



47713

ECA/RCID/04/98

3 April 1998
Original: ENGLISH

UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

ECONOMIC COMMISSION FOR AFRICA

**LOME CONVENTION:
EU-ACP NEGOTIATIONS FOR
SUCCESSOR ARRANGEMENTS
A NOTE BY THE SECRETARIAT**

Lome Convention: EU-ACP Negotiations for Successor Arrangements
A Note by the Secretariat

I. Introduction

1. The revised Lome IV Convention is due to expire in February, 2000. According to the ACP-EU tradition, negotiation on the successor Convention has to start 18 months before the expiry of the prevailing agreement. This will make September, 1998 the time for the beginning of the negotiation.
2. Preparations are under way in all the three regions of the ACP. With regard to Africa, collective preparatory work started when sub-regional groupings such as SADC, COMESA and ECOWAS met in their respective places to formulate their positions as early as the beginning of 1997. Individual member countries usually make their own preparations before they go to these sub-regional meetings. In their submission to the Meeting of African Experts on the future relations between the ACP and the European Union countries, the regional sub-groups expressed their support for the preservation of the ACP-EU Institution which is characterized by a contractual relationship. This contractual relationship, it is recognized, has contributed to the predictability and certainty of the whole arrangement. However, substantial changes are suggested as previous programmes did not result in the improvement of the livelihood of the ACP citizens in almost all aspects of the cooperation.
3. A meeting of African Experts on the future relations between the ACP and the European Union countries was held from 1-3 July, 1997 in Addis Abeba, Ethiopia, to discuss the submissions of the sub-regions and matters of general African concern in order to come up with a unified position to face the European Union counterparts.
4. The report of the African Experts meeting and the draft Declaration prepared by the ACP Group of African Ambassadors were submitted to the Conference of African Ministers on the future relations between the ACP group of states and the European Union which was held in Lome, Togo, from 7-8 October, 1997. The Conference of African Ministers adopted the report and the draft Declaration submitted to it by the Brussels based group of African Ambassadors.
5. The first summit of the ACP Heads of State and Government was held in Libreville Gabon, on 7 November, 1997 to consider the outcomes of the Ministerial meetings of the various groups. The Summit's deliberations led to the adoption of the Libreville Declaration which set out broad guidelines for the future ACP-EU negotiations.
6. This note by the Secretariat reviews the preparatory process underway, highlights the main conclusions reached by the meeting of African experts, the conference of African Ministers and the ACP Summit. It also hilights the possible negotiating positions of both the European Union and Africa.

II. Highlights of the Preparatory Process

1. The Meeting of African Experts of the Future Relations Between the ACP and the EU

7. The meeting of African Experts brought together representatives from 44 African countries. Extensive discussions were held and consensus reached on the following:

(i) Objectives of the ACP-EU Relations

- Stated as some of the main objectives under this title are promotion and acceleration of the economic, social cultural and technological development of the ACP in general and of Africa in particular within the framework of the establishment of the African Economic Community with a view, among others, to integrating the ACP States into the world economy.
- Other constituent objectives include items such as raising the standard of living of the population and strengthening national capacities for economic management, intensification of current economic and political reforms, mobilization of financial resources and promotion of investment, inclusion of other actors such as NGO's and all segments of the civil society, eradication of poverty, etc.

(ii) General Framework of ACP-EU Relations

- The prevailing environment that will impact on the major instruments of the convention, specifically EU's policy of expansion into Eastern and Central Europe, Africa's loss of geo-political significance and the establishment of the World Trade Organization were indicated as causing great concern.
- Agreement has been reached under this topic to maintain the status quo on the issues of geographical coverage.
- Request was forwarded to UNECA to undertake a study on:
 - the consequences of the possible inclusion of non-ACP Least Developed Countries in the ACP-EU relationship and
 - the expansion of the EU to other European States.

(iii) Differentiation

- The meeting recommended that differentiation should be used as a positive instrument rather than a measure of sanctioning a member of the group or discriminating against countries of a region.

(iv) Regionalization

- The meeting reaffirmed the need for the umbrella framework of the ACP.
- Regionalization should not be used as a geographical concept to divide the ACP and table separate regional agreements.

(v) Regional Integration

- The meeting recognized regional integration as an indispensable strategy for Africa's socio-economic development.

(vi) Political Dialogue

- Recommendation made to re-adapt the existing consultation mechanism between OAU and EU on the basis of the Troika to discuss not only political but economic and development issues.

(vii) Trade and Investment

- EU should assist African countries in making a case with the WTO so as to maintain and improve preferences conceded to the ACP countries with the understanding that the WTO rules are not to Africa's advantage and ways of revising them should be looked into.

