Europe's Preferred Partners?

The Lomé Countries in World Trade

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Abbreviations

APEC	Asia-Pacific Economic Co-operation
ACP	African, Caribbean and Pacific (States); the developing country signatories of the Lomé Conventions
ASEAN	Association of South-East Asian Nations
CAP	Common Agricultural Policy of the EU
CARIBCAN	Canada's Preferential Trade Scheme for the Commonwealth Caribbean
CBERA	Caribbean Basin Economic Recovery Act
CBI	Caribbean Basin Initiative
CCT	Common Customs Tariff
CDI	Centre for the Development of Industry (an EU-ACP institution)
CET	Common External Tariff
ECIP	European Community Investment Partners
Ecu	European Currency Unit
EDF	European Development Fund
EEC	European Economic Community
EFTA	European Free Trade Association
EIB	European Investment Bank (the development bank of the EU)
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Area
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GSP	Generalised System of Preferences
LLDC	least developed country (as defined by the UN)
MFA	MultiFibre Arrangement (for management of trade in textiles)
MFN	Most Favoured Nation
MTR	Mid-term Review (of Lomé Convention)
NAFTA	North American Free Trade Area
NGO	Non-governmental Organisation
NTB	non-tariff barrier
OCT	Overseas Countries and Territories
ODA	Overseas Development Administration
OECD	Organisation for Economic Cooperation and Development
pmdt	processing, marketing, distribution and transport
SACU	Southern African Customs Union
STABEX	System for the Stabilisation of Export Earnings (for the ACP states under the successive Lomé Conventions)
SYSMIN	System for Stabilising Minerals under the Lomé Convention
UNCTAD	United Nations Conference on Trade and Development
UR	Uruguay Round of Multilateral Trade Negotiations
WTO	World Trade Organisation

Foreword

The European Union (EU) is not only the world's largest exporter and importer. It is also the world leader in trade discrimination. Europe traditionally discriminates both between its trading partners and on the basis of the products traded. The 1993 GATT *Trade Policy Review* of the European Communities shows that, in 1991, 40% of all EU imports received preferential treatment. Over half of this (22.4% of total imports) was with European Free Trade Association (EFTA) countries, most of which have in 1995 joined the EU itself, but much of the rest was with developing countries: 7.1% was preferential trade under the agreements with individual Mediterranean countries; 6.2% was under the Generalised System of Preferences with Asian and Latin American countries; and finally, 3.9% was with the then 69 African, Caribbean and Pacific (ACP) countries which, under the Lomé Convention, are intended to be the most preferred.

Both generalised and special preferences are, however, being eroded by multilateral trade liberalisation – and by changes in development fashion and practice. There are also doubts about the efficacy of preferences as an instrument and about trade discrimination as a policy: how is it that the seventy ACP states, including some very large ones such as Nigeria, account for only 3.9% of EU imports after decades of preferences? Is there a 'culture of preference' which is inimical to trade and development? And yet, with aid budgets much tighter in the mid-1990s, preference-giving countries are keen to squeeze extra benefits out of their trade arrangements – and may even be tempted, anachronistically, to turn to import measures, trade promotion and special preferences as a way of discharging inherited responsibilities.

In the process, can it still be claimed that the African, Caribbean and Pacific states are still Europe's most preferred partners? And in practical terms, what preferences should the EU be offering the ACP for the rest of the decade and into the twenty-first century? These are some of the questions addressed in this Special Report. But first a few words about its origin and approach.

Genesis of the ACP trade study

ODI has a long record of working on trade policy, especially in relation to the poorer developing countries such as the ACP. When looking at the development cooperation policies of Britain and the now fifteen member states of the EU, it is important to consider policies at the European level, particularly in the case of trade policy since trade in goods belongs properly to European rather than national policy-making. The link with other development cooperation policies, such as aid, which still remain more national than European, must not be neglected, however.

At the time of the ratification of the Maastricht Treaty on European Union (1993) Britain's Overseas Development Administration (ODA) in London and then the ACP Secretariat in Brussels asked for ODI's input on improvements in trade policy towards what were purported to be Europe's preferred developing country partners in a post-Uruguay Round, post-Cold War and post-Maastricht world. Firstly, the member states, such as Britain, needed a detailed brief for the mid-term review (MTR) of the Lomé Convention (1993–95).

Up to then trade policy had been the Cinderella subject of development cooperation, although in our view wrongly so. Those member states which had little more to offer the ACP on the aid front and perhaps wished to offer some form of 'compensation' for the erosion of ACP preferences at the time of the mid-term review, needed to have the numerical facts and projections as well as well set-out alternative policies. We are grateful to the ODA's Economic and Social Committee on Research for its giving financial support for ODI's first study on Lomé Trade Policy Options (ODI, 1993) and for distributing this widely among the mid-term review negotiators. Indeed, we recognise that a major part of the 'negotiations' were conducted between EU member states and between member states and the Commission, with only relatively small end-games remaining as formal negotiations between the EU and the ACP states themselves.

The ACP Secretariat asked for ODI research to strengthen their negotiating position on the trade front, once it was known that the 'Trade Box' was to be opened in the MTR negotiations. The ACP states believed they had a legitimate grievance which needed to be corrected in the MTR. Not only were their existing preferences being eroded (i.e. they were losing the *acquis* which they felt they had inherited from the original 17 African and Malagasy Associates which in 1958 were still colonies) but the effectiveness of the existing EU preferences was also called into question (why otherwise, they asked rhetorically, had the ACP lost market share, especially to other non-preferred developing countries, at a time when the Lomé Conventions offered them full duty-free access to the EU market?). ODI's study for the ACP Secretariat (ODI, 1994) was delivered in 1994 and also received wide distribution among both the ACP states involved in the mid-term review negotiations and the EU member states themselves. It was also used by non-governmental organisations and lobbyists, and by the governments of the new member states which acceded to the EU in January 1995. Again, we are grateful to the ACP Secretariat for providing financial support for this study, as well as disseminating it – informally – very judiciously.

We are grateful to Debbie McGurk and Tudor Miles who provided research assistance for the first study. For the second study, the work of Antonique Koning was carried out under her joint appointment between ODI and the European Centre for Development Policy Management in Maastricht, and it is under this joint arrangement that she has also made the major input into the present Special Report, of which the other authors are, respectively, research associate (Michael Davenport) and deputy director (Adrian Hewitt) of ODI.

This Special Report draws on both the earlier studies, but goes further in looking at ways of improving the trade performance of the ACP (and the EU's trade instruments) for the remaining five years of the fourth Lomé Convention and beyond. Just as the time for the Windward Islands to prepare for reduced dependence on exports of bananas should have been the 1960s and the early 1970s, not the Lomé negotiations of the 1980s or even the 1990s, so the time for poor developing countries such as the ACP, to prepare for the harsher trading environment of the next decade, is *now*, as trade policy targeting becomes sharper and multilateral challenges to special arrangements tougher under the new WTO machinery. And this is so, even though the negotiations in the mid-term review of Lomé IV have only just been completed. It is for this reason that the ODI has decided that this Special Report, focusing on the seventy ACP countries, deserves a much wider readership.

Structure of the report

After introducing the context of trade under the Lomé Conventions, Chapter 2 sets out ACP trade performance, especially as regards the EU market, over the period since the first Lomé Convention was signed, but with an emphasis on the last few years. Chapter 3 is more evaluative; it attempts to assess the value of the declared preferences offered by the EU to the ACP and in the process identifies the obstacles – on both sides of the relationship, as well as in the legal texts – to their being better realised. Chapter 4 expands into a wider treatment of the trading world which the ACP states now face, as a result of the multilateral trade liberalisation of the Uruguay Round (beyond but also including the EU market). Of course, these are not the only changes affecting ACP trade in the 1990s and Chapter 5 spells out other relevant factors including the changes made in the mid-term review and negotiations about the possible accession of South Africa to the Convention. The report concludes with a list of minimum requirements for revitalising the trade components of the EU-ACP (Lomé) relationship and a consideration of areas where better, more rewarding, but also more rational, trade policy (and trade promotion policy) can be derived, with goodwill on the part of policy-makers on all sides. The extensive appendix tables set out in detail the study's assessments of the trade policy effects on individual ACP states of the major changes to trade regimes of the 1990s.

1. Trade relations of the African, Caribbean and Pacific states

The Lomé Convention and its trade provisions

Precursors of the Lomé Convention dating back to the creation of the European Economic Community in 1957 offered colonies of the EEC member states a preferred position in the European market and support for their development on a collective basis. Between 1975 (Lomé I) and 1990 (Lomé IV) the Lomé Convention was renewed every five years, expanding the areas of cooperation, improving preferential treatment for exports and increasing the number of contracting parties. The African, Caribbean and Pacific (ACP) countries benefiting from the Lomé Convention have grown from 46 to 70 (see Appendix Table A1), while the European Union (EU) has been enlarged from six to 15 member states. The current and fourth Lomé Convention, effective from 1990, is the first Convention to last ten years, although a fundamental review took place at its mid-term (completed in 1995).

The Convention is wide-ranging, providing for ACP–EU cooperation in the development of all economic sectors and in matters of cultural, social and regional cooperation and the protection of the environment. In the field of trade cooperation it aims at developing trade relations between the ACP states and the EU, and at supporting the industrialisation of the ACP states as well as the development of their agricultural sectors. In addition, it promotes regional intra-ACP cooperation. Beyond specific trade preferences for products originating from the ACP states, it offers a large number of instruments for trade promotion, either in the narrow sense of facilitation or, more broadly, through development finance and non-financial assistance. Development finance cooperation ranges across financing micro-projects, co-financing large projects, investing in private-sector projects, and support in debt and structural adjustment matters. The scope is very wide, allowing, *inter alia*, for the financing of export credit schemes. STABEX and SYSMIN, as risk-reducing mechanisms to compensate for fluctuations in the earnings of primary commodities and minerals respectively, can also be viewed in the broadest sense as trade assistance policies, although they are financed from the ACP allocation in the European Development Fund.

Trade cooperation provisions are aimed at the promotion and diversification of ACP exports to the EU in order to decrease ACP dependence on primary exports (Art. 70). Preferential access to the EU market is offered as the main instrument to achieve this aim. Non-reciprocal preferences have traditionally been seen as a way of giving an initial boost to industrialisation or, at least, as an incentive for further processing of primary products, to reduce ACP reliance on resource-based products. Preferences have also been seen as a spur to investment in new export sectors and a generator of employment opportunities.

Under the Lomé Convention, approximately 97% of current ACP exports to the EU enter the market without being restricted by any duty or non-tariff barrier. Duty-free access is guaranteed for exports of manufactured products originating in the ACP states; for agricultural exports there are more constraints. Preferences for agricultural products take the form of concessions on duties and levies imposed on imports by the EU's Common Agricultural Policy (CAP), and, of more significance to the ACP, the guaranteed access given to specific quantities of certain commodities under its Protocols for sugar, rum, bananas and beef and veal exports to the EU. In general, ACP preferences are greater on processed or manufactured

Table 1.1: Preferential treatment of ACP exports to the European Union (1992 exports)

	tropical prod.[a]	Annex XL products[b]	Protocol prod.[c]	tot. agr. products (CN 01-24)	non-agr.products (CN 25-99)
ACP exports Ecu m.	1,898	1,514	1,279	5,273	12,688
Share of ACP exports to EU, %	11	8	7	29	71
Market access	duty-free	limited CAP concessions	quota arrangements	n.a.	duty-free

Notes: [a] Tropical prod: coffee, tea, spices, cocoa (tobacco is included in Annex XL)
[b] Annex XL products: temperate agricultural and horticultural products also including fish products
[c] Protocol prod.: sugar, rum and bananas (beef and veal products included in Annex XL cover almost all ACP exports of the meat)

Sources: Lomé IV Convention, COMEXT trade statistics

exports because of the EU tariff classification system, which imposes higher tariffs on products which have a higher value added.

Lomé in context: other preferences offered by the EU or received by the ACP

The requirement in the Convention that the ACP should not be granted less favourable treatment than non-Lomé countries has meant that they have enjoyed the most preferential treatment, occupying the top position in the EU's complex hierarchy of preferential trading arrangements. Other developing countries, mainly in Asia and Latin America, have benefited from the EU's Generalised System of Preferences (GSP) or from special trading agreements with the EU (Mediterranean countries). In recent years the EU has extended its preferences to East European countries and some other developing countries, partly by enhancing the benefits to some selected beneficiaries[1] of the GSP in the form of a 'Super GSP'.

Because of the structure of their exports, the preferential margin that ACP states enjoy vis-à-vis other developing countries competing for the European market is in most cases more relevant than the preferences vis-à-vis industrialised countries subject to the Most Favoured Nations (MFN) tariff. Preferences for agricultural exports are generally less generous in the regimes benefiting other developing countries, which is a relative advantage to the ACP states. However, the preferential margin of ACP suppliers of manufactured exports, excluding those heavily protected by the EU because of their domestic production, is not so great, since exports of other developing countries have also generally been granted duty-free access to the

1. 8 republics of the former Soviet Union defined by the UN as least developed, and 'temporarily' (initially for four years but then extended) 4 Andean Pact countries (Bolivia, Colombia, Ecuador and Peru) in support of attempts to move their economies away from drug production.

EU market.

However, other non-tariff restrictions mean that the ACP still have an advantage over other developing countries. For GSP status, imports face rules of origin that are stricter than for the ACP, and cumulation for GSP status is limited to members of certain sub-regional groups and may only be partial. For imports that are sensitive because of domestic European competition, preferences are subject to quotas or safeguard provisions, or are excluded from the scheme; examples are many metals and minerals and some categories of leather goods as well as clothing. As a result of these restrictions, the actual share of imports from beneficiaries receiving EU-GSP preferences in 1992 was only 24% (CEC, 1994) .

Finally, preferences under the GSP schemes in general are more controlled. They are granted at the discretion of the preference-giving country. Each scheme requires legislative approval and can be withdrawn element by element, or for a particular country at short notice. This reduces the reliability of the preferences, and is a disincentive to investment. The EU GSP is normally granted for a period of five years. However, since 1991 the contract has been extended annually, because of the delay in the completion of the Uruguay Round. In January 1995 a new scheme was put into place which should last up to ten years. It will offer developing countries preferences as a percentage reduction of MFN tariffs, in order to keep them proportionate despite trade liberalisation, whereas previously the actual GSP tariffs were stated in the legislation.[2] For sensitive products, the GSP rate is 80% of the MFN tariff, for semi-sensitive products it is 40% and other exports enter duty-free. In the new GSP a phased graduation out of the scheme has been introduced for more advanced beneficiaries (Commission of the European Communities, 1994).

The trade preferences granted to the Mediterranean countries[3] are similar to those for the ACP states. They are allowed free access to the EU for industrial products, raw materials and traditional agricultural exports, with no reciprocal obligations. But like the GSP, the preferences are not as generous as under the Lomé Convention for non-traditional agricultural exports, including certain fruit and vegetables, because of the competition between Mediterranean and EU suppliers of these products. The agreements are unlimited in time and only the financial protocol is renegotiable. Currently the EU is preparing partnership agreements with Mediterranean countries.

The recent widening of preferences under the Super GSP (which offers provisions that are as deep as the Lomé preferences but have a narrower product range, and special arrangements for East European countries), and the partnership agreements in preparation for the Mediterranean trading partners of the Union, have blurred the distinction between the levels of preferential treatment that once existed in the European market. What used to be known as the pyramid of preferences no longer exists.

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2. In practice this means that for some sensitive products with a high MFN tariff the reduction in absolute terms may provide GSP beneficiaries with a larger preference than in the case of the other two categories, e.g. in the first group a 20% preference of a 18% MFN tariff is 3.6, while a 60% preference of a 5% MFN tariff is only 3.

3. This includes the Maghreb countries (Tunisia, Algeria, Morocco) and the Mashreq countries (Egypt, Jordan, Lebanon and Syria).

Non-EU Preferential schemes enjoyed by the ACP

ACP countries also benefit from preferential access to other markets, mainly through the GSPs of North America and Japan. Like the EU's GSP, these schemes are generally less favourable than the Lomé preferences in terms of product coverage, rules of origin (e.g. there are no opportunities for cumulation) and limits on the quantity of some exports. In particular, preferences on sensitive products such as textiles and clothing are limited. Furthermore, these GSP schemes have a fixed time-limit and are therefore unlikely to be a great incentive to investment.

The Caribbean ACP countries further benefit from the US Caribbean Basin Initiative (CBI) and CARIBCAN in Canada (Davenport, 1995). Under the Caribbean Basin Economic Recovery Act (CBERA), which launched the CBI officially in 1982, Caribbean ACP countries enjoy tariff- and quota-free access to the US market for all goods, subject to a short but critical list of exceptions. These exceptions include most textiles and apparel, some leather goods including footwear, petroleum and petroleum products, canned tuna and certain agricultural products. Tariffs on handbags, luggage and most leather goods other than footwear were reduced by 20% in five equal annual stages beginning in January 1992. Ethanol and ethyl alcohol, sugars, syrups, molasses and beef and veal are eligible for duty-free entry only if the exporting country has submitted an acceptable 'stable food production plan'. Sugar exports are subject to US quotas which vary from year to year. Exports benefiting from CBI access are subject to rules of origin, which require that 35% of value added must be contributed by the country in question (though this may be cumulated over CBI countries and up to 15% may take the form of imports from the United States) and that a 'substantial' transformation takes place in the CBI country.

The CBI is more advantageous than the GSP scheme offered by the US because it has no fixed time limit and is more relaxed in terms of the rules of origin. Although textiles and clothing items are excluded from the CBI, they enjoy special treatment in the US market under regulation 9802-00-60 and 9802-00-80 (previously 806.30 and 807A). Under these tariff heads, metal articles made of US metals, and articles of apparel made from textiles manufactured in the US, are subject to duty only on the value added outside the US. Only in the case of apparel is this derogation used substantially and, in that sector, it is of strategic significance for Jamaica, though Trinidad and Tobago also has a Guaranteed Access Level agreement with the US.

Under CARIBCAN the Caribbean countries enjoy tariff- and quota-free entry to the Canadian market for most manufactured exports. The exceptions to this rule are similar to those applicable for the CBI.

