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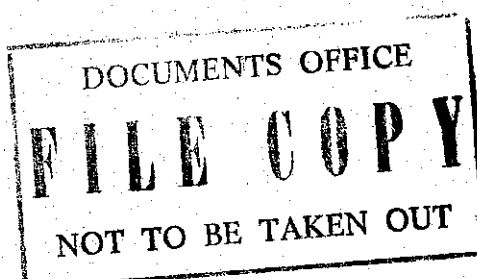
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Seminar of a Successor Arrangement to the  
Lome III Convention

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AFRICAN ECONOMIC RECOVERY WITHIN THE ACP-EEC ARRANGEMENT

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## I. INTRODUCTION

1. It is imperative to make reference to certain historical aspects of co-operation arrangements existing between the African, Caribbean and Pacific Group of States (ACP) on the one hand, and the European Economic Community (EEC) on the other hand, as we attempt to discuss and review their possible future relationships. The basis of the Lome III Convention and envisaged preparations for negotiations of a successor arrangement can therefore be meaningfully undertaken within such a framework. It is timely to refer to some of the difficulties likely to be encountered during preparations for the negotiations, to begin with the Lome III Convention itself which has yet to run its specified time.

2. The envisaged exchange of views by the ACP States on a successor arrangement provides an ideal opportunity for going over some of the ground. Consequently the review and whatever assessment is made has to take account of a number of developments that have occurred in the period in question. From an African standpoint, they include work associated with certain strategies adopted since the signing of Lome III Convention on 8 December 1984.

3. For instance, in July 1985, the African Heads of State and Government of the Organization of African Unity adopted Africa's Priority Programme for Economic Recovery 1986-1990 (APPER) which was subsequently adopted in resolution S-13/2 by United Nations General Assembly during its Thirteenth Special Session as the United Nations Programme of Action for African Recovery and Development 1986-1990 (UNPAAERD). Another major pronouncement by the African Heads of State and Government was on the region's external debt crisis which they adopted during their Third Extra-Ordinary Session from 30 November to 1 December 1987 as the «African Common Position on Africa's External Debt Crisis». Added to the above was the Khartoum Declaration in March 1988, representing a culmination of «The International Conference on the Human Dimension of Africa's Economic Recovery and Development».

4. Against the above background, work by the secretariat of the United Nations Economic Commission for Africa (ECA), in close collaboration with other secretariat's both within and outside the United Nations System has proceeded.

Attention in this brief paper is divided into three sections. The first deals with the overall economic situation from an African view point. It reviews the standing of the ACP/EEC arrangement in terms of its contribution to solving some of the problems faced by the African economies. The second focuses attention on some of the lessons gained as a result on the continuation of the arrangement. The third section of the paper concludes with suggestions of what needs to be negotiated and suggests possible strategies.

## II. THE OVERALL ECONOMIC SITUATION FROM AN AFRICA VIEW POINT

5. It is only natural to expect that African countries, signatories to the Lome III Convention will be going into the negotiations for a successor arrangement with the aim of achieving certain objectives. As part of the background to the negotiations, they will need to review the impact of the world economic situation on their respective economies. It can therefore be assumed that part of the background, aside from the scanty information given above, must surely be experiences of the benefits deriving from both the economic and political situations that have evolved in the period under review. After all, the African economic and political situation is a total sum of the region's own events and those at the world level in general.

6. Perhaps it would be well to recall what was said on this in the UN-PAAERD regarding the situation. Particularly that the crisis has not only jeopardized the development process of the African economies, but has also threatened the very survival of millions of Africans. UN-PAAERD reiterated that «Africa's economic and social crisis has been a cause of grave concern to Africa and the international community (of which the EEC is an integral part) alike. The persistent economic crisis in Africa, exacerbated by drought and desertification, and more recent tragic famine and hunger have strengthened the resolve of the African countries, individually and collectively, to take immediate and concrete actions to achieve sustained economic and social development of their countries in the medium-term and long-term».<sup>1/</sup>

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<sup>1/</sup> See for further details United Nations Programme of Action for African Economic Recovery and Development 1986-1990.

7. In amplification it was stated that the persistence of the African economic crisis had been aggravated by a combination of exogenous and endogenous factors. Among some of the endogenous factors listed were deficiencies: in institutional and physical infrastructures, economic strategies and policies that had fallen short of achieving their objectives; disparities in urban and rural development and income distribution; insufficient managerial/administrative capacities; inadequate human resources development; lack of financial resources, the demographic factors; and political instability manifested, inter alia, in a large and growing population of refugees. Over and above, many African countries have had to contend with the adverse consequences of the policy of economic destabilization perpetuated by the South African government. The slate of serious aggravating exogenous factors included: the international economic recession; the decline in commodity prices; adverse terms of trade; the decline in the financial flows; increased protection; high interest rates; heavy burden of debt and debt-servicing obligations.

8. Perhaps to better appreciate the implications and the usefulness of the Lome III Convention of the African economies some disaggregation of the various areas is desirable. It is necessary in doing so to review the total package of the articles and protocols of the Convention itself. The agreed objectives and principles of cooperation between the EEC on the one hand, and the ACP States on the other hand, have been clearly stated. Chapter One for instance, stated that it inter alia concluded «this cooperation Convention in order to promote and expedite the economic, cultural and social development of the ACP States and to consolidate and diversify their relations in a spirit of solidarity and mutual interest». Chapter 4 of the Convention reaffirms that «support shall be provided in the ACP-EEC cooperation for the ACP States' own efforts to achieve more self-reliant and self-sustained development based on their...capacities, their natural resources and their economic potential in order to promote the ACP States' social and economic progress and the well-being of their population through the satisfaction of their basic needs, recognition of the role of women and the enhancement of people's capacities with respect for their dignity».

