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Everything But Arms: Much More than Appears at First Sight*

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Abstract

This article examines the impact of the EU's 'Everything But Arms' initiative. Starting from the observations that the effects in terms of trade flows have been modest and that EBA nevertheless sparked fierce debate within the EU, we argue that it has had broader ramifications beyond exports of least-developed countries. Subsequently, we analyse the influence of EBA on three interrelated areas: reforming EU agricultural policy (internal), restructuring EU–ACP relations (regional) and forging a WTO round (global). We conclude that EBA has played a catalysing role in these issues, in line with the globalist-liberal preferences which have become dominant in the EU.

Introduction

At first glance, Everything But Arms (EBA) is a simple and straightforward arrangement: it gives the least-developed countries (LDCs) duty-free and quota-free (DFQF) access to the market of the European Union (EU) in order to boost their development through exports.[1] At the same time, however, EBA

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[1] EBA constitutes a special application of the EU's Generalized System of Preferences (GSP). Under the enabling clause of the General Agreement on Tariffs and Trade (the Gatt, which is part of the WTO agreements), industrialized countries can design a GSP, which unilaterally provides more favourable and non-reciprocal market access to developing countries. Article 2(d) of the enabling clause provides that the group of LDCs may be granted more generous treatment.

is also the most symbolic and politicized trade initiative of the EU since the conclusion of the first Lomé Convention in 1975. Pascal Lamy, EU Trade Commissioner at the time of the inception of EBA and currently Director General of the World Trade Organization (WTO), highlighted its importance as a crucial step in the development of the poorest countries. In his view (cited in EU, 2001), EBA is much more than a technical regulation:

> It's a worldwide first. At the end of the day, we will have 100 per cent access, with no exclusions, except of course for arms. We have delivered on our fine words. This sends a signal to the rest of the world that we are serious about getting the most disadvantaged to share in the fruits of trade liberalization.

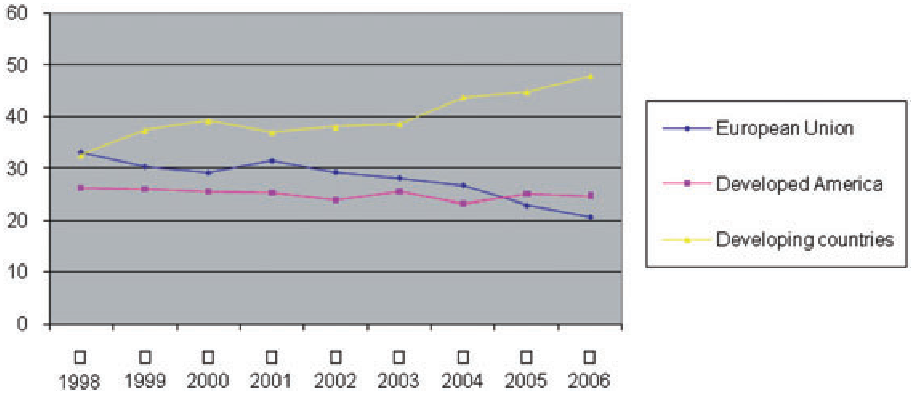
EBA quickly became the showpiece of the development-friendly nature of EU trade policy. In speeches and documents, the EU presented it as ground-breaking and did not fail to suggest that other WTO members should follow its lead. The initiative was welcomed by a remarkably broad audience inside and outside Europe who agreed that EBA was a step – be it large or small – in the right direction.[2]

Eight years after its introduction, this article evaluates the consequences and continuing relevance of EBA. We argue that while its impact in terms of LDC exports has been modest, EBA has had broader ramifications inside and outside the EU. Despite its high political profile, it was already clear from the outset that its effects in terms of trade flows from LDCs would be limited. An early impact assessment by Stevens and Kennan (2001) came to this conclusion. Similarly, Cernat *et al.* (2003) expected total LDC exports to increase by only $300 million annually, almost 0.5 per cent of the baseline value. These early studies have since been confirmed by Babarinde and Faber's (2007) more recent gravity analysis, which concludes that EBA is having no observable effect on the exports of African LDCs.[3] It is also interesting to note that the share of LDC exports that is destined for the EU has been falling since 2001, the year EBA was introduced (see Figure 1). Apparently, other factors, such as high demand for oil and commodities in emerging developing countries, have been pulling LDC exports to other destinations.

[2] For example, Oxfam wrote a letter to the *Financial Times* (14 December 2001) in support of Lamy's proposal, and its Director described the proposal as a 'small but welcome step towards fairer trade in the world' and an 'important step towards achieving internationally-agreed targets to reduce poverty' (Stevens and Kennan, 2001). (However, a few years later Oxfam supported the proposal to maintain high prices and import quotas – see the section below on EBA and CAP). Similarly, UN Secretary General Kofi Annan wrote a letter to EU Council to urge a quick approval of EBA (Lamy, 2002, pp. 79–80) and Joseph Stiglitz considered EBA as 'a big step in the right direction' (2002, p. 246).

[3] Of the 50 LDCs, 40 are located in sub-Saharan Africa.

Figure 1: Destination of LDC Total Exports, 1998–2006 (% of Total Exports)



Source: UNCTAD (2007).

