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The two Social Summit commitments on developing country trade are: (a) the promotion of equitable access of developing countries to global markets, productive investment, the transfer of technologies and appropriate knowledge, with due consideration to the needs of countries with economies in transition; and (b) full implementation of the Uruguay Round.

The basic import of the Uruguayan Round has been to compel all economies, no matter their levels of development and their peculiar problems, to adopt equal rules and standards – in tariff reduction, protection of private property and foreign investment, etc. – with the aim of creating a level playing field for the global movement of goods, capital and investment. This treatment of unequals as equals means the prohibition of many of the very instruments available to developing countries to redress inequities in global markets, technology, and productive investment. From this point of view, it could be said that the Social Summit commitment requiring full implementation of the Uruguay Round constitutes a contradiction at the very heart of the Summit.

This contradiction is being played out in on-going debates over an agreement to succeed Lomé IV, which ends in the year 2000. Lomé IV is the current in a series of agreements, which since 1975 have been the framework for trade and development co-operation between Europe and countries from Africa, the Caribbean and the Pacific (ACP). The primary focus of the debate is the trade preferences enjoyed by the ACP countries in European Union (EU) markets under the Lomé Con-

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vention, which exempt many ACP exports to the EU from tariff and other barriers. **But this is related to EU's global economic agenda in the context of which its relationship with the ACP countries is being re-defined.**

TRADE PREFERENCES UNDER THE LOMÉ CONVENTION

Currently, most ACP industrial and processed goods enjoy non-reciprocal preferences in the EU. These are supported by four agricultural protocols annexed to the Lomé Convention giving non-reciprocal preferential access to ACP exports of bananas, beef and veal, sugar, and rum. The future of these preferences is under challenge, partly due to the general historical decline of the EU's own tariff barriers as part of the trend towards trade liberalisation. For many industrial products, tariff margins are no longer significant, since all least developed countries receiving Generalised System of Preferences treatment enjoy the same access to the EU as ACP countries. Other EU trading partners from the Mediterranean and Eastern Europe also receive special access as part of reciprocal trade agreements. In the agricultural sector, reform of the EU's Common Agricultural Policy will open up access to EU markets and reduce guaranteed prices in European markets. This will especially affect the four agricultural protocols.

But the more serious challenge comes from the new international trade regime and from non-ACP developing country exporters to the EU. Non-ACP countries argue that the Lomé preferences and protocols unfairly discriminate against their products, an argument upheld by a recent GATT panel when it declared the European Commission's banana regime to be illegal. This is supported by the argument that, because they are not available to other developing countries of similar situation, the Lomé trade preferences in general are incompatible with GATT.

There are those, of course, who question the usefulness of the preferences, given that –despite some limited positive achievement– most ACP countries have not shown much significant economic improvement since the beginning of Lomé. Against this is the argument that weak economic performance is due less to the inherent value of preferences than to the limited capacity in those countries to use the opportunities opened by the preferences. So that even as most people recognise that the preferences may not last for ever, the idea is to maintain them for enough time, say ten years, to allow ACP countries to adjust. The question then is how to design an arrangement for the retention of preferences that would be compatible with the World Trade Organisation (WTO).

The European Commission's (EC) Green Paper on the relations between the EU and ACP on the eve of the 21 Century has put forward four options in this connection: 1) to retain the status quo; 2) to apply the Generalised System of Preferences (GSP); 3) to introduce uniform reciprocity; and 4) to introduce differentiated reciprocity.

The first option maintains current trade arrangements with non-reciprocal preferences specific to the ACP. Since these do not comply with the WTO, the EU and ACP can either continue to obtain a waiver under the WTO's provisions or seek an amendment which allows selective, non-reciprocal trade between developed and developing countries.

The second option implies the abolition of Lomé preferences and the gradual integration of ACP countries into the GSP. This would make trade preferences a unilateral decision of the EU. It is proposed to make normal GSP applicable to what the EU terms «*advanced*» developing countries (such as Barbados, Mauritius and Zimbabwe), while all least-developed countries (ACP and others) will be granted enhanced GSP (equal to current Lomé preferences). While this option is WTO compatible, it raises serious questions as to what the EU means by «*advanced*» developing country, what criteria will be used to graduate a developing country out of the system, and what happens to developing countries not considered to be either «*least developed*» or «*advanced*».