9. It is therefore interesting to note that the spirit and letter of the two illustrative examples of the objective and principles of the Convention are also an integral part of the very foundation of the UN-PAAERD and the African Common Position on Africa's External Debt Crisis. Similarly, the Khartoum Declaration<sup>2/</sup> which stresses the importance of the human dimension of Africa's economic recovery and development. The point here is of a package of interrelated issues. What obtains in one is bound to ultimately, sooner or later, to affect others. The question then becomes one of the intensity of the effect, and that is how the issues are to be reviewed in the context of the ACP-EEC cooperation Convention.

(a) The situation on the eve of Lome III Convention

10. On 8 December 1984 in the Togolese capital of Lome, the 10 EEC and 65 ACP States signed the Lome III Convention. According to available information provided by ECA, the economic situation in the ACP States at the material time was quite critical to say the least. For most of the African countries they could hardly talk about economic take-off any more. In one ECA's study entitled «ECA and Africa's Development 1983-2008», certain facts were laid bare about the continued adverse African economic impoverishment. For instance, a picture had emerged to show Africa's current position as quite horrendous. Furthermore, the fact the the African region was likely to be more dependent on other regions in all of its critical areas had become an added cause for concern and alarm.<sup>3/</sup> It would therefore not be unreasonable to assume that Africa's continued involvement with the Lome III Convention was based in part, on the belief, among others, that enhancing cooperation through the Convention would provide for possible relief for their already hard pressed economies.

11. Africa is still facing the unpleasant experience of its natural resources not being fruitfully exploited. The region's huge known natural resources reserves in the form of minerals which had been exploited, had not led to the integration of the natural raw material base in the region's economic structure. The story about the state of external trade and finance imbalances was equally depressing.

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<sup>2/</sup> See The Khartoum Declaration, The International Conference on the Human Dimension of Africa's Economic Recovery and Development, Khartoum, 8 March 1988.

<sup>3/</sup> See Economic Commission for Africa, ECA and Africa's Development 1983-2008: A preliminary perspective study, Addis Ababa, April 1983, Part II.

12. The dramatic increase in Africa's external debt to about US\$158 billion at the end of 1984 represented about 36 per cent of the region's Gross Domestic Product (GDP). It was higher than 27 per cent of exports in 1985 as a debt/service ratio inspite of the fact that Lome III had come into force. Had Africa's external trade, especially its export earnings increased and the value of what was earned not been eroded by uncontrolled inflation, coupled with a fall in commodity prices, the situation would perhaps not have been as bleak as it turned out to be. Equally disturbing was the inadequacy of concessional flows which forced a number of African countries to resort to the international financial markets, mainly the private sources with particularly severe terms and conditions for loans. Revelation of this sombre picture does not imply a castigation of either the ACP-EEC arrangement or laying all blame at the door step of the EEC as Africa's principal trading partners.

13. However, the point still remains that the EEC countries are Africa's principal trading partners. Their predominance in the African economies extends at individual level for many of them and also within the framework of economic relations with the whole group of the Organization of Economic Cooperation for Development (OECD). In particular since Africa's direction of trade has continued along the same patterns of exchange as in the colonial era. Another added factor derives from the fact that Africa's industrialization process has relatively speaking, failed to provide the dynamic forces for the structural transformation to enable the economies to attain self-sustainment.

14. Africa's share of manufacturing value at the time of signing Lome III Convention only added about 0.9 per cent. This was in marked contrast to countries in South and East Asia where it was estimated at 2.7 per cent and in Latin America about 6.0 per cent. The region's industrial sector is not only the least in the world but it is also characterized by an inflexible structure and concentrated in a very small number of countries. Even in these countries, production is limited to a rather narrow range of intermediate goods, consisting of light industries which mainly produce consumer goods. Even in processing and semi-processing for export of mineral and agricultural raw materials, it is relatively weak. Africa is one of the world's major importer of capital goods. Imported equipment and machinery accounts for over 35 per cent of the total annual investments of the region.

(b) The Post-Lome III economic situation

15. In being signatory to the Lome III Convention, the African countries did not abandon their own internal development process nor increased involvement with parties other than members of the EEC. It is not easy to say what the economic situation would have been, had Africa not been party to the Lome III Convention. A better beginning would possibly be to recall one or two sections of «Africa's Priority Programme for Economic Recovery 1986-1990 (APPER)», especially the pledge made by the African countries themselves. They categorically pledged «to take concrete actions and measures individually and collectively for the achievement of the economic development of (their) continent in unity and solidarity of African peoples and member States».<sup>4/</sup> They reaffirmed also that the development of the African continent was primarily the responsibility of their governments and peoples.

16. A course of action and commitment to principle that was welcomed by the Thirteenth Special Session of the General Assembly in adopting resolution S13/2. It stated among other things, the conviction that concerted action by the international community was needed in support of the efforts of African Governments for the latter to achieve economic recovery and development. In other words, giving additional support to some of the objectives and principles which are also part of the foundation of the ACP-EEC cooperation.

17. The next step would then be to enquire into whether African countries have lived up to their declared commitment? Similarly, the extent to which the cooperation Convention has made its expected contribution, especially in ameliorating Africa's economic crisis? Some of the answers could possibly provide a better starting point in considering what to include or not in the successor arrangement to Lome III Convention.

