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Tutor: Maximilian Conrad

# **A New Approach to EU-ACP Cooperation**

**The Shaping, Negotiation and Implications of the Cotonou Agreement**

Ingela Bladh

# Abstract

On 23 June 2000, the EU and the African, Caribbean and Pacific (ACP) states signed the Cotonou Agreement, a trade and aid agreement which represents a new approach to EU-ACP cooperation. For instance, it provides for the non-reciprocal trade preferences previously enjoyed by the ACP states to be replaced with regional free trade agreements. The aim of this essay is, firstly, to examine the EU's motives behind introducing the innovations of the Cotonou Agreement, and secondly, to analyse how the EU managed to force them through in the EU-ACP negotiations despite resistance from the ACP states. Thirdly, the potential implications for the ACP states of the new liberal trade regime that the Cotonou Agreement entails will be examined. The EU's motives behind introducing the innovations of the Cotonou Agreement will be analysed from the perspectives of neo-liberal institutionalism and weak cognitivism, while the theoretical perspective used to analyse the EU-ACP negotiations on the Agreement will be power-based regime theory. Finally, by examining the potential impact of the new trade regime on the development of the ACP states, the essay will test liberal theories of economic development.

*Keywords:* Cotonou Agreement, EU-ACP cooperation, rationalism, cognitivism, neo-liberalism

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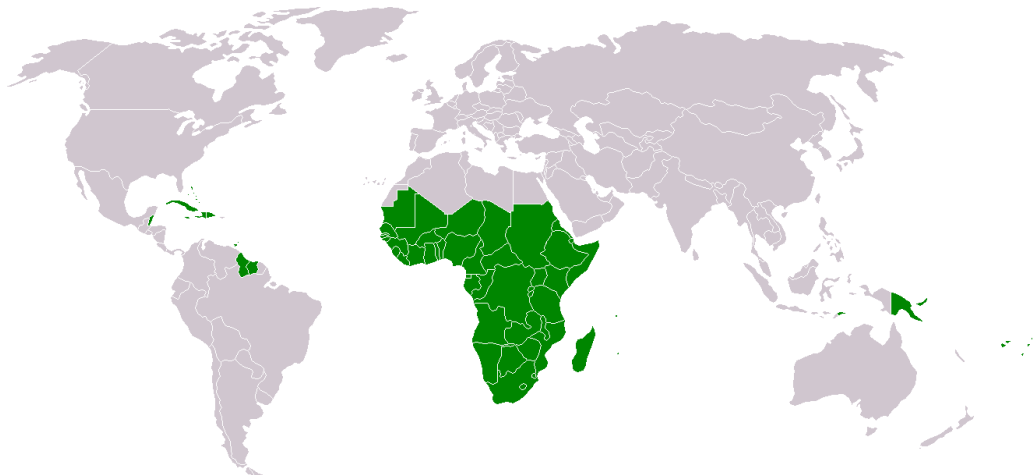
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# List of Abbreviations

AAMS	Association of African and Malagasy States
ACP	African, Caribbean and Pacific
AIDS	Acquired Immune Deficiency Syndrome
AOCT	Association of Overseas Countries and Territories
CAP	Common Agricultural Policy
DG	Directorate General
EC	European Community
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EEC	European Economic Community
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
HIV	Human Immunodeficiency Virus
LDC	Least Developed Country
MFN	Most Favoured Nation
NIC	Newly Industrialized Country
OPEC	Oil and Petroleum Exporting Countries
SIA	Sustainability Impact Assessment
STABEX	System for the Stabilization of Export Earnings
SYSMIN	System for the Stabilization of Mining Products
WTO	World Trade Organization

# The ACP States



(Wikipedia 2006: <http://en.wikipedia.org>)

## ACP States Participating in the Cotonou Agreement

### Non-LDC ACP States

South Africa (not fully), Antigua and Barbuda, the Bahamas, Barbados, Belize, Botswana, Cameroon, Congo (Brazzaville), the Cook Islands, the Ivory Coast, Dominica, the Dominican Republic, Fiji, Gabon, Ghana, Grenada, Guyana, Jamaica, Kenya, the Marshall Islands, Mauritius, Micronesia (Federated States of), Namibia, Nauru, Nigeria, Niue, Palau, Papua New Guinea, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Senegal, the Seychelles, Surinam, Swaziland, Tonga, Trinidad and Tobago, Zimbabwe.

### LDC ACP States

Angola, Benin, Burkina Faso, Burundi, Republic of Cape Verde, Central African Republic, Chad, the Comoros, Democratic Republic of the Congo, Djibouti, Ethiopia, Eritrea, the Gambia, Guinea, Guinea-Bissau, Equatorial Guinea, Haiti, Kiribati, Lesotho, Liberia, Malawi, Mali, Mauritania, Madagascar, Mozambique, Niger, Rwanda, Samoa, São Tome and Príncipe, Sierra Leone, the Solomon Islands, Somalia, Sudan, Tanzania, Timor Leste, Tuvalu, Togo, Uganda, Vanuatu, Zambia.

(Gateway to the European Union 2007: <http://europa.eu>)

# 1. Introduction

On 23 June 2000, the Cotonou Agreement, a trade and aid agreement between the European Union (EU) and the African, Caribbean and Pacific (ACP) states, was signed in Cotonou, the capital of Benin (Gateway to the European Union 2007: <http://europa.eu>). This Agreement marks a new stage in the EU's development policy, and is the most ambitious and far-reaching trade and aid agreement ever concluded between developed and developing countries (Fontaine 2006: 53). Cooperation between the EU and the ACP states dates back to the signing of the Rome Treaty in 1957, and the Cotonou Agreement represents a new approach to this cooperation. To name a few examples, it aims to strengthen the political dimension of the partnership, and it also provides for the non-reciprocal trade preferences previously enjoyed by the ACP states to be replaced with regional free trade agreements. (Gateway to the European Union 2007: <http://europa.eu>)

## 1.1. Statement of Purpose

As will be discussed in further detail below, during the EU-ACP negotiations on the Cotonou Agreement, the ACP states' role was to react against the EU mandate, rather than to play a proactive part in the negotiations (Forwood 2001: 436). The bargaining power of the ACP countries was significantly weaker than that of the EU, meaning that the ACP states were only able to marginally affect the process (Elgström 2000: 176). The innovations of the Agreement were thus introduced by the EU rather than the ACP states. The aim of this essay is, firstly, to examine the EU's motives behind introducing these innovations, and secondly, to analyse how the EU managed to force them through in the EU-ACP negotiations despite resistance from the ACP states. Thirdly, the potential implications for the ACP states of the new liberal trade regime that the Cotonou Agreement entails will be examined, as trade was one of the questions that the EU and ACP mandates were most divergent on in the EU-ACP negotiations (Forwood 2001: 435). The essay will begin with a historical overview of EU-ACP cooperation, followed by an empirical overview of the Cotonou Agreement, and it will end with a presentation of the main conclusions.

