

# THE CHANGING ECONOMIC RELATIONSHIP: CARIBBEAN TRADE WITH THE EUROPEAN UNION

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## Abstract

The nature of the Great Britain/European Union-Commonwealth Caribbean trade agreements and their fit within a corporatist and coercive model of bargaining and agreements is examined. Despite the increasingly coercive nature of the agreements, the EU has used its relationship with the ACP Group states to promote a social justice agenda ultimately working to change the environment to be more human rights friendly.

Catholic Social Teachings have been discussed throughout the history of the Church. It was not until Pope John XXIII's 1963 encyclical *Pacem in Terris* or *Peace on Earth*, however, that we got a comprehensive statement of the Church's understanding of peace. *Pacem in Terris* identified the conditions necessary for peace in four elements of the human spirit: truth, justice, love, and freedom. In *Pacem in Terris* peace can only be established with the proper set of relationships among and between peoples and states. These relationships flow from the basic premise that everyone has natural rights and obligations (Australian Catholic Social Justice Council 2001).

Much of what is today acknowledged as universal human rights flows from the Catholic Social Teachings that John XXIII laid out in *Pacem in Terris*. Concepts such as human dignity, the common good and community, civic and social rights and responsibilities, justice (particularly economic justice), stewardship, promotion of peace, global solidarity, and development are also the foundation of many, if not most, constitutions. Yet, religious, racial, nationalistic, and social violence are daily occurrences. Further, we see poverty, starvation, and the unjust use of scarce resources that seem to arise out of the willful abandonment of issues of human dignity, the common good and community, economic justice, stewardship, promotion of peace, and global solidarity. Despite the rather dismal record on human rights there have been two bursts of human rights activities in the world: immediately after World War II and after the fall of the Berlin Wall. The first burst included the convening of war crimes tribunals and the chartering of the United Nations. Nazi aggression and their disregard of state sovereignty resulted in some

of the greatest human rights abuses in history, in the Holocaust (Weitz, 2009, p. 794). The extent of the abuses and the cost in people, money, etc., led to a vigorous pursuit of punishment but also to protections of human rights. However, once the human rights regime was in place and no one so universally despised as Hitler arose to threaten that regime, interest in human rights from the early 1950s until the 1990s diminished (Weitz, 2009, p. 794).

In the 1990s, not only did you have the end of communism, but apartheid ended as well:

More than any other event, the destruction of South African apartheid and the rise to power of the African National Congress signaled the global dimensions of the popular movements of the late 1980s and 1990s, all of which drew on the language of the UDHR (Weitz, 2009, pp. 795-796).

“But the human rights surges of the 1940s and the 1990s were more than epic periods of international law making and declarations. The advances at that level took place within the context also of powerful waves of popular activism” (Weitz 795). With the fall of communism and the movement towards a neo-liberal economic regime with the World Trade Organization (WTO), emphasizing free trade and globalization, interest in human rights moved from the state-level to the international level.

The implementation of the European Union (EU) provides a unique opportunity to examine the evolving relationship between former colonies and their former ruler when faced with global political economic alignment. This is an exploration of the changes in economic and political relationships between countries that have changed. These changes are reflected in the trade agreements that have been made between the Commonwealth Caribbean countries and the United Kingdom.

As the United Kingdom became more closely connected to the European Union, the trade agreements (and hence the economic relationship) became less cooperative and more coercive. In fact, what one sees, particularly in regard to the creation of the African, Caribbean, and Pacific Group of States (ACP Group), are agreements that are coercive but actually help ACP Group states become more human rights sensitive. This may well be the result of reinvigorated interest in human rights that are promoted by the wealthier European states upon former colonies.

However, because of the historical, political, social, and economic links between some of the EU members and the ACP

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Group members, the changes are also likely the result of the nature and function of the ACP Group—and the result of the problems of small states in a large world (Lewis, 2002). As the economic relationships change, one thing remains the same: The former colonies are heavily influenced by their much more powerful former colonizers. They are not big or powerful enough to oppose the concerted efforts of European states wanting to promote new policy interests (Hafner-Burton, 2009; Hafner-Burton, 2005).

### Commonwealth of Nations

The Commonwealth of Nations is a voluntary organization of Great Britain and its dependencies and former dependencies. The Commonwealth was created under the auspices of the Statute of Westminster in 1931. The Commonwealth is the platform upon which a number of trade agreements between Great Britain and the other Commonwealth members were created. The first agreements were drawn up during the Ottawa Conference in 1932. These agreements gave preferential trade tariffs to the Commonwealth countries for the raw materials and manufactured goods they sold to Great Britain. These agreements remained in effect until the passage of the Lomé I agreement in 1974 (after Great Britain joined the European Economic Community, as the EU was then called, in 1973).