(viii) Competitiveness

- The meeting considered competitiveness as the path to Africa's salvation which would integrate the continent into the global economy.
- Maintaining preferences could enable African countries keep some competitive margins.
- Regarding investment, the meeting recommended their promotion paying particular attention to industrialization, guarantees on investment, private

sector development, increased access to international capital market, investment in infrastructure and development and transfer of technology.

(ix) Financial and Technical Cooperation

- Difficulties in accessing the resources of the EDF were underlined and ways of easing such an access discussed including the decentralization of decisions to EC representational offices and some co-management of the process.
- Ways of lowering the high cost of technical assistance should be devised with the increased utilization of local expertise.
- Conditionalities, differentiation, allocation criteria, etc. should be improved.
- EU should assist debt negotiations.

(x) Social Dimension and Economic Cooperation

- The new arrangement with the EU should incorporate eradication of poverty, access of civil society to EDF resources, development of SME's, environment, decentralized cooperation and cultural dimension of development.

III. The Conference of African Ministers on the Future Relations between the ACP and the EU

8. The Conference of African Ministers was held from 7 to 8 October 1997 in Lome, Togo. In addition to adopting and using the African expert group report as an input, the Conference also considered Africa's Draft Declaration on the future ACP-EU relations submitted by the African Ambassadors of the ACP group.

9. The Conference adopted the Lome Ministerial Declaration as Africa's regional position and contribution to be submitted to the ACP Summit of Heads of State and Government which was to be held in Libreville, Gabon from 6 to 7 November 1997. This Document reflected Africa's position on the following major issues:

1. Objective of the Future Convention

- The proposed objectives include - eradication of poverty and raising the standard of living of the population, development of the institutional and human resources

capacities, effective debt reduction, promotion of regional integration, intensification of current economic and political reforms, industrialization, strengthening the capacity of women and youth, environment, etc.

2. General Framework

(i) Geographic Coverage

- It was agreed to maintain the status quo while not ruling out the consideration for new membership from the ACP areas (countries like Cuba are cases in point).

(ii) Regionalization

- Concern pointed out not to use regionalization to divide the ACP Group but to use it to address development problems specific to the component regions.

(iii) Differentiation

- The principles of differentiation to be applied in a positive manner taking due account of the respective unique circumstances and needs of individual countries.

(iv) Regional Integration

- Commitment expressed and support requested from the EU for regional integration on the basis of the Auja Treaty for the establishment of the African Economic Community.

(v) Political dialogue

- Willingness stated to enter into political dialogue on the principle of equality and true friendship.

3. Trade and Investment

(i) Trade

- Preference and access to markets should be maintained and further improved.
- Worry was expressed about EU's resort to non-tariff barriers which rendered trade preference ineffective.

- Call forwarded to UNCTAD, WTO, OAU, ECA and ACP to assist in formulating strategies.
- Affirmation made to improve competitiveness by encouraging and assisting private sector participants.

(ii) **Investment**

- Creation of businessmen and investment fora as well as industrial fairs recommended between industries in ACP and EU States.
- Framework agreement suggested on investment guarantee and protection.
- Creation of possibilities for intra-African investment and promulgation of appropriate investment codes recommended while at the same time suggestion was made to create dialogue between the private and public sector participants.

(iii) **Industrialization**

- Small and medium sized enterprises to be utilized as the building blocks to major industrial projects and regional approach to be followed for industrialization.

4. **Development and Transfer of Technology**

- Priority is to be given to the development of indigenous capacity through the establishment of centres of excellence and inter-university cooperation in the areas of science and technology, research and development, etc.

5. **Social Dimension of Development**

- Major areas of attention in this field are stated to be eradication of poverty, urban and integrated rural development, human resources development, development of infrastructure, environment, decentralization of cooperation, access of civil society to EDF funds etc.

6. **Financial and technical cooperation**

- Mentioned as critical issues in this area are - the lengthy, cumbersome and bureaucratic procedures of EDF fund disbursement, need to decentralize EDF management, arbitrariness of conditionalities regarding the utilization of EDF resources, high cost of technical assistance, seriousness of Africa's debt burden, etc.

IV. The First Summit of ACP Heads of State and Government

10. The ACP Heads of State and Government met in Libreville, Gabon, on 7 November, 1997 to consider contributions of the various groups of the ACP countries and to adopt the Libreville Declaration.

11. The Libreville Declaration is articulated around the following:

1. Challenges for the ACP Group

Stated as challenges include:

- The existence of rampant poverty, social exclusion and marginalization.
- Commitment by the ACP to the values of democracy, good governance, the rule of law and respect for human rights.
- Dedication to strengthen the unity and solidarity of the Group, maintenance of a geographic entity, enhancement of political identity, achievement of peace and stability, encouragement of the private sector, promotion of cooperation and integration, etc.

