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LOME II

A new convention between the European Communities (EEC) and 58 African, Caribbean and Pacific (ACP) countries, covering trade, aid and investment was signed on 31 October 1979 in Lomé, the capital of Togo. The special relationship between the Common Market and this group of developing countries (ldcs) has been renewed for a further five years.

The first Lomé Convention, which expires on 1 March 1980, was promoted by the EEC as 'a pioneering model of cooperation between equal partners'. On the ACP side, Senegalese Finance Minister Ousmane Seck called it 'an exemplary type of cooperation'. No other country or trading bloc in the industrialized world, it was claimed, had established such a substantial and wide-ranging contractual relationship with a group of developing countries.

But at the end of the second development decade, the model has not been adopted elsewhere, and the EEC's pioneering spirit has evaporated in the face of impending recession, increasing protectionist clamour, public parsimony and rising unemployment. The ACP had warned that 'yesterday's innovation could become today's orthodoxy and tomorrow's anachronism': but in the end they were unable to inject new life into the 'special relationship'. Apart from a new lending device to support ACP mineral production and an inconclusive agreement on non-discriminatory investment codes, Lomé II broadly reproduces the main features of Lomé I. This Briefing Paper reviews the negotiating process, compares the new convention with its predecessor, assesses its impact on the ACP countries in the 1980s, and sets the EEC-ACP relationship in the wider context of rich country relations with the developing world.

Country coverage

As small overseas dependencies of European countries have become independent, the ACP have increased their number from 46 when Lomé I was signed to 58 now.[1] Yet their total population (298m)[2] amounts to less than half that of India, which with the rest of developing Asia and Latin America remains outside the Community's development focus. Even within the ACP region, the EEC determine which countries may be eligible for the Lomé relationship; thus Haiti, the poorest Caribbean country, had its application refused, while Mozambique and Angola were encouraged to

[1] **Lomé II classification of the 58 ACP countries**

(a) *Defined as 'least developed'*

Benin	Ethiopia	Mauritania	Sudan
Botswana	Gambia	Niger	Swaziland
Burundi	Grenada	Rwanda	Tanzania
Cape Verde	Guinea	St. Lucia	Togo
Central African Republic	Guinea-Bissau	Sao Tome Principe	Tonga
Chad	Kiribati	Seychelles	Tuvalu
Comoros	Lesotho	Sierra Leone	Uganda
Djibouti	Malawi	Solomon Islands	Upper Volta
Dominica	Mali	Somalia	Western Samoa

(b) *Landlocked or island countries, not defined as 'least developed'*

Bahamas	Jamaica	Mauritius	Trinidad & Tobago
Barbados	Madagascar	Papua-New Guinea	Zambia
Fiji			

(c) *Others*

Cameroon	Ghana	Kenya	Senegal
Congo	Guyana	Liberia	Suriname
Equatorial Guinea	Ivory Coast	Nigeria	Zaire
Gabon			

Notes: Kiribati is missing from the relevant article (155) in the original text. The EEC have agreed to consider treating Zaire as a land-locked country, although it quite clearly cannot be defined as such.

[2]Estimate for 1978.

* The Institute is limited by guarantee.

send observers to the negotiations; they declined, however, to sign Lomé II. The attempt is indicative of the traditional EEC concentration on Africa; the Yaoundé conventions of the 1960s were concerned with the 'association' of ex-colonies in Black Africa with the EEC, and the African states now account for 97% of the total ACP population.

The negotiating process

Lomé I contained a provision that negotiations on subsequent EEC-ACP relations should start eighteen months before the convention expired. These discussions, largely conducted between ACP ambassadors and the EEC Commission, began in July 1978. But while the ACP took the view that they were *renegotiating* the convention, the EEC maintained that the discussions pertained to the *renewal* of Lomé I. These differing attitudes led almost to breakdown in June 1979, as ACP ambassadors stood out for substantial improvements in the new convention. EEC Development Commissioner Cheysson, however, made judicious visits to certain African heads of state, who proved to be more in favour of maintaining the *status quo* than their ambassadors. Settlement, largely on the EEC's terms, was thus reached after fifteen months. Different negotiating stances were clearest on the following issues:

Human rights – The EEC wanted more than a casual reference to basic UN principles inserted in the new convention. They wished to be able to suspend concessions to any ACP government which seriously violated human rights. The ACP argued that reciprocity would have to apply, giving them the right to inquire into legal and administrative abuses in Europe (though they had visibly few sanctions to apply). The human rights clause was quietly dropped during the negotiations.

