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THE LOMÉ CONVENTION: WHERE IS IT HEADING?

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THE LOMÉ CONVENTION

The Lomé Convention governs relations between 70 African, Caribbean and Pacific countries, all former colonies of members of the European Union. Most of these countries are in Africa. Founded in February 1975, Lomé evolved out of the Yaounde Conventions and has grown from initial 46 member states into a 70-state strong instrument of North-South co-operation. Apart from receiving development aid from the EU, the member states also enjoy preferential access to the European Union markets. The Convention makes special provisions for the ACP countries in two areas, namely trade and financial co-operation. Under trade it offers unrestricted, non-reciprocal, and duty-free access for industrial products (including coal, steel, textiles, clothing); duty reductions; and quantitative access for agricultural products. The Convention differentiates between two types of agricultural products, namely tropical products that do not compete with European farmers; and products that are exempted from restrictions applied by the Common Agricultural Policy (CAP) of the EU. Attached to the Lomé Convention are an additional four protocols for sugar, beef and veal, rum and bananas. 'These protocols give free access to EU markets for a fixed quantity of exports from selected and traditional suppliers'.¹ Under financial co-operation Lomé provides for massive aid packages: currently Lomé offers more aid than all other states put together.

Aid is channelled through the European Development Fund (EDF) and the European Investment Bank (EIB). Both these institutions were established under the Treaty of Rome in 1957 in order to promote development in former colonies.

WHY CHANGE THE LOMÉ CONVENTION?

The Lomé Convention is currently enjoying a WTO waiver, which will be expiring on 28 February 2000. It is debatable whether a second waiver will be obtainable. The fact remains that Lomé is WTO incompatible and an alternative way of structuring relations between the ACP and the EU should be striven for. The European Union is also currently going through a period of major change. High priorities on its agenda for the coming years include further expansion to the East and the deepening of the EU into a Monetary Union. Expansion towards the East will place a massive economic burden on the Union and it is questioned whether the generous aid package for the ACP countries can be upheld.

It has further been felt that the Lomé Convention has not been a roaring success. Countries have been responding poorly to the development and aid programmes, therefore, monetary assistance does not seem to be having the desired effect. It is felt that restructuring the Lomé Convention should make the relationship between the EU and the ACP more effective.

The world is rapidly moving towards an era in which tariffs will have become something of the past. The Lomé Convention rests to a large extent on the preferences granted to the ACP. However, in a trading world without tariffs, preferences will also no longer be able to exist. Due to world pressures towards free and fair trade, the European Union will also have to dismantle its Common Agricultural Policy (CAP) significantly. The advantage that certain countries enjoy under the protocols will, therefore, also be largely diminished, as they will be exposed to greater

competition from other trading countries that were previously discriminated against. The banana protocol is a prime example. This protocol provides traditional ACP suppliers with duty free access of up to a global quota of 875,000 tons. It also regulates the market by maintaining tariff and quota restrictions against non-traditional ACP suppliers. These non-traditional suppliers, like Latin America and the US, have taken the banana protocol to the WTO dispute settlement panel for violating WTO rules. Seeing as the EU is the world's largest banana consumer, access into its market is of great importance to producers. The banana dispute ties in with objections to the EU's CAP which pays subsidies to European farmers and prevents fair competition on the world agricultural market. Should the Lomé protocols fall away for Caribbean banana producers, they will be exposed to competition from Latin American and American banana producers. Due to the inability to produce any other commodities and the competitiveness of other producers, Caribbean farmers are facing mass poverty.

ISSUES OF CONTENTION

Incompatibility of the protocols with the WTO rules is, however, not the only point of contention in the current Lomé structure. The Lomé Convention had set out to reduce poverty within its member states, but instead the ACP today find themselves in a spiral of debt and increasing poverty. Opinions on how to address these issues, however, differ widely.

Poverty Alleviation

The Treaty of Maastricht identifies poverty alleviation as one of the prime targets of EU development co-operation. This objective has been repeated in the *Green Paper* on future ACP-EU relations. Poverty alleviation is currently a contentious debate, as millions are spent on programmes which do not seem to be delivering the desired results. In addition, Western societies are increasingly burdened by unemployment and a waning welfare system. The North-South divide is blurring as a result of the 'globalisation of poverty' and the emergence of dual societies, with poverty at both national and international levels.² It is felt that money should rather be spent 'at home', where the effects can be felt, than in underdeveloped societies that don't seem to be responding.

Country	Aid US\$ mn.	Aid as % of GNP
France	8.433	0.5
Netherlands	3.226	0.81
Finland	0.388	0.32
Sweden	1.704	0.77
UK	3.157	0.28
Germany	7.524	0.31

Source: Human Development Report, 1997

A further worrying factor for the ACP group includes the argument that poverty alleviation should not only be directed towards the least developed of the ACP, but should include other developing countries currently not part of the Convention. (This question is also central to the debate on the general structure of the Lomé Convention.) If this should happen, each ACP country will be receiving significantly less money in future. If the current disbursement of aid has not been successful, the reasons for the failures should be sought out. In most situations aid is channelled through respective governments, which sometimes take months before actually implementing developmental programmes. It has been proposed that aid should rather be channelled through individual NGOs than through government. Accountability mechanisms over NGOs, however, are far more complicated and the potential for corruption could possibly increase.