(i) Crisis of external trade

18. It is both well known and well documented that African countries, individually and collectively have never stopped to stress the danger posed to their economies as a result of being heavily dependent on the

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<sup>4/</sup> Organization of African Unity, African Priority Programme for Economic Recovery, July 1985, para. 6



export of a narrow range of primary commodities.<sup>5/</sup> Over and above, nearly 75 per cent of their exports are destined into the developed market economy countries. This aspect is without doubt, one of the fundamental causes of the region's much talked about economic crisis. The question is what part have relations with traditional trading partners played and ought to play?

19. It is partly against such unresolved questions that we must proceed to examine the issue of interdependence of Europe (especially the EEC) with ACP countries. Some of the data given in the tables also help to put meat to the bones of what this paper is about. It underlines the objectives and principles of the Lome Convention itself because it combines both traditional and non-traditional axes. This is partly the reason why the preamble to Lome II Convention reiterated the signatories' «regard to the Treaty establishing the European Economic Community, hereinafter referred to as the 'Treaty', and the Georgetown Agreement constituting the group of African, Caribbean and Pacific States».<sup>6/</sup>

20. Developing Africa's overall exports in 1985 were US\$65.4 billion. The region's exports fell to US\$49.8 billion in 1986 and rose slightly to about US\$57.3 billion in 1987. Those by Sub-Saharan Africa were US\$33.8 billion, US\$29.8 billion and US\$33.4 billion respectively. On the other hand, imports of developing Africa were US\$53.5 billion in 1985, US\$52.2 billion in 1986 and US\$53.9 billion in 1987. Countries of Sub-Saharan Africa imported US\$20.1 billion, US\$20.9 billion and US\$22.6 billion respectively. Africa's export and import structure destined into the development market economy countries, especially the EEC has not change much over the years.

21. In Africa and especially in the so called sub-Saharan region, the countries of the EEC dominate their external trade sector. For example in 1986 and 1987, Africa's exports to developed market economies as a whole accounted for 66.6 per cent and 75.0 per cent respectively. The ones destined into the EEC were 50 per cent and 55 per cent respectively. Imports by developing Africa from the EEC were respectively 68.3 per cent in 1986 and 72.7 per cent in 1987.

<sup>5/</sup> See document E/ECA/TP/DE/54, 'Africa's Economic Recovery, Growth and Development: Proposals for UNCTAD VII', UNECA, 1 December 1986.

<sup>6/</sup> See Jonathan H. Chileshe, «The Lome Conventions. Umbrella for Good Neighbourliness», Lome III: An Agenda for Africa, Seminar by African Institute for Economic Development collaboration with Economic Commission for Africa, Dakar, 6-7 July 1984.

22. At the time of signing of Lome III in 1984, the export of mineral fuels and related materials accounted for 71.2 per cent of total developing Africa's exports. They decline by 1.9 per cent a year later in 1985 to 69.3 per cent. Exports from Africa consisting of food, beverages and tobacco rose from 11.0 per cent in 1984 to 12.8 per cent in 1985. On the other hand, exports of both machinery and transport equipment as well as other manufactured goods increased slightly from 0.05 to 0.3 per cent and from 5.9 to 6.8 per cent respectively from 1984 to 1985. On the side of imports, the most important component of primary commodities were food items. These claimed an increasing proportion of the total value. Africa's import of food, beverages and tobacco rose from 17.1 per cent in 1984 to 17.6 per cent in 1985. The region's import of machinery and transport equipment fell from 37.0 per cent in 1984 to 34.7 per cent in 1985.<sup>7/</sup>

23. The crisis in the area of Africa's external trade is not only due to the narrow range of exported commodities and limited market destinations. It stems and is compounded in part by the low prices which Africa sometimes fetches for its exports. There is also the question of escalating protectionism to African exports in the main destination markets themselves. There were nonetheless, some improvements in the indices of certain export prices and a fall in the indice of imports in 1987, leading to an improvement in the region's terms of trade. On the contrary, an index of export unit value (1990=100) showed that prices declined overall in 1985 to 78.2 and to 62.0 in 1986 with some recovery to 69.9 in 1987.

24. Africa's or the ACP States' partners in the Lome Conventions cannot escape the blame for contributing to the volatility of commodity prices inspite of having agreed to the provisions on stabilizing export earnings within the framework of Stabex. Much of the evidence shows that the main cause for the volatility of commodity prices is the result of tinkering at will, with supply and demand in the developed industrialized markets. It remains to reason that a major part of the blame should rest on the shoulders of the EEC which is Africa's main trading partner among this group of the industrialized developed countries. It is therefore an open secret that because the industrialized countries were able to depress demand periodically for a number of commodities,

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<sup>7/</sup> United Nations, Survey of Economic and Social conditions in Africa, 1986-1987, Economic Commission for Africa, E/ECA/CM.14/4.

resulted in a downward movement of commodity prices during the 1980s. On the supply side also, it was the continued influence of uneconomic competition. Mostly created between natural raw materials and synthetic substitutes that fueled the situation. For example, petroleum-based synthetics for natural rubber, maize sweeteners for cane sugar, plastics for primary natural fibres including the use of compression techniques to bind certain products so that the use of cords like sisal became antiquated.<sup>8/</sup>

25. It is not a question of a single factor being said to be the principal cause of the African economic crisis. Rather, it is a result of a combination of these and other related factors. They explain in part, why the price differentials were in favour of domestic producers in the European Economic Community. In particular, under its Common Agricultural Policy (CAP) which seems to have institutionalized the principle of subsidies even for uneconomic production. This view is also supported by work conducted by the International Monetary Fund (IMF) in the case of sugar. The IMF estimated for example that when the free international market price for sugar had dropped from 40 cents in 1980 to a mere 2.8 cents per pound in 1985, the ratio of domestic to free market prices actually rose from 1 to 5 in the EEC<sup>9/</sup>.