## 1.2. Theoretical Approaches

From a methodological point of view, this essay – which will be based entirely on secondary sources such as journal articles – can be seen as consisting of three separate case studies. In both the first and second of these case studies, theoretical

frameworks will be applied in order to try to explain something; firstly, why the EU introduced the innovations of the Cotonou Agreement, and secondly, how the EU managed to force the innovations through in the EU-ACP negotiations despite resistance from the ACP states.

The EU's motives behind introducing the innovations of the Cotonou Agreement will be analysed from the perspectives of neo-liberal institutionalism and weak cognitivism. Neo-liberal institutionalism portrays states (or actors such as the EU) as rational egoists who care only for their own absolute gains, but who may still cooperate in order to realize common interests (Hasenclever *et al* 1996: 183). This theory would thus take the view that the EU introduced the innovations of the Agreement in order to gain benefits for itself and realize its own interests.

Weak cognitivism, a strand of knowledge-based theorizing, focuses on the origins of interests as perceived by actors, accentuating the role of the normative and causal beliefs of decision-makers. In other words, this type of theories explains preference and interest formation. For weak cognitivists, ideas are assumed to influence behaviour through 'causal pathways'. One such 'causal pathway' is when the impact of ideas is mediated and enhanced by international rules and norms that are created under the influence of widely shared beliefs. Once ideas have become embodied in institutional frameworks, they constrain public policy as long as they are not undermined by new scientific discoveries or normative change. Another 'causal pathway' is for ideas to serve as roadmaps. Out of the universe of possible actions, decision makers select those that best fit their normative and analytical understandings. Principled beliefs help define actors' goals, while causal beliefs strongly influence the choice of means to achieve these ends. (Hasenclever *et al* 1996: 206-207) This essay will examine how neo-liberal ideas may have constrained as well as served as a roadmap for EU policy on the Cotonou Agreement.

The EU-ACP negotiations on the Agreement will be analysed from the perspective of power-based regime theory, which corresponds to the realist school of thought. While there are several realist approaches to international regimes, this essay will apply one formulated by Stephen Krasner. (Hasenclever *et al* 1996: 178, 196) According to Krasner, it often happens that actors wish to coordinate their activities, but clash over the different possible ways to do so. The cooperation problem revolves around distributional conflicts and the use of power as a means to resolve them. According to Krasner, actors can gain bargaining leverage from unequal opportunity costs. The actor that needs cooperation less can get its way by credibly threatening to walk away from the table. (Krasner (1976, 1991, 1993) in Hasenclever *et al* 1996: 200) As the power relationship between the EU and the ACP states had an impact on the outcome of the negotiations, and as the predecessor to the Cotonou Agreement, the Lomé Convention (see the historical background below), has been classified as an 'international regime' (Herbst (1987) and Lister (1997) in Gibb 2000: 462), it seems apt to analyze the negotiations on the post-Lomé regime from the chosen perspective.

In contrast to the first two case studies, the third and final one will not apply a theoretical framework in order to try to explain something, but will instead test liberal theories of economic development. This will be done by examining how the new liberal trade regime is likely to affect the development of the ACP states. The case study will focus on two arguments put forward by neo-liberal theorists; firstly, that the major problems of development are caused by the domestic economic policies of the developing countries themselves, and secondly, that the best solution to these problems is the adoption of market-oriented domestic reforms (Spero & Hart 2003: 175).



## 2. Historical Background

### 2.1. Part IV of the Rome Treaty

The history of privileged relations between the EU and Africa has its origins in the negotiations preceding the creation of the European Economic Community (EEC) in March 1957 (Koulaïmah-Gabriel 1997: 15). The creation of the EEC as a Customs Union immediately challenged the existing relationships between France, Belgium and Italy – three original signatories of the Rome Treaty – and their colonies, none of which in 1957 had achieved independence. These were based on various forms of colonial protection in metropolitan markets and the virtual closure of the colonial markets themselves to third country competition. The solution, insisted on by France, as the price of its signature, was the addition to the Treaty of Part IV, under which subsidised colonial exports were allowed to continue. (Mayall 2005: 296) Thus the Association of Overseas Countries and Territories (AOCT) was provided for in the Treaty. In short, this association was based on three elements: free trade, right of establishment of firms, and development assistance. The EEC countries, mainly France, had an interest in maintaining the trade flows with their overseas dependencies, and to keep their economic presence in these countries. In 1958, the European Development Fund (EDF) was created, through which the EEC member states provided financial assistance to the former colonies of France, Belgium and Italy. (Koulaïmah-Gabriel 1997: 15)

### 2.2. The Yaoundé Conventions

Whilst the accession to independence of many French and Belgian African colonies led to their progressive exclusion from Part IV of the Rome Treaty, both parties wanted to maintain the privileged links. The relationship evolved from ‘unilateral associationism’ to a contractual and negotiated arrangement, based on Article 238 of the Treaty of Rome. The first Yaoundé Convention was signed in 1963 between the EEC on the one hand and the 18 Associated African and Malagasy States (AAMS) on the other. The European Development Fund remained the financial source of assistance to these countries. (Koulaïmah-Gabriel 1997: 15)

The EEC attempted to make the new agreement conform to GATT rules by establishing a separate Free Trade Area (FTA) with each of the AAMS countries (Mayall 2005: 296). These agreements could hardly qualify as genuine free trade agreements according to GATT rules however, as they were based on a selective, widely non-reciprocal market opening (see page 11). Moreover, the agreements

discriminated not only in favour of former French colonies but also, indirectly, in favour of French enterprises doing business with these countries. (Hilpold 2002: 55) The relationship between the EEC and the AAMS countries was tainted by the criticism of neo-colonialism, as decision-making was unequal, colonial patterns of trade were little altered, per capita incomes were not significantly raised, and the newly independent states were kept in a position of political and economic dependence (Nunn & Price 2004: 211).

### 2.3. The Lomé Conventions

UK's accession to the Common Market, in 1973, led to the European Community's (EC) external relations being redesigned, as it compelled the Community to accommodate the British dependencies and former colonies. Protocol no. 22 of the UK Accession Act of 1972 provides that these countries are to be offered as favourable treatment as that of the French and Belgian former colonies. (Koulaïmah-Gabriel 1997: 15) Except for her former colonies in Asia, ex-UK colonies were admitted into the first Lomé Convention (Nilsson 2002: 441), which was signed in 1974 (Mayall 2005: 297) and extended the geographical coverage of the EC's formal ties with the Third World from 18 African states to 46 African, Caribbean and Pacific states (Gibb 2000: 461).

Lomé was negotiated in the first half of the 1970s, which was the era of optimistic demands for a New International Economic Order (Elgström 2000: 179). The early 1970s witnessed not only a quadrupling of OPEC oil prices but also the rapid increase in the price of many Third World commodities, including coffee, sugar, tea, phosphates and food grains. All these products were available, in potentially abundant quantities, in Europe's ex-colonies. The negotiations for Lomé therefore took place against the backdrop of Third World commodity power, with the EC keen to preserve its privileged access to these commodities via its ex-colonial links. As a consequence, the EC was encouraged by developments taking place in the world economy to make important trade concessions to ACP demands. (Gibb 2000: 461) In short: "Lomé I was signed in a mood of optimism among the ACP countries and pessimism in the industrialised countries" (Coote (1995) in Koulaïmah-Gabriel 1997: 15).

