



BARBADOS **& The European Union**

From Lomé to Cotonou



Ministry of Foreign Affairs & Foreign Trade

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Printed July 2004

Compiled & designed by Ona Harewood

Preface

For over two decades Barbados and the Caribbean, within the context of the African, Caribbean and Pacific (ACP) grouping, have had a special trade/economic relationship with Europe. This relationship is now in transition, given developments in the global economy. Chief among these are trade liberalisation and the process of globalisation that is impacting all countries. In June 2000, a new ACP-EU Partnership Agreement was signed in Cotonou, Benin. This Agreement clearly reflects the transitional nature of ACP-EU relationship.

From January 1, 2008, there will be a new relationship with the European Union (EU) based on reciprocity - i.e., the granting of equally advantageous trade concessions between the two groups of countries - as opposed to the traditional one-way, duty-free trade from ACP countries to Europe. This new relationship will take the form of a Partnership Agreement encompassing not only trade, but other economic activities.

This booklet provides an insight into the trade and economic co-operation aspects of the Cotonou Agreement and the current negotiations which seek to establish a new economic partnership arrangement between the ACP and the EU.

S.J. Chandler
Permanent Secretary
Foreign Trade Division

Overview

For nearly 30 years, Barbados and other countries in the Caribbean, together with states in Africa and the Pacific, have been benefitting from trade preferences with Europe. This relationship was governed by economic/trade arrangements known as the Lomé Conventions. Each convention was of five years duration with the exception of Lomé IV which lasted for 10 years. The first arrangement commenced in February 1975. Each successive arrangement built and expanded on the previous one. The Cotonou Agreement succeeded the Lomé IV Convention in 2000.

The Lomé Agreements or Conventions were intended to promote the development of the beneficiary states primarily through duty-free trade, economic assistance, and technical co-operation. One-way, duty-free trade in favour of the African, Caribbean and Pacific (ACP) countries was a significant feature of the Convention. As a result, a substantial amount of ACP exports, largely primary commodities, was eligible to enter the European Economic Community (EEC) duty-free. Of special importance to Barbados and the Caribbean were the Sugar, Rum and Banana Protocols of the Lomé Conventions. Barbados has benefitted under both the Sugar and Rum Protocols. A guaranteed fixed annual quantity (50 000 metric tonnes) of sugar was exported to the European market at guaranteed prices. These prices were often much higher than what could have been obtained on the world market. This secure market permitted government to earn valuable foreign exchange.

A convention can loosely be defined as an international agreement concluded between states which is usually evidenced in writing. It can also be referred to as a protocol, pact, treaty or accord.

It is not unusual for such agreements to be titled after the place where the signing ceremony was held. In this case, the Lomé Agreement was first signed in Lomé, the capital of the African state of Togo, and the Cotonou agreement was signed in the capital of the West African state of Benin.

It represented a significant portion of government's earnings from exports. The Banana Protocol has ensured duty-free entry to the European market for specific annual quotas of bananas. This has been a lifeline for many islands in the Eastern Caribbean.

However, this co-operation agreement between the ACP and the European Union (EU) had to be revised owing to changes in the international arena. The Cotonou Agreement therefore represents a major shift in the ACP/EU trade and economic relations. While it provides for continued cooperation between the two sides, this cooperation is to be conducted in a new context.

Background to Lomé Arrangements

Barbados' and the Caribbean's association with Europe under the Lomé Conventions came about as a result of the United Kingdom's entry as a member into the EEC. The Caribbean countries as well as a number of English speaking countries in Africa and the Pacific sought to ensure that the United Kingdom (UK) continue to honour its trade obligations to them under the Commonwealth Preference Agreement. That agreement guaranteed a market for sugar, bananas and rum from the Caribbean. Similarly, other countries in the Pacific and Africa sought to hold the UK to its obligations in respect of their own products. At the same time, the UK was seeking to persuade the EEC to take over these obligations. This eventually resulted in the Lomé Convention.

Main characteristics of the Lomé Agreements

- one-way, duty free trade for most exports from ACP countries to Europe;
- financial and technical assistance;
- mutual interests and the fact that all countries depend on each other (interdependence);
- the right of each state to determine its own policies (sovereignty); and
- security of relations based on international cooperation.

ACP/EU Co-operation from Lomé to Cotonou

- 1975: 46 ACP States and 9 European States signed Lomé I.
- 1979: 57 ACP States and 9 European States signed Lomé II.
- 1984: 65 ACP States and 10 European States signed Lomé III.
- 1989: 68 ACP States and 12 European States signed Lomé IV.
- 2000: 71 ACP States and 15 European States signed the Cotonou Agreement.

Barbados Under the Lomé Conventions

Barbados, like its counterparts in the ACP grouping, has had mixed experiences with the operation of the Lomé Conventions. Trade, financial and technical assistance were the main aspects of the agreement. As far as trade was concerned, the Sugar Protocol which was a feature of successive Lomé agreements provided Barbados with a guaranteed market for its sugar. It is believed that this preferential treatment for local sugar has been valuable to the economic development of Barbados as well as other ACP states like Mauritius, Fiji and Guyana.

