



THE EUROPEAN UNION AND THE THIRD WORLD

Martin Holland

The
European
Union Series

General Editors:

Neill Nugent

William E. Paterson

Vincent Wright



The European Union and the Third World

Martin Holland

palgrave



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List of Abbreviations

ACP	African, Caribbean and Pacific countries
ALA	Asia-Latin American (Committee)
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
ASEM	Asia-Europe Meeting
CAP	Common Agricultural Policy
CEEC	Central and Eastern European Countries
CFSP	Common Foreign and Security Policy
CIS	Confederation of Independent States
COREPER	Committee of Permanent Representatives
DAC	Development Assistance Committee (of the OECD)
DGI	Directorate General for External Economic Relations
DGVIII	Directorate General for Development
EAMA	Associated African States and Madagascar
EBA	Everything but Arms
EC	European Community
ECHO	European Community Humanitarian Office
EDF	European Development Fund
EEC	European Economic Community
EIB	European Investment Bank
EMU	Economic and Monetary Union
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
EUA	European Units of Account
Eurodad	European Network on Debt and Development
FDI	Foreign Direct Investment
FIC	Forum Island Countries
FRY	Former Republic of Yugoslavia
FTA	Free Trade Areas
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	Generalized System of Preferences

G7	Group of Seven
HDI	Human Development Index
HIC	High-Income Country
HIPC	Highly Indebted Poor Countries
IGC	Inter-Governmental Conference
IMF	International Monetary Fund
LDC	Least Developed Country
LIC	Low-Income Country
LMIC	Lower Middle-Income Country
Maghreb	Countries of Algeria, Morocco and Tunisia
Mashrek	Countries of Egypt, Jordan, Lebanon and Syria
MERCOSUR	Mercado Común del Sur
MFA	Multi-fibre Agreement
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organization
NICs	Newly Industrialized Countries
NIS	Newly Independent States (of the former USSR)
OCT	French Overseas Collectivities and Territories
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
QMV	Qualified Majority Voting
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SCR	Service Commun Relex ('Joint Service for the Management of Community Aid to Non-Member Countries')
SEM	Single European Market
STABEX	Stabilization of Export Earnings Scheme
SYSMIN	Stabilization Scheme for Mineral Products
TEU	Treaty on European Union
UK	United Kingdom
UMIC	Upper Middle-Income Country
UN	United Nations
UNDP	United Nations Development Programme
WTO	World Trade Organization
ZANU-PF	Zimbabwe African National Union-Patriotic Front

Preface

This has been without any doubt a difficult book to write. Not only is the topic vast and complex, the parameters within which the EU has operated its policy with the Developing or Third World have undergone radical and seemingly continual reform in recent years. This text incorporates all these significant changes, including a full analysis of the Cotonou Partnership Agreement of June 2000 and the 'Everything but Arms' initiative of March 2001. Hopefully, the analysis will remain both provocative and relevant for years to come even if the policy details continue to change in the future. The analysis poses a number of simple but related questions. First, can the EU demonstrate a distinct development policy separate and superior to that of the Member States? Second, how far have traditional development policy assumptions been replaced by a global liberalized agenda based on free trade? Third, how successfully has the EU linked development policy with its foreign policy activities under CFSP? And lastly, what is the impact of external relations – particularly development policy – on the integration process *per se*?

The conceptualization as well as writing of this book has spanned several years and locations. My gratitude and appreciation go to Heribert Weiland and other colleagues at the Arnold Bergstraesser Institut, University of Freiburg, Germany, and to the Alexander von Humboldt Foundation for their continuing fellowship support; to Apirat Petchsiri and the graduate students of the European Union Studies Programme at Chulalongkorn University, Bangkok, Thailand; and to my colleagues at the Centre for Research on Europe at the University of Canterbury, New Zealand. Special thanks goes to the Rockefeller Foundation for the award of a Bellagio residency fellowship which enabled me to complete the first draft of this manuscript while at the indescribably wonderful Villa Serbelloni on Lake Como Italy in the summer of 2000. Lastly, I hope this book goes some way to repay the debt I owe to my

wife, Ann Marie: the completion of this manuscript would not have been possible without her love, support, understanding and patience.

