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**Universiteit Twente**

**Westfälische Wilhelms-Universität Münster**

Bestuurskunde (s0122297)

Institut für Politikwissenschaft (314079)

# **The Cotonou Partnership Agreement on an Axis between Modernisation and Dependency Theory**

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**Supervisor:** Prof. Dr. Nico Groenendijk

**Co-Reader:** Dr. Rik Reussing

**Alice Köstler**

Date of Birth: 28.06.1983

Contact Details:

Hafenstr. 41  
48153 Münster  
Germany

Phone: 0049-251-2870708  
Mobile: 0049-176-21506094  
Email: [alicekoestler@gmx.de](mailto:alicekoestler@gmx.de)

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**List of Abbreviations:**

ACP – African, Caribbean, Pacific
BLNS – Botswana, Lesotho, Namibia, Swaziland
CAP – Common Agricultural Policy
CARIFORUM – Caribbean Forum of ACP States
CCT – Common Customs Tarif
CEMAC – Communauté Economique et Monétaire de l’Afrique Centrale
COMESA – Common Market of Eastern and Southern Africa
CU – Customs Union
EBA – Everything but Arms
EC – European Community
ECOWAS – Economic Community of West African States
EFTA - European Free Trade Association
EIB – European Investment Bank
EPA – Economic Partnership Agreements
EU – European Union
FTA – Free Trade Areas
GATT – General Agreement on Tariffs and Trade
GDP – Gross Domestic Product
GNP – Gross National Product
GSP – Generalised System of Preferences
HDI – Human Development Index
HDR – Human Development Report
IMF – International Monetary Fund
LDC – least-developed countries
LLDC – Least-developed country / landlocked developing country
MFN – Most Favoured Nation principle
NAFTA – North American Free Trade Agreement
NGO – Non-governmental Organisation
OECD - Organisation for Economic Cooperation and Development
PPP – Purchasing Power Parity
PTAs – Preferential Trade Arrangements
RIAs – Regional Integration Agreements
RPAs – Regional Partnership Agreements
SADC – South African Development Community
UNDP – United Nations Development Program
UNTAC – United Nations Conference on Trade and Development
WTO – World Trade Organisation

# Chapter I: Introduction

## I.1. Introduction and Research Question

The European Union (EU) has a long established trade relationship with its former colonies, the group of 79 African, Caribbean and Pacific countries: the ACP group<sup>1</sup>. This relationship is currently subject to a drastic change. In 2000 the former Lomé Conventions were replaced by the Cotonou Partnership Agreement. The aim is to replace former non-reciprocal trade preferences granted by the EU to the ACP countries with Economic Partnership Agreements – a form of free trade arrangements between the EU, one of the largest economic powers in the world and regional groups of developing and least-developed<sup>2</sup> ACP countries. The new agreement will be looked at in this thesis from a developmental perspective.

The EU-ACP relationship is considered to be a measure of development cooperation. To evaluate the Agreement signed in Cotonou it seems appropriate to connect it to the two main development theories: the Modernisation Theory and the opposing Dependency Theory. Both theories provide explanations for the reasons of underdevelopment. Basically the Modernisation Theory argues that countries are underdeveloped because they rely more on traditional values and behaviours than adopting the concepts of the ‘modern world’. In this thesis, it will be shown in what way Cotonou can be seen as an approach to ‘modernise’ the trade sector/economy of the developing world. Opposing to this idea might be the connection of Cotonou to the basic assumptions of the Dependency Theory which argues that the developing countries are in the position they are due to the dependence of the developed world which tries to keep them at a low level and exploit them. According to this theory, the EU would only offer preferential trade arrangements (PTAs) to the ACP states to reach further trade liberalisation only for the sake of their own benefits.

The application of the main theories might help to understand the position of Cotonou on the axis between EU development cooperation and economic self-interest. Which aspect weighs more – which theoretic concepts are rather to be fulfilled needs to be assessed throughout the analysis and the isolation of underlying circumstances and assumptions.

The main research question of this paper will therefore be: ***Does the new Cotonou Partnership Agreement encourage modernisation of the ACP countries or does it entail further dependency from the EU?***

In order to answer this research question two opposing hypotheses will be confronted in this paper: Hypothesis one suggests “*The Cotonou Partnership Agreement Encourages Modernisation*” and

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<sup>1</sup> Please refer to Annex 1 for a List of ACP countries

<sup>2</sup> The term “least-developed countries” (LDCs) is subject to some definition confusion. Some use the abbreviation for less developed countries („developing countries“) and other refer to least-developed countries as LLDCs which is also the abbreviation for landlocked developing countries. In this paper, LDC refers to the 50 least-developed countries as selected by the UN according to their Human Development Index. In some quotations, LLDC is used, but means LDC.

hypothesis two “*The Cotonou Partnership Agreement Entails Further Dependency*”. These hypotheses will lead through the paper, but will specifically be dealt with towards the end. Sub-questions were formulated to help to answer the main research question. They will be introduced in the following outline of the paper.

## **I.2. Methodology and Research Process**

### *Conceptualisation*

The term conceptualisation refers to the refinement and specification of abstract concepts (cp. Babbie, 2004; p. 132). As stated in the introduction, within the frame of this paper, the Cotonou Partnership Agreement will be regarded from a developmental perspective, the question is now: What does this concept mean? Basically it means that the agreement is analysed against the background of the question whether or not it was established to assist the ACP countries in their development process. It will not be evaluated on whether it is legally correct, whether it fits the current world order, or whether it helps the EU to improve its economic performance. In the frame of this thesis the motivation of the international society and specifically of the EU to offer preferences, especially those new once under Cotonou will be looked at. Development process in this term means economic and social development. Is it likely that the ACP group will profit from the new agreement in terms of economic growth and sustainability and in terms of poverty eradication?

### *Operationalization*

As the new agreement is currently in its negotiation and early implementation phase, no results in terms of development process can be measured yet. The research question and sub questions will therefore be answered by analysing different aspects influencing the relationship which will mainly be done within an intensive qualitative literature study. Some quantitative data will be looked at and afterwards the main findings will be applied to the two theories. In terms of operationalization – “the development of specific research procedures” (Babbie, 2004; p. 132) – four steps will be processed.

First, it is appropriate to provide some background information on the EU as an economic actor, on basic WTO principles and on the system of preferences. The background chapter also briefs about EU-ACP history and why the Lomé Convention was succeeded by the Cotonou Partnership Agreement. Then an overview is given on the basic goals and provisions under Cotonou. Chapter 2 provides an answer to the first subquestion: *What is the formal background of the EU as an international trading block and how did the trading relationship with the ACP group develop?*

The second operation is an introduction to the two theories which will later be applied and which shall lead the reader through the paper: Modernisation- and Dependency Theory. The subquestion answered in this chapter is: *What are the main assumptions of the two grand development theories?* It

will become clear that the theories come from two totally opposing ideological perspectives and the basic assumptions will be explained. It is also assessed why the theories are criticised and that it cannot be insisted that one of the theories can claim universality. Instead the theories in this paper are adopted to show opposing points of view on one and the same agreement.

With the knowledge of these two theories, in the third operation the different issues which are found 'between modernisation and dependency' will be reviewed. This part is the main compound of the work, most information which is necessary to understand the relationship will be assessed here. The list of issues cannot claim total completeness as a trade relationship between two very big blocks is influenced by multiple issues. For the frame of this work though, five groups of aspects were considered in detail: theoretical considerations explaining international trade, international influences on the EU-ACP trade relationship, the European position, some empirical facts as results of the previous relationship, and the possibilities under Cotonou.

The theoretical considerations may not be mixed up with the two grand theories which are entailed in the research question (Modernisation and Dependency). The theoretical considerations in this context explain two basic trade theories, the mercantilist theory and the theory of comparative advantages. These theories deal with the necessity and motivations for international trade in more detail, and each of them builds one pillar of the two grand theories. Even though they have a similar tenor as the two grand theories – the mercantilist theory argues that international trade only benefits the industrialised countries whereas the theory of comparative advantages explains how poor and rich countries each benefit from free trade – these trade theories are not as radical as the two grand theories and are rather accepted. Hence, the subquestion answered in this section is: *Which trade theories explain the liberalisation between the developed and the developing world?*

Being aware of the international influences then is important in order to understand the system and ideologies in which the trade relationship between EU and ACP are bedded, as well as the criticism of the former. WTO rules, the Washington Consensus, the Doha Development Round as well as the aid-for-trade initiative deal with the subject of Cotonou – trade liberalisation between developed and developing countries – on a global basis. They set rules, assumptions and current issues of which the EU and ACP group are part and which therefore also set the basis for their bilateral relationship. This subchapter therefore answers the question: *In what ways is the Cotonou Partnership Agreement influenced by the international political and economic system?*

The third subchapter deals with the interests and motivations of the EU. *What are the main interests of the EU to have a special relationship with the ACP group and why do they want to change it? Do they truly believe that the new arrangements will help the ACP countries or are the changes mainly driven forward out of self interest?* The different motivations for Cotonou will be reviewed as well as some critical discrepancies between their efforts for development assistance and their other politics shown.

The next issue considered in this chapter will be the most concrete in connection to the agreement. *What are the specific options for the ACP group under the agreement and how can these be evaluated from a developmental perspective?* The three prospects under Cotonou, the possibility of Economic Partnership Agreements, the Generalised System of Preferences and the Everything-But-Arms initiative will be reviewed in greater detail according to their current status, their enforceability and, of course, from a developmental perspective.

*Next to qualitative data, what quantitative data can be found to support or disprove the two theories in connection with the trade relationship?* The last subchapter will review some empirical data, collected from UNDP statistics. This data will then later be used to prove and disprove some of the arguments, especially those explaining that Lomé was succeeded because of its disappointing results as well as the degradation in terms of trade.

Left out in the listing of 'issues' is the ACP point of view. This is the case for two reasons: firstly the ACP group is not as homogenous as the EU and therefore not one single perspective exists. The group is made up of countries from three different continents as well as from developing and least-developed countries. The interests of some specific groups and regions can be found in several chapters of this work. Secondly, that it is accepted that the EU is the dominant partner determining the relationship. In connection to the theories, Cotonou is seen either as a measure offered by the EU to modernise/develop or as a measure to exploit/underdevelop the ACP group, but in both cases, the EU is the active component.

Each of these rather descriptive sections is important to understand, in the fourth operation, the causal relationship between Cotonou and modernisation and between Cotonou and dependency. In this section, the main presumptions of both theories will be connected to the main findings of the previous literature study. This part of the work leaves the objective description behind and displays the relationship from two one-sided and biased points of view. It shows that, depending on the ideological point of view, both hypotheses ("*The Cotonou Partnership Agreement Encourages Modernisation*") and ("*The Cotonou Partnership Agreement Entails Further Dependency*") can be testified to some extent: on the one hand, the Cotonou Partnership Agreement can be viewed as a very positive development initiative, impelling modernisation in the ACP countries; on the other hand, Cotonou can be seen as a negative intrigue by the dominant capitalistic countries which entails further dependency of the ACP group from the EU.

In the concluding chapter, both partial hypotheses will be brought together again and a more objective final statement will be drawn by answering the main research question. The difficulties to evaluate such a complex relationship which is then only a small aspect of an international trade system in which opposing theories and ideologies, interests, motivations and asymmetrical powers clash will become

clear. Nevertheless, a final statement, as objectively and realistically as possible will be made, some policy recommendations will be provided, and an assessment on future developments will be given. Further, the research process of this thesis will be critically evaluated and suggestions for further research concerning this complex topic are formulated.



## **Chapter 2: The EU as an International Economic Actor and its Relationship with the ACP Countries**

This chapter gives an introduction to the EU as an international economic actor and it introduces the term 'trade preferences'. The legal frame set by the World Trade Organisation (WTO) for international trade agreements will be clarified especially concerning the provisions to offer special preferences to developing countries. Following the ACP preferences are introduced and their position within the European system of preferences will be explained. After providing a brief history of ACP preferences, the focus will lay on the subject of this paper: the new Cotonou agreement between the EU and ACP group.

### **2.1. The European Union as an Actor in International Trade and Development Assistance**

Talking about trade relationships between the EU and third countries, it is important to understand some basic preconditions. As fixed in Articles 3(b) and 131 ff of the EC-Treaty, the EU follows a so-called Common Commercial Policy which includes a common external trade policy. In addition to the Customs Union, these principles provide the legal and institutional basis for the European Community (EC) as a whole to engage in common trade relationships with (groups of) third countries such as the ACP preferences.

Basically the Common Commercial Policy refers to foreign economic policy (cp. Herdegen, 2004; p. 371) as can be seen in Article 131:

*“By establishing a customs union between them, Member States aim to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers. The Common Commercial Policy shall take into account the favourable effect with the abolition of customs duties between Member States may have on the increase in the competitive strength of undertakings in those States [Europe: EC Treaty]”.*

The EU is a Customs Union as provided in the Articles 23 and 25-31 of the EC-Treaty. In a Customs Union goods can move freely without any barriers. The differentiation of a Customs Union from a Free Trade Area is that goods imported from outside the Union into member state X can move into member state Y on the same basis as goods produced in member state X. Hence a Customs Union makes sense only if all the member states agree on a common external tariff. Imports from outside must receive the same treatment irrespective of the state through which they enter the union (cp. Hartley, 2004; 394).

The European Union has established a Common Custom Tariff (CCT) on goods coming from outside into the Union. The CCT applies to all nations importing into the EU, exceptions for lower duties are to be found in Preferential Trade Arrangements (PTAs) which are described below.

Summarizing, it can be stated that, the Common Commercial Policy, the common external trade policy as well as the Customs Union as fixed in the EC-Treaty provide the basis for common trade relationships such as a common external tariff or the provision of PTAs. Following, a short

introduction to provisions of the World Trade Organisation (WTO) will be given and an overview about the multiple PTAs which the EU offers will be provided. Thereafter I will turn to the trade arrangements between the EU and the ACP countries.

When researching international trade arrangements, it is essential also to introduce the basic principles of the WTO, which provides the international legal settings. The WTO has nearly 150 members, including all EU member states. The WTO, existing since 1995, is the successor of the General Agreement on Tariffs and Trade (GATT) which was established after the Second World War. Nowadays GATT is still used as the WTO's rule book for trade in goods.

The main principle, stated in the GATT/WTO agreement is the most favoured nation principle (MFN). It is stated in Article I:

*"[...] any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties" (WTO/4).*

Next to the MFN principle which shall abandon discrimination concerning trade between states, the WTO aims to facilitate trade by lowering the trade barriers – as custom duties or quotas – using negotiation as “one of the most obvious means of encouraging trade” (cp. WTO/3; p. 12). Within enabling clauses of the GATT, exceptions to the MFN principle are granted. These include custom unions such as the EU itself, free trade arrangements and certain preferences for developing countries. Therefore two main exceptions from the MFN principle exist: abandoning *all* trade barriers between certain countries, or establishing one-way preferences for developing countries. Such preferential trade agreements (PTAs) shall enable developing countries to compete in the world market, which would not be possible for them on a free world market without these trade preferences (cp. Koch, 2003; p. 19).

