

**Beyond Lomé IV:
Preliminary Views of European Governments
on Future EU-ACP Relations**

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Foreword

The current Fourth Lomé Convention will expire on February 29, in the year 2000. While it is most likely to be followed by a new Lomé Convention, the shape that EU-ACP cooperation will assume in the next century is the subject of much debate among different actors in both the European Union (EU) and the African, Caribbean and Pacific (ACP) countries.

In November 1996, the European Commission presented a Green Paper on the relations between the EU and the ACP countries. Its main purpose was to promote an open and constructive debate on how to adjust the Convention to the new global situation and the development challenges facing the ACP at the eve of the new millennium.

This paper is a review of the highlights from the initial responses the Green Paper has received from twelve European Member States. They are France¹, Germany, the United Kingdom (UK), the Netherlands, Italy², Sweden, Denmark, Finland, Belgium, Austria, Ireland and Portugal. All the papers indicate that the positions expressed are preliminary.

The paper is structured as follows. The introduction makes it clear that the various European governments are keen to preserve solid relations with the ACP, while recognising the need for major reforms on a range of issues. Then the perceptions of Member States are analysed with regard to the objectives and fundamentals of ACP-EU cooperation, the proposals concerning political dialogue and partnership, the trade and aid provisions, views on the geographical composition of the ACP and the sensitive question of "regionalisation". The final sections focus on management questions as well as some special concerns put forward by Member States in the run-up to the pre-negotiating process.

The paper will refrain from drawing any conclusions, since the twelve responses received so far are, as the title suggests, preliminary.

Introduction: The Need to Reform

The different contributions agree that the Lomé Convention is in essence a useful arrangement. Its nature is contractual and therefore predictable. It encompasses political dialogue, commercial, economic, social and technical cooperation (in other words: trade and aid) and it guarantees a continued European presence in some far-flung corners of the world. These are considered positive characteristics that should be retained.

But the world of the Seventies, of which "Lomé" is a product, no longer exists. Factors of change include the end of the Cold War, the new composition of Europe, with Eastern Europe waiting in the wings to join the EU and the world-wide liberalization of economies, which in conjunction with a handful of other phenomena (round-the-world media, computer-mediated stock markets, the domination of the world markets by multinational corporations) has come to be known as globalisation. Related evolutions such as the emergence of the World Trade Organisation and the deepening of regional trade blocks contribute to lessening the impact of the Lomé trade provisions. These and other changes make a thorough review of ACP-EU relations necessary.

¹ France presented two contributions to the debate: in March 1997, thus being the first Member State to react to the Green Paper, and in October 1997. In the meantime, two events had taken place: a change in government, and a number of debates in France on the Lomé Convention.

² The paper presented by Italy does not necessarily reflect the official Italian position as it was prepared by the CeSPI (Centro Studi di Politica Internazionale) following a consultation process launched by the Italian Ministry of Foreign Affairs.

Also in its day-to-day running, the Lomé Convention could benefit from change. It is considered slow, cumbersome and bureaucratic. Not surprising, then, that many papers give notice that its effectiveness and efficiency must be improved substantially.

However, in the process of adjusting ACP-EU cooperation to new realities, one should not throw the baby away with the bath water. The Portuguese contribution mentions that strides have been made in the fields of health care and education (increased life expectancy, higher literacy rates) and when it comes to adapting to new times, the Portuguese subtly remind us that reforms in many ACP countries, particularly Africa, did in fact start before the Berlin Wall began to crumble - an event which is generally considered to have triggered the onset of political reform in the South. Furthermore, several contributions, including the French, Portuguese, Italian and German papers note the danger of further marginalising weak ACP countries in the globalisation drive. Member States agree on the rather poor record of the Convention in terms of reversing negative trends in most ACP nations. Economies in decline, diminishing shares in world trade and the persistence of poverty are as much a feature of these nations now as they were 20 years ago. The French see this as one cause for the dwindling legitimacy of Lomé.

