assistance every five years.

The Lomé Conventions are characterised by ideological neutralism while the Cotonou Agreement allows the EU to intervene into politics and economy of ACP countries through assistance. This implies that the EU has the sole right to choose whether to give assistance, and the possibility that the EU will make arbitrary decisions based on this advantageous position cannot be denied.

iv) Participation of the private sector and civil society in the development process

Poverty reduction measures, which are the main target of the Agreement, shall involve reforms in sectors of politics (via regional cooperation), economy (through private sector development, structural reform and reforms in individual industrial sectors), social (with particular reference to younger generations and equal opportunity), cultural and environmental aspects. When it comes to conducting development projects in ACP, the agreement calls for provision of relevant information to local civil societies and approval from them to ensure the participation of local stakeholders.

- Economic Partnership Agreements (EPAs/REPAs)

There are only two measures available to make the preferential trade system under the Lomé regime compatible with WTO rules: (a) to extend the

discriminative (preferential) treatment given to ACP countries to all developing countries (compatibility with the Enabling Clause) or (b) to establish reciprocal free trade agreements between the EU and developing countries (compliance with Article XXIV of the GATT). The Cotonou Agreement has chosen the latter: the establishment of economic partnership agreements (EPAs) and regional economic partnership agreements (REPAs) (Gibb 2000 and ACP-EU 2000).

EPAs and REPAs are combinations of (i) the establishment of free trade areas between the EU and ACP countries which involves phased elimination of trade barriers against the EU products and (ii) assistance to ACP countries by the European Development Fund (EDF) and European Investment Bank (EIB) (see below). The Cotonou Agreement provides for establishment of EPAs between the EU and individual ACP countries or regional integration schemes among ACP members by January 2008 at the latest, while the ACP side can choose whether to establish any EPAs/REPAs with the EU.

EPAs/REPAs will exert great influence over ACP economies, particularly Africa, whose exports and imports depend largely on the EU economies. EPAs/REPAs aim to promote the further integration of ACP to EU economies, to further liberalise ACP economies, to promote regional integration within the ACP group and to give EU companies freer access to ACP markets (ECDPM 2001). All of these objectives are compatible with the WTO regime indeed. Optimistic views expect that EPAs/REPAs will ensure investment flows to ACP countries by European companies as well as the trade liberalisation process of the ACP side, and will accelerate structural reforms of ACP economies through financial assistance from the EU. There are, however, risks also expected. First, as African governments depend largely on customs duties as tax revenue, a sharp decrease in customs duties imposed on EU products will inevitably degrade Africa's short- and medium-term fiscal situation. Second, at least in the short term, the less competitive African industrial sector may probably suffer substantial damages. Although the adjustment costs for this is to be covered by financial assistance from the EU, judging from the past performance of EC assistance under the Lomé regime, it is unclear whether the assistance would be implemented fully under the EPA scheme.¹⁰ Third, there is a concern that special trade relations between Africa and the EU under EPAs could be maintained like the one under the Lomé regime, and that this could reduce incentives for Africa to diversify their export destinations. Fourth, Africa may focus more on the acquisition of preferential trade conditions from the EU than on multilateral trade negotiations (ECDPM 2001 and JETRO 2001).¹¹

