

General implications of the LOME IV Agreement

I. Objectives and principles of character

The ACP states and the EU agreed to respect their sovereignty, mutual interests and independence and to treat each other equal. All contract parties should have the right to determine its own political, social, cultural and economic policy options and the relations between ACP states and EU should base on security. The EU will support the ACP states to achieve a self-reliant and self-sustained development based on their economic potential, their human capacities and their natural resources. In this context good governance shall be a particular aim of cooperation operations. Besides this, the development policy shall respect the human rights and recognize the importance of democracy and law.

The contracting parties want to promote the development of the market economy and the private sector and agreed to integrate the ACP states into the world economy in a harmonious manner. Least developed countries, e.g. landlocked and island countries should be treated special, taking into account the specific difficulties of the poorest section of the population.

Consultations should take place as soon as possible at request of any contracting party. An enlarged political dialogue shall be conducted by the Council of Ministers and ensure an effective dialogue by the contracting parties.

Decentralized cooperation should be intensified as they contain a potential for positive contributions. The main issues of trade development are to develop, diversify and increase the trade of the ACP states and to improve their competitiveness in domestic, regional and international markets. Trade, financial and technical cooperation, should reach these goals. The EU shall contribute towards the ACP states' own development efforts by providing adequate financial and technical help and pay particular attention to the least developed countries.

The ACP states agreed to facilitate investment and to improve their access to capital markets. Besides this, the African countries want to stabilize their export earnings, i.e. most of all they have to stabilize their agricultural commodity markets.

II. The areas of cooperation between ACP and EU

Environment

Sustainable economic and social developments, which will improve the living conditions of the population and to safeguard those of future generations, are the main objects between ACP and EU. The idea of the protection of natural resources shall include any project and program. Therefore it is necessary to take not only the direct but also the indirect costs and consequences into account. Intergovernmental and non-governmental organization will support this process. In this spirit the EU shall prohibit all exports of waste to the ACP states and the ACP states themselves shall no longer import waste from industrial countries. The use of pesticides is allowed.

Agricultural cooperation

The EU will support the ACP states to increase their degree of self-sufficiency in food in particular by strengthening ACP's capacities and stimulation regional trade flows. The

EU will further help the rural population to improve their standard of living and to cover their essential needs in the area of food, education and health. Therefore the farming methods animal production shall be modernized. Besides this, the management and the marketing of the products must be more effective and an improved control of diseases is necessary.

The cooperation with the EU should cover the exchange of information and experience as well as the supply of factors in production, training of people and the opening of credits. Food aid shall be integrated with the development policies of the ACP states so that the aid products will meet the need of the recipients and will not disrupt the domestic market. Special attention shall be paid to the least developed countries, which need substantial help in productive sectors, transport, marketing, packaging and the setting-up of storage infrastructure.

Development of fisheries

Cooperation in the fishing industry is very important for the ACP states and shall be promoted by optimum utilization of the fishery resources. The coastal states shall have the right to exercise jurisdiction over the living marine resources of their exclusive economic zones and the landlocked states shall participate in the exploitation of sea fisheries. Fishery shall follow in conformity with current international law.

In order to develop the fishery within the ACP states it is necessary to improve their knowledge of the fisheries environment and its resources, to increase the means of protecting fishery and watch their exploitation, to increase the involvement of ACP states in deep-sea fishery within their zones and to increase the contribution of fisheries. The EU will support the ACP countries in this area concerning production, development of infrastructure, provision of special credits, management, protection, processing, marketing and distribution. Intra-ACP fishing cooperation shall be strengthened in particular.

Nevertheless, the ACP states agreed to negotiate with the EU for fishing activities of vessels of the EU and to neglect any discrimination against the EU or any ACP member states. Besides this, the ACP states are prepared to grant the EU satisfactory conditions, i.e. EU vessels are allowed to fish in ACP zones when they pay financial compensation e.g. licensing fees, employ ACP nationals, taking observers on board and provide ACP countries with transfer of technology, research and training grants.