All things considered, however, the need to redesign substantial parts of the Lomé Convention, is not fundamentally disputed. The challenge is to retain the best elements of Lomé while making the necessary adjustments. Differences in opinion persist, however, about how changes for the better can best be effected. The Netherlands, for instance, insists on addressing major bottlenecks for improved cooperation at the European level, including poor policy coherence and lack of complementarity between the EU and Member States. The improvement of EU aid effectiveness, and the coordination amongst Member States is also an explicit concern for the French, whilst Sweden highlights the issue of capacity on the European Commission side.

In the next sections we try to provide a summary of the agreements and differences in the positions of Member States.

Objectives and Fundamentals of EU-ACP Cooperation

There is very broad consensus on the main objectives of ACP-EU cooperation: integration into the world market and alleviation or eradication of poverty. The latter speaks for itself although the way in which this could be achieved is described differently in the various contributions. The former is generally held to mean that all external trade relations of the ACP states - including those with Europe - should ultimately conform to the rules of the World Trade Organization (WTO): unimpeded trade around the world. Here the differences in opinion are mainly about the speed with which this should be brought about. What most do agree on, however, is the role of the private sector as the engine of economic growth. This domestic engine may be boosted by aid and trade and investment, which may then lead to further gains in the battle against poverty.

The Austrian paper notes that there might actually be some friction between the twin objectives of poverty alleviation and the integration of ACP economies into the world markets. This problem should, according to the Austrian contribution, be alleviated by strengthening the role of the institutions of state, through the promotion of good governance in tandem with debt reduction (the French paper is the most pronounced on the role of the state, which will be dealt with in the chapter on trade). The Italian contribution, on the other hand, emphasises the mutually reinforcing character of the twin objectives, since poverty has economic, social, political and cultural component that one is ill advised to treat them separately.

Belgium, France, Portugal and Germany devote some attention (in varying degrees and contexts) to the position of Africa, either to have it on the agenda as a special concern or to make sure it is not overlooked in the deliberations. The UK mentions its special position: more than half the ACP countries

are also members of the Commonwealth.

Finally, it is generally recognized that development cannot occur in times of violent conflict and this has given rise to the prominence accorded to the issue of conflict or crisis prevention (or resolution) in virtually all papers.

Political Dialogue and Partnership

None of the papers fail to mention what the respective governments consider major policy issues which need to be incorporated into the new Convention. They will of course return in the next chapters when the EU policy priorities and criteria for the disbursement of aid and other forms of cooperation are discussed but they do play a role in that other important pillar of the EU-ACP relationship: Political dialogue.

It is generally recognised that this dialogue is in dire need of revitalization and should revolve about the values which the EU considers the foundation for its development cooperation efforts: respect for human rights, the rule of law and good governance. These three have in fact been laid down in the current (revised) Convention. Article 5 spells them out in some detail. Other areas where some form of consensus appears to emerge are conflict prevention and landmine clearance (France, Austria and Ireland among others), the importance of sound environmental management (mentioned by France, Germany, Denmark, Sweden and Finland) and the equal distribution of the benefits of development between men and women (Denmark, Sweden, Austria and Finland). Germany and Italy are most prominent among a growing number of European countries that wish to place the issue of migration within the political dialogue. Like the European Commission, Member States seem to view migration primarily as a European security concern (it frequently forms part of a list which also includes drug trafficking). Germany would like to see migration agreements included in the political dialogue. Belgium proposes to include good governance in the list of essential elements that can provoke the suspension of aid but insists on clarifying the notion. Indicators should be developed, in consultation with the partners, in the areas of corruption or military expenditure. For Belgium, reciprocity of commitment is crucial in the political dialogue, and some obligations could be imposed on the EU side in terms of good governance (for example: a code of conduct committing European companies to refrain from activities which would contradict the good governance of a country).

The modalities and participants to the political dialogue receive different emphasis from different Member States. According to Italy, the Netherlands and Finland, political dialogue must also take place outside the usual forum of the Council of Ministers and incorporate civil society in its broadest form, be they the private sector or local authorities. The UK is in favour of having different and increasing the frequency of meetings in which this dialogue takes place. The Netherlands suggest a flexible and effective political dialogue through a better use of senior officials meetings and of the reduced EU troika. The French and UK papers suggest that dialogue must be tailored to regional specificities.