The enhanced negotiating position of the ACP states facilitated the conclusion of a trade chapter which guaranteed the continuation of existing traditional trade preferences and non-reciprocity in new preferences (Dickson 2000: 199). ACP exporters were thus given substantial access to EU markets (although some exceptions existed within the agricultural sector (Elgström 2000: 177)), while ACP countries retained the right to protect their producers from highly competitive EU exporters (Godfrey 2006: 3).

The Commodity Protocols – an important part of the Lomé Convention – allowed duty-free (or negligible duty in the case of rum) access to the EC market for fixed quantities of bananas, sugar, rum and beef/veal from ACP signatories.

Thereby, ACP suppliers were placed in a more favourable position in the EC market than other developing country producers, some of whom, in the case of bananas, were lower cost producers. The economic benefits of the Protocols were unquestionable: they provided a guaranteed market and source of foreign exchange as well as a security of contract that made long-term development planning easier. (Dickson 2000: 199-200)

The Lomé Conventions also guaranteed certain export earnings from the sales of raw materials and minerals, through the Stabex and Sysmin programmes, respectively. These commodity guarantee mechanisms operated by compensating ACP countries for lower than expected export earnings when trading with the EU. (Gibb 2000: 463)

Even though the EC's development policy became globalized during the mid-1970s, it did reserve a special status for countries with which 'special relations' existed (Koulaïmah-Gabriel 1997: 15-16). The ACP states were thus at the apex of the EC's pyramid of privileges, while a second tier was formed by the non-member Mediterranean countries, and the base of the pyramid consisted of the rest of the developing world (Mayall 2005: 298). While both the ACP states and the Mediterranean countries were awarded preferential and non-reciprocal access to the EC market, Lomé preferences were more generous than the Mediterranean ones, mainly because the EC had a vested interest in cheap supplies of non-competitive products whereas the Mediterranean products were direct competitors of some of the European products, especially after the successive Mediterranean enlargements. (Koulaïmah-Gabriel 1997: 16)

The basic characteristics of Lomé were equality between partners, respect for their sovereignty, and security of the EU-ACP relationship. Dialogue was maintained through the joint institutions of the ACP-EC Council of Ministers, the Committee of Ambassadors and the Joint Assembly (representatives of the European Parliament and ACP parliaments or other approved representatives of the ACP states). (McQueen 1998: 423) This general institutional structure has been retained in the Cotonou Agreement (Holland 2003: 165).

Ideas of 'ownership' of development programmes by aid recipients and 'dialogue' between donors and recipients were key elements in the Lomé Convention (McQueen 1998: 423). The ACP countries had the central responsibility of designing their development strategies, and a clear division of competencies between the recipient and the donor was supposed to regulate this joint management of aid: basically, at all levels of the development cooperation chain, the two administrations were involved: in the programming, in the management, in procurement, and in the implementation. The system was theoretically designed to let the ACP set their own priorities and leave them all latitude to determine the 'contents' of the cooperation. (Koulaïmah-Gabriel 1997: 17) The reality however was inevitably one of an unequal partnership, with the Commission exerting increasingly greater control over the allocation of aid funds. Despite this erosion of the principle of partnership and the increasing use of conditionality, the principle remained important and was valued by the ACP

countries as providing a platform to engage the EC in a dialogue on development. (McQueen 1998: 423)

## 2.4. The Cotonou Agreement

The Lomé Convention was renewed in 1979, 1984, 1990 and 1995 (Mayall 2005: 297). As time went on however, the status of Lomé became challenged on several fronts. First, there was the record of European assistance. Few, if any, of the Lomé countries saw a radical transformation in their economic well-being; dependency continued to define their relationship with Europe. The Lomé framework had failed to fundamentally improve the economic positions of the vast majority of ACP states. This disillusionment, together with the domestic financial constraint on the EU budget, combined to make policy reform a priority. (Holland 2003: 162)

The enormous changes witnessed in the international environment during the 1990s provided a second motivation for change. Prior to 1989, Europe's development policy had been exclusively focused on the 'traditional' Third World. With the collapse of Communism in Central and Eastern Europe, development priorities were increasingly switched to these newly democratic transitional economies. For the EU, aid increasingly appeared to begin close to home. (Holland 2003: 162) Between 1987 and 1998, EU direct aid to countries in Central and Eastern Europe, the Balkans and the Mediterranean rose from 4 percent to 32.6 percent. In contrast, aid flows to the ACP countries fell from 68.7 percent to 43.6 percent.

There were also other effects of the end of the Cold War on relations with developing countries. The disappearance of the ideological opposition between western and communist alternatives, and the introduction of democratic government in former communist regions of Europe and Eurasia, and in Latin America, Africa and Asia, gave rise to a 'collective right of interference' in situations of acute humanitarian crisis or where basic human rights are suppressed. In the 1990s, the EU acquired a competence, albeit shared with member states, in the area of development cooperation, a central plank of which is the respect for democratic principles, the rule of law and human rights. (Forwood 2001: 425)

Perhaps the greatest threat to the Lomé Convention was the fact that the preferential trade regime violated the rules of the WTO (Babarinde & Faber 2004: 28-29), an institution which was established by the Marrakech Agreement (signed in 1994), and would assume the functions of the old GATT Secretariat (Spero & Hart 2003: 100). The preamble to the GATT Agreement identifies two indispensable principles for governing international trade: non-discrimination (also known as most-favoured-nation (MFN)) and reciprocity. According to the WTO, no country should confer special privilege to another or discriminate against it. International trade must therefore be conducted on the basis of non-

discrimination. However, special preferences are permitted for developing countries under a 1979 Enabling Clause to the GATT Agreement which sanctions 'special and differential' treatment for developing countries. This enables contracting parties to the WTO to provide trade preferences for developing countries, without having to extend those preferences to developed states, provided that all developing countries can access and benefit from the preferences. By providing preferential access to a restricted number of developing countries, while at the same time excluding countries at similar levels of development, the Lomé Convention violated the non-discrimination principle and the 1979 Enabling Clause. (Gibb 2000: 466-467)

These challenges to the Lomé Convention resulted in the EU becoming adamant that it needed to be renegotiated (Gibb 2000: 463). Negotiations on a new agreement started in September 1998, and the Cotonou Agreement was eventually signed in June 2000 (European Commission website 2007: <http://ec.europa.eu>). Over the years, many new ACP states have joined the EU-ACP Partnership, and today, the number of states participating in the Cotonou Agreement is 78 (see map above). In December 2000, Cuba became the 79<sup>th</sup> member of the ACP group, but the country still does not participate in the Cotonou Agreement. (Gateway to the European Union 2007: <http://europa.eu>)

## 3. The Cotonou Agreement

The Cotonou Agreement is a framework agreement consisting of objectives, principles and options for instruments, and it has been concluded for a period of 20 years. The practical parts will or can be renegotiated at shorter intervals. (Babarinde & Faber 2004: 35)

### 3.1. Objectives and Principles

The broad objectives of the Agreement are defined in Article 1:

...to promote and expedite the economic, cultural, and social development of the ACP states, with a view to contributing to peace and security and to promoting a stable and democratic political environment.