2. ACP Trade Performance

ACP export performance

ACP exports to the EU

Despite all the trade preferences that the ACP states have received during the past 20 years, their trade performance has been poor. After a rise in exports in the early years of the Lomé Convention, from Ecu 10.5 bn in 1976 to Ecu 26.8 bn in 1985, total exports went down to Ecu 18 bn in 1992. The fluctuations in the value of ACP exports are heavily influenced by changes in the price of crude petroleum, which accounted for 31% of ACP exports in 1992, compared with 50% in 1980.

The share of ACP exports in the EU market has declined during the period of the Lomé Convention. In 1976 ACP exports accounted for 6.7% of total EU imports from outside the member states, but the market share dropped to 3.7% in 1992. Again, an increase in the market share in the early 1980s can be explained by oil exports. Excluding these, the ACP share of EU imports declined over the entire period. And an even greater loss is indicated, given that in the same period the group of Lomé beneficiaries grew from 46 to 69 ACP states[4] and the EU was enlarged from 9 to 12 member states.

Table 2.1: Value of EU imports from ACP states and share of total EU imports, 1976–92

	1976		1980		1985		1990		1992	
	Ecu bn	%	Ecu bn	%	Ecu bn	%	Ecu bn	%	Ecu bn	%
Africa	9.4	6.0	17.2	6.3	24.3	6.0	20.1	4.4	16.0	3.3
Caribbean	0.8	0.5	1.6	0.6	1.6	0.4	1.4	0.3	1.5	0.3
Pacific	0.2	0.1	0.4	0.1	0.7	0.2	0.4	0.1	0.4	0.1
Total ACP	10.5	6.7	19.4	7.2	26.8	6.7	21.9	4.7	18.0	3.7
ACP non-oil exports	6.6	6.1	9.7	5.3	13.9	4.8	13.5	3.5	12.3	2.9

Note: All EU imports mentioned in this study are extra-EU imports, excluding intra-EU trade.

Source: Eurostat data

If ACP exports to the EU are compared with those of other developing countries which have enjoyed less preferential access to the European market, the deterioration in the ACP performance becomes even more apparent. Appendix Table A2 shows exports to the EU from ACP countries, Asia, Latin America and the Mediterranean countries. In 1976 the ACP states

4. Table 2.1 shows EU imports from 69 members of the ACP group (Eritrea became the 70th ACP country to join the Lomé Convention in 1993), though not all countries have received Lomé trade preferences dating from the first Lomé Convention. The trade data are adjusted for the changes in the number of EU member states.

were the main exporters to the EU among the developing countries, a position that they retained until 1980. In recent years Asian countries have taken over the leading role. Over the period 1976–92 the average annual growth rate in exports to the EU for the ACP states was 2% and for the Mediterranean and Latin America 6%, whereas for Asia it was 12% (Eurostat trade data).

Despite the relatively poor performance of ACP exports to the EU, this remains their most important export market. Although the EU share of total ACP exports has declined from 48% in 1986, in 1990-92 the ACP states still depended on the EU for some 41% of their export earnings, compared with 29% and 3% dependence on the US and Japanese markets, respectively (see Table 2.2).

Table 2.2: ACP export dependence on the EU, US and Japanese markets, 1990–92 (%)

	EU	USA	Japan
Africa	46	24	3
Caribbean	18	57	1
Pacific	23	6	24
ACP	41	29	3

Source: OECD databank, Paris 1994

Table 2.2 shows that the African states are significantly more dependent on the EU market than the geographically more remote Caribbean and Pacific states. Ten African countries depended for more than 60% of their export earnings on the EU market, while for another ten the EU accounted for 50–60% of their exports. Among the countries most dependent on the EU for their export revenue in 1992 were: Cameroon (74%), Central African Republic (82%), Equatorial Guinea (99%), Mauritius (80%), Niger (80%), Sierra Leone (73%) and Uganda (75%). St Lucia was the only non-African country depending on the EU for more than 70% of its export earnings. In fact, six of the Lomé countries in the Caribbean relied on the EU market for 25–50% of their exports, and five for less than 25%. This was also the case for most of the Pacific countries.

Exports to the world: a comparison of ACP and other developing countries

Notwithstanding their high dependence on the EU market, the trend in ACP exports to the world as a whole is not very different from their performance in the EU. ACP shares of world exports rose from 3% to a peak of 3.5% between 1974 and 1980, largely as a result of oil price rises. Compared with other developing countries, by the early 1980s the ACP states were already falling behind in their total exports. In contrast, non-oil developing countries increased their share from 13% to 18% over the 1970–84 period. In 1974 non-oil ACP countries contributed only 1.4% of the world's exports, compared with a peak of 2.3% in 1980. ACP trade has declined considerably since, mainly due to a fall in exports from African countries (see Table 2.3). The average annual growth rate of all ACP exports between 1986 and 1992 amounted to 5.7%, with the Caribbean countries showing the highest growth. Compared with the average annual growth of other developing countries' exports, ACP countries clearly performed poorly.

Table 2.3: World imports from the ACP, 1986–92

World imports from ACP	1986		1990		1992		*average annual growth (%)*
	%	*$USbn*	*%*	*$USbn*	*%*	*US$bn*	
Africa	1.6	32.9	1.5	49.1	1.2	45.2	5.4
Caribbean	0.3	5.8	0.3	8.7	0.3	9.0	7.6
Pacific	0.3	1.5	0.1	1.8	0.1	1.8	3.4
ACP	2.0	40.2	1.8	59.5	1.5	56.0	5.7
Non-ACP developing countries	23.9	480.5	24.4	813.1	27.4	999.5	13.0
Total World	100.0	2,009.0	100.0	3,326.0	100.0	3,646.0	62.1

Source: IMF, *Directory of Trade Statistics Yearbook* 1993

ACP exports by origin

In origin, ACP exports are dominated by only a handful of countries. The 10 largest exporters in the period 1976–87 made up 72% of total ACP exports to the EU. In 1992, their share had fallen to 65%, but this resulted mainly from a change in the share of the biggest exporter, Nigeria, which fell from 34% to 20% owing to the change in the price of oil which accounted for 90% of Nigeria's exports in that period.

The 15 Lomé Convention countries shown in Table 2.4 accounted for 76% of ACP exports to the European Union in 1992. Apart from Zaire and Senegal, all of them had a positive average annual growth rate, with Angola, Congo and Mauritius being most successful in expanding their exports. With the exception of Jamaica, Caribbean and Pacific countries do not feature among the top fifteen as they are smaller and export significantly less to the EU than the African countries (see also Appendix Table A3).

Structure of ACP exports

Judging from the product level, the Lomé trade provisions appears to have failed to diversify ACP exports to the extent hoped for. The structure of ACP trade with the EU is still heavily dominated by primary products, which suffer from low elasticities of demand. Nevertheless, non-traditional exports have expanded, indicating some degree of diversification from traditional exports in recent years. Exports of manufactures more than doubled between 1976 and 1992, although they still accounted for only 29% of ACP exports to the EU in 1992.

Table 2.4: Exports to EU of top 15 ACP exporting countries 1976–92 (Ecu m)

		1976	1980	1985	1990	1992	% of 1992 exports to EU	av.ann. growth rate,%
1	Nigeria	3,228	7,872	10,071	4,430	3,991	22	1.4
2	Côte d'Ivoire	1,006	1,412	2,329	1,660	1,554	9	2.9
3	Cameroon	367	710	2,156	1,380	1,073	6	7.4
4	Gabon	378	780	1,060	1,095	1,049	6	7.0
5	Mauritius	193	320	431	757	834	5	10.2
6	Angola	68	214	569	1,101	824	5	18.1
7	Zaire	864	1,316	1,396	1,142	716	4	-1.3
8	Congo	104	316	309	602	647	4	13.0
9	Ghana	318	392	346	730	572	3	4.0
10	Kenya	269	455	709	520	526	3	4.6
11	Zimbabwe[a]	1	158	539	577	514	3	8.2
12	Liberia	334	453	608	702	462	3	2.2
13	Jamaica	113	169	188	278	282	2	6.3
14	Guinea	82	100	296	306	270	2	8.2
15	Senegal	311	191	299	411	253	1	-1.4

[a] Growth rate since 1980

Source: Eurostat

According to Cosgrove (1994), ACP processed or manufactured exports only increased from 20% in 1976 to 27% in 1992.[5] When compared with the diversification from primary exports achieved by other developing countries, these results appear especially disappointing. The share of processed or manufactured exports from Asia to the EU increased from 65% in 1976 to 91% in 1992, and from Latin America it went up by 17%. For the Mediterranean countries, 37% of their exports to the EU were processed or manufactured in 1992, compared with 10% in 1976. In addition, ACP exports are highly concentrated on a limited number of products, as shown in Table 2.5, which compares the commodity composition for the periods 1976–87 and 1988–92. Ten products accounted for 61% on average of EU imports from the ACP between 1988 and 1992, compared with 68% in 1976–87. Crude and refined petroleum accounted for 31% of total ACP exports to the EU in 1976, for 45% in 1984, and for 28% on average for 1988–92, though this is partly explained by the real fall in the oil price over the latter period. If oil exports are excluded, nine products accounted for 45% of total ACP exports to the EU in the period 1988–92. The top nine products represented 49% of ACP

5. The definition that was used is very generous, implying only a relatively small degree of value added, which would increase the level of processed/manufactured exports. However, as the same definition has been used for all regions it is useful for purposes of comparison.

exports in the period 1976–88. Although still among the main ACP exports to the EU, not only oil but also coffee, cocoa and copper exports lost a significant part of their share in ACP exports over these seventeen years.

Table 2.5: Top ten EU imports from the ACP, 1976–87 and 1988–92

CN code	Products	1976–87		1988–92	
		%	Growth rate	%	Growth rate
2709	Petroleum	37.3	8.5	28.2	12.2
7102	Diamonds, worked or not	1.6	37.9	6.1	9.1
0901	Coffee, incl.roast/ decaff	9.7	8.9	5.8	-16.8
1801	Cocoa beans, inc.brken/roast	6.4	10.4	4.7	-2.5
1701	Sugar, inc.beet,cane,sucrose	2.9	5.3	3.6	4.4
7403	Copper, inc. refined, alloys	5.0	-0.1	3.3	-10.0
4403	Wood, rough, inc. stripped	3.0	2.7	3.1	-2.1
8802	Aircraft [a]	0.1	169.1	2.1	2.8
0803	Bananas, plantains, fr/dried	1.6	12.4	2.0	5.4
7601	Aluminium, alloys/wrght.	0.6	26.1	1.8	6.9
	Total	68.2		60.7	

[a]Abnormally high owing to Somalia's air fleet sales in the early 1990s

Source: Eurostat.

A recent analysis of ACP manufactured and processed exports which ODI undertook for UNIDO (ODI, 1995a) shows that the ACP countries have achieved a 4.4% growth in exports of processed products to the European Union over the period 1976–93, while the overall growth rate of ACP exports was only 3% over the same period. Processed exports of non-ACP developing countries to the EU market, however, grew by 13%. The discrepancy in performance between the ACP and other developing countries is greater in the case of processed and manufactured exports than in the case of total exports; in the latter case the average rate of growth of non-ACP exports was only double that of ACP exports. In 1976 the ACP countries had a total share of EU imports of processed products (excluding intra-EU trade) of 2.6%. This had fallen to 1.1% in 1993 (see Table 2.6).

Among the different product groups, the ACP states have been successful in gaining market share in processed foods and drinks – largely, as we shall see, through increased exports of rum – but in other groups they have lost market share, most particularly in metals and metal products. In that group, even in nominal terms, the rate of growth of exports to the EU has fallen dramatically in recent years. In part, that fall may be the inevitable result of the downward trend in most metal prices. On the other hand, the non-ACP exporting countries suffered a much smaller fall in nominal exports over the 1988–93 period.

Table 2.6: Growth rates of EU imports from ACP and other developing countries and shares of total EU imports, selected years, %

	Share in impts from ACP	Annual average growth in EU imports							
		1976-82		1982-88		1988-93		1976-93	
	1993	ACP	other ldcs	ACP	other ldcs	ACP	other ldcs	ACP	other ldcs
Processed food/drinks	3.1	12.0	12.1	6.4	8.5	5.1	1.9	9.0	9.0
Chemicals, plastics pdts.	0.8	0.3	16.4	6.4	22.7	2.0	4.5	3.3	17.3
Textile pdts., footwear	6.8	4.3	10.8	17.7	10.8	2.3	6.4	9.4	11.3
Other manufactures	3.5	3.2	10.1	4.9	12.6	-19.0	-1.1	-3.8	8.5
Total processed	4.2	19.0	19.4	32.7	13.3	-3.6	8.9	28.6	16.8
Total, all goods	18.4	5.0	13.6	11.1	12.5	-5.4	6.2	4.4	13.0
	100.0	10.0	10.1	0.8	0.4	-3.6	4.6	3.0	6.0
		Shares of EU imports							
		1976		1982		1988		1993	
		ACP	Other ldcs	ACP	Other ldcs	ACP	Other ldcs	ACP	Other ldcs
Processed food/drinks		6.2	31.4	7.6	38.7	8.8	50.0	8.3	41.4
Chemicals, plastics pdts		1.2	6.0	0.6	7.0	0.4	11.9	0.3	10.8
Textile pdts, footwear		2.6	39.5	1.9	42.1	3.0	45.0	2.3	45.1
Metals, metal pdts.		8.9	13.1	6.7	14.4	5.5	18.1	1.8	15.8
Other manufactures		0.2	8.2	0.2	10.3	0.8	15.0	0.5	17.3
Total processed		2.6	15.5	1.7	16.3	2.0	21.0	1.1	21.7
Total all goods		6.7	38.1	5.9	33.9	4.7	26.3	3.1	27.5

Source: Eurostat

ACP preferences and performance in agricultural exports to the EU

Tropical products

The main agricultural exports from ACP countries are tropical products, which accounted for 14% of ACP export earnings over the period 1990–92. ACP tropical agricultural exports, such as coffee, cocoa, palm and coconut oil, enjoy duty-free access to the EU market. However, MFN tariffs on tropical products are generally low and preferences granted to GSP beneficiaries further reduce the preferential margin for tropical exports from ACP states, which in any case tends to be only of the order of 3–10%. Export earnings from these products, in particular coffee and cocoa, are crucial as some ACP states depend on one or a few tropical exports for the bulk of their export earnings.

There are marked differences across goods, but, leaving aside the special cases of bananas, rum and sugar (discussed below), no simple relation is evident between exports and ACP affiliation (Davenport, 1988). For tropical beverages (tea, coffee, cocoa) taken together, the ACP states have maintained their EU market share (49% in both 1976 and 1992). In the case of processed tropical products, tobacco and palm oil, the growth of ACP exports to the EU was considerably in excess of overall developing country growth, but in pineapples and cocoa beans the ACP have done rather badly compared with other countries. Of the nine processed tropical products considered by Davenport, for which the ACP enjoy a tariff preference, the ACP share of the EU market has fallen relative to that of other developing countries, with the exception of molasses and soluble coffee.

Cut flowers and tropical plants are examples of non-traditional tropical products which have been exported successfully by some ACP states in recent years. ACP flower exports increased from Ecu 7m in 1976 to Ecu 75m in 1992, with Kenya and Zimbabwe the leading exporters, accounting for 88% of ACP exports to the EU in 1992 (Koning, 1994a).

Temperate agricultural products[6]

Market access for temperate agricultural products exported to the EU is determined by the Common Agricultural Policy (CAP). Products produced by European farmers, as well as products that are competitive with these goods, are highly protected by the CAP, and this has resulted in major market distortions. A number of products where developing countries might have a comparative advantage, such as sugar, cassava and tobacco, fall under this regime.

The Lomé Convention[7] offers slight preferential treatment for most temperate agricultural exports from the ACP states. Approximately 27%[8] of agricultural exports and foodstuffs exported from ACP countries (accounting for 8% of total ACP exports to the EU) have enjoyed concessions from the CAP in the form of duty- or levy-free tariff quotas, or a 50-100% reduction in the duties or levies imposed. This may involve substantial or full exoneration from levies with tariff equivalents of 30 to 80 percentage points. Processed fruit and vegetables, wine, unmanufactured tobacco and certain oil seeds are exempted from duties and not restricted by quotas. Exports of fresh fruit and vegetables are granted duty-free access but are restricted by a marketing timetable and quotas which in some cases are rather small, for instance, as low as 100 tons each for winter cucumbers and beetroot and 1,000 tons each for apples and pears. Generally, preferences are more generous when they present less competition for the European farmers.

For CAP sensitive products, preferential treatment of ACP exports is generally restricted to the limited tariff component of the overall EU import barrier and are still faced with the much more important variable levy component. Where there is a full or significant reduction in the levy (or tariff where that is the principal protective instrument), preferential imports are often limited by quota, even where the product tends to be either relatively unimportant to EU production (millet, sorghum) or not a significant export product from the ACP states

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6. The preferences described and evaluated are those which were received by ACP exporters up to the Lomé mid-term review. Changes occurring as a result of the MTR are described in Chapter 5.

7. Annex XL of the Fourth Lomé Convention.

8. This percentage also includes ACP fish exports to the EU, according to Eurostat data.

(poultry meat). There are many intermediate cases but the principle of belt-plus-braces protection of EU agriculture applies across the board.

In summary, although ACP countries may enjoy relative preferences over non-ACP suppliers outside the EU, they still face the barriers of protectionism in the EU market erected in the interest of domestic EU producers. The ACP's relative disadvantage vis-à-vis EU suppliers is still substantial.

The exception to this rule is treatment of the preferred agricultural ACP exports covered by one of the Lomé Protocols. These exports account for approximately 7% of total ACP exports to the EU. Only a small proportion of the agricultural exports (approximately 3% of total ACP exports in 1992) receives no preferential treatment at all. In these cases, the ACP exports are subject to the same treatment as those of all other developing and industrialised countries. These are imports which are deemed highly sensitive and subject to CAP restrictions, for instance, pork, wheat, milk and butter. Indeed, barriers to entry for these products are so high that it is surprising that the ACP manage to achieve 3% of their exports. European prices, for dairy products and pork, for example, are so high that there has to be a very positive attraction to ACP trade diversification. Without barriers, there would be great potential for ACP exports here.