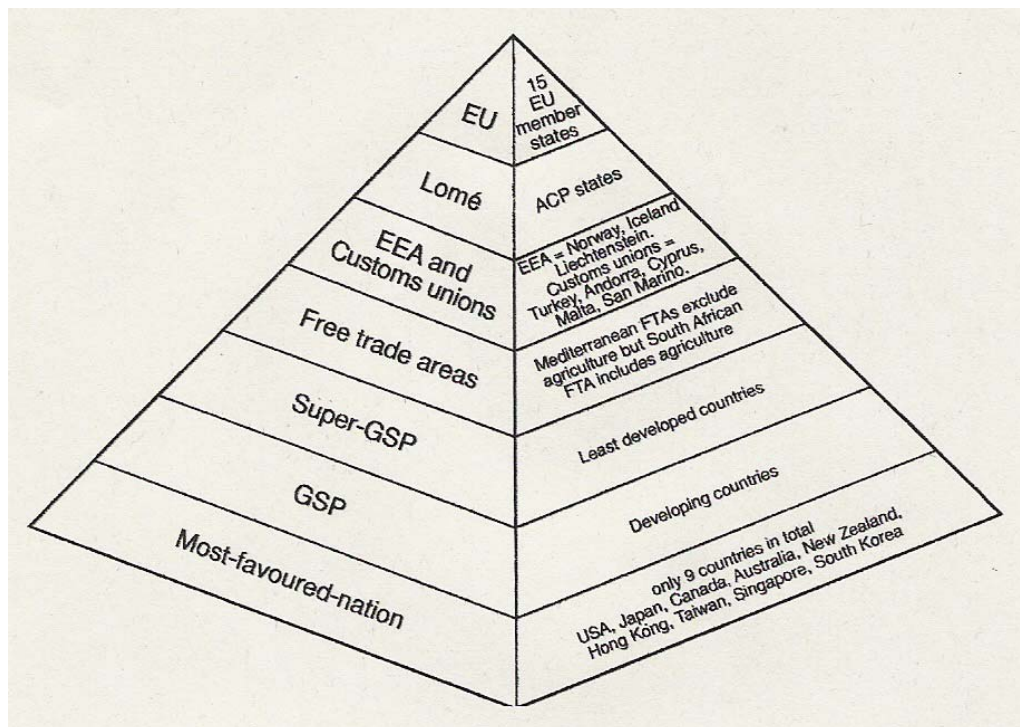
The EU has the most extensive network of PTAs of any WTO member (cp. Panagariya, 2005; p. 1415): ‘The Generalised System of Preferences’ (GSP), ‘The ACP Preferences’, ‘The Mediterranean Partnerships’ and ‘Free Trade Areas’ (FTAs) – to mention the most important ones. The latter two concern already established FTAs or FTAs which are to be established soon. One example is the European Free Trade Association with Iceland, Liechtenstein, Norway and Switzerland (cp.: EFTA). The EU-Mediterranean FTA with Tunisia, Israel, Morocco, Jordan, Egypt and Algeria shall become effective by 2010. In contrast to the above mentioned free trade areas that are mainly out of economic interest, ‘The Generalised System of Preferences’ (GSP) and ‘The ACP Preferences’ are both considered non-reciprocal and as a measure of European development assistance. The GSP which offers one-way PTAs to all developing countries into the European Union is fixed in Council Regulations for certain periods of time.

*"According to the [current] Regulation, products considered to be non-sensitive products, imported into the Community from beneficiary developing countries, are exempt from*

customs duties. Goods from the textile and clothing sector only receive a 20% reduction in Common Customs Tariff (CCT) duties. Products classified as sensitive benefit from a CCT duty reduction of 3.5 percentage points” (cp. Europe/2501/2001/EC).

Special arrangements, which mean an additional tariff reduction, apply for countries having certain international standards established concerning the protection of labour rights, the protection of the environment and in order to combat drug production and trafficking (cp. *ibid.*). Under the ‘Everything but Arms’ initiative special arrangements for the 49 so-called least-developed countries (LDCs) are found. With the adaptation of a new Council Regulation on 28 February 2001 (cp. Europe/416/2001/EC) the Community extends duty-free access without any quantitative restriction to products originating in the least developed countries. Three important exceptions are made: bananas, rice and sugar will not be duty-free until a gradual reduction of tariffs will be/has been introduced in 2002, 2006 and 2009 (cp. Europe/2501/2001/EC).

Figure 1: The European Community’s pyramid of trading privileges (cp. Gibb, 2000; p. 470)



Regarding one-way PTAs one can conclude that under the GSP, two groups exist: “all developing countries” and “all least developed countries”. The special treatment of these groups is not considered discriminatory by the WTO and therefore does not cause any problems.

The picture looks different concerning the ACP preferences until 2000, which go further than the GSP and could be considered discriminatory: ACP countries neither include “all developing countries” nor are they “all least developed countries”. The following section will deal with the history of the EU-ACP trade relationship. Thereafter, an introduction to the new Cotonou Partnership will be provided.

## **2.2. History of EU-ACP Trade Relationship**

Preferential trade relationships between the European Union and African, Caribbean, and Pacific states have existed since 1975 within the scope of the Lomé Conventions. This convention, in which trade preferences and aid were the central benefits which the ACP group received from the EU, was adapted and renewed until the 4<sup>th</sup> edition lapsed in February 2000 (cp. Babarinde, 2004; p. 27). The conventions were intended

*“to promote and expedite the economic, cultural and social development of the ACP States and to consolidate and diversify their relations in a spirit of solidarity and mutual interest” (Europe: Lomé IV; Art. I; 1989).*

The trade relationship between the EU and ACP states can be considered as positive discrimination in favour of European former colonies (cp. Gribb, 2000; p. 461). In terms of numbers concerning trade this means that nearly all ACP exports enter the EU free of any tariff or Quota restrictions. The European Commission estimated that roughly 94 % of total ACP exports to the EU enter without restriction (cp. *ibid.*: p. 463).

These regulations are supposed to give the ACP states a competitive advantage especially in terms of agriculture where imports into the European Union are heavily taxed for other countries. Overlooking the results of 25 years of Lomé in 2000, the outcome was rather disappointing. Three objective reasons exist why the 25-year tradition of Lomé conventions was ready for renewal: poor results regarding the development outcomes of the ACP states, the infringement of WTO basic principles, and the changed world order after the end of the Cold War in 1990. Amongst others, these problems are dealt with in the European Commission’s Green Paper on relations between the European Union and the ACP countries on the eve of the 21<sup>st</sup> century (cp. European Commission/3).

It became visible in 2000 that just a renewal of Lomé could not be the answer and the Cotonou Partnership Agreement was signed between the EU and the ACP states.

## **2.3. The Cotonou Partnership Agreement**

The objectives of the Cotonou Agreement, which was signed in 2000, are more concrete than in its forerunner convention:

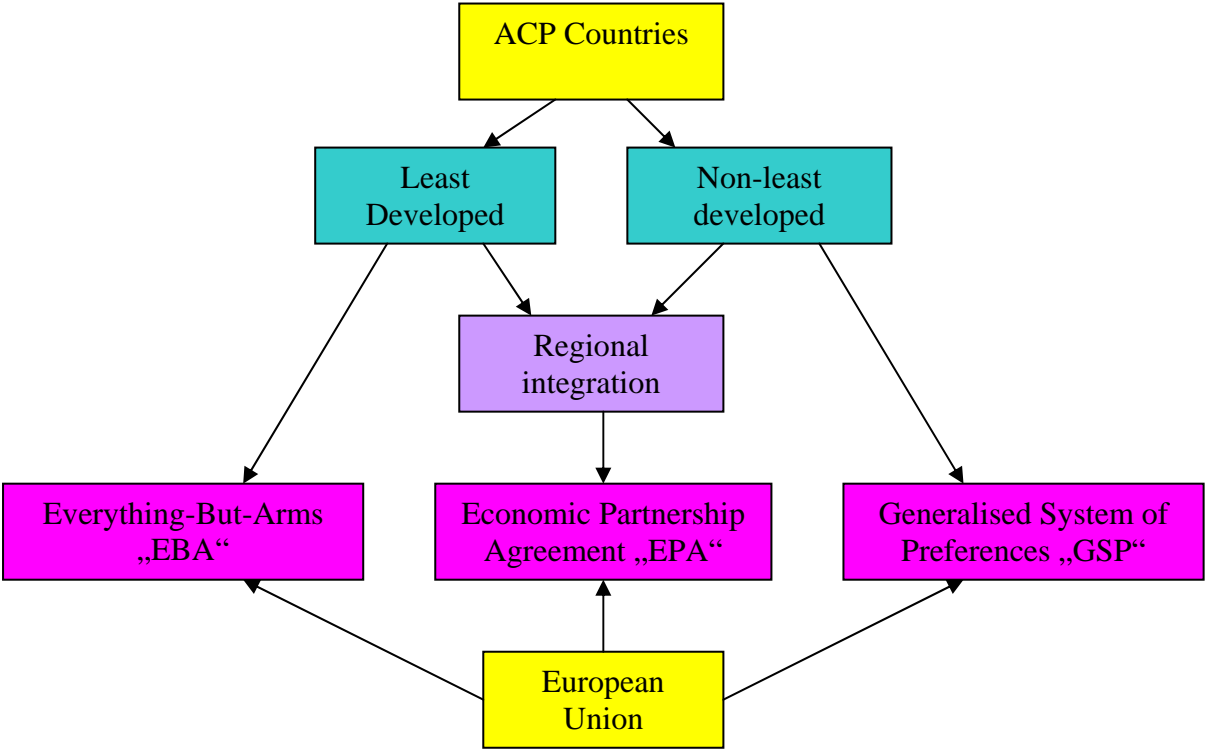
*“The partnership shall be centred on the objective of reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy” (Europe/2000/483/EC: Cotonou Agreement, Art. 1).*

The new agreement demands to fulfil WTO standards as well to entrust the ACP countries with greater responsibilities. The three main dimensions, which should function integrated, are politics, trade, and development (cp. Europe/2000/483/EC: Summary.)

The political dimension bears some conditions: violations of the basic principles human rights, democracy, the rule of law and good governance “could lead to a suspension of cooperation (or, of aid) under a non-execution clause that was inserted by the EU and against the wishes of the ACP states” (Farrell, 2004; p. 12).

In the following, the focus lies on the changes concerning trade. The non-reciprocal preferences which Lomé granted the ACP group were the most generous preferential systems the EU operated (cp. Babarinde, 2004; p. 37). These Lomé preferences will be replaced by diverse options differentiating whether a country belongs to the least-developed countries (LDCs) or not. The following graphic provides an overview of the different options, which will be further explained thereafter.

Figure 2: Options for future ACP – EU trade arrangements (cp. Babarinde; p. 40)



Article 37 of the Cotonou Agreement defines the three options for further trade arrangements between the EU and the ACP states:

First, Economic Partnership Agreements (EPAs), which aim at liberalisation between the EU and ACP, hint at the reciprocity of trade preferences – they will require the ACP countries to give EU exports free entry to their markets (cp. Babarinde, 2004; p. 39). EPAs can theoretically be arranged on a bilateral basis, the EU has made clear the preference for their negotiation on a regional basis (cp. Hurt, 2003; p. 169).

The second option for non-LDC countries is defined in Article 37(7) of the agreement, which basically provides that the community will find alternative possibilities for those ACP countries that do not see themselves in the position to enter into EPAs which are similar to their existing situation, but in conformity with WTO rules (cp. Europe/2000/483/EC). These alternatives are likely to be found in the ACP countries bringing their exports under the GSP (cp. Babarinde, 2004; p. 39).

As a third option, but only for the LDCs in the ACP group, 'duty-free access for essentially all products' will be introduced (Article 37(9)) which is equal to the 'Everything but Arms' (EBA) initiative for all LDCs (cp. Babarinde, 2004; p. 39).

Reviewing these changes, it becomes clear that the EU – ACP relationship is within a large change: LDCs are offered new and (for them) better conditions, while the non-least developed countries either have to abandon non-reciprocity arrangements for the sake of both-way trade liberalisation or accept conditions which are worse than their former Lomé deals, namely PTAs under the Generalised System of Preferences (GSP).

The three possibilities under Cotonou will be discussed in more detail in chapter 4.5 of this paper.

## Chapter 3: Modernisation and Dependency:

### Two Opposing Development Theories

In this thesis, the above introduced Cotonou Partnership Agreement between the European Union and the ACP countries will be applied to Modernisation and Dependency Theory. An introduction to the basic assumptions of these theories will be provided in this chapter. Having the opposing points of view in mind will help the reader to examine the key issues of Cotonou between modernisation and dependency in Chapter 4.

#### 3.1. Basic Assumptions of Modernisation Theory

Modernisation Theory was the first of the two grand theories explaining underdevelopment. The theory came up in the 1950s and 1960s and was among others supported by the US economist Rostow (cp. Winter, 2006). Reasons for underdevelopment, according to Modernisation Theory, are merely found on domestic factors, paying little attention to external factors and issues. The developing countries are underdeveloped because they could not free themselves out of the ties of their traditions. In other words: they must become, think, act, produce, and consume like 'the western world' (cp. Nuschler, 2004; p. 214) to become a developed nation.

Modernisation Theory sees the development of countries as a process of imitation and assimilation of the non-developed societies to the developed, western, and industrialised societies. During this process which is started up from outside traditional values, ways of thinking and behaviour as well as social structures become dynamic and modernised (cp. Nohlen, 2002; p. 550). Especially the positive role played in this process by the developed world is highlighted.

As the shortage of capital was seen as the major problem of development, this had to be tackled on two fronts.

*"Firstly, savings as a proportion of GNP had to be increased. As the 'propensity to save' was thought to be highest among the rich, gross inequalities were justified on the grounds that they facilitated savings. Secondly, as less developed countries were thought unlikely to generate sufficient capital internally, foreign capital needed to be mobilised for inward investment along the lines of the famous Marshall Plan which helped rebuild the war-torn economies of Western Europe" (World Socialist Movement, 1997).*

Nuschler isolates some explanations for the stagnation at some places and the progresses made at other places. Looking behind the ideological chaos, the following implicitness become visible:

- The transformation from agro-societies, which are mostly subsistence economies, into industrialised societies, requires an extensive alteration of the social structures, a new set-up of production, labour and distribution. The industrialised production process postulates a rationalisation of labour and time, the acquirement of knowledge and technical skills.

- The ability of accumulation requires the will to save and invest as well as the firmness to acquire a surplus instead of treasures. Corruption and capital flight are poison for self-contained development.
- The transformation process needs a state and administration which provide reliable frameworks, which supply the essential material and social infrastructure and which control the development process. (Cp. Nuschler, 2004; p. 215)

Several branches of the theory exist today, and it is generally viewed as a model whereby the developing world is seen to benefit (with aid and guidance from the developed world) economically, politically, culturally, and demographically through the acculturation of the modern policies and values of the Western world.

### **3.2. Basic Assumptions of Dependency Theory**

The Dependency Theory – or *dependencia* – had its peak as an acknowledged theory in the 1960s as an opposing answer to the Modernisation Theory. It arose mainly from Latin American scientists such as Raúl Prebisch, but was also supported by some western academics for example Dieter Senghaas.

Ghosh provides a coherent answer to the question 'What is Dependency?':

*“Dependency is a form of unequal international relationship between two sets of countries. One set of countries is called the centre or metropolitan centre, and the other set of countries is called the periphery or satellite. The centre represents developed capitalism and the periphery represents underdeveloped region. Dependency is a type of mechanism which can explain the causes of economic development and underdevelopment. The theory of dependency considers the fact that the social and economic development of less developed countries (LDCs) is conditioned by the external forces which are nothing but the central capitalism. The metropolitan countries are more powerful capitalist countries but LDCs are weaker and they also do not have the full-boiled capitalism. According to the dependency theory, underdevelopment can be explained by the fact of relations of dominance over the LDCs” (Ghosh, 2001; p. 1).*

Underdevelopment is therefore not interpreted as a result of a defective integration into the modern world but contrariwise as a specific integration into the world market which is dominated by the capitalist countries. To express it in a different way: underdevelopment is not seen as a form of pre-historic primeval state - that is an endogenously generated deficit of modernisation - but rather as a consequence of an historical process (cp. WU Wien, 2004). The presumption of this centre-periphery model is the hierarchical structure of the world society, which was created by the evolving capitalistic world market which brought international division of labor. Interactions between high developed industrial nations – the centre – and poor developing countries – the periphery – result in a simultaneous development of the industrial nations and a further underdevelopment of developing nations. Peripheries are an essential precondition for the dynamical development of capitalist industrial nations. They are important as:

- a contractor for cheap agricultural products and raw materials
- a place for capital investment



- a place to outsource branches which are no more profitable for the centre (earlier agriculture, today industrial branches of products with a low degree of processing)
- as a pool for labour (cp. *ibid*)

Haynes also speaks of the theory as focussing “on the allegedly baleful legacy for developing countries, not only of imperialism, but also for the Western-dominated international economic system, while showing little or no concern for domestic factors” (Haynes, 2002: p. 12-13). He furthermore describes the downfall of the theory in the 1970s (especially because developing countries such as Taiwan and South Korea enjoyed economic growth) only to then reappear in the early 1980s in the form of neo-dependency theory. “Neo-dependency theory pointed to a new – or at least dramatically extended – component of actual relations between rich western countries and poorer developing ones: the international debt crisis that occurred in the early 1980s. [...] International indebtedness soared while international lending agencies imposed stringent conditions for debt rescheduling, including the ubiquitous structural adjustment programs” (*ibid*).

### **3.3. Criticism of the Theories and Possibilities of Application**

Both theories are nowadays strongly criticised: None of the theories could describe reality plausible and without antagonisms. They are both challenged for being mono-causal, as modernisation theories reduces the reasons for underdevelopment to internal, the *dependencia* to external factors (cp. Schuster, 1998), and ignore with their inherent claim for universal validity relevant, local factors.