26. These are some of the reference points which need taking into account in drawing up a strategy for negotiating a successor arrangement to the Lome III Convention.

(ii) Crisis of the commodity structure

27. Primary commodities have been the backbone of the African economies. Indications are that they will continue to be so for many years to come. Commodity production and trade for the African economies is a major source of both employment and foreign exchange. As stated a little earlier, for

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<sup>8/</sup> See OECD, «Commodity prices», Interlink Working Paper, No. 27, November 1985.

<sup>9/</sup> IMF, «Recent market developments and outlook for primary commodities», DM/85/55, 12 September 1985, p. 31.

most African countries four or even less than three commodities account for the bulk of their respective foreign exchange earnings. Over and above, the other sectors of their economies like transport, trade and industry to name but a few, also depend on the buoyance of primary commodities.

28. In adopting Africa's Priority Programme for Economic Recovery 1986-1990 (APPER), the African Heads of State and Government of the Organization of African Unity acknowledged the lack of progress in tackling problems associated with the commodity sector as one of the main obstacles to prospects of economic recovery in the African region.

29. It is therefore quite understandable that African countries should appear to show more than casual concern with any seeming adverse developments in the commodity sector, especially the ones that relate to minerals and agriculture. Perhaps the same reasoning can be advanced to explain the interest which Africa has shown to the alternatives and some of the solutions embodied in the ACP-EEC cooperation Convention. We shall return to this particular aspect when we review the extent to which the Lome III has assisted in overcoming some of these constraints. The analysis will form part of the background in considering what changes need to be made to the successor arrangement.

30. The world commodity outlook during the 1980-1987 period according to available statistical data assembled by the United Nations Economic Commission for Africa (ECA), other secretariats including the United Nations Conference on Trade and Development (UNCTAD), the Food and Agriculture Organization of the United Nations (FAO) and the ACP, had been quite unfavourable to the commodity sector. This was one of the main contributory factors for its failure to play a significant role as an economic engine of growth. The overall resulting loss in export earnings from commodities for the African countries was estimated at US\$6 billion or about 9 per cent between 1985 and 1987.

31. So much has been said and written on the subject in question. Similarly, a lot of statistical data is available to support many of the concerns we are likely to stress. Consequently, the African governments and their policy makers could not help feeling a little satisfied with the knowledge that through the ACP-EEC cooperation Convention, their partners had agreed

to the incorporation into the partnership arrangement of a system for stabilizing losses likely to arise from exporting at less than remunerative prices. In the same vein, any developments and actions taken in the fora of UNCTAD, IMF and the World Bank on the issue of compensatory financing aimed at helping with the plight faced by the commodity dependent countries, is more than a breath of fresh air.

32. It is public knowledge that African countries at individual level and also collectively, have not ceased from stressing the danger to their economies which arises from being too heavily dependent on a narrow range of primary commodities. Naturally, whatever assistance and cooperation that can be extended to them as seems to be implied in the objectives and principles of the ACP-EEC cooperation arrangement is considered a manifestation of interdependence. Thus no one could have been surprised that in submitting APPER to the Thirteenth Special Session of the United Nations, the African governments laid strong emphasis on giving a new impetus to finding solutions, among others, to the issue of their commodity sector. In particular, that every effort be made not only to increase productivity and production but also diversification of both their commodity composition and destination of the commodities exported.

33. Among some of the strategies stated in the UN-PAAERD for dealing with the crisis in this sector is finding ways and means of maintaining the competitiveness of African exports of raw materials, and increasing the domestic value-added of such exports. In particular through greater processing and using raw material exports as a springboard for generating the productive environment that could be capable of launching the African economies into the world markets for a wide range of manufactures.

34. There are a number of very interesting aspects concerning the issue of commodities. However at this particular moment in time, attention is to be focused on a few select areas since the aim is to prepare the ground for negotiating a successor arrangement to the Lome III Convention. One of these questions must surely include an enquiry into the extent to which the African commodity structure has fared in the period the current arrangement has been

in operation? Admittedly, it will not be that easy to state in exact terms what would or would not have been had Africa not been party to the ACP-EEC Convention. This is because more variables than the few that are used here will need to be brought into play.

35. It can not however be denied that some of the answers to the following questions would be a fairly good basis for making certain informed opinions on the subject under consideration. For instance, can it be said on the basis of available information, that Africa's export earnings from commodities since the coming into force of the Lome III have improved in the EEC market? Similarly, has the increase in the number of EEC members from 10 to 12 been an advantage or not? What also of the operation of the quota system and the related issue of fair and remunerative prices? There is also the debate which must continue on the effectiveness of the provisions of the system designed to help with the stabilization of export earnings shortfalls (Stabex).

(iii) Crisis of Africa's external debt

36. Perhaps if Africa's two sectors of trade and that of commodities had not suffered the way they did, the crisis of the region's external debt would have been of less grave concern. It is therefore necessary before going into the part played by EEC as Africa's main partner, to provide a very brief background on the basis of studies conducted by the secretariat of the United Nations Economic Commission for Africa which indicate that several factors are a cause of serious concern in this area<sup>10/</sup>.

37. To a very large extent, the main cause was the collapse in commodity prices which generated considerable uncertainty and disarray in the African economies. Secondly, stagnation and in some cases, actual decline in the flow of official development assistance that was extended to developing African countries. Third, continued rise in interest rates in the industrialized countries, especially because it escalated the cost of borrowing. Four, adoption of the regime of fluctuating exchange rates that made it extremely difficult and hard for African countries to effectively monitor their indebtedness and the related problems of debt servicing. Five, the outflow of capital and other resources from Africa, principally through the activities of transnational corporations and their banking and financial institutions.