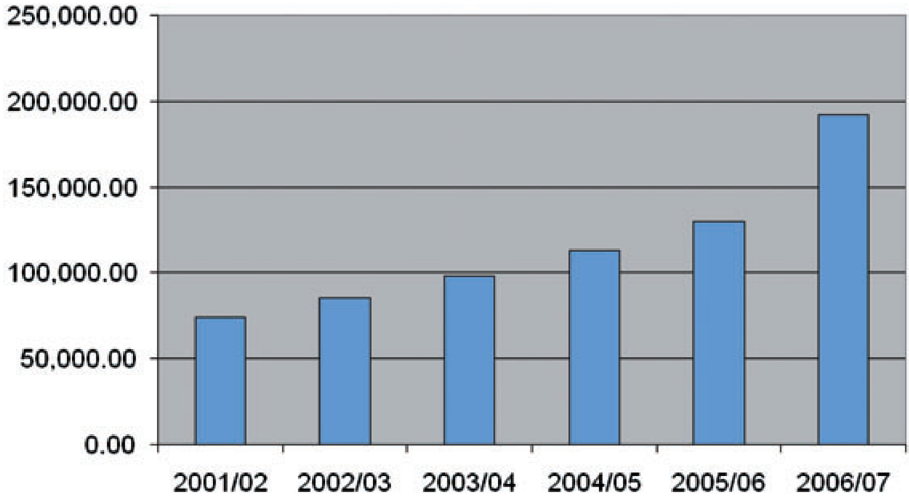
The main explanation for this limited impact is that the LDCs have a weak capacity to exploit the opportunities offered by trade preferences, for example, in relation to political and macroeconomic stability, a minimum of good governance and quality of economic institutions.[4] In addition, most LDCs already benefited from relatively favourable tariffs for many products under the treaties of Lomé and Cotonou (concluded between the EU and countries in Africa, the Caribbean and the Pacific – the ACP group) or the EU's normal GSP system (non-ACP LDCs).[5] Restrictive rules of origin are another important reason why EBA trade preferences have been under-utilized. Brenton and Özden (2007) show that the small response of African LDC exports of clothing to the EU after 2001 is largely explained by the unfavourable rules of origin that forbid the exporting countries to source their inputs from lowest cost sources.

However, at the more disaggregated level of individual products, there is one notable exception. For sugar, the impact of EBA has become clearly visible. As the EBA quotas for sugar are gradually increased up to complete free entry in 2009, the quantities exported by LDCs have increased to the maximum levels allowed (Figure 2). As a result, in 2006/07 EBA sugar

[4] From the late 1990s onwards, empirical research has found that trade openness has a lower relevance as a deep explanation for long-term economic growth than the quality of institutions. For an overview of the literature see Winters (2004).

[5] The European Commission (2008) reported a low utilization rate for EBA for 2005 and 2006, mainly due to the fact that LDCs traditionally use the Cotonou preferences that are the same as EBA for many products.

Figure 2: LDC Sugar Exports to the EU under EBA, 2000–06 (Tonnes)



Source: LDC sugar group website, available at: «http://www.ldcsugar.org/».
Notes: EU-15 for the first three years, EU-25 for later years; 2006–07 is an estimate.

imports had increased by 160 per cent since 2001/02. Cernat *et al.* (2003, p. 18) had predicted this and suggested that EBA could better be labelled 'Nothing but Sugar'.

Looking beyond the consequences for LDC exports, we argue that EBA has had broader ramifications in three distinct but interrelated areas: reforming the EU's agricultural policy (internal), restructuring its relations with the ACP countries (regional) and forging a multilateral round of trade negotiations (global). But first, we sketch the origins of the EU's trade initiatives towards the LDCs and elaborate on the political debate following the EBA proposal by means of a process-tracing analysis. Despite the apparent political consensus on the value of EBA across the European political spectrum, the negotiations on this initiative involved fierce debates and conflicts within and between the EU institutions. Building on these findings, the consequences of EBA in the three aforementioned areas are analysed. We conclude that EBA has played a catalysing role in agricultural reforms, EU–ACP relations and the Doha Development Agenda, in line with the globalist-liberal preferences within the EU which have become dominant in EU politics since the middle of the 1990s. These forces oppose the interventionist agenda that favours measures aimed at realizing particular prices and quantities in markets, such as could be found in the EU's common agricultural policy (CAP) and in its Lomé trade regime with the ACP. This conclusion is not intended to imply that there is any hidden grand master plan behind the design of EBA, but it does show how this apparently limited trade initiative has influenced policy decisions in several related areas.

I. The Development of EBA: North/South Divisions in the EU

One year after WTO Director General Renato Ruggiero's (1996) call to eliminate all tariffs imposed by developed countries on LDC exports, the EU outlined a threefold strategy on improved access for the LDCs to the European market. The General Affairs Council of 2 June 1997 decided that, from January 1998 onwards, the nine LDCs which do not belong to the ACP group (Afghanistan, Bangladesh, Bhutan, Cambodia, Laos, Maldives, Myanmar/Burma,[6] Nepal and Yemen) would be granted market access equivalent to the 40 ACP LDCs, which already enjoyed tariff preferences through the Lomé Convention. In the medium term, the EU would provide duty-free market access for 'essentially all' LDC imports. Finally, in the long term, the EU expressed the desire that this LDC initiative be globalized within the multilateral framework of the WTO.[7]

The second objective can be seen as an 'EBA *avant la lettre*' (Orbie, 2007, p. 22). This commitment was repeated in other Council meetings,[8] included in the Commission's negotiating mandate for a new EU–ACP agreement,[9] confirmed in Article 37.9 of the Cotonou Agreement in June 2000 (see below) and concretized in a Commission proposal in October 2000. This version of the EBA initiative came from DG Trade and was more radical than the consensus that had materialized in 1997. It stated that the EU 'can go beyond its undertakings by granting *all* products (except arms and munitions) from all LDCs duty-free access without quantitative restrictions immediately' (Commission, 2000, p. 2). After a three-year transition period, even the most sensitive agricultural products, i.e. sugar, rice and bananas, would benefit from duty-free access to the European market.

