

**REGIONAL POLICY DIALOGUE  
TRADE AND INTEGRATION NETWORK  
SUBREGIONAL MEETING FOR THE ANDEAN COMMUNITY**

European Union Trade Policy Making Process: Implications for Andean  
Community – EU Bi-Regional Relations

**INTER-AMERICAN DEVELOPMENT BANK**  
INTEGRATION AND REGIONAL PROGRAMS DEPARTMENT

**How to deepen the dialogue between the Andean  
Community and the EU**

**Summary**

The EU divides its agreements with other countries into three types: neighbourhood, trade and development, and is currently classifying the negotiations with the Andean Community as development. The Andean Community must examine how the EU has approached its agreements in the past and what the Andean countries need from an agreement, and decide whether it wants to negotiate on the trade or development models. In the light of this choice, it must then identify the negotiating approaches, the non-governmental allies, and the economic and social information which will be most effective in convincing the EC and the EU member countries to sign a favourable agreement.

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## 1. Putting the EU-Andean Association negotiation into context

Each negotiation with the EU is difficult. Although the EU has long had the reputation of being the major trader most interested in signing special trading arrangements, most that have started have not ended in success (at least, not yet), and most have taken much longer than was originally expected. And each has been different from those that have gone before. What is included and how each issue is treated vary more than in US FTAs. One difference is that others *have* gone before. The greater the degree of integration reached by any group, the less able it is to be flexible with new associates. It will have reached agreement among its own members on how it will operate, and it is unlikely to alter this greatly to accommodate a new associate, with which it has less commitment. And the more agreements it has signed, or is negotiating, the less flexible it can be. It will have established some precedents, and be trying to establish others. The EU will be thinking of its negotiation with the Andean Community in terms of what it agreed in the other agreements, and how it negotiated with them, and it is therefore useful for the Andean countries to try to familiarise themselves with at least some of this experience.

For a country or a region negotiating with the EU, the best way to do this will depend in part on what it is trying to achieve, but also on how the EU views the negotiations. That the EU has signed several agreements and tried to negotiate many more might suggest that it has a clear policy on what it is trying to achieve and what it is willing to agree. Until recently there was no formal policy statement on this. Even without a policy statement, it was possible to identify some patterns. It was clear that the EU had different objectives in different negotiations. For example, in some, it was ‘catching up’: signing with countries that already had an agreement with, or were already negotiating with, the US. In others, it was using a trade agreement as an equivalent of development-based preferences. In a few, it was preparing countries for membership in the EU. Then, in October 2006 (EC 2006) there was a major declaration on the policy on FTA negotiations, classifying them into three types: neighbourhood relations, developmental, and serving trade interests.

The official communication (pp. 10-11) noted that *‘FTAs are by no means new for Europe. For example, they play an important role in the European neighbourhood by reinforcing economic and regulatory ties with the EU. They are part of our negotiations for Economic Partnership Agreements with the African Caribbean and Pacific Countries and of future association agreements with Central America and the Andean Community. But while our current bilateral agreements support our neighbourhood and development objectives well, our main trade interests, including in Asia are less well served. We should continue to factor other issues and the wider role of trade policy in EU external relations into bilateral trade developments. But in order for trade policy to help create jobs and drive growth, economic factors must plan a primary role in the choice of future FTAs.*

*‘The key economic criteria for new FTA partners should be market potential (economic size and growth) and the level of protection against EU export interests (tariffs and non-tariff barriers). We should also take account of our potential partners’ negotiations with EU competitors, the likely impact of this on EU markets and economies, as well as the risk that the preferential access to EU markets*

*currently enjoyed by our neighbouring and developing country partners may be eroded.*

*'Based on these criteria, ASEAN, Korea and Mercosur (with whom negotiations are on-going) emerge as priorities. They combine high levels of protection with large market potential and they are active in concluding FTAs with EU competitors. India, Russia and the Gulf Co-operation Council (negotiations also currently active) also have combinations of market potential and levels of protection which make them of direct interest to the EU. China also meets many of these criteria, but requires special attention because of the opportunities and risks it presents.'*

It is clear from this that the Commission puts the negotiations with the Andean Community in the development class, that is, in the same class as the EPA negotiations with the ACP, not in the trade group, with Mercosur and the Asian markets. (As noted below, in the section on European perceptions of the region, this view is shared by at least one member country.) **The expected outcome is different** in the ACP negotiations from that expected in traditional trade negotiations (less liberalisation by the ACP, more rhetoric about development objectives and perhaps more aid), and the Andean countries will need to judge which type of settlement is more likely to meet their objectives.

Of more immediate concern to this meeting, **the way in which the negotiations have been done has been very different.** This paper will therefore first use evidence from a range of the EU's trade agreements to derive some general conclusions about EU FTA negotiations. The Appendix briefly reviews the EU's FTA negotiations. In the other sections, the discussion will concentrate on the experiences in the ACP and MERCOSUR negotiations, as examples of development and trade type FTAs respectively.

If the Andean countries want the outcomes and procedures of the 'developmental' style, they will need to look at the ACP experience. If they prefer the 'trade' type, they will need to look at other 'trade' negotiations, but they will also need to start by trying to alter the EU's perception of the EU-Andean negotiations. There are some elements that might contribute to a 'trade' orientation, notably the fact that two Andean countries have signed agreements with the US (Chilean and Mexican experience suggests that catching up is an important motive), and there may be political reasons for wanting to strengthen EU ties with these countries.

As neither the EPA nor the Mercosur negotiations have been completed, and there remain doubts as to whether any of them will be completed, there must also be doubts about whether the way in which either negotiation has proceeded is likely to bring 'successful' conclusion.

*Suggestions for discussion:*

1. What does the Andean Community want to include and what to achieve from an agreement?
2. Are there enough trade motives on both sides for a trade negotiation?

3 Or, does CAN want to argue for special access and special aid as the poorer partner?

4 Which negotiating approach does CAN prefer?

## 2. Implications from other negotiations

The first is not surprising given negotiating theory (and from normal experience of bargaining).

*2.1 The more that the other country wants from a negotiation, and the less that you want yourself, the stronger your position.*

**Chile** and **Mexico** wanted to gain (or regain) access to the EU, but could exist without it; the EU had a fairly strong motivation in the need to preserve its position in their markets relative to the US. At the time negotiations with **Mercosur** started, the EU expected to have the same motive there, but no longer does. Mercosur expected to have increased opportunities to get access to EU agricultural markets because of WTO and internal EU changes, but these have failed to occur. Unlike Chile and Mexico, Mercosur needs agricultural access to make an agreement worthwhile. **South Africa** and the EU both wanted access to the other, and although the South African market was relatively small, the EU also had political reasons for wanting to help South Africa. The EU is an important, but not dominant trading partner for all of these.