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<sup>10/</sup> See E/ECA/TRADE/54 Op.cit. pp. 16-31.

38. A number of African countries experienced serious debt service problems because payment of principal plus interest and other charges escalated into a debt crisis. This can in part be attributed to greater privatization of external debt since the rate of commercial borrowing from private lenders had dramatically increased in comparison to concessional loans from multilateral institutions. Another equally worrying feature of the time had to do with the fact that loans earlier contracted were failing to actually generate sufficient foreign exchange to cover their respective debt service obligations. A situation therefore developed into a common practice of shifting resources away from certain important projects in order to meet debt servicing of other projects.

39. In the period that Lome III Convention has been in operation, there has also been a dramatic increase in the total debt of African countries as well as their debt servicing obligations to the EEC. This is not directly attributable to the Lome III Convention. Rather, it is a combination of many of the other factors stated earlier above. Africa's trade balance according to calculations by ECA secretariat switched from a surplus of US\$5.2 billion in 1985 to a deficit of US\$7.3 billion in 1986 and it is estimated to be about US\$7.3 billion at the end of 1988.

40. Africa's current-account deficit according to the same source reached US\$21.5 billion in 1986. Calculations for 1988 estimate it at US\$18.2 billion which would be a much worse result than was anticipated. Over and above was a further accumulation of payments of arrears. Total African debt reached US\$200 billion by the end of 1986 representing 66 per cent of GNP and more than 200 per cent of export earnings. It is therefore possible on the basis of the above to calculate the average debt service ratio at about 35 per cent as compared to 7.5 per cent in 1978. This ratio exceeds 50 per cent in a quarter of African countries. In some others, it reaches what can simply be described as unsustainable levels at 100 or more per cent. This sombre picture does not end at that, because interest payments amounted to 14 per cent of exports. Net financial flows to sub-Saharan African (most of whom are signatories to Lome III Convention) countries had already been cut by half between 1981 and 1984 and continued their decline thereafter.

(c) Africa's own attempts at resolving the economic crisis

41. Most of the activities connected with many of the objectives for which the Lome III was negotiated have a lot in common with the way the African governments wish to see their own contribution in relation to that of their partners in resolving the region's pressing economic and social problems. From an African standpoint, the Lagos Plan of Action, APPEP, UN-PAAERD and the African Common Position on Africa's External Debt are some of the main reference benchmarks. There is a common thread and a definite recognition by the Africans themselves of the role which individually and as a region, they pledge to play. The assistance and possible help from their partners is at best assumed as supplementary. Africans are also quite aware that no single remedy is available in resolving their problems.

42. Somehow this aspect has also been long recognised by their EEC partners. For instance when signing the Lome III Convention Mr. Peter Barry in his capacity as President of the European Council of Ministers attempted a definition of the new dimension of «the new ACP-EEC cooperation». In his words, Lome III was not only «a product of basic rethinking and an attempt to refashion as much as possible within the constraints of existing circumstances, an instrument of cooperation and development for the ACP and EEC States «but that the Convention did not in itself provide answers to all the questions and therefore it was wrong to think or expect the Convention «to invent solutions to every problem»<sup>11/</sup>.

43. In pledging to help themselves as stated in the Lagos Plan of Action, in APPEP and reaffirmed unambiguously also in UN-PAAERD, especially regarding taking measures and policy reforms necessary for the recovery of their economies with a view to revitalizing development, the African countries were expecting their economic partners to extend assistance to them. It is against this same background that the African countries, as an integral part of the ACP Group and as a region, entered into the contractual status embodied in the Lome III Convention. In the meantime, however, the countries have been doing everything possible within their limited resources to deal with the economic crisis which emanates from some of the areas referred to earlier above.

<sup>11/</sup> Peter Barry «A new dimension in ACP-EEC Co-operation», The Courier, No. 89, January-February 1985, p.7.



44. Many of the actions taken can be sub-divided into two principal areas. The first area is basically at the African level, irrespective of whether they be national, subregional or regional in scope. The second has to do with actions carried out with the assistance of non-Africans but in which the Africans themselves are party to finding solutions. This category includes activities taken within the framework of the ACP-EEC cooperation arrangement, the United Nations Conference on Trade and Development, the FAO, IMF and IBRD. These are some of the areas or fora where the ACP and EEC States often meet to discuss most of the issues which are included in the Lome III Convention. We therefore believe that the other parties cannot be uninterested in how the African governments manage their respective economies.

45. On the basis also of information available with ECA, it is evident that African countries have at national level made tremendous efforts in introducing policy reforms to their economies. Most of these reforms draw on what is contained in the very documents referred to above. Among the reforms has been the encouragement given to farmers in the form of incentives enabling them to improve production, especially for exports and export quotas. However, most African countries have been constrained to realise this objective due to the non-availability of sufficient financial resources. We only need to turn to the section on the crisis caused by the increasing African debt problem to better appreciate this rather adverse development.

46. No one could therefore be surprised that part of the Declaration of the Third Extra-Ordinary Assembly of the Heads of State and Government of the Organization of African Unity on Africa's External Debt Crisis says: «We have, since 1984, persistently urged the international community to address, in a comprehensive manner, the critical economic situation confronting our countries as a result of the mounting debt-service burden... . We consider that a viable debt strategy should take fully into account our economic and social development needs and, in particular, the need to mobilize the necessary resources required for the implementation of UN-PAAERD... . We wish to recall solemnly that, for our part, the economic and social development of our peoples remains our primary objective»<sup>12/</sup>.

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<sup>12/</sup> Organization of African Unity, African Common Position on Africa's External Debt Crisis, Preambular paras 4 and 5.

