Trade WINS
Critical Issues For Business
Vol.1: No.7. 2001

The Cotonou Agreement Explained

Signed in June 2000 in Benin, the Cotonou Agreement is the newest trade and economic cooperation arrangement between the Member States of the European Union (EU) and the African Caribbean and Pacific (ACP) states. This agreement replaces the Lomé IV Convention. The new agreement will be effective for twenty years with reviews scheduled every five years and a new financial protocol for each five year period.

All CARIFORUM countries are members of the ACP grouping and countries can use the agreement as an opportunity to build on decades of cooperation experience with a view to strengthening their preparations for regional, hemispheric and international trade negotiations. Reduced trade preferences and challenges to existing preferential arrangements should alert CARIFORUM countries to the need to solidify trading relationships, diversify their offerings and increase their competitiveness. The Cotonou Agreement pays particular attention to supporting regional integration. Support may be garnered for arrangements such as the CARICOM Single Market and Economy (CSME) and the CARICOM-Dominican Republic Free Trade Area – both of which will serve as stepping stones to meeting World Trade Organization (WTO) obligations and full participation in the Free Trade Area of the Americas (FTAA). The Cotonou Agreement also encourages relationships between ACP countries and CARIFORUM countries may do well to explore these partnerships.

In this issue of **TRADE***WINS*, we provide background information on ACP-EU cooperation and an outline of the principles which underlie the current agreement. We then present highlights of the agreement itself (including areas which might be of particular interest to businesses in the region). Private sector participation is a key part of the agreement and we hope that members of the sector will take full advantage of its benefits.

In This Issue

TRADE*WINS* is designed with Caribbean business in mind. The series is intended to bring issues of trade policy to the private sector and other interested parties.

BACKGROUND

There is a long history surrounding cooperation between the European Union (the former European Community) and countries in Africa, the Caribbean and the Pacific. In the Treaty of Rome, which established the European Economic Community (EEC) in 1957, provision was made for technical and financial aid to African countries with which Europe had historical links. These provisions were made through the creation of European Development Funds (EDFs). The first EDF covered the period 1958 to 1963. Following this, the Yaoundé I Convention was signed in 1963 between the Associated African and Malgache (Madagascar) Countries (EAMA) and the EEC to give commercial advantages and financial aid to African ex-colonies.

Once the United Kingdom joined the European Community, some Commonwealth countries were included in the arrangement which became the first Lomé Convention. Lomé I (1975) introduced the STABEX system to compensate ACP countries for shortfalls in export earnings due to price fluctuations or fluctuations in the supply of commodities. Under Lomé II (1979), the SYSMIN system was introduced to assist those countries heavily dependent on mining for export earnings. Lomé III (1984) shifted attention from industrial development to self-sufficiency and food security. Lomé IV (1990) was the first of the conventions to cover a ten year period with a mid-term review in 1994-1995. Respect for human rights, democratic principles and the rule of law as well as participatory partnership were introduced as amendments after the review.

The new accord (Cotonou - 2000) was established with further reform in mind. A series of United Nations conferences in the 1990s had established new standards to be met by donors and developing nations. The Maastricht Treaty (1992) had focussed Europe's development priorities on democracy, the fight against poverty and improved commercial competitiveness and aid effectiveness. Assessments revealed that ACP countries' share of the EU market had declined overall and that insufficient attention had been paid to the specific institutional and policy contexts of recipient countries. (It was also noted that some countries were experiencing social, political and humanitarian difficulties which impeded development). There was also a need to simplify the clauses of the Lomé Convention and speed up the disbursal of EDF monies.

It is within this context that the Cotonou Agreement was developed.

Fact-o-File

History of Cooperation Agreements Between the ACP countries and the EC/EU

1957	Treaty of Rome establishing the EEC (allows for the creation of European Development Funds) 1963 Yaoundé I Convention
1969	Yaoundé II Convention
1975	Lomé I Convention
1979	Lomé II Convention
1984	Lomé III Convention
1990	Lomé IV Convention
1995	Revised Lomé IV Convention
2000	Cotonou Agreement (will be in effect for twenty years with financial protocols to be defined for five year periods)

WHO'S INVOLVED?