Villa Serbelloni

MARTIN HOLLAND

Author's note

Throughout this book, it can safely be assumed that one Euro equals one Ecu and/or EUA.

For
Ann Marie
who makes me complete

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Their co-editor until his death in July 1999, **Vincent Wright**, was a Fellow of Nuffield College, Oxford University. He played an immensely valuable role in the founding and development of *The European Union Series* and is greatly missed.

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Introduction: Setting the Context

Europe's formal relations with the developing world are as old as the European Community (EC) itself. However, the shape and the content of those relations have altered significantly since the signing of the Treaty of Rome in 1957. Successive enlargements, differential rates of global development, the collapse of communist ideology in Central and Eastern Europe and the reorganization of international trade under the auspices of the World Trade Organization (WTO) have all contributed to redefining the European Union's (EU) external relations with the Third World. These changes were nowhere more dramatically portrayed than in the Lomé Convention (1975–2000). The Convention – linking the EU with the African, Caribbean and Pacific (ACP) developing countries – was considered the hallmark of the EU's policy with the Third World, yet it failed to meet the needs and expectations of the new millennium and underwent a comprehensive and critical review from 1997 onwards. The new century also witnessed parallel revisions undertaken in Europe's relations with Latin America, Asia and elsewhere. This text examines these changes and identifies common themes as well as contrasting examples. Most significantly, the argument presents development policy within the wider context of Europe's integration process and suggests that theories of integration are the appropriate tools for understanding not just Europe's internal politics, but its external relations as well.

In order to contextualize development policy, the EU's engagement with the Third World is best described as a policy patchwork. In addition to the ACP states, it incorporates Latin America, China, India, most of Asia and arguably North Africa. Europe has negotiated framework cooperation agreements with some 15 Asian and Latin American countries; has similar agreements with three regional groupings (the Association of South

East Asian Nations (ASEAN), Andean Pact and Central America); began the Asia–Europe Meeting (ASEM) process; operates cooperation or association agreements with the Maghreb and Mashrek states as well as with four other Mediterranean countries; and, lastly, also has special relationships with a multitude of member state overseas departments and territories. However, by far the most structured and important historical relationship has been the Lomé Convention, which in June 2000 was superseded by the Cotonou Agreement and now embraces almost all the developing countries of the Caribbean, Pacific and sub-Saharan Africa.

Consequently, Europe's traditional view of development has been specific but comparatively limited. The developing world was defined as principally those former member state colonies in Africa, the Caribbean and the Pacific and dealt with under the Lomé framework; only this relationship was historical, institutionalized, comprehensive and based on the principle of non-reciprocity. In contrast, relations with the Indian sub-continent, Asia and Latin America have been comparatively new, *ad hoc*, fragmented and generally more limited in scope. Such a dichotomy (based on past practice rather than development criteria) was always difficult to sustain, and has become increasingly indefensible. The collapse of communism in Central and Eastern Europe further complicated what was already an untenable position: throughout the 1990s development aid was increasingly shifted in favour of these emerging democratic European states. Clearly, Europe's old definitions of development needs were proving to be hopelessly inadequate, raising more issues than they solved.

A more inclusive definition of the developing world was needed for the EU that recognized regional disparities and sought a common approach to common problems. Geography and history were no longer an acceptable or sufficient rationale. Consequently, from 1997 onwards the EU fundamentally reviewed its network of relations with regions of its traditional partners in the developing world (ACP, Asia, Latin America) in an attempt to produce a new policy paradigm that was consistent, comprehensive and common in origin, approach and criteria. Formally, and if somewhat belatedly, this motivation was founded in the treaty obligations agreed to at Maastricht. Article 130u of the Treaty on European Union states: