



MEMORANDUM

Aspects of a Future Cooperation Agreement between the EU and the ACP States

Conclusions and Recommendations from the International Conference „Farewell to Lomé?“ (Königswinter/ Germany, April 23-25, 1999)

From April 23rd to 25th, 1999, the international conference “Farewell to Lomé?” was held in Königswinter (near Bonn/ Germany). It was jointly organised by *terre des hommes Germany (tdh)*, *Koordinatation Southern Africa (KOSA)*, and *World Economy, Ecology and Development (WEED)*, in cooperation with the *Heinrich-Böll-Foundation* and the *European Network for Information and Action on Southern Africa (ENIASA)*. 140 representatives of NGOs and research institutions from 15 countries in Europe, Africa, and Latin America discussed the future of the EU’s cooperation with ACP states, and in particular the consequences of regional free trade agreements for that cooperation.

Within the present negotiations between the EU and the ACP countries about a future Lomé-convention the EU proposal for Regional Economic Partnership Agreements (REPAs) is a central issue. The Königswinter conference rejected these REPAs and warned against their aggravating negative consequences; because the conference concluded that they would disproportionately favour the EU in gaining a higher market share in ACP regions and countries, without ACP countries on their part being able to earn higher export incomes. The EU does not plan to open its industrial, agricultural and services areas which are sensitive to external competition wider than currently practised. Moreover, the existing experiences with liberalisation in trade and investment between unequal partners so far have shown that it is usually people living in poverty, the small farmers and the local economies in developing countries that suffer serious disadvantages.

Instead of saying good-bye to the existing Lomé model of non-reciprocal trade preferences the EU should support a cooperation agreement with the ACP countries which takes into account the structural and economic differences of those countries and which subordinates the European economic and agricultural interests to the goal of a world-wide, environmentally sound and socially just development.

1. No premature pressure for liberalisation

The ACP countries as well as the EU need time to shape a realistic and development oriented model of cooperation. REPAs would be politically counterproductive and would more likely obstruct autonomous regional integration. There is no reason why the EU and the ACP countries should not again apply for a 10 year's waiver in the World Trade Organisation (WTO) - just as it is also regularly conceded for trade relations of the USA and Canada to states in the South.

⇒ ***The EU and the ACP states should strive for a further 10 year's waiver for the Lomé preferential trade regime in the WTO.***

2. Development conformity instead of WTO conformity

The liberalisation rules of the WTO are not created by God but determined by consent of the member states. The claimed necessity that the Lomé rules have to be made consistent with the WTO appears to be unjustified as long as the EU has not made every effort to reform the WTO and to transform the WTO rules towards more compatibility with development. This applies particularly for GATT article XXIV.

⇒ ***The EU should press Jointly with the ACP states for a reform of GATT article XXIV, in order to bring about regional non-reciprocal trade agreements between structurally and economically dissimilar groups of countries.***

3. Autonomous regional integration has priority

Regional integration has an existential importance for the countries in the South - e.g. in SADC. It contributes to enlarged markets for export, to reducing trade costs in the region and thus to strengthening economies internally and externally. In addition, for ecological reasons amongst others, the promotion of regional economic trade must be given priority over further increases in the global trade in goods (transport costs etc.). Undifferentiated pressure for regionalisation from the outside and a selective conclusion of free trade agreements impede the process of regional integration. Any support for regional integration which would play one ACP region against another and hence weaken ACP unity when negotiating with the EU, must be avoided.

⇒ ***The EU should actively promote autonomous political and economic integration within the ACP regions (financial resources, capacity building, institutional support etc.), without exerting political pressure on the shaping and implementation of such integration. This should imply a ten year build up of the economic and financial base of the regions, of regional institutions, and of capacity building within the member states of such economic regions.***

4. Reform of the Common Agricultural Policy (CAP) as a basic prerequisite

With regard to the impact on development every cooperation agreement will be damaged as long as the EU, by subsidising European agriculture and its exports, suppresses the world prices for agricultural products and makes dumping possible. Thus the EU threatens the existence of many small farmers as well as the food security in ACP countries (see e.g. the consequences of the EU beef dumping in South Africa for the farmers in Namibia). The import restrictions of the EU for agricultural products from the South aggravate the negative

effects. Radical reforms have been overdue for a long time. The fact that for political reasons it has not been possible to accomplish such reforms so far does not change the necessity to do so.