The proposal sparked off fierce intra-European debates. DG Trade's original proposal was opposed by DG Agriculture (2000), which published its own impact study and forced a 'fine-tuning' of the Commission's text. At the same time, intensive negotiations were held within the Council where a number of Member States blocked the approval of EBA until the very last minute. The European Parliament and DG Development were not officially involved, but some members of these bodies expressed their concern that ACP exports

[6] However, Burma/Myanmar has been excluded from GSP preferences since 1997.
[7] General Affairs Council, Brussels, 2 June 1997, Press 8549/97.
[8] For example, the Development Council, 30 November 1998, Press 13461/98.
[9] Agence Europe, 6 June 1998.

would be harmed (Carbone, 2007, pp. 50–5). Most development NGOs supported the EBA proposal, but it was strongly resisted by agricultural lobbies.

These disagreements can be structured around two interrelated political cleavages in the EU trade and development nexus (Carbone, 2007, pp. 44–9). First, there is the divide between free traders (originally Germany and the Netherlands, later also including the UK and the Scandinavian countries) versus protectionists (originally France and Italy, later joined by Spain, Portugal and Greece). The former generally favour a liberal attitude in trade politics and are usually joined by the European Commission; the latter typically hold a more protectionist stance, especially in agriculture and textiles. Applied to the EBA proposal, this divide manifested itself in the question of the transition period for the sensitive agricultural products and also in those of safeguard measures and rules of origin. Protectionists, pressurized by domestic producers of beet sugar (for example, Belgium and Spain), rice (for example, Italy, Greece and Spain) and bananas (France, Spain and Portugal), feared competition from LDCs and were also concerned about increased pressure on the CAP budget, since LDC imports would benefit from the high internal European agricultural prices. On the other hand, countries such as the Netherlands, Denmark and Sweden called for an extension of EBA to all products. The EBA case also shows that the division of Member States into liberals and protectionists is not set in stone (see Dür and Zimmerman, 2007, p. 774): countries such as the UK, Germany and Austria also experienced domestic protectionist pressures, especially from the sugar sector, and insisted on longer transition periods.

Second, Member States' preferences in external relations have diverged according to their political and historical ties with developing countries. Whereas regionalists want to maintain an exclusive relationship with the former colonies of the ACP, the globalists want to broaden the scope of the EU's international activities and favour a focus on the LDC category, which is based on objective development criteria (Elgström, 2000, p. 187 on 'traditionalists' versus 'revisionists'). This division also goes back to the founding of the European Economic Community (EEC), when France and Belgium insisted on a special relationship with what became the Association of African States and Madagascar (Holland, 2002, p. 26). Member States with strong colonial ties, such as France, can still be counted in the first group, whereas Scandinavian and east European countries are situated in the globalist camp. Similarly, when the UK acceded to the EEC (1973) it argued for the inclusion of the Caribbean and Pacific Commonwealth countries into the newly formed ACP group. However, it soon took up an outspokenly globalist approach. During the EBA debate, the Scandinavian members and the UK emphasized the importance of prioritizing the poorest countries, grouped in the UN-defined category of LDCs, whereas France, Spain and Italy argued that EBA would hurt the competitive advantage of the ACP which has traditionally received preferential treatment.[10]

Both cleavages roughly correspond to the north–south division in the EU between northern Member States, which favour globalist and liberal external policies, and southern members, which tend to prefer more regionalist and protectionist options. Obviously, the former attach more importance to the multilateral trade framework of the WTO, which has played an important role in the liberalization of European agricultural markets and in the erosion of exclusive and regionalist trade arrangements *à la* Lomé.

However, this north–south division can also be found *within* each Member State and within the Commission. Van den Hoven's (2007) competing two-level games model points to the conflicts not only between trade and agricultural bureaucracies within EU countries but also within the European Commission. Applying this to the EBA decision-making process, he points to the turf wars between DG Agriculture and DG Trade inside the Commission. These disagreements culminated in November 2000, when the then Agricultural Commissioner Franz Fischler 'personally rang the alarm bells'[11] with the publication of an impact study on the website of DG Agriculture. This document highlighted the 'potentially disruptive consequences' of EBA for the European agricultural sector (DG Agriculture, 2000, p. 4). Running counter to DG Trade's more moderate appraisal,[12] and to a study commissioned by Oxfam (Stevens and Kennan, 2001), this assessment was successful in forging an amendment to the EBA proposal. On 17 January 2001 the Commission fine-tuned its initiative and further deferred the liberalization for bananas, sugar and rice to 2006–09 (see Table 1).