**Eastern Europe**, in contrast, urgently needed access to a major neighbour (and to replace its old markets). But the EU had very strong political and security reasons for wanting to bring Eastern Europe into its union, so the motives were stronger on both sides than in the Latin American and South African cases.

The **ACP** countries principally want to preserve access, and half of them, the LDCs, now know that they can have this without EPAs. The Least Developed ACP have little to gain: some legal assurance on Everything But Arms, EBA, their duty and quota free access, and possibly some improvement on areas like the commodity protocols or rules of origin. The non-Least Developed ACP have a small amount of access to gain, but less to preserve than they did at the beginning: the changes in EU sugar policy have reduced the value of their existing concessions. Each region therefore has only some countries which want to make a bargain, and very few that need one. The EU doesn't want much from these negotiations. There has never been mercantilist interest in obtaining access to ACP countries. The EU appears to have lost any interest in forcing ACP countries to liberalise for reasons of ACP development. Both sides have weak motives. A technical solution that is judged to be the minimum acceptable to the WTO is likely, so that the settlement depends more on the EU's need to placate other WTO members (including those with which it is in other disputes) than on either ACP or EU interests.

This implies that whether there are clear objectives may be one criterion in choosing between a 'trade' and a 'development' agreement.

*2.2 Countries and groups which press initiatives of their own are more successful than those which merely oppose and block the proposals of others.*

**South Africa** had clear objectives, both defensive and offensive, in its negotiations with the EU. **Mexico** and **Chile** had smaller interests economically, but wanted to broaden their trade policy away from the US. **Mercosur** has had a clear interest, although it is not clear if will prove to be realistic, given the EU's sensitivity on agriculture. The **ACP** started with the disadvantage of no position, partly because they had not expected a negotiation, but also because their basic position had to be purely defensive. The ACP regions have gradually developed this defensiveness into a general position: that they should liberalise as little as possible, and are only now translating this into specific positions.

The need to take initiatives applies in both trade and development negotiations, but it is more difficult to implement in a development negotiation where countries may find themselves trapped in a dialogue about needs, rather than interests. The EU tends to take the donor point of view, that it has the competence to decide what its 'beneficiary' needs.

*2.3 Experienced negotiators help*

**Mexican** and **Chilean** negotiators had been active in the WTO, and had substantial experience in negotiating FTAs. **Mercosur** negotiators were experienced, but were at the initial disadvantage of needing to learn how to negotiate in common. The new **South African** government's negotiators were less experienced, but used more experienced negotiators and external expertise. The **Eastern Europeans** did not have experienced negotiators, but had made the decision not to negotiate. The **ACP** negotiators had no experience in negotiating with the EU and their regions had no institutional structures to conduct a negotiation.

This might seem less important in a 'development' agreement than in 'trade' negotiation, but informed users are also important in aid relationships.

*2.4 Countries are weakened by direct and obvious aid dependence on their negotiating opponents.*

The **ACP** countries' aid dependence is higher than normal, and particularly so with respect to the EU. Not only the countries but the ACP secretariat and some of the regional secretariats are heavily dependent on EU aid and use European, in some cases Commission, personnel to provide inputs to the negotiations. The other countries which negotiated with the EU were not in this position. **Eastern Europe**, which has not attempted to negotiate, is the exception, as it is also dependent. In negotiations between the EU and the ACP, the identity between the trader with whom they are negotiating and their major source of aid money is not only stronger than in the case of other developing country-developed country negotiations, but has been deliberately emphasised by the legal association of aid and trade in the Lomé and Cotonou agreements. At early stages of the negotiations, there was a risk that some in the ACP countries would believe that the commitment to development declared by the EC and member countries (and the term 'partnership' in EPAs) would ensure that the

EU can and will take the responsibility for ensuring a 'good' outcome from the negotiations. It took time for ACP countries to realise that they must take responsibility for setting and negotiating for their own objectives. Direct assistance in negotiating must be treated with care. It is difficult to demand equal treatment as trading partners while pressing for aid in the same negotiation. This is a disadvantage of development-centred negotiations.

*2.5 The EU will not hesitate to negotiate with individual members of a region if this is to its advantage.*

All of the countries with which it has signed so far have been members of trading regions. Regions negotiating with the EU cannot assume that solidarity among regions will be more important than the EU's other interests. This has been true even in Latin America, although it is the area with the longest history of EU encouragement of regions. The principal declared priority and the highest share of spending for the EU's Latin American programmes has always been the promotion of regionalism. The first direct relations with another region were in fact those with the Andean Pact in the 1970s. Nevertheless, the agreements with **South Africa, Mexico, and Chile** (and even reports of discussions with just one of the original Mercosur four) demonstrate that this emotional commitment to regions is less important than trading interest.

In negotiations with the **ACP**, the EU has on the contrary tended to discourage countries from negotiating individually, and presented forming regions as one of its objectives. There is less risk of the EU dividing regions in a development negotiation than in a trade one,<sup>1</sup> but more risk that the EU will define a region and insist that countries act together even if they are not willing or not yet ready to do so.

*Suggestions for discussion:*

1. What is the balance between what the EU wants and what CAN wants?
2. How can the countries and the CAN secretariat apply previous experience in negotiating?
3. How can the IDB help CAN to avoid depending on EU assistance in the negotiations?
4. What differences in the Andean countries' interests could the EU exploit?

### **3. Conducting the negotiations: building confidence among negotiators**

International agreements (like private business contracts) require the participants to have confidence that their counterparts have the ability to understand and implement the agreement. Productive negotiations require in addition confidence that the counterparts have clearly defined objectives, so that they can be expected to

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<sup>1</sup> But its announcement of special access for LDCs four months after the agreement to negotiate EPAs was signed divided the negotiating interests of every ACP region.

respond consistently (this does not, of course, necessarily mean favourably) to the other side's positions and to changes in those positions. If one side believes that the other is not a competent and informed negotiator, it will either try to shift to a different type of negotiation (for example, controlling the negotiations by means of an aid relationship) or stop negotiating seriously.

In long-standing negotiations, such confidence can be built up by experience, but in new negotiations it is important to try to accelerate the process. It is particularly important to take active steps if a partner which the EU is treating as a development beneficiary wants to convince the EU that it is an equal partner.

