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Susanna Wolf\*

# The Future of Cooperation between the EU and ACP Countries

*Something over 20 years after the first Lomé Agreement came into force, most of the ACP countries are still among the poorest in the world. Why have these countries' situations not improved despite the Agreements? Why has their share of total EC imports from developing countries fallen in spite of the tariff preferences they are granted? What conclusions ought to be drawn for future cooperation between the EC and ACP countries?*

The first Lomé Agreement, between the six founder members of the EEC and 49 African, Caribbean and Pacific (ACP) countries, most of them former colonies, came into force in 1975. The parties to the Lomé IV Agreement have now grown to 15 EU and 70 ACP countries; most of the latter are among the world's least developed countries, and their main exports are raw materials. The Agreements have been added to several times over the years, and have been adapted to suit changes in the political and economic landscapes; however, the fundamental principles of partnership and cooperation in economic development have remained. The most important aspects of this cooperation are: securing food supplies, rural development, protection of natural resources, fisheries development, manufacturing industry, mining and energy supplies, services, cultural and social cooperation, regional integration, and trade promotion.

The cooperation instruments applied can be subdivided into three groups:

- ☐ EC tariff preferences. These guarantee free market access for 99% of the ACP countries' export products. This is intended to boost exports and to encourage their diversification.
- ☐ Stabilization of export earnings from agricultural commodities (STABEX) and mining products (SYSMIN). These are intended to reduce the pro-

nounced dependence of export earnings on fluctuating commodity prices.

- ☐ Capital finance. This is employed to develop infrastructure, to make risk capital available to private-sector investors, and is also spent on education programmes, marketing of ACP products, and other measures to promote sustainable development in the ACP countries.

Despite these measures and the spending of a substantial amount of money, the ACP countries have remained relatively backward within the group of developing countries taken as a whole. That inevitably raises the question as to why the situation of the ACP countries has not improved even with the Lomé Agreements in operation. In particular, the ACP countries' falling share of the EC's imports from developing countries is a perverse outcome considering that the tariff preferences are intended to facilitate market access. The causes of these developments will be examined below. The article will examine both the terms of the Agreements and the frame conditions in the ACP countries' economies.

## The Situation after 20 Years of the Lomé Partnership

In the mid-1990s, most of the ACP countries still number amongst the world's poorest. The average per capita income in sub-Saharan Africa in 1993 was only half of the average level for all developing countries. This region also has the shortest life expectancy. The situation is only slightly better for the non-African ACP countries.<sup>1</sup> As a result, these

\* Hamburg, Germany. This article summarizes the findings of a comprehensive study of the limited success of the Lomé preferences. See Susanna Wolf: *Begrenzter Erfolg der Lomé-Abkommen - Eine empirische Untersuchung der Wirkungen der EG-Zollpräferenzen auf den Handel der AKP-Staaten*, Frankfurt am Main 1996.

<sup>1</sup> Cf. World Bank: *World Development Report 1995*, Washington D.C. 1995, Tables 1 and 1a in the Appendix.

countries are often categorized as hopeless cases in overall discussions of the subject. Does that mean that the EU is providing insufficient support or that the ACP countries' problems are of their own making?

The ACP countries have suffered setbacks in a number of areas. In a period of less than 20 years, their share of world trade has halved (see Table 1). The proportion of manufactured products among their total exports to the EU was just 34% in 1993. The export concentration is still relatively high in most ACP countries.<sup>2</sup> One reason why this unfavourable situation has developed is the lack of political and economic stability, which severely restrains the supply side in the ACP countries. If countries have supply restrictions owing to the domestic situation, they are then unable to benefit from the Lomé preferences. External influences also play their part in the ACP countries' difficulties, such as deteriorating climatic conditions or adverse movements in the terms of trade for the most important raw material exports.<sup>3</sup> When judging the Lomé Agreements, one ought always to have at the back of one's mind that they cannot be expected to overcome all of the economic and political imperfections in the ACP countries, nor to completely counterbalance the adverse changes in international frame conditions.<sup>4</sup>

In reality, the tariff preferences are by no means as substantial as they might first appear. Certainly, the Lomé Agreements grant the ACP countries duty-free access for virtually all of their export products. Yet there are still numerous "sensitive" products such as tuna, textiles and various agricultural products for

which the preferences are severely constrained by the imposition of restrictive country-of-origin rules or import quotas.<sup>5</sup>

Given that a major portion of ACP exports to the EU consists of raw materials for which the preferences relative to other developing countries are either nil or negligible, it is not so surprising after all that the share of the EU's total imports originating in ACP countries has fallen since the first Lomé Agreement was signed (see Table 1). Hence there are no significant benefits to the bulk of ACP exports in terms of better access to the EU market. Over half of their export volume to the EU is subject to a most-favoured-nation tariff rate of zero, consisting as it does of unprocessed raw materials, such as crude oil or raw timber.

