

Convention expired. Traditionally, the EU has been the developing world's most significant democratic partner. However, the Commission's 1996 *Green Paper on Relations between the European Union and the ACP countries* that considered reforming the Lomé Convention launched a process that many believe has fundamentally altered this relationship. Development policy currently faces a crossroads and many of the assumptions and certainties of the past four decades are under scrutiny.

Development policy reform is a continual process, the outcome of which remains undecided and susceptible to sudden change. Forging a consensus within the EU member states is always hard and the European Parliament will certainly be active – and its approval is required for any new treaty-based agreement. Despite the clear free trade policy tendencies of Europe, the history of the EU suggests that ambitious proposals that challenge the status quo more often lead to incremental and pragmatic change than to wholesale reform. However, the response of the Third World is crucial. Collectively they may be able to shape the debate to their mutual advantage; however, if no consensus emerges on their shared interests the EU may again be able to dictate the terms of the dialogue. Whatever the outcome, clearly there will be winners and losers. The 1975–2000 status quo could not be maintained.

Whether the late-1990s reform process was just another manifestation of *fin de siècle* euphoria, or a more sober re-evaluation of the EU's global role and limitations, the new millennium has signified a watershed in development policy.

Chapter 1

Four Decades of African, Caribbean and Pacific Relations

This chapter begins by addressing two basic questions: what were the origins of the EU's development policy; and, what were the motivations? These simple questions need to be examined in some detail in order to convey the context within which development policy has evolved since 1957. Many of the current debates concerning the restructuring of relations with the Third World can only be understood through such an historical perspective.

The 1957 Treaty of Rome establishing the then EEC was a document that challenged the pre-existing assumptions about state sovereignty. These assumptions were not exclusively internal in their implications but extended to a state's external affairs as well. The internal integration of the European market had direct and serious consequences for third countries and the position of the developing world was addressed, albeit imperfectly, in the founding Treaty. Of course, bilateral relations have persisted and act to complement the European relationship with the developing world; significantly, however, the scope and scale of these bilateral ties have been progressively modified. Whilst the Treaty was myopic in its largely francophone definition of the Third World this framework represents the origin of Europe's fragmented and differentiated approach.

The original signatories to the Treaty of Rome all sought special arrangements for those matters that were of particular importance to them: agricultural, political and colonial. For France, the protection of the relationship with its colonial dependencies was one such priority. Significantly, throughout the discussions that led to the Spaak Report, which set the framework for the original European Community, no mention was made of colonial relations, and only as late as May 1956 did France table the issue. The other member states were reluctant to involve the EC in what was to most a French external

affair, with the Dutch and the Germans the most critical. However, as expressed by one commentator, 'France's move was shrewdly timed: by making a satisfactory agreement on provisions for its dependencies a sine qua non for its signature of the Treaty, French bargaining power was maximized' (Ravenhill, 1985, p. 48). Consequently, on French insistence, provisions for 'association' for all dependencies were included in Part IV of the Treaty: a contractual treaty-based relationship was created that established both the basis and rationale for subsequent arrangements such as the Yaoundé and Lomé Conventions.

Associated status was given to specific overseas collectivities and territories (OCTs) that had 'special relations' with a member state. Initially this only involved relations between 31 OCTs and four member states (France, Belgium, Italy and the Netherlands) but was expanded with the first enlargement in 1973. French colonial ties predominated and incorporated the states of French West Africa, French Equatorial Africa as well as island dependencies in the Pacific and elsewhere. Article 131 sets out the parameters of these original provisions:

The purpose of association shall be to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole.

... association shall serve primarily to further the interests and prosperity of the inhabitants ... in order to lead them to the economic, social and cultural development to which they aspire.

In essence, both member states and colonial dependencies were to be treated similarly with respect to trade access, investment and the reduction and eventual abolition of customs duties (with the exception of certain 'sensitive' products). A consequence of this was that other third country developing states were discriminated against. The contractual nature of the relationship was important as a legal obligation was established on member states 'to contribute to the investments required for the progressive development of these countries and territories' (Article 132.3). The exclusive mechanism chosen for the task of providing aid was the European Development Fund (EDF). The role of the EDF has grown significantly (both in the scale and scope

of funding) and it still remains one of the key instruments of Europe's policy with the developing world. Despite this assistance and the market preferences given to their exports, the associated states generally failed to improve their economic profiles over this period.

Not surprisingly, Articles 131-6 have subsequently been criticized for perpetuating the existing colonial dependency. Whilst with hindsight this certainly seems the case, two ancillary factors are pertinent. First, in the context of the time, these Articles were more significant for underlining at the very beginning of European integration that an external developmental relationship could not be ignored. Clearly, Europe's global role and responsibility was to be valued and part of the wider notion of integration: the then Community was much more ambitious than is perhaps commonly acknowledged. As Monnet argued, the Community was 'not a coal and steel producers' association: it is the beginning of Europe' - with all that phrase implies internally and externally (1978, p. 392). But second, the selectivity of the countries included foreshadowed what was to become the central problem in Europe's relationship with the developing world - historical ties rather than need has been the driving rationale behind preferential treatment. It has taken more than four decades to begin to unravel this selectivity in Europe's definition of the developing world.

The Yaoundé Conventions

Whilst these provisions still apply to a small number of territories today, in the early 1960s the majority of OCTs gained their independence and new arrangements were appropriate and necessary. Consequently, by the mid-1960s the vast majority of African states found their relations with the EC structured through a completely new and separate treaty: the first Yaoundé Convention. The foundation of the Convention was the recognition of the national sovereignty of the participating countries. It established preferential trading arrangements between the Six and 18, principally francophone, countries. These were known as the Associated African States and Madagascar (EAMA in its original French acronym) and were composed of: Burundi, Cameroon, Central African Republic, Chad, Congo, Dahomey,

Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta and Zaire.

