The EU EPAs aim to lock African, Caribbean and Pacific island nations into a geopolitically and economically subservient position towards Europe. (Photo: Alexandre Seron, January 2007)

Asking hard questions about the EU–ACP EPAs

GRAIN (May 2007)*

If you do not know what Unilever's investment intentions are for the next three years, drawing up a national plan is just an exercise in fanciful thinking.
– J.H. Mensah, former Minister of Finance, Ghana[1]

Debates around the proposed Economic Partnership Agreements (EPAs) between the European Union (EU) and the 77 countries in the ACP group – mostly former European colonies in Africa, the Caribbean and the Pacific – have raised many important issues. These EPAs are different from other European free trade agreements because they emerge from a sequential history of previous conventions, known for the cities they were signed in: Yaoundé (1959–1974), Lomé (1975–1995) and Cotonou (2000–). These treaties established, among other things, special trade regimes for the few commodities that Europe's former colonies had come to specialise in: bananas, sugar, cotton, cacao, tea and so on. As such, they perpetuated a neocolonial relationship through which poor people in the South would continue producing "raw materials" and the rich capitalists in the North would continue buying them up – at a special guaranteed price. It's been a very paternalistic affair. But it has been a useful tool for the old European masters to keep a foot inside the door of their former empires.[2]

Under the new EPAs, 40 years later, nothing is changing. Sure, the language is different and there are many new actors around. But when you scrape through what is on the table and what is being debated, the same structural issues are still there. And they are frightening.

- There is hardly any fundamental discussion about what the relationship with Europe should be. Even though the freedom to move in new directions exists, no one seems to be questioning whether the EPAs are not a new and more ruthless phase of neocolonialism.

- The whole concept of "partnership" is accepted as the common goal, despite the gross inequalities that the EU–ACP relationship is founded on. What is being fought over instead is what level of asymmetry – or imbalances – should be applied within the partnership, given the underlying inequalities. This will perpetuate the inequalities, not change them.

- The argument that the WTO requires the EU and its ACP partners to shift from a unilateral preferences scheme (where Europe alone cuts its tariffs) to a bilateral one (where the ACP countries now cut theirs as well, thereby destroying their economies) is also apparently accepted, despite all the evidence that makes this hard to swallow. There are more than half a dozen similar unilateral preferences schemes in operation, none of which is being contested for WTO compatibility.[3] True, Ecuador and other countries have

* Starting around September 2007, and particularly after the rush to sign or not sign the EPAs by 31 December 2007, some of the issues raised in this commentary became more prominent in the discussions.

1 BBC World Service, "Inside the global giants", no date, but c. January–February 2003, http://www.bbc.co.uk/worldservice/specials/151_globalgiants/page3.shtml

2 The French, in particular, have used this relationship greatly to their advantage, especially in West Africa. They retain enormous influence – a two-way game, with African elites playing their part – and even economic control on the region. To give but one example, Dagris, a French government holding company, bought into most of the former State cotton trading enterprises in the region. In February 2007, Dagris itself was sold off to two French companies: Sofiproteol, a financial group that is a major player in the edible oils industry (e.g. they own Lesieur) as well as animal feeds, seeds and, together with Bunge, biofuels; and IDI, an investment house specialised in developing medium-sized companies.

3 The Caribbean Basin Initiative between the US and the Caribbean countries; the US' Generalised System of Preferences; the US' African

Women farmers of the Confédération Paysanne du Faso (Peasant Confederation of Burkina Faso) protesting against the EU–ECOWAS EPA in Ouagadougou, mid-2007
(Photo: ABC Burkina)

won disputes at the WTO against the preferences the EU was giving its ex-colonies for bananas and sugar. But rather than find a suitable arrangement for bananas and sugar, the EU is using this as an excuse to revise the entire trade relationship and to add new features in the process (opening up investment and services). The EU and the ACP countries could also have negotiated an extension of the waiver (to allow their unilateral scheme to go on, as an exception to WTO rules) instead. Further still, neither the EU nor the US do anything most of the time when they lose disputes at the WTO.[4] So why act on this one? Overall, this bowing down to "the WTO excuse" is not necessary and will greatly expand European power in the ACP countries. So it is quite deliberate.

- The EPA debate has been a myopic one about the EU and the ACP. In the case of Africa, for instance, it would seem impossible to negotiate a trade relationship with Europe without factoring in where things are heading with other countries like China, the US, South Africa, India and even Brazil. These are major trade and investment powers, with real and growing interests in the whole of Africa. China's investment in Africa is exploding, the US is interested in its own FTAs with various African countries, India has a lot at stake in the continent.... But somehow these issues are compartmentalised, thereby delinking the discussion from a crucial "big picture" analysis. Similarly, the strategy of trying to push regional integration as a *sine qua non* to any EPA with Europe suffers from a narrow view. It's too often focused on internal integration and not considering inter-regional relationships (e.g. between West and North Africa).