Trade Relations

Fundamentally embedded in the new thinking about EU-ACP relations is the idea that ultimately it is economic growth that will pull the poor countries out of the mire - and that the way to achieve this is to integrate the ACP economies into the world market. Whether or not Lomé special trade preferences have helped in this respect is subject to discussion.

In terms of effectiveness, the Finnish paper has a clear assessment: 'not predominantly positive.' The Danish and Italian papers offer slightly different but very sobering facts to back up this assessment: the ACP share in EU imports, already modest to begin with, has seen constant decline since the 1970s. No clear consensus has emerged as to the causes of this poor performance. The Austrian paper mentions the absence of an institutional framework in the ACP countries to do something useful with the benefits

accruing from the preferential arrangements (for instance: diversify). Others (like Denmark and Belgium) look for causes and remedies in the lack of competitiveness on the part of the ACP countries.

Integrate or Die

Most papers offer ideas as to how this integration into the global market system, under the governance of the World Trade Organisation, must be brought about. Most agree that it should be done through free trade agreements between the EU and three "regions": Africa, the Pacific and the Caribbean; and also within these regions themselves. A number, among them Belgium, France and Ireland, see the need to put in place some mechanism to counter the threat of a further marginalisation of Africa in this respect. Portugal foresees a decline in European influence in the Caribbean and the Pacific regions. While certainly not disagreeing with the imperative to open up, France attaches great value to the predictable and contractual nature of the current EU-ACP arrangements and proposes an extensive study into how changes could best be effected in relation to specific products. It favours concluding free trade arrangements between the EU and different ACP regional groupings that would be willing to do so, as a step towards the establishment of global free trade.

A lot of thought has gone into what measures could facilitate the transition away from the current EU-ACP trade arrangements, since it is felt that such a move is likely to be painful for many ACP countries. The UK mentions agricultural liberalisation in this respect and stresses the unpredictable impact it will have on the Convention. Italy, France, the UK, Finland and Austria favour strengthening capacities of varying kinds (technical, economic, financial, administrative) in ACP countries, which should enable them to compete effectively. All the contributions underline - one way or another - the major importance of the private sector as a driving force behind economic growth. Differentiation between countries according to their level of development (*least developed* or *developing*) is an important concept here and approaches may focus on various fields, for instance market access, capacity building, different trade preferences extended to different countries, and so on. Among the ideas floated here, the German, Belgian, Italian, Irish, Dutch and Finnish contributions mention the WTO Plan of Action, adopted in Singapore in December 1996, to improve market access for the least developed countries. The EU is currently discussing the implementation of this plan, though it remains unclear how much - if any of it - will eventually be carried out under the Lomé banner.

WTO Waivers

It is all very well to want to preserve some form of preferential trade arrangements, but this is not without external constraints. Under the Convention, market access arrangements for ACP countries are non-reciprocal (ACP countries are not obliged to offer market access concessions to the EU). However, the WTO does not allow these non-reciprocal arrangements to continue beyond February 2000, because they go against the General Agreement on Tariffs and Trade and, according to the WTO, they stand in the way of real free trade. The same goes for the four commodity protocols (trade agreements between ACP countries and the EU on specific products). The attack has already begun on the banana protocol. The UK for one, recognises the EU's historical obligation in respect of this one protocol but also sees it fighting a losing battle with the WTO. Other protocols (beef, rum and sugar) are also expected to come under critical international scrutiny. The Dutch contribution describes the future of the protocols as "untenable", but argues in favour of solid transitional arrangements to ensure their gradual phasing-out.

The only way to allow some of these preferential access arrangements to continue into the next Convention is to request waivers from the WTO. Waivers are generally regarded in Member States' position papers as transitional measures, lasting for up to 10 years and intended to buy some time for countries to increase their competitiveness, for instance by diversification, before WTO compatibility is fully achieved. The UK has a slightly different proposal: it would like to see agreement on all existing Lomé preferences continue until 2005, allowing time for ACP economies to adjust and taking their views

into account.

The positions on the feasibility of obtaining these waivers are a reflection of the level of desirability various European governments attach to these special trade arrangements. Germany says it is doubtful whether these waivers will be granted, since they discriminate against other developing nations. In the Austrian contribution, the undesirability of keeping the preferential trade arrangements is based on another argument: it perpetuates old colonial relations. The UK says that even if waivers are obtained, they still do not guarantee long-term predictability. It favours new post-2005 arrangements that are consistent with WTO obligations but incorporate market access to ACP countries that are as generous as possible, especially for agricultural products. For the Dutch, the new Convention should be formulated "in such a way as to avoid waivers as far as possible".