In negotiations with **Mercosur**, the EU-Mercosur working group on the negotiations was established almost as soon as the negotiations began, supported by the IDB, with additional support from the EC and from institutions in Mercosur and EU countries. It brought together negotiators, representatives of economic interests and experts, from both sides, to develop a shared understanding of the issues to be negotiated. It was not intended to, and could not, negotiate over differences, but it could clarify what each side could gain or lose from particular types of agreement, and how important these gains or losses were to the countries (important in both economic and political senses). The previous contacts of negotiators with each other (in the WTO), of business representatives through trade and investment, and of the researchers meant that the group started with some mutual respect and with the perception that talking to the 'other side' was normal. When the group identified the nature of differences in interests, therefore, both sides could accept that these were real differences in interest, not misunderstandings or lack of competence in identifying interests. And the process was self-reinforcing: as the members worked together, the confidence increased.

The fact that the negotiations have not been completed successfully does not contradict this. The differences in interests are real and there are real technical difficulties in negotiating between groups with different structures of protection and different forms of internal integration. Understanding these does not mean that there is a feasible agreement, but it makes it more likely that if there were a feasible outcome, it would be identified.

In two of the EU's successful trade negotiations, with **Mexico** and **Chile**, there was also a pre-existing level of 'confidence'. In these, the negotiations were able to find a solution that avoided the most sensitive areas, so that a process of building greater confidence and understanding was less necessary.

The way in which the more developmental negotiations have taken place has been very different. With the **ACP** countries, there was no experience of previous negotiations, and with most of them no European experience of working with their negotiators in the WTO. Until shortly before the EPA negotiations began, all EU relations with the ACP countries had been handled not by the Directorate in charge of trade and external relations, but by a specific Directorate, concerned with their general development. The approach remained the same, even when this was formally changed: that these were countries whose governments needed policy advice from the EU on all their activities, including how they prepared for negotiations with the EU. Within some EU member countries, notably France and the UK, the principal responsibility for ACP countries lies with the development ministry, not with trade

(this is not true for negotiations with Mercosur), and there is much emphasis on a 'coherent' approach, looking at the countries as both traders and aid recipients at the same time.

There were fewer business sectors on either side with a strong interest in the negotiations. The proposal for EPAs (the name, Partnership Agreement, reflects their developmental origin) had come for policy reasons, not because of pressure for access on either side. Sugar, the commodity likely to be most affected, remains largely policy-driven. Even the relationship between experts on the two sides was unequal, as most policy researchers in the ACP countries depended on support from donors or institutions in the EU countries.

The EC's solution to the lack of negotiating capacity and support for the ACP was to provide it directly. It provided advisers from the Commission, in some cases putting them in posts in the ACP regional organisations or governments. It funded studies on the benefits and costs of the agreements for each country, and organised (and then attended) workshops on these. Initially, it chose six ACP researchers to act as an 'academic panel' to support the negotiations, but the panel seems to have met only once, and has had no role.

There has been support to the ACP countries from other sources, to build their capacity to negotiate, not directly to build the relationship with the European negotiators. Individual EU countries have offered aid for this, with the same risks of increasing dependency rather than independent capacity as aid from the EU. The African regional agencies have not had a major role. For the former British colonies plus Mozambique, the Commonwealth has offered some research, but has hesitated to 'intrude' on what is seen as an EC area of competence in aid. It has used its specialisation in the problems of small countries as a basis for supporting the Pacific countries.

The most interesting new initiative has been the ILEAP Group, International Lawyers and Economists against Poverty, which has provided direct advice to African (and, on a smaller scale, Caribbean) governments. It started in 2002 with Canadian philanthropy and aid money, and now also manages money from some European country donors. Its Canadian base and African management gives it slightly more distance from European donors, and therefore legitimacy in its trade advice. It operates through research projects and workshops for negotiators. It has been a major source of ACP country initiatives in EPA (and WTO) negotiations.

All the support for ACP negotiators has helped them to have better-judged and better-prepared positions in the negotiations. But it has not changed the relationship, as perceived by the EC: that the ACP countries need advice from developed country experts to design trade policies that are good for their interests, and therefore that any trade agreement has to be largely designed from outside, not negotiated.

The **Caribbean** countries have been slightly less dependent on aid agencies and outside capacity. More of their negotiators had had experience and contacts with EU negotiators in GATT/WTO negotiations. They had a Regional Negotiating Machinery in place (although, like other ACP regional organisations, this is highly dependent on donor funding), and more support from both business and research



within the region. They have pressed their interests in commodities like rum, sugar, and bananas effectively. But the negotiations are still on more of a development than a trade basis, and even some of the trade interests have been presented using developmental arguments to appeal directly to NGOs and parliamentarians within the EU, as discussed below. Some of the ways in which the development approach is used are at the initiative of the Caribbeans.

The negotiations of the EU with **South Africa** saw a shift in the course of the negotiations from the ACP style, where the EU provided advisers to tell the inexperienced South Africans what their interests were, to the more confrontational trade style, of bringing in European economic (in particular agricultural) interest groups to limit what the agreement could cover. The negotiations had not been expected to take four years, so there was some building of institutional structures to support them, but there were already existing contacts between EU and South African business and NGOs.

The developmental approach has strengthened the ACP negotiators relative to their position at the beginning of the EPA negotiations. But it has not changed the unequal relationship, and the ACP side remains very aware of its dependence on EU support. It can benefit from the developmental approach by making appeals to those in the EU who want to support development and poverty reduction, rather than to traditional trade ministries and economic interests. But while this can produce negotiating gains, it also provides additional support to the view that these are countries too weak and unprepared to make their own judgements on a trade negotiation.

The regional organisations and the support mechanisms like ILEAP and the Commonwealth Secretariat, rely almost entirely on funding from the other side in the trade negotiations. This is supplemented by direct support by the EC and by individual country donors for preparing for negotiations and even for attending the negotiations. How much this affects the ACP negotiators is impossible to know, but it clearly places them in a very different position from negotiators who are not directly dependent on the EU.

*Suggestions for discussion:*

1. How can the CAN negotiators deepen existing relations with EU negotiators?
2. Which business sectors can contribute to identifying a common interest in negotiations?
3. How can the Mercosur experience be applied to CAN?
4. How can donors advise without creating dependency?