The character of the treaties is very paternalistic and focuses on the dependent interests of the Commonwealth members in relation to Great Britain. While the agreements certainly benefit the Commonwealth members, they largely promote continued dependence on Great Britain by offering incentives (through lowered tariffs) to provide the raw materials and lower-level manufactured goods in which the dependencies and former colonies have a competitive advantage.

Because the political and economic ties already existed, the other Commonwealth members had little negotiating leverage with Great Britain. This is highlighted by the fact that Great Britain to this day has an extensive development assistance program for the Commonwealth Caribbean countries (Foreign and Commonwealth Office, 2000, pp. 3-4).

The importance of the Commonwealth related to trade issues lessened when Great Britain joined the European Economic Community (EEC) in 1973. When Great Britain joined the EEC, trade agreements with the other Commonwealth members were subsumed under the Lomé agreements. The Lomé agreements were a continuation of the Yaounde agreements between the EEC member countries and their former African colonies.

The Yaoundé I and II agreements resulted from the granting of independence to the OCTs (Overseas Countries and Territories). The OCTs' legal status had changed, so new legal arrangements needed to be developed. The results were the Yaoundé I and II treaties (named after Yaoundé, the capital of Cameroon, where the treaties were signed). These agreements were limited primarily to trade and financial and technical cooperation (David, 2000, p. 12). Their significance in this analysis lies mainly in their function as a model for subsequent ACP-EC agreements. When Great Britain joined the EEC in 1973, the colonies and former colonies joined the OCT countries and were formed into the ACP Group (African, Caribbean, and Pacific Group of States).

### Treaty of Rome

The genesis of the European Union lies in the Treaty of Rome, signed in 1957. The Treaty formed the European Economic Community. The reason for the treaty was to develop closer ties among the countries of Europe, to ensure the economic development and progress of the signatories as well as the well-being of the citizens of the countries, and to recognize the threat that exists from trade barriers. Most significantly, members agreed to develop common economic policy through the mechanism of a European Economic Community.

While the main emphasis of the Treaty was the European signatories, it was amended to allow for community negotiation with non-European countries and the OCTs of the EEC. Part Four, in particular Articles 131 and 136 of the Treaty, lays out the framework for negotiation with the OCTs. In addition,

Part 4 of the Treaty provided for the creation of European Development Funds (EDFs), aimed at giving technical and financial aid to African countries still colonised [sic] at the time and with which some States of the Community had historical links ([http://europa.eu.int/comm/development/cotonou/before\\_lome\\_en.htm](http://europa.eu.int/comm/development/cotonou/before_lome_en.htm)).

The Treaty of Rome was signed during a time when European countries were concerned not only with threats from the Soviet Union but also from colonies that were demanding independence (David, 2000, pp. 11-12; Dorman, n.d.). The treaty's provisions for closer ties and economic benefits with the colonies are a clear attempt to address these concerns. There was grave concern that Soviet influence would result in defection of the colonies to the Communist Bloc. This encouraged the signatories to provide some significant economic benefits to their colonies as a hedge against the

appeal of Soviet-style communism. The focus was thus on a cooperative agreement that would provide status to the colonies (and soon-to-be-former colonies) and help with state-building and economic development. The provisions in the Treaty of Rome would be the model for subsequent agreements and set the stage for the Yaoundé and (when Great Britain joined the EU) Lomé agreements.

### ACP-EC Agreements

The relationship between the ACP and the EU has been codified in a series of five agreements that have worked to separate the former colonies from their former colonial masters while at the same time trying to contribute to their economic and political success. The first four agreements are known as the Lomé Conventions (The first agreement was signed in Lomé, Togo). As a whole, the Lomé Conventions codify the main beliefs and objectives of the relationship between the EU and the ACP countries. The Conventions establish a partnership between the newly independent countries and the EU on a contractual basis. The focus of the agreements is a combination of aid, trade, and politics over the long-term.

In looking at some of the specific elements of the Lomé I agreement, one sees non-reciprocal preferences for ACP countries' exports to the (at the time) EEC and a statement of solidarity, support, and respect for all of the countries. At the same time, it asserts the right of each state to determine its own policies while trumpeting the achievements of the cooperative system being constructed. It also introduces the STABEX system. The STABEX system was designed to compensate ACP countries for the shortfall in export earnings because of fluctuation in the prices or supply of commodities (Dorman, n.d.).