France and Portugal are rather more optimistic about obtaining waivers; the latter says that the WTO cannot possibly deny any fewer than 70 countries this special favour, since there would be political costs involved. Belgium, though favouring some degree of the differentiated trade preference system to continue, feels the waiver should be requested even while the chances of obtaining it are uncertain. Finland does not rate the chances of obtaining a waiver for the ACP group very high, and wants special treatment for all least developed countries (not only ACP ones) under the WTO. The Italian paper suggests presenting the request not as asking for trade favours, but rather as 'a negotiated European proposal to address ... specific development, trade and financial needs of the ACP Least Developed Countries' under the multilateral system. These countries need, after all, a variety of capacity-building programs in order to be better able to integrate in the world economy.

Simplifying the Rules of Origin

Some Member States commented on the rules of origin governing the importation of processed products from ACP states into the EU. Germany, the UK, Sweden and Italy find them too complicated and would like them simplified. Poor countries have not got the apparatus to deal with this level of bureaucratic complexity, they say. They would also like to see them extended to non-ACP countries for purposes of regional trade.

Least and (slightly) More Developed Countries

The Least-Developed Countries (LLDCs) constitute well over half of all the ACP countries. Guided by the idea of differentiation, most Member States seem to favour maintaining some kind of 'most preferred partner status' for these most vulnerable of ACP countries, for instance by attempting to uphold non-reciprocal trade arrangements. This will allow them time to diversify their economies. Eventually, these arrangements should be phased out. This ties in closely with the 'waiver' issue discussed above.

More developed countries, on the other hand, must either be brought into the Generalised System of Preferences (GSP) which the EU decides upon unilaterally, or move towards a total free trade agreement with full reciprocity. France, Portugal and Italy resist this idea - but with different time frames and scenarios in mind. Italy says the more developed countries should gradually move towards WTO conformity.

France sees a way forward via Free Trade Zones, combined with a gradual phasing out of the trade preferences. Portugal considers a move from the current regime to GSP as 'a step backward in political terms' and favours a much longer time-frame. More ambitiously, the UK favours bringing GSP preferences up to the current Lomé level - although it doubts the feasibility of this idea. The Belgian paper does not use this qualification but also favours a gradual transition for the more developed countries, without specifying a time frame. Finland stresses the voluntary character of moving into GSP and Sweden says that there must be coherence here: an EU which promotes and assists diversification in

ACP economies must also level the competition playing field itself. The Common Agricultural Policy is a case in point, according to the Swedes. The Italians concur.

Stabex and Sysmin to Go

The two compensation funds, Stabex and Sysmin, do not engender much sympathy among the Member States. Apart from being slow, clumsily bureaucratic, inefficient and placing great demands on the administrations of both EU and ACP countries, the main complaint against them is that they have not delivered. They have not helped to increase the competitiveness of the beneficiaries, they have not led to diversification of the economies that have been able to use the system, they have remained limited to a handful of products (and producers!), and they constitute undesirable interventions in the market place. These assessments have been culled from the German, the Austrian, the Swedish and Italian papers. It should not come as a big surprise, therefore, that Germany, the UK and Austria want both funds abolished outright and Sweden wants to see them replaced by 'a new policy . . . to support and diversify the economies of ACP countries'. Italy does not tell us explicitly what to do with them, although the analysis in its contribution is equally damning. France, on the other hand, wants the two instruments to be preserved, although it does not appear to be happy with the results either. France and Belgium (which devotes a relatively large section of its paper to this particular issue) conceive of their function changing, *e.g.* into tools for arriving at desirable macro-economic frameworks. In the case of Sysmin, Belgium can see it evolve into a tool for mining sector rehabilitation. Portugal agrees upon the principle but feels that the instruments would be more useful if they were replaced by increased programmable aid within the National Indicative Programmes.

