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Stefan Brüne\*

## The EC Internal Market, Lomé IV and the ACP Countries

*The implications that the internal market could hold for the EC's foreign trade relations are a cause of considerable worry to countries in the Third World. Particularly the ACP countries, for many of whom the EC is their foremost product and import market, fear the possible strengthening of protectionist barriers and a Europe increasingly preoccupied with itself. This article examines the perspectives of EC-ACP trade relations in the light of the Lomé IV agreement.*

One of the European Community's essential aims as it plans its single internal market for the end of 1992 is to improve its international competitiveness. Although in the past fifteen years the Community has lost market shares to Japan, Korea and the USA, it still remains the world's most important trading power, and overtook the USA during the 1980s to deprive it of its traditional position as the world's largest source of direct foreign investment.<sup>1</sup> With a 22% share of the worldwide exchange of goods, the Community's external trade volume matches that of both its chief competitors, Japan and the USA, combined. If one also includes the internal trade of the Community, then the EC, with its population of roughly 320 million, accounts for one-third of world trade. The twelve member states, which will form one of the world's largest economic blocks in 1993,<sup>2</sup> take in about 35% of the world imports and deliver about 32% of world exports.<sup>3</sup>

Given the EC's world economic importance, its pronounced export dependence, and the various cooperation and association agreements with third countries, it goes without saying that economic policy changes inside the Community are bound to have worldwide repercussions. The completion of the internal market – that is, the planned lifting of national restrictions on the movement of people, goods, capital and services – is no exception. Nevertheless, in fact the European debate within Europe itself has centred almost exclusively on internal concerns.<sup>4</sup> The main reason for that is that foreign policy and foreign economic relations were of secondary importance when

the Single European Act was signed. From the perspective of the Commission and the member states, the creation of the single market was then and still is primarily a further step towards economic and political integration.

It is only lately that the implications that the internal market might hold for the foreign trade relations of the Community have been given greater attention,<sup>5</sup> partly as a result of the scepticism and worry which the plans for Western European integration have caused in third countries. In view of the strategic goal of the single market, i. e. the strengthening of competition with the USA, Japan and export-strong newly industrialised countries (NICs) through enhanced internal competition and economies of scale, many Third World countries fear disadvantages resulting from trade and development policy changes, or at a minimum the loss of current advantages. Their concerns vary according to their economic and production structures, geographic positions and the particular relationships they have with

<sup>1</sup> Cf. K.-H. Pallarz: EG-Binnenmarkt 1992. Daten, Fakten und Anregungen, Stuttgart, Berlin, Cologne 1990, p. 2.

<sup>2</sup> Only in China and India are the populations greater.

<sup>3</sup> Cf. Entwicklung und Zusammenarbeit, No. 8/9, 1989, p. 2.

<sup>4</sup> According to, for example, the Cecchini report. Cf. Paolo Cecchini: The European Challenge, 1992 – The Benefits of a Single Market, Aldershot 1988.

<sup>5</sup> Wilhelm Nölling: Festung Europa? Die Außenwirtschaftspolitik der Europäischen Gemeinschaften im Zeichen des Binnenmarktes 1992, Hamburg 1988; Rainer Falk: EG und Dritte Welt, in: F. Depppe, J. Hufschmid, K.-P. Weiner (eds.): 1992 – Projekt Europa. Politik und Ökonomie in der Europäischen Gemeinschaft, Cologne 1989, pp. 204-224; Uta Möbius: EG-Binnenmarkt und Handelspolitik gegenüber Entwicklungsländern, in: DIW-Wochenbericht, Vol. 56, No. 22, June 1989, pp. 245-253; Rolf J. Langhammer: Auswirkungen der EG-Binnenmarkt-Integration auf den Außenhandel der Entwicklungsländer, Kiel Working Papers No. 369, Kiel 1989.

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the EC. Particularly those developing countries for which the EC is an important or indeed, as for many ACP countries,<sup>6</sup> their foremost product and input market, reckon that they may not be able to keep pace with the stiffened competition between the major trading blocks, especially as the structural constraints on their export flexibility make it difficult to adjust to the new challenges. They also fear that the Community might compensate for problems resulting from increased internal competition by strengthening external protectionist barriers and extending the current protection of submarkets to encompass the entire EC. Critics of the internal market foresee as its *indirect* consequence a further tilt in world economic disequilibria in favour of the industrialised countries and the NICs, the regionalisation of world trade, a shift in investments back towards the Community and – because of the changes in Eastern Europe – a general fall-off in the willingness to support economic development elsewhere. In short, they see a Europe increasingly preoccupied with itself.