Tariff preferences – In addition to the free access provisions of the convention, the ACP pressed for compensation for the erosion of their margin of preference over other suppliers. But the EEC refused to admit the principle of compensation.

Finance – The ACP felt that aid monies pledged by the EEC for their development were simply funds held in trust for them. They consequently campaigned, unsuccessfully, for a greater hand in the administration of the next (fifth) European Development Fund. The amount of EEC finance available for the ACP was naturally a bone of contention. The ACP initially asked for Eua 10bn and were reported to be willing to accept 7bn. The EEC's smaller offer was overshadowed by the manner in which it was made; the ACP were disturbed that, near the end of the negotiations, the EEC's first offer of 5.1bn was described as 'final' and 'non-negotiable'; it was later raised to 5.6bn. The ACP, however, failed to concentrate on the most crucial issue – the rate of disbursement of the funds.

Industrialization – The ACP hoped to increase the emphasis on their industrialization effort by setting up a separate fund for industrial development. The EEC refused on the basis that a proliferation of funds was undesirable. On the other hand, they wanted ACP governments to offer investment guarantees.

Regionalism – The ACP were vulnerable to the loss of their special privileges, yet they owed their existence as a group largely to EEC initiatives. But as members of the Group of 77, their position in a preferential arrangement with an industrialized bloc was distinctly ambiguous.

Equality – Despite the principle of 'complete equality between partners', the ACP felt they were treated high-handedly by the EEC.

The end result was that although every ACP state sent a representative to Lomé to sign the new convention, the ACP felt obliged to express their disappointment at the outcome of the negotiations by attaching four dissenting, unilateral declarations to the body of the convention (Annexes XLI to XLIV):

- specifying their right to maintain a margin of preference over other exporters to the EEC market, notably over other ldc suppliers
- regretting that the agreed scheme for covering their mineral production was inadequate
- lamenting the inadequacy of the financial assistance offered and asserting their belief that the amount agreed should be a minimum
- and even reaffirming their own definition of an ACP fish.

In view of this new departure (there were no unilateral declarations by the ACP annexed to Lomé I, although joint EEC-ACP, unilateral EEC and even unilateral Federal German declarations abounded) it is worth remembering that the treaty can only come into force after it has been ratified not only by all nine governments in the EEC but also by two-thirds of the ACP governments.

The main provisions

Lomé II, like its predecessor, covers four main areas:

Trade – The ACP benefit from easier access to the Community market than that offered to any other ldc group. Apart from according the EEC most favoured nation status, they do not have to offer tariff preferences to EEC exporters.

Aid – The ACP receive over three-quarters of all Community-level financial aid – this however remains small in relation to the aid which EEC member states spend through other channels. Most of the aid under the convention is tied to development projects, but a fixed amount is allocated to finance the Stabex mechanism for stabilising agricultural commodity earnings. Another part of the aid budget is set aside to finance a new scheme, nicknamed alternatively 'Minex' or 'Sysmin', to maintain production of certain minerals in the event of adverse circumstances.

Industrialization – Private sector industrial investments in the ACP – particularly in Africa – were disappointingly small during Lomé I, despite the creation of a Centre for Industrial Development (CID) in Brussels to stimulate such transactions, partly because of European investors' fears of expropriation or nationalization. Under Lomé II, the CID is to continue with increased financial support, and the ACP countries have agreed (subject to safeguards) to offer investment guarantees on a non-discriminatory basis to investors from all EEC member states, provided that discriminatory agreements concluded prior to 1980 are not prejudiced. The convention aims to stimulate investment in mineral and energy production.

Institutions – The new convention perpetuates the joint EEC-ACP consultative institutions – Council of Ministers, Committee of Ambassadors, Consultative Assembly, but the Committee for Industrial Development which manages the CID remains the only executive institution which is jointly run.

Effects of the new convention

The trade régime

Lomé II's trade provisions are very similar to those of Lomé I. They are based on the principle of duty-free access without quantity restrictions for ACP manufactures and for tropical agricultural products which do not compete directly with temperate domestic production in Europe.

A few new concessions are made on products falling under the Common Agricultural Policy (CAP). Such exports represent only 9% of ACP trade with the Community, but they are particularly important to individual countries. The trade régime on ACP exports of tomatoes, carrots, onions and asparagus has been liberalized under Lomé II.

