The Cotonou Agreement

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The Cotonou Agreement between the European Union (EU) and the African, Caribbean and Pacific (ACP) countries will impede efforts at strengthening South-South economic collaboration. In the particular case of Africa it will decisively undermine the strategy for continent-wide collaboration for economic development and leave the decades old Africa in place. Despite a large dose of rhetoric about food security, the Agreement, successor to the Lomé Convention, is likely to reinforce the structural impediments to food security in the ACP countries.

Two broad elements of the ACP-EU agreement signed in February 2000 are key to long-term efforts to integrate economic development of ACP countries. The first concerns the new framework of economic interaction between ACP countries and Europe; the second relates to provisions on the terms of access of European investors, businesses and products to ACP economies. If enacted by the ACP, these stipulations will remove the policy instruments these countries have put in place for a balanced development of their economies both individually and in relation to each other.

New framework regroups countries, separates weakest

Under part three of the new agreement, the parties agree to start negotiations in the year 2002 for the purposes of what is called "economic partnership agreements" (EPAs) to come into effect by 2008. From then on, in its dealings with Europe, the ACP group as it exists will cease to have any importance as far as trade relations with Europe is concerned.

The Lomé Agreement was a general trade and aid agreement applicable to all participating ACP countries. Under the post-Lomé IV regime, Europe will be establishing differential relationships with these countries. Three broad country categories are envisaged: (a) least developed country (LDC) members of the ACP group; (b) non-LDC who feel able and ready to enter into EPA regime, and (c) and non-LDCs who do not feel able/ready to enter into the EPA regime.

Each category will entail a different trade relationship with EU. The LDCs, which are supposed to the poorest of the poor, will continue to enjoy non-reciprocal trade preferences for their products in the EU markets. In addition, the agreement commits the parties to a process that, by 2005, will allow duty-free access in EU markets for essentially all products from the LDCs. The EU vigorously defended the phrase, "essentially all", as opposed to "all" products. This phrase represents a formula by which the EU can keep out ACP products that compete with EU products. These products may, however, be in areas where ACP countries need access to EU markets the most.

For non-LDC countries that are not able to enter into a partnership agreement with the EU, the EU will, after assessing their situation in the year 2004, provide them with a "new framework for trade, which is equivalent" to what they have now, but in full conformity with the rules of the World Trade Organisation (WTO). This means, basically, that such countries will lose the specific preferential status they had under the Lomé Conventions. Whatever preferential access remains will be that which the EU grants generally to all developing countries.

Non-LDCs that are willing and able to enter into the EPA regime will then do so. The main content of these relationships will be the reciprocal removal of barriers to trade between the parties. That is to say, each party—the EU and the respective ACP economy—will grant equivalent access in their respective markets to products from the other party.

Countries in the three categories do not necessarily have to negotiate with the EU as a group. This applies particularly to the non-LDCs. Countries can decide individually whether or not they are willing and able to enter into EPAs or other forms of equivalent arrangements. But even for those who do want to enter into an agreement, it is doubtful whether the agreement will be based on their own developmental needs relevant to their own stage of development.

Implications for African integration

African countries are by far the biggest bloc in the 71-country ACP grouping. The implications of the Cotonou Agreement for the continent's integration agenda are sharply illustrative.

The process to date of African efforts at economic integration, whether at the continental or regional levels, has drawn its rationale from the particular weaknesses inherent in their economies. Most of these economies are too small to be viable on their own. Of equal importance, the internal production, distribution, and other structures of these economies are unrelated to each other. This internal fragmentation is replicated at the continental level, where most countries export similar agricultural crops to (typically European) markets.

Therefore, the concern with economic integration, as elaborated for instance in the Lagos Plan of Action (LPA) and later the Abuja Treaty, is to relate these economies to each other to widen the markets for products and also to link raw materials, capital and other factors of production to each other. Equally important is to ensure an equitable balance so that some countries, especially the small ones, do not lose out.

Given the obvious difficulty of bringing such diverse economies and traditions together, it is understandable that the strategy of the LPA and Abuja treaty is to encourage the existing regional economic groupings such as the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) to serve as the building blocks for the gradual achievement of continent-wide co-ordination of African economies.

Europe has different priorities

The European Union has different priorities. African economies have always served a particular function for Europe, as sources of raw materials and markets for their products. Today, European policy-makers no longer need the broad grouping of African (as well as Caribbean and Pacific) countries to meet these needs.

In part, this is because Europe is no longer dependent on African raw materials. In part, the sustained collapse of most African economies means that income levels in most of these countries do not make them effective markets for Europe's industrial goods. Europe's target markets are the so-called high-performing economies, in and outside Africa, and for these it is in competition with other industrial countries such as the United States and Japan.

The proposed free trade agreements with these selected economies address its competitive need to secure these target markets (with the added advantage of dispensing with the administrative and financial burden of the former bigger groupings). Barely a month after concluding the new partnership agreement with the African, Caribbean and Pacific (ACP) countries in February 2000, the European Union concluded a free trade agreement with Mexico, a country which is already part of a free trade area with the United States and Canada.