The partnership shall be centred on the objective of reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy. (Cotonou Agreement (2000) in Holland 2003: 164)

The principles of cooperation have been reformulated and refined in the Cotonou Agreement. While the principle of equality between partners and respect for their sovereignty is still there, it is now qualified, in the sense that there should be due regard for the 'essential elements', which are respect for human rights, democratic principles and the rule of law. (Babarinde & Faber 2004: 36)

The three other principles are new:

- To foster the widest possible involvement and participation in political and economic affairs, the partnership is open to all sections of society, including the private sector and civil society, as well as to central government.
- Parties will be accountable to each other for meeting their mutual obligations.
- Differentiation and regionalization has become a fundamental principle, distinguishing between states more able to compete in the global economy and the least-developed countries (LDCs), which will retain special protection. This last principle is the most significant departure from the Lomé approach. (Holland 2003: 164-165; Babarinde & Faber 2004: 36)

## 3.2. The Five Pillars of the Partnership

The Cotonou Agreement is based on five interdependent pillars; a comprehensive political dimension, participatory approaches, a strengthened focus on poverty reduction, a new framework for economic and trade cooperation, and a reform of financial cooperation (European Commission website 2007: <http://ec.europa.eu>). These pillars will be dealt with in the following.

### 3.2.1. The Political Dimension

The political dimension of the ACP-EU relationship has received special attention, in order to make the principles mentioned above effective. To that end, the parties have agreed to regularly engage in political dialogue, leading to commitments on both sides. Subjects to be discussed in the dialogue include arms trade, excessive military expenditure, drugs and organized crime, and ethnic, religious or racial discrimination. The dialogue will also regularly assess the developments concerning the respect for human rights, democratic principles, rule of law and good governance. Conflict prevention and peace promotion will be discussed as well. (Babarinde & Faber 2004: 37)

The above-mentioned essential elements of the Cotonou Agreement (human rights, democracy and the rule of law) are expected to govern the behaviour of the EU and the ACP states both domestically and internationally (Holland 2003: 166). If one of these essential elements is violated this may trigger a consultation mechanism established in Article 96. The consultation process is not defined, but only a time limit is set; consultations have to start within 15 days and finish within the following 60 days, except in cases of special urgency. If the EU is going to instigate this procedure, it has a duty to inform the ACP state and the Council of Ministers, unless it does not have the time to do so. (Dearden & Salama 2002: 901) Breaches of any of the essential elements may ultimately lead to a country facing suspension from the Agreement, although full suspension is seen as a measure only of last resort (Holland 2003: 166).

Good governance is considered a fundamental element, as opposed to an essential one (Holland 2003: 166). It has been defined in the following terms:

[G]ood governance is the transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development. It entails clear decision-making procedures at the level of public authorities, transparent and accountable institutions, the primacy of law in the management and distribution of resources, and capacity building for elaborating and implementing measures aiming in particular at preventing and combating corruption. (Cotonou Agreement (2000) in Holland 2003: 166)

Suspension procedures have not been extended to cover breaches of good governance, except in cases of financial corruption (Holland 2003: 166).

### 3.2.2. Participatory Approaches

The Cotonou Agreement contains innovative provisions to ensure the involvement of the local and regional authorities, civil society in all its forms, and the private sector. According to Article 4, non-State actors will be involved in the development process where appropriate, through consultation on cooperation policies, through the provision of financial resources and support for capacity-building, and through involvement in the implementation of projects. (European Commission website 2007: <http://ec.europa.eu>; Dearden & Salama 2002: 900-901)

### 3.2.3. Development Cooperation

When it comes to development cooperation, the main objective of the Cotonou Agreement is poverty reduction. To achieve this central aim an integrated approach will be pursued, with strategies including economic, social, cultural, environmental and institutional elements. (Dearden & Salama 2002: 901) This integrated approach puts emphasis on three focal areas for support; economic development, social and human development, and regional cooperation and integration (European Commission website 2007: <http://ec.europa.eu>).

The area of economic development centres on private sector development and investment, sectoral policies, and macroeconomic and structural policies and reforms (European Commission website 2007: <http://ec.europa.eu>). The environment for private investment is to be improved through the promotion of public-private sector relations, the development of entrepreneurial skills, technical support, micro-enterprise development, and support for financial and non-financial services for enterprises. To achieve macroeconomic growth and stability, the ACP states are to work towards disciplined fiscal and monetary policies and an improvement in the external and fiscal balances, while managing their budgets more transparently and efficiently.

The area of social and human development includes cooperation in social sector policies, in an effort to ensure access to basic social infrastructure and services. It specifically mentions education and training, health systems, nutrition, family planning, prevention of female genital mutilation, the fight against HIV/AIDS, access to safe water, shelter, respect for basic social rights and social dialogue, youth issues and children's rights, and cultural development.

The area of regional cooperation and integration, which is strongly supported in the Agreement, focuses on the promotion of the free movement of persons, goods, services, capital, labour and technology; economic diversification; and the promotion of trade.

In addition to these three focal areas, the principle of mainstreaming is introduced into three 'cross-cutting' themes; gender equality, environmental sustainability, and institutional development and capacity building. Under the



Agreement, the affect of every single development programme or strategy upon these objectives will have to be considered. (Dearden & Salama 2002: 902)

### 3.2.4. Economic and Trade Cooperation

The pillar dealing with economic and trade cooperation introduces significant changes in the trade relations between the EU and the ACP states, to ensure that the Cotonou Agreement conforms to WTO rules (Dearden & Salama 2002: 902). The non-reciprocal trade preferences will thus expire at the end of 2007 and be replaced in 2008 by a very different arrangement (Hurt 2003: 166). The radical reform of trading relations applies specifically to the non-LDC ACP states however, as the Agreement differentiates between the ACP countries' levels of development. The ACP states that are classified as LDCs will thus be able to continue to receive non-reciprocal trade preferences, while the non-LDC ACP states are to enter into Economic Partnership Agreements (EPAs) with the EU no later than January 2008. (Holland 2003: 168) These EPAs – which can be negotiated with the EU on either an individual country or regional level, although the EU's preference is for them to be negotiated with regional groupings within the ACP (Hurt 2003: 168) – will liberalize 'substantially all of the trade' between the parties (Dearden & Salama 2002: 903) in a reciprocal way during a 10- to 12-year period. For those non-LDC ACP states that do not consider themselves in a position to enter into EPAs, alternatives are to be examined. According to Babarinde and Faber, these alternatives are likely to be found in the non-LDC ACP states becoming members of the EU's Generalized System of Preferences (GSP), which is non-reciprocal in nature (Babarinde & Faber 2004: 37-39), but far less advantageous than the non-reciprocal Lomé preferences (Hurt 2003: 168).

The Commodity Protocols were also a matter of concern because of their incompatibility with WTO rules (Dearden & Salama 2002: 903). While the Sugar and the Beef and Veal Protocols are maintained, they are to be reviewed in the framework of negotiations for new trading arrangements (European Commission website 2007: <http://ec.europa.eu>).