There is also a slightly improved arrangement for the four ACP beef exporters – a product of particular importance for Botswana. Under Lomé I, producers were accorded an annual concession – a fixed quota on which EEC levies were reduced – which had to be renegotiated every year, causing both uncertainty and heavy administrative costs. Under Lomé II, the reduced-levy quota has been guaranteed for five years at 30,000 tons per year. The concession has been made more flexible as Botswana, Swaziland, Madagascar and Kenya are now to be permitted to divide the quota between themselves and carry forward unused balances or borrow on a future year's quota where necessary.

Rum exports from Caribbean states are to benefit from slightly increased duty-free quotas on continental European markets and increased promotional measures, but the sugar protocol, allowing ACP producers and India to export 1.4m tons of raw sugar to the EEC at negotiated prices continues on an annual basis outside the convention.

Coupled with the tariff concessions is the maintenance of a safeguard clause under which the EEC may legally suspend any of the trade concessions after complying with the normal consultative procedures. Nevertheless, the ACP states are offered greater market security than the other ldcs, as the EEC's Generalized System of Preferences (GSP) embodies safeguards which are much easier for the EEC to apply as a means of restricting access.

The whole trade package is said by the EEC to give free access to 99.5% of current ACP exports. No other ldcs have such a large proportion of their exports granted unrestricted access. But this share is high largely because about 75% of ACP exports are raw materials which already enter duty-free under most favoured nation treatment without the Lomé Convention. Some ACP countries – notably the Ivory Coast and Mauritius – which have attempted to expand exports of manufactures (textiles) under the Lomé I régime were obliged to conclude voluntary export restraint agreements with the EEC. Others (including the Ivory Coast again) have been persuaded by the EEC to abandon expanding sugar processing facilities already under construction. Yet long term guarantees of *future* market access are of prime importance to states with low levels of industrialization and low shares of manufactured exports.

The rules of origin governing the eligibility of ACP exports for duty-free treatment remain largely unchanged. They still represent half of the bulk of the convention itself – 44 out of 92 pages. They are based on the principle that a minimum amount of processing, or 'transformation', must occur in the ACP countries for the product to qualify for Lomé concessions. The ACP have always claimed that the high proportion of value having to be added locally (which varies from product to product under the transformation rules) greatly reduces the value of the free access provisions, and that the rules act as a deterrent to investment in ACP manufacturing for the export market, even though in theory the convention permits EEC inputs to count as ACP origin, and cumulative processing with other ACP states is also allowed.

The EEC, however, regard the strict rules as a necessity in order to 'sell' the convention to European industry, which would otherwise be perturbed at the prospect of Japanese and US investors taking advantage of ACP access to European markets; their defence against the criticism that the rules unnecessarily inhibit ACP industrialization has been to include in Lomé II stronger provisions for *ad hoc* derogations from the rules, on authorization by the Council of Ministers.

Despite the apparent liberality of the Lomé I trade régime, ACP exports have failed to increase their share of the Community market, and the only significant change in structure has been the increasing importance by value of oil from Nigeria and Gabon (the only OPEC members of the ACP) rather than growth in the share of manufactures, compared with that of raw materials, exported by ACP countries. The ACP countries with the highest export and import dependence on the EEC continue to be those which, as former French colonies, were associated with the EEC under the previous Yaoundé conventions (see Table 1). While many ACP countries remain heavily dependent on EEC trade, the ACP as a whole supply only 6.7% of the Community's imports from third world countries.

Table 1. ACP–EEC trade interdependence levels (statistics for 1977 or 1976*)

I Imports from EEC as % of total imports

Highest concentration	
Gabon	84.3
Mauritania	80.0
Mali	77.1
Madagascar	68.9
Cameroon	65.9
Ivory Coast	65.1
Lowest concentration	
Papua New Guinea	5.7
Bahamas	3.8
Botswana*	3.7
Swaziland*	1.6
Lesotho*	1.4

II Exports to EEC as % of total exports

Highest concentration	
Mali	88.7
Mauritania	85.5
Senegal	80.1
Mauritius	78.4
Gambia	75.5
Togo	75.1
Lowest concentration	
Seychelles	9.6
Dominica	5.1
Guinea Bissau	5.0
Trinidad & Tobago	4.6
Cape Verde	2.1

Lomé II trade provisions are so similar to those of Lomé I, that it is difficult to envisage any major change in trading structure resulting in the next five years from this part of the convention. Thus, although the ACP countries remain attached to the principle of *special* preferences (as opposed to generalized or global ldc preferences), they are obliged to recognize that the most favoured nation principle gained further ground at the (partly concurrent) Tokyo Round multilateral trade negotiations. They therefore tend to regard the signing of Lomé II primarily as a means of obtaining financial assistance from the EEC. This is a far cry from the heady days before 1975 when the first Lomé Convention was expected to become a model of cooperation between North and South encompassing commercial and institutional, social and political development, as well as financial assistance.