The amendment proved insufficient to gain approval of the Council, in which discussions were postponed several times while Spain and France attempted to find a blocking minority against the Commission proposal. The EBA regulation was only adopted after a number of last-minute concessions by the Swedish Council Presidency and the Trade Commissioner during the General Affairs Council of 26 February 2001. Although the French proposal for a rendezvous clause was not withheld, it contained more stringent language on safeguard measures and rules of origin. Denmark, the UK and the Netherlands castigated the weakening of the original proposal (summarized in Table 1). Nevertheless, the regulation still implies that after the transition

[10] Agence Europe, 16, 17, 18 January; 24, 26–27 February 2001; and *Financial Times*, 23 and 27 February 2001.
[11] Agence Europe, 17 January 2001.
[12] Lamy replied that 'the estimates put forward by some were very clearly exaggerated', Agence Europe, 18 January 2001.

Table 1: From Commission Proposal to EBA Regulation: Three-Phased Weakening

	Commission proposal (September 2000) (Commission, 2000)	*EBA Regulation (February 2001) (EC Council, 2001)*
Transition period	Art. 6: free access for bananas, rice and sugar phased in 2001–04	Fine-tuning Commission proposal (January 2001) Art. 6(2)-(6): longer transition period for: bananas (tariff reduction of 20% per year from 2002; 0 tariff in 2006) rice (quota increase from 2001; 0 tariff between 2006 and 2009) sugar (quota increase from 2001; 0 tariff between 2006 and 2009)
Safeguard measures	Consideration 13 and Art. 4: stricter safeguard provisions than GSP: in case of 'massive increases in imports'	Compromise Swedish Presidency (February 2001) As above + two additional provisions on suspension: Art. 2(7): 'carefully monitoring' of rice/bananas/sugar imports; 'all appropriate measures will be taken as quickly as possible' Art. 5: suspension of banana/rice/sugar import if 'serious disturbance' to the Community markets
Additional guarantees		Commission statement (26 February 2001) Rules of origin: 'strict compliance' and 'supplement existing rules of origin' Safeguard provisions for rice/sugar/bananas: Commission will 'automatically examine' if imports rise by >25% Commission Report to the Council in 2005: 'appropriate proposals if necessary'

Source: Authors' own data.

periods have expired, European markets will be completely opened for the poorest countries.

The above process-tracing analysis shows that the final form of the EBA regulation was the result of considerable political conflicts inside the EU institutions. The debate on EBA also hinted at the wider ramifications of the initiative proposed by DG Trade. The following sections elaborate on this thesis by analysing the implications of EBA for the EU's internal agricultural liberalization, its inter-regional agenda with the ACP and its global trade agenda within the WTO.

II. EBA and CAP Reform

While it is not the only factor, it is clear that EBA has influenced the reform of the CAP. At the same time as the decision-making process on EBA was taking place in 2000–01, the Agriculture Council was discussing reform of the CAP. In 1999 the Berlin European Council had accepted a first round of reforms under the title Agenda 2000, while a second round of reforms was accepted in 2003 (the 'Fischler reforms'). Reforms had become unavoidable, as the WTO had started negotiations to further liberalize international trade in agricultural products in 1999,[13] which were included in the Doha Development Agenda in 2001. It was clear from the outset that Europe would have to lower domestic support for farm production and exports and that import barriers would have to come down, if the Doha Round was to be a success. The pressure was increased by WTO dispute settlement outcomes. In 2001, cross-subsidization of agricultural exports by Canada was condemned. This outcome would have serious consequences for EU sugar policies that arguably used cross-subsidization as well. In 2005, the WTO declared that the EU sugar support measures were in contravention of WTO obligations, mainly because the EU did not count re-export of ACP sugar as part of the quantity it was allowed to export with subsidies in the agreement on agriculture concluded in the Uruguay Round (WTO, 2005). A second important impetus for reform was the looming enlargement of the Union. Ten new members would double the number of farms and increase the acreage of farmland by a quarter. An unaltered CAP would be unsustainable after enlargement (Baldwin and Wyplosz, 2006). Both rounds of CAP reforms were a continuation of the 1992 'MacSharry reform', involving the lowering of the internal prices compensated by direct payments to farmers.

By holding out the prospect of DFQF market access for sugar after the transition period, EBA has contributed to the EU's sugar reform. It was clear that the free entry of LDC agricultural produce would make the high guaranteed prices for sugar in the EU unsustainable. When the EBA initiative was launched the estimated quantities that LDCs could export to the EU varied considerably (for example, Stevens and Kennan, 2001; DG Agriculture, 2000; Mitchell, 2004; McQueen, 2002), but there was a consensus that the main impact of EBA in terms of exports would be in the sugar sector (see also the introductory section). The European Commission used the threat of open-ended LDC imports to push through its favoured reform strategy based on price reductions. When defending its sugar reform plans – a drop in prices by at least one-third, direct payments to EU farmers and a reduction of production quotas (Commission, 2004) – the Commission explicitly referred to the expectations of increased sugar imports under EBA (Commission, 2003, p. 10; see also Page and Hewitt, 2002, p. 95; McQueen, 2002, p. 106). EBA turned out to be a useful argument for proponents (initially DG Trade, and

[13] The agreement on agriculture specified that these negotiations should start in 1999.

later also DG Agriculture) of a market-oriented, ambitious EU sugar market reform. In the words of Agricultural Commissioner Fischler: 'Everything But Arms is the best guarantee that the present sugar regime in Europe cannot survive' (House of Commons, 2003).[14]