### 3.2.5. Financial Cooperation

As a detailed review of the pillar dealing with financial cooperation is not relevant to this essay, the major innovations of the Cotonou Agreement in this area will only be summarized here. The new Agreement bases the allocation of funds not only on an assessment of each country's needs but also of its policy performance, and it also creates an investment facility to support the development of the private sector. Moreover, it rationalises the EDF instruments and introduces a new system of 'rolling programming', which allows the EU and the beneficiary country to regularly adjust their cooperation programme. (European Commission website 2007: <http://ec.europa.eu>) The Stabex and Sysmin mechanisms, which proved unable to effectively tackle the instability of export receipts, have now almost disappeared (Babarinde & Faber 2004: 38).

## 4. Shaping the Agreement

In the EU-ACP negotiations on the Cotonou Agreement, the EU insisted on the abandonment of non-reciprocity, the introduction of a trade regime based on liberal principles, and on good governance as a key concept in the new text. On all these points, the EU saw its general approach win through. Even though the EU made certain concessions to the ACP group regarding both good governance and trade cooperation, the overall picture is that these new principles were introduced by the EU and became firmly embedded in the final Agreement, despite resistance from the ACP states. (Elgström 2000: 194) This section will examine the EU's motives behind introducing these new principles into the Agreement, from the perspectives of neo-liberal institutionalism and weak cognitivism.

### 4.1. Interest-Based Explanations

Neo-liberal institutionalism portrays states (or actors such as the EU) as rational egoists who care only for their own absolute gains, but who may still cooperate in order to realize common interests (Hasenclever *et al* 1996: 183). This theory would thus take the view that the EU introduced the new principles into the Cotonou Agreement in order to gain benefits for itself and realize its own interests.

As mentioned above, one of the reasons that the new trade regime was introduced was the fact that the Lomé regime violated WTO rules. Gibb argues that WTO compatibility was at the centre of the post-Lomé negotiations because the EU placed it there, and that it placed it there because it was in its own best interests to do so. He highlights that the WTO is a political construct where “the most powerful countries act to promote their respective interests in relation to each other and the rest of the world”, and points out that an “obvious solution to the Lomé Convention’s lack of respect for WTO values [would have been] to change WTO rules”. Given the political influence of the EU, its success in defending the Common Agricultural Policy (CAP) against successive multilateral onslaughts, and the numerical strength of the EU-ACP group, a viable alternative option would have been to pursue WTO compliance for a modified version of Lomé. In Gibb’s opinion, the EU did not pursue this option precisely because it supports WTO rules and regulations. (Gibb 2000: 466, 477-478)

According to Babarinde and Faber, the EU supports reciprocity because it has become an essential mechanism for the EU to open up foreign markets. The EU needs good access to fast-growing markets if it is to remain an economic world power. Emerging markets are becoming strong negotiating partners in the WTO

and are integrating at the regional level. This regional integration in Asia and Latin America entails the risk that the EU faces a deteriorated competitive position in these markets as a result of discriminatory regional trade arrangements. In this situation, reciprocal trade arrangements with these regional blocs will guarantee market access to these emerging markets. (Babarinde & Faber 2004: 30, 45)

According to some commentators, the reason the EU pushed for reciprocity was to enable itself to force open the markets of the ACP countries (Economist 28.05.2005: 98). It has also been suggested that the EU's promotion of good governance is simply a means towards securing and pushing ahead with economic liberalization (Farrell 2005: 278). While the exact meaning of 'substantially all of the trade' is strongly debated, it is generally understood that if the EU liberalizes 100 percent of its trade, the ACP countries will have to liberalize 80 percent of their markets, thus allowing only 20 percent protection of products from competition with European goods and services (Godfrey 2006: 4). According to McQueen, who has examined the regional free trade agreements between the EU and the developing countries Egypt, Morocco, South Africa and Mexico respectively, there are significant benefits from these agreements for the EU. Most quantitative models predict a significant growth in traditional EU exports as a result of free entry to a protected market and substantial improvements in the EU's terms of trade with the partner country. (McQueen 2002: 1370, 1383-1384) It does not seem unlikely that the EPAs will bring similar benefits.

Not only commercial interests, but interests in being an important and credible actor on the international scene may also have motivated the EU to introduce the new trade regime. The EU tends to see itself as being in competition with the US in setting the agenda for the terms and conditions for future multilateral trade negotiations on an increasing wider range of 'behind-the-border' trade-related issues, such as competition law, standards, public procurements, investment codes and rights of establishment, and free trade areas are envisaged as a means of establishing EU procedures as international norms (McQueen 2002: 1384).

Moreover, if the new trade regime turns out to benefit the development of the ACP countries, this may restore the EU's credibility as a leading actor on development issues, a credibility which has been seriously undermined by the failure of the Lomé Convention to produce visible progress in standards of living (Babarinde & Faber 2004: 45).

## 4.2. Knowledge-Based Explanations

Weak cognitivism, a strand of knowledge-based theorizing, focuses on the origins of interests as perceived by actors, accentuating the role of the normative and causal beliefs of decision-makers. In other words, this type of theories explains preference and interest formation. (Hasenclever *et al* 1996: 207)

#### 4.2.1. Neo-Liberal Constraints on EU Policy

For weak cognitivists, ideas are assumed to influence behaviour through ‘causal pathways’. One such ‘causal pathway’ is when the impact of ideas is mediated and enhanced by international rules and norms that are created under the influence of widely shared beliefs. Once ideas have become embodied in institutional frameworks, they constrain public policy as long as they are not undermined by new scientific discoveries or normative change. (Hasenclever *et al* 1996: 207)

As mentioned above, perhaps the main reason behind the renegotiation of the Lomé trade regime was the fact that it violated the rules of the WTO, an institution described by Dickson as a ‘manifestation of global liberalism’ (Dickson 2000: 205). According to Holland, the WTO is an important external arena that constrains EU policy; whatever independent initiative the EU may wish to make in development policy, it needs to be compatible with WTO rules (Holland 2003: 163). Moreover, compared with the GATT Secretariat, the WTO has been given more authority to defend the multilateral principles governing international trade. Although it is possible to legitimise a discriminatory trading arrangement by obtaining a waiver from the non-discrimination principle under WTO Article IX, the granting of such a waiver is by no means certain; since the Marrakech Agreement, this requires a 75 percent majority. Debates and decision-making regarding the trade regime to be established under the Cotonou Agreement were thus not confined to the EU and the ACP states, but all WTO members had an influence on the outcome of the Agreement. (Gibb 2000: 467)

#### 4.2.2. A Neo-Liberal Roadmap for EU Policy

Another ‘causal pathway’ is for ideas to serve as roadmaps. Out of the universe of possible actions, decision makers select those that best fit their normative and analytical understandings. Principled beliefs help define actors’ goals, while causal beliefs strongly influence the choice of means to achieve these ends. (Hasenclever *et al* 1996: 207)

The basic aim of the Cotonou Agreement remains the same as that of the Lomé Convention: ‘to promote and expedite the economic, cultural and social development of the ACP states’ (Fontaine 2006: 53). The means chosen to achieve this goal under the Cotonou Agreement, however, differ considerably from the means that were chosen under the Lomé Convention. As mentioned above, the new Agreement introduces more reciprocity, more mutual obligations in political and economic terms, and more pressure for liberalization in ACP economies (Babarinde & Faber 2004: 47).