There were three distinct and original features to the Convention: a) its comprehensive character; b) the multilateral framework; and c) its joint institutions. First, uniquely for the time, the Convention linked a range of separate development policies under a single integrated approach. Financial aid, technical assistance and training, trade preferences and investment and capital movements were all covered. Second, the Convention was the first example of a common contractual basis for relations between the industrialized and the developing world. This multilateral framework made it easier to adopt a regional approach to issues and promoted regional cooperation amongst the EAMA group. Third, the three joint institutions of the Association were created (the Council, the Parliamentary Conference and the Court of Arbitration). The Council contained one representative from each of the EAMA and Community member states, met annually and could issue binding decisions based on joint agreement. The Parliamentary Conference had only advisory status, whereas the Court was the final arbiter where informal procedures in the Council were unable to resolve disputes arising under the Convention. It was never called upon to do so, however.

The first Yaoundé Convention expired in 1969 – although its provisions were renewed for a further five-year period ending in 1975. During the lifetime of this second Convention the first enlargement of the Community took place. UK membership and the question of Commonwealth relations necessitated a major review of external relations. However, this first decade of treaty-based relations between Europe and the developing world provided the context within which the subsequent Lomé Conventions were debated and designed. Community support for the EAMA was directed principally through the EDF and the European Investment Bank (EIB). Under Yaoundé I a total of 666 million EUA (European Units of Account) was provided in EDF aid and a further 64 million in the form of EIB loans. Under Yaoundé II, EDF aid rose to 843 million with a further 90 million provided by EIB loans (Commission, 1986, p. 15). During this period the Community provided approximately 20 per cent of the total official aid received by the 18 signatory states. Three times this amount was provided by continued

bilateral assistance from individual member states (mainly France, Belgium and increasingly Germany). The combination of Community-level aid and bilateral aid is the hallmark of Europe's past and present relationship with the developing world. Whilst the balance may have changed from Convention to Convention, this essential element has never been challenged. Community-level aid supplements and supports bilateral action: it has never been designed to replace it entirely.

Two serious problems underlay the seeming largesse of the EDF: disbursement of funds and narrow sectoral support. First, typically, from 1957 to 1975 only a third of EDF funds were successfully disbursed during the lifetime of the respective agreements. Second, the greatest proportion of EDF aid was given to infrastructural projects virtually excluding development of the industrial sector. As such, the EDF mirrored the bilateral practices of former colonial donor states.

The basic principles of the Convention followed those found in the Community's own Treaty of Rome and partly foreshadowed the core elements of the Cotonou Agreement that was to be signed in the year 2000. Over time it was hoped to establish the abolition of customs barriers; reciprocal duty-free access; abolition on quantitative quotas on exports; and the extension of most-favoured-nation status to EC member states. The trade content of the Conventions provided for EAMA imports into the Community free from customs duties and quotas for all agricultural and industrial products – except those that were in direct competition with European producers. Whilst the exceptions were criticized, under Yaoundé II EAMA producers in these categories were given limited but preferential access over other third countries. More importantly, the trade preferences enjoyed by the EAMA were progressively eroded due to the EC lowering or abolishing duties on a range of tropical products – such as coffee, cocoa, tea, pineapples and nutmeg. In addition, products such as copper, iron ore, cotton, rubber and oil seed, which were the main EAMA exports, were never subject to EC tariffs in general. Consequently, the Convention could not provide them with any preferential access to the European market. Overall, the economic benefits provided by the Convention appeared marginal and were openly criticized by the 18 signatories and two member states, Germany and the Netherlands. The impression was given that the Yaoundé states were

TABLE 1.1 *EC imports from and exports to the developing world, 1958–67*

	1958	1967	1958	1967
	% imports	% imports	% exports	% exports
Yaoundé States	5.6	4.2	4.4	2.9
Latin America	10.2	8.9	10.1	6.5
Africa (non-EAMA)	9.4	10.3	12.3	6.5
Middle-East	11.2	9.5	4.4	4.1
SE Asia/Oceania	4.8	3.7	6.5	4.9

Source: Commission (1969), Annexe I.

just 'suppliers of the residual market that the Community producers could not fill and at best provided them with a slight advantage over third countries' (Ravenhill, 1985, p. 56). To compound the trading problem, Yaoundé was based upon the principle of reciprocity.

The Yaoundé Convention only linked Europe to a small segment of the developing world and in it the seeds of Europe's future piecemeal approach to First-Third World relations can be traced. Obviously, the 18 Yaoundé countries' share in total external trade was relatively small. Importantly, however, the pattern of trade over the 1958–67 period declined (see Table 1.1). In 1958, 5.6 per cent of Community imports came from the Yaoundé States, this figure falling to 4.2 per cent by 1967. Community exports to the EAMA stood at 4.4 per cent in 1958, but only represented 2.9 per cent a decade later and the resultant Community trade deficit with the Yaoundé States rose from US\$22 million to US\$378 million over the period. There was a typical asymmetry in the goods traded: 72 per cent of Yaoundé exports to Europe were primary products whereas 85 per cent of the Community's exports were industrial in origin (Commission, 1969, p. 10).

Whilst the first ten years of the Community saw a general increase in the EC's share of world trade (which by 1967 saw the Community the leading global importer [18 per cent] and exporter [20 per cent]), as shown above the developing world's share of this trade declined. Overall, trade with the developing world – like that with the Yaoundé States – declined during the Community's first decade. In 1958 the developing countries sup-

plied 42 per cent of the EC's imports and took 39 per cent of Europe's exports. By 1967 these figures had fallen to 38 per cent and 27 per cent respectively. During the same period the EC reduced its import of raw materials from 30 per cent to 22 per cent. Consequently the Community's trade deficit with the developing world rose from US\$700 million in 1958 to \$3225 million in 1967. What is perhaps most surprising is that if these figures are broken down regionally, Latin America, non-EAMA Africa and the Middle East were all more important markets for the EC. Only trade with SE Asia approached the modest levels of the Yaoundé States (see Table 1.1). And yet at this stage Europe's relationship with the wider developing world lacked the formalized relationship of the Yaoundé Convention. No special privileges existed that gave concessions to these Third World nations.