However, it is interesting that arguments favouring and disfavouring relationships between ‘North’ and ‘South’ often evolve from one of the theories. Many authors who provide universal concepts for development cooperation have a tendency to argue from either side of the two ideologies. This can be explained due to a lack of coherent new and universal theories explaining underdevelopment. The range of perspectives and arguments will be displayed in a literature study in the next chapter before they will then be applied to the theories trying to answer the two opposing hypothesis of this study in chapter 5.

## **Chapter 4: Key Issues of Cotonou between Modernisation and Dependency**

There are a variety of aspects which need to be considered when the Cotonou Partnership Agreement shall be evaluated. As most of the issues below bare arguments favouring the Modernisation Theory, but also, when observing them differently, arguments for the Dependency Theory, they cannot be separated into arguments favouring one or the other. An introduction to the multiple discussions and interpretations is therefore needed in order to understand the complexity of Cotonou in connection to the theories.

In the following chapter, different aspects concerning the trade relationship will therefore be reviewed.

Starting with theoretical considerations of international trade two main theories - the mercantilist theory and the theory of comparative advantages - will be introduced.

After this, the international influences on the relationship will be considered: the international background, pressure, and frameworks underlying the Cotonou Agreement will be discussed. It will begin with the debate about WTO compatibility – one of the main reasons why Lomé was replaced. One cannot discuss trade with developing countries without recognizing the Washington Consensus, and with this IMF Conditionality and Structural Adjustment Programs. The most recent issues in the discussion on trade with developing countries is the “Aid for Trade” idea, as well as the Doha Development Agenda of the latest WTO round. This ‘realistic’ international perspective will be contrasted by the last subchapter – which includes some arguments of anti-globalisation activists.

The chapter about European positions deals with EU protectionism in general and towards the ACP which can be found in the common agricultural policy (CAP) as well as in non-tariff barriers and rules of origin are important to mention. Also the European interests in having a special relationship with the ACP countries will be discussed as well as the changing European interest. That the name ‘partnership’ between one of the largest and the smallest actors of international trade might not be fully suitable will become clear in the subchapter of negotiation power.

Different opinions on the three possibilities under Cotonou, EPAs, EBA and GSP, will be reviewed. An emphasis is stressed out on possible effects and implementation problems of EPAs as well as the current status of the negotiations.

Some empirical facts will then provide some evidence for the unsuccessfulness of the annulled Lomé Convention by reviewing some selected trade indices as well as the status of ACPs in human development, by considering the HDI. Furthermore, the progress of ‘terms of trade’ made by the ACP countries as well as by the EU since 1980 will be looked at.

## **4.1. Theoretical Considerations explaining International Trade**

In the following, two brief introductions to the main theories on international trade will be provided: the mercantilist trade theory and the theory of comparative advantages. It is important to keep these theoretical backgrounds in mind when analysing the different arguments for and against trade liberalisation and with this for and against Cotonou - particularly when connecting the agreement to the Dependency Theory (which uses arguments from the mercantilists) and Modernisation Theory (which favours the system of comparative advantages).

### **4.1.1. Mercantilist Trade Theory**

The main idea of mercantilists, the earliest trade theorists, was that a country's wealth could be measured on the amount of gold it earned. To become richer - accumulating gold - the mercantilists suggested that a country has to engage in trade with other countries. It needs to import cheap raw materials and export final goods that receive a much higher price and hence value is added within the country (cp. Bjornskov, 2006; p. 9). This opinion is still very often used in recent discussions.

Coming back to the main interest of this thesis, free trade between developed and developing countries would, on behalf of mercantilists, always be of advantage for the industrialised countries.

Prebisch, who is a supporter of the Dependency Theory, argues in favour of the mercantilists and against the theory of comparative advantages (see below). In his view, international trade between developing countries, who mainly export primary goods, and developed countries, who are specialized in industrial goods, is not designed to benefit both groups. He diagnoses the decline of prices of primary goods in relation to the prices of industrial goods. This deterioration in the terms of trade has a direct negative effect for the developing countries as they are forced to export rising numbers of primary goods to import a constant amount of industrial goods (cp. WU Wien, 2004).

Trebilcock also sees the limits of the neo-classical theory in the example of comparative advantages (which are explained below) and therefore argues rather on behalf of mercantilists:

*“The existing specialisation patterns of many developing countries could with justification be viewed as the historically contingent product of colonialism – developing countries served as ready sources of raw materials on the one hand, and as markets for the finished products of colonial powers, on the other. This suggested not only the artificiality of existing comparative advantages in developing countries, but also its foundation in fundamentally unjust power relationships” (Trebilcock, 1999; p. 380).*

Baßeler explains in his introduction to macroeconomics that through liberalisation, in the long run, suppliers of agricultural products would lose against suppliers of industrial products – as it is already shown in the present development of world trade. Demands and prices for industrial products rise faster than demands and prices of agricultural products and feedstock (which might even reach a natural limit). In the long run, prosperity can only develop through an increase of working-productivity through mechanisation and industrialisation; all countries need to aim at the development of national industries. Here the argument for protectionism through tariffs or quotas is raised. Protectionism shall protect the development of a national industry from competition of already developed, industrialized

nations. The industrialisation of Germany in the 19<sup>th</sup> century was pushed by a protectionist-tariff which helped to bear out the competition against the British industry (cp. Baßeler, 2002; p. 529-530).

#### 4.1.2. Theory of Comparative Advantages

Adam Smith refuted the mercantilist theory in 1770 with his theory of absolute advantages. He outlined that every country has a production advantage in which it should specialize and through this benefits from trade (cp. Bjornskov, 2006; p. 10). What if a country does not have an absolute advantage? David Ricardo proposed in 1817 what is today known as the theory of comparative advantages to explain how trade can benefit countries even if they do not have an absolute advantage (cp. *ibid*; p. 11).

*“According to the principle of comparative advantage, the gains from trade follow from allowing an economy to specialise. If a country is relatively better at making wine than wool, it makes sense to put more resources into wine, and to export some of the wine to pay for imports of wool. [...] Because it is relative advantage that matters, it is meaningless to say a country has a comparative advantage in nothing” (WTO/1).*

The Heckscher and Ohlin model is the basic model explaining where comparative advantages come from. The model shows that some countries have a lot of capital in the form of machines, buildings and other production equipment while other countries have a large labour force at their disposal (cp. Bjornskov, 2006; p. 13). According to Heckscher and Ohlin,

*“countries with a lot of labour will have a comparative advantage in producing labour intensive products, while countries that have a lot of capital will have a comparative advantage in producing capital-intensive products since the price of the input factors differ” (ibid; p. 14).*

According to this theory, in a free trade system, comparative advantages bring the best possible profits to both countries.

Customs Union Theory is added at this point to explain how the EU and ACP would profit of FTAs. Custom Unions theory suggests that Custom Unions (here similar to FTAs) affect trade in two ways: First, countries would gain from preferences because of the trade creation effect. This takes place if a tariff reduction in favour of the partner country allows high-cost domestic production to be replaced by more efficiently produced goods imported from a partner country. Secondly, countries would lose from a Customs Union (CU) because of trade diversion, which arises if trade shifts from sources that have a comparative advantage to sources that have preferential access to markets (cp. Faber, 2005; p. 87). This problem occurs especially in trade between groups of developed or groups of developing countries. For trade between developing and developed countries, the prospect of an FTA is much better, as trade creation will be concentrated in the poor member state and trade diversion in the rich partner (cp. *ibid*; p. 89). With this argument in mind, Faber also explains why non-reciprocal preferences (as under Lomé) are not positive and work against comparative advantages.

*“The main beneficial effects from the non-reciprocal preferences were to come from trade creation and diversification in the EU, which would raise import demand for the products from ACP. [...] If countries create industries in which they do not have a comparative advantage, but which are only based on preferential market access, preferences have to*

*be kept in place indefinitely; meanwhile these preferences create vested interests to keep them in place. [...] In the case of non-reciprocal preferences, the dynamic effects in preference-receiving countries are limited. As competition is not increased in these countries, since they do not lower trade barriers, economies of scale in export industries are the only source of potential dynamic effects” (ibid; p. 91).*

Some neo-classical economists say that, based on the empirical evidence of export-led growth, developing countries could move up the ‘value chain’ beginning from pre existing comparative advantage in the least value added (unprocessed raw materials). Later, in the process of industrialisation, it would be adventurous to concentrate first on products which need mainly unskilled labour, with subsequent upgrading in the product compensation of exports as the country’s economy develops and accumulates physical and human capital (cp. Trebilcock, 1999; p. 382).

According to this theory, the establishment of EPAs would take away the trade-distorting effects of Lomé preferences and help the ACP countries to modernise by moving up the ‘value chain’.

## **4.2. International Influences on the Relationship**

International influences on Cotonou concern mainly the framework of the WTO, as well as strategies of World Bank or International Monetary Fund (IMF) dealing with trade with developing countries. It will be started with looking at one of the main reasons for the displacement of Lomé: WTO compatibility. The Washington Consensus of the early 1990s, together with Structural Adjustment Programs (SAPs) and conditionality, needs to be considered as it was a strong push towards trade liberalisation. It will be important to review some opinions on the outcomes – the reason is again for a better evaluation of Cotonou. The most recent WTO initiative concerning trade issues with developing countries can be combined under the slogan “Aid for Trade not Trade as Aid”. It goes with the idea of preference erosion and liberalisation which is supported with adjustment payments and reform aid of the donor countries and institutions. One also need to draw a picture of the most recent WTO round – the Doha Development Round – which collapsed in July 2006. What effects could have a successful Doha round on Cotonou? What is the way forward for Cotonou after it was cancelled? To underpin this chapter with a critical point of view, a few arguments of activists against globalisation and of the civil society/NGOs against trade liberalisation will be summarized.

### **4.2.1. WTO compatibility**

One of the reasons, most often claimed for the need to succeed Lomé was that the provisions under the convention were not compatible with WTO law. As it is already stated in Part 2 of this paper, ACP preferences under Lomé have infringed upon WTO rules for two reasons and therefore could only be granted under a waiver by other WTO members: firstly because these preferences are not available to all developing countries and secondly because they are not restricted to least developed countries (cp. Panagariya, 2005; p. 1418). Under Cotonou, where one of the principles is differentiation between LDCs and non-LDCs, a waiver is not necessary anymore and therefore the agreement is WTO compatible.

Hence, for some, it was easy to explain the changes. Others, who are not satisfied with the changes argue that the WTO should not be the master but the servant of human welfare – if their rules do not serve the humans, than the rules need to be changed (cp. Wardenbach, 1998; p. 11). Critics of the current WTO regulations not only come from the NGO side. Also EU parliamentarians have noted the incoherency of WTO rules and development interests (cp. *ibid*; p. 11). Furthermore, Wardenbach (p. 16) explains that the EU and the ACP together have a majority within the WTO; it would probably be possible to introduce and implement necessary reforms together.

The next subchapter will show that within the consensus of the international community, trade liberalisation is wanted and the maintenance of non-reciprocity not only infringes WTO law but also the will of the two Bretton-Woods institutions (World Bank and IMF).

#### 4.2.2. The Washington Consensus

The answer of the international financial institutions to the debt crises in many developing countries at the end of the 1970s and the beginning of the 1980s was the design of Structural Adjustment Programs which were compatible to the neo-liberal basic structure of liberalisation, deregulation and privatisation – the so called ‘Washington Consensus’ (cp. Nuschler, 2004; p. 366). The ‘Washington Consensus’ most succinctly by John Williamson in the 1990’s refers to the broad consensus regarding the types of reform urgently needed in developing and transition countries (cp. BMZ, 2004; p. 16). One of the structural policies recommended in the consensus was the liberalisation of imports (cp. *ibid*; p. 17).

After the consensus, most bilateral relations were also based on this consensus. Many developing countries claimed that external support, such as under Lomé should be provided ‘non-conditionality’ to not give the relationship a ‘neo-colonial’ character (cp. Brown, 2004; p. 19). At the beginning, the Commission separated Lomé strongly from the IMF and World Bank Structural Adjustment Programs, but this approach was soon subject to change:

*“The reality of EU policy was, however a different matter. Even though the Commission appeared to be trying to square the conditionality of adjustment support with Lomé principles of partnership, it was severely constrained in achieving this. On the one hand the Commission lacked the financial resources, the technical resources and the support of member states to challenge World Bank leadership in the field [...]. On the other hand, the EU would not have been supported by EU member states which agreed with the World Bank approach. As the then British Overseas Development Minister, Chris Patten, claimed: ‘It makes no sense to argue one course in Brussels and another in Washington...close coordination with the Bank will be vital. Indeed the quickest and most effective way to support recipients’ macroeconomic reforms is to work alongside the Bank’ [...].” (ibid; p. 20-22).*

This statement makes clear, that EU policy is following the direction showed by the WTO, IMF and World Bank. Since Cotonou is in line with the ideals of these financial institutions, it becomes clear, why the EU has chosen to push forward this way.

The above paragraph has explained where the EU policies stand in relation to the consensus of the international financial institutions. Concerning the Washington Consensus, but especially the SAPs

there is another question to be answered in the context of this paper. As IMF conditionality has driven forward among others “liberalisation and reform of trade system” (IMF as cited in Dreher, 2002; p. 61-62), it seems appropriate to get some opinions about the results of these measures to see whether the further course to trade liberalisation in terms of EPAs is justified.

Among many others, Broad, Cavanagh, and Bello see the results of SAPs rather critical:

*“Creditor banks, using the World Bank and IMF as enforcers, conditioned debt rescheduling on acceptance of export-oriented structural adjustment packages. In fact, many least-developed countries (LDCs) faced serious external constraints on export opportunities – from growing protectionism in developed countries to increased substitution for raw-material exports. [...] Structural adjustment in practice has damaged environments, worsened structural inequalities, failed even in the very narrow goal of pulling economies forward and bypassed popular participation” (Broad, 1995; p. 438-440).*

There are also some examples where SAPs have worked and the countries are better off now. Also in the context of this paper, Wolf (1999; p. 51-61) said, “sustained adjusters” have lowest gains from preferential access, because they are more competitive and therefore less dependent on preferential treatment.

#### 4.2.3. Doha Development Round

The Doha Development Round is the latest ministerial round of the WTO and was launched in 2001 (cp. WTO/2). Its aim is to strengthen the international trade regime, to promote further market liberalisation and to include developing countries better into the world economy (cp. DGAP, 2006).

The Doha round, which was seen as an important agenda for the developing countries, was suspended on July 24<sup>th</sup>, 2006. The reason for the suspension was mainly that the USA and EU did not agree to further reduction of the agricultural subsidies (cp. BMWi, 2006). The Doha round, especially which concessions the EU would have made in terms of improving access to the European market through the GSP, the EBA initiative, EPAs and other bilateral agreements would have had an enormous influence upon the exact conditions for each ACP country as well as in terms of their competitors. “In addition, the value for the ACP countries of these unilateral, bilateral or multilateral trade initiatives of the EU will depend on the conditions of market access and other rules negotiated under the WTO” (Bilal, 2002).

The main problem, as was noted above, was that the EU was not willing to cut down their agricultural substitutions as much as it was asked by the international community. In a later chapter, a closer look on EU protectionism and the Common Agricultural Policy (CAP) will be taken. Just for now, the author of this volume would like to note that the Commission states on its official site that:

*“...contrary to what many may think, Europe is the biggest importer of agricultural goods worldwide and it is also the world’s largest importer of farm products from developing countries: it imports from developing countries as much as the US, Japan, Canada, Australia and New Zealand taken together. The European Union is nonetheless determined to further reduce all forms of domestic support provided to farmers in developed countries, eliminate export subsidies by 2013 and lower tariff for agriculture products imports” (European Commission/1).*

The ideas of what a successful Doha round would most likely have looked like for the specific countries are mixed: Wilson explains that for some this possible outcome would have not been ambitious enough while for others, especially the most vulnerable WTO members coming from the ACP group, it would have resulted in a substantial cut in tariffs, an increase in adjustment costs and a market loss in policy space and flexibility (cp. Wilson, 2006; p. 2). Nevertheless, the suspension of the round is still seen as a loss for most developing countries. It is noted that “from every perspective there can be little doubt that the ACP countries are those which are most vulnerable in the global trading system” (ibid) and that it would be unwise to demarcate those issues important for developing countries, such as the quota free and duty free access for LDCs and the Aid for Trade initiative, from the key negotiating areas (cp. ibid). Wilson concludes its recent study about the ACPs after the WTO impasse with: “It is clear what the ACP has to do. Its members have to support the resumption of the Doha Round negotiations, with development as a prevailing concept permeating all of the discussions” (ibid; p. 3). Whether this will happen in the near future or whether the bilateral trade negotiations under Cotonou will stay the most important changes for the ACP is not certain at this stage.