#### **4. The role of civil society in EU trade policymaking**

There is no formal input from NGOs into EU trade policy. Under Lamy, DG Trade introduced 'consultation' meetings with NGOs including business interests. These

include both informational meetings, on the progress of multilateral or regional negotiations, and opportunities to discuss Commission documents. On 27 April, for example, there will be a Civil Society Dialogue on the Association Agreements with Central America and the Andean Community, on the basis of the reports which the Commission has had prepared. These meetings, however, have no official standing; there are no agreed minutes, and are entirely at the discretion of DG Trade.

This situation contrasts with the efforts by donor agencies in the EU to establish formal procedures for consultation in recipient countries. It is a formal requirement in countries which have PRSPs. It is recommended when donors provide trade training. And the European report on Andean integration to be discussed at this meeting concludes (p. 2) 'It would be important to: Better involve civil society in the CAN economic integration process' .

There are, of course, also direct attempts through private and public meetings and through outside reports by both business and NGOs to influence DG Trade directly and through member countries. These traditional forms of lobbying are probably more important. Whether it is business or development lobbying which is more effective depends on the type of agreement. NGOs are making the argument that the trading partner is too poor for the EU to make heavy demands on it; business argue that it is too important for the EU to make unreasonable demands.

In the **Mercosur** negotiations (and in the Mercosur working group) there has been substantial business involvement, with Mercosur economic actors trying to influence the EU position both directly and through European companies and business organisations. The EU-Mercosur working group has included representatives of business on both sides, and many of the background papers for it dealt with the impact on specific sectors, in the EU or in MERCOSUR.

The **ACP** strategy has relied more on political influence and developmental arguments. Given the greater influence of the EU's member countries in political choices than on trade, this has probably meant a greater share of ACP efforts has been at national, rather than European level, although both the ACP and Mercosur have acted at both levels. In March 2007, the UK parliamentary committee on development published a report on EU trade and development policy which included inputs from the ambassadors of Barbados, Dominica, Fiji, Kenya, Mauritius, Mozambique, Nigeria, and Senegal.<sup>2</sup>

The Caribbean has consistently used developmental and security arguments for special treatment in trade, for example (27 Feb 2007), Prime Minister Roosevelt Skerrit, of Dominica, reminded the committee,

*'A former Prime Minister, Dame Eugenie Charles - some of you may know her - came here to speak to a most distinguished former Prime Minister of Great Britain, Lady Thatcher. She said to her that if we could not have some kind of agreement it would be either bananas or drugs. That was the debate. Drugs would come from South*

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<sup>2</sup> The way this illustrates how the UK perceives 'developing countries' is discussed below.

*America, transit through the Windward Islands and get onto BA and Virgin Atlantic flights every day to this wonderful country. What we need to do is find constructive and sustainable ways to stem that, and the only way to do it is to keep people gainfully employed.’ Therefore, in EPAs, ‘What we say to the European Union is that certain principles must be enshrined and must be at the core of the agreement, and let development rather than trade and economics be the focus.’*

The Andean countries will need to consider which type of approach is more likely to be successful for them, given, on the one hand, the possible business interests, and, on the other, whether they could successfully use development arguments. In the end, neither may be decisive, if negotiations fail to progress because of either very different interests (as in the EU-Mercosur negotiations) or lack of any strong EU interest (as in the EPA negotiations).

*Suggestions for discussion:*

1. Which economic sectors offer the best prospects of influencing European business?
2. What arguments could the Andean countries use to get support from European NGOs?
3. Which of these paths is more promising?

## **5. When and how building confidence between negotiators and civil society matters**

Active involvement by informed private sectors provides information and negotiating support, particularly in new areas like intellectual property and services. Participation by developmental NGOs can help to identify needs in development negotiations. But none of the successfully completed negotiations had formal provision for private sector participation.

Business involvement has been important in the **Mercosur** negotiations, as it has for many of these countries in the WTO (and in some regional negotiations). There has been some interest from consumer groups, but they have been much less obvious than business interests, and there is no impression, on either the EU or the MERCOSUR side, that the negotiations have poverty or welfare as major objectives.

In the **EPA** negotiations, in some of the African countries, civil society groups, often supported from outside, have been important in providing studies and expertise for negotiators.<sup>3</sup> These are not necessarily originating in or supported by developed countries. In some, there are strong national groups, and in several African countries, CUTS, the Consumer Unity and Trust Society, based in India, has been a useful

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<sup>3</sup> This has not stopped complaints (CUTS Zambia 2006): ‘We note with serious concern that the Zambian Civil Society is usually missing in the Zambian delegation on EPAs.’

support. This is less true in the Pacific (where there are fewer effective organisations) or the Caribbean (where the negotiators are better).

In the **Caribbean** negotiations with the EU, two sectors, sugar and rum, have been effective in influencing outcomes. There was business experience in regional negotiations in some of the African regions, but it has not been mobilised in negotiations with the EU.

The choice between trade and development focus will influence the relative importance of the roles of by private sectors or by NGOs.

Some civil society groups oppose particular negotiations. Here, a forum within a region may have the same role as that between EU and Mercosur negotiators, of providing a way to share information and agree on the facts and on the differences. This will not remove the opposition, but may make opponents less suspicious and more useful in identifying real questions. This would be different from the way in which EU (and other) donors seem to see the role of civil society in development programmes. There, the emphasis is on developing a consensus to support a policy, rather than on accepting that in some cases there is no consensus.

*Suggestions for discussion:*

1. Which sectors offer particular difficulties to the negotiations?
2. Which trade-related issues will be included in the negotiations?
3. How can the Community ensure that all interested groups understand what is at issue?

## **6. The role of SIAs**

In the last five years, the EC has commissioned Sustainable Impact Assessments of the negotiations in which it has engaged, both bilateral and multilateral. The original impulse came from concern about environmental effects (an environmental assessment is required for any EC spending), but there is now also the possibility of looking at effects on poverty. Both would be relevant to a trade-based agreement, and poverty probably more important in a development one. The EC's SIAs include effects on both the EU and partner countries. The Andean countries will need to judge how important the SIAs are likely to be to European negotiators and how to use them effectively.

The **Mercosur** SIA (still a draft, but reaching the final stages, <http://www.sia-trade.org/mercosur>) has been prepared entirely separately from the negotiations (and from the EU-Mercosur working group), by European consultants with no special expertise in Latin America, much less Mercosur. It is not clear that any of the negotiators or principal outside advisors on either side have read the results. They would have learned little from it: it found, not surprisingly, that the principal sectors to gain on the Mercosur side would be in agriculture, and on the European side, in manufactures. Methodologically, it was weak, with both technical problems (it does

not assume a constant fiscal balance, so liberalisation has growth effects because it reduces tariff revenue, and other taxes are not increased to compensate). It is based on unrealistic assumptions, in particular that neither the EU nor Mercosur makes any other trade agreements. It ignores the negotiating question of which sectors will be liberalised by assuming that if there is not 100% liberalisation, there will be equal scaling down of liberalisation for all products. As well as being a weak guide to economic outcomes for negotiators, its failure to consider sectoral effects from differential liberalisation makes it useless as a guide to environmental effects.