However, if one examines the situation for certain goods which do benefit from relevant tariff preferences, or which are unaffected by non-tariff barriers, things look totally different. During the period 1988-1992, marked improvements were achieved in exports of tobacco (increase in exports of 13.35%), sawn timber (7.41%) and pullovers (12.39%), while total exports remained roughly constant. There have also been increases in recent years in the exports of new ACP products such as flowers, exotic fruits and vegetables, processed timber products, and clothing. This trend, due not only to preferential access to the EU single market but also to comparative advantages relative to other suppliers, encompassed quite a number of ACP countries. A particularly important factor in raising exports is whether a country is supplying products for which there is a growing demand both in the EU and around the world. This is the only way in which the dynamic impact of preferences can be exploited. The tariff preferences increase the profits available to exporters from the ACP countries to the EU, or alternatively allow them

**Table 1**  
**Exports from the ACP Countries, 1975-1993**  
(ECU billion, and %)

	1975	1980	1990	1992	1993
Total ACP exports (ECU bn)	22	45	39	38	—
Share of ACP exports in world trade (%)	3.1	3.1	1.5	1.3	—
ACP exports to the EC (ECU bn)	10	21	20	18	15
Share of ACP exports in EC imports (%)	7.3	7.3	4.3	3.6	3.0
Share of ACP exports in EC imports from all LDCs (%)	16	16	13	11	9

Sources: Eurostat: Aussenhandel der Europäischen Gemeinschaft mit den AKP-Staaten und den ÜLG 1989-1993, Statistical Office of the European Communities, Luxembourg 1994; UNCTAD: Handbook of International Trade and Development Statistics 1993, New York 1994.

<sup>2</sup> The proportion of exports accounted for by the chief export product is as high as 90% in Nigeria and Angola (oil in both cases), also 90% in Uganda (coffee), and 84% in Guinea (mineral ores).

<sup>3</sup> Cf. Thorsten Amelung and Rolf Langhammer: ACP Exports and EC Trade Preferences Revisited, Kiel Working Papers, No. 373, Kiel 1989.

<sup>4</sup> Cf. Joachim Betz: The New International Environment and EC-ACP Cooperation, in: Stefan Brüne, Joachim Betz and Winrich Kühne (eds.): Africa and Europe. Relations of Two Continents in Transition, Münster and Hamburg 1994, p. 137.

<sup>5</sup> Fish may only be imported duty-free if it has been caught in boats registered in and operating under the flag of an ACP or EU country, at least 50%-owned by a citizen of or company registered in one of those countries, with at least half of their crew coming from those countries. In the case of textile production, the only inputs permitted to come from outside the ACP group are fibre and yarn, while the material as such must be made in the ACP country concerned; if not, the country-of-origin qualification will be lost.

sufficient scope to lower their prices. That increases exports, creating greater incentives for new investment. Direct investment that is associated with technological progress generates efficiency increases and impetus for growth.<sup>6</sup>

### The Impact of Tariff Preferences

Preferential access to the EU's Single Market is only one of a variety of supply-side and demand-side factors affecting the changing levels of exports of specific goods from ACP countries. In order to examine the impact of tariff preferences in isolation, the author conducted an analysis using an empirical general-equilibrium model, in which the situation with tariff preferences as observed in reality was contrasted with a hypothetical situation in which all developing countries received equal treatment.<sup>7</sup> The abolition of preferences can be modelled either as an increase in tariffs on imports from ACP countries or as a cut in tariffs on those from the other developing countries. The initial equilibrium is defined using data for 1990. The model, based on a Walrasian equilibrium, calculates the impact a change in one sector will also have on other sectors, on other regions, and on overall economic welfare. In this model, traded goods are distinguished by their country of manufacture. A two-stage demand function is built into the model, and imports are subdivided according to Armington's assumption.<sup>8</sup> That allows empirical estimates of elasticities of substitution to be used, so that trade flows do not need to be determined solely by relative factor endowments, as in the Heckscher-Ohlin model.<sup>9</sup> Table 2 summarizes the percentage changes occur-

ring in the two simulations, relative to the initial equilibrium with Lomé preferences.