2. ACP Countries and the International Environment

- Recognition made to the new World Order which demands the adoption of a more creative approaches.
- Reaffirmation made to discharge international obligations, but fear expressed by the prospect of disruption of the fragile and vulnerable economies which would arise from the intensive application of WTO rules.
- Appeal made to the developed countries and the EU in addressing the development, debt, environment, etc. issues of the ACP countries.

3. ACP-EU Relations Beyond the Year 2000

(i) General Framework of ACP-EU Cooperation

- A new ACP-EU agreement must be built on the acquis of the Lome Convention which gives due regard for the principles of solidarity, sovereignty and equality and the aspects of the contractual nature, predictability, dialogue, and partnership.

- Preservation and reinforcement of the unity and solidarity of the ACP Group.
- Subscription to the principle of positive differentiation, etc.

(ii) Development Cooperation

- Development cooperation should aim to establish development agreement which places greater emphasis on human resources development, vulnerability of small states, preservation of environment, etc.

(iii) Political Cooperation

- Desire expressed to have a broader and more intensive political dialogue including a continuation of the Joint Assembly deliberations.

(iv) Trade and Investment

- Assistance requested to handle supply-side constraints and the promotion of vertical and horizontal diversification, maintain non-reciprocal trade preference, commodity protocols, STABEX, SYSMIN, etc.
- EU should give incentives to its private sector to invest in ACP countries, and ACP-EU business forum of ACP-EU business institutions and enterprises should be established.

(v) Development Finance

- Reform recommended to increase the efficiency of the financial administration of the EU (over-centralization, lack of transparency, etc.).

4. Organizational and Institutional Framework of the ACP Group

- ACP Council of Ministers instructed to review the role of the ACP-EU institutions, give direction for future intra-ACP cooperation, adopt the ACP negotiating mandate for future ACP-EU relations not later than mid-September 1998, etc.

12. In addition to the resolutions summarized above, the Libreville Declaration also contained four decisions whose major points are the following:

- (a) The council of Ministers shall establish a work programme at the very latest by January 1998 on:
- negotiating mandate and strategy
 - mechanism for monitoring and reviewing the negotiations.
- (b) Ministers of trade shall meet not later than the first half of 1998, to consider:
- the appropriate measures and frameworks to maximize trade cooperation among all ACP countries.
 - the feasibility of establishing ACP free trade areas.
 - the best ways of protecting ACP interests in the field of trade
- (c) Ministers of Finance of the ACP to:
- secure speedy implementation of the initiatives on debt,
 - ensure urgent adoption of measures on debt including those of multilateral sources,
 - facilitate cancellation and reduction of debt regarding LDC's and other member countries,
 - ensure coordination of financial matters. etc.
- (d) The council of Ministers shall review and revise the organizational arrangements etc.

5. The Position of the European Union Regarding the Future of the ACP-EU Relationship

13. The European Commission has submitted a proposal to be used as ACP-EU negotiating guidelines to the European Council and the European Parliament towards the end of October, 1997. Negotiating directives based on these proposal are expected very soon. Following this, the ultimate formal position of the EU would be known. The document draws heavily on the materials covered in the Green Paper which circulated widely to provoke discussions by various interest groups.

14. Five major policy areas received a focused attention by the Commission in the negotiating guidelines:

- (i) Giving the new partnership a strong political dimension - Considerable emphasis is given to this dimension to the extent of being seen as the third instrument together with the other vital complements of aid and economic

cooperation. To be included in the political dialogue are: human rights, democratic principles, the rule of law, good governance and preventing and settling of conflicts.

- (ii) **Alleviation of poverty and integration of the ACP into the world economy** - In the words of the Commission, as the world's leading trading partner, the main source of development aid, a pole of stability and the most advanced example of regional integration, it feels duty-bound to develop a responsible approach to the regions of the South, especially those most vulnerable to poverty and marginalization. Negotiations along this line is to bring about concrete cooperation between the two groups in the areas of sectoral policies which promote access to basic services (such as primary education, basic health care, water, urban housing, etc.), food security, demography, decentralized and participatory management, gender equality, environmental protection, etc. To integrate the countries of the south into the world economy and reverse the trend of marginalization, support is envisaged for coordination of macroeconomic policies, trade liberalization and customs cooperation, regional infrastructure, capacity building at regional level, etc.