Not only will these arrangements reinforce the distinctions in economic fortune among African countries, as the less successful economies are hived from the more successful and encouraged to deal with Europe, their main market, in separate ways. The whole point of economic co-operation arrangements, which group stronger and weaker economies together so that they may reinforce each other in the removal of structural imbalances, is reversed.

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In addition, for the more successful countries, the nature of the trade-relationship envisaged—reciprocal free trade—is one that cannot be available to other African countries. Thus a privileged relationship is established between the EU and the successful African economies, which isolates the more successful economies from the less successful ones.

Finally, the new Cotonou Agreement encourages the African countries to form themselves into groupings other than the existing, more or less geographically "natural" ones, for their dealings with the EU. In the run up to the negotiations, there was already support in EU documentation for the strengthening of the Economic and Monetary Union of West Africa (UEMOA) at the expense of ECOWAS.

Apart from the fragmentation of existing African economic organisations, the new agreement between EU and the ACP undermines the prospects of regional integration in another way. This relates to provisions by which the parties will seek to regulate the access to, and operations of, economic agents—e.g. investors—in each other's economies. Key among these rules are those relating to intellectual property protection, competition policy, and rights for the protection of foreign investors.

Inconsistent with African positions on WTO rules

As far as intellectual property is concerned, the provisions of the new agreement commit the parties to full compliance with the rules of the Trade Related Intellectual Property Rights (TRIPs) agreement of the World Trade Organisation.

This is in stark contrast to the demands of most of the South. Ever since that WTO agreement was signed, developing country governments have been protesting against its unfair terms, which entrench the monopoly of transnational corporations over technology, undermine measures to promote the transfer and adaptation of technology by developing countries to suit their needs, and open up traditional knowledge about medicine and other areas to piracy by European and other Western corporations. In fact, at the time of the negotiations for the new partnership agreements, African countries have tabled the most comprehensive proposals for the review of the TRIPs in the WTO, with the support of most other developing countries.

With regard to competition policy, the provisions appear to be concerned with preventing market abuse. Yet the language referring to "market access" and "business-friendly environment" suggests that Europeans are pursuing here the same aim they have been pursuing in the context of the WTO without much success. They want to commit ACP governments to giving the same, and in some cases better, access to European companies than to their own national companies, especially in strategic areas such as privatisation of state enterprises.

In the case of investment protection, the provisions envisage among other things that the parties will adopt "general principles on the protection and promotion of investments, which will endorse the best results agreed in the competent international fora or bilaterally." This basically refers to adopting standards for the promotion and protection of foreign investment that Europe has been promoting for multilateral adoption in the failed MAI and in the WTO. Again, ACP governments have opposed such provisions, which, in the new post-Lomé agreement, seek to entrench protections for European investors in ACP countries. These provisions will remove the ability of ACP governments to use trade and investment policies to adjust structural imbalances in their economies and promote integrated development, at national and continental levels.

Food security

Food security is a long-standing concern of most ACP countries. The new ACP-EU Partnership Agreement offers a large dose of rhetorical principle without addressing the decades-old structural impediments to food security in the ACP countries.

The Partnership Agreement articulates laudable objectives of reducing and eventually eradicating poverty that are consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy. By espousing the laudable principles of partnership and ownership of development strategies, participation, dialogue and the fulfilment of mutual obligations, the Agreement puts the responsibility for development squarely on the ACP states.

The principal strategy for promoting food security is the provision of export refunds as contained in the Agreement's Article 54 on Food Security. This is nothing more than a palliative and suggests a non-commitment to addressing the realities of food insecurity on the ground.

Under the Lomé IV Convention, STABEX and SYSMIN were principal instruments for export revenue stabilisation. Notwithstanding their limitations, they were important for ACP countries, which are heavily dependent on agricultural export earnings. They have been dismantled under the new Agreement and replaced with a system that seeks to provide financial support to ACP countries that experience dips in foreign exchange earnings.

The new system is less transparent and has weaker criteria for operationalisation. Access to support would depend on the extent to which the dip in export revenue bears a relationship to decline in agricultural export earnings. Besides, compensation for the shortfall merely covers the nominal decline in the export earnings without compensation for increases in the cost of needed imports. Even before the conclusion of the Agreement, the European Parliament had expressed its wish to revise STABEX and SYSMIN and give "greater priority for food self-sufficiency as a key element in the selection of projects".

The post Lomé Agreement provides for a wider range of investment support. This could mean a dearth of investments for food production given the unfavourable macro-economic environment for food production and the relatively lower returns and risks associated with agriculture in general.

Discernible hope for food security may lie in the Agreement's provision on gender. Given the preponderance of women in food production in the ACP countries, the Agreement seeks to improve food security by creating a framework for enhanced access of women to productive resources such as land and credit. This is, however, inconsistent with massive infrastructural support for ACP agriculture that favours male-dominated cash crop production for exports. Besides, adjustment support for diversification has so far meant diversification into the production and export of more cash crops and primary commodities, thus leaving the ACP states to import manufactured products and food for domestic consumption.