How far the above fears are justified and to what extent they amount to tactical tales of woe cannot at present be judged conclusively. For several reasons, prognoses regarding the effects of the internal market project on foreign and development policies are fraught with a high degree of uncertainty. On the one hand, the completion of the single market does not entail any measures applying *directly* to third countries or Third World countries. On the other hand, there are important trade policy decisions (Uruguay Round of the GATT) as yet unresolved, which are also indirectly related to the single market. At present, it can only be speculated

whether the Community will be able to reconcile the completion of the single market with its international obligations,<sup>7</sup> and whether future EC trade policy will be more strongly influenced by liberal or by protectionist interests. The only thing that is certain, and the only measure with a bearing on foreign trade policy, is that the various EC countries will have to harmonise their foreign trade regulations regarding third countries: by definition – and according to judgements made by the European Court of Justice – bilaterally agreed trade quotas between an EC member state and a third country are incompatible with the rules of the single market. National import quotas, i. e. quantitative restrictions on direct imports into a member state, must either be eliminated or superseded by EC-wide regulations.

### Three Scenarios

Henceforth, leaving aside grey-area protectionism<sup>8</sup> and „voluntary“ trade restraints<sup>9</sup> three scenarios are possible:

- The Community foregoes national protectionist measures and takes the improvement in the competitiveness of European businesses spurred on by the internal market programme as an occasion to dismantle trade barriers vis-à-vis third countries, and to expect reciprocal measures from them.
- Import restrictions hitherto existing in individual member states are adopted by the Community, as intensified internal competition together with additional pressure to adjust to external liberalisation would be too great a burden for the European economy.
- Due to differing foreign trade structures, variations in international competitiveness and differences in ideology or in institutional and legal frameworks among the EC member states, compromises will be found.<sup>10</sup>

On the basis of past experience one can assume that the last-mentioned approach is the most likely one to be followed, particularly since it is also the solution preferred by the EC Commission.

### Trade Policy Interests

According to a typology formulated by Schumann and Mehl on the basis of earlier work by Deubner,<sup>11</sup> trade policy interests and positions within the EC can be divided into three classes depending on a country's per capita gross national product, on the ratio of relatively uncompetitive or non-expanding sectors to expanding ones, and on the relative importance of agriculture for the economy as a whole and for foreign trade. The classes which emerge are as follows:

<sup>6</sup> 70% of ACP exports, excluding oil, go to the European Community. Cf. Francis Wurtz: Politiques communautaires, grand marché européen. Un risque d'effondrement du continent africain, in: Le Monde diplomatique, No. 12, 1989, p. 9.

<sup>7</sup> Rolf J. Langhammer, op. cit., p. 2.

<sup>8</sup> Jürgen Wiemann: EG-Binnenmarkt und Dritte Welt. Gesamtbilanz positiv oder negativ?, in: Entwicklung und Zusammenarbeit, No. 8/9, 1989, pp. 11-13, here p. 12.

<sup>9</sup> Article 115 of the EEC Treaty grants the member states the right to protect their national quotas from being undermined by indirect imports (via an EC country without quotas), by curtailing the free movement of goods. However, it is usually enough just to issue "threats to reduce the quantity of imports ... It is particularly those exporters in developing countries which have little latitude in their negotiations, since they are dependent on the market and their own governments can hardly threaten with retaliations". (Uta Möbius, op. cit., p. 246 – our translation.)

<sup>10</sup> Otto Kreye: Der EG-Binnenmarkt und die Dritte Welt, in: Der Überblick, Vol. 25, 1989, No. 3, pp. 63-64, here p. 63.

<sup>11</sup> Wolfgang Schumann, Peter Mehl: Bundesdeutsche Interessen und gemeinsame Außenhandelspolitik der EG, in: Aus Politik und Zeitgeschichte, supplement to the weekly Das Parlament, No. B24-25/89, 9th June 1989, pp. 36-46, here p. 41; Christian Deubner: Mitterrands Reformpolitik in West-Europa. Die Relevanz der "contrainte extérieure", Ebenhausen 1986 (SWP-S335).

□ The first group of countries, which commands a comparatively high degree of international competitiveness, consists of the Federal Republic of Germany, Denmark, and the Benelux countries. The export ratio of these countries is high,<sup>12</sup> and their corporate sectors are clearly market oriented, with an above-average interest in international trade.

□ A second group covers those countries whose companies are characteristically oriented towards their domestic markets. The group includes Greece, Ireland, Italy, Portugal and Spain. Their limited productivity has also determined the basic attitudes of business towards how the economy should be managed in these countries: they call for national interventionist measures to reduce the pressure of competition, particularly in foreign trade.

□ Between the above two groups lies a third, consisting of the former colonial powers, France and the United Kingdom. The French economy is characterised by a marked juxtaposition of competitively strong and weak sectors, whereby their competitive disadvantage compared to the first group of countries largely stems from the low vertical range of domestic production. The French economy is, comparatively speaking, strongly dependent on foreign suppliers. In France there are traditionally close ties between business and politics, and state intervention in the economy is traditionally unquestioned and regarded as legitimate. Lagging just slightly behind France with regard to their performance and competitiveness, British companies are attempting to close the gap with the first group of countries without resorting to comprehensive state industrial policy interventions or protectionist government measures.

