

# The EU in the Global Economy

## Online learning

Document identifier				
Lesson	Title	How to proceed?	Time need	
#8	Developing countries and the EU I.	1) Video (Country classification) 2) <b>Reading material</b> 3) (Homework: together with the next lesson)	cc. 10 mins.	





## 1 INTRODUCTION

The EU has been playing a great role in promoting development in less developed countries. To achieve this aim, the EU grants not only financial assistance, but trade preferences to the

*Which countries are developing countries?*

*See in the related video.*



developing countries within the framework of its international development cooperation policy. The EU has established relationship with almost all the developing countries, but the preferences it provides them are different. ACP countries receive

the greatest preferences and the most support from the European Union. The EU-ACP relationship is based on contracts which ensure high level of security for the contracting parties. The preferences granted by the contracts cover a wide range of products, and there are only few restrictions and exemptions. Nowadays, 79 countries belong to the ACP-group, out of which 48 stays in Africa. The framework of the EU-ACP relationship started with the Lomé Conventions, but nowadays the Cotonou Partnership Agreement and its Economic Partnership Agreements are decisive. What are the main aims of these agreements? The following three goals can be emphasized:



The Cotonou Agreement lays down that **the two pillars of international development cooperation remained trade and aid**. Concerning this, this lesson is focusing in the EU's trade relations with developing countries, and the next lesson is going to detail the EU's aid activity.



## 2 THE LOMÉ CONVENTIONS

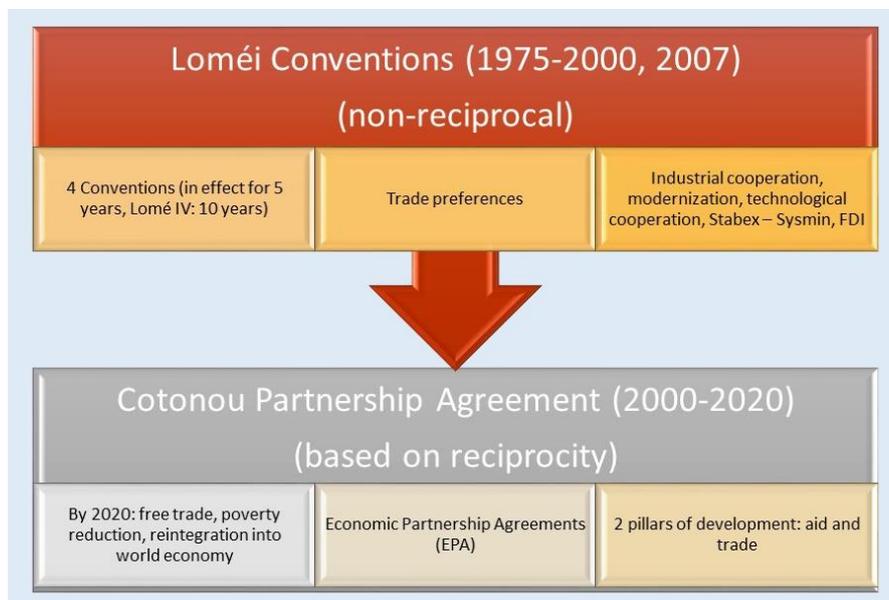
The ACP countries as a group was formed in 1975 with signing the Georgetown Agreement.

*ACP stands for African, Caribbean and Pacific countries*

At that time only 46 ACP countries belonged to this group, but over the years, their number increased (1980: 58 ACP, 1985: 65 ACP, 1990: 68 ACP, 2000: 79 ACP). The EU signed two main

conventions with these countries (Figure 1): Lomé Conventions and Cotonou Partnership Agreement.