This broader trend continued to be reflected for the duration of Yaoundé II. Whereas the EAMA states provided 13.4 per cent of the developing world's exports to the EC in 1958, this declined to a 7.4 per cent share by 1974. Similarly, the EAMA states received 11.6 per cent of the EC's exports to the developing world in 1958, falling to 8.4 per cent in 1974 (Ravenhill, 1985, p. 61).

What, then, was so special about the Yaoundé states and what were Europe's motivations? Were they purely economic and arguably neo-colonial, or more developmental in origin? Certainly, Europe's global competitors, especially the USA, may have viewed the association as prejudicial and incompatible with the framework of the General Agreement on Tariffs and Trade (GATT). The difficulties that were to become endemic within the economies of the developing world were already apparent by the time the Yaoundé Convention was signed. Its provisions lacked the necessary drive to alter the historical relationship. Whilst the free trade principle was seen as assisting development, in practice the limited concessions tended to maintain, even strengthen, the dependency relationship. Without the principle of non-reciprocity, the charge of economic neo-colonialism was hard to refute. The majority of the associated states were part of the French franc currency zone and the provisions of the Convention tended to distort normal economic patterns of development.

More critically, many interpreted the Yaoundé Convention as a poorly disguised extension of French foreign and colonial

policy. As one analysis pointed out, the undeniable dependency of francophone Africa on France for aid and trade 'existed independently of the EEC and was in no way consequential to it' with the majority of original member states 'extremely loath to become involved with former African colonies' (Cosgrove-Twitchett, 1978, p. 122). There was no political dimension to the Convention whatsoever: the notion of good governance conditionality had yet to be conceived. The relationship was essentially one that was a consequence of historical ties that were increasingly difficult to organize as the Community began to expand from its clear francophone base to incorporate the English-speaking developing world.

In summary, many of the issues pertinent to Europe-Third World relations under subsequent Lomé Conventions, as well as to the future, can be traced to the earlier Yaoundé agreements. As discussed here, they include ineffectual trading concessions; the disbursement of EDF funds; the colonial basis for preferences and country selectivity; an emphasis on infrastructure aid; the question of reciprocity; and last, but far from least, the dominance of the development agenda by France.

The Lomé Conventions: I and II (1976-85)

More than any other factor, the enlargement of the European Community from the original Six to the Nine in 1973 foreshadowed a restructuring of external relations. Whilst Denmark and Ireland did not have any colonial legacies, one of the key areas of concern raised by British membership was protecting and maintaining relations with Commonwealth developing countries. Geographically this demanded extending the African focus of Yaoundé to include both Caribbean and Pacific states - although the Indian sub-continent was to remain excluded. There was a profound distinction between the Commonwealth ethos based upon an open trading relationship and respect for sovereignty, and the paternalism of France and latterly the Community that 'suggested the Community had little respect for the newly won sovereignty of the Associates' (Ravenhill, 1985, p. 72). Conceptually, it became necessary to mesh the narrowly defined EAMA interests with the more diverse needs of Commonwealth countries. A simple extension of the Yaoundé pro-

visions was contemplated and explored, but ultimately a specifically tailored and integrated Convention was produced that sought to protect French sensitivities yet meet British demands. The views of the developing countries, whilst sought, appeared of secondary importance to the process.

A secondary motivation behind this first definition of the Community's development policy was the widely felt disappointment about the impact of Yaoundé. As already noted, the trading preferences were progressively eroded and the introduction of the Generalized System of Preferences (GSP) scheme in 1971 was indicative of a broadening of Europe's external relations. The development objectives of the Convention remained unfulfilled and the exclusivity of membership (largely francophone) encouraged charges of neo-colonialism. Some member states viewed the prospect of future British membership as an opportunity to open a wider development debate, an idea that was vigorously supported by the Commission who wished to see its bureaucratic authority strengthened in this area.

As a transitional arrangement, Protocol 22 (annexed to Britain's Treaty of Accession) provided 20 Commonwealth states with the opportunity to negotiate a long-term agreement with the Community. Three options presented themselves: simply to enlarge Yaoundé; to sign individual bilateral agreements; or, to collectively agree on a preferential trade agreement. In its 1972 policy Memorandum to the Council of Ministers, the Commission effectively defined the parameters for the policy debate, largely allayed the fears of both the EAMA and Commonwealth states, and addressed both French and British concerns. A formidable achievement by any standards! In it the notion of membership eligibility was widened beyond former colonial dependencies, development assistance was extended and reformed; non-reciprocity became a core principle; and, paternalism was replaced by the concept of partnership (Commission, 1973). However, the Commission's clarity did not necessarily reflect unanimity at the member state level and the negotiations were contentious and hard-fought between the Nine. Conversely, despite their regional diversity and linguistic division, the developing countries emphasized their shared mutual interests. A consensus was forged and throughout the negotiations this new African, Pacific and Caribbean (ACP) grouping acted through a single spokesperson.

Formal negotiations between the Community and the respective developing countries began in mid-July 1973, some 18 months prior to the expiry of Yaoundé II. It was not until July 1974, however, that the Nine could agree on the outline for the new agreement. Eventually, French opposition to a non-reciprocal arrangement was dropped, an agricultural compromise was fashioned, and on German insistence, an aid ceiling was established. Only the question of sugar remained problematic – how to balance Britain's Commonwealth sugar preferences within a CAP that already produced a significant surplus in sugar beet. Sugar came to symbolize the level of support the UK was prepared to commit to its Commonwealth partners and the ACP made signing of any overall agreement conditional on this issue alone. A compromise on this final issue was only reached at the eleventh hour, on 1 February 1975. Commonwealth producers were granted an annual access of 1.4 million tons at a guaranteed price, and domestic production was allowed to expand within the already over-supplied European market.

