



DEVELOPMENT

LOMÉ IV REVISED

Changes and Challenges



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Lomé IV Revised Changes and Challenges 1995 - 2000

The background to the negotiations

Unlike earlier Conventions each of which covered a five-year period, the fourth Lomé Convention, signed on 15 December 1989, was concluded for a period of ten years⁽¹⁾. Only the financial protocol attached to the Convention was limited to an initial five-year phase and subject to renewal at the end of that time.

Lomé IV's negotiators did, however, provide for a mid-term review - not to be confused with full-blown renegotiation - to allow for adjustments or additions to the text of the Convention.

Since the signing of Lomé IV, major political and economic changes have taken place both at international level and in terms of the development of the ACP States and the Community.

These include the fall of the Berlin wall, the end of East-West rivalry, a certain disenchantment with development aid because of its poor results and the recession in the West, the globalization of international relations and the liberalization of world trade. Hence the Lomé partners chose not to confine themselves to renewing the financial protocol as laid down in the Convention but to use the opportunity of the mid-term review to make some amendments. This involved revamping the existing text in the light of the economic, political and geopolitical upheavals of recent years.

The Community and the ACP States notified one another on 28 February 1994 of their requests for amendments to the Convention.

Negotiations began in Swaziland on 20 May 1994 and ended on 30 June 1995 at the ACP-EU ministerial meeting held in Brussels following the Cannes European Council of 26 and 27 June⁽²⁾.

The results were formalized in the agreement signed in Mauritius on 4 November 1995.

(1) It came into force on 1 March 1990.

(2) For the record, starting from an initial text of 369 articles, 71 articles were amended, deleted or added. In addition to the financial protocol, two of the nine existing protocols were amended and a new protocol was added.

Lomé IV

Political developments

In November 1989, a month before the signing of Lomé IV, the Berlin wall came down. The end of East-West confrontation was to upset the political and geostrategic balance. In the eyes of politicians, development aid for Africa lost one of its main justifications as a lever in the cold war.

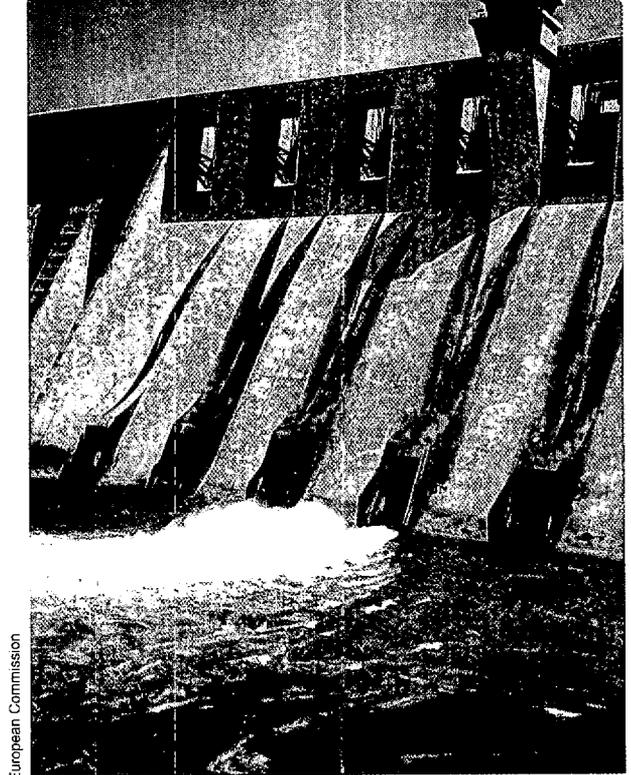
Now that there was no longer an ideological basis to the ACP States' political ties to the two superpowers, they lost their geostrategic interest. But during the same period Africa was also caught up in the climate of change, which prompted the La Baule Conference and the emergence of democracy as one of the conditions of development aid. A growing number of countries embarked on a process of democratization. Between 1990 and 1995 about thirty elections were held on the African continent.

These institutional developments went hand in hand with the major economic reform programmes initiated in the 1980s under the heading of "structural adjustment". Structural adjustment has severe social repercussions and involves state withdrawal from the production and trade sectors.



European Commission

One of the main objectives of Lomé is to modernize industry and increase exportation.