Barbados' rum is another commodity which has benefitted from the system of preferences offered under the Lomé Conventions; although duty-free access was restricted by a quota system. This protocol is unique in that there is no list of signatories and any ACP exporter of rum to the EU may participate in the arrangement. However, Barbados has been one of the principal beneficiaries of the Rum Protocol, together with other Caribbean countries (Bahamas, Dominican Republic, Guyana, Jamaica and Trinidad and Tobago).

Barbados has also benefitted from financial and technical assistance under the Lomé Conventions. This assistance has largely been channeled into projects in areas of agriculture, education, human resource development and health.

Financial & Technical Assistance at a Glance

Agriculture & Fisheries – Oistins Fisheries Complex, Accra Beach Enhancement Project, upgrade of Consett Bay Fish Market.

Human resource development – Strategic annual training for government officials.

Education – expansion of the Barbados Language Center.

Tourism training – establishment of the Hotel Training Institute.

EU Regional programme – air transport, tourism development, etc.

In addition, Barbados has benefitted from: (a) the EU regional programme as well as (b) loans from the European Investment Bank (EIB) at concessionary rates.

Despite the laudable goals of the successive Lomé Conventions, a number of them were not achieved. In the areas of trade, ACP countries did not experience any change in the structure of their export trade to the EU. Their exports continued to reflect those of primary commodities (e.g., cocoa, sugar, rum and rice) and only a small percentage of manufactured goods. It is believed that a number of factors were responsible for this, chief among which were the stringent criteria (rules of origin) that ACP manufactured goods had to meet. In the case of the Caribbean, an additional factor was the distance of the EU market as opposed to the nearness of the North American market.

Winds of Change

As the fourth Lomé Agreement drew to a close, it became obvious that a different type of partnership arrangement would be instituted between the EU and ACP countries. The rapidly changing global environment, the establishment of a new rules-based, multilateral trading system, and a growing international intolerance for preferential trade were some of the forces that had impacted the longstanding ACP/EU relationship; and demanded more than another renewal of Lomé. In September 1998, two years before the scheduled expiration of Lomé IV, an intense round of negotiations began. These negotiations ended eighteen months later, resulting in the ACP-EU Partnership Agreement. It was signed on June 23, 2000 in

Ninety three states are party to the Cotonou Agreement; as a result it constitutes the world's largest cooperative grouping for development and involves close to one billion people from half the sovereign states on the planet.

The Cotonou Agreement

The Cotonou Agreement also known as the ACP-EU Partnership Agreement establishes a comprehensive framework for ACP-EU relations. This Agreement is expected to guide trade and economic relations between the two groupings for the next 20 years. The main objectives of the partnership are economic development, the reduction and eventual eradication of poverty, and the smooth and gradual integration of ACP States into the world economy. In order to achieve these goals, a series of Economic Partnership Agreements (EPAs) with the EU are being proposed. It is believed that these EPAs will enhance co-operation and trade between the ACP and the EU. The Cotonou Agreement also recognises non-state actors (private sector, NGOs and trade unions, etc.) as legitimate partners in the co-operation - an innovation that has been widely proclaimed as an

important departure from the past.

Features of the Agreement

The text of the Cotonou Agreement builds on the Lomé Conventions. It however, provides for a departure from the traditional ACP-EU co-operation as of January 2008. Some of its features include main principles and objectives underlying ACP-EU co-operation. These objectives include the reduction and eventual eradication of poverty, sustainable development and the gradual integration of the ACP countries into the world economy. There are also five independent pillars reinforcing this ACP-EU co-operation:

1. The political dimension. The Cotonou Agreement underscores the importance of the protection of human rights, resolving armed conflicts and promoting democracy through political dialogue. These are considered as essential components to development. Furthermore, it provides for mechanisms to address corruption and to monitor commitments to the principles of "good governance" on the part of all parties.

2. The promotion of participatory approaches. There is provision for the flow of information to civil society, including NGO's, the private sector, and other social players, with a view to ensuring the effective implementation of the Agreement. Provision is also made for supporting capacity building, encouraging interaction and consultation among all parties on economic and social reforms.

3. Poverty reduction. Poverty reduction is a major feature of the Agreement. It notes that poverty is a stark reality in a number of ACP countries. Given its complexity, strategies aimed at its reduction must be organised on a national basis, integrating economic, social and cultural dimensions, as well as institutional issues and those relating to the environment and the equality of men and women.

4. Financial co-operation. The Convention recognises the critical importance of financial and technical co-operation between the ACP and the EU. In pursuit of this, new measures to facilitate this kind of co-operation have been included in the convention.

