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Europe

“All except weapons”

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A year after the end of the negotiations of the Cotounu treaty with the ancient colonies of Africa, the Caribbean, and the Pacific the European Union has adopted the initiative" all except weapons" in it's foreign economic policy Asuntos Generales of 26 of Feb 2001.

Their declared objective is to abolish all customs tariffs for the exports of less developed countries, to the EU "with the exception of weapons" and with a transitional period up to 2006 for bananas and up to 2009 for sugar and rice.

The European Union is the main market for the exports of the less developed countries (56% of their total value) but this only represents 1.3% of EU imports, to the sum of 8.7 billion Euros in 1999. Manufactured products represent 39%, textiles 17% and agricultural products 32%.

However, if the exports of the less developed countries represent 9 % of their GDP, imports are 16%, producing a chronic trade deficit which reaches 1.4 billion Euros with the European Union.

Reform

The new proposal implies the reform of the Community Regulation of December 1998 which awarded preferential tariff rates to the less developed countries - without quantitative quotas - of 9,556 of the 10,500 customs classifications of the EU.

Now this broadens to include 919 more, all of which are agricultural products and only the 25 related to weapons dealing remain excluded. This is not because the European weapons industry fears particularly competition from underdeveloped countries in this area but rather in order to continue controlling its exports to the Third World under present terms.

For the less developed countries, whose participation in world trade is only 0.4% of the total, the new access to the EU's markets could, according to the World Bank, increase their exports by 15 to 20%, to the value of 1,500 million Euros.

We say "could" because in reality, as Stephano Inala of UNCTAD has indicated, the less developed countries do not have the capacity to cover even their preferential quotas under the 1998 regulation.

The same is acknowledged in the report prepared by the director general of agriculture of the Commission on the possible impact of the proposal; the agricultural production of cereals of less developed countries is insufficient to cover their consumption needs and they must import annually some 7 million tons, 3 million of which come from the EU.

Their surplus of tropical products is only 500,000 tons, and in the case of sugar 1.1 million tons. The same occurs with animal products, meat and milk, the local production of which is insufficient to satisfy internal demand.

All these figures refer, naturally, to the demand expressed by the trade balance, not to real needs nor the concept of minimum consumption requirements. Calorie consumption in the less developed countries is at 2,200 per day, in the EU countries it is in excess of 3500.

Network

What are the poor going to export to the rich? The reply to this question reveals a network of social interests supported by the competition in the world market between poor countries and the increasing inequality in the populations of the less developed countries.

As the World Bank predicts, exports will rise to some 15 to 20% with the result that some less developed countries snatch market quotas from countries slightly less poor than themselves (but who are equally as wretched) and limiting access for food or the means to produce it for those who can pay, increasing poverty and hunger in the Third World in order to increase European Union exports.

This view is supported by a solid economic logic, as the commission's report indicated. The difference between world and EU prices for wheat is 13%, for maize 52%, for rice 100%, for sugar 160%, for bananas 83%, for beef 57% (before the "mad cow" and foot and mouth crises), chicken 37%, lamb 126% and powdered milk 88%.

The prices of agricultural products in the Community are 2.6 times higher than world prices.

It is not the small producers who benefit from these price differences but rather the big multinational agricultural companies who recoup the gains.

And the reason?

Investment per capita in less developed countries is 41 dollars - according to UNCTAD, and export to the EU markets demands the construction of infrastructures (which at present are not sufficient to facilitate imports as is seen in every humanitarian crisis) and the introduction of sanitary controls in order to comply with EU regulations, which cost more money than the level of investment.

Aid down

However, official development aid has gone down over the past decade. That of the OECD countries has diminished from 31.2% to 24.6% and aid from the European Union has dropped from 33.3% to 32.4%. The foreign investment trend follows the same tendency and has fallen by 25% since 1990. The less developed countries only attract 1.6 % of the investment of the developed countries.

Only the big multinational agricultural companies that have the necessary infrastructure for exporting will be able to rapidly cover this part of the market, in some cases without even having to increase production.