The concessions from the CAP offered to the ACP states have not been used intensively, except for exports of fruit and vegetables, which, while accounting for only 2% of ACP exports in 1976, have more than doubled during the course of the Lomé Convention. The ACP countries managed to increase their share of the EU market for fresh and processed fruit and vegetables from 5% to 7%, the main vegetable exports being fresh, frozen, or otherwise processed, green beans and peas, sweet peppers, avocados and asparagus, and significant fruit exports being fresh oranges, mandarins, apples and pears. Processed fruit exports, mainly canned pineapple and fruit juices, which enjoy a relatively large preference, have expanded from being almost non-existent in 1976 to a value of Ecu 60m in 1992, accounting for 9% of EU imports. This might seem quite successful compared with the performance of other ACP exports, but it is not as good as the performance of other developing countries. EU total imports of fruit and vegetables from developing countries rose from 47% to 63%, most of them from Asian and Latin American countries which currently account for 17% and 13% of EU imports respectively (Koning, 1994a).

Concessions given for poultry meat, pork and dairy exports, cereal substitutes and wine were hardly used in 1992. Dairy exports, half of them receiving preferential access to the EU, have doubled since 1976, but still amounted to only Ecu 1m in 1992. ACP exports of oil seeds and animal and vegetable fats, which receive duty-free access to the EU, have declined from Ecu 489m to Ecu 273m. Millet is the only cereal that benefits substantially from the preference given under the Lomé Convention, accounting for Ecu 5.4m of ACP export earnings and about a fifth of total ACP cereal exports to the Union. Another significant product mentioned in Annex XL is husked rice which achieved exports amounting to Ecu 17m in 1992.

Products that have been excluded from preferences but which constitute significant exports to the EU, from the ACP as a whole or from individual countries, include grapes and game meat. Namibia, a latecomer as the ACP's 69th member, is a major producer of both of these.

Currently only prepared or preserved grapes, unfermented grape juice and grape must are free of customs duty.

Sugar

Under a special Protocol to the Lomé Convention (Protocol 3), the EU undertakes for an indefinite period to purchase and import, at guaranteed prices, specific quantities of cane sugar, raw or white, which originate in the ACP states, without recourse to the safeguard clause. Since Lomé I, 'agreed quantities' of ACP cane sugar exports to the EU totalling 1,221,500 tons have been divided among 13 states. Under Lomé IV, Belize, St-Kitts-Nevis-Anguilla and Suriname were added as beneficiaries of the Protocol with additional quotas. The Protocol has provided the beneficiaries with a substantial advantage over other suppliers, especially as sugar imports generally face heavy protection following the Common Agriculture Policy.

ACP countries have consistently exceeded their total EU sugar quota. Their sugar exports totalled 1,464,000 tons in 1990 and 1,752,100 tons in 1992, against the total quota of

Table 2.7: Agreed sugar quantities under Protocol 3, actual exports to the EU (tonnes) and share of total exports, 1992

		quota '000 t	exports, '000 t		share in total value of 1992 exports to EU, %
			1990	1992	
1.	Barbados	49.3	53.2	52.3	53.6
2	Fiji	163.6	192.0	247.8	33.3
3	Guyana	157.7	148.3	220.3	65.1
4	Jamaica	118.3	128.8	126.2	21.2
5.	Madagascar	10.0	11.1	10.3	3.3
6	Malawi	20.0	28.3	24.6	7.9
7	Mauritius	487.2	579.8	696.2	31.7
8	Swaziland	116.4	189.5	234.6	58.2
9	Tanzania	10.0	21.3	11.0	3.5
10	Trinidad & Tobago	69.0	45.1	46.2	13.4
11	Congo	10.0	10.3	5.9	0.5
12	Belize	39.4	42.4	56.7	56.6
13.	St. Kitts-Nevis-Anguilla	14.8	13.9	20.0	84.2
	Total	1265.7	1464.0	1752.1	

Note: Kenya, Uganda and Suriname are excluded from the table as their sugar exports are insignificant despite their quotas (5,000 tonnes each for Kenya and Uganda and 4,000 tonnes for Suriname).

Source: Eurostat, 1993

1,279,700 tons. There are continuous calls for larger quotas. As in the case of coffee and cocoa, a number of ACP sugar-exporting countries are heavily dependent on the product for their export earnings (see Table 2.7).

In 1992, the ACP accounted for 80.5% of the volume of total EU imports of raw cane sugar from non-EU states, and 83.1% of the value. In the processed cane or beet sugar and solid sucrose category the ACP share was much less, at only 37.4% by value of all imports to the EU.

The ACP outperformed all developing countries in the export of molasses (7.6% growth during 1978–87 compared with a growth rate of 2.1% for all developing countries). They increased their market share by 2.4% between 1976 and 1992, and supplied more than 10% of the EU imports of molasses. This may well reflect the ACP exemption from the high import duties on this product; the ACP enjoy a reduction of Ecu 0.5/100kg in the third-country levy within the limits of an annual quota of 600,000 tons.

Although the ACP are convinced that the sugar protocol will continue forever (it is of indefinite duration) the Commission is less clear about its future. As its precursor existed before the Convention was created (as the Commonwealth sugar protocol) the protocol has a special position in the Convention. Although it is part of Lomé's legal framework, the EU might be obliged to put other measures in place if there were a change in the arrangements attached to the Convention.

To meet Finland's obligation under the Uruguay Round to allow minimum market access for 80,000 kg of sugar, and the long awaited supplement to the ACP quota for the full accession of Portugal to the EU, the Commission has negotiated with the ACP a new special additional quota which for 1995/6 has been set at 300,000 tons (Official Journal, 1.8.95). This quantity will not benefit from the full EU guaranteed price, but will be subject to a minimum price to be paid by the refineries and a levy of 69 Ecu/ton. The agreement is valid until 30 June 2001 but the quota can change annually depending on EU demand (Commission of the European Communities, 1995). This is obviously not a mere extension of the 'free' protocol and indicates a less generous attitude on the part of the EU.

Rum

The Rum Protocol of the Lomé Convention (Protocol 6), which is particularly important to countries in the Caribbean, is aimed at developing traditional trade flows into the EU, while seeking measures capable of allowing an expansion of ACP rum sales in non-traditional markets.

ACP exports of rum to the EU have grown significantly since Lomé I, from Ecu 21.6m in 1976 to Ecu 121.2m in 1992. The five most important Caribbean exporters, accounting for over 99% of all ACP rum exports to the EU, are Trinidad and Tobago, the Bahamas, Guyana, Jamaica and Barbados. They also account for 66% of world exports of rum.

The Protocol allows duty-free imports of annually fixed quotas of rum exported by the ACP states. Quotas have been established up to the end of 1995, based on recent imports, increased by 37% for UK imports and 27% for other EU members' imports up to December

Table 2.8: ACP rum exports to the EU and the exporters' dependence (1992)

ACP Country	1992 Sales to EU (Ecu 000)	% of country's total exports
Bahamas	30,291	13.5
Barbados	1,515	3.9
Guyana	7,838	5.3
Jamaica	7,242	2.6
Trinidad & Tobago	73,579	42.2
ACP total	121,224	0.8
World total	179,070	n/a

Source: Ibid.

1993[9]. The total quota was 224,000 hectolitres in 1993. For 1994 and 1995 this quota has been increased by 20,000 hectolitres of pure alcohol.

Although the protocol requires that the EU should decide on 'modalities of abolition' of the protocol by the beginning of 1996, the quota arrangement will not simply be abolished, because of competition between ACP (dark) rum and that of the French Départements d'Outres Mer (DOMs). The Commission has proposed to provide free access to the EU for ACP traditional suppliers of light rum; this will especially benefit Trinidad and Tobago (Bacardi rum). For dark rum, a quota will remain until 2000 after which it will definitely be abolished. The Caribbean exporters are anxious to see the quotas, which they currently fill, increased or even abolished in order to meet growing demand in Europe.

Bananas

The Banana Protocol provides traditional ACP suppliers with duty-free access up to a global quota of 875,000 tons. After years of internal argument among the EU member states, a common regime for bananas was agreed in February 1993, aimed at creating a single European market without abandoning the protection for domestic producers from Spain and Portugal as well as France's Overseas Departments and for traditional ACP suppliers, who have enjoyed various preferences from different member states. The Council regulation was in line with the Banana Protocol which states that 'no ACP state will be placed in a less favourable situation than in the past or present as regards exports of bananas to the EU market' (Protocol 5 of Lomé IV).

A tariff quota was imposed on imports from third-country and non-traditional ACP suppliers, such as the Dominican Republic. This quota was initially set at 2 million tons with a duty of Ecu 100/tonne (roughly 20%), and Ecu 850/tonne for imports exceeding the quota[10].

9. The distinction remains in place despite the fact that the Single European Market came into being in January 1993.

10. With the exception of non-traditional ACP suppliers (e.g. Dominican Republic), who pay only Ecu750 per tonne

Table 2.9: ACP banana exports to the EU and the exporters' dependence, 1992

ACP country	Ecu'000	% of country's total exports
Côte d'Ivoire	91,570	6.0
St Lucia	76,308	91.2
Cameroon	67,224	6.3
Jamaica	46,654	16.5
St Vincent	42,804	62.5
Dominica	34,275	88.6
Belize	15,668	32.4
Surinam	15,668	9.4
Grenada	3,860	19.5
Cape Verde	1,173	9.0

Note: Somalia was an important exporter of bananas up to 1990 when exports valued at Ecu 27m.accounted for 50% of exports to the EU. In 1992 banana exports from Somalia had dropped to Ecu 60,000 or 0.1% of exports to the EU.

Source: Ibid.

The introduction of the common regime heightened the conflict of interest between the ACP and competing developing country exporters of bananas, in particular the Latin American producers of the so-called 'dollar' bananas (and EU consumers). The Latin American exporters complained to the GATT about the EU regime, which was indeed condemned by a panel report. In order to persuade the Latin Americans to withdraw their complaint, the EU finally increased the tariff quota for third-country and non-traditional suppliers by 100,000 tons for 1994 and 200,000 tons for 1995. Apart from Guatemala, all Latin American banana-producing countries agreed to this and the dispute appeared to be settled, although it is possible that it might reopen under tougher WTO rules.

Despite the fact that the ACP tariff preference over the MFN rate is relatively high (20%), it cannot achieve cost-competitiveness for the Caribbean producers, as geographical and other factors prevent them from adopting lower-cost plantation production. The problem for some ACP countries, especially the smallest Caribbean island states, is their extreme dependence on the EU market. Contributions in 1992 to export revenues from EU banana imports were: St Lucia 91%, Dominica 89%, St Vincent 63%. These countries would prove very costly in any compensation scheme if the Banana Protocol were to be abolished. Belize and Grenada are exporters with high dependence but low volume, and thus low costs of compensation. Jamaica has high volume but lower dependence.

Recent changes are targeted to decrease the vulnerability of these exporters. A Commission proposal on transferability of quotas suggests that Caribbean ACP exporters are allowed to buy bananas from other (non-ACP) countries in the case of a natural disaster; if they are not able to fulfil their quota for any other reason ACP exporters may buy from producers in their region (African and Caribbean exporters among each other). This concession had already been offered to exporters of dollar bananas, it therefore had to be adjusted for ACP exporters. In addition, a special declaration was adopted in the mid-term review, stating that particular attention was to be given to determining the volume of assistance to be programmed to ACP banana suppliers to the EU.

In 1992 the ACP states exported 690,699 tons of bananas to the EU, worth Ecu 413m. This was only 16.6% of the total volume of European banana imports that year (4,483,000 tons). More than 67.4% by volume of EU imports comes from other developing countries, in particular from Latin America, whose exports were worth Ecu 1,151m in 1992. For instance, Latin American bananas supply the entire German market, which is the largest in the EU. The difference in the cost of a tonne of bananas from ACP or Latin American suppliers is quite substantial, Ecu 599 and Ecu 412 respectively.

Beef and veal

Specific quotas for beef and veal (Protocol 7 of Lomé IV) have given selected ACP exporters a 90% reduction in the variable levy in order to maintain their position in the EU market[11]. This amounts to 30–40% of the EU import price. Five ACP states have quotas: Botswana (18,916 tons), Kenya (142 tons), Madagascar (7,579 tons), Swaziland (3,363 tons), Zimbabwe (9,100 tons) and Namibia (10,500 tons for 1991 and 1992 and 13,000 tons thereafter).

Although these countries have increased their use of the quotas, only 62.8% was met in 1992 and for some countries beef and veal exports remain non-existent. The transfer of unused quotas is not a simple matter, despite the EU's expression of willingness to agree to it[12]. A case in point is Zimbabwe's attempt to fill an anticipated shortfall of some 5,142 tons in 1992. Although ACP beneficiaries of the protocol agreed to a transfer (a joint request is needed) the transfer was not automatic and had to be approved by the Directorate-General for Agriculture of the European Commission (DG VI). The Lomé mid-term review has now speeded up the decision process on transfers by one month, and decisions now need to be taken by 1 December.

As noted above, less than two-thirds of the quotas were used in 1992, as has often happened in the past. This underutilisation stimulated the EU to agree to the allocation of a beef quota to the new-ACP member, Namibia, in November 1990. Among the beneficiaries of the Protocol, Botswana is the only country where beef and veal exports account for a large share of exports to the EU (61%). The granting of further new beef quotas is not very likely, but such a development could help Ethiopia, for example, which sees beef as one of its few export possibilities with the EU; it currently exports hides and skins.

11. This figure has been raised to 92.1% since the conclusion of the mid-term review, following adjustments made as a result of the Uruguay Round.

12. In Articles 3 and 4 of the Protocol the EU expresses its willingness to consider the transfer of quotas between years and between ACP states when supply problems (drought, etc.) lead to unused quotas.

Table 2.10: Allocation of beef quota under Lomé Convention IV

Country:	IV quota tonnes	1988 % of quota met	1990 % of quota met	1992 % of quota met
Botswana	18,916	32.3	56.1	81
Kenya	142	0.0	0.0	0
Madagascar	7,579	0.0	0.0	10
Swaziland	3,363	0.0	26.9	4
Zimbabwe	9,100	87.0	2.7	70
Namibia	10,500[a]	n/a	n/a	83

[a] Annual quota to be 13,000 tonnes after 1990.

Sources: Lomé Convention and Eurostat

Fish products
The ACP states are exempt from duties on their qualifying fish exports to the EU. This gives them a relatively large preference over other suppliers, as the European market for fish products is fairly well protected by the Common Fisheries Policy. The extent of ACP preferences on some of their fish exports is shown in Table 2.11.

Table 2.11: MFN and GSP tariffs for selected fish products (1992)

Fish products exported by ACP		MFN tariff, %	GSP tariff, %
CN 03026995	fresh fish (other)	14.2	11.3
CN 0303	frozen fish (excl. fillets)	15.2	14.8
CN 030749	frozen shrimps and prawns	16.0	3.2
CN 030759	frozen octopus	8.0	4.0
CN 1604	prepared/preserved fish	16.9	11.0

Note: Tariffs are unweighted averages

Source: Official Journal, C370, 31 December 1990 and C241, 27 September 1993

To qualify under the rules of origin, the fish must be caught by ships registered in EU or ACP states and at least 50% owned by nationals of these countries, with further restrictions on the nationalities of the crew members. The basic criteria are supplemented by rules specific to individual products. The processing of fish products for preferential access to the EU market faces a double barrier as a result of the rules of origin criteria for both the primary input and the processed product. Although non-reciprocity is of the essence of the Lomé Convention trade preferences, in the case of fish those EU Member States with significant fishing fleets get access in return.

Table 2.12: EU imports of fish products from ACP states, 1992 (Ecu m)

Product	Country	1976 Ecu m	1987 Ecu m	1992 Ecu m	Av. annual growth rate 1976–87 %	Av. annual growth rate 1976–92 %
All Fish (CN 03)	All ACP	36.1	309.6	455	22.5	17.2
	Senegal	18.4	101.1	109	18.5	11.8
	Mauritania	3.4	45.2	41	26.5	17.7
	Mozambique	1.5	20.0	39	26.5	22.6
	Seychelles	0.0	28.2	17	35.5	19.4
	Extra-EU	710.0	3,753.0	5,798	16.5	14.0
	World	1,307.0	6,614.0	9,818	16.1	13.4
Crustacea (CN 0306)	All ACP	25.7	188.0	176	21.5	12.8
	Senegal	12.5	58.3	23	18.7	3.9
	Madagascar	4.0	12.7	31	15.0	13.7
	Mozambique	1.5	20.0	39	67.0	22.6
	Extra-EU	173.0	1099.0	n.b.	19.4	n.b.
	World	275.6	1,725.0	1,876	19.0	12.7

Source: Eurostat

The EU recognised that these rules were probably too demanding, especially for smaller ACP countries, and they were slightly relaxed during the Lomé IV negotiations. In addition, the EU agreed to be more flexible about future requests for derogations. Automatic derogations with respect to canned tuna were granted within an annual quota of 2,500 tons from 1 January 1993, and since the mid-term review this quota has been increased to 4,000 tons (i.e. half of what the ACP negotiated for).

Since 1982, when fish were included in the Convention during the Lomé II negotiations, exports have risen and ACP states have diversified into various forms of processing. Table 2.12 illustrates the rise in total EU fish imports from the ACP states. The average annual growth rate of ACP exports to the EU was 17% over the period 1976–92, compared with a growth rate of 14% for EU fish imports from all countries over the same period. The ACP share in total EU fish imports grew slightly, from 5.0% in 1976 to 5.3% in 1992, while the overall ACP share of the EU market declined during the same period.

Even on a world scale, ACP fish exports performed well. Some ACP states were able to obtain a significant share of the world market for fresh and frozen fish, shellfish and prepared or preserved fish. In 1989–90 Senegal accounted for 2% of world exports of fresh and frozen fish and 4% of the world market for prepared and preserved fish; Mauritania (36% of whose world exports were shellfish) covered 3% of the world market, and Côte d'Ivoire exported 1% of the world's fresh and frozen fish and 4% of its prepared or preserved fish.

Fish processing is one of the most successful cases of processing in the ACP countries. Frozen fish, excluding fish fillets, represented 21.3% of total ACP fish exports in 1992, whereas fish fillets made up 12.4% of the total (principally from Kenya, Namibia and Senegal). Exports of frozen shrimps and prawns have been most successful, increasing from zero in 1976 to 28% of EU imports valued at Ecu 149m in 1992. Exports of frozen octopus also performed well, accounting for 11% of EU imports in 1992.

