

The Lome Convention: Its significance and relevance to the agenda for international economic cooperation

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Negotiations for a fourth "Lome" Convention between the EEC and the ACP (African, Caribbean, Pacific) group of countries will begin in September 1988. In this article Edwin Carrington, Secretary-General of the ACP Secretariat in Brussels assesses the value of the Lome arrangements and outlines an agenda for future international economic co-operation.

In its preparation for its negotiations with the EEC for a Third Lome Convention, the ACP Group itself acknowledged that "it is one of the achievements of international relations of the last quarter of the 20th century that the leaders of the member states of the European Economic Communities, on the one hand, and the countries of Africa, the Caribbean and the Pacific on the other, successfully negotiated for their peoples, the arrangement which, with some justification, could claim to have taken a significant step towards establishing a new model of relations between developed and developing states, compatible with the aspirations of the international community towards a more just and more balanced economic order."

Putting together as they did, a legally-binding contractual agreement on the basis of equal partnership underpinned by the provision by the EEC of a modest quantity of essentially non-political aid, the ACP Group and the EEC have taken the *quality* of their relationship beyond that existing anywhere else in the international community. The Lome Convention incorporates: preferential treatment for ACP exports and non-reciprocity in their trade relations; an operational mechanism for stabilising a major part of the ACP states' export earnings, reinforced by a commitment to transform, into at least quasi-industrial economies, the economies of the ACP states.

This relationship, the basic principles and objectives of which the Lome III Convention carefully and clearly spells out, aims to promote the economic, cultural and social development of the ACP and

EEC states, by consolidating their relations in a spirit of solidarity and mutual interest. This exercise in ACP/EEC cooperation rests on the fundamental principles of equality between partners, respect of each state's individual sovereignty, and regard for their mutual interest and interdependence.

In line with these principles, the Lome Convention provides for the ACP States to determine their own development strategies and models for their economies and societies; it places emphasis on their self-reliant and self-sustained development based on their own cultural and social values, their human capacities, their natural resources and their economic potential.

In consequence, with the overriding central place given to man and his development, the preamble to the Convention requires that both sides "adhere to the principles of the Charter of the United Nations" and reaffirms their faith in fundamental human rights, an adherence which condemns discrimination on grounds of race, colour, sex or religion and deems apartheid an affront to human dignity which they would work effectively to eradicate.

Apart from these clearly stated fundamental objectives and principles, the *approach* to arriving at this relationship, namely, group to group and genuine negotiations, rather than gratuitous conferment of a beneficial entitlement from one group to the other, is unique as a method of establishing an equitable relationship between the developed and the developing worlds.

The progress marked by the Lome Conventions is not limited entirely to the North/South aspects of the relationship, but includes also support for the ACP's south/south cooperation. As such, the Lome Convention can be said to be committed to respecting in practice the priorities set by the ACP in their self-reliant charter, the Suva Declaration and Programme of Action. (These include cooperation in trade, transport and communications, development finance, joint production technology and technical assistance, and in education, science and culture).

The initial efforts now being made to give practical substance to this south/south cooperation such as the establishment of the federation of National Chambers of Commerce, Industry and other economic operators, and the implementation of the other aspects of the Intra-ACP Cooperation programme of action are thus counting on the EEC's financial and technical support.

As regards the substantive areas of cooperation, the Lome III Convention essentially reiterates the trade regimes of earlier Conventions and upholds the special arrangements on sugar and bananas found in them. Improvements were made in the arrangements governing certain special products, including rum, rice and beef.

There is also the possibility of coordinating aid and trade through

the food aid programme, sectoral programmes and food strategies.

As regards the treatment of agricultural products generally, there are two facets to the improvement brought about by the Lome III Convention. The first relates to the procedure for granting preferential access to ACP agricultural products in the Community market, where the Community must now respond within a maximum of six months to all ACP requests for more favourable treatment. In so doing, it is also committed to taking into account both concessions granted to other developing countries as well as the possibilities of exporting in the off-season. The second facet of the improvement relates to the request by the ACP to purchase available agricultural products in the Community at preferential prices. Here, provisions for long-term prefixed prices provides a new dimension to ACP states' food import policies but not without certain dangers for the development of their domestic agriculture.

One of the areas of greatest progress in ACP/EEC Cooperation in Lome III is the key sector of financial and technical cooperation where the record for the past eleven years called for significant improvement. The modest financial outlays provided for the ACP Group of countries which has increased from forty-six in 1975 to sixty-six in 1985, have certainly not been disbursed to their satisfaction.

That the aid procedures needed to be streamlined to attain the objectives of the Third Convention was evident. Both sides therefore agreed to revise in the Lome III Convention the procedures as regards the scope and management of projects and programmes in ACP states, and their joint evaluation, with a view to greatly reducing bureaucratic red-tape and leading to more effective implementation of financial and technical cooperation in all areas including Stabex, Sysmin, national indicative and regional programmes.