- Elimination of EU Pyramid of Preferences

Regardless of whether EPAs/REPAs are signed, ACP countries will be deprived of their traditional privileges of receiving special, discriminative treatment. In case they sign partnership agreements, the possible influence of EPAs/REPAs are substantial to them as discussed above. Then what will happen to ACP countries if they choose not to go EPAs/REPAs way? The scope of influence will differ between least less-developed countries (LLDCs) and less-developed countries (LDCs). Table 1 shows the EU pyramid of preferences often used to illustrate the Lomé regime. Countries in the upper hierarchies have freer access to EU markets. Under the Cotonou Agreement, LLDCs outside of EPAs/REPAs will be classified under the Super GSP (General System of Tariff Preferences) category and will continue to receive nonreciprocal trade preferences granted under the Lomé regime. The special protocols will be discontinued, though. On the other hand, LDCs, which are on a higher income level than LLDCs, will be classified under the GSP category.¹² Neither of the two groups, however, will be eligible for assistance from the EDF and EIB to be provided under EPAs/REPAs. It is important to note that ACP countries classified under the Super GSP and GSP categories will receive the same trade preferential treatment as that provided by the EU to non-ACP LLDCs and LDCs. This means that ACP countries will not be able to receive discriminative treatment unless they conclude EPAs/REPAs. Thus ACP countries will be demoted from their status granted under the Lomé regime, which will involve substantial shifts in ACP-EU relations.

- Assistance from the EU

Under the Cotonou Agreement, the EU is committed to providing €24 billion in financial assistance to ACP countries over the first seven years, which, however, includes the €9.9 billion that should have been provided under the eighth EDF pursuant to the Lomé IV in February 1997.

Regarding the assistance system for ACP countries under the Cotonou Agreement, the ACP side points out several problems, e.g. Tshimbulu (2002). As mentioned in the section (2)-(iii) on strengthened conditionality, the EU side will dominantly choose whether to give assistance to ACP countries based on an evaluation of ACP reform performance. The problem, however, is that the evaluation criteria themselves represent the goals that should be attained through the assistance. Judging from past experience, there is no guarantee that the ACP side will be able to meet the evaluation criteria and receive assistance in

predictable manner. Also, the criteria and evaluation procedure have yet to be established. Some ACP countries depend heavily on European assistance for their fiscal revenues, and in view of the fact that 75% of the financial assistance committed under the eighth EDF has yet to be provided and hence it is unclear whether financial assistance will actually be given, ACP countries may face difficulties to formulate long-term fiscal and development plans.

(3) Why Africa Signed the Cotonou Agreement?

For ACP countries, including Africa, the terms of the Cotonou Agreement are far less preferential than those of the Lomé Conventions. Then why did they accept the conditions proposed by the EU? Basically, African countries chose to sign the Cotonou Agreement as defensive measures because the Agreement was less harmful than other options.

First, Africa inevitably depends on existing strong economic relations with Europe. As shown in Figure 1, the EU has accounted for almost 50% of the total export destinations from Africa since the conclusion of the Lomé I. This means that Africa failed to diversify its export destinations over the past 25 years. Also, major parts of sources of direct investment and exports to Africa are also accounted for by the EU (Figure 2). In addition, because of Europe's geographical proximity and of expected increase in investment from Europe triggered by EPAs/REPAs, Africa will have no choices but to depend on the EU in the future. For Africa, in which most sectors are less competitive than other developing areas, maintaining special, discriminative access to EU markets is indispensable¹³.

Second, there are political and symbolic implications. As leaders of ACP countries, including Africa, tend to attribute more importance to political links with the EU (and its member states) than to sovereignty on their own trade policies, they prioritised relations with the EU by concluding EPAs/REPAs (ECDPM 2001). There is a fear that a rejection of the agreements by an ACP country may end up seeing a reduction of EU assistance. Also, many African leaders rely on certain domestic interest groups for their political support and, therefore, it appears to be essential to maintain his/her legitimacy by maintaining relations with Europe, mainly former colonial powers.

Third, the Cotonou Agreement and EPAs/REPAs support the ongoing regional integration efforts in Africa. The EU encourages ACP countries to form regional integration schemes among themselves as counterparts of EPAs/REPAs.¹⁴ The EU deems regional integration to be in line with the expansion of the EU and indispensable in maintaining stability of Europe and has been

vigorously promoting regional integration in surrounding areas, including Mediterranean countries, e.g. the Arab Maghreb Union established in 1989 (Watanabe 2003). In African context, Africa aims to attain its final goal of integrating into the global economy (which could not be achieved under the Lomé regime) through phased steps: first by regional integrations among countries with similar level of development involving less adjustment cost (during the transition period before the full enforcement of EPAs/REPAs); and followed by full implementation of EPAs/REPAs.