Preferences and trade performance in manufactures[13]

The general requirement for manufactures to benefit from exemption from tariffs, levies or similar barriers is that ACP exports must 'originate' in the ACP. Products need either to be wholly obtained, or sufficiently worked or processed, in an ACP state. Origination normally requires a 'substantial transformation', that is, a shift of heading in the four digit Harmonised Coding System. But this is not always sufficient. For instance, according to the rules of origin 'the simple assembly of parts and articles to constitute a complete article' will not qualify for preferential treatment. There is a general value-added criterion specifying the maximum share of non-originating materials, which has been 10% (of the ex-works price supplemented by further conditions on the share of particular non-originating materials).

Cumulation of inputs from ACP countries or from EU member states or their Overseas Countries and Territories (OCTs) is allowed under the rules of origin. This means that an ACP state can import parts and raw materials from other ACP countries or from the EU or the OCT's in order to use them for production and still meet the criteria of the rules of origin.

Under the Convention, appeals can be made for derogations from the rules of origin 'where the development of existing industries or the creation of new industries justifies them'. Since Lomé IV, derogations last for five years once they are adopted – an improvement on the three years of Lomé III – and may be renewed for a further five-year period.

Although the ACP states argue that the rules of origin are in some cases too strict, the requirements for the ACP states are at least more generous than those of the EU's GSP system. To benefit from the GSP, imports into the EU must satisfy a 'process criterion' rather than a percentage criterion. The basic rule is that the imported material must undergo substantial processing (expressed in terms of change in HS classification). This is often supplemented by additional rules specifying minimal processing requirements – often involving a double or triple tariff jump. This is the so-called 'single list' of exceptions to the basic rule. Cumulation is also more complicated and limited to some countries in the relevant sub-region.

Successful ACP exports of manufactures have been principally in textiles and clothing (which will be discussed separately below), processed wood, some chemicals, leather products and, to a lesser extent boats, clocks/watches and furniture. These non-traditional exports are

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13. See Note 6.

Table 2.13: Selected ACP manufactured exports to the EU, 1976–92 in million Ecu and as share of the EU market (%)

		1976		1980		1985		1990		1992	
	MFN tariff (%)	Ecu m	%	Ecu m	%	Ecu m	%	Ecu m	%	Ecu m	%
Processed wood (CN 4407/08)	7.0	144	4.2	199	3.8	255	4.7	465	6.8	400	6.7
Leather (CN 4202-08)	3.1	39	7.7	47	7.0	71	5.6	212	9.0	139	8.6
Boats (CN 89)	1.8	24	2.7	35	5.6	69	4.6	282	14	239	10.5
Clocks (CN 91)	4.5	0.06	0.01	2	0.2	8	0.6	31	1.2	21	0.7
Furniture (CN 94)	5.6	2	0.5	5	0.5	5	0.3	10	0.3	12	0.3
Woven fabrics of cotton yarn (CN 5205)	5.8	25	5.2	28	4.1	75	7.5	81	9.1	68	9.4
Clothing knitted (CN 61)	13.2	16	1.1	44	1.6	114	2.9	279	4.4	395	4.2
Clothing, not knitted (CN 62)	13.3	15	0.6	26	0.6	50	0.7	180	1.5	200	1.3

Source: Official Journal L241, 27 September 1993. EUROSTAT database.

Note: Codes of the Combined Nomenclature customs clarification used by EU

of growing importance, although so far only a few countries have been able to move into the production of these goods.

Côte d'Ivoire, Ghana and Cameroon are the main ACP exporters of **wood products** to the EU, including sawn wood and veneer and plywood sheets. ACP exports grew from Ecu 126m (4.2% of EU imports) in 1976 to Ecu 400 m (6.7% of EU imports) in 1992. In the case of veneers, the margins of preference do not distinguish between the ACP and other developing countries. Vis-à-vis developed countries, most of the ACP suppliers have lost market share since 1988 despite the 4–6% preference margin, but not to the same extent as non-ACP countries.

Quotas on GSP exports and a 13% MFN tariff might have helped Trinidad and Tobago in building up its share of the EU market for **methanol**. In 1992 Trinidad and Tobago had a 4% share of the market, which accounted for more than half of its export revenue from the EU. The gains in EU market share of **cortical hormone derivatives** from the Bahamas have mainly been at the expense of developed countries. However, these gains have now been reversed and the Bahamas share of the EU market fell from nearly 60% in 1982 to a mere 6% in 1992. The 6.6% tariff preference margin has remained in effect throughout that period. In the case of exports of **cyclic amides** from Benin, which has a small but growing market share in the EU, both that country and certain non-ACP developing countries are making minor inroads into the share of the dominant industrial country suppliers. In both cases the ACP and other developing countries enjoy the same tariff preference margins.

Leather exports rose from Ecu 39m to Ecu 139m over the same period, improving the ACP share of the EU market from 7.7% to 8.6%. Nigeria was the main exporter in 1992, accounting for 32% of ACP exports. Kenya and Ethiopia followed, with 18% and 11% of ACP exports of hides, skins and leather.

The statistics show **ships and boats** also recording good performance. Liberia and the Caribbean islands, the Bahamas and Antigua and Barbuda, accounted for 88% of these exports in 1992. Liberia's exports are connected with the oil industry and include floating structures, drilling and production platforms, and tankers. Exports from the Bahamas consist mainly of cruise ships and pleasure yachts and refrigerated vessels and tankers. Antigua and Barbuda's exports are related to tourism and include sailboats, cruise ships and pleasure yachts.

ACP exports of **clocks and watches** grew during the course of the Lomé Convention from near zero to a value of Ecu 21m (0.7% of EU imports) in 1992. However, this growth was based on one country, Mauritius, which exported Ecu 19m worth of clocks and watches in 1992, representing 90% of ACP exports. Mauritius, has made a serious entry into the EU market, gaining a market share of over 21% by 1988, although this share has since fallen by more than half, mainly in favour of developed countries. Mauritius may have benefited from the quotas imposed on GSP benefits. In the event, however, the 6.2% preference margin does not appear to have been sufficient to withstand the much improved competitiveness of the industry in both the EU itself and in other developed countries, particularly Switzerland.

Furniture also proved to be a relatively successful source of non-traditional ACP exports, increasing from Ecu 2m in 1976 to Ecu 12m in 1992. However, owing to the enormous growth in EU imports during that period, the ACP share of the market fell slightly. The only significant exporters of furniture, mainly seats and tables, in 1992 were Swaziland, Ghana and Zimbabwe; together they accounted for 80% of ACP exports.

Textiles and clothing

The ACP states have been exempted from the Multifibre Arrangement (MFA), which has restricted developing country exports of textiles and clothing to the EU and other industrialised countries since 1974. ACP textiles and clothing exports to the EU are not subject to formal quantitative restrictions and this has given them a competitive advantage over other developing countries which generally face high tariffs and quota restrictions on their exports. However, in order to enjoy duty-free access, the ACP exporters have to comply with strict rules of origin. Manufactures of textiles and clothing must usually start from the yarn. There is a value-added criterion specifying the maximum share of non-originating materials, and this is supplemented by further conditions on the share of particular non-originating materials.

So far, only a few ACP countries have exploited the preferential treatment for textile and clothing exports to the EU. Almost a third of ACP exports of textiles and clothing comprise raw material, which is excluded from the MFA and even has a zero or low MFN tariff. Most of this is raw cotton to which no value has been added by the exporter through dyeing or other forms of processing and which in any case has duty-free access to the EU; 70% of this is exported by Chad, Mali, Benin, Burkina Faso, Zimbabwe, Tanzania, and Sudan. The four largest exporters depended on 'non-MFA textiles' for a relatively large share of their export earnings in 1990–92, for instance Chad (84%), Benin (50%), Mali (48%), and Burkina Faso (31%) (see Appendix Table A4).

Other significant ACP textile exports, which have been worked on and have a value added to them in some way or other, are cotton yarn and woven cotton fabrics. Apart from benefiting from a preferential margin over developed countries of 6–10%, the ACP are exempted from the MFA regime constraining exports from other developing countries. The main ACP exporters are Zambia and Zimbabwe for cotton yarn and Côte d'Ivoire, Madagascar, Mali and Zimbabwe for woven cotton fabrics.

The two-thirds of ACP textiles and clothing exports which enjoy preferences following exemption from the MFA accounted for only 2% of EU imports of MFA-type goods over the period 1990–92. This is low compared with the 46% market share of other developing countries over the same period. Almost 86% of the ACP share is accounted for by only 6 countries; Mauritius (63%), Zimbabwe (6%), Jamaica (5%), Côte d'Ivoire (5%), Namibia (4%), and Madagascar (3%). These states have been able to increase their clothing exports which all benefit from preferences due to exemption from the MFA. Exports from Zimbabwe consist mainly of T-shirts and men's suits, while Jamaica concentrates on pullovers. Mauritius exports a whole range of clothing items including T-shirts, suits, shirts and pullovers for both men and women.

The Caribbean countries have not only benefited from preferential access for their clothing and textiles in the EU market, but have also enjoyed special treatment under regulation 807A (now 9802-00-80) for their goods entering the US market. This regulation allows Caribbean producers to process imported materials and re-export them to the US, with duty payable only on the value added in the Caribbean country. Caribbean countries export more than half of their textiles and clothing exports to the US under this regulation; Haiti, the Dominican Republic, Jamaica, Belize and St Lucia seem to have taken advantage of this facility. Other textiles and clothing exports from the Caribbean have been subject to MFA restrictions. The Dominican Republic, Haiti and Trinidad and Tobago have faced quantitative restrictions on their exports of cotton and man-made fibres to the US, while Jamaica, Mauritius and Nigeria were also subject to quotas on their wool exports (GATT, 1992). Clothing exports to the US account for a relatively large share of export revenue from OECD markets for Haiti (43%) and the Dominican Republic (40%).

Trade in services

The Lomé Convention expresses the intention of developing cooperation in trade in services between the ACP states and the EU. Both parties agree on the importance of the service sector in further development and wish to encourage the development of services with a view to improving the operation of their economies, relieving balance-of-payment constraints and stimulating the process of regional integration (Art. 114 of the Lomé Convention). Priority is given to financial services, transport, communications and information technology and tourism.

In the tourism sector, described as the largest business in the world and representing about 12% of the global economy (Lee, 1990), some results of Lomé support are visible in the form of investment in public facilities, in particular in the Caribbean countries and in small islands in the rest of the ACP. Regional programmes often target tourism development; Ecu 17m of European Development Fund 6 was spent on this. In Africa ACP countries eco-tourism programmes are among those benefiting from EDF finance. Yet tourism operators in the Caribbean ACP countries recognise that neither EU preferences nor EDF aid were the main stimulus to their development, especially where the US was their main market. Instead it was the obverse of preferences – US sanctions kept Cuba out of the market – which allowed them to grow. As Cuba returns to world tourism trade, it will become a major competitor.

Table 2.14: ACP countries depending on services for more than 50% of their export earnings, 1990–91[a]

Africa	Caribbean	Pacific
Cape Verde (88%)	Antigua & Barbuda (91%)	Fiji (50%)
Comoros (53%)	Bahamas (82%)	Tonga (75%)
Ethiopia (50%)	Barbados (82%)	Vanuatu (88%)
Kenya (53%)	Dominican Rep. (65%)	
Lesotho (89%)	Grenada (72%)	
Mozambique (57%)	St Kits & Nevis (72%)	
Seychelles (91%)	St Lucia (60%)	

[a] The services included in the table are the service transactions recorded in the balance of payments of each country for the period 1990–91 or the latest year recorded in the *Handbook*.

Source: IMF, *Handbook of International Trade and Development Statistics*, 1992.

Zagaris (1991) argues, in an article about services and the potential opportunities for Barbados (which seems to be relevant for other ACP countries too), that it is important for developing countries to pay sufficient attention to product development and marketing in the services sector in order to become competitive and take a share of the growing market.

Table 2.14 shows that for 17 of the then 69 ACP states exports of services contributed substantially (over 50%) to export earnings over the period 1990–91 (IMF, 1992; see also Appendix Table A5). Of these 17, seven are in the Caribbean (almost half the Caribbean ACP states) and seven Africa. The service sectors in which ACP states have their main competitive advantage are tourism, transport and data-processing. This fact is somewhat neglected in our discussion of the impact of preferences and preference erosion, as the effects are expressed mainly as the share of revenue from exported goods. This is due to the inadequacy of data on trade in services.

3. Value and impact of Lomé trade preferences and obstacles to beneficiaries

Impact of trade preferences

The value of Lomé trade preferences, which were designed to give the ACP states a price advantage over other suppliers and assist them in overcoming cost disadvantages in order to improve ACP competitiveness and expand their exports to the EU, can be assessed by comparing the change in their exports to the EU with those of other developing countries which have not benefited from the Lomé preferences. At an aggregate level, the Lomé preferences in fact failed to improve ACP trade performance, as we saw in Chapter 2. The value of ACP exports has fallen and the ACP share of the EU market has declined since 1985. In contrast, other developing countries, which have enjoyed less favourable access to the EU market, increased their exports to the EU faster during the course of the Lomé Convention (see Appendix Table A2).

However, for some countries and certain exports there is limited evidence that the Lomé preferences may have had some impact. Disaggregation of the exports shows that some of the more significant exporters, including Mauritius, Zimbabwe, Angola, Congo and Guinea, have managed to expand their exports to the EU and even increased their share of the EU market, while the aggregate ACP share of EU imports fell by 50% (see Appendix Table A3). Studies of the experience of export diversification in Zimbabwe (Riddell, 1990), Mauritius (McQueen, 1990), Jamaica, Kenya and Ethiopia (Stevens, 1990) indicate that Lomé preferences have helped to achieve expansion and diversification of their exports to the EU to a certain extent, although the authors warn that it is unlikely that the good export performance of these countries can be attributed solely to this cause. The question remains; why did not more ACP states therefore benefit from the preferences, if they had a positive effect on exports from these countries? Some observers argue that the dynamic impact of preferences takes time to work, but the original ACP states have had their preferences for almost four decades now; it is unlikely that there remain significant dynamic effects in the pipeline. Indeed, the ACP states that have shown the greatest success in both expanding and diversifying exports have been some of the newcomers to ACP status (see Appendix Table A1) – Zimbabwe and, most recently, Namibia – though the sample is clearly too small to draw any firm conclusions.

In order to examine the changes in ACP exports that can be attributed to the presence of the Lomé preferences, the data need to be further disaggregated. The assessment has to be concentrated on those ACP exports or potential exports which enjoy a margin of preference compared with other suppliers. The hypothesis that needs to be tested is whether ACP exports that benefited from a relatively large preferential margin have performed better than those with a low, or no, preferential margin vis-à-vis other suppliers.

According to calculations by the European Commission, 63.4% of ACP exports have no preferential margin at all, since these products have duty-free access to the EU as a result of MFN or GSP treatment (Commission of European Communities, 1993). This leaves only 36.6% of ACP exports which could have been positively affected by the preferential treatment. It has been estimated, following a methodology used by McQueen and Stevens, that in 1989 only 7% of ACP exports received a significant preferential margin vis-à-vis other, exports, defined as a tariff differential greater than 5% (McQueen and Stevens, 1989).

In general the Common External Tariff is higher where more value is added to the product. This means that, ACP preferences vis-à-vis MFN suppliers are generally highest for processed or manufactured products. However, the structure of ACP trade with the EU has not been biased towards these products (see Chapter 2). Apart from a few countries, such as Mauritius, Jamaica and Zimbabwe, which managed to diversify their exports, most ACP countries remain highly dependent on primary exports with a low or no preferential margin. This suggests that the preferences have not been a sufficient incentive for most of them to diversify their exports. Moreover, the ratio of processed to primary exports to the EU is almost always higher in the case of the non-ACP developing countries, despite the fact that the margin of preference typically rises with the level of processing (coffee, cocoa, palm oil, sisal, etc.).

In addition, the value of preferences depends on the response of demand for ACP exports to changes in price. Because of the nature of ACP exports, responses, expressed as price elasticities of demand, are generally low, which means that the demand for a product increases disproportionately with a decrease in price. For cocoa beans, which together with coffee beans accounted for 12% of non-oil ACP exports between 1990 and 1992, the elasticity of demand is estimated at only 0.2 (see Appendix Table A6 for estimates of elasticities and sources), whereas the price elasticity of demand for transport equipment is estimated at 3.3. This means that if, for instance, the price of cocoa beans were to fall by 4%, demand would, theoretically, only rise by 0.8%, whereas a decrease of 4% in the price of transport equipment would lead to a 12% rise in demand. The price advantage given by the Lomé preferences can therefore probably have only a relatively small effect on a large share of ACP exports.

Gains from preferences are also influenced by the response of ACP suppliers to price changes. In general this response, expressed as the price elasticity of supply, is assumed to be lower for ACP suppliers than for suppliers from industrialised countries. This means that an increase in the price will not lead to a proportionate increase in supply. For instance in the case of tobacco, elasticities of supply for ACP and industrialised countries are estimated to be 0.4 and 0.7 respectively. An increase of 5% in the price of tobacco, for which ACP exports amounted to Ecu 370 m in 1992 and accounted for 7% of EU imports, would lead to a growth of 2% in ACP supply, compared with a 3.5% growth in supply from industrialised countries.

Finally, it has to be recognised that the preferences are aimed at giving ACP exports a price-competitive advantage over other exporters in the EU market. However, in cases where cost disadvantages, related to transport costs or production inefficiencies for instance, run too high, competitors will have a better position in the market than ACP exporters. Similarly, it should be stressed that non-price competition is significant in some sectors, for instance competition in quality and promotion, which is particularly relevant for exports of fresh fruit and vegetables.

To come back to the significance of the ACP states', preferential margin vis-à-vis other suppliers, some of the product categories for which the margin has been substantial are: fresh and processed fruit and vegetable products, fish products and textiles and clothing. For temperate agricultural products of importance to ACP states, including cereals, rice and meat,

Box 1: Successful Exploitation of Lomé Preferences: the Case of Mauritius

In the 1980s Mauritius was often hailed as the success story of Lomé preferences. It has always managed to follow a strategy of exploiting the trade preferences or policies, not only of the European Union but also of other industrialised countries. Under the Lomé Convention Mauritius has greatly benefited from the sugar protocol and has exploited its exemption from the Multifibre Arrangement. Between 1970 and 1990 Mauritius has shifted from being dependent on agricultural exports (mainly sugar) to manufactures, which accounted for 68% of its exports in 1990. However, export revenue from manufactures is now dominated by clothing exports (Page, 1994). The country managed to invest some of its revenue from sugar exports to the EU in financing new industries.