### Selective Liberalisation

EC politicians have repeatedly tried to dispel the fears of third countries that Europe runs the risk of turning into a "fortress" by pointing out the Community's own interest in an open world market and the liberalisation of international trade,<sup>13</sup> and the high degree of dependence of EC industrial production on exports (a quarter of the EC gross domestic product can be

attributed to external trade).<sup>14</sup> However, recent experience has only partly confirmed such arguments, which many Third World politicians suspect are intended to mollify them. Although their validity cannot be completely denied, it would nevertheless probably be more accurate to speak of *selective liberalisation* and *selective protectionism*. In the 1980s, at any rate, the EC raised external barriers – a development which was closely tied to the southern enlargement of the Community and which placed pressure above all on the developing countries not to assert their full GATT rights.<sup>15</sup> Not only individual member states but also the EC as a whole entered into numerous export restraint arrangements with third countries. In keeping with this, the scope of grey-area measures also expanded. At the beginning of 1986 there were 38 Community and 30 individual member state non-tariff barriers to exports from developing countries into the EC, mainly affecting agricultural products and textiles.<sup>16</sup> Economic studies on this have at any rate been unanimous in warning of a restrictive unified foreign trade policy by the EC. According to a recent report by the German Institute of Development Policy prepared for the Federal Ministry for Economic Cooperation, "fears that the EC will become still more protectionist after 1992 are not unfounded".<sup>17</sup> Similarly, a study by the German Institute of Economic Research concludes that the "danger (is) great that the EC will make use of its growing economic power resulting from the internal market to force certain developing countries to effectively curtail their exports".<sup>18</sup>

### Effects on the ACP Countries

There can be no disputing the fact that the structural changes resulting from the single market programme will demand considerable adjustments in the developing world. While the relationship between the European Community and the Third World as a whole will essentially depend on the future trade policy of an integrated EC, this is only partly true for relations with the ACP countries. It is the newly industrialising countries, who export industrial goods – currently about one quarter of Community imports of industrial goods

<sup>12</sup> Export ratio = export of industrial goods to third countries divided by gross industrial production. Because of its dependence on extra-EC exports, Denmark is ranked above West Germany. Over a third of all exports of industrial goods from the EC come from West Germany, while only one-seventh come from France, which has long been regarded as Germany's protectionist opponent.

<sup>13</sup> Dieter Frisch: Der große Binnenmarkt 1992 und die Entwicklungsländer, Bonn, 25th October 1988 (unpublished lecture manuscript), p. 5.

<sup>14</sup> Karl-Rudolf Korte: Japan und der Europäische Binnenmarkt, in: Außenpolitik, Vol. 40, 1989, No. 4, pp. 407-417, esp. p. 416.

<sup>15</sup> Jürgen Wiemann: Europäische Handelspolitik gegenüber Entwicklungsländern im Zeichen der Uruguay-Runde und der Vollendung des europäischen Binnenmarktes, Deutsches Institut für Entwicklungspolitik, Berlin 1989, pp. 4 f.

<sup>16</sup> For a list of measures having protectionist effects limiting exports from ACP countries to the EC, see Marc Luyckx: Der Fetisch 1992. Ende der "Nachhol-Entwicklung"?, in: Der Überblick, Vol. 26, 1990, No. 1, pp. 47-50, here p. 47.

<sup>17</sup> J. Wiemann: Europäische Handelspolitik, op. cit., p. 4 (our translation).

<sup>18</sup> Uta Möbius, op. cit., p. 247 (our translation).

come from developing countries<sup>19</sup> – that are most immediately affected by EC protectionism and demands for reciprocity. On the other hand the NICs ought to be best poised to adapt to the rapidly changing conditions by a mixture of preventive measures<sup>20</sup> and export-oriented austerity policies. They may also be quickest to compensate for the anticipated trade-diverting effects by profiting from an increase in imports by the EC. Langhammer assumes that through the removal of internal trade barriers and the ensuing changes in the "... relative prices of Community goods as against those from third countries there will be a non-recurring trade-diverting effect, because imports from third countries can be replaced to some extent by supplies from other EC countries (Spain, Portugal and Greece). This effect is estimated at about 10% of the 1985 level of EC-external imports (DM 2.3 billion), which is equivalent to about the estimated annual value of import demand growth".<sup>21</sup>