In Africa, various regional integration schemes have been established or reactivated since the 1990s. The Organisation of African Unity (OAU) aimed to deepen regional integration within the continent and expand the integration to Africa-wide in the future by concluding the Lagos Plan of Action in 1980 and the Abuja Treaty in 1990 (TICAD II 1998). In the 1980s, however, due to a stagnant African economy, the countries hesitated to participate in regional integration which inevitably involve (even small) initial adjustment costs. Subsequently Africa faced a fear of marginalisation in the globalising world economy in the early 1990s, and the signing of the Treaty of Maastricht in 1992. These developments encouraged African countries to go regional integration way. However, while some integration schemes such as the East African Community gradually achieved successes in expanding intra-regional trade from the late 1990s, many other integration processes have seen no substantial progress due to a lack of consensus between interested member states even though they do recognise the necessity (ACP-EC 2003; Watanabe 2000). Under these circumstances, support from the Cotonou Agreement of regional integration in Africa appears to be attractive to the African side to accelerate integration process through EPAs/REPAs.¹⁵

(4) Developments in Negotiations for EPAs/REPAs

Started in September 2002, negotiations for EPAs/REPAs have been conducted in six areas (i.e. legal issues, development, agriculture and fisheries, service, market access and trade-related issues) between ACP countries and the EU (ACP-EC 2003). By October 2003, the two parties have agreed on three issues regarding the objectives and principles of EPAs: (i) improving predictability and transparency of trade arrangements made under partnership agreements and promoting the development of ACP countries through increased investment and the efficient mobilisation of private resources; (ii) prioritising support to existing regional integration schemes within ACP countries (with particular reference to harmonising

rules and regulations of member countries) over the ACP-EU integration; and (iii) maintaining ACP countries' preferential access to EU markets while giving consideration to compatibility with WTO rules - although reviewing the special protocols of the Lomé Conventions is inevitable.

As of February 2004, however, nothing has been decided on any of the specific issues in the six fields. For example, for market access, while the two parties agreed on responding flexibly to the range of items to be covered by EPAs/REPAs as well as to setting the transition period, expert committees have failed to present specific proposals on this issue. But as for industrial and agricultural products, an agreement has been reached for the establishment of safeguard clauses, and relevant issues will be individually discussed in the EPA/REPA negotiations. Incorporating safeguard clauses is expected to facilitate the realisation of EPAs/REPAs by providing ACP countries with a tool to persuade domestic protectionist sectors.

4. Transformation of Africa-Europe Relations: New World Economic Order and Liberalism

The replacement of Lomé regime with the Cotonou regime can be understood as a part of the essential changes made to the international economy and as well as a restructuring process of the North-South relations promoted. Under the Lomé regime, ACP countries were given equal sovereignty to the EU, the right to make their own decisions on development policies and the use of financial assistance, nonreciprocal access to EU markets and funding for the stabilisation of export income. These privileges, however, increasingly eroded in the process revising the Lomé Conventions. By the Lomé III, in particular, the EU increased its influential power and imposed conditionality of political and economic reform in ACP countries on its assistance programme. This implies that international economic relations as well as economic policies and development strategies within the South appeared to be increasingly determined by the North's liberalist regime (Brown 2002). The EU's assistance programme became compatible with the policies of the World Bank and IMF and WTO regime. Under these trends, the position of the South countries in the international system, their relations with the North countries and their sovereignty are all being re-organised.