Furthermore, this option introduces a mechanism that undermines the basis of political solidarity among developing countries both in their dealing with the EU and in maintaining a coherent political presence in other international economic fora.

The third option introduces uniform reciprocity among EU and ACP countries. This is a step back from WTO: by lumping together developing and least developed countries in reciprocal trade, this option ignores WTO provisions on «*differential and more favourable treatment*», especially for the least developed countries.

The final option involves differentiated reciprocity, with the EU constructing free trade areas (FTA) with different ACP regional groups or countries. One problem with this approach is

that most of these regional trade groups do not yet function and cannot enter into an FTA. But the real danger here is that it allows the EU to begin to construct relationships with enclaves of the more successful ACP countries at the expense of the rest.

The problem with the EC approach in all this is that it is not sufficiently proactive in seeking reform of the WTO agreements in order to sustain an arrangement which is beneficial to the ACP. From the perspective that the preferences need to be maintained even if only for a transition period, the best option is retention of the status quo. But this requires political will, with the EU and the ACP pressing for necessary exemptions within the WTO. This may be difficult but not impossible, given that the EU is a leading bloc in the WTO political economy and its power would be bolstered by ACP numbers.

The real obstacle in this regard is lack of political will on the part of Europeans, which in turn is related to the EU's international trade and investment policy. Here enters Europe's own global agenda in the context of which its relationships with the ACP are being redefined and reconstructed.

EUROPE'S GLOBAL AGENDA AND THE LOMÉ CONVENTION

European development co-operation policy (the broad heading under which EU-ACP relations is dealt with in the EC) is designed to fit into two other arms of EU external policy. These are: (a) foreign policy, designed to promote security, democracy, human rights, and so on; and (b) Europe's common trade and investment policy. As the Green Paper puts it when discussing the question of consistency in the three arms: «*Consistency, in the strict sense, that is the external effects of policies other than development co-operation, can never become an international commitment on the part of the Community*».

In other words, the issue of whether Europe's trade and investment policy has external effects that undermine an ACP country's development efforts, or even the EU's own development co-operation policy, is not something to be questioned in the context of ACP-EU relations. Since European common investment policy is, again in the words of the Green Paper, «*centred on compliance with multilateral obligations, the building of a better managed multilateral system, and on the active pursuit of wider access to external markets*», it is not surprising that the EC's approach to ACP trade preferences is to conform to the WTO rather than to reform it.

The fact that its international trade and investment policy is centred on multilateral obligations, strengthened by a «*better managed*» multilateral system (ie the WTO), reflects Europe's contribution to, and interest in, the new agenda

for international regulation of trade introduced by the URA. The landmarks of this system –especially the Trade Related Investment Measures (TRIMS), Trade Related Intellectual Property Rights (TRIPS), and General Agreement on Trade in Services (GATS), which together form a trade sanction-based dispute settlement mechanism– have transformed trade into an instrument for the intervention in the domestic economic policies and strategies of other countries, primarily to meet the monopoly needs of the European, American, and Japanese transnational corporations (TNC) which dominate world production and trade.

TRIPs were designed to entrench the technological monopoly of these transnationals; TRIMS to free TNC investment from the kind of domestic policy demands that Third World countries have adopted to tailor these investments to their own needs; GATS to open up the service sector to these transnational companies. Since the conclusion of the Uruguay Round, Europe has been pushing for the adoption of the Multilateral Investment Agreement (MIA) to further tighten the processes started with TRIMS.

The Green Paper actually puts forward the adoption of the MIA within the ACP as part of the agenda for the future. Indeed, all the changes that the EC proposes for adoption within the successor to Lomé IV appear designed to align the EU-ACP relations with the multilateralism of the WTO and its vision of globalisation. One area where this stands out clearly in the Green Paper is the EU's attitude to regional integration.

A common Third World perspective sees regional integration as a way of protecting national economies from the ravages of the indiscriminating rules of the multilateral system, in order to win space to build sustainable economies. So Third World nations are trying hard to strengthen broad-level regional integration initiatives. The Abuja Accord for an Africa-wide economic system is one such initiative.