Aid and other financial resources

Lomé II fixes the financial resources for the ACP states for the period 1980-5 at Eua 5227 million (about £3.5bn).[3] They need not be spent before the expiry of the convention (over £1bn is likely to be unspent when Lomé I ends) but they ought to be committed at least by 1985. Most of the resources (see Table 2) are to be channelled as aid (*oda*) through the European Development Fund (EDF). The fifth EDF, totalling Eua 4542 million, will comprise grants for projects, loans on IDA-type terms – repayment over 40 years with a ten-year grace period and interest of 1% (0.75% for the least developed countries) – risk capital investments, funding for the Stabex scheme (transfers are not repayable by the least developed, others pay no interest), and loans for mining investments under the minerals financing scheme.

[3] The European Unit of Account (Eua) is currently worth £0.66 – in 1975 it was worth £0.42.

Table 2. Aid and other EEC finance under Lomé I and Lomé II: Current price comparisons (Eua m)

EDF	*Lomé I*	*Lomé II*
Grants	2155	2928
Special loans	444	504
Risk capital	94	280
Stabex	382	550
Minerals facility	–	280
Total EDF	3076	4542
EIB		
Loans	390	685
Grand Total	3466	5227

The European Investment Bank will provide up to Eua 685m in project lending under the convention; although these loans will be made at normal EIB interest rates, they will in future attract an automatic subsidy from the above EDF grant aid, softening the interest rate by three percentage points.

While Eua 5227m is specified in the convention as the total which the EEC has contracted to provide as Community financial assistance, it is remarkable that the ACP states should have declared (in annexe XLIII to the convention) that they have 'accepted for the purposes of the convention the total amount of assistance of 5607m Eua'. This figure, or the additional amount to form the larger sum, appears nowhere in the body of the convention. The ACP negotiators believed, erroneously, that they had managed to increase the Community's aid offer under the convention by Eua 480m:

(a) by obtaining an undertaking that the EIB will provide up to Eua 200m in hard loans (not subsidized by EDF grants) for the mining and energy sectors in the ACP countries. This has, however, nothing to do with the new EEC-ACP convention, and is not an aid (*oda*) measure.

(b) by removing from the aid budget to the EEC's general budget the costs of running the EEC's delegations – currently numbering 42 – in ACP countries. Consequently, part of the EDF allocation for grants will now *not* be spent on the donor's administrative costs, as it was under the terms of Lomé I. But this simply means that an estimated Eua 180m of the Lomé I grant aid pledged was not *oda* at all (under OECD Development Assistance Committee rules donors may not count their administrative costs as aid), and not that the ACP have extracted an additional Eua 180m (or more) on top of the Eua 5227m pledge.

The total financial resources promised under Lomé II have increased by 51% in current prices, while the fifth EDF is 48% larger than the fourth EDF (pledged under Lomé I), again using only current Eua figures.

However, it is necessary to make adjustments to these figures in order to assess whether the ACP have managed to increase or maintain their aid in real terms:

(a) The Lomé II pledges should be deflated to a 1975 constant price basis, using the index of OECD export unit values over the period 1975-9. This shows an inflation rate of 40%.

(b) The figures should be converted to an annual basis. For Lomé I, this means dividing by four, as the financial provisions took effect one year late, whereas for Lomé II the pledge covers five years.

(c) The aid pledge can also be adjusted to reflect changes in the ACP population. In 1975, this stood at 270 million. The addition of some islands to the ACP, plus natural population growth means that even a conservative figure of 2.5% annual growth would give a projection of 305 million for the ACP population at the end of 1979. It implies, however, that the EEC's aid pledge would have to increase by 13% if the ACP's per capita aid is to be maintained.

The results of these calculations are shown in Table 3

The inevitable conclusion is that the EEC's aid pledge in Lomé II is worth 16% *less* than that of Lomé I in real terms, and that the ACP, far from achieving an increase in their per capita aid allocation, have negotiated a real per capita *decrease* of 25%.