European Commission

The Manantali project in Mali, one of the many infrastructure schemes cofinanced by the EDF under Lomé.

The Lomé IV mid-term review provided an opportunity for the EU to step up its support for this dual process of political and economic reform.

The Maastricht Treaty on European Union was signed in 1992. It contains a new section on development cooperation with specific objectives assigned to the Community to support the development of the countries concerned. In addition, the Maastricht Treaty opens the way for increased coordination and complementarity between the development policies of the Community and the Member States, and greater consistency between the objectives of development cooperation and other common policies, in particular trade and agriculture.

Against this general backdrop, the European Union and the ACP States also felt the need to step up their political dialogue.

Economic reforms

In 1989, in the face of serious economic and financial difficulties, many ACP States had embarked on the draconian reforms imposed by the IMF and the World Bank. But although there were signs of recovery south of the Sahara, particularly in Southern and West Africa, the economic crisis continued to hinder the development efforts of many African countries in the first half of the 1990s.

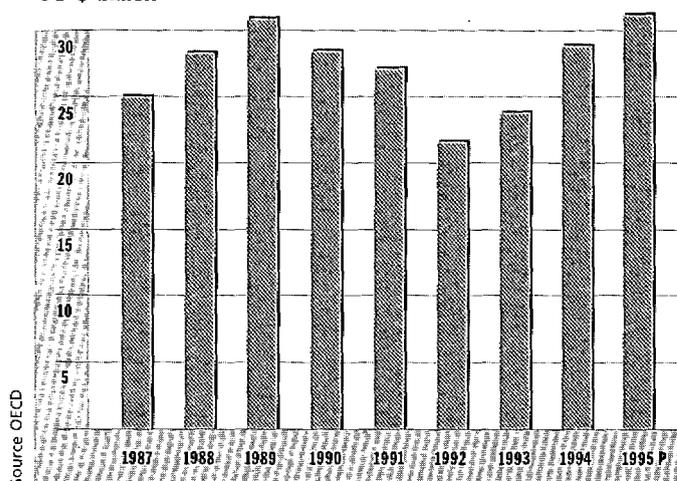
The chapter on financial and technical support for structural adjustment policy was one of the main innovations of the original provisions of Lomé IV. The European Community's objective is to support the continuation of structural reforms while ensuring that the social repercussions are tolerable believing as it does that social development is an integral part of economic progress and the promotion of civil society and democracy in Africa.

Generally speaking, efforts to improve management by privatizing bankrupt public sector undertakings are vitally necessary but expensive and politically sensitive. The ACP governments have been forced to administer painful medicine, but at the same time have been concerned to avoid social unrest, while

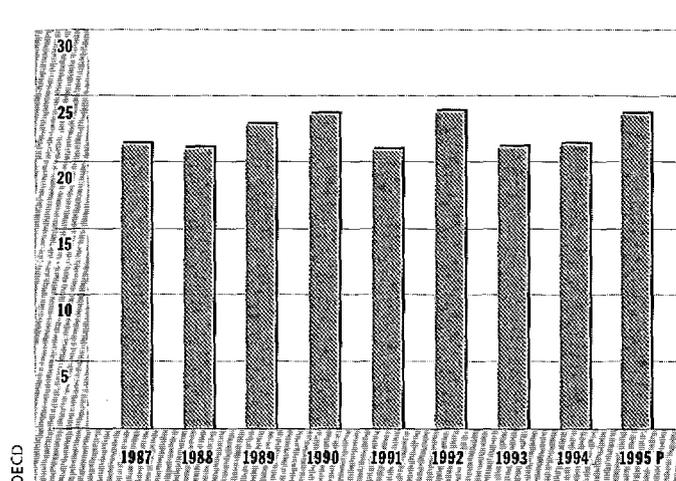
complying with the new conditions regarding democratic rule. Since the start of Lomé IV, the Commission, in cooperation with the IMF and the World Bank, has been involved in formulating adjustment programmes. This allows it to ensure that its priorities are taken into account - namely that the effects of adjustment on the most vulnerable social groups are not too harsh, thus giving reform processes more chance of succeeding. This has met with some success: instead of the virtually standard programmes previously developed by the World Bank and the IMF, adjustment programmes are tailored more closely to the specific capacities and constraints of each country.