There are several countries involved in the ACP-EU partnership (parties to the agreement) - and their numbers have been increasing with each new phase of cooperation. Below are the independent ACP countries which are party to the Cotonou Agreement. (There are seventy-seven overall.)

Africa
Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Cook Islands, Ivory Coast, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

Caribbean
Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname and Trinidad & Tobago.

Pacific
Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

Certain overseas territories and departments, and others with special relationships with members of the EU, are also covered by sections of the agreement. Of these, Montserrat is the only CARIFORUM country.

The ACP states are parties to the agreement, as are the Member States of the EU. The Member States of the European Union are:

TRADEWINS is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 TRADEWINS is made possible through the kind support of the European Union.

Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

In the Cotonou Agreement, the EU is still referred to as the European Community or the Community. The Commission refers to the European Commission and the Bank refers to the European Investment Development Bank. The EU Headquarters and the ACP headquarters are both located in Brussels.

Fact-o-File

The government of each ACP state appoints a National Authorising Officer to represent it in all operations financed from the resources of the Fund (EDF) managed by the Commission and the Bank. A Head of Delegation represents the Commission in each ACP state or regional grouping as requested. In the case of a Head of Delegation representing a group of ACP states, a deputy resident will represent the Head in each state where he/she is not resident.

WHAT ARE THE GUIDING PRINCIPLES OF THE COTONOU AGREEMENT?

The Cotonou Agreement combines politics, trade and development to provide a framework for ACP-EU partnership. There are five main areas of interest: political dimensions, participation, poverty reduction, trade liberalisation, and financial cooperation. These may be considered guiding principles of the agreement.

Political Dimensions

The new agreement focuses on political dialogue, a set of essential elements, a stable and democratic environment and peace-building. Dialogue includes ACP-EU discussions as well as discussions at national, regional and ACP levels.

There are three essential elements under the agreement in relation to political life:

- Respect for human rights
- Respect for democratic principles
- Respect for the rule of law

A stable and democratic environment is intended to promote sustainable and equitable development and involvement of civil society and the private sector. Good governance is considered a fundamental element of the agreement and there is also an emphasis on preventing corruption in both ACP and EU activities.

Participatory Approaches

The role of non-state actors is fundamental to the new agreement. These are groups which may be said to represent civil society. The agreement also recognises that these groups will require training and resources if they are to have a significant impact on the trade and development agendas of their countries. The agreement therefore makes provisions for capacity-building – the strengthening of an organisation in preparation for full participation in carrying out its functions. The private sector is expected to play a key role in development and is included in this vision of participation.

Fact-o-File

Article 6 of the Cotonou Agreement defines the “actors of cooperation” as state and non-state actors. State actors include actors at the local, national and regional levels. Non-state actors include the private sector, economic and social partners (including trade union organisations) and civil society “in all its forms according to national characteristics”. According to the agreement, recognition by the parties of non-governmental actors shall depend on the extent to which they address the needs of the population, on their specific competencies and whether they are organised and managed democratically and transparently.

Development Strategies

Poverty reduction is the core objective of the development strategy. The agreement takes an integrative approach to the problem. This means that countries will pay close attention to the economic, social, cultural, gender, institutional and environmental dimensions of their policies and strategies. Gender equality, environmental sustainability, institutional development and capacity-building will be incorporated into all areas of cooperation as “horizontal” or “cross-cutting” themes. There will be three focal areas of development support:

- Economic development (including private sector development and investment)
- Social and human development (including emphases on youth issues and cultural development)

Essential elements

TRADEWINS is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 TRADEWINS is made possible through the kind support of the European Union.

- Regional cooperation and integration (including support for regional economic integration)

Consultation!

The agreement also places emphasis on local ownership of economic and social reforms and on devising development strategies which are tailored to the situations of individual ACP countries. Consultations with non-state actors will be a key part of development strategies.