#### 4.2.4. From “Trade as Aid” to “Aid for Trade”

*“The suspension of the Doha Round should not limit the initial ambitions to deliver a comprehensive Aid for Trade package, but on the contrary, by de-politicising the debate, result in new commitments and mechanisms that should strengthen the trade-related capacity of developing countries, in the context of the multilateral framework, as well as the regional, bilateral and national levels. To this end, the EPA negotiations and related discussion on EPA development support could play a pioneering role” (Bilal, 2006; p. 5).*

The statement above makes clear, that “Aid for Trade” is seen to be important, also after Doha has been suspended, and that EPAs are strongly connected to the concept of “Aid for Trade”. But what is the “Aid for Trade” concept about and what has happened to the earlier slogan of “Trade as Aid”? The Cotonou Agreement could be seen as an example for this new direction: non-reciprocal preferences under Lomé were an example of the “Trade as Aid” idea, whereas trade liberalisation of developing countries which is accompanied with aid of a bilateral or multilateral donor – as in Cotonou – is considered “Aid for Trade”.

In general though, the term “Aid for Trade” comes from an international level. At the WTO Hong Kong Ministerial Conference, a task force was set up which made recommendations in July 2006 on how to operationalize “Aid for Trade”. The first two of five recommendations cover traditional forms of aid, whereas the latter three expand the “Aid for Trade” agenda: (1) Trade Policy Regulations (training trade officials, helping governments implementing trade agreements etc.). (2) Trade Development (support services for business, promoting finance and investment etc.), (3) Trade-related Infrastructure (includes building roads and ports), (4) Building Productive Capacity (improving the capacity of a country to produce goods and services), and (5) Trade-related adjustment (financial assistance to meet adjustment costs from trade policy reform, including balance of payment problems resulting from lost tariff revenues or from the erosion of preferential market access) (cp. Smaller,



2006; p. 4). Basically, “Aid for Trade” is the idea to assist developing countries technically and financially with the implementation of WTO commitments. Of course, the concept is criticised in terms that developed countries “use their aid budgets to pressure developing countries to move closer to the developed countries’ trade negotiation positions” (ibid, p. 7).

One can conclude that “Aid for Trade” is a system developed mainly by supporters of free trade and preference erosion who see that when they want to accomplish their goal of an MFN world liberalisation they have to make some offers to developing countries which now receive preferences. This view is strongly supported by Hoeckmann and Powse. Their main argument is that a non-discriminatory trade regime and MFN-based liberalisation by WTO members is a public good. Hence, their implication is that erosion is ‘good’. They say this is not to deny that preferences are not legitimate or to say that they do not benefit recipients – but in their view non-reciprocal preferences are less beneficial than is often held to be the case. They argue that these preferences are distortionary and help to generate increasing preferential trade in the world trading system as excluded (less-preferred) countries confront incentives to negotiate reciprocal free trade agreements (FTAs) with major donor countries (cp. Hoeckmann, 2005; pp. 2-3). They calculate that “on net, trade preferences therefore involve a mix of benefits for preferential exporters, costs imposed on third country exporters, and potential losses for the importer as well” (ibid; p. 4). With this they mean that through preference erosion, the country that now gets preferential treatment will lose some exports while a country that is excluded from preferences will increase its exports after preference erosion. Further, Hoeckmann and Powse think that world wide liberalisation and a shift away from discriminatory trade policies will strengthen the trading system and help generate welfare improvements for the world as a whole. According to these considerations, they suggest a joint approach for developing countries that includes additional financial assistance, determined by an estimation of the direct, bilateral erosion losses which the current recipients of preferences will face. The funding should be allocated towards measures that will reduce the negative economic effects of this erosion (cp. ibid; p. 11-12). Hoekman and Powse interpret the erosion of non-reciprocal preferences for non-LDC ACPs, as underdone by Cotonou in 2000, as follows:

*“Many countries in the past have benefited from preferential access and have graduated from bilateral programs, and others continue to benefit. But many of the poorest countries have not managed to use preferences to diversify and expand exports” (ibid. p. 18).*

Therefore they argue that it would be more effective to move away from preferential “Trade as Aid” towards more efficient and effective instruments which could support the poor to improve development outcomes. The other argument to move away from preferences is – again – to help to strengthen the multilateral trading system. They admit that the idea of preference erosion is not exactly in the interest of developing countries when they say that “in absolute terms developed countries will gain more than developing countries, providing the means to engage in increased support and development assistance” (ibid; p. 19).

This assistance to deal with the negative consequences of policy reform should include the finance for lost tariff revenues from reducing tariffs, higher food import bills that result from the reduction of concessional food scales on world markets after subsidy reform and social safety nets for people who lose their jobs to more competitive imports. Furthermore, the LDCs argue that the money for “Aid for Trade” should be additional and that the resources should not be reallocated from other sectors such as education or health (cp. Smaller, 2006; p. 3-5). Hoekman and Powse (p. 13) argue that the erosion problem is primarily a bilateral issue that should be resolved on a bilateral basis, in the sense that those imposing the costs should bear the burden of offsetting them. The final question of this subchapter is then whether there will be enough money to pay for the proposed “Aid for Trade”. Smaller has calculated that the money pledged so far for “Aid for Trade” is insufficient to cover the proposed agenda. “The current pledges stand somewhere between US\$ 4-8.6 billion. Yet the estimated costs, according to OECD calculations (and excluding adjustment costs), stood at US\$22.8 billion in 2004” (Smaller, 2006; p.8).

It can be summarized, that the “Aid for Trade” concept is a good idea to help developing countries with those trade reforms pushed by the developed countries and the WTO. It cannot be used to make up for the losses from a suspended Doha Round and it seems that there is not enough financial support to realize the concept sufficiently. This might let one suggest, that trade liberalisation is continued to be pushed forward without adequate compensation for the most vulnerable countries.

#### 4.2.5. Globalisation Critics and Civil Society

This subchapter deals with the arguments of the anti-globalisation activists most often found in groups within the civil society. Globalisation critics can be found en masse, but unfortunately the arguments are rarely proved scientifically.

The main arguments against globalisation – with the drive towards free trade being a part of it – are based on Dependency Theory.

The negative impacts of globalisation or the international trading system are often pictured quite populist. It is still important to discuss these opinions in the frame of this paper, as there are plenty of issues which are left out of the discussions of mainstream scientists about trade with developing countries.

One issue is the argument that with globalisation, the cleavage between rich and poor has become greater, and even that developing countries became poorer. The UNDP, as cited by Betz (cp. 2006; p. 199), says that in 1960, the richest 20% of the world population used to have an income 30 times bigger than the poorest 20%, whereas in 1997 their income was even 74 times as high.

In his book “Global Brutal”, Chossudovsky (cp. p. 89) argues that the comparative advantages of developing countries are the low wages and he speaks of free trade areas with low-wage-economies. ‘Export or die’ is the motto of this economy and the countries are exposed to a murderous

competition between each other as all of them are forced to import to the same European and American markets (cp. *ibid*; p. 89-90). Furthermore, Chossudovsky explains the 'added value' developed importing countries gain. Because goods from developing countries are imported for very low international (fob-) prices, the official value of OECD-imports from developing countries is relatively small compared to their total trade volume as well as compared to their domestic production. But as soon as these goods enter the retail- and wholesale channels of the rich countries, the value gets multiplied. The unit (end) price of goods from developing countries is often 10 times higher than the import prices (cp. *ibid*; p. 98).

The international movement of "attac" is probably the biggest non-governmental organisation (NGO) or movement which criticises the globalisation and the current world trading system. According to them the current world trading system is dominated from the major banks, investment funds, transnational companies and other large capital holders. Attac argues for a world trading system which gives priority to developing countries, socially disadvantaged and the environment (cp. *attac*, 2006).

Summing up, anti-globalisation activists are present in the international system; many of their arguments are shocking for most people. Mostly heard, they are as protestors in front of meetings of one of the big financial institutions. This way they are not influencing much; but on a less aggressive level, anti-globalisation arguments are heard also from more or less influential leftist politicians.

### **4.3. The European Position**

The discussions about theoretical considerations as well about the international influences were needed in order to explain and better understand the European position. Nevertheless, for answering the main research question, this section – understanding the interests of the European Union in offering Cotonou to the ACP countries – is probably most important. European protectionism, which is often one of the main arguments when the EU is criticised about its action towards the developing world, will be considered. Thereafter, the European interests in the ACP countries will be discussed and a change will be noticed and explained. After the end of the Cold War, the ACP group had lost its strategic importance for the EU as a neutral force. The last subchapter will deal with the negotiation power which the EU has in the trade negotiations with its "partners", the ACP group. It will be noted, that partnership might not be the correct term for the asymmetrical relationship.

#### **4.3.1. European Protectionism**

The European Union – often called the world champion of exports – accounts 38% of total global exports. The value which the EU exports towards the rest of the world accumulates to 620 billion ecus with a trade surplus of 46.3 billion ecus (cp. Holland, 2002; p. 143). To hold and enlarge this status, trade liberalisation is needed. On the other hand, to be able to produce competitive while keeping European wages and social standards, protectionism of European markets against cheaper

imports from other countries is needed. This means, that the EU finds itself in a tension between the drive towards global liberalisation for exports and global market protection (cp. *ibid*).

Especially within the Common Agricultural Policy (CAP) some contradictions can be noticed. In this context, three issues shall be noted: the withdrawal of preferences as soon as they harm European interests, the contradiction between preferences and dumping-exports, and the example of European self-interest on the banana trade war.

The EU offers special preferences and protocols to the ACP group, for example for rice, bananas and sugar. The Commission has the authority to monitor these imports and if necessary (if the imports of certain products cause serious disturbance to EU markets) move to temporary suspensions of these preferences (cp. *ibid*; p. 231). This means, that the EU is willing to 'offer help', but only as long as it does not do any harm towards its own economy. Furthermore, both agreements, Lomé and Cotonou, do not address the non-tariff barriers which often restrict developing countries from entering EU markets.

Schaub (cp. 1998; p. 20) notes that on the one hand, the EU is protecting its own agrarian markets within the CAP, on the other hand it grants preferences. A severe contradiction can be noticed between the EU agrarian policy and its development policy: the gains of the ACP preferences are narrowed by overproduction and dumping-exports which bring drastic loss of devices to the ACP economies. For beef for example, there are quotas which grant imports from Botswana, on the other hand, surplus EU-beef is sold out on African markets (cp. *ibid*). Also Holland (p. 232) notes that only belatedly the EU has begun to address the disincentive effect that CAP subsidies and surpluses can have on food security in the developing world by lowering world prices.

Dickson (cp. 2004; p. 51) explains that Lomé trade preferences were relatively risk free for the European market as they were offered primarily to poorer or smaller economies which could not make significant incursions into the EU domestic market. Also, in case a problem came up, safeguard clauses had been established. Nevertheless, "when faced with a choice between fighting to maintain preferences to third parties and defending domestic preferences, the Community would rather do the latter" (*ibid*. p.52). Dickson mentions that the Common Agricultural Policy is symbolic of the values of which the EU was founded: among its objectives are the maintenance of reasonable farm incomes, the raising of agricultural productivity and the stabilisation of markets (demand and supply) as well as the abolition of barriers to trade (cp. *ibid*. p.52).

Dickson explains that "on the one hand, while pressing the developing countries to open their markets the EU wants to protect its own strategic markets such as agriculture" (*ibid*; p. 53). This case becomes obvious for example in the case of the banana trade war (cp. *ibid*; p. 53): The EU had been discriminating the so-called Latin American "dollar bananas" which were mainly produced by US companies (ex. Chiquita) to protect its ACP trading partners in the Caribbean who were dependent on preferred exports of its main product. Besides the closer link towards the ACP countries, the EU favoured their bananas because they were produced under better and cleaner circumstances. The US

challenged the EU with WTO law, and ended by unilaterally imposing high import tariffs on European luxury goods. The EU changed its protocol and since 2006 the regime has shifted to a tariff-only system and the ACP countries have to compete against dollar bananas, unless they qualify for the EBA initiative (cp. *ibid*; p. 53-56). Dickson concludes that:

*“[T]he EU, in not challenging the WTO interpretation, has contributed to the likely increase in poverty of the affected ACP countries and to regional instability despite its declared commitment to do otherwise. As the world’s largest trading bloc, it seems unlikely that the EU did not have the capacity to alter or adjust the interpretation of WTO rules to benefit more developing countries. It seems that political will was lacking” (ibid; p.57).*

#### 4.3.2. Changing European Interests in ACP

Already in the example of the banana trade war above, it became clear, that European self interest weighs much more than the success of the trade relationship for the ACPs. This chapter now deals with the interests of the EU in offering the preferences under Lomé, and the way those interests changed leading then to the new Cotonou agreement. In short, the European interests have changed from the need to have a secure access to raw materials and a friendship with a neutral block during the Cold War to the need to enhance their own market access as well as new economic interests in other developing countries.

Olsen gives one of the crucial arguments from the aid motivation debate, “namely that the amount of aid received by any low-income country is proportional to the level of interest by the donor” (Olsen, 2005; p. 579). The decreasing level of interest in ACP by the EU can then be noticed by the drop of the percentage of the ACP share in total European aid, which decreased from 60% to 34% in the 1990s (cp. *ibid*; p. 574). Olsen also names two theories which shall explain the motivation of the EU to provide development aid. The first one is Ravenhill’s theory of “collective clientelism” (with the EU being the collective patron to the developing countries who are the clients) which argues that a mixture of psychological, political and economic factors explain the EC’s aid relationship with the ACP. The second theory states that the motives are mainly selfish donor interests such as trade, access to raw materials and security (cp. *ibid*. p. 577). He argues that during the Cold War the EU had economic interests (to secure the supply of raw materials from its former colonies, especially those raw materials which the EU could not produce itself), security interests (in times of bipolarity between the two superpowers, the EU needed to maintain a friendship with neutral Africa) and psychological interests (“the community gains a certain psychological satisfaction...”) (cp. *ibid*; p. 578-586). In the post Cold War area two main changes must be noted: Today, the ACP countries do not have an important role regarding raw materials anymore (cp. Schaub, 1998; p. 20). But they are now needed as a market for the EU’s exports (cp. Grynberg, 1999; p. 39). The second change is the aim of the EU to become global actor (cp. Olsen, 2005; p. 576). Farrell explains this geopolitical change of the EU: “Within the EU during the 1990s the strategic interests of the individual member states and the union as a whole had changed from those that motivated the original Lomé agreement almost

thirty years earlier” (Farell, 2004, p. 8). External relations with numerous regions became more important (Eastern Europe, Asia, Latin America) so that the relationship with Africa no longer held the political salience of the past, and the EU’s political priorities now lie closer to home. Considering the shift in the geo-strategic interests of the EU as a whole – Africa had fallen down on the list of priorities for the Union (cp. *ibid.*: p. 8-11). These changes very well explain the European interest in now offering the Cotonou Agreement. By offering preferences to the ACP they have secured the access to raw materials and ‘friendship’ to neutral Africa, by steering towards trade liberalisation they are encouraging the ACPs to open their markets for exports from the EU. Furthermore, discrimination towards other developing countries is reduced and more financial resources are free to engage in cooperation with other interesting regions.

However, there are a few more arguments by authors highlighting European self interest behind the relationship. Concerning the Pacific, Grynberg says, it is very unlikely that an EPA will be established. The EU has no big interest in the island’s markets as they are small and mainly dominated by Australia, New Zealand and Asia. Furthermore, the problem is whether a FTA should be concluded with or without New Zealand and Australia. Including them would be impossible, as they are too competitive, excluding them would be politically unacceptable (cp. Grynberg, 1999; p. 46). For these reasons it is likely, that in the Pacific, WTO waivers for the main products will be asked for, the rest will work under GSP (cp. *ibid.*; p. 48). Regional Partnership Agreements are only an African model – where the EU has a higher interest and less political problems.

Dickson questions the link between development gains for the ACP and the EU’s public commitment to trade liberalisation:

*“The campaign against poverty is a declared priority for Community development policy and the new Cotonou Agreement. However the nature of the link between anti-poverty policies and trade policy is not evident. The Community views integration into the world economy as the chief means by which poverty and exclusion can begin to be alleviated. To this end the economies of the developing countries should be made more liberal and the community will assist in establishing the appropriate institutional framework to achieve this. Trade preferences, which are seen not to have worked, will be granted according to need and phased out when that need is judged to exist no longer” (Dickson, 2004; p. 46).*

Regional cooperation is another means by which integration into the world market will be promoted. But so far it is unclear whether the proposed regional agreements will significantly benefit the developing goals of the ACP although it is certain that the EU will benefit from access to new world markets (cp. *ibid.*).