The Commission's reform proposal was opposed by the EU beet sugar growers as well as their ACP counterparts, who both lobbied for the maintenance of the old system with high guaranteed prices and fixed quotas (ACP press release, 18 July 2005). Under the EU–ACP Sugar Protocol of 1975 – basically an extension of the CAP outside Europe – the EU imported specific quantities of ACP sugar at guaranteed prices. Perhaps more surprisingly, the LDC sugar producers also opposed the reforms. They launched a counter-proposal to amend EBA, in which EBA sugar quotas would remain in place until 2019 (instead of 2009) in exchange for keeping internal prices at the original high level. Thus the beneficiaries of EBA wished to maintain the very element of EBA that had been most criticized by the development lobby at the introduction of the initiative (Oxfam, 2002, pp. 26–7). The main reason for the LDC proposal was that a price drop of one-third would make sugar exports unprofitable for a number of LDCs, while reducing rents for the others.[15] The seemingly most attractive part of EBA, namely unlimited sugar exports at very high internal EU prices after 2009, had turned sour as a result of the proposed CAP reform. Implementation of the LDC alternative would enable them 'to consolidate the investments required to boost their productivity and economic development whilst specifically preparing their sugar industries for future international competitiveness' (LDC Sugar Group, 2004). Most NGOs supported this demand (Forum Umwelt und Entwicklung, 2004; Oxfam, 2005) although it ran contrary to their previous protests against EBA quotas and claims for unrestricted access. The WTO appellate body also left room to bring EU sugar exports down by lowering internal production quotas while maintaining high prices, as requested by the ACP *and* LDC sugar exporters.[16]

However, the 2004/05 CAP sugar reform followed the original Commission proposal. It is striking that the EU did not opt for the LDC proposal to maintain EBA import quotas until 2019. On the contrary, the Commission (2003, p. 18) argued that maintaining the sugar import quotas longer than 2009 would entail a revision of earlier EBA commitments, which would

[14] Brüntrup (2007) considers EBA to have been a 'Trojan horse' in the sugar reform process.

[15] Several studies predict a reduction of LDC exports of sugar of around 2 million tonnes after a reduction of the EU price by one-third, while Congo DR, Laos, Madagascar, Nepal and Tanzania will stop exporting to the EU entirely (Brüntrup, 2007).

[16] The appelate body verdict boiled down to a reduction of EU subsidized sugar exports to the quantities agreed in the Uruguay Round (counting the re-exports of ACP and LDC sugar under the ceiling), but it did not prescribe how the EU had to meet this obligation (WTO, 2005).

injure the international credibility of the EU. The main rationale behind the reform was to improve the competitiveness of EU sugar production – which would limit imports – and the standing of the EU in the WTO negotiations. Thus, as regards sugar, EBA has been one of the forces making a market-oriented CAP reform inevitable.[17]

Similarly, but to a lesser extent, EBA has had a leverage effect on reform of the CAP for rice (Matthews and Gallezot, 2007, pp. 169–71). In 2002, the Commission proposed halving the intervention price to the world market level, compensating EU producers for this by direct payments and limiting intervention sales to a maximum quantity. The Commission presented this proposal because of the high level of intervention stocks together with the expectation 'that a further deterioration of the market imbalance can be expected from the implementation of the Everything but Arms Initiative' (Commission, 2002, p. 12). After the lifting of the EBA rice quotas in 2009, LDCs would be expected to increase their exports to the EU considerably in the absence of CAP reforms. The reforms proposed by the Commission, on the other hand, would make the EU market much less attractive for imports. And indeed, the reform of the rice sector that was decided by the Council was closely along the lines of the Commission proposal.[18] Thus, the prospect of unlimited EBA imports has again played a role in getting market-oriented reforms accepted by all Member States.

EBA has not influenced other EU agricultural reforms. Bananas are the third sensitive product for which a quota-based exception was made. However, the change in Europe's banana regime has been forced by disputes before the WTO rather than imports from LDCs.[19] EBA banana producers (all ACP countries) have a small export capacity (26,000 tonnes at the time of the introduction of EBA) and mainly focus on domestic consumption; EU production of bananas is rather low (around 20 per cent of EU consumption). In contrast with sugar and rice, the EU does not have an intervention price for bananas (Matthews and Gallezot, 2007, p. 172).

The conclusion of this section is that EBA has played a significant role in the reform of the common market organization of sugar and rice. In this context, Van den Hoven (2007, p. 66) points out that DG Agriculture was less hostile towards EBA than some southern Member States. As explained above,

[17] In October 2007 the Commission announced the suspension of the EU–ACP Sugar Protocol from October 2009 onwards, corresponding with the phasing out of the EBA sugar quota.

[18] Council Regulation (EC) No 1785/2003, 29 September 2003.

[19] There is a long history of trade disputes before the WTO dispute settlement body that consistently upheld the complaints against the EU. There used to be quotas for ACP and for non-ACP bananas with a prohibitive tariff for out-of-quota bananas. As a result of WTO panels and negotiations at the Doha summit, the EU agreed to introduce a tariff-only system in 2006. However, the new system was also condemned by the WTO dispute settlement body in 2008.

the Agricultural Commissioner did not want permanent exceptions for sensitive products, but only longer phase-in periods that would facilitate internal CAP reforms. Of course, other factors have also influenced the sugar and rice reforms. Beyond these two products, there is no evidence that the prospect of unhindered LDC access to the EU market has been instrumental in bringing about CAP reform. This is largely the result of the small size of the agricultural export capacities of LDC countries.