McQueen (1990) argued that, because Mauritius is a small country and therefore has a limited domestic market and lacks natural resource-based industries, preferences might have fulfilled the objective of providing a necessary subsidy to infant industries. Although preferences and guaranteed market access have undoubtedly played a catalytic role in expanding manufactured exports from Mauritius, they have not been sufficient conditions for its export growth. The country had some useful characteristics that enabled it to exploit its position in the world market.

First of all the island had historical trade and family links with various parts of Europe, Asia and the Pacific and a long tradition in entrepreneurship, with a Chamber of Commerce dating back to 1850. Currently it is the only ACP country with its own private sector representative office in Brussels (Page, 1994). In addition, the government has developed policies directed towards export promotion and has created an attractive environment for foreign investors. The latter, combined with the consequences of the Multifibre Arrangement brought Asian investment in particular to the island. The Mauritian Government was one of the first developing countries to set up an Export Processing Zone and has an export promotion authority which delivers extensive services to exporters. The capacity and entrepreneurship of the Mauritians, who are generally well educated compared with some of the neighbouring African countries, made it possible for local people to enter into joint ventures with foreign investors, some of which are now completely owned by Mauritians. The availability of a well established financial sector, good infrastructural facilities and relative political stability have also facilitated the growth of export industries. Mauritius joined the Southern African regional development body, SADC, in 1995.

Whether these policies and qualities, together with the strategy of exploiting preferences, have resulted in a growth of manufactured exports that can be sustained in the future remains to be seen. However, a partial answer to that question might be gleaned from recent trade figures and trends; the manufactured exports of Mauritius have declined slightly and concern has grown about the erosion of preferences through ongoing multilateral trade liberalisation. As argued in Chapter 4. Mauritius is among the countries losing out from the recent round of trade liberalisation in the Uruguay Round, particularly because sugar prices are expected to decrease and the phasing out of the Multifibre Arrangement will cause a shift in clothing exports from the preferred suppliers to more competitive ones. Page (1994) argues that Mauritius clearly does not fall in the latter category, as the luxury of preferential treatment has not enabled it to increase productivity and competitiveness. In the end it may turn out to have missed the opportunity to make progress in these areas before competition increases. This interpretation would support the argument of those who regard the Mauritian trade 'model' as a risky one for other African countries, which might lack not only the characteristics but also the coincidences and the timing that have brought success to Mauritius.

market access has been more generous than for other developing or industrialised countries, but there are still significant trade barriers facing the ACP states. Tropical products are subject only to low MFN and GSP tariffs, or enjoy the duty-free access for all suppliers to the EU. The main benefits for agricultural exports have been derived from the Protocols to the Lomé Convention. ACP manufactured exports enter the EU on the same conditions as those from most other developing countries, with the exception of the rules of origin which are more relaxed in the case of the Lomé Convention, and the exemption from the MFA.

Agricultural exports

The effects of preferences on the ACP market share in tropical products in the EU relative to non-ACP countries might easily be swamped by other factors, including low MFN tariffs, GSP preferences and the low elasticities of demand for most ACP tropical exports. This has been argued by Davenport who found that Lomé preferences have had no significant effect on ACP exports of tropical products (Davenport, 1992).

When horticultural products are excluded, preferences following concessions in the CAP for agricultural exports under Annex XL of Lomé IV seem to have had little impact. It has been argued that this is because of the remaining levies and quantitative restrictions. However, it should be stressed that the preferences for these products are largely underutilised. In 1992, apart from the quotas for apples and pears (which were exceeded) and for oranges and mandarins (which were almost filled), the quota restrictions attached to the preferences were not even approached.

Our assessment indicates that the preferences for horticultural products might have had a positive effect, as the ACP states succeeded in expanding and diversifying their exports in this sector. Success in the export of certain agricultural products, in particular haricot beans and cut flowers, by some African countries is attributed to preferences by McQueen and Stevens (1989). Although the CAP regime for these products is particularly complex, with minimum import prices as well as seasonally differentiated tariffs, which complicates identification of the value of trade preferences, the Common Customs Tariff (CCT) is relatively high in both cases. However, a statistical analysis undertaken in 1993 (Alvarez-Coque and Bautista) into sources of change in aggregated EU imports of horticultural products from various developing country regions showed a lack of strong correlation between export performance and the preferences the products enjoyed. The statistics indicated a slightly positive impact on exports of fresh vegetables, but no clear effect on fruit and processed exports, despite their relatively high preferential margins. EU income appeared to be the significant variable in explaining fluctuations in imports of fruit and vegetables from African countries.

The Lomé Protocols can be said to have benefited the ACP states that were granted access to the quotas. Apart from the beef and veal Protocol, they have been utilised to a considerable extent and have enabled the beneficiaries to expand their exports to the EU in the course of the Lomé Convention. The experience of Mauritius, which used its earnings from sugar exports to the EU to support the process of diversifying into non-traditional exports is rare, however, among ACP states. The value of the protocols, in particular for rum and banana exports, is therefore often disputed, the reason being that the protocols not only protect the exports of the producing countries but also 'allow' the mainly small Caribbean countries to remain dependent on these commodities, rather than stimulating them to diversify their production.

The actual benefit of the protocols to the ACP producers is dependent on their production cost (i.e. competitiveness) and the EU internal price. Due to adjustments of the CAP (some triggered by the Uruguay Round) the prices of some of these commodities are expected to come down in the next few years, which will cause a decrease in the value of the protocols (see also Chapter 4).

According to the World Bank (1994a), the value of the banana Protocol has fallen since the change in the banana regime. Estimates indicate that the price for bananas will have fallen by 30% if the new regime settles in. Although this figure may be somewhat exaggerated, it is clear that the implications for some of the ACP suppliers would be significant. On the basis of average 1991–92 trade, Dominica would lose 23.7% of its export earnings, St Lucia 21.9% and St Vincent and the Grenadines 17.4%.

The underutilisation of the beef and veal Protocol can be largely explained by the drought in southern Africa. It is not certain that a link can be made between the low ACP exports of beef and the EU exports of subsidised beef to Africa, but the latter certainly damaged the position of ACP meat suppliers in their region. EU beef exports to the Sahel amount to less than 0.5% of EU production, but are large in the Sahel regional context. Subsidised at Ecu 2 per kilogram, EU beef is up to two-thirds cheaper than Sahel-produced beef, thus spoiling the markets of livestock producers from Mali, Niger and Burkina Faso who sell to wealthier coastal countries like Côte d'Ivoire, Ghana, Togo and Benin. However, the CAP reforms of May 1992, intended to reduce beef production, may turn out to have been a turning point in this policy. The WTO reported that EU beef exports had dropped in 1994, helping to stabilise world meat markets.

ACP fish exports states can be taken to represent one of the Lomé success stories, since the significant expansion of exports occurred after the inclusion of the product in the Convention, resulting in a substantial reduction in protection and therefore in high tariff preferences. The ACP share of EU fish imports has increased considerably and exporters have managed to diversify into processing despite the strict rules of origin. However, it is questionable how much of the extra export earnings has accrued to the ACP inhabitants themselves. Most of the vessels used to catch the fish are owned by European, in particular Spanish, shipowners, to whom a substantial part of the profit may well have gone. Although it is the distinction of Lomé trade preferences to be non-reciprocal, it would be a mistake to consider, the value of the trade preferences in isolation when allied arrangements entitle European fishing fleets to access to the territorial waters of ACP states.

Manufactures

ACP preference over the MFN tariff countries is relatively significant for manufactures (see Table 2.13). However, most manufactures also fall under the EU/GSP regime, so other developing countries also have preferred access to the EU market for these products.

In a comprehensive study of detailed ACP export data, McQueen and Stevens (1989) identified a set of non-traditional products where 'there has been an encouragingly rapid growth of ACP exports'. Those showing growth rates in value terms greater than 5% per year between 1976 and 1987 were canned tuna, bovine hides and skins, leather accessories, parquet pieces, wood veneers, laminated blackboard, wood inlay, cotton yarn, cotton fabrics, man-made yarn, and six separate articles of clothing and one of furnishings. In all but two cases the export growth rate of the ACP suppliers exceeded that of the other developing countries. The results could be interpreted in different ways. McQueen and Stevens interpreted them (including those on agricultural products) as evidence of further potential, though they admitted that, within their sample, there seemed to be little correlation between success and the depth of the preference margin.

ACP textiles and clothing exports receive substantial preferential access and should therefore have experienced relatively good performance. Although textiles and clothing exports have improved during the course of the Lomé Convention, a third of these exports do not fall under the regime of the Multifibre Arrangement (so they enjoy a relatively small preference) and Mauritius alone accounted for 63% of the MFA-type exports. Given that only a few countries are responsible for the growth in the clothing and textiles industry – of which the main exporter, Mauritius, has performed well compared with the other ACP states overall – preferences might not have been the only factor determining the increase in exports. However, growth in the overall share of the EU market might be explained by other reasons, for instance the increase in EU imports of these products and the progress made by developing countries in moving into higher value-added textiles and clothing, leaving the ACP states to export the textiles which have undergone only a minimal degree of manufacturing.

At least in some ACP countries, the textiles sector has attracted investment which could indicate positive prospects for countries currently concentrating on low-value textile exports, although it has to be recognised that, despite the exemption from the MFA, Mauritius and Zimbabwe have experienced warnings and temporary restraints through MFA-type controls on the part of the EU. These warnings have brought uncertainty for investors in the sector.

Conclusion

Clear evidence proving a correlation between export growth and the margin of preference available to the ACP states is lacking. Although exports enjoying high tariff preferences, such as horticultural, fish and clothing exports, have performed well, it is hard to tell whether their expansion can be attributed to the ACP preferences alone, particularly for those products which experienced a decline in the ACP share of EU imports. In these cases the expansion of ACP exports could be explained by increasing EU demand, indicating that less preferred suppliers were able to take greater advantage of the expansion of the market as they were more competitive

Though preferences may serve as a catalyst for developing a dynamic export sector, they may be neither a necessary nor a sufficient condition. The following factors could each be more important: in determining whether ACP exports qualify for preferential treatment: the depth of the infrastructure, the availability of entrepreneurial skills, the sufficiency of investment funds, the adequacy of incentives, the climate for foreign investment, the appropriateness of the policy framework, the ability to meet the rules of origin. If the ACP states are seriously lacking in one or more of these, it could be that, even where their margins of preference are highest, they are inadequate to compensate for the deficiency. The evidence from the past may mean that *ex-ante* estimations overstate the effects of the loss of tariff preferences.

Factors limiting the role of Lomé preferences

Apart from the structural restrictions mentioned earlier, such as the dependence on primary products and the generally low elasticities of demand and supply, other factors might have limited the use of the Lomé trade provisions and reduced their value and impact.

Information gap and lack of capacity

A major factor in the success or failure of the Lomé trade provisions is awareness in ACP countries of their existence. To examine this aspect and the utilisation of the provisions, a survey was undertaken in 1993 with the assistance of UK diplomatic posts in ACP countries.[14] The results of this survey show that in some ACP countries there is still some way to go in familiarising producers, potential exporters, and even some governments with the Lomé trade provisions. In most countries awareness is limited to the big agricultural exporters. The ACP states also still seem to see the Lomé arrangements, albeit dimly, as a package, so that aid instruments such as STABEX and the European Development Fund, let alone the underlying investment assistance that could come with aid and investment promotion, were sometimes mentioned in the context of questions asked purely about trade provisions.

In addition to this a lack of awareness, the provisions suffer further from complex rules and procedures. This problem is not confined to the trade provisions; it has also been identified in the application of other provisions of the Convention. The ACP governments, let alone small exporters, generally lack the capacity to interpret and keep up to date with all the rules and regulations in order to be able to conform to requirements.

Other deficiencies raised in the survey concern the availability of information about the EU market. Information is often not available on marketing strategies and distribution channels to enable ACP exporters to target the market in the most effective way. In particular, information on EU standards regarding health regulations, mainly referring to fish exports (Ghana, Mozambique and Kenya), and packaging and environmental standards (Zimbabwe) appears to be insufficient.

Restrictions on market access

As regards market access, problems over agricultural (CAP) products predominate. Many

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14. In all, replies from 25 of the ACP countries (15 African, 7 Caribbean and 3 Pacific) were obtained. the sample included responses from most of the important ACP exporters, notably Nigeria, Kenya, Zimbabwe, Côte d'Ivoire, Ethiopia, Mauritius, Papua New Guinea, and smaller less buoyant exporters such as the Solomon Islands, Mozambique and Zaïre. The Caribbean (and hence also the sugar and banana Protocol considerations) was particularly strongly represented; Africa was adequately so, although francophone Africa was slightly underrepresented.

Box 2: Success in Exploiting a Niche Export Market: the Case of Tonga

Tonga provides a striking example of an ACP country successfully diversifying out of a declining traditional export product into a new niche market with an entirely new product which was not even produced locally, let alone exported, previously. The traditional product was copra and coconut oil, and the traditional market was the EU – or effectively the world market. In 1985/86, coconut oil represented over a quarter of all export earnings. STABEX claims were resorted to in bad years. Tonga has a chronic merchandise trade deficit, regularly about Pa' Anga $50m, whereas agricultural exports in total were only around P$8m: the deficit was covered foreign remittances and services (National Reserve Bank of Tonga,1994).

The new product is the squash, a vegetable sold to the highly discriminating off-season Japanese market, and only to that market. All the effort in transport, packaging, marketing and distribution has therefore been concentrated on exploiting that market and guarding Tonga's position in it, once established.

Yet in 1987 Tonga produced and exported no squashes; coconut oil, vanilla and fish were still the leading exports. By 1989/90, with exports to Japan of 4,000 tonnes, squash had already become a leading export. In 1991/92 exports peaked at 18,500 tons, bringing in record export earnings of $P12.5m (67% of total exports) and quotas had to be introduced to restrain production and maintain the quality of supplies. In 1992/93 Tonga exported 10,000 tonnes but earned relatively more from sales ($P8.7m both gross and net) because a more favourable shipping arrangement had been concluded following the expansion of volume which made Japan-Tonga bilateral trade more attractive (rather than just an anomaly, as before). In 1993/94 the full quota of 13,000 tonnes was expected to be met. Tonga still has a large merchandise trade deficit but the contribution of squash exports to Japan has meant that nowadays the current account is balanced; moreover, new trade opportunities are opening up as a result of the entry into the booming East Asian market.

What are the reasons for this success, and how can such an innovation serve as a model to other ACP states which are over-dependent on a narrow range of traditional export commodities? Firstly, Tongans are outward-oriented. They travel a lot, many work in shipping and there is a veritable Tongan 'diaspora' in the North Pacific (California, Hawaii and parts of offshore East Asia) of people who send home both remittances and ideas. Secondly, the government has an extremely laissez-faire attitude to trade. Neither export nor import taxes are used as a primary means of raising government revenue. Exporting new products therefore had its own built-in incentive, requiring no special promotion measures. Thirdly, a catalyst was needed. This took the form of a technical assistance adviser in agricultural production and marketing from New Zealand. He knew that New Zealand farmers were trying to exploit the difference in seasons to supply the lucrative and liberalising Japanese market, but had failed on squashes because of the harsher climate. Fiji was also trying, but only Tonga succeeded through its successful work with small farmers, better quality control and harder bargaining with shipping lines (originally freight costs were $P260,000 per cargo, with only one shipping line interested; now several compete and the cost is down to $P100,000).

So what next? Tonga must both preserve and strengthen its *acquis*. Japanese consumers are very demanding; packaging and presentation have to be of the highest quality and standards in screening cargoes (pre-shipment inspection) have to be maintained. After the 1991/92 boom, some container-loads were rejected because they contained rocks and the market was very nearly spoiled. Then Tonga needs to seek and research other emerging markets for the same product – maybe Taiwan (with which it has close relations), the USA or Korea. Next it must diversify into new niche products. Other vegetables (e.g. kidney beans) are now being airfreighted to Japan on an experimental basis. Lastly, Tonga must also exploit its comparative advantage to the full. A decade ago no one could have predicted that Tonga had a dynamic advantage in squash – because the product did not exist then. But exports of Tonga's third product, fish, at $P1.4m (only 277 tons) are very small compared with the potential catch – and with the demand in markets like Japan for high quality produce. It is now open to Tonga and other Pacific ACP states to demonstrate that they have a comparative advantage in exporting fish rather than just selling fishing licences.

countries with an interest in the Lomé protocols have expressed a desire to see the quotas for sugar, beef, rum or bananas increased (survey replies, 1993). Potential exporters of these products, which do not benefit from a Protocol and are aware of the opportunities if they can obtain access to, are Zambia and Papua New Guinea (sugar). Namibia has indicated that it would benefit from an extension of the preferential access to the EU for game meat and grapes, which are not yet included in the Lomé preferences.

Concerns about latent increasing hidden protectionism, in the form of special standards, are growing among ACP exporters. Standards on quality and packaging of products are becoming increasingly more complicated and harder to achieve for ACP countries. Especially in the horticultural sector, certain EU member states support a raising of standards in order to protect domestic producers. Not only are the standards complex; they have also been changed frequently over the past few years as EU member states have endeavoured to reach agreement on the establishment of the Single European Market. However, this problem should diminish in future as the ACP countries will now have to comply with only one set of standards and requirements when exporting to any country in the EU.

Problems over direct market access (because of the rules of origin) mentioned in the survey were encountered with respect to the exports of garments, textiles, fish, palm oil and, in one case, carpets.

Rules of origin

Rules of origin, while intended to encourage industrialisation as well as to prevent deflection of exports through the ACP states in order to exploit their privileged access to the EU market, go beyond their legitimate purpose and are being used by the EU as a means of protecting domestic industries from potential competition from ACP manufacturers (McQueen, 1982). They clearly discriminate in favour of those countries which have reached a certain level of industrialisation and fail to take account of the increasing share of intra-industry trade and the growth of outward processing, off-shore assembly and other valid forms of international specialisation.

The Mauritius Export Development and Investment Authority indicated that potential third-country investors had been deterred by the rules of origin. This applied in particular in watch assembly using components from the Far East, given that existing components from the EU were no longer competitive. Logically, this might have led to the development of a high value-added industry (McQueen and Stevens, 1989). The rules on fish products ignore the fact that most coastal and island ACP states lack the resources to fulfil the 'own vessels' criteria.