Smith finally brings the relationship between the EU and the ACP in a more neutral position: by suggesting that it would be highly unlikely that the EU-ACP relationship which has been existing for so long would simply be determined, not least because institutional inertia’ would keep it going. Also EU aspirations for a global role could hardly be taken seriously if the ACP countries were more or less ignored (cp. Smith, 2004; p. 69). So there is probably not a shift away from the ACP states, but a normalisation of relations with them, in that those relations are becoming more like the EU’s relations

with other regions: more political and encompassing a wider range of concerns (cp. *ibid*; p. 69-70). Hence, she suggests that the EU's relations with the ACP countries, predominantly with Africa, are beginning to look much more like its relations with other regions. The policy objectives are similar, as well as the policy instruments: dialogue, (conditional) financial and technical assistance, and institutionalized trade (cp. *ibid*; p. 77).

One might conclude this subchapter by quoting Farrell (2004; p. 22), who suggests that:

*“The EU policy towards Africa, as reflected in the recent Cotonou Agreement, is strongly realist in tone, and that the rhetoric on partnership reflects less a normative agenda than a trenchant pursuit of what are really neo-liberal goals, and the extension of economic liberalisation in the interests of the EU. [...] The provisions on trade cooperation and the promotion of economic partnership agreements lie fully within the scope of the WTO agenda, which the EU supports wholeheartedly. Nothing in the Cotonou agreement threatens the special interests within the EU.”*

#### 4.3.3. Negotiation Power

This chapter sums up some comments concerning the unequal negotiation process between the EU and ACP group while concluding the partnership agreement. It is obvious that a real partnership between the world's largest trading block and a group of the world's poorest countries is hardly based on equality.

Within Lomé, it was widely agreed, that one could not actually speak of a partnership. Farrell notes that the asymmetrical trading relationship was clearly visible in the unbalanced nature of political dialogue between the two partner regions. The ACP group had never the necessary political weight to exercise influence within the partnership. He says their bargaining strength was clearly limited to what could be negotiated with the EU by appealing to the conscience of individual countries or by upsetting the EU into extending the agreement (cp. Farrell, 2004; p. 7). “It was a relationship based less on partnership than on inequality and general institutional inertia...” (Farrell, 2004; p. 7-8). When looking at the negotiation process for the Cotonou Agreement, this inequality is unlikely to change. Holland (2002; p. 189) notes that “the leitmotiv of Lomé was always its claim of partnership. The 1999 negotiation process however was marked more by inequality and conditionality than parity.” He describes the negotiations as a “situation of total power asymmetry” (*ibid*). The trade negotiations in 2002 have shown significant differences between the EU and ACP mandates: a) ACP proposed a longer FTA transition phase – 10 instead of 5 years; b) the ACP wanted to retain as much as possible the existing Lomé-provisions and protocols – not just for LDCs but also for highly vulnerable countries; and c) they asked for improved access for agricultural products (cp. *ibid*; p. 190). Furthermore, the ACP argued that they must be allowed to first consolidate their own regional integration process and that they do not have the capacity to liberalize in parallel and concurrently with the EU (cp. Faber, 2005; p. 101). The EU has recognized these difficulties and has given a time span until 2007 from when on regional integration and EPAs shall develop in parallel. Also, “the EU mandate does not mention additional recourses and instruments for adjustment” (*ibid*; p. 102).

Knowing this, one can see that the ACP group is much weaker and less successful in negotiating their interests within the agreement. Farrell (2004; p. 24) provides a comprehensible reason for this asymmetric relationship: “The weaker partners are also aid recipients, and in receipt of trade and other preferences – this places them at a disadvantage in challenging the EU, and potentially risks compromising their interests.” Because they are dependent on the aid sector included in the agreement, the ACP countries were not able to make fundamental changes in the trade-cooperation ideas proposed by the EU – Cotonou came as a package.

#### **4.4. Three Possibilities under Cotonou**

As already mentioned in the background chapter 2.3, ACP countries are offered three options of trade relationships with the EU under Cotonou. It is differentiated between least-developed countries (LDCs) and developing countries (non-LDCs). The proposed option for non-LDCs are Economic Partnership Agreements (EPAs) between regional groups within the ACP regions and the EU. These EPAs are to be based on reciprocal preferences and come close to free trade areas (FTAs). If ACPs do not see themselves in the position to open their markets to the EU, the second option for them are those preferences which are offered to any developing country under the Generalized System of Preferences (GSP). The trade option offered to LDCs are non-reciprocal preferences under the Everything-But-Arms initiative. Within this framework all (not only ACP-) LDCs are granted duty-free access for their goods into the EU for all products except arms.

In the following three sections, a closer look will be taken at each of these options. What does the respective literature say about chances and difficulties for each of them? Considering the three possibilities in greater detail will help to later on in this paper judge between them entailing modernisation or further dependency.

##### **4.4.1. Economic Partnership Agreements**

Economic Partnership Agreements (EPAs) are the center piece of the trade sector in the Cotonou Partnership Agreement. They aim at reciprocal trade liberalisation between the EU and regional groups within the ACP countries. At the time of writing this paper, negotiations between the EU and several regional groupings are going on and are, according to the agreement, supposed to result in new agreements as soon as the beginning of 2008. In this section some of the main principles of EPAs will be discussed, namely the status of current negotiations, the mayor critics of the concept as well as likely implementation problems.

EPAs are basically to result in Free Trade Agreements (FTAs). Following the European Centre for Development Policy Management, an FTA is a reciprocal preferential trade agreement, under which each party commits to abolish restrictions on imports from the other party, thus constituting positive discrimination towards other WTO members. The ‘plus’ of EPAs in relation to simple FTAs is the financial dimension or aid which is provided by the European Development Fund and the European



Investment Bank (EIB): it accompanies the FTAs and is supposed to facilitate their implementation (cp. ECDPM, 2001). By signing the Cotonou Partnership Agreement in 2000, the two parties agreed to the “phasing out of the trade preferences which were granted since 1975 under the Lomé Conventions to the ACP group and to a progressive removal of trade barriers between the ACP and EU, with the goal of liberalisation of reciprocal trade starting in 2008 (cp. Bilal, 2006; p. 15). “Since substantially all imports from the ACP countries to the EU are already de facto duty and quota free [96.5% = all industrial products and 80% of agricultural products] most of the trade liberalisation will have to come from the ACP” (Bilal, 2006; p. 15).

The Cotonou Agreement sets out four principles upon which EPAs should be formed: *Development* (EPAs should be development-oriented trade arrangements that ensure sustainable development and economic growth in ACP countries that contribute to poverty eradication), *Reciprocity* (with the establishment of Free Trade Agreements, for the first time, ACP countries will have to open up, on a reciprocal basis, their own markets to EU products in order to retain their preferential access to the EU market), *Regionalisation* (the principle of basing the future trade cooperation on regional integration initiatives stems from the conviction that regional integration is a key stepping stone towards further integration into the world economy, as well as a main instrument to stimulate investment and to lock in the necessary trade reforms), and *Differentiation* (EPAs should provide sufficient scope for flexibility, special and differential treatment and asymmetry; in particular LDCs, small and vulnerable economies, landlocked countries and small islands should be able to benefit from special and differential treatment) (cp. Bilal, 2002; p. 9-10).

The current EU position on EPAs proposes the following scenario:

*“It is a reciprocal WTO-compatible FTA where ACP countries would have to liberalise around 80% of their trade with the EU (with differences between regions due to different trade balances between the parties), and the EU would probably offer duty-free access to ACP countries over a period of around 12 years, according to the standard interpretation by the EU of ‘substantially all trade’ and ‘reasonable length of time’ as per GATT article XXIV. The agreement would strengthen regional integration initiatives (based on the EU integration example) and would also include liberalisation of services, as well as investment, competition, trade facilitation and other ‘behind the border’ provisions (which would make it an FTA+)” (Bilal, 2006; p. 3-4).*

Since October 2003, six self-determined ACP groups are engaged in negotiations with the EU:

- **Central Africa** - CEMAC (Communauté Economique et Monétaire de l’Afrique Centrale) plus Sao Tome and Principe
- **West Africa** – ECOWAS (Economic Community of West African States) plus Mauritania East and Southern Africa - an open configuration currently comprising COMESA countries minus Egypt and South Africa
- **East and Southern Africa** – an open configuration currently comprising COMESA countries minus Egypt and South Africa
- **Southern African Development Community** – Botswana, Lesotho, Namibia, Swaziland (BLNS) plus Angola, Mozambique and Tanzania

- **CARIFORUM** – Caribbean Forum of ACP States
- **Pacific ACP States** (cp. Bilal, 2006; p. 16).

Mbaye mentions that the regional negotiation processes consists of three phases: preparation, negotiation and conclusion. “Some regions are still at the first phase while others have proceeded to the second. No region has yet reached the final phase, the conclusion of the EPA” (Mbaye, 2006). Also at the time of writing, within the latest Trade Negotiations Insights (September/October 2006), Julien and Makhan (2006) conclude that not many concrete issues have been decided. The SADC negotiations are the ones which have processed the farthest with a proposed “Free Trade Area by 2008 and a Customs Union by 2010”.

While the EU is proceeding in the negotiations and seeing EPAs as the achievable goal, critics and implementation concerns continue to be the main element of academic debate. Implementation problems for EPAs arise especially in the creation of regional arrangements in the ACP group. Two aspects need to be considered: First – many states, especially in Africa, are members of several regional integration agreements (RIAs). The concern is that overlapping membership reduces the credibility of RIAs. By being member of more than one RIA, the respective countries “show that they want to keep open alternative options, which enables them to trade off opportunities for regional opportunities as they see fit” (Faber, 2005; p. 94). For EPAs, the countries have to decide with which regional group they want to negotiate which can bring political difficulties (cp. StopEPA Campaign, 2004). The second severe problem is the possible integration of LDCs in RIAs. With the EBA initiative (see below), all LDCs receive non-reciprocal duty free access for essentially all of their products since 2002. Since most of them are also part of RIAs, they have to decide whether they want to be part of an EPA with the EU within their RIA or whether they want to be excluded from this group. If LDCs decide not to be part of an EPA that their regional group is negotiating, they will still feel the impacts of the EU imports which come into their country from neighbouring non-LDCs (cp. *ibid*) – detailed rules of origin and tariff controls will be needed by the respective LDCs (cp. Holland, 2002; p. 219).

Among the arguments against EPAs by the StopEPA initiative, which is built by several ACP and EU organisations from the civil society, is that trade liberalisation itself cannot be a satisfying substitute for a comprehensive development strategy. Wolf, an economist working for the Financial Times explained that trade liberalisation itself can never produce growth (cp. StopEPA Campaign, 2004). According to the advocates of the initiative, trade in agriculture suggests the greatest problems for ACPs due to the CAP of the EU: an average EU farmer receives annual subventions which account 100 times of what the average ACP farmer earns in one year. Furthermore, it is publicly accepted that in countries which liberalize trade before stable economies have been established, deindustrialization is a regular result (cp. *ibid*).

Wardenbach (1998; p. 15) names examples of existing FTAs between developed and developing countries, the North Atlantic Free Trade Area (NAFTA), the customs union between the EU and Turkey, as well as the FTA between the EU and South Africa. He isolates the problems coming with

theses arrangements for the partner regions. Even the European Parliament has passed a resolution which states the catastrophic consequences for the ACP if the FTAs are introduced quickly and not carefully, he says. The basic goal of development cooperation, the fight against poverty, will be failed because usually the poor suffer from missing public income through tariffs etc. Wardenbach also cites a study by the international NGO Oxfam which has estimated the upcoming costs for those 29 non-LDC ACP countries which are addressed by regional partnership agreements (RPAs): the decline of revenues will be about 840 million US\$, which are about 40% of the entire development aid for all ACP countries out of the European Development Fund in 1994 (cp. *ibid*; p. 16). Within the StopEPA paper, Kofi Annan is cited, saying that it is expected that EPAs will cause dramatic results on the ACP countries' national budgets as they are now strongly dependent on tariff incomes (cp. StopEPA Campaign, 2004). In many ACP countries, tariff incomes account to one third or more of the national revenues. The EU has made clear a couple of times that even development assistance cannot be extended substantially because of the challenges coming with EPAs (cp. *ibid*). Also Mbaye speaks of various studies, including one by the United Nations Economic Commission for Africa (UNECA), which have been sceptical about the EPA agreements' positive impact on development in sub-Saharan Africa (cp. Mbaye, 2006).

*“There are good reasons to fear that the EPA agreements will not only destroy the existing industrial network but that they will also greatly limit, or completely thwart, the countries' efforts to industrialise. [...] Far from the goal of reducing and eradicating poverty, the EPA agreements in their present form pose unparalleled challenges to the ACP states' fragile economies. It is probable that ‘the most unequal trade negotiations in history could produce the most disastrous results for development’” (ibid).*

The supporters of the StopEPA campaign ask the EU to follow their promise to check alternative trade possibilities based on non-reciprocity, which always was the idea for a special cooperation with developing countries and not to rush their self interests in topics which were strictly opposed by the ACPs especially the topics mentioned in Singapore: investment, competition policy and public procurement function (cp. StopEPA Campaign, 2004).

Bilal (2006; p. 65-95) describes some alternative scenarios. First, he provides some ideas of alternative EPAs of which most of them have in common that they are a 'lighter' form and second he provides alternatives to EPAs which provide possibilities for keeping up non-reciprocity. In the frame of this paper, those scenarios will not be described in detail.

Before looking at the other two options under Cotonou, it can be concluded that EPAs might provide some chances for ACPs and might theoretically be the system of the future – matching current world settings, but severe shortcomings and too small of an actual focus on aid and development bring great risks for the potential losers of the agreement – the ACP states. Nevertheless, negotiations are continuing and it is likely that due to the strong negotiation power of the EU and the dependency of ACP states on the EU aid, EPAs will be concluded as planned by the EU in the near future.

#### 4.4.2. Everything-But-Arms Initiative

*“In February 2001, the Council adopted the so-called ‘EBA (Everything But Arms) Regulation’, granting duty-free access to imports of all products from least developed countries without any quantitative restrictions, except to arms and munitions. At present, 49 developing countries belong to the category of LDCs. The provisions of the EBA Regulation have been incorporated into the GSP Regulation” (European Commission/2).*

Duty free access into the European Market is therefore also granted for agricultural and especially sensitive goods – with a time delay for rice, bananas and sugar. Bananas were liberalised at the beginning of 2006, rice and sugar will only be liberalized in 2009 (cp. Holland, 2002; p. 228). The most significant difference between the EBA and other unilateral preferences granted by the EU is that preferences for LDCs are granted for an unrestricted period and are not subject to regular review (cp. Brenton, 2003; p. 4). With EBA, the EU keeps its promise from Cotonou to offer different preferential treatment to the 40 least developed countries within the ACP group<sup>3</sup>. Apparently, “the EU has argued that ‘this significantly enhances export opportunities and hence potential income and growth for these countries’” (ibid; p. 3).

Even though EBA is basically the ‘best’ trading offer that can be made, this enthusiastic appraisal of the effects of the initiative is relativised continuously in literature. Especially for ACP LDCs, who were already granted preferential access under Lomé until 2000, the absolute change will be limited to a handful of commodities, notably beef, rice and sugar (cp. Oxfam, 2001). Further doubt on the likelihood of substantial increases in LDC exports arises from the Safeguard Clause in the EBA. This clause allows the EU to withdraw preferences whenever LDC exports rise much above ‘usual’ levels (cp. ibid). This argument together with the empirical data studied above, showing that imports into the EU from LDCs are on average only 0.4 percent, the ‘cost’ to the EU by offering EBA is fairly small. In terms of market interest for the EU, LDCs are just so small, that also reciprocal access for EU products would not be significant. Furthermore, as already noticed in the above chapter, there are severe conflicts for the enforcement of EBA in Africa for countries which are part of RIAs that negotiate to enter EPAs with the EU.