Financial resources are only valuable when put to use, and Lomé I did not achieve a good record for rapid aid spending. By the end of 1978, only one-fifth of the resources pledged under the fourth EDF had been disbursed. Six months before expiry, in September 1979, only 69% had been committed. (Table 4 shows the sectoral breakdown of commitments.) If the spending rate can be improved in the new convention, the result could be a significantly better *flow* of aid. But the somewhat arcane procedures for aid management, which are one of the main brakes on spending, remain largely unchanged for Lomé II.

Table 3. Aid and other EEC finance under Lomé I and Lomé II: Real value comparisons (Eua m)

	Lomé I pledges		*Lomé II pledges*	
	Total resources	*EDF only*	*Total resources*	*EDF only*
At current prices	3466	3076	5227	4542
% change			+51%	+48%
(a) At 1975 constant prices	3466	3076	3734	3244
% change			+8%	+5%
(b) On real annual basis	867	769	747	649
% change			–14%	–16%
(c) On real annual per capita basis (Eua)	3.21	2.85	2.45	2.13
% change			–24%	–25%

Table 4. How Lomé I's EDF is being used

Commitments as at mid-1979 by sector	*Eua m*	*%*
Production (agriculture and industry)	729	38
Transport infrastructure	383	20
Social services	304	16
Trade promotion	29	1
Disaster relief	98	5
Stabex	270	14
Administrative costs	106	6
Total committed	1919	100
(Total available	3076)	

Almost all financial aid, with the exception of Stabex, will be tied to EEC-approved projects, drawn up or, in the jargon, 'programmed', in consultation with ACP governments. Under Lomé I, the least developed ACP countries – now numbering 35 – were allocated 64% of the aid resources available for projects. They should maintain this share under Lomé II (individual country shares remain secret) although the proportion of grants has decreased slightly in Lomé II. In addition to a greater concentration on loan finance there will be an increasing tendency for EEC aid to co-finance projects with other donors, and to be associated with capital from the private sector.

Whereas the EIB raises resources for its loans on the bond markets, EDF resources are raised by special contributions from the EEC member states.[4] Since they count against the member's own aid budget it is doubtful whether the existence of the EDF swells the total amount of aid available to ldcs. However, the ACP countries appreciate that Lomé policy enables them to benefit from an element of aid diversion. Moreover, the aid resources are guaranteed – and hence relatively predictable – over a five-year period.

Stabex

The Stabex system, which constituted the main innovation of Lomé I, is to be continued under the new convention. This is a hybrid scheme, employing aid resources to finance a trade mechanism, whereby ACP export earnings losses on certain commodities are to some extent compensated by financial transfers from the EDF. The principles of the first Stabex system were explained in detail in our Briefing Paper No.1, 1979 ('Compensatory Finance to Stabilise Export Earnings').

The Lomé II scheme embodies certain modifications for the benefit of the ACP countries:

– the total funding for the five years is increased from Eua 382m to Eua 550m.

– ten new products have been added – notably rubber, pepper, cashew nuts and shrimps and prawns – bringing the total number of products and sub-products covered to 44. Tobacco may be included later.

– iron ore exports from existing workings will continue under the scheme until 1984, when they will be absorbed into the 'Minex' scheme (see below).

– the dependence and trigger thresholds have both been liberalized. The relevant qualifying rates are reduced from 7.5% to 6.5%, and from 2.5% to 2% for the 44 least developed, landlocked and island countries.

– eventual repayments for those (richer) countries not qualifying for grant transfers are spread over seven years, with two years' grace period after the market recovers, instead of being immediate as at present.

Although the scheme still pretends to operate on insurance principles, transfers are not calculated in real terms and consequently cannot compensate for the full amount of a commodity's export shortfalls during an inflationary period, nor can they necessarily maintain the ACP country's import capacity. The Stabex scheme is, nevertheless, liked by the 31 ACP states which have so far received such transfers, as it is the only item which they receive from the EEC as free foreign exchange – the ACP states' only obligation is to inform the EEC Commission as to how they have used the transfer.

The complex rules surrounding Stabex transfers give the scheme an air of mathematical precision, but experience under Lomé I has shown that Stabex operates rather less automatically than might be supposed. For instance, Gabon's application for a Stabex transfer to compensate for its losses on timber exports in 1975 was initially rejected by the EEC, only to be awarded in June 1979 in the full flush of negotiations on the renewal of Lomé I. Stabex remains a very arbitrary method of disbursing financial aid;

[4] Contributions to the next EDF are to be shared as follows: Germany 28.3%, France 25.6%, UK 18.0%, Italy 11.5%, Netherlands 7.4%, Belgium 5.9%, Denmark 2.5%, Ireland 0.6% and Luxembourg 0.2%.

