

# What Place for Small Island States in a Successor Lomé Agreement?

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At a recent seminar on Small Island Developing States (SIDS), more than 70 people reviewed the particular problems of SIDS and ways to better integrate their needs into a successor Lomé Convention.

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In the drive towards more effective cooperation under a successor agreement to Lomé IV, there is a trend to adopt approaches that “positively” differentiate among ACP countries. Countries that have special needs or, through their performance merit special recognition, will benefit more than others.

In recent years, a strong lobby in favour of special treatment for small-island developing states has emerged. Do these countries share some special characteristics? Do they have a special call on cooperation resources? Do they deserve special attention in a revised Lomé Convention between Europe and Africa, the Caribbean and the Pacific?

These were some of the questions reviewed by a gathering of small-state experts, held in Brussels on 1 and 2 September 1998.

## *The Special Needs of SIDS*

In 1994, small island developing states - calling themselves SIDS - met in Barbados to discuss their special development needs. Besides the general problems faced by developing countries, SIDS suffer specific handicaps arising from the interplay of factors like smallness, remoteness, geographical dispersion, vulnerability to natural disasters and a highly limited internal market.

These features constitute constraints on growth and expose SIDS to external shocks they find difficult to manage. By banding together, they aim to mobilise sufficient critical mass, achieve economies of scale, and influence global agendas.

What is a small island developing state? In the seminar, a single and clear definition of a SIDS was not easy to find. The SIDS grouping, for example, includes countries such as Guyana and Belize that are physically not islands. Some large islands are included in the group, and others not. It became clear that the current notion of SIDS is largely a political construct, a mechanism to link a group of similar countries, to strengthen their position in international negotiations, a way to focus attention on their special needs.

However, certain characteristics associated with “islandness” and “smallness” and “developing” do seem to be shared by many states. Their impact can be described as leading to vulnerability. A focus by ACP and EU negotiators on measures to reduce vulnerability would significantly benefit many SIDS, and perhaps other ACP countries similarly affected. The vulnerabilities are economic and environmental.

Economically, SIDS depend on outside markets (often far away), they have scarce human capital, and they rely on a few products, such as bananas, sugar or tourism. SIDS seek more secure market access, to be competitive, greater predictability, and diversification to reduce risk. But, in a globalising world, the scope for SIDS to influence these is small, and getting less.

Environmentally, limited natural resources such as fisheries, coral reefs, fresh water, or sand are threatened by population and commercial pressures, yet they must be protected. Low lying and coastal parts of small islands are threatened by global phenomena such as rising sea levels and more severe cyclones as predicted effects of climate change.

In both economic and environmental terms, the risks for small countries are high. Sudden “shocks” can devastate whole sectors or islands. Often the causes of the

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problems cannot be influenced by small states. As a result, "resilience" to shocks becomes a desired policy goal, incorporating elements of preparedness, flexibility, recovery, and insurance against disaster.

The international community has recognised the particular needs of SIDS. In 1994, a UN global conference in Barbados adopted a comprehensive Programme of Action. Since then, the UN General Assembly confirmed the need for international support to help SIDS, Commonwealth Heads of Government approved a series of recommendations to enhance the development of SIDS, and the World Bank has joined a task force with the Commonwealth Secretariat to address the concerns of small states.

However, much needs to be done. Many of the priority areas identified in Barbados are partially implemented and on others no action has been taken. The special and differential needs of SIDS are not recognised in the WTO and many small states have either been graduated, or face graduation from, international financial institutions, resulting in diminished access to concessional development finance.

Since one third of ACP states are SIDS, the ongoing discussions on the future of ACP-EU cooperation provide a good opportunity for their special needs and vulnerabilities to be addressed. Seven priority areas for action emerged from the discussions on 1 and 2 September.

### ***Determine the Vulnerability of SIDS***

The vulnerabilities of SIDS are multi-dimensional and inter-related but are connected especially to acute exposure to external economic forces and to environmental hazards. Both the ACP and EU negotiating mandates refer to these handicaps. Both open up the possibility that SIDS could receive special and differential treatment in a successor convention. Any such treatment, however, must be transparent and based on demonstrable need. The use of a vulnerability index has been proposed as a way to achieve this.