This description suggests what any useful assessment for the Andean countries would have to include. It would have to look at the likely pattern of liberalisation (over time as well as by sector, as there will be adjustment effects on incomes). It would need to look at what the feasible and the likely government policy responses would be to sectoral or income changes. (It is inconsistent to assume that governments are sufficiently concerned about sectoral and income changes to look at such an assessment, but not sufficiently concerned to take action to encourage good outcomes and counter bad ones.) Previous work on the effects of changes in trade policy in some of the Andean countries suggests that there will be different effects on skilled and unskilled labour, and on rural and urban incomes, so the analysis would need to look for these (e.g. Vos et al 2006). Designing an SIA may help the Andean countries to clarify what types of effects they expect from an agreement and what the alternative would be.

For the **EPA** negotiations, there were two processes. There were SIAs: these were possibly slightly better at following normal CGE modelling methods, but were still of little practical use to policy makers because they were done completely outside the negotiations by people not directly involved. The second, an innovation for the ACP countries, was a set of individual country assessments of the impact of an EPA, funded by the EU, but done by independent consultants, some from the country being assessed; some from Europe. These normally provide a good database, but a variable quality of analysis. Because each country was done independently, there is no consistency in the assumptions within each region. What is interesting about the process is that the reports were explicitly for the ACP governments, and there was no obligation on the consultants or the governments to show the results to the European Commission. No doubt many reached it (documents seen by many people are never secret), but the principle that EU should not have access was for once upheld, largely thanks to a determined, ACP national, administrator of the process. This process allowed, for example, some countries to consider the alternatives to signing an EPA (continuing to depend on GSP access to the EU), while EC documents have systematically excluded this possibility.

The EC will want an SIA for the Andean countries. For the other agreements it is negotiating, this is already in progress. South Korea and ASEAN have had preliminary assessments (published March 2007). (Interestingly, the Korean, unlike some of the previous ones, looks beyond trade in goods, and emphasises the importance of services gains: 70% of total gains for the EU, 53% for South Korea.) The Andean countries should ensure that their assumptions are taken into account in any analysis: what other agreements they expect to be in force (both their own and those of the EU); what sectors are important to them; what types of distributional or environmental effects they consider important; what they consider to be feasible

outcomes; what they consider to be the best alternative to an agreement. The relatively low trade of the Andean countries with the EU means that the aggregate effects are likely to be small, so it is the sectoral and micro-economic effects which will be important. It might be possible to impose these requirements on an EC funded exercise (as the ACP countries were able to design their own studies), although countries might prefer not to be dependent in this way and the EC would probably not allow the ACP arrangement. As the EC will want reports designed to meet its formal requirements for studies and will want the right to see these, a specifically Andean one will need a parallel process, if possible with a non-EU funder.

*Suggestions for discussion:*

1. Choosing assumptions for the EC's SIA, for example  
About the pattern of trade liberalisation?  
About income distribution?
2. Do the Andean countries need a separate SIA?
3. How can the IDB assist in this?

## **7. How the Andean countries should take account of the opinions that the EC and in general the Europeans have about the region**

The Andean countries will need an inventory of all their official and quasi-official relationships with EU. This would include not only trade relationships, but aid, foreign investment, political links, including to parliaments, security links, and links of NGOs and academic institutions. This will help them to identify where there is knowledge of and favourable opinion to the Andean countries. They will need to act, as other countries in negotiating with the EU have acted, at both the European and the national levels, and for that they will need to know where views are more favourable and where they will face opposition or simple lack of interest. The positions of different EU members have been important in the past. In the case of **South Africa**, for example, the southern European countries opposed the agreement as negotiated by the Commission, and required modifications in it. They saw themselves as more in competition with South African agriculture and had less tradition of political support for the new regime than in the UK and Scandinavia. South Africa had not anticipated their opposition. In the case of **Mexico**, there was initial opposition from France, Portugal and Austria because they did not want liberalisation of agriculture. This proved not to be an important issue with Mexico.

In the EU, the opposition to an agreement with **MERCOSUR** comes from the traditional agricultural producers, Germany and France, and for some products Spain and Italy. This has cut across countries which otherwise have interests in the area through trade, investment, or historical ties. The northern European countries with less opposition to agricultural liberalisation also have less interest in reaching any agreement with Mercosur, so they are not strong allies.

In the negotiations with the **ACP**, the traditional colonial countries, France and the UK, have had most interest in finding an agreement that ensures that the ACP continue to have more favourable trading conditions than other developing countries, but their position within the EU has been weakened as new members without these interests join. The ACP have failed to interest the other countries in the negotiations.

The Andean countries will have to identify their potential supporters, but also to keep the other countries sufficiently interested in the negotiations to avoid opposition or surprises at the last minute. In the case of the UK, they start with two serious disadvantages. The Caribbean countries have been highly successful in making their interests in bananas synonymous with poverty reduction, encouragement of small farmer development, and the fight against drugs. Nevertheless, the fact that the Andean countries have secured special trade preferences from the EU suggests that they have been able to use similar arguments effectively at the EU level, and the drug interest provides the only mention of an Andean country (Colombia) in the UK government's 2007 presentation of its Latin American strategy (UK 2007). The other problem is lack of any perceived UK trade interest. The only countries mentioned by the government as of economic interest are Brazil and Mexico; even within Latin America, Colombia and Peru appear in the table as about fifth to sixth trading partners. The Parliamentary report on EU trade policy (IDC 2007, report) has chapters on development policy, the WTO, and EPAs, and nothing on trade policy towards any other developing region. It is probable that for all the northern countries in the EU, without traditional interests in the Andean region, developmental approaches are more likely to attract interest than trade or other economic ones.

*Suggestions for discussion:*

1. What non-trade linkages can be mobilised to support trade negotiations?
2. Will Spain and Portugal act as natural allies, or are there conflicting trade interests?
3. Can the Andean countries avoid opposition by other countries?
4. How should CAN build on its existing trade treatment by the EU?