One sees significant compromise between the dominant (European) countries and the former colonies. The language is accommodating and cooperative. The preferential trade arrangements show concern and sensitivity to the subordinate countries while not providing any necessarily direct benefit to the former colonial masters. STABEX itself is a significant gesture that disappears in later Lomé agreements. In short, the arrangements are very cooperative and inviting to the former colonies.

Lomé II, signed in 1979, alters the agreements only slightly. It provides help for the mining industry in the ACP countries where mining is a significant part of the economy. It also introduces the SYSMIN system that provides economic assistance to ACP countries. Further compromise and expanded benefits characterize

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the Lomé II agreement. Not only are there continued development funds available from STABEX, but the system is expanded to include mining development funds (Dorman, n.d.).

Lomé III, signed in 1984, signals a definite change in policy direction. The concern is no longer internal development promoted by the EU, but self-reliant development on the basis of self-sufficiency and food security. The funds for infrastructure development disappear. It is at this juncture one begins to see corporatist characteristics arise in the ACP Group.

Lomé IV (1989) diverges even further from the trade and development orientation of the first three agreements. The focus in Lomé IV is on the promotion of human rights, democracy and good governance; strengthening of the position of women; protection of the environment; decentralized cooperation; diversification of ACP economies; promotion of the private sector; and increasing regional cooperation. These are some of the major foreign policy concerns of the EU. Discussion of cooperation has a much less prominent role in Lomé IV than in the first two agreements. In fact, the EU uses the lack of promotion of human rights by individual ACP countries as a reason for suspending development aid to those countries.

These changes are indicative of the non-cooperative (i.e., coercive) nature of the trade agreement. The agreements are in line with the redefinition of Europe's development priorities in the Maastricht Treaty in 1992. The emphasis in Lomé IV shifted from economic development to the promotion of democracy, the fight against poverty, improved commercial competitiveness, and aid effectiveness. This may well have been the result of a series of United Nations (UN) thematic conferences in the 1990s on the environment, population, human rights, social development, women, and the World Food Summit. Each conference had set new standards to be met by donors and developing nations alike ([http://europa.eu.int/comm/development/cotonou/lome\\_history\\_en.htm](http://europa.eu.int/comm/development/cotonou/lome_history_en.htm)).

The mid-term review of Lomé IV in 1994-1995 occurred in the context of major economic and political changes. In the ACP countries democratization and structural adjustments were occurring. In Europe enlargement of the EU and increasing attention to east European and Mediterranean partners became a significant focus. In the international arena the Uruguay Round Agreement<sup>1</sup> was being completed.

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<sup>1</sup> The Uruguay Round Agreement was a comprehensive restructuring of the world trading regime.

The EU countries began to use their economic position to promote non-economic goals, such as increased respect for human rights, democratic principles, and the rule of law. The mid-term review changed the agreement so that ACP countries that did not support human rights, democratic principles, and the rule of law would lose access to funds that were allocated to them (See *Deutsche und EU-Entwicklungspolitik*. 1999. [http://www.ips-cic-kommunikationsprojekt.net/d\\_eu\\_ewipol/eu\\_acp.htm](http://www.ips-cic-kommunikationsprojekt.net/d_eu_ewipol/eu_acp.htm)).

Why the change in the character of the trade agreements? As the economic relationship between the EU countries became stronger, the relationship between the colonizing countries and their former colonies became weaker. Moreover, because of their relatively weak economic stance, they had very little to offer to the EU countries. Their bargaining position is thus much weaker. In fact, Lomé IV and the recent Cotonou (the successor agreement to Lomé IV) agreements focus on “decentralized cooperation” (agreements among the ACP countries) thus showing the weakening of economic ties between the former colonies and their former masters.

It is clear that the interests of the EU are not really to emphasize cooperation and partnership but to promote the interests of the EU. While EU trade policy concerns during 1998 had been dominated by external crises in Asia and elsewhere, the central focus in 1999 was on the implications for trade resulting from the crisis in the European Commission (Allen and Smith, 2000).

### Cotonou

The signing of the Cotonou Agreement on June 23, 2000 signaled a further movement toward coercive agreements from the more cooperative earlier agreements. The Cotonou agreement is much more oriented toward the interests of the EU and the WTO than the ACP countries. The SYSMIN and STABEX systems are eliminated and development funds are based on performance—not economic performance, but performance on issues such as human rights and the development of democracy (Ballantyne, 2000). This agreement was not without some coercion.

Bernard Petit, senior official at the EU's executive European Commission (which negotiates on behalf of the 15 EU members) noted that the ACP group “found it hard to accept that resources will in future be allocated not just on the basis of their needs, but also their performance”.