Recently, the UN and the Commonwealth have worked on such indices. The results confirm the fragility and vulnerability of small countries in general and SIDS in particular, and provide a prima facie case for the differential treatment of SIDS by establishing criteria beyond the single per capita income measure that is currently the main measure.

However, as the idea of a vulnerability index is contested, it is important to win support for its use. The index should be seen as complementing other indices in

determining priorities and needs, and not as a substitute. EU and ACP negotiators should explore the use of an agreed vulnerability index. An initial step should be a meeting with the developers of such indices to inform themselves of the various features.

### ***Integrate the Barbados Programme into Lomé***

The 1996 Green Paper of the European Commission (EC) acknowledges that the Community still "lacks a clear strategy and a sense of purpose to make environmental management operationally viable". The EU negotiating mandate states that "the principles and best practice for sustainable development will be an integral part of cooperation. They will have to be applied at every stage of planning, implementation and evaluation and in every sphere, including multilateral trade agreements, regional cooperation, macro-economic and sectoral reforms, programmes and projects implemented by the public sector, private sector or civil society". For SIDS, the most appropriate way to do this is to integrate the Barbados Programme of Action more fully into a successor convention.

The Barbados programme is a blueprint for sustainable development in SIDS. Actions are defined in 14 agreed priority areas such as climate change, natural and environmental disasters, waste management, coastal and marine resources, tourism, biodiversity, institutions and administrative capacity, regional cooperation, transport, and human resources. Although Lomé has addressed some of these problems, some have received little attention, notably climate change and the threat of natural disasters. These pose a particular threat to SIDS.

The EU is a signatory to the Barbados programme and, rather than launching a new set of actions for SIDS in a new Lomé, greater efforts are needed to link the implementation of national and regional indicative programmes with the Barbados plan of action.

### ***Give Priority to Capacity Building***

People are the most important resource in SIDS and human capacity the most important single constraint. It follows that capacity building is the foundation for sustainable development and their future viability. This applies to the more developed as well as the least developed SIDS. A recent review of the implementation of the PoA in the Caribbean concluded that: "the building and strengthening of the capacity to fully appraise and monitor projects would go a long way to protecting the patrimony of these islands". This is mirrored to some extent at the regional level where institutional capacity is insufficiently developed.

### ***Strengthen Regional Initiatives***

Due to their limited scale and resource base, small states are usually more committed to regional cooperation and integration initiatives. They, more than larger states, often have most to gain, especially in terms of access to markets and a pool of expertise. Recent experiences demonstrate that for certain “functional” areas of cooperation such as the environment, fisheries, or marine pollution, regional cooperation is the only feasible way for SIDS to mobilise sufficient resources and capacity to address common problems.

The current EU proposals are in line with these small-island strategies. There is broad agreement on the principle that further strengthening of appropriate instruments for regional cooperation and integration in a successor convention are likely to benefit SIDS. However, it is necessary to take account of the long-term character of these processes.

### ***Trade: Special Treatment for SIDS***

EU proposals for a new ACP-EU trade regime are a particular concern of SIDS.

One of the greatest threats facing SIDS is marginalisation. They fear they may not be able to compete in the global system. They also believe it may be difficult to attract sufficient inward investment to sustain economic growth. They look to the EU to help them deal with these threats. The EU, on its side, is under pressure - from the WTO and elsewhere - to radically reform the current provisions.

SIDS argue that they have benefited from the preferences embodied in Lomé. The proposals of the EU to phase out preferences and to introduce reciprocal regional free trade agreements are viewed with alarm. Most SIDS depend on a limited range of exports. They are often high cost producers and their economies remain essentially undiversified. These constraints must be addressed if SIDS are to be smoothly integrated into the global economy. This suggests long periods of adjustment for SIDS and for measures that provide the financial and technical resources needed to develop areas in which they have a comparative advantage. In many cases this will require treatment comparable to that currently envisaged for least-developed countries.