According to Hurt, in some respects, the Cotonou Agreement can be seen as a continuation of the neo-liberalisation of the EU-ACP relationship. The wider context of North-South relations has been crucially important in the historical development of EU-ACP cooperation, and the Cotonou Agreement builds on

trends that have developed over the history of the Lomé Conventions. (Hurt 2003: 161-163) In the 1980s, a dramatic shift in development thinking started to take place in both the First and the Third Worlds, as the inability of dependency theory to explain the rise of the Newly Industrialized Countries (NICs) combined with the failure of most socialist and inward-oriented industrialization experiments to make dependency theory unfashionable. Instead, the success of the NICs was viewed as a green light for market-oriented policies, while the debt crisis of the 1980s constituted a further case against state-led development. Since then, advocates of neo-liberalism have encouraged integration with the world market as well as argued against two important assumptions of development theory; that the Third World constitutes a special case and should, therefore, be offered special concessions, and that the state should play a major role in economic development. Poor development performance is due not to a hostile international system but to incorrect government policies in developing countries.

This philosophy has also permeated the EU. The Maastricht Treaty sets out the objectives of a common development cooperation policy designed to harmonize relations with all developing countries. These objectives are the gradual integration of developing countries into the world economy, the campaign against poverty, and to foster sustainable economic and social development. The dominant view in the EU is that the alleviation of poverty is closely linked to integration into the world economy. To this end, the economies of the developing countries should be made more liberal, and the EU will assist in establishing the appropriate institutional framework to achieve this. Trade preferences will be granted according to need and phased out when that need is judged no longer to exist. The view that democracy and good governance are preconditions for economic development constitutes a second pillar of the neo-liberal agenda for development, and is evident in all EU agreements with third parties since 1991. (Dickson 2000: 197, 203-205)

## 5. Negotiating the Agreement

During the EU-ACP negotiations on the Cotonou Agreement, the ACP states' role was to react against the EU mandate, rather than to play a proactive part in the negotiations (Forwood 2001: 436). As the bargaining power of the ACP countries was significantly weaker than that of the EU, the ACP states only had a marginal impact on the outcome of the negotiations, which resulted in the final Agreement reflecting the main principles of the EU negotiation mandate (Elgström 2000: 176). As the power relationship between the EU and the ACP states thus had an impact on the outcome of the negotiations, and as the Lomé Convention has been classified as an 'international regime' (Herbst (1987) and Lister (1997) in Gibb 2000: 462), this section will analyze the negotiations on the post-Lomé regime from the perspective of power-based regime theory, which corresponds to the realist school of thought. While there are several realist approaches to international regimes, this section will apply one formulated by Stephen Krasner. (Hasenclever *et al* 1996: 178, 196)

### 5.1. Krasner's Realist Approach to Regimes

According to Krasner, it often happens that actors wish to coordinate their activities, but clash over the different possible ways to do so. The cooperation problem revolves around distributional conflicts (*i.e.* who gets what) and the use of power as a means to resolve them. According to Krasner, actors can gain bargaining leverage from unequal opportunity costs. The actor that needs cooperation less (usually the one with the greater overall capabilities) can get its way by credibly threatening to walk away from the table. (Krasner (1976, 1991, 1993) in Hasenclever *et al* 1996: 200)

#### 5.1.1. Conflicts between the EU and the ACP States

Neither the EU nor the ACP negotiation position seriously questioned the continuation of the relationship between the EU and the ACP group, but the prescriptions of each on how to revitalize the partnership differed fundamentally (McMahon 1999: 612). The EU negotiation demands were not in tune with the 'conservative' positions of the ACP.

One of the most heated items of discussion in the negotiations was the EU demand that good governance was to be included as an essential element, potentially warranting aid suspension, in the new Agreement. The ACP side feared that this concept would serve as a catch-all to allow interference in their

domestic affairs. Fields of contention also existed in the area of trade cooperation. Many ACP states saw the proposed regionalization of the ACP-EU relationship as an attempt to split the ACP group into competing sub-groupings, with each having a weaker bargaining position than within a united ACP group. The ACP states also expressed serious doubts about the consequences that EPAs would have for them, fearing that integration into the world economy would imply marginalization. Whilst acknowledging the value of free trade in principle, the ACP states in general advocated a continuation of the Lomé regime, and demanded that trade preferences be maintained or even increased. Non-reciprocity was proclaimed a pivotal part of the Lomé system. (Elgström 2000: 191-192)

### 5.1.2. Victory for the EU

As mentioned above, the EU's bargaining power in the negotiations was significantly greater than that of the ACP states, leading to the final Agreement reflecting the main principles of the EU negotiation mandate. While good governance was made a fundamental instead of an essential element, and only serious corruption was linked to the suspension of aid, the EU still succeeded in introducing a new principle that the ACP states had initially been firmly opposed to. Moreover, in the area of trade, the general approach set out in the EU negotiation directive was preserved in the final Agreement. A reciprocal trade regime is to be introduced, and future trade arrangements will be based on regional integration initiatives. The EU thus persevered with regard to the principles it wanted, even though it conceded lengthy adjustment periods and some flexibility, as EPAs do not have to be introduced until 2008. Thus, while the ACP states did gain certain concessions, the overall picture is that new principles introduced by the EU became firmly embedded in the final Agreement, despite resistance from the ACP states. (Elgström 2000: 176, 191-194)

### 5.1.3. Sources of the EU's Bargaining Power

In the EU-ACP negotiations on the Cotonou Agreement, the EU certainly gained bargaining leverage from unequal opportunity costs. While the marginal economic value that the ACP group might once have had for the EU is nowadays almost non-existent, Western Europe is by far the most important economic partner for the ACP countries; almost 50 percent of the total African exports were purchased by Europe in the early 1990s. Western Europe is also the largest supplier of Africa's imports, and the dominant donor of development assistance. At the same time, while the ACP states' need for aid resources is desperate, their alternatives are few, as the economic chaos in many ACP countries and the perceived ineffectiveness of aid has led to a questioning of the value of foreign assistance and a decreased interest in the ACP states. Moreover, new members of the EU have diminished the former strong regional emphasis on Africa. (Elgström 2000: 178-179) The accession of Spain and Portugal arguably marked the beginning of

the ebbing of the ACP countries' importance with respect to the EU's pyramid of privileges (Babarinde & Faber 2004: 32). The EU has also developed a greater interest in developing countries with a more promising economic performance than the ACP states (Elgström 2000: 179), and as mentioned above, the EU's development priorities have increasingly been switched towards areas closer to home, *i.e.* Central and Eastern Europe, the Balkans and the Mediterranean (Forwood 2001: 425). Consequently, continued EU-ACP cooperation was not as important to the EU as it was to the ACP states.