The resulting Lomé Convention replaced one acronym and political and economic entity (EAMA) on the world stage with a new configuration: the African, Caribbean and Pacific states – the ACP. Lomé I was signed on 28 February 1975 and came into force on 1 April 1976 linking the then 9 European Community states with 46 developing countries. This new ACP grouping comprised the original 18 Yaoundé states and Mauritius; 6 other African states; and 21 less-developed Commonwealth countries. Of these Commonwealth states 12 were African, 6 from the Caribbean and 3 the Pacific. However, during the five-year duration of Lomé I the number of signatories quickly rose to 53 – signalling a consistent pattern of growth in Lomé membership that lasted until the end of the twentieth century.

The most distinctive feature of the Lomé Convention was a commitment to an equal partnership between Europe and the ACP. The preamble committed the signatory states 'to establish, on the basis of complete equality between partners, close and continuing cooperation in a spirit of international solidarity' and to 'seek a more just and more balanced economic order'. In part, this change in approach was a response to the perception that the Yaoundé arrangements had perpetuated depen-

ency rather than promoted development. In part, too, it was a reflection of the Commonwealth philosophy that stood in stark contrast to the francophone style of colonial relationship. At one level the idea of partnership was formally reflected in the trade relationship, its legal base and in the structure of the institutional framework. At another level, a simple commitment to the principle of partnership can be criticized as ineffectual because such a dialogue could never be between equal partners. As is examined in the chapters that follow, a European agenda has clearly prevailed. This mismatch between ambition and actual practice notwithstanding, the goals of the Convention were innovative and established a first-third world relationship that was progressive and unparalleled for its time.

The institutional framework combined the Yaoundé structures with the commitment to partnership. Three principal institutions were established: the ACP-EC Council of Ministers; the Committee of Ambassadors; and, the Joint Consultative Assembly. Like its predecessor, the Council was composed of the ACP and European member states and a Commission representative. Normally, it was convened annually and was mandated to oversee the general scope of the Convention's work and to implement and review policies to attain its objectives. The Committee of Ambassadors assisted the Council in these tasks and met with greater frequency. The joint consultative assembly was the largest institution and was composed of an equal number of ACP parliamentarians and representatives from the European Parliament. As the name implied, its powers were consultative not binding. However, the assembly has proved to be an energetic body and active in proposing recommendations and resolutions to the Council for consideration. In particular, its criticisms of cumbersome procedures and delays in disbursement of funds have been vigorous and helped to promote reforms. The only major departure from the previous institutional structure was the absence of a judicial arbitration procedure. The Court of Arbitration was never convened under Yaoundé; the Lomé philosophy sought political rather than legal solutions to disputes. The tasks of all these institutions evolved during the lifetime of the Convention and innovations (such as the Article 108 Committee in 1980) were introduced. However, the basic structures set out in Lomé I persisted until the end of Lomé IV a quarter-century later.

The major policy objectives of the Convention were as commendable as they were ambitious: the promotion of EC-ACP trade; agricultural and industrial development; special aid for the least developed states; and, support for regional cooperation. At the policy level, Lomé I was much more than just an extension of the preceding Convention. The shortcomings of Yaoundé had been rightly criticized and Lomé sought to address these in two specific ways: first, by dropping reciprocity; and second by the introduction of an export stabilization scheme. (These, and other unique aspects of European policy are examined in greater detail in Chapters 6 and 7.) The decision to relinquish reverse preferences and embrace non-reciprocity was of greater psychological than economic importance. The ACP states were now required simply to treat EC exports at least as favourably as exports from other developed nations. The effect on the EC's pattern of external trade was, however, marginal.

STABEX – the system for the stabilization of export earnings from agricultural commodities – was the major innovation of Lomé I. Its objective was to provide funds to ACP countries to cover production shortfalls or price fluctuations for specific agriculture products exported to Europe. Whilst the actual trigger mechanisms and operation of STABEX were complex, the system was in principle extremely simple. The system was important because many ACP states were dependent on a limited number of products making them especially susceptible to variations in world market prices. STABEX can be equated with an insurance policy for the ACP: the EC guaranteed a minimum earnings threshold for these specified exports and compensated for any loss of revenue caused by lower prices or loss of production. Twenty-nine products were covered under the first Convention, rising to 44 in Lomé II.

Obviously, the benefits were not equally distributed among the ACP. Under Lomé I more than one third of available support went to groundnut production (139.4 million ecus) and just three states (Senegal, Sudan and Mauritania) accounted for 38.1 per cent of the available funds. This uneven spread continued under Lomé II, albeit with some product and country variation. Three products (coffee, cocoa and groundnuts) took four-fifths of the budget with three states (Senegal, Ghana and Ivory Coast) accounting for 38.5 per cent between them. Payments for groundnuts saw Senegal alone benefit by 155.7 million ecus

TABLE 1.2 *STABEX transfers by product category, Lomé I and II*

<i>Product</i>	<i>Lomé I Ecu m.</i>	<i>% total transfers</i>	<i>Lomé II Ecu m.</i>	<i>% total transfers</i>
Coffee	14.5	3.8	246.6	37.4
Cocoa	1.5	0.4	148.8	22.6
Cotton	43.4	11.5	36.5	5.5
Copra/coconut	10.6	2.8	31.6	4.8
Groundnuts	139.4	36.9	133.3	20.2
Iron ore	61.8	16.4	*	*
Oilcake	17.6	4.7	14.0	2.1
Raw sisal	20.6	5.5	9.1	1.4
Wood	40.0	10.6	0.4	0.1
All other	28.1	7.4	39.2	5.9
Totals	377.5	100.0	659.5	100.0

between 1976 and 1985 (see Tables 1.2 and 1.3) and the top six beneficiaries under each Convention took around 60 per cent of funds. The underlying philosophy of STABEX proved to be its Achilles heel during these initial years. Global recession and a fall in commodity prices saw requests for STABEX compensation exceed the allocated budget. By 1980, the start of the second Convention, the budget could only match roughly half of all funding requests and a year later there was a funding deficit of 341 million ecus. Whilst the budget was in balance by the end of Lomé II, the scheme was clearly a victim of its own success and inevitably an inadequate response to fluctuations in the global economy. Despite these initial problems Lomé's popularity increased; 7 newly independent former British dependencies joined the Convention making a total of 60 signatories, with a further 3 joining during the five years of the agreement. Only one of these (Zimbabwe) was from Africa, the remainder being Pacific or Caribbean island states, signalling a changing geopolitical balance within the ACP grouping. Lomé II varied little from the Lomé I framework institutionally and in basic approach: two developments were, however, introduced – a greater emphasis on the least developed countries and the introduction of SYSMIN. At the beginning of Lomé I, 24 of the 46 states were classified as Least Developed Countries (LDCs).