(1) Decline of Africa and Intervention by the North

These situations were not brought about only by changes in the external

environment. Indigenous problems in the South have also contributed to the decline. Due to a worldwide depression in the 1980s, developed countries increasingly took protectionist policies, and the South's move towards NIEO lost vehicles. Meanwhile, many South countries were in a debt crisis, and the EU shifted its focus of assistance to Central and Eastern Europe and Mediterranean region following the end of the Cold War. Accordingly, ACP countries, Africa in particular, suffered a relative decline in their political and economic status. Under these circumstances, the South countries, inevitably lost bargaining power, and saw increasing dependence on the EU (Maeda 2000 and Tshimbulu 2002).

The EU's increasing influence over the domestic policy making of ACP countries meant that their right to decide on their own development policies confirmed by the Lomé I has been violated and that 'the collective right to intervene' began to gain its ground at global level (Forwood 2001). Intervention in the macroeconomic policies of developing countries was already observed in the 1980s, including the conditionality imposed by the World Bank and IMF on their structural adjustment facilities. In the 1990s when the ideological conflict between the East and West ended and democracy was being introduced in the former socialist countries in Europe, South America and Africa, political intervention with other countries in humanitarian crises and serious oppression of human rights began to be legitimated.

(2) Fordism and Globalisation

Gibb (2002) argues that the shift from the Lomé regime to the Cotonou regime is associated with the transformation from Fordism towards multilateralism facilitated by globalisation. Under the regime where Fordism was prevalent and developing countries provide primary commodities and markets with developed countries which produced mass-manufactured industrial goods, the Lomé regime in a sense brought about stability and predictability to the economic situation in the 1970s. This was allowed by the interventionism which regulated markets by means of special commodity protocols, the STABEX, SYSMIN and discriminative, preferential trade treatment. In the 1980s, however, after the oil crisis in the 1970s had calmed, the strategic importance of developing countries decreased due to a decline in the international prices of primary commodities. Accordingly, the significance of the Lomé regime, under which the EU strengthened its relations with ACP countries, decreased as discussed in the previous section.¹⁶ At the same time, thanks to the world-wide trend of deregulation led by the conservative governments in the U.S. and Britain, multinational companies began to procure

and produce capital, labour and resources on a global scale, taking advantage of the phenomena of globalisation including drastic reduction of costs for communication and transportation achieved through technological renovation. The GATT/WTO regime is designed to establish a more flexible and liberal economic system which is indispensable in the globalisation of the world economy, and the regime reflects the interest of major world economic powers indeed.

(3) Lifting Discriminative Treatment and Division of the South Countries

The EU with an intension to be compatible with multilateralism has made it clear that it would abolish the discriminatively preferential treatment of ACP countries in the Green Paper and the Cotonou Agreement. What does this imply? The abolishment allows Europe to liberate themselves from colonial legacy by denying the special status given to the ACP group under the Lomé regime. This was made possible partially because the strategic importance of ACP countries declined as already mentioned. In addition, aid donors in the North were frustrated by the fact that past aid programmes including the Lomé Conventions failed to achieve development and were suffering from so-called 'aid fatigue' (Brown 2002). As ACP countries have failed to show substantial successful results, the EU can no longer respond to ACP's demands for increased financial assistance and special treatment in the international community. The conventional approach to development assistance (which was a reflection of de-colonisation process) began to be regarded as a stumbling block against the liberalisation of the international economy and politics, and faced the necessity of a substantial revision.