47. In the area of external trade as in that of commodities, some of the policies pursued by the different African countries differed due to variations in the accent of concern on specific issues. Their inability to earn enough from their exports was a result of the collapse of commodity export prices. It led some of the African countries to cut down on most of their imports. A number of African countries also banned the export of food crops in order to meet local needs. The end result was that some of them were therefore unable to meet the quotas allocated to them under the provisions of the Protocols of the Convention. However, some of the quotas could not be realised due to such natural causes as drought and crop failure.

48. There were other instances where actions by the African countries were simply incapable of bringing about any change. These were areas where the act of God had nothing to do with developments that followed. Principally, caused by slow growth in world trade. Similarly, cases of induced weak commodity price structure, especially for commodities that constitute Africa's lifeblood.

### III. SOME OF THE LESSONS GAINED FROM LOME III

#### (a) The Overall framework of the Convention

49. The Lome III Convention has not yet run its full course. Any attempt to draw from it conclusions has to be cautiously taken and must avoid the temptation of being over presumptuous. Added to what we have quoted about Mr. Peter Barry one of the former Co-Presidents that negotiated Lome III were the opinions expressed by his other counterparts. For instance, Mr. Archie Mogwe of Botswana cautioned «Partners not to ignore, nor worse yet, abet, the undermining of the Convention». Mr. Y. Haralambopoulos of Greece expressed the opinion which showed that the end result of the negotiations merely signified «the continuation of a fruitful cooperation based on mutual interest...». Mr. Hugh Shearer of Jamaica on his part saw in this new arrangement «an achievement of which both sides could be proud». Perhaps what Mr. C. Cheysson of France stated is what gave a more comprehensive opinion. In his view, the conclusion of the negotiations seemed to represent more than a global approach that symbolized «a framework for all forms of development assistance: official development aid; public

finance; investment access to markets; trade promotion; technical cooperation; training; insurance against bad harvests; permanent consultation (or policy dialogue)... in contrast to the other type of relationship between developed and developing countries which differentiates between the types of aid and treats them unequally».

50. There were certainly other opinions for and against to which we could refer. However, against such a wide range of opinions it is clear that expectations of what could be achieved by the Convention were also bound to differ. This is why it is not easy to be categorical about some of the lessons. Time or period of its existence is not the only factor. Nonetheless, no matter what approach is finally chosen, the sum total has to include opinions that take account of the experiences of each of the participating states. After all, it is an old saying that «the taste of the pudding is only determined after eating» or words to that effect. It is also equally important to measure some of the results against the experiences of the Convention's predecessors, especially under Lome II.

51. What then is the real meat to the bones of so many chapters, titles and protocols in Lome III? There is every reason to reiterate that Lome III, contains several new innovations. For example the way issues in the area of fisheries, shipping to mention but a few were conceived to be dealt with. The system of consultation has also been expanded and strengthened. The one area of common agreement was over the size of funds made available under the Convention despite the fact that the total sum fell short of the expectations of the ACP States. This is apart from the fact that the package was considerably more than under Lome II. However, to follow this line of reasoning is to ignore certain other factors which need taking into consideration. Not least of these is the impact of inflation which reduces the intended impact. Furthermore, that having expanded the scope of coverage and the membership meant that the funds did not increase commensurately.

52. The fund package which was finally agreed upon was indeed 60 per cent higher at 8,000 million UAs. Of this, 7,400 million UAs were in EDF which also represented an increase of 59 per cent over Lome II. The remaining 1,100 million UAs, representing a 60 per cent increase were intended to enable ACP States to rehabilitate their industrial, energy and mining projects in addition

to building new installations. However, a better way of knowing many of the lessons to be drawn from any of the above is if the participating ACP States are willing to share their experiences with others.

(b) Select sectoral synopsis

53. Much of what was stated in Chapter Two above, especially the observed crises in Africa's external trade, commodities and external debt forms a basis for further consideration. Growth in output of the African region as measured by gross domestic product (GDP) was estimated in the ECA 1985-1986 Survey to have been 1.2 per cent in 1986<sup>13/</sup>, a level which indicates a rather poor economic performance. It in fact implied a further drop in income per head as well as a setback for the region as a whole. There were many reasons for the setback. The one reason as stated earlier can be traced back to the collapse in oil prices during 1986. This is in spite of the fact that non-oil exporters had their best year since the beginning of the 1980s. The agriculture sector also experienced a strong 4.9 per cent growth, mainly due to good weather, generally across the region. This outcome was coupled with good government policies which allocated a greater share of resources to agriculture. The question is to what extent did some of the funds provided through Lomé III Convention contribute to some of these improvements in the agriculture sector?

(i) The sector of external trade

54. Performance of the African external trade sector was rather unstable. For sub-Saharan Africa, the results of 1986 were a poor performance. To a certain extent, the brief analysis in the preceding paragraphs provides a fairly good illustration of this. Trade of the Community with the African countries, members of the ACP Group of States is the subject of Tables 1 to 3. Imports by Africa from the EEC between 1984 and 1986 show a continuing increase. On the contrary, Africa exports into the EEC show adverse fluctuation trends to a point where they declined to below their 1984 level. On the other hand, trade of the EEC with non-ACP African countries during the same period

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<sup>13/</sup> See Doc. E/ECA/CM.13/3, Chap. II, table II.2.

is of a relatively higher magnitude to that with the ACP African States. The export commodity composition of the non-ACP African countries into the EEC is also not as narrowly confined as that of the African ACP States to only a narrow range of primary commodities. It is some of these revelations which in part raise doubts about the effectiveness of the arrangement as an instrument for expanding mutually, trade and economic relations among the signatory members.