Because of the rules of origin and accumulation the less developed countries are able to import wheat and rice from South East Asia and South Africa and re-export it to the European Union. If the predictions of the World Bank are correct, keeping in mind that the potential export increase of the agricultural sector alone is 34%, it will be enough to cause a small "green revolution" in the less developed countries.

A new cycle will open; the concentration of farm land, the increase in importation of fertilizers and special seeds, an increase in commercial deficit and foreign debt and finally as a consequence the destruction of the subsistence economy, on which a large part of the less developed countries living below the bread line depend.

One of the arguments of Pascual Lamy, "European Minister for Commerce" in defence of his proposal, is the resistance that has came from the European producers of bananas, sugar and rice - namely Spain, Portugal, France and Belgium - who constitute a sufficient minority to block the community decision.

For many years, but particularly during negotiations with the ACP, they have defended free exports from the less developed countries (essentially all products) which in practice gives them the right to veto case by case all products that would compete with European production.

Compromise

Lamy proposed a compromise with a broad transition period.

For bananas, a yearly 20% decrease in tariffs from January 2002 and complete liberalisation by January 2006.

For sugar, a reduction by 20% in July 2006, by 50% in September 2007, by 80% in 2008 and full liberalisation in July 2009.

For rice, a reduction by 20% in September 2006, by 50% in September 2007, 80% in September 2008 and complete liberalisation in September 2009.

The impact on the European Community budget, in the case of the greatest increase in the export of sugar and rice (it being impossible to calculate in the case of bananas) would be, according to the commission, 1,394 million Euros. This figure compares significantly with the amount unused of the European Development Fund: 9 billion Euros in the year 2000.

Eventually, the minority blockade dissolved. Belgium will host the 3rd United Nations conference on less developed countries in May 2001 and could not do so after having voted against Lamy's initiative.

Triumph

Spain considered the proposal by the commission a real triumph, despite the fact that it condemns the cultivation of bananas in the Canary Islands, and France, after rejecting the proposal in the interests of their overseas colonies, abstained at the last moment.

The Financial Times, organ of the City of London, had defended Lamy's proposal from the beginning and had demanded that the "EU prove the sincerity of their human rights declarations" (FT, 25/02/01). It considered the adoption of the proposal "a victory", but for whom?

The Economist, which is more cynical, replied immediately that `the majority of benefits will be for Lamy. He can gather the good will that the new policy will produce and cash it in later when he tries to re-launch the new round of multinational negotiations (3/3/01).

Fernando Riccardi, director of the Bulletin Quotidien Europe, states that "Europe's honour is safe and European civilisation has defended its values".

Without as much exaggeration and rhetoric, after the decision was adopted, Pascal Lamy declared "we have given a sign to the rest of the world and demonstrated that we are serious when we affirm that the poorest countries must share in the fruits of free trade."

Now it will be difficult for other rich countries not to follow the European example and above all, the European initiative will diminish the reservations of the developing countries in the face of the commission and in particular Pascal Lamy's fundamental objective, that is, to launch a new round of international commercial negotiations in Autumn, in the framework of the WTO (BCE, 3/3/01).

Prestige

Lamy, who has accused the Clinton administration and the Al Gore presidential campaign of being responsible for the failure of the millennium round in Seattle, has exerted all his prestige as well as that of the EU in re-establishing an indispensable consensus with the developing countries so as to make possible this new leap forward in neo-liberal globalisation. His responsibility is twofold; when fears are spreading among the international neo-liberal oligarchy that the Bush administration could suffer from protectionist pressures and adopt a unilateral policy of trade blocs, Lamy has become the main spokesperson for neo-liberal multilateralism.

The designation of Robert B. Zoelick as US trade representative was welcomed as a sign that the Bush administration would continue on the same path; the strategic alliance between Washington and Brussels for a new Round would be maintained.

However, this time it will be announced at the WTO summit in Qatar in November 2001, with the hope that the movement against neo-liberal globalisation cannot show its opposition, and that the developing countries cannot reject the carrot offered them by Lamy.