Trade Framework

The objectives of economic and trade cooperation within the new agreement are worth repeating here:

- To promote smooth and gradual integration of ACP economies into the world economy
- To enhance production, supply and trading capacities
- To create new trade dynamics and foster investment
- To ensure full conformity with WTO provisions

This means that trade liberalisation will be an important part of the partnership process – with several provisions made for creating a transitional or preparatory period.

Fact-o-File

2000	The Community will begin the process towards extending duty free access for products from the Least Developed Countries (LDCs)
2002	Formal negotiations for the alternative trading arrangements will begin (September)
2004	The Community will assess the situation of the non-LDCs which, after consultation with the Community, decide that they are not ready to enter into economic partnership agreement
2005	Duty free access for essentially all products from the LDCs
2006	ACP and EU will carry out a formal and comprehensive review of planned arrangements for all countries
2007	Preparatory period will end (31 December at the latest)
2008	New trading arrangements will enter into force (1 January) unless earlier dates are agreed upon

Good!

Financial Cooperation

Financial cooperation will focus on efficiency and flexibility. Allocations of funds will no longer be automatic and will be based on needs as well as performance. Performance will be rewarded. At the same time, a rolling programming will allow for more flexibility through regular reviews and the possibility of re-deployment of resources where necessary. Efforts have been made to simplify and decentralise certain administrative and financial procedures. There is also provision for greater ACP input into programming with both the EU and the relevant ACP state contributing to the development of the Country Support Strategy (CSS).

WHAT'S IN THE AGREEMENT THAT'S OF INTEREST TO THE PRIVATE SECTOR?

The Cotonou Agreement makes a significant commitment to strengthening the private sector. It does this by supporting several areas which contribute to the development of a favourable climate for private investment and competitiveness within the sector. Below are two specific initiatives developed for private sector support.

ACP-EU Private Sector Business Forum

The forum is intended to promote national, regional and ACP-EU private sector business dialogue, cooperation and partnerships. The objectives of the forum are:

- To facilitate dialogue within the ACP-EU private sector and between the ACP-EU private sector and bodies established by the agreement
- To analyse and periodically provide relevant bodies with information on issues concerning relations between the ACP and EU private sectors in the context of the agreement or of economic relations between the Community and the ACP countries more generally
- To analyse and provide the relevant bodies with information on specific problems of a sectoral nature (e.g. relating to types of products or production at a regional or subregional level)

Investment Facility

The Agreement establishes an Investment Facility (IF) which will be administered by the European Investment Bank. This facility will replace the risk capital and interest-rate

TRADEWINS is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 TRADEWINS is made possible through the kind support of the European Union.

subsidy facilities provided under Lomé IV. It will function as a revolving fund with returns accruing from its operations flowing back to the facility. The chief objective of the Investment Facility is to help develop business in the ACP countries. Businesses will have direct access to the Facility as well as indirect access through intermediaries. The Facility will finance income earning, commercially and economically viable private businesses. Public enterprises may also qualify once requirements are met.

WHAT DOES THE AGREEMENT LOOK LIKE?

There are six main sections of the Cotonou Agreement:

i. General Provisions
ii. Institutional Provisions
iii. Cooperation Strategies
iv. Development Finance Cooperation
v. General Provisions for the Least Developed, Landlocked and Island ACP States (LDLICs)
vi. Final Provisions

In addition, there are six annexes which provide details on issues such as the definition of "originating products", terms and conditions of financing and implementation procedures. The core agreement is contained in Parts i-vi. We have produced highlights here with key elements of the annexes in an appendix.

General Provisions

In this section of the agreement, the key objectives and principles of the ACP-EU partnership are laid out. Three key areas of concern are: the essential elements of the agreement; the fundamental elements of the agreement and the role of civil society. The first two have been outlined above.

The Role of Civil Society

The contribution of civil society to the design, implementation and evaluation of development strategies and programmes is strongly encouraged in the Cotonou Agreement. To this end, countries are encouraged to create and strengthen community organisations and non-profit non-governmental organisations. These non-state actors should be included in consultations and political dialogue - particularly in areas which concern them or in areas in which they have a comparative advantage.