III. EBA and the Normalization of EU–ACP Trade Relations

The EU's exclusive and distinctive trade-development relationship with the former European colonies of the ACP group, as enshrined in the successive Lomé Conventions, was increasingly questioned during the 1990s.[20] For example, the European Commission's Green Paper stated:

> The ACP group is in reality neither a political group nor an economic entity. It grew up for essentially historic reasons and exists only in the framework of relations with the European Union. Will it remain a relevant partner for the Union in the future? In other words, should the present framework for relations between the seventy ACP states and the EU be maintained? (Commission, 1996, p. viii)

The trade chapter of the EU–ACP Cotonou Agreement provided that reciprocal Economic Partnership Agreements (EPAs) would be established in the period 2002–08. This constituted a typical compromise between the globalist and regionalist forces inside the EU (see above). On the one hand, EPAs maintain exclusive trade arrangements with the ACP in a new form of partnership; on the other, they create free trade agreements with six separate ACP regions[21] in line with the rules of the WTO (Article XXIV). Thus Cotonou clearly illustrates the 'normalization' of a privileged partnership (Forwood, 2001, p. 439).

The EU's LDC strategy since 1997 has facilitated this evolution. It has contributed to drawing a clear line between the LDC and non-LDC categories, blurring the position of the ACP as a distinctive category in Europe's trade ambit. The decision to grant Lomé-style trade preferences to the nine

[20] This can be explained by several factors: these countries' decreased strategic importance after the cold war, their marginal economic relevance compared with emerging economies in Asia and Latin America, the EU's offensive economic interests in global trade and the growing dominance of the WTO regime, its focus on enlargement and neighbourhood policies, and internal Commission reforms (see Holland, 2002, pp. 169–72).

[21] The following regions have been negotiating EPAs: central Africa (CEMAC-plus), west Africa (ECOWAS-plus), east and southern Africa (members of COMESA, labelled ESA), the Caribbean (CARIFORUM), southern Africa (SADC-minus), and the Pacific.

non-ACP LDCs (see above) from 1998 onwards was an important step in the restructuring of European trade relations with the developing south. Although this initiative seemed relatively modest, it set off a path-dependent process that almost inevitably entailed a further differentiation between *all* LDCs (including ACP-LDCs) and the other (non-LDC) ACP countries. When Lomé preferences were extended to the non-ACP LDCs, it was already clear that reciprocal trade relations would be pursued in the post-Lomé system, and the Commission recognized that difficulties might arise when non-reciprocal preferences were granted to LDCs participating in a free trade area (Commission, 1997, p. 23). The 41 LDCs that also belong to the ACP group would face less favourable treatment than their LDC counterparts outside the ACP, because they would be sacrificing non-reciprocal market access for reciprocity under the EPAs. For this reason, ACP LDCs had a strong incentive to side with the other LDCs and discard the EU–ACP trade framework. The Cotonou Agreement foresaw this possibility. Not only did it foresee the EBA initiative (Article 37.9); it also stated that only those ACP countries 'which consider themselves in a position to do so' could negotiate EPAs (Article 37.5).

Everything But Arms – the medium-term commitment first pronounced in 1997 – further intensified the objective division of interests within the ACP group (McQueen, 2002, p. 107). The introduction of special trade preferences for all LDCs (i.e. EBA) in line with the Gatt Enabling Clause, as well as free trade areas (i.e. EPAs) in line with Gatt Article XXIV, led to ambiguous outcomes. Although all ACP LDCs were involved in the EPA negotiations, by December 2007 only nine of them had given up their EBA position for an (interim) EPA.[22] Thus, since 2008 a large majority of ACP LDCs have been exporting to the European market under the EBA scheme instead of the preferential system for ACP countries.

The existence of EBA also influenced the content of the EPA negotiations. Besides providing an alternative for LDC ACPs, the EPA precedent served as a benchmark for ACP countries that do not belong to the LDC group. They considered EBA treatment as the ultimate touchstone by which to evaluate any European tariff concessions. For several reasons, demanding DFQF market access was an attractive option for ACP negotiators. It was an easy message, it received support from European development communities and it put the EU on the defensive (Pilegaard, 2007, p. 153). It could also be argued that granting DFQF through EPAs solves part of the puzzle that has arisen

[22] Comoros, Madagascar, Lesotho, Mozambique, Burundi, Rwanda, Uganda and Zambia signed interim EPAs; Haïti was part of the EU-CARIFORUM EPA and, although it has not yet signed the agreement at the time of writing, is expected to do so. These LDCs engaged in reciprocal EPAs because of their commitment to regional integration and more favourable non-tariff aspects of EPAs such as rules of origin and Aid for Trade (see Pilegaard, 2007).