Simulation I analyses the effect of raising the tariffs charged by the EU on ACP products to the level of its Generalized System of Preferences (GSP).<sup>10</sup> Simulation II estimates the effect of allowing duty-free access to the EU Single Market for all developing countries.

The application of the specific ACP preferences to all developing countries on an equal basis creates converse effects to those in Simulation I. The simulated effect of the EU's introduction of tariff preferences for the ACP countries<sup>11</sup> is one of trade diversion coupled with an improvement in the ACP countries' terms of trade. Total exports by the ACP countries increase by 1.4%. The trade-creating effect also results in a deterioration of the EU's terms of trade. This is beneficial to any third countries purchasing a major portion of their imports in the EU. At the same time, the 1.2% increase in welfare enjoyed by the ACP countries also boosts their imports, which is particularly beneficial to countries producing industrial goods. Thus Simulation I leads to the conclusion that the Lomé preferences not only increase ACP countries' exports to the EU but also enhance the overall volume of world trade. Trade creation thus exceeds trade diversion, since the ACP countries' increased exports raise incomes and hence

**Table 2**  
**Results of Simulations using the Empirical**  
**General Equilibrium Model**  
(changes relative to initial equilibrium in %)

Exports from ACP countries	Simulation I	Simulation II
Agricultural produce	-3.9	1.9
Raw materials and energy	0.2	-0.3
Simple manufactured goods	-4.6	-0.6
Industrial goods	-5.4	-0.6
Chemicals	-1.1	-0.1
Total exports by:	Simulation I	Simulation II
ACP countries	-1.4	0.3
EC	-0.1	0.6
Other industrial countries	0	0.2
Other developing countries	0	1.2
All countries	-0.1	0.6
Real value added	Simulation I	Simulation II
ACP countries	-1.2	0.6
EC	0	-0.8
Other industrial countries	0	0.2
Other developing countries	0	1.2
All countries	-0.01	0.03

Source: Susanna Wolf: *Begrenzter Erfolg der Lomé-Abkommen – Eine empirische Untersuchung der Wirkungen der EG-Zollpräferenzen auf den Handel der AKP-Staaten*, Frankfurt am Main 1996.

<sup>6</sup> Cf. Matthew McQueen and Christopher Stevens: Trade Preferences and Lomé IV: Non-traditional ACP Exports to the EC, in: *Development Policy Review*, Vol. 7 (1989), pp. 239-260.

<sup>7</sup> This analysis is described in detail in Susanna Wolf: *Begrenzter Erfolg ...*, op. cit.

<sup>8</sup> Paul Armington drew up models that allowed for the distinction between goods in consumers' utility functions by their country of origin, on the basis of differences in quality, or differing compositions of categories of goods in different regions. See Paul Armington: *A Theory of Demand for Products Distinguished by Place of Production*, in: *IMF Staff Papers*, Vol. 16 (1969), pp. 159-176.

<sup>9</sup> Cf. Drusilla Brown: Trade Preferences for Developing Countries: A Survey of Results, in: *The Journal of Development Studies*, Vol. 24 (1988), pp. 335-363; Drusilla Brown: Trade and Welfare Effects of the European Schemes of the Generalised System of Preferences, in: *Economic Development and Cultural Change*, Vol. 37 (1989), pp. 757-776.

<sup>10</sup> The Generalized System of Preferences grants less generous preferences to all developing countries.

<sup>11</sup> Given that tariff preferences are actually in place in the initial situation, in this particular interpretation it is necessary to reverse the signs of the figures shown for Simulation I.

also raise the demand for imports. That means that the relative fall in their exports to the EC suffered by third countries as a result of the preferences can be offset by increased exports to the ACP countries. Only the EU's own producers have to cut back their output to the extent that they face tougher competition from the ACP countries. The enhanced international division of labour due to increased trade generates an overall improvement in world welfare.

However, the benefits to ACP countries would be still greater if the EU were to open up its markets for agricultural products to a greater extent, even if that arrangement were to apply to all developing countries. The impact of this form of liberalization has been computed in Simulation II (see Table 2). Relative to the initial situation with the ACP preferences in force, total exports would increase by 0.3%, and real value added by 0.6%. That represents a larger improvement in the ACP countries' situation than they are able to achieve via the Lomé preferences, as restrictions are maintained on their exports of many agricultural commodities in which they have a comparative advantage. In a slightly overstated form, one might say that the EU is happy to offer generous preferences as long as they are unlikely to give rise to serious competition.