TABLE 1.3 STABEX transfers by country, Lomé I and II

Country	Lomé I	
	Ecu m.	% total transfers
Senegal	65.1	17.2
Sudan	41.8	11.1
Mauritania	37.0	9.8
Niger	22.7	6.0
Tanzania	20.7	5.5
Uganda	20.6	5.5
Benin	20.4	5.4
Others	149.2	39.5
Totals	377.5	100.0
Country	Lomé II	
	Ecu m.	% total transfers
Senegal	90.6	13.7
Ghana	85.4	12.9
Ivory Coast	78.4	11.9
Papua New Guinea	50.7	7.7
Kenya	44.9	6.8
Sudan	40.7	6.2
Others	268.8	40.8
Totals	659.5	100.0

Note: * Less than 1% of total transfers.

Source: Commission (1986), pp. 24-5.

Over the next decade this rose to 35 and Lomé II placed a renewed emphasis on LDCs and landlocked states. Consequently, programme aid and EIB loans disproportionately went to these states. SYSMIN was arguably a more immediately significant extension. This 'special financing facility' for mineral exports was based on similar principles to those of STABEX. This provided those ACP states heavily dependent on mining exports to the EC a degree of protection from loss of production or price collapses. Lomé II provided 282 million ecus for this and covered copper and cobalt, phosphates, manganese, bauxite and aluminium, tin and iron ore.

Any assessment of the impact of the first decade of the Lomé Convention has to begin by acknowledging its foresight in its commitment to partnership and desire to help integrate the economies of the developing countries into the global market. Second, Lomé eschewed any form of neo-colonial ties: the ACP states were not required to offer the EC special preferences, nor were they prohibited from trading with other developed countries. Third, no political conditionality was imposed: the domestic politics of signatory states were largely ignored. And, as indicated in the above analysis, a range of development assistance programmes as well as trade preferences was introduced. However, any evaluation also has to acknowledge the gap between the Convention's intentions and its actual effect on relations. Perhaps most critically, the impact on the balance of trade has been marginal. Whilst the ACP enjoyed a trade surplus with the EC, this was also the position prior to Lomé. In terms of product, the Convention had the perverse effect of promoting ACP dependency on raw materials as an export base in exchange for importing primarily industrial goods from Europe. During the negotiations for Lomé II the European Parliament issued a particularly critical Report:

The structure of ACP-EEC trade reveals an acute imbalance, both among products exported and among the ACP exporting countries... this structure has changed very little and largely retains the features of the colonial period... The rule of free trade is meaningless for countries which, at the present stage, because of their production structures, have practically nothing to export to the Community. (Focke Report, 1980, p. 14)

The often-quoted figure of 99.5 per cent customs-free access for ACP exports was misleading. Not only were specific agricultural exports excluded, the figure referred to only existing products, not to potential exports. Finished products in the industrial, agricultural and commercial sectors were excluded and something like 70 per cent of ACP exports could enter Europe duty-free under GSP arrangements anyhow. Even the well-intentioned STABEX and SYSMIN schemes have been criticized for rewarding failure rather than success. They could act

as a disincentive as neither encouraged better production or efficiency. Those countries that actually increased their production capacity and exports gained nothing under the schemes. Lastly, even the more inclusive scope of Lomé covered only a small percentage of the EC's trade with the Third World and, consequently, was a modest contribution to a meaningful North-South dialogue.

On balance, Lomé was clearly superior to its predecessor, the Yaoundé Convention and it symbolized a watershed in post-colonial relations with the developing world. Lomé not only removed reciprocity, it expanded the scope of relations beyond the historical aspects of trade. Equality and stability replaced dependency as the defining characteristics. Obviously, not every ACP or European demand could be met – indeed, both sides were guilty of creating future problems by seeing only their interpretation of the agreement. The first Lomé decade has been characterized as one of falling hopes, even if the culprit was the successive oil crises and global recession rather than the Convention. But Lomé was historically important for creating a new actor in international affairs – the ACP – and it was this framework that dominated Europe's perspective on Third World relations for the remainder of the twentieth century. Whether the motivations were selfish or altruistic, however, probably remains largely a matter of interpretation.

Lomé III and IV

The external global context has always been influential in determining the parameters for Europe-Third World relations. The oil shocks and resultant recession of the 1970s fundamentally changed the context within which Europe conducted its development policy. It became increasingly apparent that the economic decline in Africa (and to a lesser extent the Pacific and Caribbean states) was not a temporary phenomenon; if development were to be achieved, Lomé III would have to do more than continue the existing framework. For example, between 1980 and 1987 African per capita GDP declined by an annual average of 2.6 per cent, investment fell whilst simultaneously the debt burden rose inexorably. In contrast, the 1980s witnessed a period of phenomenal economic growth in the

developing economies of South East Asia. Increasingly, international financial institutions such as the World Bank and the International Monetary Fund (IMF) became instrumental to the management of development and brought with them the new disciplines and doctrines of structural adjustment programmes (SAPs). By 1989, 30 such programmes were in place in Africa alone (*The Courier*, 1990, p. 27). Consequently, the focus of Europe's policy began to change to address these broader adjustment issues and to look for an international consensus on macroeconomic assistance.