55. This is one of the issues which should be included on the agenda for a successor arrangement. It will be necessary in examining this matter to put it along side the extent to which the operations of finances of the European Investment Bank have been able to rehabilitate industries, energy and mining projects as well as build new installations in the ACP States. Had this taken place, a number of beneficiary African ACP States would have increased their export potential by taking advantage of the provisions in the Convention.

(ii) The sector of commodities

56. To a very large extent, many of the issues that are of major concern in this area within the framework of the ACP-EEC Convention constitute an integral part of the issues also dealt with in the preceding chapters. African ACP States are as stated earlier before, predominantly producers and exports into the EEC market of primary commodities. The bulk of which consist of minerals and agricultural products in their raw form. Even for such export items like coffee for which the United States used to be Ethiopia's principal market, the EEC still continues to account for the largest share of the African total exports.

57. That the system for stabilization of export earnings from agricultural commodities (Stabex) was retained in an improved manner under Lome III, is commendable to say the least. It was indeed one of the positive improvements under Lome II over the earlier arrangement in this area. Some of the positive changes to the system include an extension in the numbers of products that became beneficiaries from 44 to 48. Another improvement was the incorporation for the purpose of beneficiary status, export products under Article 150.3

those which were not primarily destined into the EEC market. In other words, «at the request of an ACP State which does not send the bulk of its exports to the Community, the Council of Ministers, on the basis of a report drawn up by the Commission in conjunction with the requesting ACP State, may decide... that the system shall apply to its exports of products in question whatever their destination».

58. There is insufficient information on the amounts paid out to the requesting African ACP countries on the basis of Article 150.1(a), (b) and (c) as well as 150.3. Some of the reasons for this lies in the fact that a number of applications are still pending. In certain instances, it is because the process is still quite long and also cumbersome, requiring too much detail and also that the threshold over which the calculations are done has to stretch backwards in terms of the timespan. In a number of instances also, some beneficiaries are themselves rather reluctant to part with information for fear that this could give an advantage to their adversaries. It is therefore, in the light of the above, not that easy to pass what can be called reasonable judgement on how the system has been effective, weighed against the aim of the arrangement itself.

(c) What has been of the Convention so far?

59. The foregoing analysis has not covered all the main tenets of the Convention. It has concentrated only in a few selected areas. It is doubtful whether even in these very few illustrative cases it can really be assumed to have unearthed all that there is. Perhaps, a recall of some of the expressions of both hope and apprehensions to which we referred a little earlier, especially the ones which were made by the former Co-Presidents of the Council of Ministers who negotiated the Lome III Convention, should be taken into account during the Seminar deliberations.

#### IV. WHAT OF THE SUCCESSOR ARRANGEMENT?

60. Lome Three is markedly different from all its predecessors. For instance, the number of articles and protocols is considerably larger and so is the coverage of the subjects. The number of individual States in each camp is similarly much larger than before. At the time of signing the Lome III Convention, there were ten European countries (including Greece which had joined the EEC in 1981) and this number of EEC States will rise to 12 (since in the interim period, Portugal and Spain have already joined the EEC-10). The number of ACP States on the other hand, also increased to 65 from 57 under Lome II Convention in 1979 (with the admission to their group of Mozambique as the newest member). In contrast, the respective strength of membership of each party under Lome I in 1971 was 9 for Europe and 46 for the ACP States. Most of the history, beginning with The Treaty of Rome in 1957, to Yaounde Convention I in 1963 and the Yaounde II in 1973, includes contacts which took place between the original Community members with Britain and Nigeria during the 1966-1969 period and also with Kenya, Uganda and Tanzania as part of the Arusha Agreement in 1971.

61. The decision reached in Mauritius during the 44th Council of Ministers meeting of the ACP States to make preparations for negotiations of a successor arrangement to Lome III Convention is not in total isolation to what is going on among the members of the EEC arrangement. There is ample evidence of both parties (the ACP and the EEC States) having begun these preparations with a view to ensuring the continuation, rather than abrogation of the arrangement which binds them together. It will therefore not be wrong to assume on the basis of the above that the ACP/EEC cooperation enjoys the support of both groups of countries. Naturally, every one of the participating States is directly and indirectly concerned with all the issues that are to be reviewed for possible incorporation into a successor arrangement. It can also therefore be assumed that the final text likely to emerge will take into account inter alia: (a) structural adjustment in the ACP States; (b) the debt problem facing ACP States; and (c) commodity problems facing ACP States.

(a) Increasing the access of ACP exports

62. Africa's concerns with many of the difficulties faced by its exports in the EEC market are often expressed in general terms. Due to the fact that it is not easy to disaggregate many of these obstacles. Neither can most of them be specifically labelled African. Since the creation of the General Agreement on Tariffs and Trade (GATT), especially the incorporation into it of the «most favoured nation» principle, the system of international trade has developed making for a lot of talking points. The main principle seems to work well for countries at comparable levels of industrial development. However to be fair to the GATT it does not set out to prevent arrangements from instituting special or favourable treatment for the less advantaged partners. It is only that such special arrangements seem to be the exception rather than the rule. Another worrying feature of the world trade regime arises from elements which are often beyond the legal structures of which the GATT and even the ACP/EEC arrangement. In other words, even these superbly drawn up arrangements are incapable of exerting much influence in the desired directions.