The tariff reductions written into the new WTO agreement will diminish the importance of the preferences in the years to come. Moreover, patterns of world trade will change substantially once the Uruguay round is implemented. The model described above was not able to take account of the resulting dynamic effects. On the one hand, it is true that the Uruguay Round implies a further erosion of the preferential access to the EU Single Market granted to the ACP countries, and this will lead to a certain fall-off in sales of a number of traditional export commodities such as coffee and cocoa to the EU. On the other hand, trade will be liberalized in the agricultural sector and markets will continue to open up in other countries, making it easier for exporters to diversify their markets. In the long term, the ACP countries, too, will benefit from the Uruguay Round; as numerous investigations have demonstrated, the process is not a zero-sum game.<sup>12</sup> Consequently, it matters a great deal how preferences are eroded, i.e. whether by virtue of general liberalization which will benefit all parties in the long term, or whether by the

abolition of the Lomé preferences and the application of the EU's usual GSP tariffs to the ACP countries' exports, as in Simulation I: the latter would cause a loss of welfare.

However, a much more important factor in future developments will be changes occurring within the ACP countries themselves. Since they will not be able to expect as much external assistance in future, they will need to rely more upon their own efforts. Political upheavals and conflicts persist in many of the countries. Nevertheless, in a growing number of them progress is indeed being made in developing democracy, establishing the rule of law, and introducing a market economic system. The implementation of structural adjustment programmes, which include reductions in protection levels, makes technological progress more accessible and reduces price distortions, thus allowing competitiveness to be improved. That in turn means that exports can be more effectively diversified. Sales of processed goods such as food products, furniture, clothing and leather goods, and also of services such as tourism and computer-related services, can be increased as world demand for them grows. However, if these positive beginnings are to reap future success, overall world conditions will need to be favourable, and the EU will need to provide continued support, since increasing globalization is also intensifying competition among the developing countries for markets and for investment capital.

### **The EU's Changing Interests**

Political circumstances around the world have changed fundamentally since the early 1990s. The collapse of communism and the end of the East-West conflict have not just changed the frame conditions in the former Soviet-bloc countries and the Western industrial countries, but also place all other countries in a different position. The implication for the ACP countries is that they will no longer be able to obtain development support from the EU simply by dint of appropriate political behaviour. Moreover, as far as financial aid and preferential access to the Single Market are concerned they now have some new competitors in the shape of the Central and Eastern European transition countries; the Mediterranean countries will also be granted improved access to the EU's market in future by way of a free-trade agreement. The intention is to promote exports and economic growth in those countries, which in the long term also promise to be growing markets for EU products. Apart from that, it is in the EU's own vital

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<sup>12</sup> Cf. Ian Goldin, Odin Knudsen and Dominique van der Mensbrugghe: *Trade Liberalisation: Global Economic Implications*, Paris and Washington D.C. 1993.

**Table 3**  
**Financial Protocols of the Lomé Agreements**

	Lomé I		Lomé II		Lomé III		Lomé IV			
	ECU m	%	ECU m	%	ECU m	%	1st half		2nd half	
Total EDF	2,980	86	4,627	84	7,400	87	10,800	90	12,967	89
Of which:										
Grants	2,058	60	2,986	54	4,860	57	7,995	67	9,592	66
Special Funds	446	13	518	9	600	7	—	—	—	—
Risk capital	97	3	284	5	600	7	825	7	1,000	7
STABEX	389	11	557	10	925	11	1,500	12	1,800	12
SYSMIN	—	—	282	5	415	5	480	4	575	4
EIB	390	11	885	16	1,100	13	1,200	10	1,658	11
Total <sup>1</sup>	3,458	100	5,512	100	8,500	100	12,000	100	14,625	100

<sup>1</sup> Due to rounding errors, the percentage figures for all the individual items do not always add up to 100.

Sources: Stephan Klingenbiehl: Fünfzehn Jahre AKP-EWG-Zusammenarbeit: Zielsetzungen, Instrumente, Ergebnisse, in: Franz Nuscheler and Otto Schmuck (eds.): Die Süd-Politik der EG: Europas entwicklungspolitische Verantwortung in der veränderten Weltordnung, Bonn 1992, p. 113; The Courier, No. 155/1996, p. 12.

interests to promote political and economic stability in neighbouring regions.