EU support for the African countries of the franc zone, organized in conjunction with the other donors following devaluation of the CFA franc in January 1994, provided a good example of the type of measures geared to the particular situation of specific countries.

TOTAL NET RESOURCE FLOWS TO AFRICA
US \$ billion



TOTAL NET RESOURCE FLOWS TO SUB-SAHARAN AFRICA
US \$ billion



The new trade provisions

The ACP States reaffirmed the great importance that they attach to the trade section of the Convention. The tough negotiations on this point reflected the interests at stake in ACP-EU trade.

The ACP States were, however, also concerned about the risk of erosion of their preferences as a result of world trade liberalization following the conclusion in April 1994 of the Uruguay Round and the inauguration on 1 January 1995 of the World Trade Organisation. Their fears were compounded by the realization that the United States intended to apply the new rules of international trade indiscriminately. Although the Lomé Convention enjoys an exemption allowing tariff preferences to be maintained until 29 February 2000, the US has already objected to the WTO about the preferential access system that the EU grants to ACP banana producers.

The position of the ACP States has, however, evolved and relies less and less on what they once regarded as their "acquired rights". They began to acknowledge that in an increasingly free-trade oriented international environment,

with the dismantling of protective systems, competitiveness is going to be a key to economic relations.

On this basis, negotiations became much more wide-ranging and focused on means of strengthening trade development in the ACP countries and helping them become more competitive.

The mid-term review thus set in motion a process which in the long term is aimed at promoting the integration of the ACP economies into the world economy.

Geographical enlargement

Since the signing of Lomé IV the number of Member States in the European Union has increased from 12 to 15 with the accession of Austria, Sweden and Finland in January 1995. These countries signed the Agreement amending the Convention and the new financial protocol, thus enabling them to participate in the 8th EDF.

The ACP States have been joined by Namibia and Eritrea, bringing their number to 70.

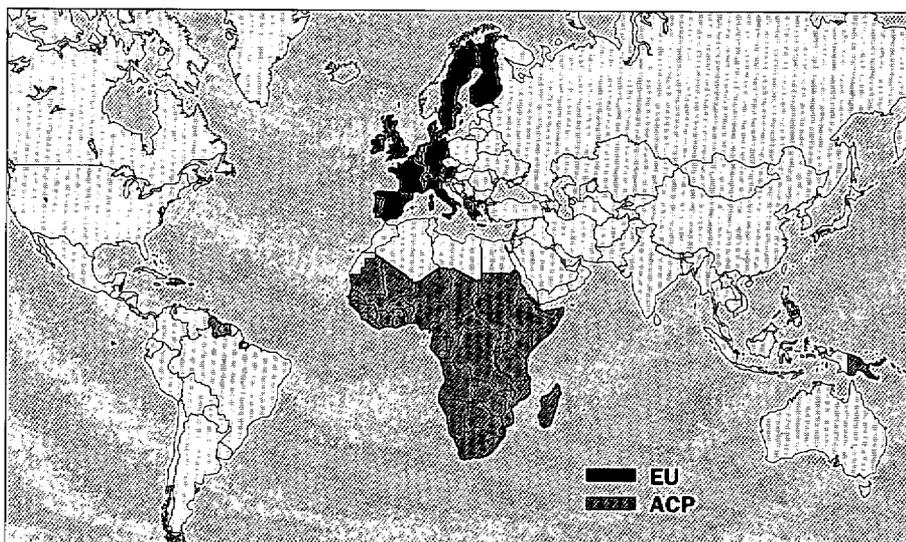
Lastly, the advent of the new, democratic South Africa freed from the shackles of apartheid marked a major turning point. South Africa, with its impressive new political and economic

institutions, can play a decisive role in opening up new prospects for regional development in southern Africa as a whole.

The interest shown by South Africa in the Lomé Convention proves yet again its attraction as an institution of North-South cooperation. South Africa had observer status at the signing of the Agreement amending the Convention in Mauritius, with the prospect of partial accession to the Convention coupled with a bilateral trade agreement with the Community. Negotiations duly began on the very day that the mid-term review negotiations were concluded.