Institutional Provisions

The institutional provisions outline the role of the Council of Ministers, the Committee of Ambassadors and the Joint Parliamentary Assembly - the three bodies responsible for the implementation and monitoring of the agreement. Representatives of the EU and the ACP States participate at each level of the decision-making and monitoring process. The Council of Ministers and the Joint Parliamentary Assembly, in particular, will maintain contact with economic and social partners in the ACP and EU.

Cooperation Strategies

Along with Development Finance Cooperation, this is the most comprehensive element of the Cotonou Agreement. The aims of the strategies are far-reaching:

- To achieve rapid and sustained job-creating economic growth, increase employment and improve access to productive economic activities and resources
- To develop the private sector and to foster regional cooperation and integration
- To promote human and social development to ensure that the benefits of growth are widely and equitably shared
- To promote cultural values of communities and specific interactions with economic, political and social elements
- To promote institutional reforms and development; strengthen the institutions necessary for the consolidation of democracy, good governance and efficient and competitive market economies; and build capacity for development and partnership
- To promote environmental sustainability, regeneration, best practices and the preservation of the natural resource base

The strategies can be grouped into four main categories: private sector development; economic sector development; public sector reform; and regional integration. (The sectoral policies and strategies governing development cooperation objectives will be contained in a compendium providing operational guidelines in specific areas or sectors.)

Private Sector Development

Private sector development is a key concern of the agreement. As outlined above, several areas of support for the private sector have been proposed. These include the following: public-private sector dialogue and cooperation; entrepreneurial skills development; privatisation and enterprise reform; the development of a business culture; and the development and modernisation of mediation and arbitration systems.

TRADEWINS is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 TRADEWINS is made possible through the kind support of the European Union.

CARICOM!!

CSME

Economic Sector Development

Five of the key areas of concern are:

- Macroeconomic growth and stabilisation
- Support for the role of local actors (especially the private sector)
- Development of an environment favourable to business, investment and employment
- Equitable access to economic activities and productive resources
- Human and social development

Strategies for dealing with these areas include: increased fiscal discipline; budgetary transparency and efficiency; liberalisation of trade and foreign exchange regimes; access to training, capital, credit and land; fostering of national and regional food security; increased quality of private and public services; and tourism development.

Fact-o-File

As part of its focus on social and human development, the agreement is concerned with developing cultural industries and enhancing market access opportunities for cultural goods and services. Under product development in the tourism industry, the development of indigenous cultures in the ACP countries is mentioned.

Public Sector Reform

The agreement supports the efforts of ACP states to develop their public institutions and to achieve major improvements in the efficiency of government services as they affect the lives of ordinary people. ACP-EU cooperation will therefore support the reform, rationalisation and modernisation of the public sector. Targetted areas include: the civil service; public finance management; the banking and financial sector; the management of public assets and public procurement procedures; and political, administrative, economic and financial decentralisation. Special attention will also be paid to critical public sector capacity needed for a strong market economy. Support will be given to developing competition policy, consumer policy, capacity in international negotiations and the management and coordination of external aid.

Regional Integration

ACP-EU cooperation supports the objectives and priorities of ACP states in the context of regional and sub-regional arrangements. The partnership will actively support and aim to accelerate economic cooperation within ACP countries and between regions of the ACP countries. It will promote the free movement of persons, goods, services, capital, labour and technology among ACP states and it will promote and expand inter- and intra-ACP trade and trade with third countries. The agreement also aims to foster the gradual integration of the ACP states into the world economy and to accelerate diversification of the economies of the ACP states. It will attempt to accelerate the coordination and harmonisation of regional and sub-regional cooperation policies.

