



The EU stampedes over Pacific in rushed deal on trade

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Under intense and grossly unfair pressure, Fiji and Papua New Guinea have split ranks with other Pacific nations to sign an interim deal on trade-in-goods with the European Union.

The EU set yesterday (Friday 22) as a deadline for African, Caribbean and Pacific (ACP) nations to sign interim deals on trade, to be in place by January 2008. The EU threat to increase tariffs on imports from ACP countries was a real concern for Fiji and PNG, with thousands of jobs on the line in the sugar and tuna export industries if they didn't sign. This unfair threat to Pacific livelihoods pushed Fiji and PNG to abandon a Pacific-wide position in negotiations for a new Economic Partnership Agreement (EPA) with the EU. Interim deals on goods-trade were made necessary because of a stalemate in the negotiations for a more comprehensive EPA. ACP countries maintain fundamental opposition to key EU demands in those wider negotiations.

It's been a tough time for the EU lately, as the Europeans become increasingly isolated and shrill in their bullying of poorer nations to sign new deals before the end of the year. Everyone from the director-general of the Commonwealth, Don McKinnon, to representatives of the World Bank and the International Monetary Fund said the EU is in danger of hurting poor countries by rushing the deals.

The criticism the EU is receiving, and anger from government leaders throughout the developing world, must be difficult to swallow. Especially because the EU likes to claim it leads the world in pro-development policies, and has sold the EPAs as 'a development tool' for its ex-colonies. But if the EU is so interested in development, why has it lectured and bullied developing countries in recent months to sign a hugely complex trade deal, which many have grave concerns about, before the end of the year?

To close the trade deal, the EU has threatened 76 of the world's poorest nations with higher tariffs on their exports to Europe in 2008. These tariff hikes would have significant impacts here in the Pacific, where tuna from Papua New Guinea would be charged 20 percent duty on entry into the European market. This would put the PNG fishing industry, and thousands of jobs, at serious risk.

EU trade delegates claim, with the repetition of a broken record, that a new deal is necessary before December 31 in order to be WTO compatible. The EU has made it clear they are prepared to put millions of jobs and thousands of companies in the developing world under threat, to meet the quick fix the WTO wants. This can hardly be called a pro-development position, and completely undermines the EU's claim the EPAs are a tool for development.

From development to free trade

The EPA with the EU represents a marked shift in the way developed countries approach poorer nations. The Lomé Agreement, signed in 1975 and in force for decades, defined European trade with African, Caribbean and Pacific nations. That agreement was marked by the concept of *development cooperation* – a relationship that accepts parties involved are not on equal footing, and that one party needs to assist the other with technical and financial resources to develop capacity.

But with the signing of the Cotonou Agreement in 2000, the EU made the explicit shift from development cooperation to an increasing focus on *trade*. A relationship marked by *trade* is one that implies both parties are seeking to gain a maximum advantage. In trade relationships equality and capacity are assumed.

The EU marked its shift in policy by seeking market access reciprocity and WTO compatibility under the Cotonou Agreement, but also by extending the scope of trade relationships to include services, competition and investment policy and intellectual property rules. Clearly the EPA negotiations are in part a 'market grab' - for the EU to gain market access to ACP countries not extended to other developed countries under the WTO. EU exports to ACP countries are worth more than €27 billion each year, and lower tariffs and services sector liberalisation could add billions to that figure. This would be at the expense of government revenue and public services in ACP countries as money is transferred from government coffers to corporate profits.

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ACP government leaders have increasingly expressed concern that they are being conned by the EU into opening their markets for European businesses. Especially when market liberalisation under the EPA is *binding* while EU promises of ‘aid for trade’, to help poorer nations cope with the costs of adjustments, are *non-binding* commitments. The EU hasn’t even said where the money will come from for these ‘empty promises’ of new aid for trade. There is every possibility it will be diverted from existing EU aid in other areas, like health and education.

The rhetoric of development cooperation and special/preferential treatment for poorer nations is increasingly being replaced by a hard-line ‘everyone must compete on the open market’ policy. It is like telling the Naitasiri under-12 rugby side to compete with the Australian Wallabies, on a ‘level playing field’, because it will help them improve their game! We all know who is going to win every time. Treating unequal partners in an equal manner is just as unethical as treating equal partners in an unequal manner.

Why do developed countries push trade liberalisation as development policy for poorer nations? The historical and contemporary evidence shows nations who have successfully developed their economies have deployed protectionist policies for their infant industries, and only pursued free trade in a cautious and carefully planned manner.

Recent examples like India, South Korea, and China have all followed this path, and world superpowers like the European Union and the United States certainly did. For centuries the United States maintained massive tariffs to protect its growing industries from European competition, and to shift from low-return agricultural production to an advanced-technology economy. But now the rich nations want to kick away the ladder they used for their own development. Clearly trade liberalisation has more to do with rich nation objectives than genuine development.

Poorer nations are being told not to compete directly with developed nations - to import all their value-added goods from the developed world, and to search for niche agriculture or raw materials to export back to them. Essentially rich nations are telling poorer nations that their ‘comparative advantage’ *is* the fact that they are under-developed – that they have natural resources available for exploitation and a large semi-skilled (read cheap) labour force. In this scenario, rich nations are able to retain their position of economic dominance.

While opening markets to foreign goods, developing countries are also being told allow foreign companies *complete* access to their markets, to invest, to establish local subsidiaries, and even to run public services (like banking, telecommunications, health and education).

The trouble is, that poorly considered decisions to liberalise markets in developing countries become *binding and irreversible* commitments under free trade agreements and World Trade Organisation rules. These commitments 'lock in' the subservient role of developing countries in the global economy for generations to come. The policy space required for development planning, and even proper democracy, is reduced by commitments that protect the 'rights' of corporations. The so-called 'rights' to free trade and profit overshadow the right to development.

If developed countries have their way, and force developing countries to irreversibly eliminate all tariffs and completely open their domestic markets to foreign competition, then prospects for long-term economic development in the developing world is truly bleak.



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