The Private Sector

The indigenous private sector - and that may well include the informal sector as far as, for instance, Italy is concerned - is universally seen as an important engine for economic growth. It must be fostered and helped to grow. For the benefit of the small-scale business sector, there is an institution called the Centre for the Development of Industry, or CDI. Again, departing from an assessment that the institution is not wholly effective, French and German thoughts diverge considerably on how to solve the problem. Germany wants the management structure of CDI cleaned up and wants it to concentrate on countries with a clear industrialisation policy. France wants the CDI to link up with the local banking sectors in-country, in order to be more effective in helping small and medium-sized enterprises off the ground. The Portuguese paper says that CDI should be extended to include other sectors as well, especially services. Italy sees a pivotal role for a completely overhauled CDI in private sector development, acting as a world-wide business-related information network.

Italy on the whole offers the most detailed proposals concerning private sector development in ACP states. Its paper envisages an enhanced role for European business in the development of the private sector and a variety of policy instruments (technological cooperation, investment promotion among others) to bring this about. It adopts the general development funding model presented by the European Commission (a combination of long-term public funding, NGO funding and emergency aid) for use in this context.

Private enterprises may also be boosted by investments from abroad. Germany wants red carpet treatment for foreign investors in ACP countries: foreign firms must be regarded as 'most favoured nation states'. The Netherlands insist on a thorough revision of the provisions regarding the promotion of investment. Denmark foresees gains from foreign investment in terms of employment and technical development, while the Italian contribution stresses the need for local capacity building, which would enable ACP states to properly receive and protect foreign capital.

Trade and Aid

As noted earlier, it appears that there is some convergence between the trade and aid sectors. This may be concluded from the level of integration between these two in some of the responses to the Green Paper.

Priorities, however, do differ in this area and some of them may actually be gleaned from the order in which the various government entries have been presented. Germany starts out with the reforms it deems necessary, then moves on to trade and ends with aid. Germany is of the opinion that official development aid should not replace private capital transfers but complement them. Aid is also the closing section in the Italian, French, Portuguese, Belgian, Irish and Austrian papers, but the order of what precedes this final paragraph differs substantially. In the Italian paper, the economic and finance sectors and the support for the private sector take up almost all of the rest of the paper, while politics figure prominently in the French, Irish, Belgian and Portuguese papers, then followed by trade. The Danish, Finnish, Swedish and UK contributions have a reversed order: aid - incorporating the political dialogue - precedes the paragraph on commerce. In the Austrian paper, development envelopes, as it were, the central chapters on economic cooperation and trade. The Luxembourg paper deals almost exclusively with development policies.

In reality, the borderline between commercial cooperation and aid is rather blurred. Austria is among the countries that assert the importance of capacity building and institutional reform - pretty classical developmental issues that can also be put inside the framework of private sector development: one needs a sound financial sector, legal framework, able officials, etc., in order to diversify one's economy, compete effectively on the world market, and boost the private sector in one's own country. This is also clear from the French, Danish, Italian and Austrian papers. Portuguese fears that "Lomé" may be reduced to an aid package can be thus allayed. When the private sector can be listed under the heading of 'civil society', as in the French and Swedish papers, and when education and infrastructural works are seen as important in enhancing a country's competitiveness, as is said in the Danish paper, then it seems clear that aid and trade will remain two aspects of the same framework - though perhaps strange bedfellows at times, for some.

What About the State?

The role of the state is not fundamentally disputed, but there are different views on what it should do. The German idea is that governments should provide and guarantee a stable framework, based on the rule of law, which should encourage private economic initiative. The French, on the other hand, see a role for the state in a multiplicity of areas, including the judiciary, security, human rights, media and, indeed, the creation of an environment which favours the activities of enterprises. Austria maintains that states should have the right to hang on to strategic enterprises in the face of ongoing privatizations. Water, electricity and transport are considered here. The Portuguese idea is that the state is not something that can be pruned indiscriminately and in a somewhat similar vein the Italians caution that all this attention to business and the private sector leads to the danger of the public sector being left out, which is not desirable.

Any Other Business?