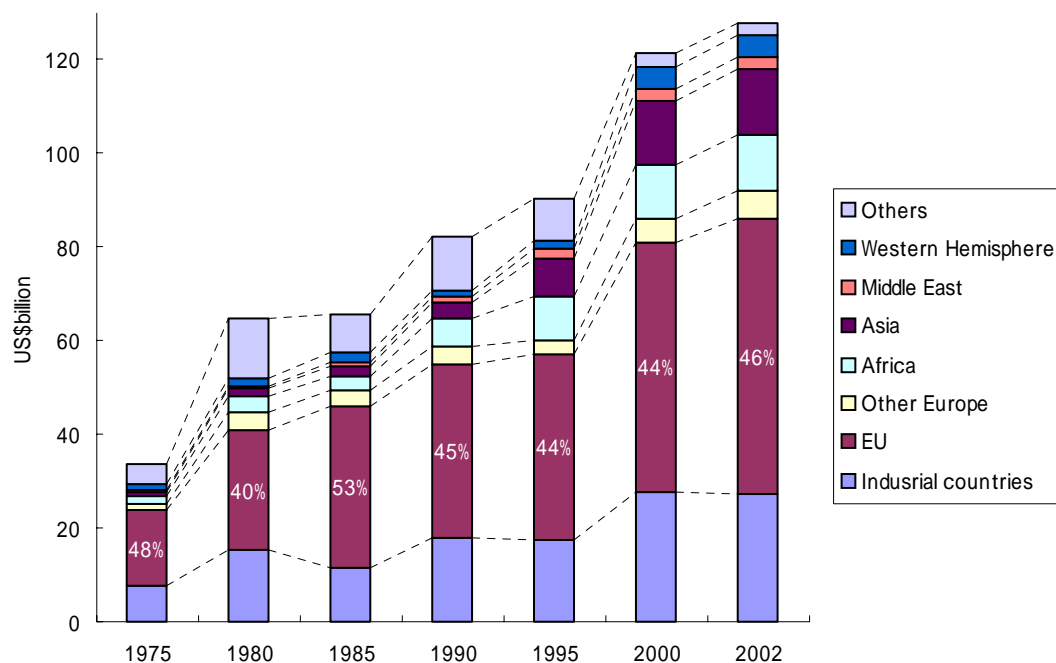
EPAs/REPAs under the Cotonou Agreement could lead to a division of ACP countries. Unlike the collective agreements made under the Lomé regime, EPAs/REPAs will be contracted between the EU and individual regional integration schemes and countries of ACP. Accordingly, each EPAs/REPAs will reflect the individual situations of the contracting parties and may differ by country and scheme. As a result, ACP countries, which include countries of diverse development levels and interests, could be further divided, and their negotiation capabilities may decrease. If so, the EU could select specific ACP countries (African countries in particular) as new components of peripheral area of a new 'greater EU'. As a result, the ACP is likely to see further erosion of its substance as an entity, unless ACP countries themselves identify the merits and effectiveness of the group.

5. Conclusion

The movement of the South countries demanding the NIEO in the 1970s reached its peak by the conclusion of the Lomé Conventions. Subsequently, however, the status of the South countries began to decline in the midst of changes in the global political and economic environment. The preferential conditions granted to ACP countries gradually eroded, and the Lomé Conventions has ended up with the replacement with the Cotonou Agreement. This, in a sense, implies a restoration of multilateral liberalism, on which developed countries constructed international systems immediately after the end of World War II.