■ ACP States

ANGOLA	CÔTE D'IVOIRE	HAITI	PAPUA NEW GUINEA	TANZANIA
ANTIGUA AND BARBUDA	DJIBOUTI	JAMAICA	RWANDA	TOGO
BAHAMAS	DOMINICA	KENYA	ST KITTS AND NEVIS	TONGA
BARBADOS	DOMINICAN REPUBLIC	KIRIBATI	ST LUCIA	TRINIDAD AND TOBAGO
BELIZE	EQUATORIAL GUINEA	LESOTHO	ST VINCENT AND THE GRENADINES	TUVALU
BENIN	ERITREA	LIBERIA	SAO TOME & PRINCIPE	UGANDA
BOTSWANA	ETHIOPIA	MADAGASCAR	SENEGAL	WESTERN SAMOA
BURKINA FASO	FIJI	MALAWI	SEYCHELLES	VANUATU
BURUNDI	GABON	MALI	SIERRA LEONE	ZAÏRE
CAMEROON	GAMBIA	MAURITANIA	SOLOMON ISLANDS	ZAMBIE
CAPE VERDE	GHANA	MAURITIUS	SOMALIA	ZIMBABWE
CENTRAL AFRICAN REPUBLIC	GRENADA	MOZAMBIQUE	SUDAN	
CHAD	GUINEA	NAMIBIA	SURINAME	
COMOROS	GUINEA BISSAU	NIGER	SWAZILAND	
CONGO	GUYANA	NIGERIA		



■ The European Union Member States

AUSTRIA
 BELGIUM
 DENMARK
 FINLAND
 FRANCE
 GERMANY
 GREECE
 IRELAND
 ITALY
 LUXEMBOURG
 NETHERLANDS
 PORTUGAL
 SPAIN
 SWEDEN
 UNITED KINGDOM

Amendments and modifications

Democracy and development

The mid-term review of the Lomé Convention reaffirmed the political content of cooperation.

Lomé IV made the defence of human rights an objective but did not provide the practical means of implementing the policy. The revised version fills this gap.

Beside the existing reference to respect for human rights, Article 5 of the revised Convention recognizes the application of democratic principles and the consolidation of the rule of law as "essential elements".

In order to promote these values, to which the negotiators wanted to add good governance, the EU decided to step up its support for the ACP States' democratization efforts. ECU 80 million was set aside to support institutional and administrative reform measures. This provision thus affords a direct and specific basis for operations such as support for elections in the ACP States, which in the past were covered by a variety of financial instruments.

Conversely, if these essential principles are violated, procedures exist which in extreme cases may result in the partial or total suspension of the Convention's application (the Article 366a suspension clause). Except for the "emergency cases" defined in a separate declaration, the suspension decision can be taken only after preliminary consultations with the ACP partners and the party in question, which must not exceed 30 days.

In fact, this provision merely institutionalizes and reinforces a practice already followed since the beginning of the 1990s whereby cooperation with certain ACP States has sometimes been suspended because of civil war or serious human rights violations.

It was a sign of the times that in 1995 a major change took place in the spirit and tenor of the discussions. A few years earlier, it was virtually out of the question to venture into the sensitive area of the political aspect of ACP-EU relations. Hence any debate on human rights, democracy or the possible suspension of cooperation was very difficult as the ACP States insisted that the fundamental right was

survival. Yet when it came to the mid-term review of Lomé IV, most of the discussions on these issues were concluded without confrontation.

In addition, the revised Convention strengthens ACP-EU political dialogue by extending it to foreign policy and security issues, matters of general interest or questions common to a group of countries. This dialogue is not limited to the ACP-EC Council of Ministers. It can also be held within a regional geographical framework or between partners more specifically concerned with a given topic.

The Joint Assembly

The revised Convention also includes new provisions on the Joint Assembly. They stipulate that at its twice-yearly meetings the ACP countries will henceforth be represented only by Members of Parliament or, failing that, by persons appointed by the national Parliaments, the aim being to stress the democratic nature of the Assembly. Where a state has no national parliament, the participation of an ACP representative is subject to prior approval by the Assembly.

Trade

Strengthening competitiveness

Negotiations on trade were marked by an entirely new approach. For the first time since Lomé I, the main focus of the debate was not on preferential access, previously seen as the main way of ensuring trade flows from ACP States.