Cooperation on commodities

As large number of ACP states are highly dependent on their exports of primary products the downward trend in world prices lead to the deteriorating of their economic situation. Besides this, the ACP states fight against structural difficulties in many commodity sectors. The objectives of EU help in this field are horizontal and vertical diversification of the ACP economies through processing, marketing, distribution and transport and the improvement of the competitiveness of the ACP states' commodities on the world market through reorganization and rationalization of production, marketing and distribution activities. The cooperation operations of commodities shall include the improvement of infrastructure, the promotion of investment and the exchange of information as well as training programs and courses for operators in this sector and support for national or regional schools or training institutes.

The contracting parties will take all market signals as well as economic and social impacts into account. Moreover, a greater consistency at regional and international level between the strategies of various ACP states should be ensured.

A Commodities Committee, set up by the EU and the ACP states, shall find solutions for all these issues, in particular for structural problems relating to commodities.

Industrial development

In order to facilitate industrial development, sectoral strategies for agricultural and rural development, manufacturing, mining, energy, infrastructure and services shall be integrated in such a way as to foster interlinkages between the economic sectors.

Therefore, specific provisions on industrial cooperation, promotion for ACP products and for private investments are necessary.

The objectives of the industrial cooperation in the fields of manufacturing and processing, mineral and energy resources development, transport and communication are improvement of capacities, support for the establishment of new industries, promotion of participation in enterprises by ACP nationals and promotion of business associations. The EU will assist the ACP states in the improvement of their institutional framework and their industry-related infrastructure. Besides this, the EU will provide industrial assistance and training for ACP citizens.

Manufacturing and processing of primary goods, industries based on local needs and resource, engineering, metallurgical and chemical industries are the main areas of support. The establishment and development of small and medium enterprises (SME's) in ACP states and their cooperation with SME's in Europe are essential. The establishment and strengthening of industry-related scientific and technical infrastructure as well as the support of technology, patents and other industrial property through the EU play also an important role. Besides this, the ACP states want to promote technology cooperation with other developing countries. The Committee of Industrial Cooperation will be responsible for all these issues and identify, appraise, evaluate, promote and assist in the implementation of industrial projects in the ACP states.

Mining development

The main objectives of mining development are to exploit all types of mineral resources in a way, which ensures the maximum profitability and meets also environmental concerns. The EU shall carry out technical and financial assistance as well as know-how and training programs to maintain and modernize economically viable production units, which are more operational and competitive. Particular attention shall be accorded to small and medium-scale projects, the promotion of local mining enterprises and the encouragement of European and ACP investment.

Energy development

Due to dependence on imported petroleum products and the increasing shortage of fuel the energy situation in most of ACP states is serious. The EU should help the ACP states to find ways for saving and making efficient use of energy and for new and renewable sources of energy. The main objectives for energy development are to exploit the energy resources in an appropriate manner from the technical, economic and environmental viewpoint and to encourage the increased use of alternative energy sources (like solar energy). Therefore it is important to strengthen the management and control of ACP

states' energy resources in order to achieve strategic energy planning and implicate them in any development project. The enhancement of the investment potential, promotion, research and adoption of technology, maintenance of the basic infrastructure and encouragement of the cooperation between ACP countries and EU are also important fields.

The financial support of the EU shall be given in form of risk capital, mobilization of public and private capital and other financial and technical resources.

Enterprise development

The restructure of ACP economies should be complemented by efforts to strengthen and enlarge their productive base in order to revive economic growth. The private sector plays an important part in this strategy. Therefore, it is important to stable the environment, to promote entrepreneurship and investment and to encourage SME's to play a greater role in ACP economies. The EU will provide technical assistance, support chambers of commerce, assist for the creation new businesses, grant technology transfer and develop specific programs to train and develop the capacity of individual entrepreneurs.

Besides this, the EU will support the ACP states to increase their capacities to provide services in order to improve the working of their economies. Most of all services in the areas foreign trade, business sector regional integration, tourism, transport, communications and information technology should be extended.