France, Sweden, Belgium and Ireland have devoted some space to the European Commission's comments on the debt situation. No innovative initiative appears to be forthcoming from the Member States concerning debt. Belgium advocates following the lead taken by the Bretton Woods institutions - the IMF and World Bank. Italy says that debt cancellation may be considered within a reform framework, *i.e.* debt forgiveness is contingent on reforms being carried through. France considers joint refinancing of debts of the poorest countries an option, as long as it is a joint enterprise of the EU, the Paris Club and the multilateral institutions. Ireland, Belgium and Sweden mention the need for some kind of support in the

way of debt-relief.

Finally, Austria is the only Member State to note that in a world of trade liberalization there is a host of non-tariff barriers being erected - the impact on market access to the ACP states is yet to be assessed but the trend is clear. And Portugal sees the beginnings of monetary cooperation between the EU and the ACP states, which could, in this view, improve economic ties between the two groups and boost stability within the ACP countries.

Aid

There is a wide variety of policy points, issues and priorities that passes through view when surveying the various contributions. Also in this chapter are the various governments' views on conditionalities and the desirability of coherence between the EU's aid policy and the other aspects of its external relations.

Objectives

Poverty alleviation remains a major objective of the EU's aid efforts. The German paper calls it 'the improvement of the economic and social situation of people in the developing countries.' Others give it different names. Italy stresses that the various social, economic, cultural and political aspects must be taken into account when devising a strategy to combat it. Sweden calls it the top EU priority. The UK calls for sustainable development and the eventual eradication of poverty.

How to bring this about is forever a question of debate - but one thing is clear: the ACP nations will need to reform. The disbursement of aid is in various degrees of explicitness but in virtually all cases contingent on the willingness to reform the political, administrative, social and also commercial structures of the receiving country. In this sense, aid is clearly an instrument of EU foreign policy, in that it can be disbursed or withheld upon assessment of a country's willingness to reform. Germany, Denmark, Ireland and others are very straightforward in this respect.

Priorities

The lists of items that could be brought in under the banner of aid (or development cooperation or assistance) is fairly varied but there are a few which return frequently. Aid should be geared towards conflict or crisis prevention (Germany, France, Denmark), the building of institutional capacity - be this in terms of State institutions (as France favours) or more commercial ones (as Germany and Italy propound) or localised institutional capacity (as Italy and Portugal envisage); the promotion of civil society (which can include anything from small scale enterprises to trade unions) is part of this effort. Capacity building is in some cases (the Danish paper) directly linked to a country's ability to manage the aid flows and to the idea of correct management of public affairs - for which capacity is needed.

Other priorities include the advancement of science and technology - including information technology (Italy, France, Austria and Portugal), education and health care, sometimes subsumed under the banner of 'social aspects', the environment (France, Italy, UK, Denmark and Finland) and the equality between men and women (Ireland, Sweden, Denmark, Finland, UK).

Conditionalities and Coherence

Most Member States are in favour of a moving further along the line of a performance-based partnership ("merits"). There is little disagreement on the substance, including traditional elements (*i.e.* respect for human rights, good governance) and new criteria (*e.g.* the "willingness to reform", the fight against corruption). Portugal is worried about having too many conditionalities and too little attention for EU policy incoherences and contradictions. For instance, the EU concern to build ownership and local capacity is hard to reconcile with tendencies to take over the management of aid to a country. Sweden and Portugal warn against the Commission taking over the management in countries with low capacity.

The Netherlands sends out a clear message: "the condition for an effective political dialogue is reciprocity". Within the framework of the political dialogue, some countries such as France, Belgium and Austria would like to take the whole of Europe's external relations into consideration - in order to ensure that the political dialogue on the European side is as all-encompassing as is required of the ACP states. The Austrian paper notes a trend towards more EU control of the relationship with its Southern partners and suggests preventing this from continuing by having very precisely and clearly stipulated what the rights and obligations of each party to the Convention are - and have an independent group of experts arbitrate in cases of disagreements between the partners. As far as most others are concerned, the political dialogue is indeed linked to the EU's objectives and to the conditionalities that come with it. Finally, while most Member States agree that the disbursement of aid must be contingent on reforms carried out in the receiving countries, Belgium, Portugal, Sweden and France want to see more efficient EU development cooperation efforts in the same light.