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Stepping away from the perspective of power-based regime theory, at least two more explanations for the greater bargaining power of the EU in the negotiations on the Cotonou Agreement can be found. Firstly, in the words of Geneva Forwood:

[T]he ACP group is a more informal and eclectic entity than the EU, with no strong supranational institution. The ACP general secretariat is dwarfed by DG Development, backed up with the support and infrastructure of the European Commission. The imbalance is such that the ACP Secretariat frequently relies on the Commission for statistical information, resources and support staff. More importantly, the ACP secretariat, unlike the European Commission, lacks any formal role in the negotiations, and is not permitted to propose initiatives for the group. While the Commission conducts detailed negotiations on behalf of the EU, this task is given to ACP ambassadors in Brussels, who often lack the negotiating experience of the Commission, and tend to be dominated by national interests rather than any ACP common good. (Forwood 2001: 437)

Secondly, according to Forwood (2001) as well as Elgström (2000), who have both conducted analyses of the EU-ACP negotiations on the Cotonou Agreement from the perspective of two-level game theory, the EU increased its bargaining power through its strategy of 'tying hands'. In the internal negotiations within the EU, before the EU-ACP negotiations began, sensitive compromises were reached between groups with different interests and values. As a common position that is already the result of a compromise cannot easily be changed, and as the hands of the EU negotiators were thus tied by the internal agreement, the ACP states were faced with a 'take-it-or-leave-it' approach, which was difficult for them to change substantially. The lack of autonomy was therefore a source of strength for the EU negotiators in the EU-ACP negotiations. (Forwood 2001: 436; Elgström 2000: 176, 180, 195)



## 6. Implications of the Agreement

As mentioned above, the Cotonou Agreement will probably entail that in 2008, the non-LDC ACP states will have the choice of either entering into EPAs or becoming members of the EU's GSP. According to Babarinde and Faber, the GSP will not be a very attractive alternative for most of them however. Moreover, these countries will have to enter into EPAs if they want to maintain their present access to the EU market. (Babarinde & Faber 2004: 42) Specifically, the EPAs are intended to:

encompass the liberalisation of trade in goods and services; foster and promote greater regional integration, in particular among small island and landlocked economies; provide development finance and cooperation; assist the development of appropriate institutional capacities, and promote simple and transparent rules for business (Gasiorek & Winters 2004: 1336).

This section will examine the potential impact of the EPAs on the development of the non-LDC ACP states, testing liberal theories of economic development at the same time.

### 6.1. How will the EPAs Affect the ACP States?

#### 6.1.1. Domestic Policies the Cause of Development Problems?

According to liberal theories of economic development, the major problems of development are caused by the domestic economic policies of the developing countries themselves. These policies create or accentuate market imperfections, reduce the productivity of land, labour and capital, and intensify social and political rigidities. (Spero & Hart 2003: 175)

The European Commission's 1997 Green Paper on the future of Lomé blames supply-side inadequacies within ACP states for the failure of the Lomé Convention to promote ACP integration into the world economy. In particular, the absence of sound micro- and macro-economic policies, good governance, secure and stable investment and taxation regimes, and a political economy open to foreign direct investment (FDI), are all considered by the Commission to be key factors behind the lack of development. (Gibb 2000: 468) The Commission states:

Sub-Saharan African countries' economic policies and policy reforms have suffered from very low credibility in the eyes of economic operators, domestic as well as foreign. This has undermined and blunted not only the supply response to trade

preferences, but also to any prospective policy reform. (European Commission Green Paper (1997) in Gibb 2000: 468)

Also according to Borrmann's, Busse's and Neuhaus' analysis, the reasons behind the ACP states' weak economic performance are supply-side constraints. Most ACP countries lack the productive and technological capacities, marketing skills, transportation channels, and appropriate technical and sanitary regulations that are required to exploit the opportunities on EU and world markets. Trade-related ACP policies and the assistance the EU has provided have turned out to be insufficient to cope successfully with these problems. (Borrmann *et al* 2005: 170)

According to Dearden and Salama however, the failure of the Lomé Convention to promote the economic development of the ACP countries does not lie entirely in the economic policies pursued by the ACP states themselves, but part of the explanation is to be found in the weaknesses in EU aid and trade policy. Trade concessions have frequently excluded 'sensitive products', *i.e.* products where strong EU vested economic interests would suffer from enhanced competition from ACP suppliers. It is in these very products that ACP producers usually have a significant comparative advantage. The most conspicuous example of this problem is the operation of the Common Agricultural Policy. (Dearden & Salama 2002: 905)

### 6.1.2. Domestic Reforms the Solution?

Neo-liberal theorists argue that the best way for developing countries to solve their development problems is to foster those domestic changes necessary to promote foreign trade, inflows of foreign investment, and the international competitiveness of domestic firms. Given appropriate internal policies, the international system – through increased levels of trade, foreign investment, and foreign aid flows – can provide a basis for more rapid growth and economic development. In practice, this strategy means the reversal of policies that hinder trade and investment flows (such as high tariffs or restrictions on inflows of FDI), and the adoption of policies that increase domestic levels of competition, such as the privatization of state enterprises or deregulation of overregulated markets. (Spero & Hart 2003: 175)

The EPAs are an attempt by the EU to address the above-mentioned supply-side constraints in the ACP countries jointly with the ACP states. According to Borrmann, Busse and Neuhaus, the EPAs are likely to produce dynamic effects such as gains from increased competition, capital inflows and the transfer of external technology (Borrmann *et al* 2005: 170-171). Import liberalisation may benefit the consumers in the ACP countries as a wider variety of cheaper goods and services can enter the ACP markets (Godfrey 2006: 5), and liberalisation of imports of services in particular could have an important impact on productivity and growth in sub-Saharan Africa (Hinkle & Schiff 2004: 1329). Moreover, the formation of an EPA with the EU may have beneficial impacts by making trade

liberalisation measures undertaken by ACP countries irreversible and therefore credible. This in turn may bring benefits in terms of increased domestic and foreign investment in ACP countries (although the history of investment in these countries is not very encouraging that any effect would be large). (Milner *et al* 2005: 347)

On the other hand, the core conclusion of Milner's, Morrissey's and McKay's analysis of the trade and welfare effects of EPAs on the East African Cooperation (Kenya, Tanzania and Uganda) countries is that one cannot assume that the welfare effects on ACP countries will be positive, but it is rather very possible that the static effects will be negative (Milner *et al* 2005: 348). Also according to Hurt, the impact of EPAs on many ACP states may be damaging, especially for the poorest members of these societies (Hurt 2003:169).

Moreover, EPAs could threaten livelihoods in key agricultural and manufacturing sectors. The removal of tariffs on EU imports will put products from one of the world's most economically advanced regions in direct competition with producers in some of the world's poorest countries. (Godfrey 2006: 5). According to the EU's own Sustainability Impact Assessment (SIA) of EPAs; "[w]hile liberalisation might encourage consumers to buy products at affordable prices, it might also accelerate the collapse of the modern West African manufacturing sector" (SIA (01.10.2003) in Godfrey 2006: 5).

