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LOME II

Another Machinery for Updating Dependency?

by S. K. B. Asante, Calabar*

Originally concluded in February 1975, the Lomé agreement linking the EEC with some 58 African, Caribbean and Pacific (ACP) states expired in March 1980. The relationship was renewed by the Second Lomé Convention signed on October 31, 1979. Our author takes a critical view of this new Convention which will govern relationships between the two groups of countries until March 1985.

Viewed within the context of the prevailing uncertainty and dissatisfaction in North-South relations – the breakdown of the Paris North-South dialogue in June 1977, the failure of UNCTAD V at Manila in June 1979 to reach agreement in any of the major areas of interest to the Third World, the failure to establish a meaningful Common Fund, and the deadlock in the Tokyo Round negotiations over "safeguards" against protectionism – the Lomé régime is certainly a significant step forward. Viewed, however, within the context of the dependency relationship between Africa and Western Europe, the Lomé Convention would seem to present a different picture. For although the Lomé agreement reflects efforts to devise a new type of relationship between countries of most unequal economic development, the important question is to what end – the evolution of a system for updating dependence or the initiation of steps towards interdependence and collective self-reliance? From a structural change stance, therefore, the meaning of Lomé depends on the extent to which it attempts to transform the forms and structure of the former traditional dependence on the metropolitan powers by almost all the ACP countries into some kind of a mutually beneficial interdependent relationship. The question of balance or symmetry in the relations between the EEC and the developing African countries is one of the principal criteria according to which the Lomé system should be judged. Does it retain, not to say reinforce, one-sided dependence and vulnerability? Or does it correct the asymmetry either by increasing the EEC's dependence or by reducing that of the ACP countries, or both?

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By July 1978 when the renegotiation for Lomé II began, it had become quite obvious to many ACP states that the original Lomé I had not lived up to the claim that it would represent a "new model" for relations between developed and developing states. It had not created a qualitatively new relationship between Western Europe and Africa. Barely two years after signing the Convention, President Kaunda in his address to the ACP Council meeting held in Lusaka in December 1977 had voiced the collective suspicion of the ACP states that the nine EEC member states had failed to abide by the spirit if not the letter of the ACP-EEC agreement. This verdict was reinforced by Mrs. Katharina Focke whose report to the sixth annual meeting of the ACP-EEC consultative Assembly in Luxembourg in September 1980 stressed that the structure of ACP-EEC trade still "retains most of the features of colonial times".

Disillusioned with the existing partnership, the ACP negotiators in 1978/79 for a renewal of the 1975 Lomé Convention rejected the notion of a purely cosmetic exercise and pursued a maximalist negotiating strategy. Pointing to their rapidly deteriorating trade balance with the EEC (passing from surplus to deficit under Lomé I), the stultifying impact of the rules of origin and the cumbersome aid procedures, the ACP advocated completely free access to the EEC market (including all their agricultural products); removing safeguards limiting their industrial exports; guarantees regarding the maintenance of their preferences in the EEC market and against adverse effects of enlarging the Community; a mechanism to guarantee their import capacity; trebling the resources allocated to financial and technical cooperation; and instituting co-management of the European Development Fund.

These demands, if granted, would have, at least, created a framework to set a process in motion which might lead to lesser inequality between the EEC and ACP partners. But this was a far cry. Faced with serious economic problems within their own economies, the Community was unlikely to concede to the ACP demands. Thus, while the ACP states approached the negotiations with a view to bringing about a significant shift in the distribution of benefits in favour of the ACP members, the EEC representatives approached the negotiations with the limited objectives of "consolidating" Lomé I and, if possible, improving EEC access to raw materials and obtaining guarantees on its overseas investments. For, to the Community, as formally stated by H. D. Genscher, then Chairman of the EEC Council, at the opening of the negotiations in July 1978, the original Lomé Convention "had proved itself in practice. The re-negotiations will therefore not deal with sweeping changes or renovation but with adjustments and improvements".

Given this background, it is not surprising that at the end of the negotiations the ACP states, as Carol Cosgrove Twitchett has observed, "were confronted with a stark alternative – they could either accept or reject the EEC offers". While hard bargaining took place, the Lomé II agreement underlines that the EEC imposed its conception of the partnership on the ACP states. In the circumstances, the recent renegotiations "gave birth to a mouse" which hardly makes any fundamental inroads into the dependency relationship between industrial Europe and non-industrial African countries.

For although the 1979 agreement introduces special sections on minerals, investment issues, agricultural cooperation and special provisions for least-developed, island and land-locked ACP countries, Lomé II does not represent a radical departure from Lomé I. The new Convention on the whole retains the features of dependency which were present in Lomé I.

Trade Preferences

Of particular importance is the chapter on trade under the new agreement which represents only a limited advance for the ACP states on the first Lomé trade provisions. True, under the new Convention more than 98 % of ACP exports have duty-free access to the Community, but in fact some 80 % of these products would have met no duties anyway because of zero rates under the common external tariff, EEC generalized preferences (GSP) and the GATT multilateral trade agreements. Even these ACP preferences could be further eroded by Community agreements with other countries – such as the Maghreb agreement comprising Algeria, Morocco and Tunisia.