Tourism

As the tourism is one of the main receipts of many ACP states the contracting parties agreed to implement measures and operations at all levels to develop and support tourism. The aim is to enable ACP states to benefit from national and international tourism in the best way possible. Particular attention shall be given to the need to integrate tourism into the social, cultural and economic life of the people and to pay attention the ecological and environmental aspects. The EU will assist the ACP states with professional management development in specific skills, the establishment and strengthening of tourism promotion centers, technical assistance and the development of institutions and product development, like identification of the tourism product, provision of technical assistance and investment in the tourist industry.

Moreover, the EU will support the market development of the ACP states' tourism, like provision of marketing and promotional measures and improve the tourism information as well as the assessment of the socio-economic impacts of tourism.

Transport and communications

Cooperation in the area of transport shall be aimed at the development of road transport, railways, port installations, shipping and air transport. In the fields of communication cooperation are the development of postal service and telecommunications, including informatics.

The aim is a greater complementary of transport and communications systems, the harmonization of national systems and the reduction of barriers to frontier-crossing transport and communications. All cooperation projects funded by the EU should ensure

an appropriate transfer of technology and know how that enables ACP nationals to plan, manage and operate new transport and communications systems.

The EU will also support the efficient shipment of cargoes at economically and commercially meaningful rates and grant financial and technical assistance for shipping, especially for shipping services, developing of interregional shipping and promotion of joint ventures. Furthermore, the EU agreed to support the ACP states in the field of information technology, e.g. development of efficient networks, production of computer components and software and participation in international activities in the field of data processing.

Trade development

The development of trade at all stages up to final distribution is an important issue of the EU aid. The object is to ensure that the ACP states derive the maximum benefit from the provisions of this agreement and participate under the most favorable conditions in the EU, domestic, sub-regional and international markets by diversifying the range and increasing the value and the volume of ACP states' trade in goods and services.

Therefore the EU will support the macro-economic policies, the reform of administrative procedures, the establishment of trade strategies, the application of modern marketing techniques, the participation in trade fairs, the strengthening of the infrastructure related to trade, the development of human resources and professional skills in the field of trade and services and the private sector development. The quality of ACP products shall be improved and adapted to market requirements so that ACP states have better chances to penetrate third country markets effectively.

Scientific and technical cooperation

It is the aim of scientific and technical cooperation to support the efforts of the ACP states to acquire their own scientific and technical skills, to master the technology they require for their development and to target research in order to find solutions to economic and social problems. Therefore ACP states' needs concerning relevant new technology should be identified, research programs must be established and exchange and transfers of information and technology between all important institutions in EU and ACP states is necessary. Also the promotion of local technology, the reconsideration of imported technology and the improvement of scientific and technical information and documentation are important areas.

Regional cooperation

The EU supports the efforts of ACP states through regional cooperation and integration and promotes integrated social, cultural and economic development and greater regional self-sufficiency. Regional economic integration shall be transcend the concepts of geographical location and cooperate also with overseas territories or departments.

B. The revised Lome IV agreement

In 1989 the ACP countries were faced to serious economic and financial difficulties and many of them had embarked on the reforms imposed by IMF and World Bank.

This economic crisis and continued and hindered any development efforts. The EU helps the ACP countries with financial and technical support. The aim was not only to speed up

the economic progress but to promote also the social development as an integral part of economic growth. The draconian reforms required by IMF and World Bank, like privatizing bankrupt public sectors, lead to concern about social unrest. Since the start of Lome IV the ACP countries are involved in adjustment programs which ensure that its priorities are taken into account so that any adjustments are tailored more closely to the specific capacities and constraints of each country.

Amendments and modifications of the Lome IV agreement in 1995

Democracy and development

The practical means and the implementation of a policy of human rights has been included into the agreement and democratic principles and the consolidation of the rule of law have been recognized as “essential elements”. The EU supported these democratization efforts and granted the ACP states ECU 80 million for institutional and administrative reform measures. Moreover, the ACP states agreed to suspend member states, which violate these essential principles.