It is most likely that the ACP countries, associated with the EC by the Lomé Convention will be affected only marginally by trade-diverting and trade-creating effects of the single market. The recent Lomé IV agreement,<sup>22</sup> signed in December 1989 and valid for the next ten years, ensures free market entry for finished and semi-finished industrial goods for all the countries concerned, which will soon number 69: Haiti and the Dominican Republic were admitted in 1989 and negotiations with Namibia began in April this year. However, this guarantee has been of little importance in the past as the trade preferences granted to the ACP countries in the Yaoundé and Lomé trade agreements hardly managed to alter the pattern of trade relations spawned during colonial times. Today still more than 90% of EC imports from ACP countries comprise mineral and agricultural raw materials. By the same token, the percentage of finished goods among EC exports stands at more than 80%. Export opportunities and market

niches for those ACP countries which principally deliver agricultural products are therefore more directly affected by the Common Agricultural Policy and the results of the Uruguay Round of the GATT (which is important as it must resolve the question of whether subsidies on agricultural exports out of the EC can be effectively reduced) than by the direct effects stemming from the single market.<sup>23</sup> The southward enlargement of the EC adds to these problems. Spain and Portugal will be fully integrated into the Common Agricultural Market by the middle of the 1990s and will then clearly contribute to an increase in the Community's self-sufficiency in agricultural products, including semi-tropical and citrus fruits. For countries which principally export raw materials the single market is of secondary importance. They will only be able to profit from internal market growth to the extent that additional demand for specific raw materials exceeds the reduced import needs generated by technological progress.

### Abolition of National Quotas

While the direct effects of the internal market on the ACP countries in the aggregate can be estimated as relatively slight, the abolition of national quotas in favour of Community-wide regulations can bring considerable disadvantages to individual countries. The ACP countries which fear most for their established market niches are those which profit from national quotas on single products (bananas, sugar and cocoa) laid down in bilateral agreements with their former colonial powers.

The problems arising here can be well illustrated by the unsolved banana problem, and the possibility of a "banana war". The EC market in bananas is very fragmented. While France meets its needs exclusively

<sup>19</sup> Georg Koopmann: National Protectionism and Common Trade Policy, in: *INTERECONOMICS*, Vol. 19 (1984), No. 3, pp. 103-110.

<sup>20</sup> One of these is to follow the Japanese example by establishing manufacturing facilities within the EC.

<sup>21</sup> R. J. Langhammer, *op. cit.*, p. 8 (our translation).

<sup>22</sup> For an overview, see Joachim Betz: Die Neuverhandlungen des Lomé-Abkommens (Lomé IV), in: Rolf Hofmeier (ed.): *Afrika Jahrbuch 1990. Politik, Wirtschaft und Gesellschaft in Afrika südlich der Sahara*, Opladen 1990 (forthcoming).

<sup>23</sup> Of the 68 countries currently in the ACP group, 34 are members of the GATT, but only 15 are actively participating in the negotiations.

<sup>24</sup> Although the ACP states are not in a position to satisfy EC banana demand alone, they are nonetheless concerned about their market share. The "dollar bananas", which mainly come from the plantations of large American corporations in Latin America, are significantly cheaper than bananas from their ACP competitors. See also "Karibik droht Bananenkrieg" (*Frankfurter Rundschau* of 21st March 1990, p. 15).

<sup>25</sup> Tonia Koch: Die AKP-Staaten befürchten Vorteils-Verluste, in: *Entwicklung und Zusammenarbeit*, August/September 1989, p. 18.

<sup>26</sup> Franz Nuscheler: Hilfe für Osteuropa auf Kosten der Dritten Welt?, in: *Der Überblick*, Vol. 25, 1989, No. 4, p. 70.

<sup>27</sup> Brazil, Yugoslavia, Indonesia, Mexico, Singapore, India, Hong Kong, Israel, Argentina, Malaysia, Thailand, South Korea, the Philippines, and Macao: cf. Karl Fasbender, Karl-Wolfgang Menck: Konsequenzen des Binnenmarktes für die Kooperation der Gemeinschaft mit den Entwicklungsländern, in: Otto G. Mayer, Hans-Eckart Scharrer, Hans-Jürgen Schmahl (eds.): *Der Europäische Binnenmarkt. Perspektiven und Probleme*, Hamburg 1989, pp. 519-543, here p. 521.

<sup>28</sup> R. Falk, *op. cit.*, p. 213.

<sup>29</sup> Friedhelm B. Meyer zu Natrup: Die handels- und entwicklungspolitische Zusammenarbeit der Europäischen Gemeinschaft mit Schwarzafrika, in: *Aus Politik und Zeitgeschichte*, supplement to the weekly *Das Parlament*, No. B7-8/88, 12th February 1988, pp. 43-53, here p. 48.

<sup>30</sup> K. Fasbender, K.-W. Menck, *op. cit.*, p. 525 (our translation).