Poverty has, however, not only been addressed through aid and development programmes. The corner-stone of the Lomé poverty alleviation policy lies in structural adjustment programmes. Opinions differ widely whether these programmes have actually contributed to poverty alleviation or actually exacerbated the situation. NGOs in Southern Africa tend to argue that 'adjustment policies (as currently applied) have led to a deterioration in the living conditions of most people in poor African countries'.³ On the other hand, Northern policy-makers argue that without structural adjustment programmes, African countries would be worse off than they are today.

Debt

There is currently pressure on the EU to re-evaluate its policy towards debt relief. There is a call for extensive research into the effects of market neo-liberalism on developing countries, seeing that current structures do not seem to be addressing the debt issue at all. In the face of past IMF and World Bank refusal to consider debt

reduction, most heavily indebted ACP countries spend development finance on the repayment of loans instead of on development itself. It should, however, be noted that ACP debt to the EU only represents a fraction of total debt by the ACP.

Country	Debt US\$ bn.	Debt as % of Exports
Mauritius	1.4	7
Botswana	0.7	4
Zimbabwe	4.4	4
Lesotho	0.6	17
Tanzania	7.4	20
Malawi	2.0	17

Source: Human Development Report, 1997

THE SOUTH AFRICAN EXAMPLE

Although a number of issues will become points of contention within the upcoming negotiations and will take many months to resolve, the general structure of the Convention will be of greatest concern, as this will provide the framework within which all other instruments of co-operation and development will be determined.

South Africa's accession to the Lomé Convention, as a partial member, might be a greater pointer in the direction the Convention is going to take than previously thought. When the European Union approached South Africa in 1994 to come to a long term agreement on trade and co-operation, South Africa requested full participation within the Lomé Convention. This request was denied due to South Africa's perceived economic strength in comparison to the other ACP countries. South Africa's economy outshines its neighbours in the Southern African Development Community by far, having a 20 times stronger economy than its nearest rival, Zimbabwe. South Africa, however, felt that co-operation and development within the region would have been strengthened by equal participation within Lomé.

The issue was, however, set aside in April 1997 when a joint EU-ACP ministerial conference ratified South Africa's partial accession to the Convention. According to South Africa's partial membership, the country will be allowed to participate in all the political institutions of the Convention, but the trade preferences will not be applicable to South Africa. The only economic benefits that South Africa will enjoy from participation within the Convention is the ability to tender for EDF projects in Southern Africa, totalling a worth of R45 billion. In addition it will

be able to participate in the 'cumulation of origin' rules. This will allow South Africa to jointly produce a product with its neighbours, or any other ACP country, and the product will still be classified as a Lomé product, enjoying preferential access into the European market. None of the trade protocols and none of the non-reciprocal trade benefits will be applicable to South Africa.

However, as a political member, South Africa has been accepted as an equal partner within the ACP fold. It is expected of South Africa to participate fully, especially with regards to the future negotiations on the Lomé Convention. South Africa will be able to assist the ACP significantly within the negotiation process, having hands-on experience of negotiating with the European Union during its Free Trade Agreement negotiations. As chairperson of SADC, South Africa will be leading the Southern African Development Community in establishing its negotiating position. Although South Africa will not be able to sit in on the negotiations surrounding a future trade dispensation, it will have to play an active role in determining the future structure of the ACP-EU relationship.

Not only does South Africa's participation within the Lomé Convention provide an important impetus for the ACP countries, it also provides them with an idea of what will be acceptable to the EU regarding a new political framework. Considering that the EU sees the need to change Lomé due to its WTO incompatibility, South Africa's partial membership could be an example of how to counter these problems. In addition the ACP has expressed the need to stay together within the ACP fold, in order to retain its grasp on some political power within the world arena. These two opposing opinions could be reconciled by following the South African example: to allow other developing and least developed countries into the Lomé fold on a political basis - as with South Africa - and to establish an independent and possibly unique trading relationship with a specific country, depending on its level of development and its needs. This would then further create the possibility of graduating individual, existing ACP countries into different trade relationships with the EU, without breaking down the political Convention and without needing any further WTO waivers.

CONCLUSION

It is clear that the Lomé Convention needs serious revision, not only in the best interests of the EU, but also in the interests of successful development within the ACP. The Convention's future is of great concern to all current members. Without aid

and trade preferences, many Southern African states will have difficulties in surviving, unless a new dynamic partnership can be formed. A great responsibility lies on South Africa to ensure that the 'new' Lomé will serve all interests of the development of the Southern African region. Negotiations are set to take off in September 1998, which leaves little time for all parties involved to prepare for what might be the most important negotiations to date between the EU and the former colonies of its members.

ENDNOTES

1. *Lomé Infokit: Agricultural Trade Protocols.* Maastricht: ECDPM, 1997.
2. Bossuyt J, *The Future of EU-Africa Development Co-operation: With or Without the Lomé Convention?* Brussels, 1995.
3. *Lomé 2000: Putting Poverty Alleviation Up Front.* ECDPM, 1997.

STATEMENT OF PURPOSE

The South African Institute of International Affairs is an independent organisation which aims to promote a wider and more informed understanding of international issues among South Africans.

It seeks also to educate, inform and facilitate contact between people concerned with South Africa's place in an interdependent world, and to contribute to the public debate on foreign policy.