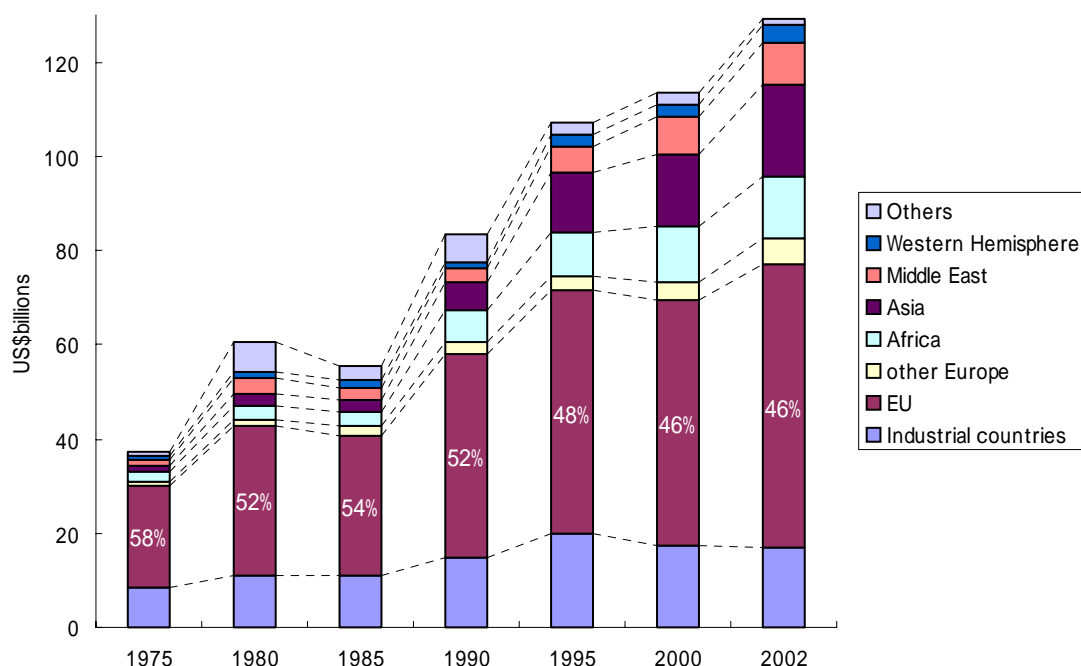
On the other, the world sees new efforts to integrate the North and South, namely the Free Trade Area of Americas which covers the entire Western hemisphere and the Cotonou Agreement. It appears that the North countries are taking initiatives in new regionalism in the 1990s onwards in addition to promoting the GATT negotiations and the WTO system. Multilateralism and regionalism are not incompatible with each other; rather the both can be regarded as tools of the North countries to realise their interests.

Figure 1: Areas Importing Goods from Africa: 1975–2002



Source: Direction of Trade Statistics Database, IMF

Figure 2: Areas Exporting Goods to Africa: 1975–2002



Source: Direction of Trade Statistics Database, IMF.

Table 1. EU Pyramid of Trade Preferences

SCHEME	TARGETED COUNTRIES
EU	15 EU member states
Lomé Conventions	ACP countries
EEA and customs union	(EEA) Norway, Iceland, and Liechtenstein (Customs Union) Turkey, Principality of Andorra, Cyprus, Malta, and San Marino
Free trade agreements and EPAs	Countries with which the EU has concluded FTAs (Mexico, South Africa, etc.)/Countries with which the EU has concluded Association Agreements (Mediterranean countries and others)
Super GSP	Least less-developed countries (LLDCs)
GSP	Less-developed countries (LDCs)
Most-favoured-nation treatment	United States, Japan, Canada, Australia, New Zealand, Hong Kong, Taiwan, Singapore, and South Korea

Appendix: Chronological table

April 1951	Treaty of Paris signed
March 1957	Treaty of Rome signed (EEC established subsequently in 1958)
July 1963	Yaounde Agreement signed
March 1964	First UNCTAD General Assembly held; Prebisch Report

July 1967	Second Yaounde Agreement signed
In the 1970s	Non-Aligned Movement—increasing demands for NIEO, regional integration boom in Africa and its setback
January 1973	United Kingdom, Ireland, and Denmark joined the EC
October 1973	First Oil Crisis
October 1973	Negotiations for the Lomé Convention started
February 1975	Lomé I signed
September 1975	UN Resolution on Development and International Economic Cooperation made at the UN General Assembly Special Session
October 1979	Lomé II signed (second Oil Crisis in the same year)
January 1981	Greece joined the EC
December 1984	Lomé III signed
January 1986	Spain and Portugal joined the EC
November 1989	The Berlin Wall collapsed
December 1989	Lomé IV signed
In the 1990s	Resurgence of regional integration efforts in Africa
February 1992	Maastricht Treaty on European Union signed
June 1992	UN Conference on Environment and Development held (in Rio de Janeiro)
January 1993	European Union (EU) established and a single market started
June 1993	World Conference on Human Rights held in Vienna
January 1995	WTO established, and Australia, Finland, and Sweden joined the EU
September 1995	World Conference on Women held in Beijing
November 1995	Euro-Mediterranean Conference held in Barcelona, targeting the Europe-Mediterranean free trade area by 2010
1996	<i>Green Paper on Relations between the European Union and the ACP Countries on the Eve of the 21st Century</i>
September 1998	Negotiations started for the Cotonou Agreement
June 2000	Cotonou Agreement signed
January 2001	European monetary union started
January 2002	Circulation of Euro
July 2002	The African Union established
December 2002	accession of ten countries to the EU formally decided at the European Council meeting in Copenhagen