It was in this context that Lomé III was negotiated. Greece had joined the Community in 1981 and Spain and Portugal were set to do so in 1986. It was the then Twelve and 66 ACP states that were party to Lomé III. Whilst still imperfect in its geographical spread, these 66 states represented roughly half of the total global number of developing states and contained 15 per cent of the developing world's population. Africa continued to dominate (45 states); 29 ACP states were also Commonwealth members with a further 21 members of the Franco-African summit. Despite ten years of interaction the ACP only clearly expressed its identity in relation to Europe: individual ACP states took on a variety of group identities depending on the chosen fora. Europe's relations with the Third World remained at best idiosyncratic and incomplete. But Lomé continued to symbolize Europe's imperfect definition of development cooperation.

The third Convention sought to 'promote and expedite the economic, cultural and social development of the ACP states and consolidate and diversify relations in a spirit of solidarity and mutual trust' (Article 1). In concrete terms, however, there were comparatively few innovations to the Lomé framework and as such it failed to address adequately the development crisis that engulfed the Third World during the 1980s. The euphoria and hyperbole that greeted the signing of the first Convention in 1975 was markedly absent. Lomé no longer appeared to be the best model for development given the deterioration of most developing country economies. Indeed, there is a strong case that rather than heralding a new interdependence, after fifteen years Lomé had merely re-established North-South dependency (Grilli, 1993, p. 36). The new emphasis on thematic issues (climate, environment, health) as well as commitments to

social and cultural cooperation lacked substance. The more significant change was the application of conditionality, something that the ACP had previously resisted. Agreements on EC private investment safeguards and conditional funding for adjustment programmes heralded a watershed in the relationship and provided a glimpse of a new agenda that was to dominate the 1990s. Any economic bargaining power the ACP had previously enjoyed began to dissipate and the leverage provided by moral arguments appeared increasingly ineffective.

Unlike previous Conventions, Lomé IV was a ten-year agreement (with a mid-term financial review) expiring in the year 2000. Once again, changes in the international environment were to dictate the content and direction of policy. Compounding the plight of the Lomé countries, the collapse of communism heralded a new and more immediate development priority for the EC – that of Eastern and Central Europe. Throughout the 1990s Europe's funding priorities clearly shifted from the traditional Lomé states to those closer to home (see Introduction). In addition, the '1992' Single European Market (SEM) project, the GATT Uruguay Round and the establishment of the WTO all posed potentially new trade challenges to an already embattled Third World. If not forgotten, the Lomé states appeared to face increasing marginalization.

After fourteen months of negotiations the new Convention between the Twelve and 68 ACP states was signed on 15 December 1989, once more in the Togolese capital of Lomé. Initially Lomé IV covered more than 450 million people, rising to 570 million in some 70 states by the time of the mid-term review in 1995. However, it was only in the last months of 1989 that the agreement was cobbled together under the then French presidency. In general, Europe dictated the agenda and ACP demands – such as debt relief – went unheeded. The EDF budget was increased to 12 billion ecus (a nominal increase of around 40 per cent from the Lomé III figure of 8.8 billion). In real terms, however, the increase was marginal and significantly below that called for by the ACP; the amount was raised to 14.6 billion ecus at the 1995 mid-term review (see Table 1.4). Such outcomes reflected both the hardening attitude of member states as well as the poor bureaucratic resources of the ACP Secretariat. The much-prized principle of partnership at the core of the Lomé model appeared distinctly compromised.

TABLE 1.4 *Financing of development cooperation, 1958–2000*

Convention	Fund	Date	No. states	EIB** (Ecu m.)	EDF* (Ecu m.)	Total (Ecu m.)
Treaty of Rome	EDF 1	1.1.1958	31	–	581	581
Yaoundé I	EDF 2	1.7.1964	18	64	666	830
Yaoundé II	EDF 3	1.1.1971	19	90	843	933
Lomé I	EDF 4	1.4.1976	46	390	3124	3514
Lomé II	EDF 5	1.1.1981	57	685	4754	5439
Lomé III	EDF 6	1.5.1986	66	1100	7754	8854
Lomé IV	EDF 7	1.3.1990	69	1200	10800	12000
Lomé IV (review)	EDF 8	4.11.1995	70	1658	12967	14625

Notes: * Includes grants, special loans, STABEX, SYSMIN.

** Own resources, loans.

Source: *The Courier* (1990) no. 120, p. 26, and (1996) no. 155, p. 12.

A key element in Lomé IV was the renewed emphasis on conditionality – economic and political. For the first time, aid was explicitly earmarked for Structural Adjustment Support with financial resources coming from the existing EDF budget. Approximately 10 per cent of funds were designated for this purpose – 1150 million ecus in EDF7 rising to 1400 million in EDF8. Flexibility rather than a standard approach was emphasized in the new Convention. Article 244 guarantees that

(a) the ACP States shall bear primary responsibility for the analysis of the problems to be solved and the preparation of reform programmes;

(b) support programmes shall be adapted to the different situation in each ACP State and be sensitive to the social conditions, culture and environment of these States; . . .

(e) the right of the ACP States to determine the direction of their development strategies and priorities shall be recognized and respected;

...
(i) support shall be given in the context of a joint assessment between the Community and the ACP State concerned on the reform measures being undertaken or contemplated either at a macro-economic or sectoral level.

Whilst ACP states were included in the policy debate on economic reform, clearly European approval was a funding prerequisite. Article 243 defined as appropriate the type of initiatives that promote GDP and employment, increase productivity and foster economic diversification whilst simultaneously improving 'the social and economic well-being' of the population and ensuring 'that adjustment is economically viable and socially and politically bearable'. These structural reform conditions were only modestly amended in 1995 by extending the process to the regional level. Broadly speaking, the EU mirrored the World Bank view on SAPs – despite any strong empirical evidence that such an approach was generally beneficial for development (Lister, 1997b, p. 116). The Convention's assertion that the ACP 'shall determine the development principles, strategies and models for their economies and societies in all sovereignty' (Article 3) sat uncomfortably with this recognition

of *Realpolitik*. It was only during the 1997–8 Green Paper debate on Europe's post-Lomé relations with the Developing World that this established orthodoxy began to be challenged.