The agreement on attracting private investment especially into sectors such as industry, and fisheries, if realised during the implementation of Lome III, should help to make a significant impact on ACP/EEC Cooperation. So also should the new provisions as regards the development of trade in services and cultural and social co-operation.

Lome III in practice

In spite of these and other improvements, the experience so far is that the operation and implementation of the various provisions of the Conventions are not yet working to the full satisfaction of all ACP States. Apart from certain congenital deficiencies affecting ACP agricultural exports due in large measure to the requirements of the Common Agricultural Policy, the Community has by certain technical proposals, (e.g. as regards the definition of chocolate) by threats

of internal taxes, for example on oils and fats, and by certain other measures such as discriminatory levy adjustments, itself threatened to diminish the potential benefits of the Convention to ACP States. Moreover, certain known difficult areas like regional cooperation continue to be slow off the mark.

Overall, it is also highly doubtful that the Lome Conventions have had a very great impact on the level of ACP agricultural production or have brought about any marked increase in the level of value-added for ACP processed products. It is interesting to note that a study jointly undertaken by the ACP and the EEC has shown that, mainly as a result of trade policy actions taken by the EEC against ACP products, the share of the ACP States' exports in the EEC market has progressively declined since 1975. It is also frequently pointed out that notwithstanding a decade of the Lome Conventions, not one of the sixty-six ACP States has become, or is even seriously threatening to become, a newly industrialising country (NIC).

Thus, without denying that the Lome Conventions play a significant and important role in the economic life of ACP States, especially against a background of widespread and continuing economic crisis, they certainly fall short of the ideal arrangement advocated and sought by the ACP States. It is therefore an unfortunate reality that despite these Conventions it is difficult to deny the widespread judgement that the economically strong industrialised countries of the North have not yet significantly assisted the economically weak countries of the South to reduce their economic dependence, and thereby enjoy a more meaningful political independence. In the case of the ACP States, the Lome arrangements would certainly have served mainly to attenuate the crisis situation.

The question is frequently posed as to why this is the case, as the Lome provisions, taken together, do undoubtedly present a significant improvement on the general international economic environment. There are probably many explanations. The important question of time apart – *development takes time* – the provisions of the Convention – trade, financial cooperation etc. do not seem to be sufficiently *potent* to achieve the objectives they pursue. Apart from the many exceptions and limitations imposed on the Lome arrangements due to the CAP and other Community policies, the current rules of origin are far too stringent for most ACP States. Indeed, even if effective access is achieved that is hardly enough for poor ACP States as it does not guarantee sales. For this, strong trade and market promotion are indispensable. There is also at the moment no effective operational policy on commodity marketing and/or processing and the Stabex compensatory arrangements, though undoubtedly useful, are certainly not adequate. Finally, the financial resources are much too small – in per capita terms, much less than Lome I – to

have a significant impact on ACP States' overall gross domestic investment, etc.

Given the extreme intransigence of the development problems faced by the ACP States, the Lome arrangements seem to be a case of the diagnosis being right, but the prescription being inadequate and insufficient.

Whatever the deficiencies and structural weaknesses of the Convention, the situation is not helped when the letter and spirit of the Convention are not fully implemented by EEC or ACP States either from lack of political will or adoption of contradictory policies, or because of weak and inadequate administrative machinery in ACP States or even disinterested national political directorates. Charity is not the only virtue that needs to begin at home!

The Lome Conventions, it must be remembered, were never designed to be a substitute for a favourable international economic environment. They were designed to be a complement – a significant one nevertheless. For much of the last seven years, however, as far as most ACP States were concerned, it was the Lome Conventions mainly, among international economic cooperation arrangements, which kept the wolf from the door – if in fact it was kept! This situation is unlikely to improve in the future unless there is significant change in the international economic environment – a goal which both ACP and EEC, together representing half of the world's community of nations, have an interest and a responsibility to achieve. This was what they did in some measure at the recently concluded UNCTAD VII, and hopefully will be doing during the current Uruguay Rounds of GATT Trade Negotiations.

If the above assessment is even partially correct, then sustained action would be required in all these areas if the 21st Century is to herald a new and more humane era for the majority of mankind.

Approaching the 21st Century – An Agenda for Action

Any agenda for future international economic cooperation, especially one of relevance to the ACP Group of States, must involve sustained action in three inter-related arenas: the general international environment; the ACP/EEC relationship; ACP domestic national and regional policies. The word agenda comes from the Latin "agere" meaning "to do". Unfortunately, today, it has come to mean things "to talk about". It is the original sense of this word which the present situation demands.