It is also certain, that EBA cannot replace other development assistance:

*“While announcing the EU EBA initiative, the then EU commissioner Pascal Lamy acknowledged that ‘duty-free access alone is not enough to enable the poorest countries to benefit from liberalized trade. We need to help them build their capacity to supply goods of export quality and we reaffirm the Commission’s commitment to continued technical and financial assistance to this end’” (European Commission, 2000 – cited in: Puri, 2005; p. 36).*

Summarized, EBA can be seen as a good offer, but cannot bring up hopes for developing countries too much, as not many changes are to be expected. Also, Holland raises a very interesting question, which highlights the continuing uncertainty between right and wrong in terms of achieving development:

*“By providing essentially the status quo for the 39 LDCs, the EU has created a paradox. If it is widely accepted, Lomé’s non-reciprocal arrangements have helped to exacerbate the*

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<sup>3</sup> Please find a list of ACP LDCs in Annex 1

*economic decline of the ACP – how can their continuation be adventurous?” (Holland, 2002; p. 221).*

#### 4.4.3. Generalized System of Preferences

As already mentioned in the background chapter 2, the GSP, which is offered by the EU to all developing countries since 1971, is WTO compatible. It offers preferential access of products originating from developing countries into the EU market.

*“The tariff preferences offered by the general arrangements differ according to the sensitivity of the products concerned: non-sensitive products enjoy duty free access to the EU market, while sensitive products benefit from a tariff reduction. These arrangements provide, as a rule, for a reduction of MFN ad valorem duties by a flat rate of 3,5 percentage points. An important exception to this rule of a flat rate reduction is the textiles and clothing sectors which enjoy a percentage reduction 3 of 20%” (European Commission/4; p. 5).*

It becomes clear, that the non-reciprocal GSP is much less preferential than those preferences offered to all ACPs under the Lomé Convention, where 96.5% of all products entered without duty into the EU.

Receiving preferences under the GSP is the option under Cotonou for non-LDC ACP countries which do not see themselves in the position to enter EPAs with the EU. It is coherent, that high pressure lies on these countries to open their markets in the content of EPAs instead of accepting such a decline in the pyramid of preferences. Among further demerits of the GSP is that it especially for agricultural products the provisions are unsatisfactory and there is no legal security for the developing countries, because it is not a contract, but rather offered from the European side. With legal challenges of European producers, certain preferences can be withdrawn by the Commission at any time (cp. Wardenbach, 1998; p. 13).

In its current form, the GSP is therefore not a satisfying option for ACPs. As alternatives for EPAs though, some suggestions exist to improve the GSP for non-LDC ACPs.

Stevens (cp. 2005; p. 12) regards the GSP as an alternative approach to EPAs which suggests that the GSP could be improved in such a way as to secure large parts of the existing benefits from Lomé whilst reducing the unfavourable consequences of current policy for other developing countries and the multilateral system. Bilal (2006; p. 89-90) suggests that the recent debate about the future of EU-ACP relations has included the possibility of creating an ‘enhanced GSP’ with Cotonou-equivalent preferences to make it attractive to the ACP countries as well. He argues that by extending the GSP+ to integrate all ACP exports and to improve its market-access preferences to the Cotonou level, where tariffs are lower than under GSP, would constitute a WTO-compatible alternative to EPAs with definite appeal for ACP non-LDCs.

Later on, Bilal admits himself that such a new system could be challenged at the WTO and that this option would be “certainly less ambitious than the EPAs, which might therefore make it incompatible with the EC’s current plans” (ibid.; p. 91).

Summing up, the current GSP as an alternative for non-LDC ACPs to EPAs would be subject to strong preference erosion in relation to those preferences granted before under Lomé. Enhancing GSP is unlikely, since as far as the author can evaluate, would have similar provisions as under Lomé – which is seen as unsatisfactory and subject to change.

#### **4.4. Empirical Facts**

Although this thesis is mainly a qualitative analysis, it seems important to include a small empirical chapter. At first it will be looked at the decreasing shares of ACP imports to the EU. Thereafter, different interesting trade and development indexes of the ACP group as well as of the EU-15 group will be displayed and interpreted.

##### **4.5.1. Disappointing results of Lomé**

The data often used to show the disappointing results of Lomé, is the decreasing share of imports from ACP countries to the EU. The share after years of preferences has fallen from 6.7% in 1976 to 3.11% in 2002 (cp. Manchin, 2004; p. 2). Of course, different explanations for this failure may exist both from the trade liberalist- as well as from the protectionist point of view. Dickson brings in a very interesting and plausible argument which could be found only one time during the extensive literature study:

*“There has also been a decline in the relative value of preferences over time, both absolutely (reduced support prices) and in relation to other groups of developing countries (the extension of the GSP). It is the more developed countries (such as Kuwait, China, Brazil and Singapore) which have been best able to take advantage of this scheme because of the strict rules of origin criteria” (Dickson, 2004; p. 47).*

Thus, she concludes that analysts have inferred that the GSP scheme has in fact diverted trade away from the least developed countries. Interestingly, while the EU is arguing that the preferences have not brought satisfying results they have decided to offer them to the poorest countries within the EBA initiative (cp. *ibid*; p. 47).

##### **4.5.2. Selected Development and Trade Statistics from EU and ACP**

In this subchapter, empirical data – mainly trade statistics from UNDP’s Human Development Reports – will be used to strengthen or refute some of the arguments from previous and following chapters. The first analysis provides an overview of HDI (Human Development Index) trends of the ACP countries. It will be evaluated on how human development in the respective countries has changed from 1975 to 2003, broadly the decades of the relationship with the EU under Lomé. The following analysis looks at selected trade indicators of the ACP group. Changes in quantity of imports and exports over time will be considered, as well as the shares of primary, manufactured and high-tech goods in total ACP exports. This data is important to underlay those arguments based on the inequality between EU and ACP due to the exchange of raw materials for manufactured goods –

which are also basis for the two trade theories discussed in chapter 4.1. Adherents of the Dependency Theory always speak of a worsening of the terms of trade for developing countries. The changes of terms of trade between 1980 and 2002 for the ACP countries for the EU-15 in the same time span will be considered. Further, it will be looked at import and export changes in the EU as well as the shares of primary, manufactured and high-tech goods. Furthermore, data is provided which displays the shares of developing as well as of least-developed countries of total imports into the EU. The analyses provide interesting tendencies, but unfortunately completeness cannot be claimed, as data could not be collected for all 79 ACP states. The figures are therefore slightly biased.

#### *Human Development Index Trends (cp. UNDP/2 – HDR statistics)*

HDI trends were collected for 64 ACP countries; please refer to the table 3 in the Annex 2 for detailed information. 40 countries have increased their level of human development as estimated by the UNDP while six countries are worse off in 2003 than they were in 1975. From the remaining 18 listed countries, there is no data or only one figure available. “The HDI – human development index – is a summary composite index that measures a country's average achievements in three basic aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita (PPP US\$)” (UNDP/1). Of course this index cannot directly serve as a measure to evaluate the ACPs trade relationship with the EU. Human development, of course, is not solely dependent on economic figures. It is interesting though to see the process of development in a time span which was – next to other aid – strongly influenced by the Lomé Convention which did not only include the trade relationship but also aid and a political relationship.

#### *Selected Trade Statistics of ACP countries (cp. UNDP/2 – HDR statistics)*

Of 66 ACP countries which are listed in table 4 in the Annex 2, 16 countries have improved their terms of trade<sup>4</sup> in the period from 1980 to 2002, whereas 17 countries had to cope with a decrease of their terms of trade. For the rest of the countries no data was available. For 34 countries the imports have increased from 1990 to 2003, 21 countries are importing less than in 1990. The figures look similar for exports: 33 countries have increased their exports, whereas 22 countries decreased their exports from 1990 to 2003.

Of 38 countries that provided data, for 82% of the countries, primary goods have a share of over 50% of total exports. Only nine countries (of 47) have a share of over 50% for manufactured export goods, an additional 26 countries export over 10% manufactured goods; twelve countries less than that. Eleven countries have increased their manufactured exports, of which eight have in the same

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<sup>4</sup> The ratio of the export price index to the import price index measured relative to the base year 1980. A value of more than 100 means that the price of exports has risen relative to the price of imports.

time span decreased their primary exports. Data is available of 33 countries who export high-tech goods, but for only five of those the share of high-tech goods accounts over 10%.

In his quantitative analyses, Matambalya (cp. 1999; p. 274) has laid a focus on export stability of the SADC (South African Development Community) countries. He mentions that it is universally recognized that the stability of export earnings is influenced by two factors: the width of the export base and the price trend of the products in the product portfolio. Concerning one of the ACP groups – the SADC – he concludes that one of the tenacious features their “economies is the over-proportional dependence on export earnings with a narrow base of both product (usually commodity) composition and markets with the EU and other industrialised states comprising the key export destinations” (ibid; p. 274).

*Selected Trade Statistics for EU-15 (cp. UNDP/2 – HDR statistics)*

For all 15 EU countries (Annex 2, table 5), imports increased or stayed the same in the time span from 1990 to 2003. For all but one country also the exports increased from 1990 to 2003.

The share of primary exports out of the EU has decreased in favour of exports of manufactured and high tech exports. 13 of 15 countries have over 70% of their exports in the category of manufactured goods and all EU countries export high tech goods – 11 of them over 10% of all exports.

For those countries which provided measures for their terms of trade, only Greece had a significant fall in its terms of trade. All other countries have improved or stayed the same during the last decade – the decade of increasing globalisation and liberalisation.

Those statistics showing imports into the EU from developing and least developed countries (no differentiation for ACP countries only was available) shows pretty clearly why the trade relationship with developing countries is fairly significant (on average 15 percent of all imports) and why the EU is interested in improving this relationship towards their own interests whereas imports from least-developed countries make less than one percent of all imports into EU countries. Therefore it is clear that an initiative as ‘Everything-But-Arms’ is a nice offer by the EU which does not have much influence on their economy at all.



## Chapter 5: Application of the Theories

Hence, upon the background of the theoretical, the international, the European, the empirical and the three concrete Cotonou considerations, where can the agreement be found on a scale between encouraging modernisation and creating further dependency? The two following hypotheses will look at the new trade relationship from two opposing perceptions, comprising the arguments discussed in the above perspectives.

As noted above, both theories are subject of severe criticism and many agree that those theories have been confuted. Due to a lack of new theories explaining underdevelopment, still several interesting aspects can be considered by adopting the theories to the present system.

Further, the theories were formulated in the 1950s (Modernisation Theory) and in the 1970s (Dependency Theory). The Cotonou Partnership Agreement was signed in 2000. Therefore only some basic assumptions of the two theories, the tenor, can be adapted, not all details. Arguments will be compiled around these basic tenors:

- a) the Cotonou Partnership Agreement is a measure by the EU to support and help the ACP group, out of the deep belief that the measures of Cotonou are in the best interest of the ACP group to reach modernisation; and
- b) the EU is only imposing Cotonou onto the ACP group out of self-interest, to entail further dependency of the ACP from the EU and for self-enrichment.

### **5.1. Hypothesis One: The Cotonou Partnership Agreement Encourages Modernisation**

Modernisation Theory, the theory suggesting that underdevelopment results from endogenous factors in developing countries, so that these countries cannot free themselves from their traditions and are not able to modernise their legal, political and economic structures. In order to develop, they must become, think, act, produce, and consume like the western societies. The theory gives a great role in this process to the developed world, who can, for example by investing capital, help to modernise and therefore develop the respective countries.

In short, reasons for underdevelopment come from internal factors – but the step towards modernisation can strongly be facilitated by the developed countries or western world.

What does this mean for the application of the Cotonou Partnership Agreement as a measure to facilitate modernisation? This hypothesis suggests that the industrialized world, or here the EU, wants to help the non-modern world or more precise the group of ACP countries. The idea of EPAs and with this further trade liberalisation does not result out of self-interest, but out of the strong believe, that liberalism is the best tool to include the ACP countries into the world market, so they can profit and – free them from their traditional ties such as being agricultural societies. With additional aid from

the EU, the ACP countries are helped to accumulate capital through savings and investments, to fight corruption and capital flight and to build a state and administration which is able to control and manage the development process. The theory suggest that developing countries benefit the most when they acculturate to the western world – and therefore also to their economic system, a free market-economy and free world trade.

According to this hypothesis, how do the findings from the theoretical considerations, international influences, European position, empirical facts and Cotonou possibilities fit into the picture? In the following, facts and arguments matching the hypothesis from the above aspects will be applied to the modernisation theory (most facts and arguments confuting the hypothesis will be found in the following chapter which deals with the opposing hypothesis).

Clearly, David Ricardo's model of comparative advantages is the trade theory rather supporting the idea of modernisation than the mercantilist trade theory. In a free-trade system each country finds its comparative advantage and profits from it. This definitely supports the thesis that EU wants to help the ACP to find its comparative advantages through free-trade instead of producing whatever is not their advantages through the distortion of preferences. It must be noted though, that the comparative advantage of poor countries lies usually in the labour intensive- and not in capital-intensive goods. Often this is agricultural production. Modernisation Theory sees the transformation from agro-societies to industrial societies as an important step. The question is now, whether this step is possible according to the theory of comparative advantages. As cited above, Trebilcock affirms that a developing country can move up the value chain by starting with their pre existing comparative advantage and then in the process of industrialisation start with products utilizing unskilled labour and then upgrade in product compensation as it accumulated physical and human capital.

It is therefore shown that the theory of comparative advantages which favours a free trade system, as proposed within EPAs, is therefore supporting the hypothesis that Cotonou is encouraging modernisation.

Concerning influences on Cotonou from the international level, the organisations WTO, IMF and World Bank must be looked at. All of these organisations drive forward the movements towards trade liberalisation, arguing it is in the best will of global prosperity. The WTO has strongly promoted the change from Lomé to Cotonou as the infringement of WTO law was one of the main reasons to abolish the non-reciprocal preferences for non-LDC ACP countries. Within IMF's SAP which had its origin in the Washington Consensus, trade liberalisation of developing countries was seen as one of the necessary reforms developing countries needed. Within the Doha development Agenda, trade liberalisation was also seen as the main goal, but more strongly it was looked at the weaknesses of the developing countries and ways to have them profit from liberalisation. Also the Aid for Trade initiative

aims at supporting the developing countries within their transformation to open their markets. The idea is to assist these countries technically and financially in the process of trade liberalisation. All of these initiatives claim to be in favour of modernisation – the west, as the international institutions named above are dominated by the west, knowing what's best for the developing countries and pushing forward the tool to modernisation (liberalisation) with all kinds of measures: laws (WTO), conditionality (SAPs), reforms in the south parallel to reforms in the north (idea of Doha, but suspended), and financial and technical aid (Aid for Trade initiative).

Concerning empirical facts, one can only look at data that was already collected. Therefore, from a modernisation theorist's point of view, among others, Lomé has helped to develop 40 of 46 ACP countries from which HDI trends are known. 40 countries have, according to this index, improved their state of human development in the time period from 1975 to 2003 - which roughly cover the years under which the ACP countries received assistance from the EU under Lomé. That the human development of a country is not only dependent on its trade and aid relationship with one donor group (not even if it is the biggest) must be clear and the bias resulting from the causal inference that Lomé has facilitated the development of the majority of states must be comprehended. Nevertheless, the HDI trend gives a well idea about the countries' performance over time and the cooperation under Lomé had definitely some impact.

Also, eleven countries have increased their manufactured exports, of which eight have in the same time span reduced their primary exports. According to Modernisation Theory, the EU has supported those eight countries, of which data is available, within the transition from more agrarian to more industrialised societies.

Now a closer look focuses on the EU-ACP trade relationship itself and outlines whether the postulates of modernisation theory can be found.

Through non-reciprocal trade preferences offered to the ACP countries by the EU since the first Lomé conventions in 1975 and now, especially to the LDC countries within the framework of the Everything But Arms initiative but also under GSP, the EU follows at least two postulates of the modernisation theory: help from outside as well as assistance to integration into the world market. No matter what one thinks of the effectiveness and about the real interests of the EU offering these preferences, first of all, one needs to understand them as an offer, as financial preferences for the ACP states with the EU abstaining from the income tariffs for products originating the ACPs.

Basically, many see the whole idea of trade preferences in the light of Modernisation Theory. Lister, for example, states:

*“The practice of granting the exports of less developed countries lower tariffs than industrialized countries is well established. It was hoped that these preferences would help developing countries to increase their market share and compete more successfully with developed countries. Through exporting, their economies would grow and their standard of living rise...” (Lister, 1997; p. 122).*

Looking at the changes from Lomé to Cotonou, the one-way preference erosion which shall be replaced by two-way free trade agreements, especially the changing world order needs to be considered. Radtke (1999; p. 127) has stated it as follows: “Since then [1989] the parameters of international cooperation have changed and only one ideology, that of the marked economy, has survived the Cold War”. The Director-General for Development of the European Commission was quoted in the Financial Times in 1994: “Why should Uganda be included but not Bangladesh”? He argued “that the fall of the Berlin Wall made Lomé less relevant” (Lister, 1997; p. 137). These arguments show that the changes made from Lomé to Cotonou – further liberalisation of the trade relationship – are ‘modernising’ the bond between the EU and the ACP countries according to the changed world order.