One step further is the issue of coherence. While the European Commission has made it quite clear that the issue of a comprehensive coherence, encompassing all EU dealings with the ACP countries, including trade, aid, foreign and security policies is not on the cards, some are willing to try. Sweden, Portugal and Finland are among them. Belgium points towards the EU Treaties of Maastricht and Amsterdam in this respect, Portugal cites the example of the low priority of scientific cooperation as an example of inadequate coherence, Sweden points to the existence of the Common Agricultural Policy, and Finland stresses the point of coherence in all respects. Finally, the mere mention of a Code of Conduct for firms wishing to start working in ACP states (by Belgium and Italy) is at least a measure of the idea that conditionality may indeed sometimes work both ways, thus enhancing overall coherence.

The Dutch policy paper is very explicit on the need for more complementarity, with EU aid being there to complement the efforts of Member States, on the basis of comparative advantages (task division). It regrets that this principle has been insufficiently applied in practice so far and goes on to define the focal areas for EU aid.

The Geographic Set-up

While a regionalized approach is widely considered an idea that merits pursuance, there are differing views on the shape that it should take. Most countries recognize that the decision change the composition of the ACP group should be taken by the ACP. Portugal is keen on keeping the group as it is. France agrees with this, arguing for the special relation with Africa and the presence of European (French) territories in all three regions.

Countries like Finland, the Netherlands or Austria on the other hand favour the inclusion of the non-ACP LLDCs. Italy considers that the Convention be opened up to other South Pacific islands who wish to join.

There is some consensus for a general 'framework convention' with additional regional arrangements. This would make a flexible 'mix' of instruments possible, taking into account specificities of any of the three regions (for instance the vulnerability of island states, especially in the Pacific, the special needs of Sub Saharan Africa and the differences among Caribbean states). It would, of course, also support the drive towards strengthening regional ties in each of the ACP zones. Portugal, however, fears a dilution of the group and would like more elaboration on the differentiation option presented in the Green Paper, and

on the articulation between the shape of the agreement and the trade differentiation. How, for instance, will the framework agreement look? Some countries have ideas here: conditionalities, political dialogue centered on the basic values of human rights, rule of law and good governance should be included. Things become a bit trickier when it comes to trade. Which country, or group of countries, will benefit from which regime? There is a broad consensus on the desirability of extending Lomé preferences to non-ACP LDCs starting 1998, even if they remain out of the Convention. Far less clear is how to combine specific trade regimes for specific regions that include both LDCs and non-LDCs, each of which is supposed to also have a differentiated treatment. Although all agree that the existing gambit of instruments and policies are in dire need of streamlining and better coordination, at least Italy contends that this new framework-plus-additions set-up makes the whole Convention rather more complex than less.

Still, the emerging picture is that the geographical outlook of the Lomé Convention is set to change. What has not changed is the view that the ACP countries themselves ultimately decide on the geographical set-up of the new arrangements.

Improving the Management of Aid

There is no disagreement that the mechanisms to distribute the aid are slow, bureaucratic, cumbersome, inefficient and largely ineffective. The question then is, how to change that rather bleak picture?

Here again, there is a remarkable consensus in the first instance. In almost every paper the phrase 'more coordination' can be read: a better exchange among Member States (Austria), a pragmatic division of labour (Belgium), avoid unnecessary duplication (Germany), make use of the complementarity between and among Member States (France). But differences of opinion arise, when the character of the aid distribution comes under discussion. Germany and France appear to represent two extremes of the spectrum. Germany wants project aid to continue and favours a sectoral approach (initiated with the introduction of Structural Adjustment Programmes) when it clearly synergises with projects.

France wants a move away from project aid and favours direct budget support in combination with a sectoral approach. Most others hover between the two if they state a position on this issue. Italy develops the idea that the distribution of aid should perhaps be conducted in a three-tier format: government, non-governmental and local - where the administration and civil society meet. This could, at least in theory, be a way in which the traditional differences between state and non-state actors could be overcome - also in the systematic disbursement of aid. The UK favours a flexible approach, in which a larger share of resources is allocated to the poorer countries, and only a portion of aid is programmed at the beginning of the Convention. Core programmes, aimed at achieving the main development aid objectives would be funded in tranches on the basis of indicative figures. As priorities change, so should the aid programme (this explains the UK position that only a part of the entire programme should be spelt out in detail).