The General International Environment

As regards the general international environment for international economic cooperation, as a minimum the results of the recently concluded UNCTAD VII must be given full effect.

Specifically, in the areas of resources for development, the four main dimensions of the problem, are: the debt problem; the inadequacy of external financial resources; the under-mobilisation of domestic savings and human resources; the unresolved related monetary questions.

All of these, especially the first three, need to be the subject of significant progress on the international front. This progress must effectively involve most of all, the debt problem.

For this particular problem, one of the most pervasive and intransigent facing the world community, as agreed at the recent UNCTAD VII, an international framework must be put into place which allows the developing countries, as one expert puts it, to *grow* their way out of debt rather than to *borrow* their way out. The writing-off of a large part of existing ODA must be reinforced by multi-annual rather than annual rescheduling of the Paris Club-type debt. New norms regarding the maturity, the grace period and the consolidation arrangements which take into account the economic, political and social conditions of the countries involved must be established. Also, can the world continue to accept that multilateral financial institutions' debt cannot in any circumstances be adjusted? Must the cost of this "sacred cow" not be matched against the loss of welfare which the maintenance of its "sanctity" implies for the billions of poor people whose countries must now find the means of making net transfers to these institutions? (Between 1984 and 1986 the net transfers of developing countries have been estimated to amount to over 70 billion dollars.) It is sometimes as though the fundamental *raison d'être* of these institutions is forgotten.

Of vital importance also under this heading is the necessity for the developed donor countries on average to achieve within the decade of the 80's, the 0.7% of GNP target set for ODA. The recent proposal by Japan to recycle in three years some 30 billion dollars of its surplus, mainly to developing countries, is an important step in the right direction especially given its low ODA achievement to date.

Once this target has been met and hopefully at the beginning of the year 2000, the more developed of the developing countries should themselves have a target to meet, of course much less onerous, for assisting the least developed countries. This is a sacrifice not totally unknown in ACP/EEC relations in the acceptance of an allocation of financial resources in favour of the least developed countries. This notion is an important aspect of collective self-reliance also.

For these countries — the present so-called middle income countries — to assume that responsibility, they need to be assisted now, not so much with grant funds, but more so with subsidised loans, export credits, risk capital and private investment capital.

Finally, of crucial importance is the need for the developing countries to reinforce by action the importance of domestic resource mobilisation. The understandable preoccupation with external factors can often lead to a "dropping of the guard" on domestic efforts. The wastage by a number of inefficient public enterprises for example must be removed and domestic savings' contribution to total domestic investment must take its rightful leadership role.

In the area of international trade it is crucial that, in addition to immediate stand-still and a measure of roll-back in present protectionist measures, the Uruguay Round reintroduce greater multilateral discipline and thus improve the international trading environment by effectively treating the large number of well-known outstanding GATT issues facing trade in goods especially the trade of developing countries. With this achieved, a framework for trade in services which would allow the developing countries to share in multilateral organisation of such trade, must provide a useful complement.

None of these measures would however yield significant benefits for the developing countries if these countries do not undertake certain vital *structural adjustment measures*. The pattern and composition of their production, the competitiveness of their output, their management methods and techniques, etc. all need to be reviewed and adjusted to meet domestic, including regional, as well as international demand and to take into account their resource endowments and human capabilities. The contribution which regional and inter-regional cooperation must play in this area is crucial.

A large part of the effort also falls on the industrial countries because without access to their markets and financial and technical assistance, developing countries will face impossible odds in undertaking successfully the required structural adjustments and in participating effectively in international commerce.

In the field of production and trade, the problem of commodities on which developing countries depend for more than three-quarters of their foreign exchange earnings, occupies a central position. Obtaining for their commodity exports as they do today, a real price lower than any time in the last half a century, and more importantly, facing a severe deterioration in their terms of trade (a 37% fall between 1980 and 1986 alone) which has cost the developing countries over 50 billion dollars between 1980 and 1985 from the sale of non-oil commodities alone, developing countries consequently face severe economic deprivation. Africa alone is estimated to have lost 19 billion dollars in 1986 through plummeting commodity prices. Developed countries benefit from this deterioration, through reduced outlays for imports, lower inflation rates and improved balances of payments.

The recent steps by the USSR and certain other countries including Cote d'Ivoire to bring into being, at last, the Common Fund aspect of the Integrated Commodities Programme agreed on since 1976 at UNCTAD IV, is a very valuable step which however speaks volumes on the kind of economic environment in which we live today. The early operation of the second window of this agreement to deal with diversification, processing, transport, storage and marketing of commodities must be central to any economic strategy or agenda for the developing world in the remaining years of this century. Despite the indifferent record of international commodity agreements (ICAs) they would also need to play a significant role for the foreseeable future.