with production from its overseas territories and imports from Madagascar, Cameroon and the Ivory Coast, the United Kingdom has an exclusive agreement with Caribbean exporters. That bananas are less expensive in Germany than in all other EC countries is due to a supplementary protocol to the Rome Treaties, which former chancellor Adenauer insisted upon at the time. It assures the Federal Republic of Germany the unique privilege of being allowed to import bananas duty-free from the Central American dollar zone. All other EC countries are required to charge a 20% import tariff on bananas from the dollar zone. Since with the completion of the internal market, the special import regulations of the individual member countries will have to be lifted and the free movement of goods be guaranteed throughout the EC, the Caribbean countries in particular are concerned about their traditionally guaranteed markets. In the event of the EC being swamped by cheap bananas from the dollar zone, the World Development Movement in London believes 100,000 jobs in Mauritius and the Caribbean would be threatened.<sup>24</sup> There are similar problems on the horizon for sugar and rum, and the ACP countries have a general fear that they will be unable to compete with the stronger producers of agricultural products (USA, Canada, Australia, and Brazil) in the long run. What aggravates this is that, within the framework of the current GATT Rounds, the EC has already approved trade concessions which primarily affect tropical foodstuffs, placing other developing countries on an equal footing with the ACP states.<sup>25</sup>

### **Creeping Marginalisation**

The anxieties outlined here must be seen in the context of a creeping economic marginalisation of both the ACP states and most of the developing countries. The hopes originally connected to the association agreements, i. e. the creation of a closer economic relationship between the ACP states and the Community aspired to in Article 131 of the EEC Treaty,

generally have not been fulfilled. On the contrary, while the economic relations between the industrial countries have deepened, the share of world trade accounted for by the 125 developing countries has declined since the 1950s from over 33% to under 20%.<sup>26</sup> Moreover, the Third World's share of Community imports and exports is also decreasing. The worries of the poorer ACP states have been compounded by the fact that the newly industrialised countries have profited more than average from the 3% increase in the share taken by imports of goods and services in the EC's gross national product between 1960 and 1980. More than two-thirds of EC imports from the Third World originated in just 15 NICs.<sup>27</sup> In 1987 only 4.5% (1960: 9.7%) of Community imports came from the ACP countries and just 4.8% (1960: 9.7%) of exports went to ACP countries who are thus clearly lagging behind the OPEC countries and the non-European Mediterranean countries.<sup>28</sup> It should be noted that half of EC imports from ACP countries come from just four countries: the Ivory Coast, Nigeria, Cameroon and Zaire.<sup>29</sup> The marginalising effects of the debt crisis have contributed to this development, along with substantial falls in the prices of important export commodities for the ACP states (coffee and cocoa). The total debt burden of the ACP countries, mostly consisting of public debt, lies today at DM 170 billion, which is about eleven times the aid agreed upon within the framework of Lomé III.

In short, one cannot help seeing conceptual weakness vis-à-vis world economic realities in the development aspirations and development policy instruments of the Community. As a manifestation and a result of changing world economic conditions, the single European market might well contribute in the medium term, through increased competitive pressure, to "... widen(ing) what is already a large gap between the advanced newly industrialised countries, which are increasing their exports to the Community, and the other developing countries, which more likely expect losses of market shares in the Community".<sup>30</sup> In other words,

**Table 1**  
**EC Trade with the 66 ACP States**  
(in ECU million)

	1960	1970	1975	1980	1982	1985	1987
Exports	2,392	4,068	8,772	17,048	20,222	19,336	13,843
(in %)	(9.4)	(7.5)	(7.4)	(7.7)	(7.1)	(5.1)	(4.1)
Imports	2,826	5,472	9,715	20,744	20,140	30,310	16,374
(in %)	(9.7)	(8.6)	(7.3)	(7.3)	(6.0)	(7.5)	(4.8)
Balance of trade	- 434	- 1,405	- 943	- 3,696	+ 82	- 10,974	- 2,531

Source: Eurostat, External Trade, 1988, quoted in: Otto Schmu ck : Vermittler zwischen Nord und Süd – Das Europäische Parlament und die Entwicklungspolitik, Bonn 1988.

what appears from a neo-liberal perspective to be forced bilateralism and discrimination in world trade,<sup>31</sup> namely the granting of trade preferences to the ACP states within the framework of the Lomé agreement, amounts to the living of a lie by the Community in terms of development policy: attempts in the near future to compensate effectively for world economic inequality by preferential market entry regulations are doomed to failure.

### Adieu l'Afrique?

European policies on development and the ACP countries, manifestly rooted in the tradition of colonially based foreign and trading interests, has long been regarded as French policy using European means. At the time of the founding of the EEC, four of the six member states had overseas possessions, with France controlling by far the largest overseas territories. It was France which, during the negotiations on the foundation of the EEC, made its entry contingent on the association of its colonies and protectorates – despite the opposition of the Federal German government. The fact that European development cooperation has its regional emphasis in Africa – two-thirds of the ACP states are African and over 90% of the ACP population is African – an emphasis which has been encapsulated in

international law by the Yaoundé and Lomé agreements, is essentially a product of French interests in Africa.