63. There are some of these elements although of general applicability but which can be changed through direct and indirect action of the EEC States. For instance, a more accommodating or flexible attitude by the EEC to their CAP would go a long way in lessening some of the anxieties of the ACP States in this area. This is why such statements as the one which the French Foreign Minister made of the Punta del Est meeting during the launching of the Uruguay Round are the very opposite of what the ACP can expect from the EEC. To say that developing countries are being unreasonable when they ask for changes to CAP is to ignore the very concerns alluded to at the beginning of this paper. While the French Foreign Minister did not mention the African ACP States in name, yet it can not be concealed that the message was also intended for them in equal measure.

64. Access for other primary commodities exported by the ACP States in the EEC is hampered by several barriers. Those created by synthetic substitutes are just some of the few. As a way of getting round these obstacles, the ACP/EEC arrangement should through greater allocation of resources both under



the European Development Fund (EDF) and the European Investment Bank (EIB) enable the ACP States to increase their respective levels of industrialisation. The EEC countries could also on a selective basis, deliberately adopt policies that discourage their nationals from engaging in production lines which are better left to the ACP States.

65. Needless to say also, the process of revitalizing commodity trade should be an objective of the new ACP/EEC arrangement. However, this can only come about if the EEC States act in the same and consistent manner not only at the ACP/EEC level, but also in all the other fora where these issues are raised. In other words, it will be like taking three steps forward in the context of successor arrangement, and then two steps backward within UNCTAD and two other steps backward within the FAO if the EEC then, oppose solutions proposed pertaining to the issue of commodities because it amounts to the action. Such opposition by the EEC either as a block or as individual national approach add to a sum total of inconsistency to commitment.

66. It will also be imperative for the EEC to help with technological innovation that increase exports of the ACP States, especially in the EEC market. Technological innovation is a necessary prerequisite for the ACP States if they are to diversify their export commodity composition. Particularly regarding end-uses of many of their current export products. Another element which must be given great accent in the new or successor arrangement is for the EEC States to assist the ACP States with aspects of distribution, marketing and including transportation.

(b) Indexation/Remunerative prices

67. This is not the first nor is it likely to be the last time concern regarding this aspect is raised. The under-currents and the effects of less than remunerative prices for primary exports for most African ACP States is a real threat to their well-being. It is a major part of the crisis to which we made earlier reference. When the African ACP States are able to earn sufficiently from their total exports, they will be in a better position

to do just what they are at present not able to do. For instance, carry out sustainable structural adjustment. They will also be able to meet a greater part of their external debt obligations, increase their import capacity of most the developmental inputs.

68. The ACP/EEC arrangement includes the Stabex and Sysmin. However, these arrangements are not a total compensatory mechanism. The issue of compensatory financing could be developed along side the existing arrangements with a view to creating a link with a system of indexation. In particular, indexation that could act directly on market prices, would be unlike Stabex which acts indirectly through financial transfer. The former has several advantages over the later. First and foremost, it allows for automatic respecification of prices within an arrangement for commodities which the parties decide to include. Second, it is capable of eliminating price fluctuations and therefore likely to strengthen the import purchasing power of a country's exports of a given primary commodity. This suggestion is by no means new. There is already a precedence, introduced into Lome I via the Sugar Protocol.

69. What is required during the preliminary negotiating stages is for an agreement in principle to be reached. Details and needed modifications can be carried out by experts drawn from both parties. Alternatively, consultants could be called in to make suggestions on how the system can be implemented.

Table 1

DEVELOPING AFRICA'S TRADE WITH THE EEC

	1982	1983	1984	1985	1986	1987
ACP Countries						
Imports from EEC	19314	15162	13181	15439	16248	...
Exports to EEC	15296	15460	17531	19529	15838	...
Non-ACP Countries						
Imports from EEC	20233	14718	18767	17011	17595	...
Exports to EEC	21552	19443	19445	20302	14438	...

Source: IMF, Direction of Trade Statistics Yearbook, 1987.

Symbol used:

... = Data not available.

Table 2

YEAR-TO-YEAR CHANGES OF DEVELOPING AFRICA'S TRADE WITH THE EEC

	1982-83	1983-84	1984-85	1985-86	1986-87
ACP Countries					
Imports from EEC	-21.5	-13.1	17.1	5.2	...
Exports to EEC	1.1	13.4	11.3	-18.9	...
Non-ACP Countries					
Imports from EEC	-2.5	-4.8	-9.4	3.4	...
Exports to EEC	-9.8	-	4.4	28.9	...

Source: ITFD Calculations based on data from the IMF.

Symbol used:

... = Data not available.

- = Nil or negligible.

Table 3

## SHARE OF EEC'S TRADE WITH DEVELOPING AFRICA IN ITS TOTAL TRADE

Values in Millions of US Dollars

	1982		1983		1984		1985		1986		1987	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
<b>A. IMPORTS</b>												
World	626736	100	604428	100	616414	100	635540	100	752130	100	...	100
Developing Africa	36848	5.9	34903	5.8	36976	6.0	39831	6.3	30276	4.0	...	...
Of which												
- ACP countries	15296	2.4	15460	2.5	17531	2.8	19529	3.1	15838	2.1	...	...
- Nor ACP countries	21552	3.4	19443	3.2	19445	3.2	20302	3.2	14438	1.9	...	...
<b>B. EXPORTS</b>												
World	615017	100	599534	100	615009	100	798139	100	798139	100	...	100
Developing Africa	39547	6.4	34880	5.8	31948	5.2	32450	5.0	33843	4.2	...	...
Of which												
- ACP countries	19314	3.1	15162	2.5	13181	2.1	15439	2.4	16248	2.0	...	...
- Nor ACP countries	20233	3.3	19718	3.3	18767	3.1	17011	2.6	17595	2.2	...	...

Source: IMF, Direction of Trade Statistics Yearbook, 1987 and ITFD calculations based on the raw data.