For economic, social as well as humanitarian reasons, the specially disadvantaged and deteriorating situation of the least developed countries must be the priority concern for any meaningful agenda for international economic cooperation. First of all, commitments already made but observed mainly in the breach, such as the SNPA (Substantial New Programme of Action) and especially the 0.15 percentage ODA target must be met as an *emergency priority*. These countries must also be the recipient of increased multilateral financial and technical resources on a grant basis through institutions such as IDA, IFAD, UNDP etc. The IMF must also significantly increase its structural adjustment facility to these most needy of developing countries, the amount of increase being guided inter alia by the principle that these countries should never be forced to make net transfers to the IMF.

The coming ACP/EEC Negotiations – The First Step in a New Agenda

The Lome arrangement must maintain its avant-garde nature and it must continue its leadership role if it is to retain intact its essential *raison d'être*. All the measures referred to in the context of the role of the general international economic environment are vital to the future achievements of ACP/EEC cooperation, the success of which was after all predicated on the existence of a supportive international economic environment.

Apart from this general inter-relationship however, there are certain specific directly ACP-linked considerations for seeing that progress is made in the international economic environment.

As roughly one half of the developing nations (66 out of 134), the ACP States have a vital stake in measures designed to assist the developing world. Embodying as it does three-quarters of the world's least developed countries, (according to the UN list) an international programme for the least developed countries is virtually a programme for all countries within the ACP. As major dependents on commodity exports, the operationalisation of the Common Fund can be a major

boost for the ACP Group. As heavily indebted countries (Africa alone owes over 200 billion dollars) all measures to reduce the debt burden are of central concern to the ACP Group. Indeed, the ACP/EEC Joint Assembly has already called for a special ACP/EEC Council of Ministers to discuss the debt problem. Africa also has called for an international debt conference to review its debt situation.

All these factors must be taken into consideration when the ACP and the EEC sit down in September 1988 to begin their scheduled negotiations falling in the middle of the Uruguay Round and coming so soon after UNCTAD VII, which are likely to provide the first and possibly the firmest step on the road towards implementing an agenda for international economic cooperation in the final approach to the 21st Century.

They are certainly going to provide the first real complete test to the supposedly new international economic environment emerging from UNCTAD VII. Augmentation of the financial resources, attenuation of the debt problem, significant improvement in the rules of origin, strengthening of access for ACP agricultural products, more effective promotion of ACP trade are issues which those negotiations must address seriously.

Improvements in the institutional structure to reflect genuine equality of cooperation, not only in conception and negotiation, but equally in implementation, can also no longer be postponed or evaded.

Among these must also be improvements in methods of operation including methods of conferring. In its philosophy of development, the role of the NGOs must have priority over that of the multinational corporations. What this implies is that the resources — technical and particularly financial — are to be directed to, and primarily employed in people-oriented activities in the ACP states. These activities, such as training (technical and artisanal), cooperatives, rural development, small enterprises development, including project design and operation, etc., rather than large scale projects with high investment and other operational import requirements with consequential large export orders for the EEC enterprises and significant foreign profit payments, should be the centre-piece of the development process.

This would put emphasis on development in the ACP states, less so than employment in, and exports from the EEC countries. It would result in a less concentrated and centralised Brussels-directed approach and in a greater knowledge of Lome by ACP populations as well as in more extensive involvement by ACP organisations and personnel. Equally, it would bring more ordinary EEC nationals into the process

rather than simply EEC firms, Governmental and intergovernmental organisations.

The strengthening of regional cooperation among ACP States with greater EEC support, but more so through greater effort by the ACP States themselves is another crucial dimension which must be developed in and around the next negotiations.

The time may well have come for the ACP States also to give substance to the vision that as a group their North/South relations are not necessarily limited to the EEC. As a group, and particularly with their Pacific members, they have a right to and can certainly benefit from seeking additional financial support from the Japanese surplus resources.

As regards national action, though neither time nor space will permit us in this article to elaborate, one cannot avoid the restatement of the principle that domestic national efforts are the most crucial and fundamental for the development of any state. At the end of the day, the responsibility for one's development is one's own. International support, vital as it may be is no substitute, not only because it is always inadequate and is sometimes even uncertain. It behoves every country, and in this regard, ACP States stand in the front line, to put their socio-economic welfare on as sound and self-reliant and sustainable a basis as domestic efforts will support. The bottom line is always self-reliance and self-responsibility. That is what development is about.

If such an agenda is followed, and guides us into the 21st Century, there is no doubt that the pains endured and the initiatives and creativity expended in this last quarter of the 20th Century, in which ACP/EEC Cooperation has been in the forefront, would have made an immeasurable contribution to the lives of the more than 5 billion people who now inhabit this planet.