Nuschler (cp. 2004; p. 215) states that in line with the Modernisation Theory, the transformation process needs a state and administration which provide reliable frameworks, which supply the essential material and social infrastructure and which control the development process. Next to the trade pillar of the Cotonou Partnership Agreement (as well as the Lomé conventions) other sectors are of great importance. As provided in the respective European Council Act, the partnership is based on five interdependent pillars: 1) a comprehensive political dimension; 2) promotion of participatory approaches; 3) development strategies and priority for the objective of poverty reduction; 4) the establishment of a new framework for economic and trade cooperation; and 5) a reform of financial cooperation (cp. Europe/2000/483/EC).

In order to promote the formation of *a state and administration which provide reliable frameworks, which supply the essential material and social infrastructure and which control the development process* (cp. 3.1.), the political pillar of the agreement patronises a political dialogue, peace building policies, conflict prevention and resolution, respect for human rights, democratic principles based on the rule of law and transparent and accountable governance, good governance (Cp. *ibid*).

Concerning EPAs, one must go back to the arguments of the international perspective favouring Modernisation Theory as well as to the arguments for comparative advantages. The belief that trade liberalisation is in the best interest for the ACP group brings EPAs in line with the postulates of Modernisation Theory. The assistance under the other pillars of Cotonou then basically goes in line with the Aid for Trade idea.

## **5.2. Hypothesis Two: The Cotonou Partnership Agreement Entails Further Dependency**

Dependency Theory, different to Modernisation Theory suggest that underdevelopment is a result from extern factors – more concrete a result of the industrialized countries using the underdeveloped countries economically to reach and hold their own prosperity.

When Modernisation theory was adapted to the Cotonou Agreement, it was mainly looked at how Cotonou could modernise the developing countries and hence it was looked at the Agreement as a

possible way out of poverty. Differently, considering Dependency Theory, it will be assessed, in how far, according to the theory, the Cotonou Agreement entails further dependency – it is therefore not looked at it as a measure out of poverty but as another reason for poverty or underdevelopment.

From this point of view, the EU, in accordance with the international economic institutions IMF, World Bank and WTO, would only impose Cotonou to reach further trade liberalisation in order to exploit the ACP countries. In this chapter, the theoretical, international, European, empirical and the three aspects under Cotonou will be considered from a dependency point of view.

Concerning the theoretical considerations, dependency theorists clearly go in line with the mercantilist trade theory. The main argument is the deterioration in terms of trade, saying that the primary goods produced in developing countries continuously lose in value compared to the industrialized goods produced in industrial countries. This argument is based on the assumption of different price elasticity of primary goods and industrial goods (e.g. if the prices of primary goods rise, the demand for those in industrial countries decline more than the demand in developing countries for industrial goods) and the unequal diffusion of technical advancement (cp. WU Wien, 2004). Another argument is the strong difference in wages. Because wages in the South are low, the prices of goods stay low; because wages in the North are high (15-30 times higher) and climb even higher, logically the prices for their products rise as well. More and more products from the South are needed to import a constant amount of products from the North (cp. *ibid*). Concerning Cotonou, the erosion of preferences for ACP goods into the EU and the establishment of EPAs will strengthen this tendency as the total amount of trade between the two blocks will be increased. Also the high competition of products originating the EU will demolish infant industries in the South and therefore undermine all efforts of industrial development. The elimination of import substitution through free trade and the abolishment of trade barriers in the ACP countries will increase the dependency of products from the EU – which brings new markets for the EU.

Concerning terms of trade, one can have a look at the empirical data collected in chapter 4.5.2. Having 1980 as a base, 17 ACP countries have impaired their terms of trade, compared to 16 countries of those which are known who have improved their terms of trade. The terms of trade decrease when the prices for import goods have risen compared to the prices of export goods. These data goes in line with the basic assumptions of Prebisch. Adding that the terms of trade have been improved for all but one of the EU countries, who provided data, again supports Prebisch's thesis. Concerning the changes with Cotonou, through the opening of ACP markets in the EPA option, an increasing amount of expensive industrialised goods will enter their markets. Looking at the option of preference erosion and an ACP country choosing to import into the EU under the GSP, competition

after losing the preferential Lomé access will get higher and the country will have to abate their prices even more in order to be able to continue its exports.

For dependency theorists, the effects of international influences are clear. The international economic institutions are driving trade liberalisation forward as it opens new markets for the industrial countries which dominate these institutions. This happens through laws, as in the WTO, and through conditionality, in form of Structural Adjustment Programs, the EU is part of both these developments and Cotonou goes along.

On an international basis, some concrete arguments against the current wave of trade liberalisation exist, especially for those countries exporting 'Ricardo-goods' (agricultural, mineral, and fossil raw materials) and LDCs. These arguments can be interpreted as going in line with the main tenor of Dependency Theory: the industrialised countries wanting to profit while using the underdevelopment of poor countries. One of the arguments is describing the pressure to export more with no growing demand for these goods – this situation leads to a decline of prices and therefore a worsening in terms of trade. The dependency of many countries from the exports of only a small range of primary goods makes them extremely vulnerable to price fluctuations on the world market. The pressure to produce and export more increases not only the specialisation on only a few primary goods but reduces also the efforts towards a sustainable economy. The increase of imports and therefore competition destroys weak national companies which have often been supported by development assistance. A decline of growth, high unemployment and poverty are the results (cp. Nuscheler, 2004; p. 310). Another important argument is the decline of national revenues through import tariffs, which nearly make half of the national budgets for some LDCs. Since many countries do not have a sufficient tax system or other incomes, the cutback of tariffs decreases their scope for the reduction of debts and the fight against poverty (cp. *ibid*).

The example of Doha, which failed basically because the EU and USA were not ready to cut down their agricultural subsidies and the "Aid for Trade" initiative which is likely to fail because the respective countries are not ready to invest a sufficient amount for the compensation of adjustment costs are further signs showing that the trade liberalisation is mainly coming from the motivation of self interest and not from the conviction that it is truly in the best interest of developing countries.

These arguments are also supported when one considers the European position. In chapter 4.3., it was shown, that the motivation to change Lomé to Cotonou came mainly from the side of the European Union. From the perspective of a dependency theorist the following aspects support his point of view: the EU is changing the relationship basically according to the Washington Consensus, the member states are not hurting their own interests by any measure coming with the agreement, rather they cut down expenses, open markets for their own goods and gain resources and power to engage with other developing countries which have become more important. While doing this, the EU

still protects its own agricultural market and sells out surpluses on the world market for dumping prices. The EU has pushed its interests with its stronger negotiation power, as the ACP countries are dependent on the aid sector of the relationship.

Going in line with the dependency-arguments above, many aspects from the three options under Cotonou exist, which show that no or not enough positive changes are to be expected for the ACP countries. Concerning EPAs, especially implementation problems are shown up and criticised, the high amount of adjustment costs are outlined and negative impacts for the infant economies described. “The strongest critics of this process question the EU’s motivation, arguing that it is not development objectives that determine the process, but the demands of EU export potential” (Holland, 2002; p. 146). Also the other two options under Cotonou do not provide satisfying alternatives. EBA sounds as a great offer from the EU, but only to the LDCs and the effect will be much alleviated because most LDCs are also part of RIAs and therefore the pressure to enter EPAs is high. The GSP, as a third option, also shows clearly the worsening of the situation as it offers non-reciprocal preferences which are much less attractive than those under Lomé. Basically all three options reflect the self interest of the EU – gaining market access through EPAs, protecting their own markets through the erosion of preferences under the GSP compared to those offered before under Lomé and with EBAs the EU puts itself in a positive light for an initiative which realistically does not cost them much and possible dangers are eliminated by the safety clause.

### 5.3. Summary

This thesis has looked at the trade pillar of the Cotonou Partnership Agreement between the EU and the ACP countries. Different perspectives were applied to the two grand development theories, Modernisation- and Dependency Theory. The following table provides an overview of the main findings – some of the basic arguments of all perspectives from the view of both theories.

*Table 1: Cotonou on the Axis between Modernisation and Dependency*

	<b>Modernisation Theory</b>	<b>Dependency Theory</b>
<b>Aspects</b>		
	<i>„With Cotonou, the EU supports the ACP group to modernise“</i>	<i>“Through Cotonou, the EU profits from the exploitation of ACP countries”</i>
<b>Theoretical Consideration</b>		
Mercantilist Theory	n/a	Degradation of Terms of Trade through the unequal exchange of primary goods (developing countries) for industrial goods (developed countries)
Comparative Advantages	Every country benefits through international trade because of its comparative advantage	n/a
<b>International Influence</b>		
WTO compatibility	The Cotonou Partnership Agreement reaches WTO standards	It is human welfare, not compatibility, which needs to be regarded first;

		WTO rules can be changed accordingly
Washington Consensus	Agreement of capitalist countries to foster neo-liberal reforms in the developing world to enhance their development and welfare	The dominance by western powers enhances the dependence of the developing world, especially visible through the failure of SAPs
Doha Development Round	Development friendly WTO-Round – aim was to include developing countries better into world trade	Agenda failed because of EU and USA self interest
Aid for Trade	Initiative to support developing countries financially and technically on their path towards trade liberalisation	The successful implementation of the initiative is likely to fail because donor countries provide not enough resources to pay for adjustment costs.
Globalisation Critics	n/a	Through globalisation the poor get even poorer, international trade produces and maintains low-wage economies
<b>European Position</b>		
Protectionism	Europe is the biggest importer of agricultural goods worldwide and it is also the world's largest importer of farm products from developing countries	Safety clause can remove preferences as soon as they cause any disturbance to European markets. The ACP preferences are narrowed by overproduction and dumping-exports. The EU decided in the banana trade war in favour of liberalisation and not in favour of ACPs
Changing Interests in ACP	The EU-ACP relationship needs adjustment (modernisation) according to the changed world order	During the Cold War, Europe needed a special relationship with the ACP group to secure access to raw materials and to keep friendship with a neutral bloc. Today Europe wants to enter ACP markets. There is a decline of interest in the relationship.
Negotiation Power	Literally, the Cotonou Agreement has a strong emphasis on "Partnership"	The EU has stronger negotiation power because ACP countries are dependent on the aid sector
<b>Cotonou Possibilities</b>		
Economic Partnership Agreements	Goes in line with the belief that trade liberalisation is the best measure to facilitate development	EPAs bring high adjustment costs, unemployment will raise in ACP countries. Further destruction of infant industries through competition of EU products
Generalized System of Preferences	No more discrimination against other developing countries ("Why should Uganda be included but not Bangladesh?")	Preference erosion – GSP is less attractive than preferences under Lomé
Everything But Arms - Initiative	The EBA initiative will <i>significantly</i> enhance ACP export opportunities and hence potential income and growth for these countries	Not very effective, because of pressure to enter EPAs. Safety clause of EU to withdraw preferences at any time.
<b>Empirical Facts</b>		
Share of Imports from ACP to EU	The share of imports from ACP to EU has declined during Lomé – a new trade regime is needed to improve this status	The share of imports from ACP to EU has declined during Lomé – this trend will be strengthened by the erosion of non-reciprocal preferences
HDI Trend	40 countries have improved their HDI during Lomé	Countries are not much better off after 25 years of Lomé cooperation
Export of Agricultural/ Manufactured/ High Tech Goods	11 ACP countries have increased their manufactured exports, of which 8 have in the same time span decreased their primary exports. 33 ACP countries export high-tech goods	For 82% of ACP countries, agricultural products account over 50% of their total exports
Terms of Trade	16 ACP countries have improved their terms of trade during Lomé	17 ACP countries have impaired their terms of trade, whereas nearly all EU countries have improved their terms of trade



## Chapter 6: Conclusion

### *Answer to the research question*

Throughout this work, and by looking at the table above, it becomes clear that nearly all aspects which need to be considered in order to analyse the new agreement, contain arguments favouring each theory. The main research question of this paper **“Does the new Cotonou Partnership Agreement encourage modernisation of the ACP countries or does it entail further dependency from the EU?”** can therefore not be answered in one way or the other. Rather, it must be understood, that subjectively both hypotheses were proven correct. Objectively, it can be concluded that the Cotonou Partnership Agreement, in accordance with the dominant international system, is promoted as a measure to encourage modernisation while it must be admitted that great amounts of self interests, rather than development motivations, of the EU have influenced the outcome of the agreement. It is not certain whether the ACP group as a whole will benefit from the changes or whether negative results will outweigh.

### *Reflection and Further Research*

The aim of this research was the critical evaluation of the Cotonou Partnership Agreement from a developmental perspective. The two grant development theories were used to consider different aspects which relate to the EU-ACP trade relationship from two ideologies. The theories have helped to clarify that the same agreement can be understood as a positive as well as a negative measure concerning the development process of the ACP countries. Nevertheless, it must be admitted that Modernisation- and Dependency Theories are rather two opposing paradigms than theories which clearly explain the relationship. Not many details of the relationship under Cotonou can actually be explained by findings of the theories. Therefore, for the sake this thesis, the use of these arguably obsolete theories was not urgently necessary. This finding discloses two problems: the lack of one or more new theories explaining underdevelopment or providing guidelines for effective development; as well as the understanding that such a complex issue does not contain one correct interpretation or solution. This shortcoming reflects a general problem of international political- and economic relations: the best ways of action – ideally meaning a win-win situation for both cooperation partners – is not objectively known in advance in the vast majority of cases.

In the following some recommendations are provided which can help to make further research about this topic more comprehensive. To better understand the relationship it might be useful to not only study the trade pillar of the agreement but also to critically consider the political dimension, the promotion of participatory approaches, the development strategies and the reform of the financial cooperation which are as well important parts of the relationship. Tensions as well as likely improvements in these sectors can clearly help to evaluate trade pillar of Cotonou.

Also case studies of certain ACP countries or groups of countries are necessary in order to gain a clearer picture of the effects of EU measures. Matambalya, who was cited above, has conducted a quantitative study of the economic effects of Lomé on the SADC group in 1997. Comparable researches are needed of the economic situations of ACP countries after Lomé, concerning the process and effects of regional integration, the exact situation of the respective economic systems as well as studies proposing likely effects of market liberalisation of specific countries instead of such studies looking at a heterogeneous group of 79 countries as a whole.

#### *Outlook and Final Statement*

What has become clearly obvious in the present thesis is the complexity, contrariness and uncertainty of present development cooperation between developed and developing countries, here especially between the EU and ACP group. From a developmental perspective, it is not clear yet, whether the path adopted will prove to be correct. Farrell, who concludes that the relationship has a strong realistic tone, particularly agrees that the developmental aspects come far too short in the new agreement:

*“In fact, what the EU is promoting is a model of economic liberalisation across the African continent and in the process attempting to secure for itself continued market access and privileged economic status in the continent’s emerging markets. However, the European policy is much less active in addressing the real problems of poverty and instability that are likely to place severe limitations on either achieving economic liberalization or securing broad-based societal benefits in the long-term” (Farrell, 2004; p.5).*

It is also important to realize, that the relationship is based on Ricardo’s theory of comparative advantages, which is about 200 years old. It should be questioned if it is appropriate to argue with such an old concept which has so far hardly worked in the poorest countries. Flassbeck, a German economist who is presently Chief of Macroeconomics and Development at the UNTAC (United Nations Conference on Trade and Development) in Geneva proposes that for developed as well as for developing countries trade is important – but trade is not the ‘golden key to paradise’, it can only be, at best, one component in the context of solving the complex problem of development. More important than trade for all countries is the establishment of a prospering domestic market, an independent economic policy and a stable, monetary situation. Free trade itself may not be made a fetish for overhauling countries. Sometime it is indispensable, he deduces, to protect one’s own market to pave the way for domestic productions into the world market (cp. Flassbeck, 2006; p. 60). So what is the way forward from a developmental perspective? It is correct that the idea “Aid for Trade” – is innovative and for sure a positive development. Nevertheless, it is questionable and has to be seen if the concept works in favour of the developing countries. But if the western world is truly interested in helping LDCs and developing countries out of poverty, how about suggesting a twofold initiative: “Trade as Aid” and “Aid for Trade”? Acknowledging that the preferences offered up to now have not been sufficient enough, even though the idea behind it is good and legitimate; keeping up

preferential access (“Trade as Aid”) and adding the measurements suggested by the above cited liberalists to give “Aid for Trade” might finally be a combination which reaches the actual goal of development instead of reaching the goal of a good conciseness of the developed world. World trade shall truly flourish between all countries and not be driven by a small number of countries on the costs of others. To reach this end the economies of poor countries should be boosted for a short, but appropriate time. To control this process the reopening and successful conclusion of the Doha Development Round would be essential. Furthermore western countries, including the EU, finally should realize themselves what they expect from developing countries: open their markets and especially cut down subsidies in the agricultural sector. The second aim would be to supplement the aid sector to the developing countries finally to the internationally agreed 0.7% of the national GDP and use part of this for the actions proposed under the “Aid for Trade” initiative while assessing with each ACP group a time plan for the further trade relationship. For some countries, trade liberalisation might not be the right time yet for others it might bring the needed boost. Most important is that the needs for developing countries are assessed correctly and that self interest of the EU does not stand at first place in reality.