SIDS are concerned that the EU’s trade proposals have not been fully thought out. The existence of SIDS at different levels of development within specific regions greatly complicates regional trade negotiations. The assumption that individual regions wish to be trade

partners with the EU is unwarranted. The benefits to be gained from regional agreements are not yet known. Finally, the asymmetries of power between the EU and any collection of SIDS will put the latter at a distinct disadvantage, particularly since the capacity of SIDS to negotiate comprehensive regional trade agreements is in doubt. This suggests that SIDS need to press for the EU to indeed “examine all alternative possibilities (to free trade agreements), to provide these countries with a new framework for trade, equivalent to their existing situation”.

SIDS are also concerned at proposals to restructure Stabex and Sysmin and to review the protocols. These instruments have helped to compensate for severe fluctuations in output and they have aided diversification efforts. The ACP negotiating mandate seeks to maintain and improve Stabex and Sysmin. This does not preclude a review of Stabex and Sysmin, including proposals for alternative mechanisms. In the meantime, current provisions should remain until such a review is completed.

The importance of the Banana and Sugar Protocols were re-affirmed. The WTO decision on the EU banana regime was condemned as adding to the vulnerability of SIDS in the Eastern Caribbean. Although the status of the Sugar Protocol is different, any reduction in support would also hold back diversification - as SIDS need income from the protocols to make it effective. At the same time, small size acts to limit the potential of diversification in SIDS. This points toward the extension of the protocols in the medium term along with whatever WTO waiver may be needed to do so.

Finally, SIDS affirm the importance of trade in services. The proposals set out in the EU negotiating mandate are a starting point but need considerable development, particularly in respect of tourism.

The negotiating mandates recognise these difficulties. However, the vulnerabilities of SIDS may still be overlooked. For instance, the insistence in the EU negotiating mandate that trade agreements conform with the provisions of the WTO may put SIDS at a disadvantage given the lack of “special and differential treatment” for SIDS in the WTO. More generally, it will be difficult for the EU to maintain the current regime and change is more likely than continuity. Thus the negotiators need to devise provisions that clearly address the vulnerabilities of ACP states, including those deriving from smallness and insularity.

### ***Strengthen the Role of Civil Society***

The viability of SIDS demands the full participation of all their people in their development. New public-private partnerships need to be developed.

To make this a reality, capacity needs to be developed in the private and voluntary sectors. The private sector in many SIDS is weak. It cannot substitute for the public sector in many areas given the returns to scale and the prospect of increasing competition from transnational corporations. The smallness of most enterprises in SIDS should be reflected in the investment policy of the EU. The priority is resources and training in business at national and regional level. Institutional development is also necessary to sustain an effective dialogue with government.

Local authorities, non-governmental organisations and other civil society organisations play an important part in the social and political development of SIDS. They provide social cohesion that is an essential element in reducing the vulnerability of SIDS. The strengthening of their capacity to play a role in delivering development, especially decentralised cooperation, is vital, and forms part of the EU proposals.

### ***Promote SIDS Issues***

The seminar concluded that the vulnerabilities of SIDS were insufficiently understood and appreciated. The international system has gone some way towards recognising this, but much remains to be done.

The negotiations for a successor convention provide an outstanding opportunity to do this. To give effect to this, there need to be a structured dialogue within the ACP and with the EU. A SIDS group should be formed within the ACP and the EC to ensure that issues of sustainable development are translated into practical proposals and instruments suited to the needs of SIDS. There may be a case to maintain such a group beyond the conclusion of the negotiations as an aid to dialogue.

Beyond this, there needs to be coordination and complementarity between the main international actors promoting the sustainable development of SIDS, notably the UN, the Commonwealth and the EC. This meeting was a good example of such a common approach. However, more needs to be done at national and regional levels to reduce the burdens placed on SIDS by donors acting on their own.

No one has a complete picture, least of all in the individual SIDS, but if SIDS are to be supported and their interests promoted, the extent of provision and need must be mapped. Attention should be directed to improving or creating mechanisms which can bring this about and which can mainstream SIDS issues in the international system, including existing mechanisms such as the Alliance of Small Island States (AOSIS).

Lomé Negotiating Briefs are produced by the European Centre of Development Policy Management (ECDPM), an independent foundation with links to both the ACP and the EU. They are designed to provide information on key issues relating to the upcoming EU-ACP negotiations.

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