ACP states are mostly dependent on the production and export of primary products for the sustenance of their economies. The majority of people, particularly women, lives and works in rural areas with subsistence food production as their main means of livelihood. ACP dependence on primary commodity export for over 50% of foreign exchange earnings has historically been its bane, given the wide fluctuations in the revenue generation of these commodities. Besides, there is the inherent and growing imbalance in the terms of trade between the primary commodities of the ACP states and imported manufactured products. Food imports have doubled in the last three decades, yet foreign exchange earnings have declined. This puts into question a food security strategy that seeks to meet domestic food needs by earning hard currency through exports.

There can be no meaningful progress toward food security in the ACP countries as long as northern partners hold on to a Common Agricultural Policy (CAP) that employs expensive and wasteful protectionist instruments and mechanisms that are detrimental to agricultural and food production in the ACP countries.

Farm subsidies in Europe depress food production in South

The reiteration of commitment to WTO obligations in the new agreement means a commitment to an Agreement on Agriculture (AOA) that weighs heavily against food security in the ACP countries. The current AOA allows developed countries to provide a multiplicity of domestic support and export subsidies that depress food production in the South. Meanwhile developing countries' domestic support for small farmers has systematically been dismantled by the World bank/IMF over the last two decades. They are now in practice debarred from applying support measures even in relation to food production. For countries whose foreign exchange situation grows worse by the year this restriction stands in sharp opposition to the quest for food security. Another iniquity that cries out in this context is that subsidies prohibited in developing countries are largely prevalent in the EU.

The recent acceptance in principle of the multi-functionality of agriculture gives added credence to the need to protect smallholdings and family household farming. Meanwhile, the EU continues to promote the destruction of small farmers at home and rural producers abroad through its massive export subsidies. This injustice has been forcefully articulated by the Geneva-based International Union of Food (IUF).

The restrictive environment of the WTO goes beyond the AOA. The ACP-EU partnership agreement commits the parties to adhere to international agreements on TRIPs. This flies in the face of the far-reaching demands of countries of the South for the reform of TRIPs. TRIPs threatens food security directly because it effectively seeks to make rural producers dependent on multinational corporations for seeds to grow food for their own consumption.

It is from this perspective that we should view the otherwise laudable principle of partnership based on mutual respect for sovereignty. Placing full responsibility on the ACP countries for their own development is nothing more than an attempt by the EU to disclaim responsibility that rests squarely on the EU.

The unrealistic timeframe of eight years for dismantling the non-preferential trade arrangements and moving toward WTO compatibility will also affect food security, since it is impossible for the ACP countries to adjust to playing ball in the globalised market in this period. The Economic Partnership Agreements (EPA) envisaged for regionally integrated economies of the ACP at the end of that timeframe also runs counter to food security concerns. ACP countries that depend on primary agricultural production will derive minimum gains from regional integration that is structured to meet the raw material needs of Europe.

Conclusion

Recognition of the declining terms of trade and growing food insecurity associated with ever worsening balance of payment difficulties has informed the quest for food security. Some would rely on a strategy of increasing earnings to purchase food at more competitive prices. This, however, ignores the fact that most of the populations of the ACP countries are agrarian and produce largely for their own subsistence. Nor does it recognise the ever more severe foreign exchange constraints of ACP countries, meaning they cannot rely on a concept of food security that is strategically linked to a reliance on cheaper food imports.

As far back as November 1997, the first Summit of ACP Heads of States and Government in Libreville, Gabon, noted in particular the need to "develop food production so as to ensure food security for the populations". At the first ACP Civil Society Organisation Forum in November 1999 in Douala, Cameroon, there was an unequivocal declaration for food security as a priority issue in ACP-EU development cooperation. The Douala Declaration underscored the threat of recurrent hunger and famine, particularly among women, children, ethnic minority and other marginalised groups. It called for policies that promote domestic food production in particular. It also called for the promotion of coherent agricultural policies within the post Lomé and WTO frameworks, emphasising in particular food production, which is the mainstay of marginalised rural poor.

There are still those who envisage favourable outcomes for food security given the available space for elaborating compendium of texts to the Agreement and the much-touted provisions for the participation of labour organisations, civil society organisations (CSOs) and other non-state actors. The fact that the EU managed to bulldoze its objectives throughout the negotiations, however, is evidence of the inherent imbalance in the so-called partnership and a pointer to the high likelihood of EU railroading issues to its advantage. This ominous likelihood should be seen in the context of an EU that is under pressure from within to reform CAP.

The enhanced positions for the participation of civil society organisations as partners in the implementation of the Post-Lomé IV Agreement offers hope only to the extent that civil society organisations redefine their participatory role in favour of policy advocacy and build credible alliances between civil society organisations in ACP and EU countries. CSOs should see their role as removing distortions and imbalances that are structurally detrimental to production, especially of food for domestic consumption, in the ACP countries.

This advocacy role should seek to remove protectionist measures within the framework of CAP to the extent that those measures depress domestic food production in ACP countries. It should also seek real commitment to diversification away from primary commodity production. It is the redefinition and reinforcement of CSO roles as partners that could help reduce the integrity gap between the new agreement and the real structural impediments to economic development in ACP countries. ■

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