According to Muthoni Muriu of the ACP Civil Society Forum, “It is important that finally there is a legal basis for it” (the formal inclusion of civil society), adding that the

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new agreement was “not worse” than the Lome Convention, despite the decreased financial package (Sarno, 2000).

### Corporatism and the ACP Group

Corporatism is a partial devolution of public policy-making and enforcement of said policies on organized private interests<sup>2</sup>. It is the joining of public agencies (in this case the EU) and private interest groups (the ACP Group<sup>3</sup>) in the making and implementing of government policy. In its early institutionalization it brings various interests in key economic activities into an organization or corporation that encompasses all those who participate in the same economic activity. The conflicting interests of the participants are reconciled, and concomitantly, the various corporations are represented in a council or chamber where various economic, industrial, labor, and other interests are discussed and some policies are made. The rationale behind corporatist arrangements is that class conflicts will be muted and that, through the presence and intervention of the state, the collective and public interest will prevail.

Where there is economic planning, as in the EU, the major guidelines of the economic plan are drafted by assemblies or councils that represent various interests (such as the ACP Group). Interests are organized vertically and include all members of a given group (former colonies of EU members).

Discussions of corporatism related to the EU are widespread (Traxler & Kittel, 2000; Knutsen, 1997; Andersen, 2000; and Vergunst, 2000). Lehmbruch (1974) speaks of a liberal corporatism in consociational democracies. A consociational democracy, a term first coined by Arend Lijphart (1969), is a democratic system with deep social cleavages yet still managing to remain stable because of cooperation among elites representing the various groups. Consociational democracies guarantee group representation through agreements among elites to share power. By agreeing to share

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2 The material for this discussion on corporatism comes largely from Macridis and Brown, 1991:102-126. For another good description of corporatism see Schmitter, 1974.

3 The ACP Group is an intergovernmental organization of former colonies of EU member states. The organization, which is independent of the EU, was created in response to the changing legal status of colonies both in regard to their independence and to the changing economic relationship of their former colonial masters to the EU. Membership in the EU constrains the ability to make trade and other economic agreements with non-EU states. One of the ACP Group's purposes is to represent the interests of its members in trade and other economic negotiations with the EU.



power, all of the various social groups have a say in policy making, thus legitimizing the political system. The emphasis in liberal corporatism is on an interdependence of interests. Cooperation and agreement among the various actors becomes the key.

However, not all researchers view corporatism positively. A new emphasis in analyses of the EU and globalization in general is “cooperation” as a euphemism for domination. In corporatist arrangements “the word *corporatism* is not mentioned. The operative word today is partnership” (Ottaway, 2001, p. 266; Environmental Policy & Law, 1999). Thus, corporatism involving international organizations has become a significant model for global governance.

A criticism of this neocorporatist model is that it does not distribute benefits evenly. According to Streeck and Schmitter (1991) “this bargaining system would contribute to order less through shared values and interests of the bargainers than through common strategic imperatives of self-restraint and compromise reflecting and respecting the complexity of a modern society and economy.” In fact, some researchers contend that the agreements are hurting smaller countries by promoting and reinforcing neoliberal policies (Pantojas-Garcia and Persaud, 2001).

The ACP has become monopolistic; common interests shared by ACP Group members can be defended or promoted only within the representative organization because the economies of most of these countries are so small. Corporatist practices impose structure, hierarchy, and binding ties between the ACP Group members and the ACP Group itself and between the ACP Group and the EU. In so doing, they undermine individual and associational freedoms within the ACP Group of states. So, ultimately, EU member states can demand concessions on whatever issues they want because they have greater power in their relationship with the former colonies. The ACP Group states are more dependent on the EU than the EU is on the ACP Group and are therefore at a negotiating disadvantage. The EU has used this advantage to introduce new issues into the economic and trade agreements even though they are not economic or trade related. The result is an integration of human rights into the economic and trade regime created in Yaoundé through Cotonou and likely for the foreseeable future.

### Conclusion

I have examined not only the nature of the Great Britain/EU-Commonwealth Caribbean trade agreements but also how they fit a corporatist and coercive model of bargaining and agreements. Despite the increasingly coercive nature of the agreements, the EU

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has used its relationship with the ACP Group states to promote a social justice agenda ultimately working to change the environment to be more human rights friendly. Whether there is an actual philosophical and practical change in support for human rights or just a façade of interest is the subject for further research on the relationship between the EU and the ACP Group (Aaronson & Chauffour, 2012).

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