All in all, there has been a noticeable waning in the EU's interest in African countries as economic partners. Although the EU's market share among the ACP countries' imports is high, that can only make any substantial contribution to the expansion of EU producers' sales if there is an overall increase in demand from these countries thanks to GNP growth. Another reason why the ACP countries are declining in significance from the EU's point of view is that it is now less dependent on what were once strategically important raw material supplies. This fall-off in the ACP countries' perceived significance was made tellingly clear by the fact that several attempts were necessary before agreement was finally reached on the funding levels for the second half of the period covered by the Lomé IV Agreement.<sup>13</sup> Now that whatever funds the EU makes available have to be spread among a greater number of recipient countries, more cuts can be expected in future in the amounts flowing to the ACP countries (see Table 3).

Another change now in evidence is that member states are seeking to reclaim development aid as a responsibility of national governments. National programmes are more readily adaptable to the donors' political preferences regarding which

countries they assist, and to their development-policy objectives. Apart from that, tied aid makes it possible to use development aid to boost the donor's domestic economy. On the other hand, quite a large amount of asymmetry tends to develop among the EU's members when the EDF funds, which can be spent either in the EU itself or in the ACP countries, are allocated. For example, Germany's funding contribution towards the 7th EDF was 25%, whereas its share of the industrial orders paid for with EDF funds was only approx. 9.5%, which is likely to be one of the reasons why Germany's contribution to the 8th EDF was relatively small. This provides a classic example of the conflict of objectives arising between efficient development aid on the one hand and domestic industrial policy on the other.

Even so, the EU and its member states still head the list of donor countries, both in terms of the absolute amounts of aid granted and in terms of the size of official development aid relative to GNP. There is also a growing awareness of the links between worldwide ecological and political problems. There is an ever-growing realization that environmental degradation, often intensified by under-development, has global consequences. Widening worldwide income differentials and armed conflicts are also increasing the number of refugees who believe the EU can offer them a better life. The political instability arising from the poor economic situation of many countries in Africa in particular offers a fertile breeding-ground for international crime. In addition to

<sup>13</sup> The second half of the Lomé IV period runs from 1996-2000. More detail is given later in the article on the outcome of the mid-term negotiations.

its responsibilities tracing back to the colonial past and the wish not to have to write off its efforts to promote development in the ACP countries as a failure, the EU must surely also have a continued interest in improving the situation of these countries.

The inclusion of development cooperation into the Treaty of Maastricht represented a first step towards reshaping this policy area. Until that time, development policy in the Community of "the Twelve" had in effect consisted of a 13th development policy, parallel to those conducted by the individual member states. Article 130u of the Treaty stipulates that Community policy on development cooperation "... shall be complementary to the policies pursued by the Member States". It goes on to state the objectives of the policy, including: "the sustainable economic and social development of the developing countries ...; the smooth and gradual integration of the developing countries into the world economy; the campaign against poverty in the developing countries." The implication is that, to attain complementarity between EU development policy and those of the member states, the policies of the latter need to be better coordinated. The aim is therefore to raise the global efficiency of the Community's and its member states' development aid by means of joint evaluation and the formation of a consensus.<sup>14</sup>

The EU Commission's "Horizon 2000" paper makes a number of proposals for development cooperation up to the year 2000, in a move to put Articles 130u-y of the Maastricht Treaty into practice. One of the reasons cited for a need to review this policy area was the increasing inequality in the distribution of worldwide income. The least developed countries, the report found, had been unable to improve their situations in spite of receiving what in some cases were large amounts of aid funds. Because of increasing interdependence, some areas of development cooperation now need to be pursued on a Community level, while respecting the principle of subsidiarity. This applies, for example, to problems ranging beyond individual regions, such as protection of the environment. Because people are now free to move within the EU Single Market, migration is another matter which needs to be coordinated at the Community level. Trade policy being a Community concern, the same also applies to tariff preferences. The paper stresses that foreign trade is crucially significant for development, as the domestic markets

in most developing countries are too small to allow economies of scale to be exploited, and they are unable to manufacture more sophisticated goods unless they can also import machinery and inputs. Access to the industrial countries' markets is thus a major precondition of success. However, developing countries will only be able to benefit from improved market access if they also improve their competitiveness. Dieter Frisch, the former Director-General for Development at the EC Commission, has stated that "Trade is not, in any meaningful sense, an alternative to aid for the weaker and poorer countries."<sup>15</sup> Undoubtedly, the vast majority of the ACP countries can be numbered amongst those weaker and poorer countries.