**8. If the Andean-EU agreement is seen as a 'development' rather than 'trade' agreement, what differential treatment could the Andean countries seek?**

In its agreement with **South Africa**, the EU introduced its argument that the Article XXIV provision on 'substantially all trade' should be interpreted on average over a region, so that if one partner liberalised more than the 'required level' (which the EU has decided to interpret as 90% of tariff lines), the other could liberalise less. In that agreement, the figures were (roughly) 95% and 85%. The agreements with **Chile** and **Mexico** did not have formal asymmetry. Mexico and Chile are clearly higher income countries than South Africa, but, perhaps also important, the South African negotiations took place soon after the change of government in South Africa, at a time when sympathy for the new regime had some force against protectionist interests in

the EU (a declining force, as was seen by the difficulty in reaching ratification by the member states at the end of the negotiations). It has now accepted that the argument could apply to subsequent negotiations, probably including **Mercosur**, but has not given a figure.

The EU has proposed that its EPAs with the **ACP** countries be highly asymmetric, and is moving in the direction of reducing its demands for reciprocal liberalisation and acceptance of obligations. It initially emphasised that there would have to be some liberalisation on the ACP side, and did not commit to full liberalisation itself. It has now offered 100% liberalisation, and has offered a variety of calculations by which the ACP can minimise their tariff reductions.

In the WTO, the EU is one of the strongest supporters of introducing significant differentiation between two groups of developing countries: these are not defined in terms of normal income measures (India is in the 'advanced' group), but more in terms of their economic strength and competitiveness (especially competitiveness with the EU). In WTO terms, it is roughly the G20/G90 division, and the EU has persistently suggested that the G90 should have even fewer obligations than other developed countries would require and that the G20 have a special obligation to open their markets. This division is given some official definition and effect in its GSP provisions distinguishing between 'vulnerable' and other developing countries in access. As the Andean countries have benefited in the past from special access to the EU's GSP scheme, first as an anti-drug measure, now under the more general definition by signing appropriate international conventions and being 'vulnerable', they would have a good argument to be treated on a basis similar to that of the ACP, in spite of any WTO group membership. This does not, of course, mean that the Andean countries should consider liberalisation a cost; no economist will argue that. But it means that they may be able to keep to a minimum any differential (and therefore trade-diverting) liberalisation in favour of the EU, beyond what they are doing on an MFN basis.

Some LDC countries have argued in the EPA negotiations that there should be different treatment for them within each regional agreement. Not only are they less advanced than the non-LDCs, but they already have duty-free quota-free access to the EU, so that they are being asked to offer access to the EU without as much in return. The EU has argued against this on the grounds that it is trying to promote regional integration and internal differentiation would damage this.<sup>4</sup> As the Andean countries do not include any LDCs and are less different than members of ACP regions, it is unlikely that the EU would take a different position towards CAN.

*Suggestions for discussion:*

1. What differences in shares of tariff lines liberalised between CAN and EU do the Andean countries want?
2. What other differences could be proposed in a negotiation?

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<sup>4</sup> The argument is weak in logic, as several of the ACP regions differentiate between more and less advanced members.



## 9. Suggestions on first steps in the negotiations

This should be the conclusion of the Dialogue, not the background to it, so this section can only be a sketch.

How to start? Decide whether to concentrate on trade or development. Are there enough trade motives, on both sides, to make a trade negotiation appropriate? Or, are the countries prepared to adopt the strategy of presenting themselves as supplicants asking for special access, special aid, because they are too poor or too small to be trade threats or partners?

So the first question is, do the Andean countries know exactly what they want out of the EU and do they think that EU knows what it wants? If so, they can start the process of seeing whether this is achievable, what the effects and cross effects would be, i.e. they are at a stage parallel to the early studies by the Mercosur working group of interests and then of practicalities. If there is still not clarity on this, they may need in addition an internal process more like the early stages of the ACP negotiations. of looking at alternatives, and what type of EU-Andean agreement would fit into their trade policy as a whole. Some issues may be already suitable for joint studies or a joint working group, and these could start to build relationships while the Andean countries complete their preparatory studies.

Then, for either, prepare a position; identify types of information and analysis needed, and how this background work will be done. What should be the role of the EU and of other donors and of international institutions?

The Andean countries will want to identify what support they can get and whether there are institutional ways of helping the negotiations to be productive. The evidence from the Mercosur and EPA negotiations is that it is useful to get outside advice on the issues. The EU-Mercosur working group has clarified the issues and developed shared understanding of the difficulties each side faces, and contributed to respect on each side for the seriousness and competence of the other. The various types of support provided for the ACP have taken longer to build expertise, and have not solved the problem of the donor-recipient relationship.

It is important to have some institution acting as a 'buffer' between donors and recipients when the donors are themselves the opposite side of the trade negotiation. In the EU-Mercosur negotiations, the IDB has been the most important organisation with this role; in the ACP negotiations, the EC found itself with a *de facto* buffer for the country studies, and ILEAP also acted in this way.

But it is important to take initiatives in the negotiations from the beginning, even if these must be imprecise. One mistake made by the ACP regions, but not by Mercosur, was not to have their own position papers. Those that were drafted initially were largely the same as those 'suggested' by the EC. It is only in the course of the negotiations that they have developed their own proposals, and these are still on the detail (which goods should be sensitive, what services or other matters should be included), not on the broad questions of the purpose of the agreements or indeed whether they should be FTAs at all. They have therefore constantly been responding to proposals by the EC, not leading.

The negotiations will be slow to start; negotiations always are, but the 2008 summit could provide a target date to move from preliminaries to real negotiations. This would require defining the coverage and setting the structure of the negotiations by the time of the summit, so this can launch a process with a timetable.

As small trading partners of the EU, the Andean countries are more likely to suffer from neglect than strong opposition (at least until the final stages when particular European interests may see risks). While negotiations normally proceed at their own pace, without major input from the political processes, these can be helpful at the beginning and the end. Portugal will have the presidency of the EU in the second half of this year, and (particularly if the WTO negotiations are going badly<sup>5</sup>) it and the Trade Commissioner may want to emphasise other initiatives, and Portugal may want to rebalance these away from Asia towards Latin America. Without prejudging the timetable, and keeping in mind that all timetables are missed, it is possible to note that Spain will have the presidency in 2010.

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<sup>5</sup> It was certainly not an accident that the EC position on regions was published in October 2006, after the July failure of the Doha negotiations.