ACP-EU cooperation is intended to develop and strengthen the capacities of regional integration institutions and organisations established by ACP states for regional cooperation and integration. It will also support national governments and parliaments in matters of regional integration. Cross-border investments, sectoral reform policies and the participation of the Least Developed Countries (LDCs) of the ACP states will also be supported. Liberalisation of trade and payments and the effects of net transitional costs of regional integration on budget revenue and balance of payments will also be taken into account.

Development Finance Cooperation

Development finance cooperation under the terms of the agreement generally seeks to support the objectives of the agreement through financial resources and technical assistance. Special treatment is given to the LDCs and particular attention is paid to the vulnerability of landlocked and island ACP states. Countries which have been involved in conflict are also taken into account. Two areas addressed in this section deal with responsibilities and eligibility for financing.

Responsibilities

Responsibility for development finance cooperation follows several guidelines. In general, the ACP states are responsible for the following:

- Defining the objectives and priorities of their indicative programmes
- Choosing projects and programmes
- Preparing and presenting dossiers of projects and programmes

TRADEWINS is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 TRADEWINS is made possible through the kind support of the European Union.

- Preparing, negotiating and concluding contracts
- Implementing and managing projects and programmes

Eligible non-state actors may also be responsible for proposing and implementing programmes and projects in areas which concern them.

Together, ACP states and the European Community (EC) are responsible for the following:

- Establishing guidelines for development finance cooperation (along with the relevant joint institutions)
- Adopting the indicative programmes
- Appraising projects and programmes
- Ensuring equality of conditions for participation in invitations to tender and contracts
- Monitoring and evaluating effects and results of projects and programmes
- Ensuring prompt, proper and efficient execution of projects and programmes

The Community will be responsible for taking financing decisions on projects and programmes.

A special ACP-EC Development Finance Committee will be set up within the Council of Ministers to review implementation.

Eligibility for Financing

The key recipients of financing are identified as: ACP states; authorised regional or inter-state bodies to which ACP states belong; and joint bodies set up by ACP States and the Community for specific objectives. However, it is possible, with the consent of the ACP state or states concerned, for certain other groups to be eligible:

- National and/or regional public or semi-public agencies, departments or local authorities of ACP states (particularly financial institutions and development banks)
- Companies, firms and other private organisations and private operators of ACP states
- Enterprises of a Community Member State which will undertake productive projects in the territory of an ACP state
- ACP or Community financial intermediaries providing, promoting and financing private investments in ACP states
- Agents of decentralised cooperation and other non-state actors from ACP states and the Community

Financing can be sought to support several categories of activities, including:

- Measures for attenuating debt burdens (e.g. training in debt management and international financial negotiations) or balance of payments difficulties
- Macroeconomic and structural reforms and policies (including structural adjustment policies)
- Sectoral policies and reforms (including local level micro-projects involving communities)
- Institutional development and capacity-building
- Technical cooperation programmes
- Humanitarian and emergency assistance

Fact-o-File

Investment promotion is a key component of development finance cooperation. The agreement encourages the EU private sector to invest in the ACP private sector and to provide assistance under mutual business cooperation and partnership. Co-financing is also encouraged and dialogue will be promoted through the ACP-EU Private Sector Business Forum. Long-term financial resources (including risk capital) will be provided to promote growth in the sector and several provisions are made for investment guarantees and protection.

General Provisions for the Least Developed, Landlocked and Island ACP States (LDLICs)

This section of the agreement reiterates the parties' commitment to special provisions for the LDLICs. In particular, the social dimensions of structural adjustment are mentioned and the need for food strategies and integrated development programmes. Special attention is paid to exploiting marine resources and marketing marine products (or the products of inland fisheries). The LDLICs are listed in Annex VI of the agreement.

Final Provisions

Final provisions indicate how the agreement is to be ratified, when it will take effect, how the provisions may be reviewed and how disputes may be settled.

Find out

WHAT CAN THE PRIVATE SECTOR DO TO BECOME INVOLVED?