### The Mid-Term Review of Lomé IV

In November 1995, the mid-term review of the Lomé IV Agreement was signed in Mauritius.<sup>16</sup> In this revised agreement, the EU laid down a new set of conditions for cooperation. The ACP countries managed to win certain concessions, but were unable by a long way to assert all of their demands. Overall, the effectiveness of the Lomé IV Agreement can be expected to increase during the second half of its period of operation. The reforms may contribute towards improvements in the attainment of the Lomé Agreement's objectives, particularly those of improving the ACP countries' economic situations, and supporting the development process in cultural and social respects too, while promoting democracy.

Article 5 of the Lomé IV Agreement, requiring the observance of human rights, has now been extended to include an obligation to introduce democracy and good governance. A suspension clause comes into force for any country which fails to comply with Article 5: if the consultations required by the Agreement do not yield the desired result, the Lomé Agreement, including the transfer payments to the country concerned, can be suspended in whole or in part in extreme cases. A current example of a country to which this has happened is Burundi. Provisions have been made to support institutional and administrative reforms to facilitate the introduction of democracy and the rule of law.

One of the most deep-seated changes affecting

<sup>14</sup> Cf. Anton Reithinger: Probleme und Perspektiven Europäischer Entwicklungspolitik, in: Nord-Süd aktuell, 1995, pp. 387 ff.

<sup>15</sup> Cf. Dieter Frisch: Coherence in North-South Policy: the Role of the European Union, in: Gemeinsame Konferenz Kirche und Entwicklung: Towards Coherence in North/South Policy: the Role of the European Union, Bonn 1994, p. 6.

<sup>16</sup> The Courier, No. 155, 1996.

development finance undertaken at the mid-term review has been to split development grants into two tranches in what is known as "phased programming". A country initially only receives 70% of the EDF money allocated to it. After three years, an examination is made to see how the first tranche of funds has been spent and to what extent objectives have been achieved. The second tranche is only approved if certain conditions have been met. This monitoring process is intended to raise the effectiveness of the programmes.

The key role played by trade in accelerating the development process is now brought out still more strongly in the basic articles of the Agreement. The purpose of trade promotion is supposed to be one of diversifying and increasing the trade in goods and services and improving the ACP countries' competitiveness. The countries themselves need to contribute chiefly by improving macroeconomic and regulatory frame conditions, as well as the physical and organizational infrastructure to back up trade and private-sector investment. The new insertions to the Lomé Agreement place special emphasis on the significance of the market system and on promoting the private sector in the ACP countries. The purpose of public-sector investment, e.g. in infrastructure and education, should, it is stated, be to create the right conditions for private-sector investment. National

programmes should also include facilities to make risk capital available to assist private-sector development. A general improvement in the ACP countries' supply-side capabilities is aimed for, to enhance product diversification. Improved access to EU markets is also desirable, to give the countries the chance of actually selling their increased range of output.

However, the concessions made by the EU in terms of facilitating access to the Single Market have not matched up to the ACP countries' expectations. Tariffs and other duties on products previously excluded from the preferences were reduced by 16% in the most recent set of changes. They still excluded olives, wine and lemons. Import duties within quotas of 15,000 tonnes of cereals and 500 tonnes of pork were reduced by 50%. For other agricultural products, too, the quotas qualifying for preferential tariffs were extended. Yet such a piecemeal approach will not be enough to significantly encourage the ACP countries' efforts to diversify their exports.

Progress was also achieved on the country-of-origin rules, which only allow customs preferences to apply to goods which have been substantially produced in the countries party to the Lomé Agreement. The cumulative process of determining origin has been expanded to cover a number of the ACP countries' neighbours, allowing them to procure

Benedikt Bödding

## Die europarechtlichen Instrumentarien der Sozialpartner

Initially, European Social Policy has given rise to much controversy. Following the Agreement on social policy (Maastricht Treaty), European Social Policy has reached a new dimension. The social partners now have at their disposal a number of consultation and participation rights and have the capacity to act on their own initiative. Both, the importance and the effects of these instruments remain, for the time being, uncertain and the social partners are only starting to make use of them.