Only minor modifications were made to the trade preferences of Lomé IV – despite the erosion of the so-called pyramid of privilege for ACP states – although some relaxation in the 'rules of origin' for manufactured products were gained. The only significant EU concession was to extend the funding basis of STABEX and SYSMIN, although this fell far short of ACP expectations. Debt, rather than trade preferences, had become the more important problem by the end of the 1980s. Whilst Articles 239–42 introduced the issue of debt repayment on to the Community agenda, this 'major development issue' remained largely the primary domain of member states and international organizations. At this stage, Europe did not want to establish a new precedent in this area. Once again, the importance of consistency and complementarity between EU and member state policy was highlighted. The recognition of this issue was welcome, yet Europe's collective response remained cautious and respected the role of the member states. Given the EU's limited financial involvement (just 1.2 per cent of the ACP debt-servicing costs were with the EU) it was argued that it was inappropriate and ineffective for the EU to become the dominant forum for addressing debt relief. Whether this view was justified or not, ignoring the Community dimension on debt stood in stark contrast to the wider Lomé philosophy of partnership.

Conversely, the new Convention included a number of policy innovations: the environment; human rights; women; and cultural cooperation. The emphasis on human rights was arguably the most ambitious of these. The general principles and objectives of the Convention directly linked development with 'respect for and promotion of all human rights' and economic well-being. Such rights are:

legitimate aspirations of individuals and peoples. The rights in question are all human rights, the various categories thereof being indivisible and inter-related, each having its own legitimacy: non-discriminatory treatment; fundamental human rights; civil and political rights; economic, social and cultural rights. (Article 5)

In particular, EU-ACP cooperation was required to accommodate 'the cultural dimension and social implications' of development and permit 'men and women to participate and benefit on equal terms' (Article 13). Articles 139-48 of the Convention expand on these cultural and social concepts and the topic of women and development was covered by Article 153. Here, the EU supported ACP efforts aimed at 'enhancing the status of women, improving their living conditions, expanding their economic and social role and promoting their full participation in the production and development process on equal terms with men'. Other social policies included health, education and training, population issues and the environment. Cumulatively these further extended the Convention's scope beyond its purely trade-related origins and confirmed that political and social conditionality was to constitute a new direction in European development policy. The differences, rather than the similarities, between the original Convention and Lomé IV were becoming increasingly pronounced. Whilst the status quo was retained in the overall trade relationship, new motivations heralded a psychological shift in EU-Third World relations.

By the time of the scheduled 1995 mid-term review, the global development context had significantly shifted from the parameters that had set the 1989 agreement - and the shift further disadvantaged the developing countries. A number of states faced increasing economic crises and donor fatigue was becoming endemic. The traditional ideological and geo-strategic balance had collapsed as former communist societies increasingly embraced democratization. Internally, the Maastricht Treaty of 1992 established new development cooperation objectives and obligations and through the 1995 enlargement different development perspectives were introduced by the new member states of Austria, Finland and Sweden (Vernier, 1996, p. 8). Only the mid-term renewal of the financial protocol of Lomé IV was mandatory; in all other respects it was anticipated that the Convention would run unaltered for a decade. However, largely on EU insistence, the review process was extended beyond funding issues in response to the changing global context, the effect of liberalization on the erosion of preferences, and problems associated with the actual implementation of the Lomé system.

By employing the provisions under Article 366, both the ACP and the member states were entitled to modify aspects of the

agreement. Although all decisions were consensual, the modifications adopted principally reflected the EU's new agenda rather than ACP concerns. The review lasted 13 months with the revised agreement being signed by 70 ACP states in November 1995. Three broad areas were reviewed: institutional and political issues; trade and sectoral issues; and development financing. Consensus existed on amending a wide range of issues, notably reference to democratic principles, the fundamental importance of trade in the development process and the introduction of two-tranche programming. Conversely, differences existed over EDF funding, access to the SEM and the relaxation of the rules of origin for ACP products.

The main focus of the trade debates departed from the traditional Lomé preoccupation with preferential access to a more inclusive approach for creating a better trading environment. The arguments were as much political as they were economic and reflected the agenda of the then GATT negotiations. Two new Articles introduced the idea of trade development, and were aimed at 'developing, diversifying and increasing ACP States' trade and improving their competitiveness' domestically and internationally (Article 15a). Mirroring the commitment of the Maastricht Treaty, Article 6a called for the gradual integration of the ACP economies into the world economy and described the function of trade as 'energizing the development process'. Preferential access was not totally absent from the mid-term review, however, and debate proved contentious. A compromise position saw a modest expansion in product access and a relaxation in quantitative restrictions. The most acrimonious area, however, concerned rules of origin. Finally only modest changes were accepted that encouraged regional cooperation between member and non-member states. In contrast, the reform of STABEX was not controversial and funds for the system were raised by some 20 per cent to 1.8 billion ecus.

The final issue to be renegotiated was the new financial protocol - EDF8. This increased overall funding for Lomé by 22 per cent to 14.6 billion ecus, although in real terms the value remained static: one member state, the UK, even reduced its contribution! The difficulties in obtaining a financial agreement were further underlined by the ratification process. It was June 1998 before the EDF8 began distributing these new funds. Given that enlargement meant that there were now 15 rather

than 12 donors, the overall funding level disappointed the ACP recipients. Again, this reflected the EU's new development priorities in Central and Eastern Europe and reflected a general worldwide downward trend affecting bilateral and multilateral aid. Programme aid remained at the heart of the EU's approach. Minor changes were made to the structural adjustment provisions and the application of EIB resources. The EU successfully resisted a request for the unilateral cancellation of ACP debts but did offer some financial relief (worth 135 million ecus in loans) and drafted a new declaration annexed to the Convention in which:

The Community reaffirms its willingness to contribute constructively and actively to the alleviation of the debt burden of the ACP States.