## Appendix: Lessons from other negotiations

The EU signed its first two FTAs with individual countries in 1999, first with South Africa and then with Mexico, with both ratified in early 2000. It went on to sign an agreement with Chile. It has been in negotiations with Mercosur since 1999 and with the ACP countries since 2000, and has had preliminary discussions with Central America and several Asian countries. Although the only agreements signed so far are with countries, not regions, both the country and the regional negotiations are relevant to its negotiations with regions like the Andean Community. All illustrate the difficulties of resolving problems with 'sensitive' products. The greater success of the country-specific negotiations illustrates the limited commitment of the EU to encouraging regions.

### *EU-South Africa*

While this was originally a second best for South Africa (it had wanted membership in the Lomé Convention, giving non-reciprocal preferences), it did achieve the first permanently 'asymmetric' agreement between a developed and developing country. The EU liberalised about 95% of its import tariffs on South African goods, while South Africa liberalised about 85%. (The exceptions on both sides were mainly in agriculture.) (Other agreements, like NAFTA, have different periods of liberalisation for different commodities or countries, but assume complete liberalisation on both sides in the end.) South Africa started in an apparently weak position, with new and inexperienced negotiators and a strong interest in securing access to the EU, including on some agricultural goods which were highly sensitive for the EU. It used some of the 'old' negotiators for their expertise, but at the same time it stressed its position as a new and deserving government. It carefully defined what it needed to achieve. There was strong public and development interest in the EU in showing support for the new regime. Although, in terms of the now official division of EU agreements into developmental and trade, the South African agreement was clearly a development agreement, South Africa's position was strengthened by the size of the market which it could offer for investment as well as trade, including its regional leadership, and by long-standing relations between its companies and those in the EU. Finally, the criterion for 'success' was relatively low. As any form of preferential access to the EU was new for South Africa, anything that it achieved was an advance.

The outcome and still more the process were not entirely satisfactory to South Africa. The conclusions of Rob Davies, a South African economist and parliamentarian were:

*Trade negotiations with the EU involve hard bargaining, in which professed concerns to promote development and greater equity in trade relations with developing countries are often swamped by what the Financial Times called 'commercial haggling by wealthy Europeans'. (Bertelsmann-Scott, et al., 2000, p. 11).*

South Africa is a member of both a customs union (SACU, the Southern Africa Customs Union), with four small neighbours, and a free trade area, SADC, the Southern African Development Community, with an additional nine countries. During the course of the negotiations, both the EU and South Africa *de facto* acknowledged that at least on the side of SACU imports it would be an agreement with SACU as a

whole because of the impossibility of enforcing rules of origin. But the other members retained their existing more favourable access to the EU. They were not, however, allowed to participate in the negotiations and the EU refused to accept full responsibility for compensating them for any losses either on trade or on tariffs.

In its current negotiations for an EPA with SADC, the agreement with South Africa has been a problem. EU does not want to offer the same access to South Africa as to the other, weaker, countries, although South Africa has tried to participate in the negotiations. Any agreement is likely to be a three part one, for South Africa, other non-LDCs, and LDCs. Both the original agreement with South Africa/SACU and the potential one with SADC thus create problems for the enforcement of rules of origin and complications for southern African regional integration.<sup>6</sup>

### *EU-Mexico*

Following the signing of the NAFTA agreement among the US, Mexico, and Canada, the EU had a clear interest in preserving its market and the rights of its investors in Mexico, while Mexico also had an interest in preserving diversification in its trade, and at the time was it was engaged in creating a network of FTAs. Negotiating one with the EU was part of a general trade strategy, not the principal element of it. Both sides had clear and limited objectives; and Mexico's negotiators were experienced. Mexico had a particular interest in access to the EU because it had lost a substantial part of its preferential access under GSP under the revision of 1995 (because of graduation). There was also a tradition of EU-Mexico negotiations because Mexico had only joined GATT in 1986, and had needed to negotiate to obtain even MFN treatment. The agreement was that Mexico offered staged tariff reductions designed to give the EU the same position as the US, while Mexico regained access for its manufactures. As in the agreement with South Africa, a substantial proportion of agricultural trade remains permanently excluded: for this Mexico's major market remains the US.

Mexico is neither a region nor a politically special country like South Africa. While it could be argued that all the rest of Latin America and the Caribbean had organised itself into regions (and therefore suitable partners for the EU) so that if Mexico was not to be disadvantaged in its relations with the EU, it had to be given some form of bilateral agreement, this reasoning could alternatively have led to dialogue with NAFTA. In fact, there were separate talks with the US and Canada. If the reason was that, following the signing of NAFTA, the EU wanted to prevent Mexico from being too closely tied to the US, the agreement was intended to weaken an existing region.

### *EU-Chile*

This began in 1999 as a parallel negotiation to the EU-Mercosur negotiation. But the negotiations with Chile acquired a momentum of their own. Chile, even more than Mexico, has a wide range of FTAs, so that this was becoming its normal relationship with trading partners, while the increasingly active negotiation of a Chile agreement with NAFTA gave the EU the same motive that it had with Mexico, of avoiding

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<sup>6</sup> Most SADC countries have in fact chosen to negotiate as part of the alternative region, COMESA, so the negative effects will be limited to countries in addition to the SACU members.

losing market share to the US. By 2001, it was clear that the EU-Mercosur negotiations had effectively stalled. While there are some sensitive agricultural products in Chile-EU trade, they are not fundamental to it.

For Mexico and Chile, an agreement with the EU came as part of a trade strategy, not a reflection of dependence on EU trade or aid.

### *EU-Eastern Europe*

These have been part of the third tradition of EU FTAs, of ‘neighbourhood’ agreements. They are agreements which were seen as stages in a process that would eventually lead to full membership. This has now been completed for several of the countries, with others on the way. The fact that these countries were expected eventually to be members of the EU made negotiations with them different from those for FTAs. These countries were offered membership almost as soon as they changed their governments, and thus had to make a very different choice from those who chose to negotiate FTAs. To join meant to accept without negotiation all the trade and all the many non-trade arrangements of the EU. (Even large, relatively rich countries have had little bargaining power on joining; poor small countries had none.) Once they had made the decision, they had to adjust all their laws, internal and external, to the EU: effectively there was only one ‘negotiating position’: the EU ‘acquis’. In return, they expect to receive not only the trade and financial benefits of membership, but eventually the power to join in making decisions in the future. Their strong dependence on the EU, not only for trade but for finance, technical assistance, and institutional development makes their relationship to the EU in some ways like that of the ACP countries which are negotiating ‘development’ trade agreements.