EPAs could also undermine the ability of ACP governments to support future economic development. According to Godfrey, virtually all countries that have developed in the past have used tariff policy to encourage small enterprises to move up the value chain into new manufacturing and processing industries. This entails changing tariff levels in response to the needs of the economy and to national or regional development priorities. The EPAs will severely restrict the ability of ACP governments to use tariff policy in this way. As mentioned above, if the EU liberalizes 100 percent of its trade, the ACP countries will have to liberalize 80 percent of their markets. Considerations of revenue and protection of existing livelihoods are likely to exhaust the 20 percent of trade excluded from EPA negotiations, leaving little or no flexibility to include on the list other industrial or agricultural sectors that may have future growth potential. Freezing tariffs under EPAs therefore runs the risks of locking ACP countries into production of primary commodities and preventing economic development. (Godfrey 2006: 5)

A core objective of the EPAs is enhanced intra-regional cooperation between the ACP states (Borrmann *et al* 2005: 170). The aim is to use the EPAs to encourage greater regional integration, and to focus first on building larger ACP markets and only then on opening those to EU products and services. The objectives here are to help create larger markets (through regional integration), and through this to expand the productive capacity of the ACP economies and to encourage diversification in the ACP economies. Gasiorek's and Winters' analysis of the potential impact of EPAs on the Caribbean states shows that, with regard to increasing the supply capacities and diversification, it is possible that improved

regional integration and the creation of larger regional markets could help. (Gasiorek & Winters 2004: 1346, 1360)

According to Dearden and Salama however, the EU's enthusiasm for the regional integration model of economic development may prove a little unrealistic. As they are heavily dependent upon import duties for tax revenues, movements towards regional free trade may have important public finance implications for many ACP states. (Dearden & Salama 2002: 906) In the case of the 14 ECOWAS (Economic Community of West African States) countries, the estimated losses in customs revenue for both Cape Verde and Gambia amount to some 20 percent of total government revenues, while the other West African countries are likely to observe a decline in overall government revenues in the range of 5 to 10 percent. These are relatively large numbers that may affect the ability of West African ACP countries to provide much needed public goods, such as education or infrastructure. If EU exporters 'price to market', *i.e.* leave market prices unchanged and increase their profits despite the elimination of tariffs, the importing country will lose import duties without gaining the advantage of lower import prices. From the importing ACP country's point of view, economic welfare would thus definitely decrease. (Borrmann *et al* 2005: 171-172)

Regional integration may also have distributional implications for the ACP states. The losers from the structural adjustments required in the more competitive economic environment of free trade areas are unlikely to be compensated by the level of transfers that the EU member states have been able to support within the EU, nor is the level of EU assistance under the Cotonou Agreement likely to prove sufficient. (Dearden & Salama 2002: 906)

Historically, intra-regional integration has tended to be weak in ACP countries, due to the outward orientation of their market infrastructure and institutions and their economic reliance on a limited basket of primary commodities for export outside the region. According to Godfrey, if these regional weaknesses are not prioritised and sufficiently addressed, the conclusions of EPAs may entail that ACP countries become increasingly dependent on EU imports at the expense of regional integration. (Godfrey 2006: 9)

## 7. Conclusion

The aim of this essay has been threefold. Firstly, the EU's motivations behind abandoning the principle of non-reciprocity and introducing a trade regime based on liberal principles as well as the concept of good governance into the Cotonou Agreement were examined, from the perspectives of neo-liberal institutionalism and weak cognitivism. Secondly, the EU-ACP negotiations on the Agreement were analysed from the perspective of power-based regime theory, in order to investigate how the EU managed to force the innovations through despite resistance from the ACP states. The third and final case study looked at the potential impact of the new trade regime on the development of the ACP states, testing liberal theories of economic development at the same time.

On the question of what it was that motivated the EU to introduce the above-mentioned innovations into the Agreement, many commentators would answer – in line with the predictions of neo-liberal institutionalism – that it was commercial self-interest as well as an interest in being an important and credible actor on the international scene. Some of these commentators would also argue that the EU chose to ensure the Agreement's conformity with WTO rules not because it had to, but because it was in its own best interest to do so. Others however, would argue that any choice the EU makes in development policy needs to be compatible with WTO rules, and that the EU's policy was thus constrained by the rules of an international institution in which neo-liberal ideas have become embodied. Furthermore, according to several analysts, the EU introduced neo-liberal values to the Agreement because of its own conviction that adopting neo-liberal policies is the best way for developing countries to prosper, implying that neo-liberalism served as a roadmap for the EU's policy on the Agreement.

The analysis of the EU-ACP negotiations on the Cotonou Agreement arguably strengthens the credibility of Stephen Krasner's realist approach to international regimes. Just as his theory would predict, the EU and the ACP states wanted to continue their cooperation but clashed over the different possible ways to do so. As mentioned above, the EU wanted to introduce certain innovations into the Agreement, which were unpopular with the ACP states. Nevertheless, the EU used its greater bargaining power, partly derived from unequal opportunity costs, to see its own general approach win through, an outcome which the theory in question would also predict. The theoretical framework proved insufficient to provide a full picture of the sources of the EU's bargaining power however, as more such sources could be found by stepping away from Krasner's approach. Firstly, the EU increased its chances of being able to force the innovations through in the negotiations simply by having a stronger supranational institution

and more experienced negotiators than the ACP states, and secondly, the EU's strategy of 'tying hands' and thereby reducing the autonomy of its negotiators increased the bargaining power of the EU.

While the picture of the EU as the more powerful actor in the EU-ACP partnership seems undisputed, there appears to be less consensus on what the driving forces behind the EU's policy towards the ACP states are. Is the EU genuinely interested in the development of the ACP states, or is it only interested in gaining benefits for itself, if necessary at the expense of the ACP countries' development? As greater economic prosperity in the ACP countries is a necessity for the EU to restore its credibility as a leading actor on development issues, it seems unlikely that this would not be of any concern to the EU. Moreover, it seems possible that the EU has been convinced by events such as the rise of the Newly Industrialized Countries that adopting market-oriented domestic reforms is the best way for developing countries to prosper. Nevertheless, remaining a world economic power might be a higher priority for the EU than restoring its credibility as a leading actor on development issues, and it is therefore not impossible that commercial self-interest, rather than concern for the development of the ACP states, was the motivating factor behind the EU's decision to make cooperation between itself and the ACP countries compatible with WTO rules.

The results of the third and final case study are rather mixed. Just as liberal theories would predict, the ACP countries' weak economic performance throughout the history of the Lomé Convention can largely be explained by the domestic economic policies of the ACP states themselves, however part of the explanation can also be found in the weaknesses in EU aid and trade policy. While according to some analysts, entering into EPAs – in other words adopting market-oriented domestic reforms – might produce positive effects for the ACP states such as gains from increased competition, capital inflows and the transfer of external technology, according to others, doing so could threaten livelihoods in key agricultural and manufacturing sectors as well as undermine the ability of ACP governments to support future economic development. When it comes to enhanced intra-regional cooperation between the ACP states, a core objective of the EPAs, this could help to expand the productive capacity and encourage diversification at least in the Caribbean states. On the other hand, regional integration might have important public finance and distributional implications for the ACP countries, as they are heavily dependent upon import duties for tax revenues, and are unlikely to be able to compensate the losers from the required structural adjustments. Whether EU-ACP cooperation will be more beneficial to the ACP countries under the Cotonou Agreement than it has previously been remains an open question.

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