The Cotonou Agreement is very clear in its intention to facilitate the growth and development of the private sector and its institutions in ACP states. With this in mind, members of the private sector in these countries should develop strategies and

TRADEWINS is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 TRADEWINS is made possible through the kind support of the European Union.

programmes for increasing their capacity in areas which complement the objectives of the agreement. Here are some steps to consider:

- Contact the National Authorising Officer or the Government Department responsible for planning and implementation of EU programmes and projects in your country with a view to participating in strategy development at the national level
- Take the objectives of your Country Support Strategy (and other general information which you may receive from the EU delegation in your country) to your private sector institution - e.g. Chamber of Commerce, Manufacturers' Association - for discussion
- Identify the ways in which the private sector can contribute to the overall development objectives as laid out in the agreement and the CSS
- Identify the forms and level of support which will be needed to increase your capacity and which you can receive under the agreement – you may want to seek assistance from agencies such as Caribbean Export in identifying these areas
- Support efforts at regional integration (under CARIFORUM and the CARICOM Single Market and Economy – (CSME))

CONCLUSIONS

The Cotonou Agreement represents a renewed commitment on the part of the ACP states and the EU to working together on trade and development issues. Given the current rate of globalisation and trade liberalisation, it is imperative that CARIFORUM countries work towards full participation in arrangements within which a level of cooperation has already been established.

SMEs

APPENDIX I: ANNEXES TO THE COTONOU AGREEMENT

Explore this CDE

Like most agreements of its kind, the Cotonou Agreement contains a number of annexes which spell out the details which have been agreed to in the main body of the text. There are six annexes to the Cotonou Agreement, covering several hundred pages, which will guide the partners on issues of implementation. We have prepared highlights below.

Annex I: Financial Protocol

The Financial Protocol will be in effect for five years, beginning 1 March 2000. The protocol indicates the overall amount of Community financial assistance available to the ACP states for the period (EUR 15,200 million) and the manner in which funds are to be allocated.

Annex II: Terms and Conditions of Financing

This annex contains details on investment financing, investment protection and special operations. It also outlines accommodations to be made for short-term fluctuations in export earnings. Details on the Investment Facility and European Investment Bank will be of particular interest to the private sector.

Fact-o-File

The Investment Facility provides resources to eligible enterprises directly or indirectly through eligible investment funds and/or financial intermediaries. Facility resources may be used to provide risk capital and ordinary loans. Risk capital includes equity participation, quasi-capital assistance and guarantees and other credit enhancements. (Equity participation will normally refer to non-controlling minority holdings and will be remunerated on the basis of project performance. Quasi-capital assistance may involve shareholders' advances, convertible bonds and conditional, subordinated or participatory loans.) The European Investment Bank will prioritise financing of productive projects, programmes or other investments aimed at promoting the private sector. Public sector projects may also be eligible.

Special operations as defined in the annex include low-income housing, micro-financing of small and medium sized enterprises (SMEs) and capacity-building initiatives in the private sector in the areas of social and economic development.

Annex III: Institutional Support – CDE and CTA

The Centre for the Development of Enterprise (CDE) and the Centre for the Development of Agriculture (CTA) are the focus of Annex III. The CDE is intended to support implementation of private sector development strategies in ACP countries by providing non-financial services to ACP companies and businesses. It will also support joint initiatives set up by economic operators of the Community and

TRADEWINS is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 TRADEWINS is made possible through the kind support of the European Union.

ACP states. The aim of the CTA is to strengthen the policy and institutional capacities of rural development organisations in ACP states. It will also support information and communication management capacities in those organisations. Poverty reduction, food security and preservation of natural resources are primary concerns of the CTA.

Annex IV: Implementation and Management Procedures

This annex outlines the requirements of the Country Support Strategy (CSS) and Regional Support Strategy (RSS). Each of these is based on a situation analysis and an assessment of the medium term development objectives and strategies of the ACP countries in question. The strategies must include projected financial allocations, an implementation programme and a review process. Resources will be allocated based on needs and performance.

Regional cooperation measures may be especially interesting to CARIFORUM Member States. Regional cooperation will cover operations which benefit the following: two or more or all ACP States; and/or a regional body of which at least two ACP States are members. As far as possible, regional integration programmes should correspond to programmes of existing regional organisations with a mandate for economic integration.