French policy, in contrast to that of the United Kingdom, has managed to maintain “traditional” spheres of influence in Africa even under post-colonial conditions. Even today a tightly woven net of economic, political and cultural relationships and interdependencies is cast between the metropolis of Paris and francophone Africa. France is the only EC country which plays a “security” role in Africa. Quite apart from its political intent to make use of its client states in Africa to further its ambitions in world politics, there are also considerable economic reasons for France's involvement in Africa, just as there always have been. A France economically weakened by World War II – the index of French industrial production fell from 100 to 20 between 1938 and 1944 – undertook considerable efforts after the war to intensify its trade with its colonies and to erect protective barriers around its economic realm. In 1957 a third of France's exports, upon which 300,000 jobs depended, were destined for its colonies, from which it also drew a quarter of its imports.<sup>32</sup>

<sup>31</sup> W. Nölling, *op. cit.*, p. 26.

<sup>32</sup> F.B. Meyer zu Natrup, *op. cit.*, p. 43.

## PUBLICATIONS OF THE HWWA-INSTITUT FÜR WIRTSCHAFTSFORSCHUNG-HAMBURG

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### FREIHANDELS- UND SONDER- WIRTSCHAFTSZONEN IN OSTEUROPA UND IN DER VR CHINA

Large octavo,  
273 pages, 1990,  
price paperbound, DM 64,-  
ISBN 3-87895-387-9

This book is based on a study conducted for the Federal Ministry of Economics in 1989, which examined the stage of development of the special economic zones in Eastern Europe and in the People's Republic of China. The central question of the study was to what extent the socialist countries had succeeded, or could succeed, in creating attractive investment locations for western firms via the setting-up of special areas operating according to the laws of the market, and to what extent these countries would in this way be able to achieve their own goals regarding the promotion of the export of goods and the import of capital, technology and organisational and management know-how. (Only available in German.)

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Even today, two-thirds of bilateral French development aid is earmarked for Africa, and the country's policy towards the South is first and foremost an African policy. The majority of French developmental aid continues to be processed by the Ministère de la Coopération, a ministry solely responsible for francophone Africa. Moreover, as the prime weapon supplier to its former colonies, France has concluded military aid or defence agreements with 17 francophone states, and besides having formed a rapid intervention force ("Force d'Action Rapide"), it also maintains permanent military installations and bases in Africa. While French military advisers serve 26 African governments, over 10,000 soldiers are stationed in Senegal, the Ivory Coast, Gabon, Djibouti, the Central African Republic, Chad, on Mayotte, and in the Département of Réunion.

The maintenance of close political and economic relations is also insured through the annual "family reunions", the Franco-African summit talks, which since 1973 have been held alternately in France or in one of the African countries, and in which non-francophone countries are increasingly taking part.<sup>33</sup> The focus of French interest in Africa remains francophone sub-Saharan Africa. As privileged trading partners, the countries of the "*champs*"<sup>34</sup> and "greater Francophonie"<sup>35</sup> can count on a selective French aid policy. With formal legitimisation provided by cooperative treaties – some of them secret – France asserts a degree of influence in sub-Saharan Africa which is extremely difficult to reconcile with claims to sovereignty by African governments. It would be difficult in the present day to find another world region in which the presence and the developmental influence of a former colonial power is accepted as casually and self-evidently as it is in the West and Central African ACP states. Most of the over 200,000 French people residing in Africa live in this region. Mostly employed in education, 12,000 *coopérants* contribute to the dissemination of French culture and way of life. Since independence, France has militarily intervened in these countries at least eighteen times, and the D.S.G.E.<sup>36</sup> continues to maintain considerable influence in the region. French companies continue to dominate the national markets and still control a large share of foreign

trade there. The élite speak French and the educational, legal and administrative systems are copies of French models. In addition, since France guarantees a fixed exchange-rate parity for the African member states of the franc zone, it still possesses a host of opportunities to influence the monetary and financial policies of the region. The former colonial power has succeeded in maintaining a zone of influence in West and Central Africa, which in the medium term will remain in existence and is likely to remain the centrepiece of French policy towards the South, backed up by ACP cooperation.

### End of Gaullist Policy

However, the gaullist policy concept, largely adopted by Mitterrand, of attempting to guarantee France's national independence and international influence through a power-conscious shielding of its client relationships in its African "hinterlands" is increasingly reaching its limits. The *grande nation* runs the danger of "losing its African soul".<sup>37</sup> Attempts to maintain a *territorially defined* zone of influence entail political and economic costs which are beyond the means of one country alone, and would not be incurred by a purely economic strategy of opening markets on a *sectoral* basis. Parts of the French public – and along with them some African governments – are concerned that the completion of the European internal market may provide an opportunity to scale down France's involvement in Africa or the ACP countries. A 1988 report to the French defence ministry concludes that under the pressure of West European integration, a French disengagement from West and Central Africa is likely which, *mutatis mutandis*, would be equivalent to the loss of political influence associated with decolonisation and would lead to a further europeanisation of French African and development policy. Given the anxiety with which African governments follow the single market project, French politicians have repeatedly felt it necessary to reassure them that France, according to Michel Rocard, "neither has the moral right nor the political intention to let Africa down"<sup>38</sup> and will endeavour to ensure that the cooperation agreed on under the Lomé Agreements is continued as before.