because of the differentiation between LDCs and non-LDCs in ACP regions. Because all ACP regions include at least one LDC, the objective of reinforcing regional integration in them was difficult to realize. EPAs providing DFQF market access for the LDC members and less than DFQF for the others would have seriously complicated the functioning of regional trade schemes. Offering DFQF for all members of an EPA has eroded the preferential advantage of LDCs, but it could also make the establishment of regional EPAs more realistic. Most importantly, the spillover of DQFQ treatment from EBA to EPA has found support inside the EU. When drafting the negotiation mandate, DG Trade had initially proposed DFQF access for all EPA members. This offer was withdrawn in the final version (June 2002), allegedly because of opposition by DG Agriculture (Bilal, 2007, p. 210). Then in the early spring of 2007 EU Trade Commissioner Peter Mandelson again suggested that the EU should offer EBA-equivalent treatment to EPA members. By making this offer, the Commission was attempting to force a breakthrough. Such a gesture proved necessary because the WTO waiver for the Lomé-style preferences were due to expire at the end of 2007 while the EPA negotiations were dragging on. The suggestion also allowed the Commission to formulate a defence against mounting accusations from the ACP partners, some EU Member States (in particular the UK), the European Parliament and development NGOs that it was pursuing market access in the ACP while keeping European markets closed. However, the proposal was resisted by the southern members (France, Spain, Portugal and Cyprus in particular). As a result, the Council of 15 May 2007, while confirming the EU's willingness to offer EBA-like market access to all the ACP countries engaging in EPAs, imposed transition periods for sugar, rice and bananas.[23] Consequently, the interim agreements concluded by the end of 2007 provide DFQF access to the EU market except for these three agricultural products.

In summary, the EU has created a new layer in its already complex trade system by introducing very favourable non-reciprocal preferences for the LDCs. Interestingly, the EU's LDC strategy of 1997 was outlined during the thought process on the post-Lomé reform of EU–ACP relations, namely between the Commission's 1996 Green Paper and its 1997 negotiation guidelines (Orbie, 2007, pp. 28–30). By catapulting the LDCs to the top of the EU's 'pyramid of preferences', the exclusive position of the ACP was challenged. The establishment of EBA and its predecessor has helped the EU to begin relinquishing its ACP legacy based on colonial ties. In this context, it should be noted that, in contrast with the spirit of the Cotonou Agreement and

[23] Agence Europe, 15 May 2007.

much to its discontent, the ACP group was not consulted on the EBA proposal. DG Development, a traditional advocate of ACP interests in the Commission, was also not involved.[24]

Nevertheless, during the EPA negotiations the ACP managed to obtain equivalent (but reciprocal) market access to Europe. While the negotiations on full and regional EPAs are still going on, it is clear that the EBA initiative has influenced their course in line with the preferences of the liberal-globalist group inside the EU. It has also complicated these negotiations, resulting in a hotchpotch of trade arrangements with the ACP: (1) EBA for most ACP LDCs; (2) normal GSP for some non-LDC ACPs (e.g. Nigeria); (3) interim EPAs with ACP countries (e.g. Cameroon, Cote d'Ivoire, Ghana, Botswana, Namibia) and with one ACP sub-region (east African Community); and (4) one full EPA (with CARIFORUM) (for an overview, see ODI and ECDPM, 2008). But the bottom line is that, overall, the EU has further opened its market, consistency with the WTO rules has increased and the ACP group's special position has been weakened.

IV. Launching and Concluding the WTO Trade Round

The EBA initiative has also played a facilitating role in the ongoing round of trade negotiations within the WTO. First, it was a successful element of the EU's strategy to gain developing countries' approval for the launch of a new trade round in Doha. Shortly after the debacle of Seattle, Trade Commissioner Lamy (2000) emphasized:

> First of all, it is necessary to address the questions which concern developing countries, in particular the least developed countries, which are those, who feel most frustrated by the failure in Seattle. This means that in parallel with the work on the built-in agenda, it is necessary to push forward our initiative on duty and quota exemptions for the least developed countries (Lamy, 2000).

The prospect of the Doha Conference in 2001 influenced the timing of the Commission's EBA proposal (Page and Hewitt, 2002, p. 99). Its explanatory memorandum stressed the importance of 'genuine efforts to take on board the needs and concerns' of LDCs after Seattle (Commission, 2000, p. 3). The EBA initiative did indeed increase the legitimacy of Europe's call for a 'Development Round'. Van den Hoven shows that DG Trade's development discourse in the run-up to Doha had a persuasive effect both within the EU and externally. In this context, he comments that EBA 'enabled the EU to hold

[24] Commissioner Nielson favoured the EBA proposal, but senior officials in DG Development were reluctant (Carbone, 2007, p. 55).

the high moral ground in the WTO' compared with the US and other industrialized countries (Van den Hoven, 2004, p. 264; Meunier and Nicolaïdis, 2005, p. 260). Similarly, Chaban *et al*. (2006, p. 253) found that EBA is one of the trade areas where Europe is perceived by non-EU actors to play a leadership role. By increasing the development-friendliness of the EU's image in the WTO, it helped to forge a consensus on the Doha development agenda. As *The Economist* (3 March 2001) predicted when the EBA proposal was made public, 'the biggest benefit may accrue to Mr Lamy. He can bank any goodwill arising from the new policy and cash it later, when trying to launch a new round of multilateral trade talks'.

This EU strategy also sheds light on why the EU was the first industrialized trade actor to endorse Ruggiero's call for DFQF treatment for LDCs (since the conclusion of the Uruguay Round, the EU has been the most outspoken supporter of a new WTO round), and on the proactiveness of the Commission's DG Trade in this respect (given its bureaucratic interest in a new WTO round as the EU's trade negotiator). As explained above, DG Trade's proposal was more radical than the prevailing ideas within the Council and it received opposition from DG Agriculture.