Footnotes

1. The official name of the Cotonou Agreement is ‘the Partnership Agreement between Members of the African, Caribbean and Pacific Group of States of the One Part, and the European Community and Its Member States, of the Other Part’. The original English document is available at the European Commission’s website.
(http://europa.eu.int/comm/development/body/cotonou/agreement_en.htm).
Japanese translation of the document is available from the Japan External Trade Organisation (JETRO 2001).
2. This chapter will not deal with the details of the Lomé Conventions; Part Four

(Association of the Overseas Countries and Territories) of the Treaty of Rome (the EEC Treaty), which is the predecessor of the Lomé Conventions; and the Yaounde Agreement. For details of these, see Takashima (1991) and Maeda (2000).

3. Many of the previous studies on the Lomé Conventions were conducted applying the following approaches: (1) dependency theory; (2) theory of modernisation; or (3) theory of interdependency. Based on the dependency theory, the control and management of the South by the North, namely, colonial economic relations, will never change. The provision of preferential treatment through systems like the STABEX strengthened the monoculture economy of the South, and the international vertical division of labour had not changed between the core and peripheral area. Rather, the dependence of the South on the North was strengthened through financial assistance from the North. According to the theory of modernisation, the Lomé Conventions allowed the South countries to become independent from their respective former colonial powers and to form equal relations with groups of countries. Their economic relations and diplomatic policies will be further integrated and, at the same time, diversified. According to the theory of interdependency, relations requiring economic assistance, political dialog, and regional politics were formed from imperialistic economic relations. ACP-EU relations under the Lomé Conventions are explained as interdependent relations between the EU, with its political and military advantages, and the South countries, with their advantages in resources. Gibb (2000) argues that these approaches, however, appear to be no longer viable to explain ACP-EU relations after the conclusion of the Lomé Conventions, judging from the content of the Lomé IV and the Green Paper. Instead, an approach based on the regulation theory can be adopted. According to Gibb, Lomé Conventions are products of a development-oriented Fordism based on economic and social protection and government intervention, and have been threatened by neoliberalism, which is the driving force towards post-Fordism.
4. The Green Paper specifically showed the policy options that would be available after the conclusion of the Lomé Conventions. The Cotonou Agreement had already been signed at the time this chapter was written, and the options are analysed in detail in previous studies, including Maeda (2000). See these studies for details.
5. Examples of such success include Mauritius, Zimbabwe, Mali, and Madagascar in the textile sector; Ghana and Swaziland in the furniture sector; and Kenya in the sector for horticultural crops