The aim of encouraging upstream industrialisation through rules of origin has largely failed. Furthermore, as McQueen and Stevens have argued, '[T]he EU have claimed that this rule acts for the benefit of the ACP countries by excluding "footloose" industries, but since the cumulation rules permit EU companies to establish simple assembly industries, it is clear that this rule is meant to exclude only third countries' (McQueen and Stevens, 1989: 253). The rules are particularly onerous for Caribbean and Pacific states, where natural investors are more likely to be found in the United States or Japan than in the EU.

Apart from the cases reported above from the survey replies, McQueen and Stevens cite a number of clear instances where the rules of origin have clearly deterred exports. In Mauritius the emergence of a woven clothing industry was inhibited because it proved impossible to obtain supplies of cloth from other ACP countries. Reports state that difficulties over originating inputs of cotton yarn persist, and cotton garments are generally liable to tariffs. In Jamaica the rules of origin have effectively prevented the development of exports of woven clothing to the EU, although not to the USA where the rules are less stringent.

Derogation procedures

The system of derogations from the rules of origin fails to tackle the difficulty of establishing that certain exports are impeded by them. Where the potential exports do not yet exist because uncertainty has prevented the necessary investment, such evidence cannot usually be provided. Indeed, the only evidence of the deterrent effect may be the non-existence of a particular industry in the ACP state, and that is unlikely to convince the EU Commission.

Delays in reaching decisions on derogations can mean that export opportunities are lost. Under Lomé III, Fiji was granted a three-year derogation to use 850 tons of non-originating tuna, since its canning capacity exceeded the domestic catch. However, there was such a long delay in granting the derogation that the marketing arrangement went by the board. In 1975 Jamaican carpets were refused originating status because of the non-originating backing material (McQueen and Stevens, 1989). The relevant company applied for a derogation, which was granted many years later, but by then the company had lost its market position. A new derogation was applied for in 1988, when the EU advised the company to use backing material obtainable in Scotland, but given the uncertainty that its output would meet the rules of origin the company was unwilling to restart production for export. Even if this had been successful, such a distortion of trade flows through onerous rules of origin and cumulation provisions, in this case using reverse preferences, cannot be a desirable route to export diversification and expansion.

Furthermore, it has been argued that the extensions of such derogations (e.g. in the case of clothing for Mauritius and Fiji) are unpredictable and discourage planning and investment in potential export sectors[15]. Time limits, of three to six months, have been established for reaching derogation decisions, but there appear to be doubts about whether these are being respected. In any event, delays are not the only problem; uncertainties about the process and the sort of evidence required, the lack of clear and authoritative information, and the inquisitorial visits by EU inspectors to factories in the ACP states serve to discourage the pursuit of derogations.

Factors affecting the supply side

In conclusion, it should be recognised that many of the restrictions encountered by ACP producers in their attempts to export to the EU are not related to access to the European market, but can be found in factors affecting the supply side.

15. The survey reply from Papua New Guinea indicates that the uncertainty of Lomé concessions deters some potential investors in the canned tuna industry.

In many ACP countries the effects of natural disasters, drought, desertification, infrastructure inadequacies and insufficient production capacities mean that the export supply is not competitive in the EU market. Referring to sub-Saharan Africa, Se-Hark Park argues that many countries have been unable to achieve the level of industrialisation needed to increase manufactured exports and to benefit from the preferential access (Park, 1993).

Lack of private investment

Unstable economic and political climates have discouraged foreign investment in ACP countries[16] and make it hard for them to compete for investment with the more promising markets in Asia and elsewhere. Government policies have failed to provide appropriate incentives to encourage foreign and domestic investment. In success stories of progress in development, such as Mauritius and the Newly Industrialised Countries, foreign investment has been identified as an important contributory factor, not only because of the financial flows but also for the know-how in technology and marketing that accompanied the financial investment. In addition to deterring foreign investment and discouraging the formation of indigenous entrepreneurship, a study of the 'barriers to success' of ACP trade (Agarwal *et al.*, 1985) identified price and factor price distortions as well as distorted exchange-rate policies as factors in ACP policy that could partly explain the poor trade performance.

Inadequate infrastructure

Many ACP exporters face relatively high transportation costs when exporting to the European market. This is not only because of their distance from Europe, but also because they generally despatch limited quantities of goods for which they cannot obtain competitive shipping prices. Air transport also causes problems in several ACP states as flights to Europe are limited and competition for space is high, pushing up the prices. Transport within the country is in most cases equally unsatisfactory for dynamic exporters.

Lack of a developed financial services sector

Export finance and confidence in the banking system are lacking in many ACP countries and this puts a major constraint on their export performance. Exporters have difficulty in obtaining trade insurance from their banks and usually have to wait more than three months for payment by the European importer. The financial burden this puts on relatively small companies can be severe. A World Bank report on opportunities for African exporters in the US market also notes the lack of familiarity with financial institutions and instruments as a serious constraint to exporters (World Bank, 1994b).

Weak human resource base

Finally, most ACP economies have been hampered by their relatively weak human resource base. Because of the lack of good education and training, staff with specific technical skills are not easily available. Moreover, people with good entrepreneurial and management skills, who could have the necessary innovative impact on business in the ACP states, are scarce.

The absence of these factors, which are crucial for expanding ACP exports and increasing ACP competitiveness, indicates that it might well have been over-optimistic and unrealistic to expect that the Lomé Convention alone could deliver ACP export success.

16. Specifically mentioned in the survey reply from Côte d'Ivoire.

Box 3: Trade Development Stimulated by Policy Reform: the Case of Zimbabwe

Although still very much dependent on primary exports (in particular tobacco) and subject to their price fluctuations, Zimbabwe has been able to expand its exports of manufactured products considerably in recent years. Manufactured exports accounted for 10% of total output in 1986 and had increased to 18% in 1990/1 – before the serious drought which also affected the manufacturing sector (Page, 1994). The most important manufactured exports are textiles and clothing and shoes. Other non-traditional exports that have grown significantly in recent years are processed agricultural products, such as canned fruit and fruit juices, and cut flowers. From being focused on the South African market, Zimbabwe has shifted its trade towards the European Union, the USA and Japan, which now accounts for 36%, 9% and 7% respectively of its exports to industrialised countries, while its trade with other African countries has also increased.

This successful development of new exports and markets has been stimulated by a change in trade policy on the part of the government[1]. Since 1990, the government has removed foreign-exchange controls and liberalised the import regime, while maintaining some protection (or phasing in liberalisation) for particularly vulnerable local industries such as textiles and clothing. In addition, it has rationalised the tariff structure and reduced the rate of import surcharge (which it plans to completely eliminate by the end of 1995). Zimbabwe is no longer using variable levies nor does it apply minimum import prices according to the first GATT Trade Policy Review of Zimbabwe in December 1994 (WTO, 1995).

Although the impact of these changes in official trade policy varies among exporters, depending on whether they were severely constrained by the former controls or not[2], the decrease of control and interference has encouraged the expansion of exports in general and government in particular of manufactured exports which depend heavily on foreign inputs.

[1] Some other factors which are inherent to Zimbabwe and have played a significant role in its trade development are: the considerable level of industrialisation dating back to before independence; the skills and managerial and technical expertise that have been built up over the years in both the private and the public sector; the existence of an active trade promotion organisation (Zimtrade) and family connections in export markets. (Riddell, 1990).

[2] Page (1994) argues that the gains from liberalisation were offset for some exporters by the higher tariffs and interest rates on credits that occurred as a result, since they did not face severe constraints from the previous regime or knew how to evade them.

4. Impact of the Uruguay Round on Lomé trade provisions and ACP trade

There is general agreement that part of the decline in the ACP share of the EU market has been caused by the erosion of ACP preference over the last few years as a result of the extension of preferences to other developing countries and the liberalisation of multilateral trade. The EU Generalised System of Preferences (GSP) was extended to certain Central and East European countries followed by Europe Agreements for these countries, and improved access has been given to the four Andean Pact countries, Bolivia, Colombia, Ecuador and Peru. Global trade liberalisation under the GATT has lowered MFN tariffs and reduced the preferential margin of the ACP states and other developing countries benefiting from non-reciprocal preferential trade. In the Tokyo Round of multilateral trade negotiations MFN tariffs for industrial products went down from 10.4% to 6.4%, resulting in an average erosion of ACP preferences on these exports of 4%. In the recent Uruguay Round tariffs have been further reduced to an average of 3.9% MFN tariff on goods exported by developing countries (ODI, 1995b).[17]

In this chapter the effects of the Uruguay Round on the ACP states are discussed. The reduction of MFN tariffs which caused some erosion of their preferential treatment in world markets, the impact of the Agreement on Agriculture and the phasing out of the MFA, which were for the first time seriously tackled by the industrialised countries, are considered. Some of the new areas addressed by the Uruguay Round, including trade in services, intellectual property, are mentioned as well as the effects of the establishment of a World Trade Organisation on ACP states.

Developing countries, including some ACP states, played a more significant role in the Uruguay Round than in earlier rounds, as issues of interest to them were addressed, in particular agricultural subsidies and the Multifibre Arrangement. Developing countries have become more integrated into the international economic system and are therefore in a position to benefit from international negotiations. Many of them had already opened up their own markets as a result of the liberalisation of their trade regimes under structural adjustment programmes and they therefore felt that they had more to gain from participation in the negotiations. Their bargaining power was certainly increased.

Although 50 of the 70 ACP states were members of the GATT, their representation in the negotiations remained poor compared with that of some other developing countries, because of their generally weak administrative structures. The bargaining power of the ACP group as a whole was not very strong either. One of the reasons for this was the heterogeneous character of the group. As has been already indicated, ACP states differ in the size of their exports, in their dependence on the EU market and in their reliance on certain products for

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17. In theory the erosion of preferences leads to trade diversion away from the preferred supplier to more competitive suppliers which benefit from the trade liberalisation. However, in practice the. effects of preference erosion are not always so clear-cut. An *ex-post* analysis undertaken by CTA into the effects of preference erosion, resulting from changes in the GSP, on ACP export performance concluded that the erosion had no clear impact on ACP exports because of the volatile nature of the world economy and the economic structures of the ACP states (CTA, 1982). A World Bank study (Harrold, 1995), focused solely on the effects on Africa, called it 'Much Ado About Nothing'. In contrast, a 1995 FAO report concluded that the ACP countries would suffer detrimental consequences until well into the 21st century.

a large share of their export earnings. Partly because of a lack of coordination they had difficulty in defending their common interests, despite the concern among most of them about the further erosion of their Lomé preferences.

The main effects of the Uruguay Round Agreement on ACP export earnings will result from: (i) changes in world prices for ACP exports and imports of temperate agricultural products, arising out of the Agreement on Agriculture, (ii) the loss of tariff preferences in the EU and other markets for tropical products, fish and industrial exports and (iii) increased competition following the phasing out of the Multifibre Arrangement.

Effects of the UR agreement on agriculture

In the past Western industrialised countries have seriously distorted trade in temperate agricultural products. Guaranteed prices and various non-tariff barriers restricting imports have greatly increased output in the North and this excess output has largely been 'dumped' on world markets. The sale of European beef in the Sahel region and southern Africa as well as the sale of milk powder on the southern African market are examples of these trade practices, which have adversely affected African producers. Some European countries which were traditionally importers of these products have become exporters and world prices have been significantly reduced.

The Uruguay Round Agreement on Agriculture is an attempt to remove these distortions. Its principal features are:

- the 'tariffication' of non-tariff border barriers. Initially the tariffs will provide substantially the same level of protection, but they are to be reduced by an average 36%, with a minimum reduction of 15% for each tariff line, over six years, or by 24% over ten years for developing countries. Along with tariffication, a programme for 'minimum market access' has been agreed. Importing countries will allow imports at reduced tariffs equivalent to at least 3% of domestic consumption, rising to 5% by the end of the implementation period (in the case of developing countries 1% and 4% at the end of 10 years). A safeguard clause will allow the imposition of temporary duties where the volume of imports exceeds a trigger level or their price falls below a trigger level;

- the value of domestic support to the agricultural sector, excluding that which has a minimal impact on trade, is to be reduced by 20% over the same period, or 13.3% in the case of developing countries, subject to a number of exclusions. These include *de minimis* provisions where subsidies are less than 5% of production (10% in the case of developing countries), and where measures are deemed to have minimal trade-distorting effects;

- export subsidies are to be reduced to a level 36% below the 1986–90 base and the quantity of subsidised exports by 21%, both over the same implementation period. For developing countries the reductions are to be two-thirds of those applying to the developed countries. Food aid is exempt. In all cases, trade barriers, domestic support measures and export subsidies are closely defined. The new tariffs are also now all bound.

Major reductions in border protection, tariffs and tariff equivalents in quantitative restrictions, have been offered by several Contracting Parties to the GATT. The EU has offered to reduce border protection as follows: cereals: by 36%, sugar: by 20%, meat: by 36%, dairy products: by 36%, fruit and vegetables: by 20%. This package is likely to have modest effects on world prices and the pattern of trade in those goods where protection among the Western industrialised countries has been substantial – temperate grains, in particular wheat, but also rice and coarse grains, 'red' meats (beef, lamb and pork), dairy products and sugar.

Apart from the changes in world prices for their imports and exports, the ACP countries will be affected through their own obligations under the agreement. These are limited by the special provisions for developing countries. For example, the minimum tariff reductions are spread over ten rather than six years. Indeed, most ACP states, being among the least developed countries, are not required to reduce their tariffs at all. Similarly, the total 'aggregate measure of support' for the sector needs to be reduced by only 13.3% for developing countries rather than 20% as for the others, and not at all in the case of the least developed. The required reductions in export subsidies are also limited in the case of developing countries and do not apply at all to the least developed.

Since the obligations on ACP countries to reduce agricultural protection are limited and because of the limited amount of such protection among the ACP (relative to that in the Western industrialised countries), we concentrate here (i) on the likely rises in world agricultural prices and their effect on ACP imports and exports, and (ii) on the reduction in EU domestic prices for beef, sugar and rice and the impact of these changes on the ACP countries which enjoy specific trade preferences in these goods[18].

There has been little consensus about the effects of the package on trade in temperate agricultural goods. This is partly because of the different models used and partly because different researchers have made different assumptions about what the agreement might actually achieve. Our calculations with the OECD RUNS (Rural-Urban North-South) model used the actual agreements contained in the Final Act[19]. Even then there were major problems in assigning specific liberalisation moves to the Uruguay Round. The 1992 CAP reform was undertaken partly in order to anticipate some of the likely requirements of an agreement.

Clearly, there have been other factors at work, in particular the exigencies of national budgets in the developed countries, including the EU member states, the requirements of structural adjustment programmes agreed with the IMF or the World Bank in the case of many developing countries, even straightforward convictions about the gains from

18. Apart from the quotas for beef and sugar, access to the EU market for other ACP exports of temperate agricultural (CAP) products has also been restricted by quotas. However, a very detailed study would be needed, looking into all these ACP exports individually, and the changes in MFN and GSP tariffs plus the non-tariff barriers for each class of product individually in order to determine the effect on ACP export earnings of the opening up of the EU market resulting from the Uruguay Round. We do, however, include the effects on rice exports of the loss in value of ACP preferences, mainly as it affects Guyana and Surinam.

19. Neither time nor the limited availability of the full final offers allowed us to introduce detailed changes in tariff and non-tariff barriers for each product and for each country or country group. Instead , the model was fed the average requirements specified in the Final Act (as outlined above).

liberalisation in a number of countries. Nevertheless, in most cases, the approaching consummation of the Uruguay Round played a critical role in strengthening the hand of the free traders, not only in lowering barriers to trade and reducing the degree of internal subsidisation, but also in the choice of the new agricultural policies adopted.

Our assumption can be regarded as 'maximalist'[20]. The world-price and trade-flow changes in agricultural goods that we attribute to the Uruguay Round are the results of the reduction in protection – whether in the form of border tariff and other barriers, of subsidies to the domestic farm sector or of subsidies to exports – between the base period and the end of the transition period. In other words, we attribute any reductions in the instruments of protection, relative to their Uruguay Round base period levels, to what has taken place in the Uruguay Round.

The figures we took for the changes in prices of temperate agricultural goods were as follows: wheat: 3.5%; rice: 0.9%; coarse grains: 1.9%; beef, veal, sheep meat 3.7%; other meats: 0.5%; sugar: 5.2%. These are the final, 'steady state', effects. They measure the differences between the projected values, given the assumed 'base' changes in price and those under the Uruguay Round settlement after all the lags have been worked out. The estimate of the effects of these price changes on agricultural supply and demand assumes full price transmission; all changes in international prices are reflected in farm-gate and retail prices. Clearly, if some countries follow a policy of insulating urban consumers from increases in world prices and decline to pass them on to the farm sector, overall demand will be higher and supply lower than estimated by the model. This would mean that the model underestimates changes in world agricultural policies. In general, we assume that these two principal sources of bias cancel one another out.

In addition to the effects of the overall changes in world prices and trade flows, ACP exports will be harmed by the erosion of their complex set of preferences on temperate agricultural products. Of these the most important are the beef and sugar Protocols under which the EU has agreed to buy specific quantities of beef and sugar from particular countries every year throughout the duration of the Lomé Convention. In sugar, the main beneficiaries are Mauritius, Fiji, Guyana, Jamaica and Swaziland. In 1992 they exported some 1,600 tons. We assume a reduction in the EU price of Protocol sugar of 11%, but that this reduction *per se* will not affect the tonnage of exports to the EU: in other words, that the price remains sufficiently high for the quota holders to want to fill their quotas. The loss of economic rent is still substantial, some $19m in the case of Mauritius and $11m for Guyana. To some extent these losses are compensated by higher prices on sales to other markets. This is the case particularly for Fiji.

20. The export subsidy commitments have to be met product by product. In the case of tariff cuts, the implicit assumption is that the average required cuts will in general be applied across the board. As well as the specified average tariff cuts, there is a minimum reduction in tariffs of 125% across all goods, but it is possible to make only the minimum cut on the main imports and much larger cuts on non-traditional imports, as the formula is a simple average of the percentage, not absolute cuts. The analytically indefensible use of changes in percentage rates will permit further manipulation by giving large cuts on low tariffs. Without knowing the details of each offer at each stage, it is impossible to know how this affects the results, but it is probable that the average cut used here will overestimate the effects, especially for the most sensitive goods, except in countries which would be making the compulsory cuts on their own initiative. François *et al*, (1994:11), estimate the possible average at not much more than the compulsory 15%, half what is assumed here.