Of significance to note under the trade chapter is the EEC's insistence on maintaining the Lomé rules of origin which are generally designed to prevent other countries from setting up plants specifically to export goods to EEC countries. The provisions broadly specify a minimum 50 % of value added to products in the exporting country (or cumulatively in the ACP as a whole) if they are to qualify for duty-free access into the European Community. While these rules of origin are too stringent to confer much benefit on the infant ACP industries, a direct advantage is given to EEC firms in setting up assembly or processing industries, because EEC materials, like ACP inputs, are considered to be "originating products". The rules of origin requirement in many cases cancels out the benefit of preferential access to EEC markets and discourages the essential expansion of the value and range of manufactured goods from the ACP countries.

Besides, the ACP group was not successful in persuading the Community to dispense with safeguard clauses whereby imports, arriving through the preferential system under the Lomé Agreement, which threaten to disturb a sector of the European economy may have their free access to the European market prohibited. Although the EEC undertook not to use safeguard clauses for protectionist purposes, the ACP states are justifiably sceptical about the likely effectiveness of the machinery of consultation provided for under the new agreement, given the EEC's poor record on consultation regarding textiles, and they have "no recourse to sanctions or compensation". Moreover, as this safeguard has already been used against Maghreb manufactures in the agreement which the EEC has with those countries, one cannot rest assured that it will not be used against the ACP countries, when the expansion of their exports in time poses greater problems for the EEC economies themselves.

Export Earnings Stabilisation

However, the Lomé II Stabex scheme represents a significant advance, in spite of its retention of some of the shortcomings of the original scheme. The scheme was created under Lomé I to address especially the stabilisation of commodity export earnings of the ACP countries. The attempt by the ACP states during the 1978-79 negotiations to extend the scheme to cover all their exports and services (including tourism), so providing a mechanism for "substaining their export-earned import strategy" was not successful.

While no substantial modifications were made under Lomé II in the areas of aid and industrial cooperation, the new Convention introduced a scheme to promote ACP mineral production and assist in stabilizing export revenue derived from minerals. This is the so-called Minex scheme which, like the Stabex, has some obvious limitations. For example, the nine minerals covered by the scheme are those which are of the utmost importance to Europe's industry. The ACP's demand that the scheme be extended to include eight additional minerals which are of considerable importance to many ACP states was rejected by the EEC on the ground that it did not consider them to be of substantial importance to the Community.

There can be no doubt that the principal beneficiaries of the Minex scheme will be the EEC countries. For by this scheme the Community has finally succeeded in subordinating the Lomé arrangement to its general scheme for alleviating its own pressing and chronic energy and mineral deficiencies. The provisions under the scheme are intended to increase investment by European firms in mineral exploration, which has declined dramatically since 1974.

Moreover, under the new Convention, the EEC did manage to engineer the inclusion of a non-discriminatory clause in Title IV despite considerable ACP opposition. Annex IX to Article 64 obligates the ACP states to generalise their preferential investment régime. In other words, each ACP state is required not to give preferential treatment to any EEC country at the expense of other EEC countries. This provision destroys the remnants of colonial preferences and it is of particular importance to the export prospects of EEC member countries which had no colonies. However, this automatic extension of the same advantages to all EEC firms could undermine the bargaining position of the ACP states in negotiations with EEC firms.

On the whole, then, although Lomé II is a comprehensive Treaty containing eleven Titles compared to seven in Lomé I, this new arrangement appears in many respects to reinforce the existing structure of production in the ACP states, in much the same way as the original Convention of Lomé has been doing since 1975. This will in turn deepen their external dependence. Basically, therefore, Lomé II is not a contribution to the new international economic order; it is mostly just an amended version of Lomé I.

It is worth stressing, also, that the provisions of Lomé II, like those of its predecessor, generally take cognizance of prevailing realities which characterise the unequal nature of the relationship between developing Africa and industrialised Europe. And what is more serious, the Lomé régime as a whole does not seem to give any promise of a release from a state of dependence to a state of mutually balanced interests. Instead, it deflects attention away from satisfaction of fundamental needs towards increased production, processing and trading, and within the latter there is no built-in guarantee that the terms of trade will be satisfactory, nor that the spin-off effects from a possible industrialisation process will accrue to the developing country.

Only a Small Step Forward

In brief, therefore, the new Convention, like the original Lomé, is only a small step forward from the old links and is basically preserving the traditional capitalist division of labour, maintaining dependence and the former possibilities of exploitation. It takes the interest of the developing ACP countries into account in some respects. But the Lomé deal is also a compromise in which the EEC is not restricted in pursuing its own interest. So far, judged in the light of its provisions, Lomé II does not appear to contribute to a process of reducing inequality, dependence and stagnation. Instead, it is geared towards updating dependence. Thus, for Africa, and indeed the ACP states as a whole, the new international economic order remains a distant goal.

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