The five pillars of the Cotonou Agreement:

- a comprehensive political dimension,
- participatory approaches,
- a strengthened focus on poverty reduction,
- a new framework for economic and trade cooperation,
- a reform of financial cooperation.

5. The new framework for economic and trade cooperation. In the longer term, the Cotonou Agreement is expected to lead to profound changes in ACP – EU economic and trade relations.

Barbados & the Cotonou Agreement

An important element of the Cotonou Agreement is the transition period (2000 - 2007) facing ACP countries, including Barbados. During this time, the regime of non-reciprocal duty-free trade that existed under the Lomé Conventions will continue. In essence this seven-year period gives ACP states an opportunity to adjust to the new trading relationship with Europe which will come into effect on January 1, 2008. This arrangement is to be consistent with WTO rules and regulations. Those guidelines essentially promote free trade among countries - developed and developing.

Barbados and the other states making up the CARIFORUM group of countries have formally launched negotiations for a Regional Economic Partnership Agreement (REPA) with the EU. This REPA will replace the current non reciprocal, duty-free trade arrangement between the Caribbean and the EU. It is expected to be built upon existing regional integration efforts. Barbados' Minister of Foreign Affairs and Foreign Trade, Dame Billie Miller, has been appointed lead Ministerial Spokesperson for the Caribbean in these negotiations.

The countries making up **CARIFORUM** are:

Antigua & Barbuda, The Bahamas, Belize, Dominica, The Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname and Trinidad & Tobago.

The REPA is expected to assist this region in achieving some of its development goals. Some of the anticipated benefits are: a more stable, transparent and predictable framework for trade; improved access to the EU market for goods and services; and increased flows of foreign investment to Barbados.

It is considered that the Caribbean regional integration process will certainly benefit from this new arrangement. The pursuit of goals and objectives of the CSME will be facilitated by a Caribbean-wide economic and trade arrangement with the EU.

Opportunities

Like any other trade initiative, the Cotonou Agreement presents opportunities as well as challenges for Barbados. The new trading arrangements between the Caribbean and the EU give Barbados a chance to seek to expand the range of goods currently granted duty-free access into the EU market.

It is anticipated that Barbados will also be able to exploit the new opportunities provided in the area of trade in services. The Cotonou Agreement, unlike the Lomé Conventions, places more emphasis on the development of trade in services. However, in a REPA this area is one in which great benefits are foreseen for Barbados and other countries in the Caribbean region. The Caribbean intends to ensure that provision is made for the full development of the services sector within the region. In this respect, our local service-providers would be better able to gain access to new markets. Barbados has a highly skilled workforce and should be ideally placed to take advantage of this new market.

The REPA will also address critical needs of Barbados and the Caribbean. These include product research and development, standards development, technical assistance to firms, services and infrastructural development. In short, it is expected to address the development of a regional capacity to effectively interface with the rest of the world, including the EU. It is critical that Barbados makes maximum use of the available assistance.

Challenges

As was noted, Barbados stands to benefit from participation in the proposed new Partnership Agreement with Europe. But it will face some challenges as well. Barbados will have to adjust to the loss of preferences to which it has become accustomed for some years now. In respect of sugar, it will clearly have to seriously increase the efficiency of the sector and, perhaps, find alternative uses for sugar cane. The major challenge, however, will be having to successfully confront the competition that will be expected as a result of the new trading arrangement with Europe.

Member States of the European Union

Austria	Denmark	Germany	Ireland	Portugal
Belgium	Finland	Greece	Italy	Spain
Britain	France	Holland	Luxembourg	Sweden

In 2004, the EU was expanded to include Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Member States of the ACP Group

Angola	Gambia	Rawanda
Antigua & Barbuda	Ghana	St. Kitts & Nevis
Bahamas	Grenada	St. Lucia
Barbados	Guinea	St Vincent & the Grenadines
Belize	Guinea Ecuatorial	Samoa
Benin	Guinée-Bissau	São Tomé
Botswana	Guyana	Príncipe
Burkina Faso	Haiti	Sénégal
Burundi	Ivory Coast	Seychelles
Cameroon	Jamaica	Sierra Leone
Cape Verde Islands	Kenya	Solomon Islands
Central African Republic	Kiribati	Somalia
Chad	Lesotho	South Africa
Comores	Liberia	Sudan
Congo	Madagascar	Suriname
Cook Islands	Malawi	Swaziland
Democratic Republic of the Congo	Mali	Tanzania
Djibouti	Marshall Islands	Togo
Dominica	Mauritania	Tonga
Dominican Republic	Mauritius	Trinidad & Tobago
Eritrea	Micronesia	Tuvalu
Ethiopia	Namibia	Uganda
Federal States of Mozambique	Nauru	Vanuatu
Fiji	Niger	Zambia
Gabon	Nigeria	Zimbabwe
	Niue	
	Papua New Guinea	
	Palau	

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The Ministry of Foreign Affairs & Foreign Trade