Another important concern of Annex IV is the focus on tendering procedures. The Annex outlines the criteria for authorising persons from non-ACP developing countries to participate in contracts financed by the Community (at the request of the ACP country concerned). It also suggests guidelines for incorporating third countries (non-ACP, non-EU) and consultancy firms with experts who are nationals of third countries. In order to ensure the widest participation of persons from the ACP countries and optimise the physical and human resources of those countries, the annex outlines preferences to be given to ACP states and selection criteria in the case of equivalent tenders.

Annex V: Trade Regime Applicable During the Preparatory Period Referred to in Article 37 (1)

Annex V is the most comprehensive of the annexes to the Cotonou Agreement. It deals principally with how the business of exporting to the EU will actually get done - the procedures for determining originating status so that only those goods which qualify will receive the preferential treatment which forms the basis of the agreement. The various customs procedures and guidelines for origin verification are laid out and sample forms for various declarations presented.

Products originating in the ACP States can generally be imported into the Community free of customs duties or other charges which have an equivalent effect. Several procedures or conditions may make goods which are not wholly produced or "wholly obtained" in an ACP country eligible for originating status and therefore for preferential treatment. Below are some examples (headings and chapters refer to the Harmonised System classification):

- Smoking tobacco: manufacture in which at least 70% by weight of the manufactured tobacco or tobacco refuse of heading No. 2401 used must already be originating
- Cane or beet sugar and chemically pure sucrose, in solid form, flavoured or coloured: manufacture in which the value of any materials of Chapter 17 used does not exceed 30% of the ex-works price of the product

Regional cooperation

The Community will grant more favourable treatment to ACP States than that granted to third countries which benefit from Most Favoured Nation treatment (MFN) for the same products. ACP states are not required to reciprocate. The ACP States are required to grant MFN treatment to Community Member States but this is MFN which applies to countries outside of any special arrangements they may have with other ACP states or other developing countries. The annex also sets up clear guidelines for the application of safeguard measures and an assessment of the economic and social effects of such measures.

Special Note

Of special interest to CARIFORUM countries are the protocols on sugar and bananas. The Cotonou Agreement restates the provisions of the Sugar Protocol which has been appended to all ACP-EU conventions since it was established by Lomé I in 1975. The Community agrees, for an indefinite period, to purchase and import at guaranteed prices, specific quantities of cane sugar - raw or white - which originates in the ACP states producing and exporting cane sugar and which these states have undertaken to deliver to it.

The Second Banana Protocol is established in this agreement. The parties recognise the economic importance of the Community market to ACP banana suppliers and they undertake

TRADEWINS is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 TRADEWINS is made possible through the kind support of the European Union.

to confer on measures for improving the conditions for the production and marketing of bananas. They will confer through a permanent joint group assisted by a group of experts. The Community will support joint ACP organisations which may be set up to establish these objectives and will consider requests for support which fall under regional schemes qualifying for development finance cooperation. The Community will examine the issue of a continuing outlet for ACP bananas on the Community market.

4

Annex VI: List of LDLICs

Haiti is the only CARIFORUM country which falls into the category of Least Developed Country among ACP States. None of the CARIFORUM countries is land-locked and most are island states. Annex VI notes that special measures have been taken to support island ACP states in their efforts to overcome natural, geographical and other obstacles which may hamper their development.

There are three protocols attached to Annex VI. Protocol 1 provides guidelines for cost-sharing of the operating expenditure of joint institutions. This includes such areas as costs of translation and interpreting at meetings, travel and subsistence costs and the expenses incurred by special inquiries. Protocol 2 outlines the privileges and immunities granted to those working on the implementation of the Agreement (such as representatives and staff). Protocol 3 deals with the particular situation of South Africa which has also signed an Agreement on Trade, Development and Cooperation with the EU.