Figure 1 Agreements between the ACP countries and the EU



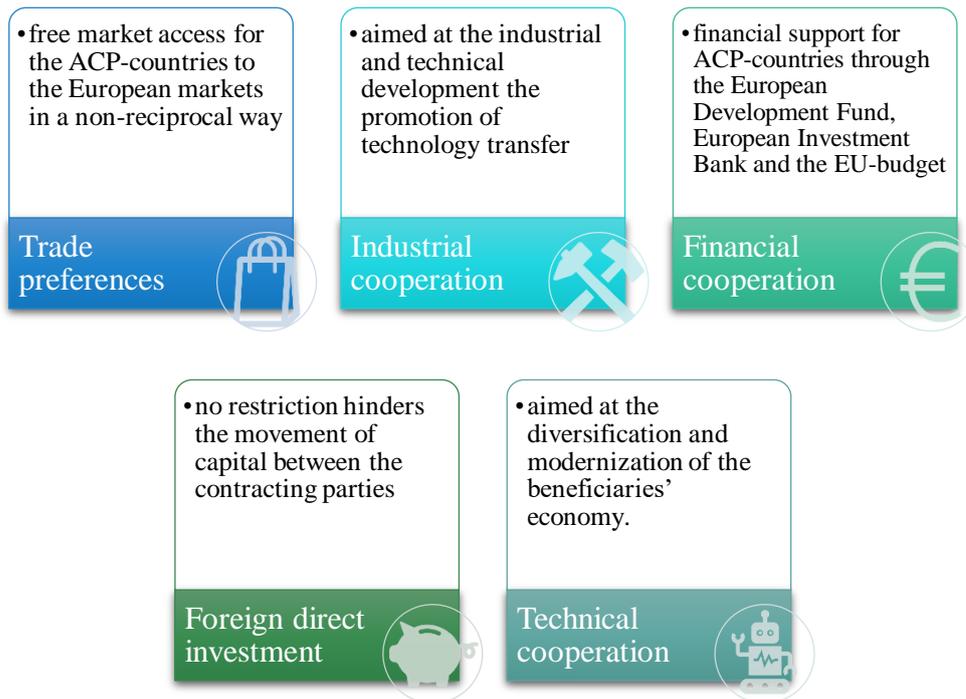
Source: own construction

The **four Lomé Conventions** covered the period between 1975 and 2000. They granted preferences only to the ACP countries – but the preferences contained not only trade preferences, but interventions on other economic areas (diversification, investment), too. The first convention was signed in 1975 and three others followed it. All they expired after five years, excluding the fourth one with its 10-years, since the EU and the ACP countries could not agree on how to continue the cooperation. All in all, for 25 years (between 1975 and 2000) the ACP countries could enjoy great preferences provided by the European Union in the framework of these agreements. The number of the ACP countries also changed during this time: 46 ACP

*4 Lomé Conventions  
1975-2000*



countries signed the first Lomé Convention, while 68 countries the fourth one. All of the conventions involve the following areas: trade preferences; industrial cooperation; financial cooperation; foreign direct investment and technical cooperation. The only difference between the conventions is the growing number of the articles in the conventions. It was supposed that the interventions would contribute to the economic and social development of the contracting ACP countries.



### 3 THE COTONOU PARTNERSHIP AGREEMENT

The **Cotonou Partnership Agreement** was signed by the EU and the ACP countries in 2000 and it contained new elements compared to the Lomé Conventions (for instance, reciprocal trade preferences; partnership; political conditionality; good performers; political dialogue; NGO; poverty; sustainable development; integration into world economy). This Agreement is the framework for Economic Partnership Agreements (EPAs). The aim of the EPAs is to improve the share of developing countries in world trade with providing reciprocal trade preferences. However, they were not very successful because of the long negotiation process – there were 6 ACP regions with which the signing procedure was really challenging, the partners could not agree on the rules (that is, only smaller groups will sign an agreement, therefore the obligations will be tailor-made).



### WHY NOT TO CONCLUDE THE EPAs?

Here are some reasons:

- Economic structure of ACP cannot adjust to the new circumstances
- Decreasing income from tariffs → postponing reforms
- Stronger competition (EU companies compete with ACP companies)
- Agricultural subsidies result in unfair competition
- Specialization in primary goods (40% of their total exports) may hinder the development in a free trade area
- EPAs cover areas which are beneficial for the EU (intellectual property, trade in services, investments)

## 4 FURTHER LINKS

<https://www.consilium.europa.eu/en/policies/cotonou-agreement/>

<http://www.acp.int/>



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