The author examines the scope of these instruments in relation to Community law before as well as after the adoption of the Agreement on social policy of the Maastricht Treaty. He analyses the systematic teamwork between social partners and the European Community Institutions.

This monograph is addressed to persons interested in Labour law.

The author was a scientific collaborator at the University of Münster in the Institute for Labour, Social and Economic Law.

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inputs from them without losing their country-of-origin qualifications.<sup>17</sup> If a good's inputs are obtained from the neighbouring developing countries named, it can generally be imported into the EU with the same preferences applying as if it had originated totally in the ACP countries. Thus the very restrictive rules of origin applying to many products can now be more easily fulfilled, which ought to promote regional integration in the developing world. Once again, though, certain "sensitive" products such as tinned tuna, rice and various textiles do not benefit from these cumulative origin rules. Thus the usual EU attitude of giving priority to the protection of domestic producers once ACP countries achieve competitiveness has again prevailed.

### Will there be a Lomé V?

20 years after the first Lomé Agreement was signed, relations between the EU and ACP countries are no longer regarded as a model of the future but, if anything, as a phase-out model. Most observers believe it is relatively unlikely that a Lomé V Agreement will actually come about. "Lomé needs to face up to the problems of the future, or else Lomé will cease to exist."<sup>18</sup> Whatever else happens, further reforms will certainly be made in the patterns of development cooperation. The EU is keen to differentiate more strongly in the aid it provides, and to adapt it better to the needs of the recipient countries which now differ more and more strongly from one another. Instead of historical links, a country's present-day level of development ought to be taken into account in determining cooperation. Greater stress will now be placed on the counterpart countries' own responsibilities. That, it is felt, will further improve the effectiveness of the assistance given.

However, the ACP countries fear they will suffer detrimental effects if their special privileges are eliminated. Since the EU has often made ad hoc policy changes in the past in response to changing circumstances, the cooperation is now less predictable or reliable from the ACP countries' standpoint. The extent to which cooperation is made conditional on the observance of human rights also fluctuates depending on a country's economic importance. Since the ACP countries individually do not carry a

great deal of political or economic weight, they fear they are liable to lose still more favour relative to China and India. For the ACP countries, the principle of partnership which has been stressed in the Lomé Agreements right from the outset can only be upheld if the signatories act as a community. Thus they also fear that the requirement for the ACP countries to assume more responsibilities of their own will in fact be subjected to the EU's definitions of success and monitoring criteria. If they wish to be taken seriously as true partners, the ACP countries need to progress beyond the role of supplicants, making a greater contribution of their own towards future development. Reciprocal preferences awarded to the EU (i.e., for exports from the EU member states to the ACP countries) are not a very suitable instrument for strengthening ties with the EU, not least because the markets involved are relatively insignificant on a world scale. Instead, it is important to press ahead with structural adjustment programmes and the overall liberalization of imports. Liberalizing import markets for all foreign suppliers is the only way to eliminate existing market distortions. Purchasers in the ACP countries will then be able to procure the goods that are most cost-effective for them and which best suit their needs. If economic growth accelerates when market principles are applied, that in its turn will make the ACP markets more attractive to suppliers in the EU.

If the current Lomé preferences are extended to other least developed countries, this need not be disadvantageous to the ACP countries. If countries are distinguished according to their current needs rather than their historic relations with EU countries, this will be advantageous to most of the ACP group, as the bulk of the benefits from the Lomé Agreements in the past have flowed to just a small minority of them. Since there will hardly be any relevant Lomé preferences left once the Uruguay round has been implemented, the EU will have to make concessions of a different nature to the less developed countries. One of those will have to be the opening of import markets even in the "sensitive" areas where serious restrictions on market entry still persist. The past strategy of granting access for just long enough to allow an exporting country to attain a noticeable improvement in export performance and then re-imposing restrictions in the form of voluntary export restraints or anti-dumping measures will have to be abandoned if there is to be any hope of attaining the Maastricht Treaty's declared objective of smooth and gradual integration of the developing countries into the world economy.

<sup>17</sup> The African countries involved are Algeria, Egypt, Libya, Morocco, Tunisia and South Africa, and the Latin American countries are Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Venezuela.

<sup>18</sup> Cf. Robert Kappel: Scheitern der Lomé-Verhandlungen – Die Kooperation zwischen Europa und den AKP-Staaten zeigt Risse, in: *Entwicklung und Zusammenarbeit*, Vol. 36 (1995), No. 4, p. 97.