Final Act

The Final Act incorporates forty-three declarations which cement the parties' commitment to the provisions of the agreement. A few areas are of note:

- The parties are committed to environmental and public health safety from the hazards of radioactive waste
- The parties are committed to promoting, preserving and enhancing the cultural heritage of each ACP country and will work to facilitate access to archives, training in preservation, copyright protection, the movement of artists and the exchange of cultural objects

Fact-o-file

The ACP States have urged the Community and its Member States to promote the return or restitution of cultural property taken from ACP States and now found in Community Member States.

The EU is committed to providing the LDCs with free market access for essentially all products by 2005
The EU is committed to enhancing competitiveness and efficiency in the ACP rice and rum sectors and to making ACP producers less dependent on the commodity rum market

USEFUL REFERENCES

The Cotonou Agreement and useful background reading are available on the internet:

www.europa.eu.int/comm/development/cotonou/index_en.htm

The following issues of TradeWins might also be helpful in providing a context for understanding the principles of trade and economic cooperation agreements.

Caribbean Export Development Agency (2000). CARICOM/Dominican Republic FTA Explained
Caribbean Export Development Agency (2000). Negotiating Free Trade in CARIFORUM.

TRADEWINS is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 TRADEWINS is made possible through the kind support of the European Union.

TRADEWINS is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 TRADEWINS is made possible through the kind support of the European Union.

TRADE*WINS* is a publication of the Caribbean Export Development Agency (Caribbean Export). It is an important part of the agency's advocacy programme - making trade information accessible to those who need it most.

Caribbean Export has identified a need to broaden and consolidate private sector involvement in the business of trade - identifying markets, improving market access, increasing competitiveness and playing a key role in the development of trade policy.

TRADE*WINS* is a series of edited reports, treaties and agreements reflecting trends in regional business and pointing the way to future development. The series will be published occasionally - as new documents come to hand. Through **TRADE*WINS***, we aim to inform members of the private sector, and others, of the important role of research, policy and negotiation in the development of regional and international trade. We hope that they will be encouraged to better organise themselves, to increase the present levels of research and to lobby their governments for changes which can improve the way they do business.

Caribbean Export welcomes your feedback on this series. Please feel free to contact us at the addresses below:

(Headquarters)

Caribbean Export Development Agency
Mutual Building
Hastings Main Road
Christ Church
BARBADOS

Mailing Address:

P.O. Box 34B
BARBADOS

Tel: (246) 436-0578
Fax: (246) 436-9999
E-mail: info@carib-export.com

(Sub-Regional Office)

Caribbean Export Development Agency
Calle 6, No. 10
Ens. Paraííso
Santo Domingo
DOMINICAN REPUBLIC

Tel: (809) 547-2005
Fax: (809) 547-7532
E-mail: c.export@codetel.net.do

Website: www.carib-export.com

(Trade & Investment Facilitation Office)

Caribbean Export Development Agency
Miramar Trade Centre
Ave. 3rd, Esq. 80, Edificio Havana (1-B)
4th Piso, Apt. 410, Miramar
Ciudad Habana
CUBA

Tel: (537) 248-808/810
Fax: (537) 248-809
E-mail: info@carib-export.com

The Caribbean Export Development Agency serves the Caribbean Forum of ACP States (CARIFORUM). CARIFORUM comprises CARICOM states (Caribbean Community and Common Market), Haiti and the Dominican Republic. The CARIFORUM Secretariat is located in Georgetown, Guyana.

(Member States of CARICOM are: Antigua & Barbuda, the Bahamas, Barbados, Belize, the Commonwealth of Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts & Nevis, Saint Lucia, St. Vincent & the Grenadines, Suriname and Trinidad & Tobago.) (Haiti has been provisionally accepted into the Community and will attain full status once its accession has been completed. The Bahamas is a member of the Caribbean Community but not of the Common Market.)

Text: Gabrielle Hezekiah
Design and Layout: Artistech Inc.

TRADE*WINS* is a publication of the Caribbean Export Development Agency (Caribbean Export). © 2001 **TRADE*WINS*** is made possible through the kind support of the European Union.