Table 5. Main Stabex recipients as at June 1979

Country	*Main product*	*Receipts, gross, Eua m*
Senegal	Groundnuts	65.1
Mauritania	Iron ore	37.0
Niger	Groundnuts	22.5
Tanzania	Sisal	20.7
Benin	Cotton	15.4
Ivory Coast	Timber	15.0
Ethiopia	Coffee	14.4
Gabon	Timber	6.7

Zaire and Zambia, for instance, can never benefit under the present rules from this form of soft, untied aid as their main commodity exports remain outside the scheme, whereas two ACP states – Senegal and Mauritania – have between them obtained 38% of all Stabex payments so far, and the above eight states have taken 75% of total Stabex funds (270m Eua had been committed by mid-1979): see Table 5.

Minerals
The most interesting innovations of Lomé II concern mining and industrial cooperation more generally. These represent a compromise between the ACP desire to extend Stabex to minerals (which the EEC rejected as too costly, although Chancellor Schmidt in 1978 unilaterally promised Stabex-type treatment for copper) and pressure from European mining firms which were concerned at the decreasing investment in mineral exploration and production in Africa, and sought some guarantee mechanisms.

The special financing facility for minerals bears only a passing resemblance to the Stabex system for soft commodities. It has dependence thresholds which are much higher – a given mineral must normally account for 15% of exports (or 10% for the least developed, landlocked and island countries) and its trigger threshold is vague – it can be a 10% drop in either production or export *capacity* and unlike Stabex is not just based on export *earnings*. Nor are the financial transfers available under the scheme (up to Eua 280m for five years) designed to compensate for loss of earnings and capacity to import. Any transfers (soft loans on IDA-type terms) must be used for EEC-approved projects in the affected mineral sector.

The scheme is clearly designed as a means to help maintain production for European minerals requirements in the event of disasters having a natural or political cause (like the 1978 Shaba events in Zaire). The convention states that five commodities – copper (plus cobalt if produced together), phosphates, bauxite or alumina, manganese, and tin, plus iron ore after 1984, are covered by the scheme. But on the basis of threshold levels achieved over the past four years, no ACP exports of manganese or tin would in fact be covered unless, as is suspected, the EEC intends to operate the rules extremely flexibly in the event of disturbances in Gabon and Rwanda.

EDF and EIB resources will be used increasingly in the fields of geological prospection and mining investment. Some EIB loans are earmarked solely for this purpose.

The ACP states have agreed to the principle of concluding agreements with EEC member states at Community level on the protection of mining and energy investments in their countries. It is not clear, however, what role the Community can play in investments contracted between private firms and sovereign states.

Lomé II in the global context
Lomé is the centre-piece of EEC relations with the Third World. Some crumbs are thrown to other ldcs by the Community, but they are definitely secondary: food aid, preferential trade arrangements with quantitative limits, and a miniscule allocation of financial aid (commitments to the 'non-associates' reached only Eua 70m in 1978; even the relatively rich ldcs along the Mediterranean coastline do better than this). The only major tools for redressing the balance are the bilateral aid programmes of EEC member states. While most of these do moderate the general thrust towards Africa (France and Belgium tend to reinforce it), they serve to delay the process of Community-level 'harmonization' of member state development policies. Is such concentration on the ACP countries desirable either on the grounds of humanity or of self-interest? Its corollary is the relative neglect of Asia and Latin America. Among the nine, the French are particularly strong in support of Lomé. They conceive it as part of a wider politico-military sphere of influence. But this has little to do with development, and such a policy is more likely to delay than to promote the necessary structural adjustment to the world economic order.

From a development perspective, the desirability of Lomé II rather depends on the alternative. In a world moving towards liberalization, it would be undesirably insular. No-one can pretend that this is the current drift of international economic policies. In the past year alone, North-South relations have registered a series of failures in the economic sphere. UNCTAD V in May produced few satisfactory results. The ldcs are still refusing to accept the results of the GATT multilateral trade negotiations. US Congress is threatening to close down the World Bank's soft loan agency, the IDA, and in Britain the aid programme is being pruned. In this context, a development package which had managed broadly to maintain some of the rich world's favours to the Third World as a whole for another five years would be welcomed. However, not only does Lomé policy divert the Community's development resources to a group of countries representing barely one-tenth of the Third World's population, but those ACP states have failed to persuade the EEC to maintain even the development effort made to create Lomé I. It is no consolation that the convention's disappointingly few new features have virtually all been designed to reassure short-term European interests.