⇒ ***The basic prerequisite for a European North-South Policy which takes into account the developmental interests of the South, is the reform of the Common Agricultural Policy, the reduction of subsidies for excess production, and the further improvement of the market access for agricultural products from the South.***

5. Allocation of necessary financial resources

Sustainable development in countries of the South is not possible without the allocation of external financial grants. Among other things these grants must contribute to securing universal access to basic social services and to compensate for income deficits of the governments (e.g. as a result of tariff reductions within the framework of regional integration processes). At the multilateral level many ACP states lack the capacity to effectively pursue their own interests, especially in the WTO. Increased financial support is necessary to support an increase in this capacity. For that purpose the declining trend of the Official Development Assistance (ODA) must be reverted and the share of resources for the poorest countries must be raised. To this end it is necessary, first and foremost, to close the gap between commitments and disbursements in European development cooperation. Due to an insufficient flow of aid finance, resources amounting to billions of Euro get lost annually for development purposes.

⇒ ***The capacities of the EU commission in the area of development cooperation must be concentrated and strengthened, in order to enable the actual and effective disbursement of resources for development which have been promised at the political level. Within European development policy priority must be shifted to benefit the poorest countries of the South.***

6. Advancement of the European debt initiative

The drain of money in the form of debt repayments from the ACP countries to the North obstructs the goals of European development policy. Hence the new cooperation agreement between the EU and the ACP states must take into account the need for debt cancellation. Structural Adjustment Programmes (SAPs), which were imposed on many ACP countries by the World Bank and the IMF in order to ensure the debt repayments to the creditors, have considerably changed the social and economic situation of many countries for the worse. The withdrawal from these neo-liberal programmes of the eighties and nineties is imperative. This should be done in accordance with the Structural Adjustment Participatory Review Initiative (SAPRI).

⇒ ***The new Lomé convention should be flanked by far-reaching debt cancellation for the ACP states. These should in particular take the burden from the highly indebted poor countries and go beyond the present HIPC initiative. An improved co-ordinated debt cancellation programme should already be presented at the coming summits in Cologne (June 1999).***

7. No uncontrolled liberalisation in the area of investment

The future cooperation agreement between the EU and the ACP states will affect not only trade flows but also investment flows. Both groups of states have underlined their interests in extending direct foreign investments to ACP countries. However, this must not lead to a further uncontrolled liberalisation of the investment rules. Already many foreign investments are not subject to the internationally negotiated social and ecological standards and are more detrimental than useful for the local people. Foreign investment must not be carried out at the expense of the concerned population.

⇒ ***Within the future EU-ACP agreement a “MAI entering through the back door“ must not be established. Instead of this the ACP countries should be enabled to carry out an independent investment policy, including development oriented performance requirements and capital flow controls. In order to prevent an adjustment race to the bottom, the EU should require foreign investment to adhere to consistent social, human-rights- and ecological standards. Moreover, the creation of further export processing zones which tend to disempower local citizens, to negate basic social rights to workers and to undermine the tax base of public authorities, should be discouraged.***

8. Strengthen the responsibility of foreign investors

Foreign investment can have positive developmental effects in the ACP countries, if they are bound to clear standards. Due to the lack of financial and administrative capacities (or likewise as a result of wide-spread corruption) many recipient countries are unable to establish clear rules of conduct for foreign investors. At the EU level the responsibility of investors should be established in the framework of binding rules. To this end the development of a European code of conduct is necessary, as the European Parliament proposed in January, 1999.

⇒ ***The EU should agree on binding standards for European enterprises which are active in developing countries, as they were proposed by the European Parliament in January, 1999. A corresponding, legally binding code of conduct for transnational concerns should be taken into consideration in the future cooperation agreement between the EU and the ACP states.***

9. Strengthen civil society participation

Any further cooperation agreement between the EU and the ACP countries has far-reaching consequences for the people in these regions. Present experiences show that trade liberalisation has an adverse affect on women in particular, e.g. in the case of South Africa,. To ensure that the interest of people who are directly affected by any future EU-ACP agreement is taken into account, the participation of civil society organisations at all stages of the formulation and implementation of the agreement has to be improved.

The EU and the ACP countries should ensure the participation of citizens, civic organisations, trade unions, women’s organisations and small and medium local enterprise associations in ACP developmental regions in the negotiations on regional economic integration, and in the financial and fiscal policy formulation of the regions. To work equally for more transparency in EU decision making processes, the EU council and the Commission should enable European citizens to democratically participate in the Lomé process.