Although there is no reason to question the sincerity of such policy statements, economic factors indicate otherwise. In view of the recent modernisation of the French economy, the chronic trade deficit not being the least of its causes, the economic importance of

<sup>33</sup> Angola, Egypt, Liberia, Mozambique, Tanzania, and Zimbabwe have all recently participated in or observed these.

<sup>34</sup> The "*champs*" refers to those countries originally belonging to French West Africa, French Equatorial Africa and former possessions in and around the Indian Ocean.

<sup>35</sup> The formerly Belgian-controlled territories of Zaire, Burundi, and Rwanda.

<sup>36</sup> Direction générale de la sécurité extérieure.

<sup>37</sup> Stevens Smith: La France perd son âme africaine, in: Africa international, No. 212, January 1989, p. 21.

<sup>38</sup> Le Monde, 8th March 1990 (our translation).



traditional French Africa has been steadily declining. To be sure, France is still achieving considerable surpluses in trade with its former colonies, but increasing exports to economically lucrative regions in Asia and the Middle East further demonstrate the loss of importance of the former colonies and the current ACP states. Since 1984 the African portion of French export trade has been halved. In 1987 only 5.5% of French imports originated in Africa, while only 7.9% of French exports were destined for our neighbouring continent. And as for France's private direct investment in Africa, which still accounted for two-thirds of the country's private direct foreign investment in 1975, it too is declining. At the start of the 1980s French companies were still investing about US \$ 850 million in their 1500 African subsidiaries, yet in 1987 this amount had fallen to US \$ 170 million.

**Economic Necessities**

A study published in January 1988 by the French employers' association assumes that in the medium term some 1,000 small and medium-sized French firms are likely to pull out of Africa. "No nation can afford to set up equipment or other production materials in countries whose per capita income has fallen 42% in the last five years," said investors explaining their reasons for pulling out.<sup>39</sup> Here the dilemma which has accompanied French African development policy since the founding of the EEC is apparent and presents an unmistakable parallel to European policy towards the Third World.

The economic necessity of increasing the international competitiveness of the French economy and the political will to maintain hegemonic positions in "traditional Africa" are becoming increasingly difficult to reconcile with each other.<sup>40</sup> In view of heightened world economic competition and the trend towards economic regionalism French African policy, like the ACP policy of the EC, increasingly lacks the ability to achieve its political aims.

**Table 2**  
**Franco-African Trade**

Year	Imports		Exports		Balance of trade (Fr bill.)
	Overall (in Fr bill.)	Africa's share (%)	Overall (in Fr bill.)	Africa's share (%)	
1984	97.5	10.8	96.0	11.8	- 1.5
1985	92.9	9.7	92.2	10.6	- 0.7
1986	57.5	6.5	79.0	9.6	+ 21.5
1987	52.0	5.5	67.8	7.9	+ 15.8
1988	53.7	5.1	70.8	7.4	+ 17.1

Source: *Marchés Tropicaux*, 25th December 1987 and 29th December 1989.

This is also clear from the debate on the future of the franc zone, to which attention has hardly been paid in West Germany. In marked contrast to the politically desired balkanisation of Africa, when its African possessions were decolonised France insisted on a supranational framework for monetary relations. The franc zone is a currency union which regulates the foreign-exchange relationships among its member states and with third countries. Besides France (plus its present-day overseas possessions) and Monaco, 14 African states belong to the union, which has the franc-CFA<sup>41</sup> as a common currency. The currencies of the member countries are at a fixed rate of exchange (50 francs-CFA = FFr 1) and freely convertible with no upper limit. The CFA currency being unconditionally guaranteed by the French treasury, the African member states of the franc zone have been obliged to deposit in Paris a total of two-thirds of their foreign exchange receipts from trade in goods, services and capital with other currency regions. In Paris they are automatically converted into French francs and deposited and cleared at the French treasury in a so-called "compte d'opérations" on behalf of the African central banks.<sup>42</sup>

**Benefits of the Franc Zone**

The economic and development benefits of the franc zone with its unlimited monetary and capital traffic have long had doubt cast upon them. On the one hand, the guarantee provided by the French treasury ensured the stability of the franc-CFA<sup>43</sup> and hence also of foreign investment, while the easy system of payments has benefited particularly the poorer African countries with weak exports and low currency reserves. On the other hand, the franc zone has been seen as an Achilles heel for development policy because it engendered heavy dependency on French business and provided an opportunity for undesired capital flight, especially in times of crisis.

Recently the discussion of future prospects for the franc zone has been revived in the context of discussion about the internal market and European Monetary

<sup>39</sup> *Entwicklung und Zusammenarbeit*, No. 2, 1989, p. 29 (our translation). Total private direct investment in Africa has decreased 25% since 1980.

<sup>40</sup> Whether in this context it makes sense to consider europeanising France's "political security responsibilities" for Africa "instead of publicly turning up one's nose at them" remains a matter of contention. Cf. F. B. Meyer zu Natrup, *op. cit.*, p. 53.

