The Future of Cooperation between the EU and ACP Countries

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

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

The cooperation instruments applied can be subdivided into three groups:

- EC tariff preferences. These guarantee free market access for 99% of the ACP countries’ export products. This is intended to boost exports and to encourage their diversification.

- Stabilization of export earnings from agricultural commodities (STABEX) and mining products (SYRMIN). These are intended to reduce the pronounced dependence of export earnings on fluctuating commodity prices.

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

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

The Situation after 20 Years of the Lomé Partnership

In the mid-1990s, most of the ACP countries still number amongst the world’s poorest. The average per capita income in sub-Saharan Africa in 1993 was only half of the average level for all developing countries. This region also has the shortest life expectancy. The situation is only slightly better for the non-African ACP countries.1 As a result, these
countries are often categorized as hopeless cases in overall discussions of the subject. Does that mean that the EU is providing insufficient support or that the ACP countries' problems are of their own making?

The ACP countries have suffered setbacks in a number of areas. In a period of less than 20 years, their share of world trade has halved (see Table 1). The proportion of manufactured products among their total exports to the EU was just 34% in 1993. The export concentration is still relatively high in most ACP countries. One reason why this unfavourable situation has developed is the lack of political and economic stability, which severely restrains the supply side in the ACP countries. If countries have supply restrictions owing to the domestic situation, they are then unable to benefit from the Lomé preferences. External influences also play their part in the ACP countries' difficulties, such as deteriorating climatic conditions or adverse movements in the terms of trade for the most important raw material exports.

When judging the Lomé Agreements, one ought always to have at the back of one's mind that they cannot be expected to overcome all of the economic and political imperfections in the ACP countries, nor to completely counterbalance the adverse changes in international frame conditions.

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

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

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

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


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

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Table 1

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Total ACP exports (ECU bn)</th>
<th>Share of ACP exports in world trade (%)</th>
<th>ACP exports to the EC (ECU bn)</th>
<th>Share of ACP exports in EC imports (%)</th>
<th>Share of ACP exports in EC imports from all LDCs (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>22</td>
<td>3.1</td>
<td>10</td>
<td>7.3</td>
<td>16</td>
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<tr>
<td>1980</td>
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<td>3.1</td>
<td>21</td>
<td>7.3</td>
<td>16</td>
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<tr>
<td>1990</td>
<td>39</td>
<td>1.5</td>
<td>20</td>
<td>4.3</td>
<td>13</td>
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<tr>
<td>1992</td>
<td>38</td>
<td>1.3</td>
<td>18</td>
<td>3.6</td>
<td>11</td>
</tr>
<tr>
<td>1993</td>
<td>24</td>
<td>-</td>
<td>15</td>
<td>3.0</td>
<td>9</td>
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