These changes might be too ambitious as they are based on an idealistic rather than on a realistic standpoint. It is to be expected that the Cotonou track will be continued nearly unchanged from how it was proposed by the EU already in 1997. To conclude this thesis in the words of Holland: “In contrast to interdependency of EU trade policy with the industrialized world, dependency has always characterized Europe’s relation with the third world” and it is unlikely that this path will be changed within the current agreement of Cotonou.

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## Annex I: List of 79 ACP Countries

Highlighted in yellow: 41 least-developed (LDC) ACP countries (of worldwide 50 LDC countries)

Marked in pink: African ACP Countries

Marked in green: Caribbean ACP Countries

Marked in purple: Pacific ACP Countries

Table 2: ACP Countries

	ACP Country			ACP Country continued
1	Angola		41	Madagascar
2	Antigua and Barbuda		42	Malawi
3	Bahamas, The		43	Mali
4	Barbados		44	Marshall Islands
5	Belize		45	Mauritania
6	Benin		46	Mauritius
7	Botswana		47	Micronesia, Federated States of
8	Burkina Faso		48	Mozambique
9	Burundi		49	Namibia
10	Cameroon		50	Nauru
11	Cape Verde		51	Niger
12	Central African Republic		52	Nigeria
13	Chad		53	Niue
14	Comoros		54	Palau
15	Congo, Dem. Rep. of the		55	Papua New Guinea
16	Congo, Rep. of the		56	Rwanda
17	Cook Islands		57	Saint Kitts and Nevis
18	Cote d'Ivoire		58	Saint Lucia
19	Cuba		59	Saint Vincent and the Grenadines
20	Djibouti		60	Samoa
21	Dominica		61	Sao Tome and Principe
22	Dominican Republic		62	Senegal
23	East Timor		63	Seychelles
24	Equatorial Guinea		64	Sierra Leone
25	Eritrea		65	Solomon Islands
26	Ethiopia		66	Somalia
27	Fiji		67	South Africa
28	Gabon		68	Sudan
29	Gambia, The		69	Suriname
30	Ghana		70	Swaziland
31	Grenada		71	Tanzania
32	Guinea		72	Togo
33	Guinea-Bissau		73	Tonga
34	Guyana		74	Trinidad and Tobago
35	Haiti		75	Tuvalu
36	Jamaica		76	Uganda
37	Kenya		77	Vanuatu
38	Kiribati		78	Zambia
39	Lesotho		79	Zimbabwe
40	Liberia			

(Cp. European Commission/5: ACP Countries and UN-OHRLLS: List of Least-Developed Countries)

## Annex 2: Selected Development and Trade Statistics from EU and ACP

(Data Reference for chapter 4.4.2.)

Table 3: Human Development Index Trend

HDI Rank	ACP Countries	1975	1980	1985	1990	1995	2000	2003	
High Human Development									
30	Barbados	0.805	0.828	0.839	0.850	0.852	0.877	0.878	+
49	Saint Kitts and Nevis	..	..	..	..	..	..	0.834	
50	Bahamas	..	0.809	0.819	0.821	0.810	..	0.832	+
51	Seychelles	..	..	..	..	..	..	0.821	
54	Tonga	..	..	..	..	..	..	0.810	
57	Trinidad and Tobago	0.749	0.781	0.788	0.792	0.789	0.800	0.801	+
Medium Human Development									
60	Antigua and Barbuda	..	..	..	..	..	..	0.797	
65	Mauritius	..	0.659	0.690	0.724	0.747	0.776	0.791	+
66	Grenada	..	..	..	..	..	..	0.787	
70	Dominica	..	..	..	..	..	..	0.783	
74	Samoa (Western)	..	..	0.723	0.732	0.742	0.763	0.776	+
76	Saint Lucia	..	..	..	..	..	..	0.772	
86	Suriname	..	..	..	..	..	..	0.755	
87	Saint Vincent and the Grenadines	..	..	..	..	..	..	0.755	
91	Belize	..	0.707	0.717	0.747	0.768	0.779	0.753	+
92	Fiji	0.663	0.686	0.702	0.724	0.741	..	0.752	+
95	Dominican Republic	0.619	0.650	0.672	0.679	0.700	0.732	0.749	+
98	Jamaica	0.688	0.696	0.699	0.719	0.723	0.730	0.738	+
105	Cape Verde	..	..	..	0.625	0.677	..	0.721	+
107	Guyana	0.678	0.684	0.677	0.683	0.685	0.714	0.720	+
121	Equatorial Guinea	..	..	0.483	0.500	0.518	0.641	0.655	+
123	Gabon	..	..	..	..	..	..	0.635	
125	Namibia	..	..	..	..	0.693	0.649	0.627	-
126	São Tomé and Príncipe	..	..	..	..	..	..	0.604	
128	Solomon Islands	..	..	..	..	..	..	0.594	
131	Botswana	0.503	0.577	0.638	0.681	0.659	0.596	0.565	+
132	Comoros	..	0.480	0.498	0.504	0.517	0.533	0.547	+
138	Ghana	0.439	0.468	0.482	0.511	0.531	0.556	0.520	+
141	Sudan	0.349	0.376	0.396	0.428	0.465	0.500	0.512	+
142	Congo	0.452	0.499	0.540	0.526	0.531	..	0.512	+
143	Togo	0.423	0.475	0.474	0.500	0.510	0.519	0.512	+
144	Uganda	..	..	0.412	0.409	0.412	0.474	0.508	+
145	Zimbabwe	0.546	0.574	0.640	0.637	0.589	0.527	0.505	-
Low Human Development									
146	Madagascar	0.400	0.437	0.436	0.446	0.458	..	0.499	+
147	Swaziland	0.530	0.562	0.584	0.624	0.603	0.534	0.498	-
148	Cameroon	0.416	0.463	0.505	0.514	0.494	0.500	0.497	+
149	Lesotho	0.461	0.510	0.534	0.571	0.573	0.520	0.497	+
150	Djibouti	..	..	..	..	0.477	0.487	0.495	+
153	Haiti	..	0.449	0.458	0.446	0.450	..	0.475	+
155	Gambia	0.284	..	..	..	0.424	0.457	0.470	+
156	Guinea	..	..	..	..	..	..	0.466	
157	Senegal	0.311	0.339	0.375	0.403	0.421	0.444	0.458	+
158	Nigeria	0.318	0.376	0.386	0.406	0.418	..	0.453	+
159	Rwanda	0.342	0.388	0.401	0.340	0.335	0.435	0.450	+
160	Angola	..	..	..	..	..	..	0.445	
161	Eritrea	..	..	..	..	0.409	0.428	0.444	+
162	Benin	0.304	0.336	0.362	0.368	0.395	0.422	0.431	+

163	Côte d'Ivoire	0.409	0.441	0.448	0.442	0.427	0.428	0.420	+
164	Tanzania, U. Rep. of	..	..	..	0.435	0.422	0.416	0.418	-
165	Malawi	0.320	0.351	0.362	0.371	0.412	0.402	0.404	+
166	Zambia	0.468	0.475	0.484	0.462	0.424	0.409	0.394	-
167	Congo, Dem. Rep. of the	0.414	0.423	0.431	0.422	0.393	..	0.385	-
169	Burundi	0.285	0.311	0.345	0.353	0.324	..	0.378	+
170	Ethiopia	..	..	0.291	0.311	0.323	0.352	0.367	+
171	Central African Republic	0.343	0.364	0.386	0.383	0.367	..	0.355	+
172	Guinea-Bissau	0.255	0.262	0.283	0.313	0.341	0.353	0.348	+
173	Chad	0.269	0.271	0.311	0.335	0.344	0.359	0.341	+
174	Mali	0.230	0.256	0.263	0.283	0.307	0.330	0.333	+
175	Burkina Faso	0.253	0.273	0.297	0.305	0.311	0.328	0.317	+
176	Sierra Leone	..	..	..	..	..	..	0.298	
177	Niger	0.236	0.252	0.242	0.249	0.256	0.271	0.281	+
Without HDI Rank									
	Kiribati	..	..	..	..	..	..	..	
	Liberia	..	..	..	..	..	..	..	
	Somalia	..	..	..	..	..	..	..	
	Tuvalu	..	..	..	..	..	..	..	

(UNDP/2 – HDR statistics)

Table 4: Selected Trade Statistics of ACP Countries

HDI Rank		Imports of goods and services		Exports of goods and services		Primary exports (% of merchandise exports)		Manufactured exports (% of merchandise exports)		High-technology exports (% of merchandise exports)		Terms of trade (1980=100)
		(% of GDP)		(% of GDP)								
		1990	2003	1990	2003	1990	2003	1990	2003	1990	2003	2002 <sub>a</sub>
<b>High Human Development</b>												
30	Barbados	52	55	49	52	55	46	43	52	..	14	..
49	Saint Kitts and Nevis	83	56	52	37	..	27	..	73	..	(.)	..
50	Bahamas	..	..	..	..	..	..	..	37	..	1	..
51	Seychelles	67	77	62	77	..	..	(.)	5	..	..	..
57	Trinidad and Tobago	29	41	45	50	73	67	27	33	..	2	..
<b>Medium Human Development</b>												
60	Antigua and Barbuda	87	68	89	60	..	..	..	..	..	..	..
66	Grenada	63	57	42	47	..	82	20	18	..	1	..
70	Dominica	81	62	55	54	..	..	32	60	..	7	..
74	Samoa (Western)	..	..	..	..	..	19	4	81	..	(.)	..
76	Saint Lucia	84	69	73	56	..	76	28	26	..	8	..
86	Suriname	44	45	42	21	26	..	74	7	..	(.)	..
87	Saint Vincent and the Grenadines	77	65	66	47	..	91	..	10	..	(.)	..
91	Belize	60	67	62	54	..	..	15	1	..	(.)	..
92	Fiji	67	66	62	73	63	55	36	44	12	1	..
95	Dominican Republic	44	54	34	52	..	60	..	34	..	1	57
98	Jamaica	52	59	48	41	31	36	69	64	..	(.)	..
105	Cape Verde	44	68	13	32	..	..	..	96	..	1	100
107	Guyana	80	106	63	93	..	75	..	24	..	1	..
118	Vanuatu	77	..	49	..	..	..	13	..	20	..	..
121	Equatorial Guinea	70	..	32	..	..	..	..	..	..	..	..
123	Gabon	31	41	46	62	..	..	..	..	..	..	58
125	Namibia	67	47	52	39	..	58	..	41	..	3	..
126	São Tomé and Príncipe	72	83	14	38	..	..	..	..	..	..	..
131	Botswana	50	34	55	44	..	9	..	91	..	(.)	106
132	Comoros	35	25	14	13	..	..	..	..	..	..	109
137	Papua New Guinea	49	..	41	..	89	94	10	6	..	39	..
138	Ghana	26	52	17	40	..	84	..	16	..	3	58
141	Sudan	..	12	..	16	..	97	..	3	..	7	91
142	Congo	46	53	54	78	..	..	..	..	..	..	51
143	Togo	45	47	33	34	89	42	9	58	..	1	87
144	Uganda	19	26	7	12	..	91	..	9	..	8	..
145	Zimbabwe	23	22	23	24	68	62	31	38	2	3	115
<b>Low Human Development</b>												
146	Madagascar	28	32	17	21	85	61	14	38	8	(.)	108
147	Swaziland	76	94	77	84	..	23	..	76	..	1	100
148	Cameroon	17	25	20	26	91	93	9	7	3	2	108
149	Lesotho	122	95	17	41	..	..	..	..	..	..	76
150	Djibouti	..	..	..	..	44	..	8	..	..	..	..
152	Mauritania	61	75	46	34	..	79	..	21	..	..	124
153	Haiti	20	37	18	13	15	..	85	..	14	..	50
154	Kenya	31	29	26	25	71	76	29	24	4	4	101
155	Gambia	72	45	60	41	..	..	..	..	..	..	55

156	Guinea	31	25	31	22	..	75	..	25	..	(.)	..
157	Senegal	30	40	25	28	77	64	23	34	..	9	96
158	Nigeria	29	41	43	50	..	..	..	..	..	..	28
159	Rwanda	14	28	6	9	..	90	..	10	..	25	133
160	Angola	21	67	39	71	100	..	(.)	..	..	..	..
161	Eritrea	..	99	..	14	..	..	..	..	..	..	..
162	Benin	26	27	14	14	..	92	..	8	..	2	126
163	Côte d'Ivoire	27	34	32	47	..	78	..	20	..	8	103
164	Tanzania, U. Rep. of	37	27	13	18	..	82	..	18	..	2	..
165	Malawi	33	41	24	27	95	88	5	12	(.)	1	64
166	Zambia	37	28	36	21	..	86	..	14	..	2	79
167	Congo, Dem. Rep. of the	29	22	30	19	..	..	..	10	..	..	104
168	Mozambique	36	39	8	23	..	91	..	8	..	3	..
169	Burundi	28	18	8	7	..	..	..	2	..	22	58
170	Ethiopia	12	37	8	17	..	89	..	11	..	(.)	..
171	Central African Republic	28	31	15	24	..	51	..	37	..	(.)	78
172	Guinea-Bissau	37	44	10	30	..	..	..	..	..	..	86
173	Chad	28	53	13	21	..	..	..	..	..	..	141
174	Mali	34	31	17	26	..	59	2	40	..	8	95
175	Burkina Faso	24	23	11	9	..	82	..	17	..	2	220
176	Sierra Leone	24	49	22	22	..	..	..	7	..	31	225
177	Niger	22	25	15	16	..	91	..	8	..	3	..
Without HDI Rank												
	Kiribati	147	..	12	..	..	..	(.)	..	..	..	..
	Liberia	..	..	..	..	..	..	..	..	..	..	..
	Somalia	38	..	10	..	..	..	..	..	..	..	..

(UNDP/2 – HDR statistics)

Table 5: Selected Trade Statistics of EU-15

HDI Rank		Imports of goods and services (% of GDP)		Exports of goods and services (% of GDP)		Primary exports (% of merchandise exports)		Manufactured exports (% of merchandise exports)		High-technology exports (% of merchandise exports)		Terms of Trade (1980=100)	Goods imports from developing countries (Share of total imports)	Goods imports from least developed countries (Share of total imports)
		1990	2003	1990	2003	1990	2003	1990	2003	1990	2003	2002	2003	2003
High Human Development														
4	Luxembourg	100	123	104	140	..	13	..	84	..	12	..	2	..
6	Sweden	29	37	30	44	16	13	83	81	13	15	110	9	0.2
8	Ireland	52	75	57	94	26	9	70	86	41	34	99	16	0.3
9	Belgium	69	80	71	82	..	17	..	80	..	8	105	12	0.9
12	Netherlands	51	58	54	63	37	29	59	71	16	31	103	24	0.3
13	Finland	24	30	23	37	17	15	83	84	8	24	117	12	0.4
14	Denmark	31	37	36	43	35	30	60	66	15	20	110	12	0.3
15	United Kingdom	27	28	24	25	19	16	79	78	24	26	99	20	0.4
16	France	22	25	21	26	23	17	77	81	16	19	..	18	0.7
17	Austria	38	50	40	52	12	13	88	78	8	13	..	9	0.2
18	Italy	20	25	20	25	11	11	88	87	8	8	126	19	0.5
20	Germany	25	32	25	36	10	9	89	84	11	16	117	16	0.5
21	Spain	20	30	16	28	24	21	75	77	6	7	132	21	0.8
24	Greece	28	28	18	20	46	40	54	58	2	12	71	22	0.4
27	Portugal	39	38	33	30	19	14	80	86	4	9	..	13	0.5

(UNDP/2 – HDR statistics)