However, the EBA initiative, though a convincing sign of goodwill towards LDCs, also implied that the latter have less interest in a successful conclusion of the round. Further tariff liberalization would only decrease their preferential margin compared with other developing countries. The EU has attempted to address this problem and increase the LDCs' stake in the Doha Development Agenda by arguing for a 'global' EBA in the WTO framework – a strategy that has been relatively successful.

This brings us to the second connection between EBA and the WTO round. It seems that EBA continues to exert a notable power of persuasion within the WTO after the Doha summit, but this time over industrialized countries. The EU's repeated call that other countries should follow its example has already had some effect. The Hong Kong ministerial declaration of December 2005 includes a commitment to establishing a worldwide EBA. Developed members and 'developing country members in a position to do so' have agreed to implement DFQF market access for products originating from LDCs.[25] Although the provision that 3 per cent of tariff lines may be exempted provoked critical reactions reminiscent of EBA discussions within the EU (Rangaswami, 2006), this decision may turn out to be an important part of the final package deal in conclusion of the Doha Round. It should be noted that by the end of 2008 the LDCs were calling for a 'speedy conclusion' of the Doha Round, *inter alia* because this 'will open up new market access

[25] WTO ministerial declaration, Hong Kong, 18 December 2005.

opportunities'.[26] Similarly, the WTO Director General Lamy has argued that an agreement would 'deliver on the promise of duty-free and quota-free access for the exports of the world's poorest'.[27]

Thus Europe's EBA did not only stimulate the *launching* of the Doha Round in 2001; its 'globalization' in the WTO talks could also facilitate the *conclusion* of the Doha Development Agenda. Although the DFQF issue originally came from the WTO in 1996, the EU has made the international diffusion of its EBA initiative a spearhead of its trade strategy. When this diffusion is achieved, the EU will have realized the three dimensions of its June 1997 LDC strategy.

Conclusions: Everything But Development?

This article has analysed the broader ramifications of the European Union's 'Everything But Arms' trade scheme. Although EBA is a relatively small scheme, with limited economic effects, we have argued that it plays a significant catalysing role in the EU's trade-related policy agenda. Somewhat provocatively, the initiative might also be labelled 'Everything But Development': despite its very modest impact on export development of the poorest countries, EBA has had significant implications for the reform of the CAP regime (internally), the restructuring of EU–ACP relations (regionally) and trade negotiations at the level of the WTO (globally). Without identifying EBA as the ultimate 'smoking gun', we conclude that it has been instrumental for some EU policy actors to steer a number of policy choices. EBA has obviously not *determined* recent evolutions in the EU's CAP, ACP and WTO agendas, but its existence has *facilitated* policy change in these three areas.

The point is not that EBA has been part of any grand master plan deliberately designed to influence these reforms. Nonetheless, its impact on EU policies has not been neutral. Our process-tracing analysis of the EBA regulation illustrates the fierce conflicts, both within the Council of Ministers and the European Commission, between globalist-liberal and regionalist-protectionist actors. The intra-EU negotiations on EBA have not only concerned the specific issue of LDC imports, but have also linked up with more fundamental discussions on further reform of the CAP, the future of the ACP group and the desirability of a new WTO trade round. The EBA initiative has been so highly politicized, not because of its important impact in terms of development for the LDCs, but because it touches upon diverging preferences in these issues. Although its final form was a compromise between the two

[26] LDC Ministerial Declaration, Siem Reap, 20 November 2008.
[27] Follow-up International Conference on Financing for Development in Doha, 29 November 2008.

groups, and the concessions obtained by the regionalist-protectionist group led some critics to refer to 'Everything but Farms',[28] our examination shows that eventually EBA has stimulated reforms in line with the globalist-liberal preferences inside the EU. The initiative will truly become 'everything' but arms from September 2009, with the end of the transition periods for sugar and rice. More importantly, EBA has contributed to the liberalization of internal, intra-regional and global trade relations, while also challenging the exclusive position of the ACP group in the EU's international trade orbit.

These findings confirm that, despite the widespread image of the EU as a protectionist trade actor towards the developing world (Chaban *et al.* 2006), the EU has acted as a 'fairly liberal' actor since the 1990s (Hanson, 1998; Young, 2004). At the same time, they show that the WTO has been at the centre stage of the EU's international trade agenda (Meunier and Nicolaïdis, 2005, p. 260) and that the multilateral trade negotiations have informed EU policy choices at the intra-European and inter-regional level. This line of policy has not been enthusiastically embraced throughout the EU, but lobby groups, Member States and officials in the European institutions who have a stake in the protectionist and preferential EU trading system as it has evolved since the 1950s have clearly been on the defensive. Overall, as a global and offensive trading power, the EU has much to gain from a global and liberal international trade strategy (Evenett, 2007).

In this context EBA has played a small, but crucial and often neglected role. The trade initiative will continue to be relevant in the coming years, when the transition periods for rice and sugar expire, the negotiations on full EPAs and other bilateral trade negotiations with developing countries are concluded and the Doha Development Round reaches its final stage.

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[28] See, for example, Kevin Watkins (Oxfam) at «http://www.twnside.org.sg/title/cost.htm».

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