In beef the situation is rather different. The benefiting countries have by no means exploited their quotas. Even Botswana, the major beneficiary, exported only 16,700 tons in 1992 out of a quota of 18,900 tons. Nevertheless, in Botswana's case, beef and veal exports under Protocol 7 represented more than 60% of the country's total exports to the EU. The loss to Botswana is estimated at $11m.

Table 4.1 summarises the effects of the increases in world prices on ACP food imports and exports and Appendix Table A7 the guaranteed price reductions on Lomé beef, sugar and rice quotas. The trade balance in these goods deteriorated from -$3.33bn to -$3.55bn or by $226m.The net effects are clearly serious for major food importers such as Angola, Côte d'Ivoire, Senegal and Nigeria. They are even more serious for those which are most dependent on Lomé beef and sugar quotas – Botswana, Mauritius, Guyana, (though they remain net exporters), and Jamaica.

Table 4.1: Change in ACP trade in temperate agricultural products following the UR ($m)

	net exports		increase in loss
	1990-92 average	estimated new level	
Africa	-2,956	-3,128	-172
Caribbean	-345	-396	-52
Pacific	-26	-27	2
ACP total	-3,326	-3,553	-226

The few food-exporting countries among the ACP states will be able to produce for a freer and more transparent market where competitiveness, and not quotas, determines the trade pattern. For their exports to the EU there might be scope for increased preferential treatment in cases where quantitative barriers are being replaced by tariffs. Tariffs on CAP produce have generally been small, with the major trade barrier being the variable levies and other measures used to maintain the EU import price at an administered level, irrespective of world prices. Conversion of such non-trade barriers into tariffs would give the ACP states vastly improved preferential margins if they continue to enjoy tariff exemptions.

It is important to stress that there will be not only static but also dynamic effects. Supported by national policies, higher world prices could lead to more investment in agriculture, to diversification in favour of newly profitable crops and livestock and to an invigorated export sector. In the case of net food-importing countries, the domestic agricultural sector could be encouraged, not through new tariffs or taxes on imports, but through investment in the rural infrastructure, and the development of extension services and so on. Often the first step would be the elimination of the discriminatory fiscal burdens on the farm sector and the price-depressive effects of commodity boards and public purchasing agencies. Goldin et. al., (1993) estimate that sub-Saharan farmers receive on average only 91% of the world price for their crops of tropical beverages and fibres. The same study shows that increased investment in the rural sector not only improves agricultural output capacity but also raises demand for the manufactures of the urban sector and reduces the price of food, to the benefit of the urban population.

One modest, but nonetheless welcome, effect of the UR agreement could be on the variability of world prices of temperate agricultural goods. The variability will decline as the Western industrialised countries reduce their dumping on the world market. At present these subsidised exports vary substantially in quantity from year to year, causing sharp fluctuations in overall world supply. As the supply on the world market derives from a broader range of countries, random effects of weather or policy shocks in any one country (or the EU) will become progressively less important. The effects of the UR in this respect will be minor but they will at least operate in the right direction.

Preference erosion on ACP exports

Calculating trade diversion caused by preference erosion

Taking account of the tariff levels and offers of reductions in the Uruguay Round by the ACP's main trading partners (Blackhurst et al., 1995), it appears that some of the products of particular interest to ACP exporters such as fish, leather, rubber products, footwear and transport equipment had MFN tariffs relatively above average and small cuts. In contrast, market access for other exports of importance to the ACP, such as wood pulp and paper and chemicals and electric machinery, has been made more generous for MFN suppliers. Due to the previous preferential treatment of ACP exports in these markets, the extension of market access by a reduction of MFN tariffs will affect ACP exports negatively. Preference erosion and subsequent trade diversion are expected to be largest in the market where – *a priori* – ACP exporters enjoy the largest preferences, the European Union[21].

As the RUNS model does not take into account the preferential treatment developing countries receive, a partial equilibrium model has been used to determine the effects of the preference erosion following the Uruguay Round. Although partial equilibrium analysis is unable to cope with changes in factor prices and the reallocation of factors of production, its strength lies in its ability to grasp the complex details of trade regimes and to look at the direct effects of changes in those regimes on prices and trade flows. It is therefore a useful tool for these kinds of quantifications. However, it should be stressed that only the static losses in the short to medium term can be estimated in this way. The dynamic effects resulting from preference erosion are hard to estimate, but there is likely to be some negative impact on investment and employment.

The partial equilibrium (p-e) analysis makes assumptions about how elastic the response of EU demand and ACP supply are to changes in prices (see Appendix Table A8). Secondly, the estimates are based on current production in the ACP countries . Changes in the structure of production over the transition period which result from non-UR effects cannot be taken into account. Thirdly, the analysis should take into account not only the changes in MFN tariffs but also the market access for the principal developing country competitors of the ACP states. The preferential tariff rates granted to GSP beneficiaries were not subject to negotiation

21. For the small number of exports which have not benefited from preferences, especially in the US and Japanese markets (e.g. US imports of footwear which is excluded from the CIB), but also South-South trade, further liberalisation might, however, benefit ACP exporters (see page 71).

within the UR. The scheme that affects the ACP states most, that of the EU, was renewed in January 1995. However, these calculations were done before the new GSP was known. The following assumptions were therefore made. Where the MFN tariff goes to zero or the new MFN rate would be below the present GSP rate, we have assumed that the GSP on those goods is effectively withdrawn. Where the new MFN rates are greater than the old GSP rates, we have assumed that the GSP rates would remain unchanged. These assumptions, along with the GSP utilisation rate – the ratio of GSP-benefiting to GSP-covered MFN – tariffs and existing and 'offered' MFN rates for each sector, are summarised in Appendix Table A8.

In the case of manufactures, the figure is the actual share of manufactured exports of the countries receiving GSP treatment in 1992 (taken from EU reports to UNCTAD). It is low because certain products are excluded from the scheme while others, notably in clothing and textiles, are subject to tariff quotas, and because of a low take-up even where the preferential rate is available. In the other sectors the figure is based on a utilisation rate of 75% for agricultural products. In the case of tropical beverages, metals and minerals, the actual utilisation rate is likely to be high as these exports tend to be handled by large multinational companies and these products are not subject to tariff quotas or eligible for GSP treatment. The sectors identified in the table cover less than half of ACP exports to the EU. The balance is either in CAP goods, which are treated separately, or in sectors where MFN tariffs are zero, such as rubber and many other raw materials. Bearing in mind these uncertainties, an attempt has been made to use the p-e analysis to estimate the consequences for the ACP states of the loss of preferences around the world.

Calculating the *ex-ante* trade diversion and subsequent loss in export earnings caused by the erosion of ACP preferences provided by the OECD countries, we have implicitly assumed that the existing preferences are largely exploited by ACP exporters and that they have an impact on the competitiveness of ACP exports. Taking into account our arguments about the effectiveness of the Lomé trade provisions, the losses may be overestimated.

Binding of tariffs and reduction of tariff escalation
Almost all tariffs on developed countries' imports of industrial products are now bound (GATT, 1994a). This means that the present level (or an upper limit), as agreed with trading partners, is registered with GATT/WTO and can then only be lowered, not raised, except by further negotiation or compensation. The binding will be advantageous to ACP exporters as the developed countries will no longer be able to increase protection on certain imports when they become more sensitive. Although this has not often happened often vis-à-vis ACP countries in the past, it offers good security for the more advanced ACP countries, such as the Bahamas and Mauritius.

Another proclaimed advantage of the outcome of the Round is the reduction of tariff escalation (Harrold, 1995). However, tariff escalation has not been a major problem for the ACP states which sought to increase the value added of their exports. ACP tariff preferences have generally been greater the higher the level of processing, especially in the EU market. The advantage of being exempted from tariff escalation will be eroded or at least reduced in the short run. ACP exporters have moved into processing and manufacturing only to a limited extent and the fact that they will lose this advantage will, like their preference margins in general, be no great immediate loss. It will mean, however, that if certain ACP states want to move into processing their tropical or natural resource products in the future, access may be marginally more difficult.

Erosion of preferences on tropical products
Initially, tropical goods (in the UR sense, therefore excluding products that are highly protected in industrialised countries) were treated within a separate negotiating group, though eventually they were incorporated into one agriculture agreement. Agreement was reached through the 'bid and response' method, but the individual offers were subject to overall rules on domestic support, export subsidies, the tariffication of non-tariff barriers and both average and minimum tariff reductions over fixed periods.

The mid-term agreement of the Uruguay Round already saw some reductions in ACP tariff preferences on these products agreed and actually implemented (ACP Group, 1990). The GATT Final Act sees further erosion of preferences by about 50% on most of these products. In some cases the preferences have been reduced by about 50% by bringing MFN tariffs down to zero, as for example on coffee and cocoa beans.

Appendix Table A9, presents estimates of the static loss in ACP export earnings from tropical products exported to OECD countries. Following the erosion of their Lomé and GSP preferences, the ACP countries see their trade diverted to other suppliers. This not only reduces the ACP share of the market, but also increases competition and brings about price reductions.

Taken together, the liberalisations of GSP and MFN tariffs on tropical products lead to trade diversion of about $83m and a loss in ACP export revenues of some $177m. Coffee and cocoa beans are the most important individual products, but cut flowers and plants, nuts and tropical fruits, spices and tobacco are also responsible for significant losses. The average preference erosion for tropical products other than coffee and cocoa beans amounts to 48% and 30% as a result of reductions in the MFN and GSP tariffs respectively. The ACP states are expected to preserve a preferential margin of 4.2% on these products in the EU market vis-à-vis both the MFN and GSP beneficiaries. The preference erosion in the EU market is most damaging, as most OECD importers already offer duty-free access for many tropical products.

Overall this will affect a number of African countries, in particular Cameroon, Côte d'Ivoire, Ghana, Kenya, Malawi, Ghana and Zimbabwe. The countries exporting coffee and cocoa are particularly hard hit, some of them such as Uganda, Burundi and Rwanda, being largely dependent on export earnings from these products. In the Caribbean, the Dominican Republic and Jamaica are the principal losers and in the Pacific, Papua New Guinea.

Preference erosion on fish and fish products
Various 'zero-for-zero' proposals, mostly initiated by the United States, would have led to more substantive tariff cuts and losses in ACP preferences, but these were resisted by other participants. Overall, the reduction in tariffs on fish and fish products has been relatively small. According to GATT estimates, the reduction in average tariffs amounts to 26% in the case of all developed countries and 19% for the US. Our estimate for the EU reduction is below that, with post-UR MFN and GSP tariffs averaging 12% and 10.6% respectively. However, it has to be borne in mind that the value of ACP exports of these products is

relatively low and is concentrated in a few countries.

The major ACP exporters of fish are Côte d'Ivoire and Senegal, which together lose more than $5m. Nevertheless, smaller exporters which are more dependent on their fish exports, such as the Seychelles, Solomon Islands, Cape Verde and Mozambique, will face higher relative losses and greater difficulties in expanding their industries because of the preference erosion. This is particularly important because, as was indicated in Chapter 3, the preferences seem to have played a positive role in a few ACP countries in developing and diversifying the sector. On the other hand, as most of these countries (Cape Verde may be an exception) are remote from European markets, they may benefit more from the liberalisation of other markets (especially Japan and the USA) than they lose from EU preference erosion.

Preference erosion on industrial exports

Although **metals and minerals** were not heavily protected before, the further reduction of MFN tariffs to 1.0% will affect ACP revenue from these relatively important exports. Preference erosion on metals and minerals will result in losses of around $72m for the ACP group. Trade diversion is particularly acute for African countries where metals constitute one of the major exports. Congo, Ghana, Guinea, Zaire, and Zambia are particularly affected, as are the Dominican Republic and Papua New Guinea.

On exports of **wood, pulp and paper**, tariffs are generally low; MFN tariffs were reduced by 57% to only 1.8% and they were already zero for GSP beneficiaries, as are the ACP preferences. Nevertheless, ACP exports are fairly significant and trade diversion is expected to lead to a $42m loss of export earnings. The preference erosion could be a problem for Cameroon, Congo, Côte d'Ivoire, Gabon, Ghana and a smaller exporter, Equatorial Guinea, which is highly dependent on its wood exports and will lose 2% of its revenue from exports to the world.

On exports of **leather and footwear**, ACP countries lose $7.2m of their export revenue, most of which is accounted for by the Dominican Republic. In the category of **non-electrical machinery** losses are spread over many of the ACP countries, but they remain small (only $5.5m in total).

Preference erosion in **chemicals** affects only a small number of ACP countries, in particular Niger, the Bahamas and Trinidad and Tobago. More sophisticated products, such as **electrical** and **transport equipment**, are also exported by only a small number of ACP states. Trade diversion affecting these exports is likely to cause significant losses in export earnings for the Dominican Republic, Liberia and the Bahamas. In total, the ACP states lose $16m on exports of electrical equipment and $12m on exports of transport equipment.

Trade diversion and export revenue losses in all industrial products are estimated at $242m and $317m respectively (see Appendix Table A10). Despite the low level of ACP exports of manufactures, these are substantial figures. Almost all the ACP states export some manufactures to the EU and will be affected to some extent by the erosion of their tariff preferences. In Africa, Cameroon, Congo, Côte d'Ivoire, Gabon, Liberia, Mauritania, Niger, Nigeria, Zaire and Zambia are particularly affected, but the biggest losers are in the Caribbean: the Bahamas, the Dominican Republic, Jamaica, Surinam and Trinidad and Tobago. In the Pacific, Papua New Guinea will suffer significantly. Relative to their total export earnings Niger, Djibouti, the Bahamas, Antigua and Barbuda and Tuvalu will lose most as a result of the preference erosion on their manufactured exports to the EU.

Among these countries are some of the ACP states which have been most successful in diversifying their production. Preference erosion might prevent other ACP countries from moving further into the production of non-traditional exports. Exporters of manufactures may be particularly susceptible to the reduction of the preference margin, because many of the producers are new, often small, enterprises which are trying to break into the EU and other markets. The erosion of preferences will affect future investment prospects. However, as has been argued in Chapter 3, these factors should not be exaggerated.

Total trade diversion in tropical and industrial products amounts to $325m and the loss of export revenue to approximately $490m. Relative to overall exports to the world this comes to around 1% of export earnings – a small percentage. The percentage is small. It must be borne in mind that a large share of ACP exports suffer no trade diversion, since these products already enter OECD markets free of tariffs for all suppliers. Even where MFN tariffs are non-zero, in many cases the main competitors are other developing countries which enjoy comparable preferential treatment. However, again it needs to be stressed that these are only static losses: the dynamic effects on investment and future export earnings are difficult to quantify but the general consensus is that they could add considerably to the losses.

Summary of quantitative effects of the Uruguay Round

If the trade effects of the Uruguay Round on the ACP states are summarised, their total loss of export revenue is expected to be $713m. Relative to their total world exports, African and Pacific countries are expected to lose 1.1% on average of their export revenue, while Caribbean countries are expected to lose 3.0% (see Appendix Table A11 and Table 4.2). The overall percentage of loss in export earnings estimated here for the ACP as a whole, 1.3%, might seem small, but some ACP states will be particularly adversely affected because they are dependent on only a few products for their export earnings.

Table 4.2: Summary of the Uruguay Round settlement. Trade effects ($m and share of 1992 exports from the ACP to OECD countries)

	change in net exports of temperate agricultural products	change in revenue from exports of tropical products and fish	change in revenue from exports of industrial products[a]	total change in exports	1992 exports to the rest of the world	total change as % of total exports
Africa	-173	-156.3	-175.8	-505.3	44689	-1.1
Caribbean	-52	-11.0	-120.0	-183.1	6109	-3.0
Pacific	-2	-9.3	-14.2	-25.0	2390	-1.1
ACP	-227	-176.6	-317.0	-713.4	53188	-1.3

[a] excluding textiles and clothing

Table 4.3: Ten ACP countries facing biggest export losses, relative to their total revenue from exports to the EU

		Total export loss $m	Loss as % of total exports
1.	Dominican Republic	40.4	7.1
2.	Zaire	28.0	6.7
3.	Malawi	19.9	5.2
4.	Guyana	13.0	4.3
5.	Madagascar	11.8	3.9
6.	Suriname	15.7	3.8
7.	Bahamas	39.7	3.7
8.	Jamaica	34.3	3.1
9.	Mauritius	14.3	2.6
10.	Mauritania	33.5	2.6

In absolute terms, the ten biggest losers are Côte d'Ivoire ($52m), Dominican Republic ($40m), Bahamas ($40m), Jamaica ($34m), Mauritius ($34m), Nigeria ($32m), Zimbabwe ($28m), Kenya ($28m) Zaire ($28m) and Trinidad and Tobago ($24m). The ten countries that lose a relatively large share of their export earnings and are significant ACP exporters are shown in Table 4.3. Countries which accounted for less than 0.5% of ACP exports to the EU in 1992 have been excluded here. Some of these smaller exporters, lose an even larger share of their EU export revenue. The five biggest losers are Cape Verde (19.8%), Djibouti (17.2%), Guinea Bissau (12.5%), the Gambia (12.2%) and Western Samoa (11.8%).

In comparison with other developing countries, the ACP states appear to be most adversely affected by the Uruguay Round. According to a study recently undertaken by the Overseas Development Institute (Page and Davenport, 1994) developing countries in general lose 0.1% of their earnings from merchandise exports. Latin American and ASEAN countries are expected to lose 0.2% and South Asian countries 0.1% of their export revenue. Change in the export earnings of the Asian Newly Industrialised Countries does not appear to be significantly positive or negative.

The phasing out of the MFA and its effects on ACP exports

As a result of the Uruguay Round, the Multifibre Arrangement (MFA) will be phased out over the next 10 years. As the ACP states have been exempted from the MFA in the past, this will have the effect of adding to the erosion of their preferences. The phasing out will take place in three stages and at each stage the EU and other importers will transfer part of their imports of textiles and clothing from the MFA to GATT rules, replacing their bilateral quota arrangements by tariffs. During the first phase, due to be completed by the end of 1994, at least 16% of the total 1990 volume of textiles and clothing imports had to be transferred. In phase two, products accounting for another 17% must to be brought under GATT rules before the end of 1997, and an additional 18% will be integrated in the GATT by 2001. During the last stage the MFA will be completely phased out with the integration of the remaining products into the GATT. Apart from the elimination of quantitative restrictions over the next 10 years, according to GATT estimates developed countries' tariffs on textiles and clothing will also be reduced to 22%.