By contrast, EU support for regional integration is motivated by the view that it is a necessary step towards integration into the world economy, and hence must be compatible with the new multilateralism initiated by the URA. So there is a tendency to promote integrationist initiatives which fragment rather than strengthen African regional capacity.

The Green Paper does not even mention the Abuja Accord, which founded the African Economic Community and is the basis of Africa's efforts for a continent-wide economic integration. Instead it supports what the EU has been promoting as a new regional body in West Africa, the Union Economique et Monetaire Ouest Africaine (UEMOA). UEMOA is even narrower than and threatens to fragment the wider and longer-standing Economic Community Of West African States (ECOWAS). ECOWAS groups all countries in West Africa and not just the francophone ones, as does UEMOA. ECOWAS has long been acknowledged as one of the sub-regional blocs that must be strengthened in building the ulti-

mate economic community of Africa. Ultimately, support for UEMOA accords with European interests in creating trading regimes only with the so-called viable enclaves, rather than creating spaces in which weak and strong economies reinforce each other's capacities.

To further justify the EU's desire to restructure its relation with ACP in the ways described, the Green Paper makes a one-sided assessment of past performances under the Lomé Convention. In its view, the Convention was «*an ambitious but sometimes unrealistic framework based on assumptions about the ACP countries' institutional and political capacities that have not been fulfilled*». Thus all the dismal results of all the Lomé co-operation instruments are viewed through this prism of ACP countries lack of institutional capacity.

Thus according to the Green Paper, the principle of partnership, which was central to the Lomé Convention, has been eroded because of «*weak institutions and in many cases inefficient administrations*», encouraging the European Commission to adopt a more interventionist role. Aid policies have failed because of the «*institutional and economic policy situation*» in the recipient countries that reduce the impact of aid. Because of this, donors have tended to shift aid from countries «*in which the political conditions fall short of basic requirements towards countries undergoing structural adjustment.*» The failure of trade preferences is attributed to lack of infrastructure, etc., but above all to the absence of political and macro-economic stability, exchange rate policies, credible import and taxation regimes, etc.

The first flaw with this assessment is that, even if the major cause of failure has been lack of ACP internal institutional capacity and sound policy, the very policies promoted by Europe have contributed to this. Take structural adjustment. It is now widely acknowledged that the design and implementation of structural adjustment policies have contributed their widow's mite to the destruction of both economic and political-administrative capacity in the structurally adjusting countries.

Adjustment programmes, having assumed wrongly that getting «prices» right was enough, forced countries to rely on so-called comparative advantage, that is cheap labour, with policies that have led to de-industrialisation in Africa. And yet structural adjustment is the explicit glue which holds together all the measures and instruments of Lomé IV, signed in 1989 and any subsequent review of it. Thus, by article 246 of that Convention:

«*ACP States undertaking reform programmes that are acknowledged and supported at least by the principal multilateral donors, or that are agreed with such donors but not necessarily financially supported by them, shall be treated as having automatically satisfied the requirements for adjustment assistance*».

The bigger flaw in the Green Paper's assessment is with the fundamentals. Lomé was unrealistic, but not for the reasons advanced by the Paper. It was unrealistic for the Convention to have expected countries to diversify, etc., within a framework through which, as the paper itself acknowledged, Europe sought to retain these countries as providers of raw material and overseas markets. Europe offered stabilisation of commodity prices, technical support, etc., all in exchange for the certainty that these countries would continue to play for Europe the role that they played for it during colonialism and improve within this framework. Thus it was, for instance, that the industrial co-operation instruments of the Convention were designed on the basis of the so-called import-substitution that everybody now hastily condemns as the cause of ACP problems.

By ignoring all this and pointing to the institutional weakness and policy failures in the ACP countries, the Green Paper not only obscures how Europe's economic interests and political power have shaped the failures of the past. It lays the basis for «rectifying» these failures in a way that coincides with how Europe wants to shape its own policies.

Unfortunately for the future, the inequitable international economic relations that have constrained ACP countries in their dealings with Europe will be anchored in a more unforgiving regime, the WTO, whose demands for compatibility threaten even those preferences now open to the ACP under the existing system.

- [Third World Network, Africa Secretariat](#)

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