6. The Uruguay Round reduced EU common tariffs from 10–12% in the early 1970s to 3–4% (Gibb 2000).
7. For the banana-related issue and the decision made by the WTO, see the following website:
www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_ec_bananas_e.htm
8. The countries which joined the EC and EU in the 1980s afterwards had never colonised ACP countries, and hence these new member states were sceptical about the assistance to ACP countries under the Lomé Conventions (Gibb 2000; Brown 2002; JETRO 2001).
9. For LLDCs, however, the special treatment will be maintained without reciprocal trade liberalisation.
10. The inefficient assistance system of the EC has been criticised by its member states. For example, it took 15 years for financial assistance under the Lomé I to be completed in 1990. Only 64% of the financial assistance that started in 1985 under the Lomé III was completed only in 1992 (Geenidge 1997). Also, under the eighth EDF €9.9 billion out of the pledged €14.6 billion were not disbursed in practice (Watanabe 2003).
11. Apart from these negative influences, there was some doubt about the feasibility of EPAs because the levels of customs duties and trade barriers differed among ACP countries and because these countries lacked the human, financial and institutional capabilities required for regional integration within the ACP group (JETRO 2001).
12. Under the Lomé Conventions, 94% of ACP products received preferential treatment, but that percentage declined to 54% in the case of GSPs. Agricultural products in particular are not included in the 54%. Furthermore, the rules of origin will be applied more strictly. This means that ACP countries will be subject to see rather large disadvantageous conditions as compared to those granted under the Lomé Conventions.
13. As an econometric analysis tool to identify the determinants of trade flows between two countries, gravity models has been often used in previous studies, e.g. Foroutan and Pritchett (1993), Montenegro and Solo (1994), Elbadawi (1997) and Watanabe (2000). All of these studies concluded that geographical proximity between two countries will exert statistically significant positive influence over trade flows in addition to their economic sizes.
14. In negotiations for the Cotonou Agreement, the EU limited its prospective counterparts in future EU-ACP trade agreements to regional integration schemes within the ACP area, including the East African Community and the

Economic Community of West African States in order to conclude Regional Economic Partnership Agreements (EC 1997). In the final draft of the Cotonou Agreement, however, bilateral EPAs are also made available.

15. There are sceptical views about the effectiveness of REPAs in promoting regional integration in Africa. Gibb (2000) contends that cases in southern Africa suggest the possibility of the REPA inhibiting the movement towards regional integration in the area. The EU concluded an FTA with South Africa (SEFTA) in 1999. South Africa, however, is a member of the Southern African Customs Union (SACU) with Botswana, Lesotho, Namibia and Swaziland (BLNS), which is the most successful customs union in Africa in eliminating trade barriers among themselves. In theory, common tariffs of the SACU will be imposed on EU products imported duty-free into South Africa if they are transferred to BLNS, with which the EU has not concluded FTAs. In view of limited human and other resources and of technological restrictions, however, it is not realistic for BLNS to establish customs houses on the borders with South Africa and implement taxation procedures for trade within the SACU area. Even if an effective system can be established for such implementation, it hinders integration promoted through SACU. The SEFTA, therefore, will practically cover BLNS as well. In addition, all SACU member states also belong to the Southern African Development Community (SADC), which includes non-developing countries (Mauritius, Seychelles, and Zimbabwe). Although the EU needs to conclude EPAs with these countries pursuant to the Cotonou Agreement, there are 6 LLDCs in the SADC, which are eligible for Super GSP. Institutional improvements, however, have yet to be made within the SADC, and it cannot be expected that common tariffs will be introduced to member states. There is, therefore, the possibility that four different trade systems will coexist between the southern African areas and the EU: (1) SEFTA; (2) expansion of SEFTA to BLNS; (3) individual (and reciprocal) EPAs with Mauritius, Seychelles, and Zimbabwe; and (4) nonreciprocal trade agreements between the EU and LDCs of the SDAC. If the trade systems between southern Africa and the EU are thus divided, it will be a great hindrance to further promotion of regional integration in the area.

16. The establishment of the Lomé Conventions and Part Four (Association of the Overseas Countries and Territories) of the Treaty of Rome (EEC Treaty), which provided the ground for the Yaounde Conventions, the predecessor to the Lomé Conventions, was intended by France in order to ease French colonies' demand of independence, against other EEC member states' scepticism and/or objection.

Therefore, the conventions could be understood as a means for France and even Britain to contain their former colonies (Brown 2000 and 2002 and Sato 1998).

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