### *EU-ACP, African Caribbean Pacific Countries*

There had been no formal negotiations between the EU and the ACP before 1999 because the trade regime was determined by the EU, with no requests for reciprocity.<sup>7</sup> The ACP had originally come together in 1973, following the UK's accession to the EU. All received almost complete market access for their exports (with some exceptions and limitations on sensitive agricultural goods), and the arrangements had been renewed five times, unilaterally, with discussion but no negotiation. In 1997, however, following the increasing difficulty in getting exemption for special arrangements under the WTO, the EC proposed two major changes: that the next agreement be reciprocal and that it be with regional groups within the ACP, not with the ACP as a whole. In its initial negotiations with the EU, the ACP failed. They were not able to prevent the EU's proposals from being adopted in the Cotonou agreement of 2000; they have not been able to protect the sugar and other commodity protocols from being weakened; they have not secured consultation, much less compensation, for the various other agreements which have eroded their preferences: either the FTAs discussed here or the offer of EBA, Everything But Arms, Duty Free Quota Free access to Least Developed Countries which for the first time put some non-ACP countries in a better position than the ACP.

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<sup>7</sup> There had been some reciprocity between France and its ex-colonies in the 1960s, but this ended with the introduction of multilateral preference regimes and GATT regulation.

The negotiations have been in progress since 2000, and are intended to finish by end-2007. They were slow at the beginning because the ACP countries needed to define their objectives: to keep their existing access to the EU, and limit as much as possible what access they offered in exchange. The choice was made more complicated by the offer of unlimited non-reciprocal access to the LDCs (about half the members of the ACP, and there is at least one LDC in every ACP region), so that these had much less incentive to make offers to the EU. It is not clear whether the original EC proposal was intended to be simply a WTO-compliant way of extending existing access while making the minimum demands on the ACP or reflected a European belief that the EU should encourage the ACP to liberalise. It was not the result of pressure from economic interests for access to the ACP markets. In the last two years, the EC seems to have adopted the first position, and it now seems likely that the ACP regions will be able, if they wish, to offer minimal liberalisation. Following the precedent of the EU-South Africa agreement, the EC argues that the WTO will accept an ‘average 90% liberalisation’ as ‘substantially all trade’ in terms of Article XXIV, and that this can mean 100% by one partner (in March 2007 it finally offered this to the ACP) and 80% by the other (or even less if the EU imports more from the ACP region than it exports). The ACP countries, however, continue to have difficulties in defining the goods that they want to exclude and how to aggregate these at regional level, and there remains no agreement on what non-trade elements should be included, so it is still unclear whether there will be a settlement in the next eight months.

In contrast to the country agreements, where the EU ignored the *existence* of regions, its proposals for negotiations with the ACP ignored the *non-existence* of relevant regions. While the countries were all members of country-groupings, none of those with which the EU proposed to negotiate was a customs union, so none had the common trade policy or the legal competence to negotiate. Most of the agreements were in transition to FTAs, but these were not completely defined. The countries were required to move further and faster than they had planned or, arguably, than was wise given the normal difficulties of integration, and in both Africa and the Caribbean they had to make decisions on membership under pressure of time. This weakened the ACP negotiating position.

#### *EU-Mercosur*

As happened for the other regions in Latin America, there were various ‘generations’ of agreements between the EU and the members of Mercosur before the start of trade negotiations. In 1995, the agreement with Mercosur was even more explicit than other agreements with Latin American countries at the time about the importance of regionalism. It noted the common interests and experiences of the EU and Mercosur as customs unions, and mentioned the possibility of an EU-Mercosur FTA. There was much rhetoric when the negotiations were initiated after 1999 about the significance of the first agreement between two customs unions. On the more practical side, there was early progress on technical questions, defining common data on trade and tariffs, for example, but there were serious practical obstacles. The most important was and remains the importance of agricultural access for Mercosur and the sensitivity of this request for some members of the EU. The Mercosur countries hoped that some of the bilateral issues would be made easier by the negotiations that were taking place in the Doha Round (especially issues on subsidies) and by internal reforms in the EU. The latter have happened, although slowly and incompletely, but

the Doha Round has of course not yet reached a settlement. There are other areas of difference, on manufactures and services, but also common interests on these.

Over the long period of talks, the negotiations were also delayed by the economic difficulties of Argentina and Brazil and by difficulties within Mercosur. And, as one of the motives for EU interest in Mercosur was the possibility of an FTAA under which the US would gain better access to the Mercosur market, the decline in the likelihood of this reduced EU willingness to make negotiating concessions.

The negotiations were more like those with Mexico and Chile than those with South Africa and the ACP because of the motivations on both sides (only market access) and also because the Mercosur countries and their negotiators had long experience of trade negotiations. Mercosur is nearer to being a negotiating region than any of the ACP regions, although it had to develop new ways of joint negotiation.

#### *EU-Central America*

There was strong EU development support to Central America starting in the late 1970s and early 1980s. In addition to its economic interests, the EC played an active role as a peacekeeper in the area. The San José peace and consultation process (the first meeting was in 1984) set up a 'political dialogue' between the European Community and Central America. Although quantitatively most development funds went to conventional development projects, some of the assistance was directly to the regional organization.

The EU's first trade concessions to Central America were extended GSP provisions dating from 1992 which improved on GSP for agricultural products. It has now proposed an association agreement, and started preparing for negotiations. For Central America, the EU is not of course the only trading partner with which it has agreements or negotiations. The EU probably regards these as development rather than trade negotiations.

#### *EU-Asia*

In 1995, the EU started regular regional official and ministerial meetings with ASEAN. This is the only Asian region with which the EU has had long-term relations, although there are no special trade privileges, and the EU's aid programmes are by country and not tied to regional projects. There is also political cooperation, although the first Asia-EU summit in Bangkok in March 1996, was more like Latin American-EU summits than individual regional negotiations as it included Japan, China, and South Korea, as well as ASEAN. South Korea and ASEAN have now been cited as priority areas for trade negotiations, and the first studies are being done.

#### *North Africa and the Middle East*

The EU has had trading arrangements with the North African countries for some years, which have gradually evolved into partial FTAs, but it is difficult to identify a finite negotiation process for these. The European Community originally signed separate agreements with these countries, and only started to promote a regional area among them in the 1990s. The agreements follow a common pattern, however, and

they have thus had the effect of encouraging the individual countries to coordinate their approaches. There is a proposal, the Barcelona declaration of 1995, for an EU-Mediterranean FTA by 2010, but this is making slow progress.

The EU is currently negotiating with the Gulf Cooperation Council (GCC) (Bahrain, UAE, Kuwait, Oman, Qatar, Saudi Arabia). It has partial free trade agreements with Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia



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