A recipient country should, at the end of the day, be able to select from a menu of options within a total programme, allowing it to select those aid instruments which are most tailored to local needs. This would also help put an end to the often bewildering and potentially inconsistent nature of the array of EU aid instruments. Differentiation of a different kind - between countries, on the basis of specific characteristics, such as their income, the level of development and their (real or perceived) willingness to reform - carries broad consensus among the Member States, also taken in view of the regional approach that many favour.

Finally, some Member States look into the integration of the European Development Fund in the regular EC budget. The Netherlands and Germany position themselves clearly: the first in favour of budgetisation, the latter against. Most other Member States either reserve their position for later in the process or do not express any views.

Follow-up to the Member States Views

As mentioned earlier, the responses of the Member States to the Green Paper were only preliminary. Some of the ideas expressed were not fully elaborated, some topics were not covered in some papers, often because no clear position was taken. The papers also reveal some topics of special concern or emphasis for some Member States: Migration for Italy and Germany, an African focus for Belgium, France and Portugal, less weight from the colonial past (Austria, Finland). A special mention can be made of the Portuguese paper. It uses some of the strongest language in its response, stating quite clearly in the opening section of its paper that it will consider reviewing its involvement in EU-ACP cooperation, if there its concerns have not been sufficiently taken into account. It is prepared to take the issues of coherence and joint management of development within the Convention's framework as high up the agenda as possible, in the clearest signal yet that the road to a new Convention will indeed be a very hard one, also on the European side.

Two Member States refer to their responsibilities in the up-coming process. Austria who will hold the presidency when the negotiations with the ACP start, in September 1998, and the UK who will steer internal European negotiations that will result in a mandate for negotiations given to the European Commission by the Council of the EU.

In October 1997, following the various debates and contributions on the Green Paper, the European Commission presented its Guidelines for the upcoming negotiations. This document, which was generally well-received by the Council of Ministers, has integrated some of the concerns of Member States and presents some more elaborated views of the Commission on the future of Lomé. The following priorities for negotiation constitute some of the core elements of the Commission's position:

- **Political dialogue.** The Commission proposes to include good governance among the essential elements of article 5. Conflict prevention is a very high priority both in terms of development cooperation and of the EU's common foreign and security policy; and the Commission echoes some Member States by suggesting that immigration, as well as drugs, cross-border crime and trade in human beings are included in the political dialogue. Finally, the Commission proposes that the modalities of political dialogue be flexible and multiple, depending on the subject or parties (regions) involved.
- **Objectives of cooperation.** Three priorities are put forward by the Commission: growth, competitiveness and employment, support for social policies and cultural cooperation, and regional integration. Three horizontal principles, to which some Member States made explicit reference, are proposed: Institutional development and capacity building, gender, and environment.
- **Aid.** Simplifying the instruments is the first guideline of the Commission. Three packages of funds are proposed. First, the programmable resources, integrating a substantially modified Stabex and Sysmin, would constitute the bulk of aid. Second, an investment fund would promote private sector development. Third, an emergency fund would be set up. The second guideline is to allocate resources on the basis of needs and merits. The modalities are not, however, very detailed on this aspect. Finally, the Commission proposes to move towards budgetary aid when possible, and, to replace joint management, indicates that a differentiated approach should prevail, establishing a link between "sound management" and increased beneficiary responsibilities.
- **Trade and Geographic Coverage.** The Guidelines reveal an evolution since the Green Paper. The Commission proposes a two-tier negotiation process: 1998-2000 for the renewal of an umbrella Convention, 2000-2003 for the conclusion of regional agreements that would entail reciprocity. ACP-LLDCs not entering regional agreements would benefit from the same

favourable conditions as all the LDCs. Non-LLDCs who do not wish to enter in such agreements would be “graduated” into the GSP.

These guidelines only provide a general framework within which the European Commission will propose a draft mandate for the negotiations that the Council of Ministers. This draft will be submitted early 1998 and will be discussed by the Member States under the British Presidency. A similar internal negotiation process will be taking place within the ACP group. By the summer of 1998, both parties should have a negotiating mandate that will serve as a basis and guidelines for the ACP-EU negotiations, due to start on 1st September 1998.