<sup>41</sup> CFA stands for "Communauté Financière Africaine", formerly "Franc des Colonies Françaises d'Afrique".

<sup>42</sup> Since 1974 West and Central African banks have free access to one-third of their convertible currency reserves.

<sup>43</sup> 1 Franc-CFA = 0.02 French francs.

Union. At the end of 1988 the French Finance Minister Bérégovoy caused considerable anxiety in West and Central Africa when he chose a time of liquidity crisis in the franc zone – the *comptes d'opérations* had gone into deficit for the first time since independence<sup>44</sup> – to publicly hint at the possibility of reform and a modified parity of the franc-CFA which was under devaluation pressure.<sup>45</sup> Meanwhile, contradicting remarks were made by Development Minister Pelletier, who – in reference to Bérégovoy – stated last November that neither the franc zone nor the current parity was open to discussion.<sup>46</sup> The agitation which these contradictory pronouncements by French politicians provoked in francophone Africa were further fuelled by the uncertainty regarding the consequences of European Monetary Union for the franc zone countries in Africa. Repeated assurances by European and French financial experts that the monetary union will have no effects on the franc zone because the French treasury will retain a degree of autonomy within the European Monetary Union (of which no specific details are given) have been able neither to dispel African concerns, nor to prevent anxious lobbying in Brussels. Gabon's president Bongo even suggested a replacement of the franc zone by a currency system which would include all ACP states.<sup>47</sup> However, recent plans to expand the franc zone to the region of the West African Economic Community, ECOWAS,<sup>48</sup> to achieve a common currency zone by 1992 seem more realistic.<sup>49</sup>

### Marginalisation as an Opportunity?

The European internal market project confronts European ACP policy and the French African policy with similar problems. While economic relationships and competition between the industrialised nations and the NICs will intensify under the conditions of the single market, the traditional client regions of France and the EC in the Third World – francophone Africa and the ACP states – are threatened by an accelerated loss of importance.

However, in contrast to the protectionist competition of the 1930s, the political and economic marginalisation of the poorest Third World countries will probably not

lead to a disintegration of the world economy, but rather go hand in hand with growth in world trade and selective integration. Debates of principle on fundamental economic policy which, with catchphrases like "Fortress Europe", reduce economic relationships to the traditionally opposing poles of protectionism and liberalisation, are less helpful here than ever. On the contrary, it is likely that a kind of "free-trade protectionism", i.e. a mixture of deregulation and liberalisation measures associated with various interests and structures on the one hand and strong protectionist components on the other hand will mark the future relationship between the EC and the ACP countries.<sup>50</sup>

This contradictory juxtaposition of selective world market integration and selective disassociation has already characterised the climate of the Lomé IV negotiations. While the EC Commission offended the ACP countries by stating to an EC-ACP task force examining the consequences of the internal market, that the EC has no obligation to grant the ACP states preferential treatment,<sup>51</sup> their newly elected ACP general secretary, Ghebray Berhane of Ethiopia, responded by stating that the ACP states as a block can also consider developing formal relationships with regions other than the Community.<sup>52</sup>

Thus, the European development project proposed at the inception of the EEC to include the ACP states in as open an economic sphere as possible appears to have failed for the foreseeable future. Considering the agricultural surpluses of the Community and the single-commodity export structure of most ACP countries, free trade requires structural changes on both sides in the medium and the long term. Till then, a policy oriented increasingly towards regional integration seems to be pointing the way. It would appear that the developmental policy imperative of the 1970s, namely the disassociation of the Third World from the world market,<sup>53</sup> is destined to be rehabilitated, but ironically not by virtue of self-confident Third World governments seeking to assert their national sovereignty, but rather through the "emancipating" effects of the world market. Does this involuntary marginalisation not also present opportunities? The African internal market is planned for 2027.

<sup>44</sup> In 1986 the French treasury had to make up a shortfall of 988,000 million francs-CFA and in 1987 of 580,000 francs-CFA (AED, Vol. 10, 1989, No. 38, p. 7).

<sup>45</sup> L'Afrique à l'abandon. Interview with Jean François Bayart, in: *Esprit*, February 1989, p. 85.

<sup>46</sup> *Marchés Tropicaux*, Vol. 45, 1989, No. 2298, p. 3292.

<sup>47</sup> *South* (September 1989), p. 28.

<sup>48</sup> Economic Community of West African States.

<sup>49</sup> AED, Vol. 11, 1990, No. 8, p. 8.

<sup>50</sup> R. Falk, op. cit., p. 204.

<sup>51</sup> The original French in Francis Wurtz, op. cit. (p. 9), reads: "...ne prévoit pas une obligation pour la Communauté de maintenir une marge préférentielle au profit des Etats ACP."

<sup>52</sup> *Europa*, 1989, No. 9, p. 4.

<sup>53</sup> F. Nuscheler, op. cit., p. 70.