In this context, it agrees to transform into grants all the special loans of the previous Conventions, which have not yet been committed.

The Community also confirms its determination to pursue the discussion of these questions in the appropriate fora, taking into account the specific difficulties of the ACP States. (Annex LXXXIV)

One innovation, however, introduced broad conditionality to the objectives of EU aid policy. The Convention was amended to read: 'In support of the development strategies of the ACP States, due account shall be taken of the objectives and priorities of the Community's cooperation policy, and the ACP States' development policies and priorities' (Article 4). The EU objectives and priorities were derived from the Maastricht Treaty (Article 133U) and mirrored commitments given elsewhere, namely: sustainable economic and social development; the reintegration of ACP economies into the world economy; alleviation of poverty; support for democratic and legitimate government; and the protection of human rights and liberties. Although a policy 'dialogue' was established, clearly ACP states were expected to embrace these principles within their own respective development approaches if Lomé assistance was to be granted. The most direct expression of this new expectation was in the move to a two-tranche system for indicative programmes. By withholding 30 per cent of funds until effective implemen-

tation of a programme is established, the EU can sanction those states that fail to meet the agreed 'dialogue' objectives.

Institution-building: from Lomé to Cotonou

Lomé was the most institutionalized of all the EU's group-to-group dialogues and its longevity was in part a consequence of the reliability and contractual permanence of this institutionalization. As seen above, the first Convention established three principal bodies – the Council of Ministers, the Committee of Ambassadors and the joint consultative assembly – and the powers and functions of each institution are specified in Articles 338–55 of Lomé IV. The principle of partnership defined, at least formally, their composition and function. As Article 338 states: 'The Council of Ministers shall act by agreement between the Community on the one hand and the ACP States on the other.'

The Council was composed of the ACP, European member states and a Commission representative. Normally, it was convened annually and is mandated to oversee the general scope of the Convention's work and to implement and review policies to attain its objectives. Where necessary, committees or *ad hoc* working parties were created to assist the Council (Article 342). The presidency of the Council alternated between an EU member state and an ACP state. Council decisions were binding. Under Article 345, the Council could, however, delegate its authority to the Committee of Ambassadors. More generally, the Committee of Ambassadors assisted the Council in executing its tasks and met with greater frequency and at least once every six months (Article 346.3).

The joint consultative assembly met biannually. Its membership was composed of an equal number of ACP parliamentarians (or designated representatives) and Members of the European Parliament. This democratic requirement was introduced in 1995: prior to this the ACP delegates were often ambassadors or civil servants, not elected representatives. In those cases where no ACP parliament existed, representatives were subject to the approval of the joint assembly (Article 32.1). As the name implied, the assembly's powers were consultative not binding and its limited powers defined in Article 350. It

could consider the Council's annual report; adopt resolutions relating to the Convention; and 'submit to the Council of Ministers any conclusions and make any recommendations it considers appropriate'. As noted above, however, the assembly was often an energetic body. Conspicuous by its absence in the institutional structure was any judicial arbitration mechanism; the Lomé philosophy sought political rather than legal solutions to disputes.

Whilst the basic structures established in Lomé I had persisted for 25 years, the tasks of all these institutions evolved during the lifetime of the Convention. For example, at the mid-term review of Lomé IV, the political dialogue within the ACP-EC Council of Ministers framework was 'enlarged' in an attempt to make it more 'effective' and, where necessary, extended the dialogue outside the Lomé framework (Article 30.3). Good governance, democracy and human rights typically came to dominate the EU-ACP political dialogue: this was extended to cover 'issues and problems of foreign policy and security' (Preamble). Interestingly, provision was also made for regional dialogues, perhaps foreshadowing the possible regionalization of ACP relations after the year 2000.

The major policy reform saw the human rights provisions of Article 5 extended in a carrot and stick approach. Good governance was given additional emphasis and 'respect for human rights, democratic principles and the rule of law' defined as 'an essential element' of the Convention. To facilitate this, some 80 million ecus were reserved under the new financial protocol for institutional and administrative reforms 'aimed at democratisation, a strengthening of the rule of law and good governance'. As a measure of the EU's commitment to promoting democratic and human rights, any ACP state that failed to meet these Article 5 criteria faced, in the last resort, suspension from the Convention. Whilst there was consensus on the importance of institutionalizing democratic practices, the line between paternalism and partnership became harder to define.

In the context of change, the Lomé institutions could play a powerful role. As the history of the EU's own institutional development shows, once established, institutions become resilient and resistant to comprehensive change. Incrementalism rather than radical reform set the parameters. Consequently, whilst the Commission's Green Paper and Guidelines for negotiating

beyond Lomé IV suggested fundamental institutional and policy reforms; the inertia applied by the existing institutional status quo was an important factor constraining change (see Chapter 6).

Conclusion

To summarize, this historical overview of EU-ACP relations forms the starting point for this analysis of Europe's relations with the Third World. The Lomé Convention was traditionally the major development framework: the rationale was largely historical rather than rational. What became increasingly clear during the last five years of Lomé IV was that the ACP countries could no longer rely upon either privileged access or continued financial aid from this special relationship. However, escaping the tyranny of acronyms proved difficult for the European Union and the ACP still retains a unique place within Europe's wider development policy.

Despite this resilience Lomé IV provoked concern about the longer-term viability of its preferential philosophy. The Uruguay Round of GATT drew attention to Lomé's inconsistencies with the broad principles of trade liberalization. Whilst a waiver was eventually granted under the GATT and the subsequent WTO regime, clearly existing practice was becoming increasingly indefensible. The evolution of EU development policy mirrored the internal development of European integration process itself. Initially geographically restricted and limited in ambition, both integration and development policy expanded in scope, content and ambition over the past four decades. By the year 2000 the incremental policy-making style of the Lomé Conventions was forced to address a globally more contemporary approach to relations with the developing world. In contrast to this long history of institutionalism and policy development, as the next chapter outlines, Europe's links with the non-Lomé developing states have been comparatively rudimentary and *ad hoc* in nature.