- (iii) **Promoting economic partnership (a shift in EU-ACP cooperation)** - In this respect, abandoning the traditional approach to trade which was centred on a system of unilateral preferences is recommended in favour of, as it is often stated, a more balanced approach characterized by a genuine partnership and taking account of the parties mutual interest. The ACP is once again reminded about the passing by of the colonial and post colonial era and the need to stop the donor-recipient relationship which prevailed so far. Cooperation in this area involves assistance to be extended by the Union to enable the ACP group to raise itself to a partnership level. Negotiations in this regard is expected to lead to a group of differentiated agreements in addition to an overall ACP-EU agreement. In general, the agreements to be concluded include - the umbrella agreement covering overall ACP-EU relations (1998-2000), agreements covering the three ACP regions of Africa, the Caribbean and the Pacific and agreements with the regional subgroups of West Africa, Central Africa, Southern Africa and East Africa (2000-2003). Consideration could also be given to groupings such as UEMOA, UDEAC, SADC, EAC AND CARICOM. The current arrangement is to be maintained regarding LDC's including non-ACP LDC's. During the 2nd stage of the negotiation process, elements of reciprocity are envisaged to be introduced regarding the non-LDC ACP countries making the relationship WTO compatible Where non-LDC ACP countries do not wish to commit themselves to such negotiations, they

would be allowed to continue to benefit from trade preferences under the GSP on expiry of the three-year negotiating period which falls between the years 2000 and 2003.

- (iv) Introducing new practices in the financial and technical cooperation -The impression regarding the financial and technical cooperation, though improvements were introduced during the 8th EDF, is still one of complexity, inflexibility and lack of transparency. Effort is intended to be made to enhance efficiency and simplicity. Allocation is to be made on the basis of needs and merits and definitive allocations to various countries will be abandoned in favour of an indicative ones. At the same time, attempt is claimed to be made to maintain the fundamental principle of the Convention which is its contractual and predictable nature.
- (v) Region-based agreements/geographical differentiation - This idea is indirectly touched upon in proposal (iii) above while discussing the issue of partnership. The concept of differentiation was first presented as one among four alternative arrangements in the Green Paper. In its original form the proposal was to replace the Convention with a set of regional agreements. The expression of a strong sense of solidarity at the Libreville Heads of State Summit dictated the maintenance of the ACP umbrella. However, though the ACP umbrella organization is maintained, differentiation is not abandoned. It re-surfaces in the form of proposals for differential treatment based on development levels and geo-strategic location always putting WTO compatibility at the fore front. Geographically, the introduction of a differentiated approach would involve intensive negotiations (after negotiating for an ACP framework agreement) with the regions of Africa, the Caribbean and the Pacific and the subregions of West , Central, East, and Southern Africa including the Indian Ocean countries. The whole negotiation process could take a total of six years (1998-2000 for the framework agreement and 2000-2003 for regional and sub-regional agreements) going well into the implementation period. This would be counter - productive and divisive and could ultimately ruin Afrca's and the ACP cohesion and negotiating position. There is merit in furthering discussions on this concept as it is, no doubt, the central feature of the European position.

6. Getting Prepared for the Negotiations

(i) At the National level

15. National reviewing committees and core groups of negotiators should be established at the level of each African country. These committees involve relevant government representatives and selected personalities from the private sector and civil society including women to reflect on past ACP-EU experiences and their impact and assist in defining national positions in the light of and towards the refinement and consolidation of the African regional position and negotiating strategy.

(ii) At the Regional Level

16. The Regional Economic Communities and their current Ministerial Bureaux should review the regional dimension of the ACP-EU arrangements, past experiences and prospects. To this end, two objectives are to be pursued: (i) maintaining a specific window for regional programmes and (ii) designating Regional Economic Communities as the sole initiators of such programmes and their coordinators in close cooperation with technical organizations.

(iii) At the Continental Level

17. The OAU office in Brussels should be used as a base being properly equipped to disseminate information on a daily basis and to assist Brussels based group of ambassadors in their coordinating role. To assist the current ACP-EU negotiations, it might be useful to establish a technical body of senior African experts/negotiators to be backstopped by the Joint Secretariat. This group would help in enhancing the skills of negotiators designated by the African Group and appraising them of developments and strategic shifts in the course of the negotiations.

18. The OAU/ECA/ADB Joint Secretariat has been closely involved in the various preparatory meetings of the African Group. Its involvement include organization of meetings and extending technical backstopping services to meeting participants. The Joint Secretariat has made significant contributions to the recently held expert meeting in Addis Abeba, the Ministerial meeting in Lome and the Summit of the ACP Heads of State and Government in Libreville.

19. The ECA is currently undertaking a study (mandated by the last ACP African Expert Group meeting) regarding the implications of the inclusion of the non-ACP LDC's into the Convention and the expansion of the European Union towards the east.