The commercial advantages enjoyed by the ACP States - compared with the less comprehensive system of generalized preferences granted to other developing countries - were not enough to offset the competitive gap between ACP producers and their competitors in Asia and Latin America. These preferences, moreover, were now threatened by the liberalization of international trade.

The revised Lomé IV accordingly gives greater priority to developing ACP trade to improve competitiveness, encouraging economic growth and the gradual and smooth integration of the ACP States into the world economy. The new approach, which will rely on the allocation of sufficient resources, is reflected in several innovations and in amendments to existing articles of the Convention.

The new Article 15a states that the top priority no longer lies in developing preferential treatment but in improving the competitiveness of the ACP States. Preferential treatment now features as only one of the means of developing trade.

The Community and ACP States undertake to allocate, under the 8th EDF regional and national indicative programmes, appropriate resources for trade development programmes. All programmes and EDF projects will be evaluated taking into account their effect on the development of this sector and their capacity to contribute to improving the competitiveness of the ACP economies.

The aim is to increase not only ACP-EU trade but to develop all the ACP States' markets: domestic, regional, intra-ACP and international. Once again, the objective is to encourage the ACP countries' smooth and progressive integration into the world economy in the me-

dium and long term. The regional dimension, in particular, would provide a worthwhile framework for attaining this objective.

The comparative advantages

The consensus on the new approach did not prevent preferential treatment and rules of origin being discussed at the insistence of the ACP States.

The Community emphasized how little impact tariff concessions had on the development of ACP-EU trade. However, it acknowledged the need to give a positive signal to the ACP States, which were anxious to reassert their special relationship with the EU in the new situation created by the Uruguay Round. At the mid-term review preferential treatment was extended, with some very rare exceptions, to cover all products originating in the ACP States. Negotiations were tricky, because Southern Europe's farmers feared competition from certain ACP fruits, citrus fruits and vegetables. Under the new provisions there is a general reduction of 16% in the customs duties and levies applied to products which previously enjoyed no preference. Only three particularly sensitive products are excluded: olives and olive-based products, wine and lemons. Concessions have also been granted for products subject to quotas, "reference quantities" have been eliminated for all products except oranges and mandarins, and tariff quotas now apply throughout the year.

The ACP countries also requested more liberal rules of origin. Here the revised Lomé IV breaks new ground, allowing "cumulation for the first time between the ACP States and neighbouring developing countries belonging to a coherent geographical entity". In the interests of stimulating the growth of regional markets, 15% of the content of an ACP product may be sourced from a neighbouring country while continuing to qualify for the ACP preference⁽³⁾.

The idea is to increase Community support for the ACP countries' efforts at regional coope-

Lomé IV became the first ACP-EC agreement to include a section on debt which states that special loans will increasingly be replaced by grant aid. At the mid-term review, a further major step was taken with a formal declaration by the Community undertaking to transform into grants all uncommitted special loan appropriations outstanding from previous Conventions - about ECU 135 million.

The way ahead - prospects and challenges

Each Lomé Convention has always drawn and built on the achievements of its predecessors. Lomé remains, twenty years after its creation, the only practical example of real North-South partnership and the mid-term review showed the partners' attachment to this collective cooperation between industrialized developing countries, the main features of which are dialogue, security and predictability.

The review provided an opportunity to enrich the Convention and improve the effectiveness of aid. It also showed the need to begin in-depth discussions as soon as possible on the future of relations after 2000, when the Convention expires. The Convention states that formal negotiations on the follow-up to the revised fourth Lomé Convention should begin eighteen months before that deadline, i.e. in September 1998. Although it is not possible at this stage to predict the general outcome of the preparatory discussions, it is

plain to see that the world in which the European and ACP partners operate has experienced major changes and that there are more to come in the near future. Implementation of the Uruguay Round will bring about an increase in trade and a globalization of markets which will be beneficial for the front runners but potentially detrimental for the laggards. Forming regional trading groups could offset the adverse effects on some countries of economic globalization. In the long term, development operations must strengthen the international competitiveness of aid recipients. The ACP countries' progressive integration into the world economy and their competitiveness are now of decisive importance in national and international economic policies - even if the ACP States need time to establish groupings which meet the requirements of international trade. The review of the fourth Lomé Convention has at least shown the EU and the ACP countries' determination to work together on the strategy which will enable them to build a more effective form of cooperation in the new millennium.

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