Trade

It has been seen that the commercial advantages enjoyed by ACP states – compared with other developing countries – were not enough to offset the competitive gap between them and their competitors in Asia and Latin America; above all these preference are now threatened by liberalisation of international trade. That is why the revised Lome IV agreement gives greater priority to developing ACP trade and tries to improve its competitiveness. The aim is not only to increase ACP-EU trade but also to develop the markets of ACP states concerning domestic, regional and international trade.

As the tariff concessions granted by the EU had only little impact on the development of ACP-EU trade the preferential treatment was extended to cover nearly all products originating in the ACP states. The new provision grants a general reduction of 16% in the customs duties and levies applied to products which previously enjoyed no preference. Only olives and olive products, wine and lemons are excluded from this PTA. Besides this, reference quotas have been eliminated for all products except oranges and mandarins and tariff quotas now apply throughout the year.

Moreover, the ACP countries requested more liberal rules of origin. In the interest of stimulating the growth of regional markets, 15% of the content of an ACP product may be sourced from a neighbouring country.

Private Sector

At least 50% of the risk capital allocated by the European Investment Bank will be used for ACP States, which support and implement measures to promote investment in the private sector, particularly in small and medium enterprises (SME's).

Commodities

The tariff reduction for beef and veal has been increased from 90% to 92% and includes Namibia in the list of beneficiary countries, allocating it a quantity of 13,000 tons. The revised agreement includes also a joint declaration concerning the protocol on bananas, whereby the volume of programmable assistance to ACP banana exporters can be adjusted to take account to their specific problems. Moreover, the tropical forest of ACP states should be protected. Therefore internationally harmonized agreements for trade in tropical wood will be developed.

Stabex

The aim of Stabex, a system, which guarantees a substantial export revenue, is to limit the impact of a shortfall in resources on the least-developed, landlocked and island states and to allow transfers to be used to support structural adjustments. The 1994 market increase in world prices and a 20% increase on EU support brought some respite to the Stabex system which had been running at a constant deficit for many years.

Decentralized cooperation

Lome IV wanted to participate a broad range of local partners, e.g. firms, trade unions, NGO's etc. to support the economic development and to accompany the democratization process. As the ACP states were concerned that this direct access could undermine the prerogatives of the national authorities they found a compromise with the EU which guarantees the role of the ACP authorities and uses the decentralized cooperation with organisations in the ACP states the best way possible.

Objectives of cooperation and programming

The ACP states have no freedom to choose their own principles, strategies and models of economic and social development but have to follow the objectives of the EU which are sustainable economic and social development, progressive integration into the world market, consolidation of democracy and the rule of law. The new programming of the EU is providing productive and flexible help, which should ensure that money is not wasted: The indicative EU program concludes each ACP state and grant them 70% of the allocation. After three years the implementation of the program will be checked and if the result is not satisfactory the second instalment of 30% could be redirected to other, more effective performing, ACP countries.

Structural adjustment

The EU increased its support for structural adjustment by 20%. The revised Lome IV agreement offers a wider range of structural adjustment methods, allowing direct budget support for countries with a convertible and freely transferable currency. The aim is to create an environment, which is attractive to local business and to foreign investors. This would be also interesting for EU countries in terms of new markets and improved export and investment opportunities.

Protective measures

The EU may take safeguard measures if serious disturbances in a sector of its economy arise. All other protective purposes have to be undertaken. Prior consultations between ACP states and the EU have to take place before the application of any safeguard clause.

Debt

The debt situation of whole Africa is worsening. From 1985 to 1995 the total identified debt stocks rose from US \$ 100 billion to US \$ 170 billion. Although the EU is only a marginal creditor of ACP countries it decided to include a section in Lome IV which states that special loans will increasingly be replaced by grant aid. Besides this, debts of about ECU 135 millions have been transformed into grants.

The future plan of the ACP – EU relationship

The revised Lome IV agreement improves the effectiveness of aid and showed the need to begin new discussions about the relationship between ACP and EU after 2000. Due to

liberalization of international trade it must be the future aim of development aid to strengthen the international competitiveness of the aid recipients. Besides this, regional trading groups could offset the adverse effects of economic globalisation.