- Trying to orient these agreements towards "development" without considering structural corporate realities is a problem. The Cotonou Agreement mandates that the parties pursue a "development" agenda in their overall cooperation. Social groups have pushed hard for this agenda to serve as a buffer against the possibly pure neoliberalisation function of the EPAs. This has met flat resistance from Brussels, creating a strong sentiment of betrayal (and therefore crisis) in the talks. But given the role of transnational corporations in the ACP economies – and in the ACP export sectors more specifically, since the whole point is to revise a trade regime – it is hard to put together a demand for development with a reality of foreign corporate control. Which brings us to the second big structural issue.

The ACP economies are still stuck in an incredible dependency on a few primary exports

For all the talk about agriculture in these deals – which is crucial, since so many people's livelihoods in these countries revolve around it – farm trade between the ACP countries and the EU is a very narrow affair concentrated on a few countries and a few crops. The entire relationship with Europe all these years has simply not brought much by way of diversification, much less "climbing up the value chain" from producing raw materials.

According to the ACP farmers' networks, just four of the 77 ACP countries account for more than 66% of all ACP farm trade with the Europe.[5] On the export side, they are mostly selling cocoa (predominantly from Ivory Coast and Ghana), fish (Namibia in the lead), sugar (Mauritius is the biggest source), coffee (Ethiopia, Kenya and Tanzania) and bananas (Cameroon and Dominican Republic most concerned). Hardly any processing is done with these harvests before they leave for Europe, so local incomes from them are restricted.

Worse, thanks to market reforms pushed by the World

Growth and Opportunities Act, which was renewed in 2005; the Andean Trade and Development Preferences Act, renewed in December 2006; the Caribbean–Canada Trade Agreement; and New Zealand and Australia's South Pacific Regional Trade and Economic Cooperation Agreement.

4 Hormone beef, Boeing, GMOs, tax shelters, internet gambling.... The number of WTO disputes that either the US or EU have lost and not acted upon is substantial.

5 EAFF, PROPAC, ROPPA, SACAU and WINFA, "Midterm review of the Economic Partnership Agreements: Independent contribution of the regional networks of farmers' organisations", Synthesis of regional assessments, Working document, 10 December 2006, p. 17.

Bank and the International Monetary Fund in the 1980s, the market for many of these goods is structurally controlled by very few large transnationals now.

- Four companies – Barry Callebaut from Switzerland, Hosta from Germany, Cargill and Arthur Daniel Midland from the US – dominate the world's cocoa trade. These traders supply a highly concentrated processing sector, where Cargill, ADM and Barry Callebaut control 45% of the grinding. At the end of the line, just six manufacturers account for half the world's chocolate production, consumed mainly in Europe, and they are currently fighting with the retailers over whatever margins can still be squeezed. African cocoa farmers and their governments have virtually no power in setting prices, even if more of the grinding is shifting to their territories.

- Four companies – NK from Germany, Volcafe from Switzerland, the Swiss/Spanish Ecom group and Dreyfus from France – control 40% of the world coffee trade. These firms supply an even more concentrated roasting sector: Nestlé from Switzerland, plus Kraft, Procter & Gamble and Sara Lee from the US,control 45% of the processing.

- Five firms – Dole, Chiquita and Del Monte from the US, Fyffes of Ireland and the Ecuadorian Noboa – control 80% of the world's banana business.

- In the fisheries sector, most of the benefits go to the heavily subsidised European transnationals such as Pescanova.

- Even the vegetable export industry in Kenya, often touted as a local success story, is controlled today by no more than five large companies (including Sunripe Ltd, held by the Shah family, and Homegrown Kenya now owned by Flamingo Holdings in the UK). This means that much of the value generated from agricultural trade is deliberately captured and controlled by a few agribusiness interests, mainly in the US and Europe.

The real problem is this structural one. In terms of agricultural trade, the ACP countries are too dependent on too few products that are controlled by just a few

Africans from different corners of the continent rallied and demonstrated in the streets of Nairobi where they met together to strategise against the EU–African EPAs during the World Social Forum in January 2007.

American and European firms. Farmers are not going to get a better deal from trade agreements – and therefore development is not going to amount to much – until this structure, where large conglomerates control the market, is transformed. While prices and the income captured by different segments of the value chain can go up and down for myriad reasons, the long-term blockage point is that farmers have no negotiating power in this structure. That is why it is so essential to address the structure of these industries, and their ever-deepening concentration, rather than focus on tariffs, technology or competitiveness, most of the profits from which end up in a few companies' pockets.

The need to attack the corporate structure behind ACP farm and fish exports is urgent because the EPAs are essentially about increasing market access for Europe, not for the ACP countries. The ACP countries have had more or less duty-free entry to the European market for 40 years. The EPAs are supposed to create a reciprocal situation now and do away with tariffs on the ACP side. But they will also introduce investment liberalisation, which is the golden key for TNCs to get more out of the ACP markets while locking the countries of Africa, the Caribbean and the Pacific even more tightly into a revised form of colonial exploitation.