The implications of this liberalisation are difficult to predict. In the first two phases no major changes are expected as the liberalisation of barriers on the most sensitive products will undoubtedly be left to the final phase. The effects of the phasing out of the MFA depend on the demand and supply response to the liberalisation. Demand for clothing and finished textile products in OECD countries is expected to increase as a result of the dismantling of MFA restrictions. At the same time developing country suppliers of these products will try to expand their exports and take a share of the growing market. However, the clothing sector, in particular, will become far more competitive via this process than when it was regulated by the MFA regime. Producers with significant comparative advantage will be able to take a relatively larger share of the growing market than other developing countries (see Page and Davenport, 1994, for some estimates).

ACP producers of clothing and textiles will be hard pressed to benefit from the rise in demand, since they were not subject to controls before. On a global scale, the highly competitive Asian countries are expected to gain a large share of the market from previously protected suppliers or preferred sources such as the ACP, thanks to their natural resources and low labour costs. Significant ACP exporters of MFA goods in Mauritius, Madagascar, and Lesotho, which lack an intrinsic comparative advantage and have largely used the Lomé preferences to build up their industry, will face greater competition in the EU market and are more likely to lose market share for their current exports rather than gaining from the phasing out of the MFA. Zimbabwe has only just entered the market and will also find it hard to compete with the other players.

Caribbean suppliers of clothing and textiles are affected by preference erosion in the EU and especially the US market, where they enjoy special preferences on outward processing. In the EU market the least competitive of them, such as Jamaica and some of the smaller islands, are again likely to lose market share. Haiti is the only Caribbean exporter with a cost advantage and it might therefore maintain its position in the market. The winding down of the MFA will, in any event, give Caribbean producers more freedom and better prospects to develop their industry. Under regulation 807A, they were left with only a part of the processing of the clothing industry, giving them no opportunity to develop a strong base nor experience in distributing and marketing their products. However, with respect to their exports to the US it is hard to estimate whether the gains from the phasing out of the MFA will compensate for the erosion of the special treatment under regulation 807A. It is likely that Chinese and South Asian suppliers of raw materials will increasingly produce textiles and clothing for export to the US after the phasing out of the MFA.

For ACP states such as Chad, Burkina Faso, Benin and Mali, which currently depend for a significant part of their export earnings on exporting basic textiles which do not fall under the MFA regime and are therefore not directly affected by the Uruguay Round, the erosion of their preferences in the EU market might slow the potential development in the industry as investment is negatively affected. Without protection or the investment that preferences might attract, it will be more difficult for the textile industry in these countries to progress to higher value-added products and more diversified textiles and clothing exports.

Impact of the liberalisation of trade in services

The negotiations on liberalising trade in services were complicated by the conflict of interest between the developing and the developed countries. The developed countries were particularly interested in the right to establish a commercial presence in other developed and developing countries, whereas the developing countries were more interested in the liberalisation of labour-intensive services exports. Up to now many developing countries have imposed restrictions on the imports of services from developed countries in order to protect domestic institutions and to maintain national independence on rule-setting in the sector. With regard to the financial services sector in particular, developing countries are concerned that liberalisation will intensify the competition to the extent that foreign suppliers will take over their national markets. On the other hand, the developed countries are concerned about the relaxation of rules on the movement of labour involved in the liberalisation of trade in labour-intensive services.

These contrasting interests and concerns have made far-reaching liberalisation of trade in services difficult. The establishment of a good framework with clear rules and obligations has therefore progressed further than the provisions with regard to market access and national treatment. These latter provisions depend on the schedules of commitments of individual GATT members.

The Agreement covers services supplied from one country to another or to customers in another country, and services provided through the presence of entities or nationals from one country in another. It also sets out the general obligations, such as transparency requirements, and obligations relating to recognition requirements and the application of the MFN principle. In general, liberalisation of trade in services will be subject to the MFN rule, but the General Agreement on Trade in Services(GATS) allows parties to indicate exemptions to this obligation. For countries with balance-of-payments difficulties, there are safeguards allowing them to restrict international transfers relating to commitments under the Agreement, but these provisions can only be temporary and are subject to strict conditions.

The schedules of commitments of individual members comprise liberalisation or commitments to the status quo in several service sectors. Most of the developed countries have made offers in all the service sectors that were negotiated in the Uruguay Round, with the exception of education, the environment and health services. Offers for financial services are subject to further negotiation which must be completed by the time the WTO has been in place for six months (GATT, 1994b). The offers contain provisions on market access and national treatment within certain sectors to which the Contracting Parties commit themselves. Countries making the offers are expected to change their domestic regulations in such a way that the proposed access to the service market is indeed guaranteed.

The European and American offers include exemptions on MFN obligations. The exemptions of interest to the ACP states mainly concern the movement of labour and transport services. The critical issue of the services involving movement of labour, which is important for developing countries, is addressed in an Annex to the GATS. This states that, although labour at managerial and technical level connected with the mobility of capital is not restricted, the Agreement does not apply to measures affecting the movement of individuals providing services or residence on a permanent basis.

Offers on services from the ACP countries are generally limited and often include restrictions on investment and migration. Offers are mainly designed to attract highly qualified managerial and technical rather than unskilled labour and investment in advanced services such as telecommunications or financial services. In Africa only half the countries have submitted their offers, which generally cover about four of the sectors, mainly in finance, communications, tourism and one other sector. Countries that have opened up in only one sector have usually done so in the tourism sector.

In general, the increased transparency of trade in services, and the simplification of the regulations targeted by the GATS, should benefit all suppliers of services. The developing countries might benefit from an increase in foreign direct investment and the advanced technological know-how which is likely to be attracted by the improvement of access to their markets. Nevertheless, liberalisation in the service sector will pose a considerable threat to developing countries which have to open up their markets for services, especially capital-intensive ones, from developed countries. Their own service suppliers will face stronger competition, making the development of potential national service sectors in these countries more difficult.

Assessment of the liberalisation of trade in services is more complex than of the liberalisation of trade in goods. To measure the liberalisation one could try to determine a 'tariff equivalent' to barriers in trade, which are mainly in the form of domestic laws and licensing requirements. This raises considerable technical problems.

The service sectors in which ACP states have their main competitive advantage – tourism and data-processing – have been opened up completely by the EU and Japan, which only maintain some reserves on labour movement. Negotiations on shipping were not dealt with before the signing of the Uruguay Round agreement, and the outcome of the continuing talks on these services is difficult to predict. In the US minor restrictions are imposed on tourism offices, but, apart from that, these services enjoy free market access and national treatment in the US market. Since these services have not been restricted by significant barriers in the past, the gain from liberalisation in these sectors may be only small.

Broadly speaking, the impact of the Uruguay Round on ACP trade in services with the EU and other trading partners is negative but small, as the level of their trade and their involvement in the international economic system is too low to allow them to gain much from the Round. This is particularly true for most of the 47 African countries.

Improved market access

On a more optimistic note, the improved access to non-EU markets is expected to benefit ACP countries. In contrast to the preference erosion in Europe, ACP states will have more, and more secure, access to other markets where they currently have less preferential treatment. Regarding exports to the US and Japan which benefit from the GSP, the Round has definitely increased the certainty of market access, especially for the more advanced ACP countries, as preferences of this type are very much dependent on the policies and, for that matter, the governments of the preference-giving countries.

For Pacific islands and some countries in East Africa and the Indian Ocean in particular, the growing Asian markets offer obvious new opportunities. Despite the erosion of their preferences under the Caribbean Basin Initiative, Caribbean countries will benefit from a more open US economy. Concern that they will be excluded from NAFTA arrangements, should they be extended, has stimulated many of them to develop a proactive strategy to be included (see p.87). This is the kind of action that will be needed if ACP states are to exploit the opportunities in these and other non-EU markets.[22]

Although trade among the ACP countries and with other developing countries has been limited (despite efforts within the context of the Lomé Convention to promote regional cooperation), the liberalisation to which developing countries have committed themselves will provide improved market access. In particular, the substantial offers of South Africa and the Latin American countries can open up new opportunities. Regarding improvement of access to ACP markets, offers have been conservative. Most ACP countries have increased the binding of their tariffs, but to a lesser extent than the developed countries (from 15% to 79%) and sometimes well above the actual tariffs (with the exception of the countries of the Southern African Customs Union). Harrold (1995) argues that it is unfortunate that the African ACP countries in particular have missed the opportunity by not binding their domestic reforms[23] to an international anchor to improve their credibility. Demands placed on ACP countries are minimal, especially for the 38 least developed. In most cases they have been offered longer periods to adapt to the UR agreement or have been exempted from its rules (e.g. the abolition of export subsidies).

Aside from the improved access to non-EU markets, the Uruguay Round is likely to have a positive impact on the ACP states via the boost in world trade and investment, and the economic growth that the trade liberalisation will generate, which optimists say will outweigh the preference erosion and other negative factors. Global income will be increased by improved access to the markets of trading partners and a more efficient use of resources, when trade barriers are reduced or removed. Recent estimates of this increase are shown in Table 4.4.

On average the studies quoted in Table 4.4 predict an increase of 1.05% in world demand by 2002. Assuming that the elasticity of demand for ACP exports is as low as 1, a potential gain of $558m will result from the outcome of the Uruguay Round by 2001 (see Appendix Table A12). Combined with their losses occurring from the Round the ACP states are still expected to lose approximately 0.3% of their export earnings. In an alternative scenario, illustrated in the Table, of an average elasticity of demand for ACP exports of 3, they appear to gain 1.8% of the current level of their export earnings. However, in order to benefit from the opportunities of trade liberalisation the ACP states will need to overcome structural problems and improve their competitiveness to become adequately prepared for the competition in these markets.

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22. It may be rather depressing to note that only one of the 70 ACP countries, Papua New Guinea, had by 1995 joined the APEC 'Pacific Rim' group of developed and developing countries, which together comprise by far the biggest market in the world – the USA and Japan are members.

23. Some of the liberalisations undertaken outside the Round, for instance as part of structural adjustment reforms, have been acknowledged or 'credited' in the Round.

Table 4.4: Recent estimates of the impact of the Uruguay Round on global income/welfare

	Increase in global income
GATT (1994a)	$235bn by 2005 from the full market access package (1992 dollars)
World Bank/OECD	$213bn by 2002 from liberalisation of industrial tariffs and agriculture (1992 dollars)
OECD (1993)	$274bn by 2002 from the full market access package (1992 dollars)
Nguyen et al. (1993)	$212bn from the full market access package

Source: GATT, 1994a

The World Trade Organisation

In order to extend the GATT to new areas, such as services, and to strengthen the international trading system, the World Trade Organisation (WTO) was established on 1 January 1995. The GATT will remain in existence for Contracting Parties which do not wish to join the WTO. The organisation will be run by a General Council which will also act as a Dispute Settlement body. The Council will be supported by several specialist subsidiary Councils, including a Council for Trade in Goods and in Services, a Safeguard Committee and a Council for Trade Related Intellectual Property Rights. The membership of these Councils will be open to all 118 members of the GATT.

The Final Act of the Uruguay Round describes the WTO as a rule-based trade organisation. It aims at greater transparency and better enforceability of the agreed rules and obligations. The predictable and strict rule setting under this trade arrangement could be beneficial to the ACP states and developing countries in general. It will restrict unilateral measures against them and give them more opportunities to defend themselves. The different Councils will also increase the availability of information and enhance transparency in international trade practices. This will be beneficial for all countries, but in particular for developing countries which often do not have the resources and expertise to obtain the technical information necessary to protect their interests. The decision-making process within the Organisation will continue to be based on unweighted qualified majority voting, as in the GATT.

With the establishment of the WTO, trade liberalisation is likely to continue outside the structure of a Round and to become a more permanent process. The WTO will put greater pressure on developing countries to open up their protected environment. This might be too early for some of their industries which still rely on protection and government intervention for their survival. On the other hand, the industrialised countries will be forced to liberalise in the highly protected sectors of importance to developing countries. Although the downside, the erosion of special preferential access for the ACP and other developing countries, will continue, it will help ACP countries which are reorienting their interests in international trade.

The Uruguay Round has had a major catalytic effect on developing countries' awareness about trade; it has encouraged a more liberal approach and stimulated many of them to reappraise their interest in international trade.

The new dispute settlement mechanism

The dispute settlement system is, according to the GATT, 'the central element in providing security and predictability of the multilateral trading system, and permits developing countries to pursue their rights independently of their power in the international trade environment'. (GATT, 1994b) As a result of the Uruguay Round the system has been strengthened enormously and made much more automatic. In contrast to the consensus and bargaining approach which was previously used in all stages of a settlement, findings by the panels which act as tribunals will become binding and will no longer need to be adopted by the General Council. Time limits between the request for a dispute panel by the complaining party – after bilateral consultations have failed – the establishment of the panel by the Dispute Settlement body (the Council) and the approval of the panel by the countries involved have been shortened to 60, 30 and 20 days respectively and will be stricter than before. The panel needs to report within six months and its report will be automatically adopted, unless the Council decides to reject it within 60 days.

When an independent panel report accuses a member country of ignoring the rules of the WTO, the offending country has a last chance to appeal to a permanent appellate body, whose verdict is binding. If the country, to which the complaint was addressed, continues to ignore the recommendations of the panel after that verdict, the WTO itself is not able to take any sanctions. Nevertheless, it can authorise the affected parties to withdraw MFN treatment from the offending country. Previously retaliation could be recommended only by the Council, and could be blocked by the offending country. Remedies were therefore often avoided under the previous mechanism. The new mechanism allows, for the first time, cross-retaliation in different sectors from those in which the complaint originated. This also increases the likelihood of the remedies being carried out.

The strength of the new mechanism clearly depends on the credibility it can build up. It has to be proven that the mechanism can indeed prevent Contracting Parties from ignoring panel decisions or retaliating unilaterally prior to the verdict on a dispute. If it is successful, the developing countries will benefit from more consistent rules and their stricter enforcement as this will increase their bargaining power against more powerful trading partners. However, they remain in a relatively unfavourable position in disputes. They are in general much more vulnerable to retaliatory actions as a result of the negative outcome of a dispute than are the developed countries, because of their economic dependence on their big trading partners. It would have less impact if Barbados withdrew its MFN treatment from the US, than for if the US were to withdraw its MFN treatment from Barbados, for example.

The ACP states have not yet been dragged into a dispute by other Contracting Parties, but they have been affected by disputes against the EU involving Lomé preferences. The case of the banana dispute between the EU and Latin American countries about the quota system for Latin American bananas is an obvious example. This dispute might well have ended less favourably for the ACP if it had been dealt with under the new dispute settlement system, since it would not have been possible for the EU to block the findings against it as it did

Box 4: WTO membership as of July 1995

Not all ACP governments have joined the World Trade Organisation, although it is getting closer to being a global organisation than the GATT ever was. Both China and Russia are candidates for membership. Of the ACP countries, 33 had joined the WTO by mid-1995 and 4 had asked to become members (WTO, July 1995), while 20 that were members of the GATT had not yet become members. This leaves 13 ACP states, among them Ethiopia, Somalia, the Bahamas and some smaller ACP states, which have never been part of the GATT.

WTO member	GATT but not WTO member	GATT-WTO requests
Antigua and Barbuda	Angola	Sudan
Barbados	Benin	Seychelles
Belize	Burundi	Tonga
Botswana	Cameroon	Vanuatu
Burkina Faso	Chad	
Central African Republic	Congo	
Côte d'Ivoire	Fiji	
Djibouti	Gambia	
Dominica	Grenada	
Dominican Republic	Guinea	
Gabon	Haiti	
Ghana	Madagascar	
Guinea Bissau	Mozambique	
Guyana	Niger	
Jamaica	Papua New Guinea	
Kenya	Rwanda	
Lesotho	St Kitts and Nevis	
Malawi	Sierra Leone	
Mali	Solomon Islands	
Mauritania	Zaire	
Mauritius		
Namibia		
Nigeria		
Saint Lucia		
Saint Vincent and the Grenadines		
Senegal		
Suriname		
Swaziland		
Tanzania		
Togo		
Trinidad & Tobago		
Uganda		
Zambia		

Source: WTO, 1995, July

when the panel report first came out.

Quantitative restrictions, safeguards and anti-dumping measures

Quantitative restrictions and anti-dumping measures have not affected ACP countries in a significant way in the past, although some countries have been confronted by Voluntary Export Restraints or threats of imposing them, e.g. Mauritius. However, from the experience of other, more advanced, developing countries it appears that when exports increase and a country becomes more successful, protectionist measures of this kind can be introduced by industrialised countries, in particular the EU and the US. The share of manufactured exports from developing countries affected by non-tariff barriers from OECD countries was 18.8. This is more than double the figure for developed countries (8.5) (Harrold, 1995). Although the non-tariff barrier coverage ratio for African ACP countries was only 6.5, it shows that they could risk an increase non-tariff barriers as they develop their exports further.

The UR agreement on safeguards is specifically designed to curtail the use of 'grey-area' methods – voluntary export restraints, orderly marketing arrangements, and the like – to regulate trade for normally protectionist purposes. A 'sunset' clause has been agreed which means that all such measures have either to be brought into conformity with GATT rules or phased out within four years. All existing safeguard arrangements under Article XIX would be terminated within eight years.[24] It is indeed expected that some reduction in the use of grey-area measures will occur. Nevertheless, the unpleasant fact remains that it is impossible to prevent measures being taken outside the GATT whereby exports to important markets are discretely restricted under threat of more serious sanctions.

Similar arguments hold for the use of anti-dumping measures. Anti-dumping actions have become a favourite protectionist tool of the developed countries. They are attractive because the GATT Code has been relatively permissive[25] in this area in the past. The Uruguay Round agreement has made some limited improvements in the rules of the Code on Anti-dumping and has also incorporated the rules as an integral part of the GATT, rather than as part of a separate code which members may or may not choose to sign or not.

The improvements concern the rules for establishing the 'normal' price of the product which is allegedly dumped and for determining whether material injury to the domestic industry has taken place. It is unfortunate that the UR negotiations did not result in the simplification and, possible strengthening of the safeguards mechanism, which would be the proper mechanism for dealing with most threats to domestic industry caused by price competition from abroad. Instead, because the outcome can be largely controlled, with the national authorities in the importing country acting as investigator, judge and jury,

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24. The developing countries are given some additional shelter against the implementation of the safeguard clause in that it can only be invoked if the share of imports from a developing country exceeds a threshold of 3%, or that of all developing countries 9%. As regards their own use of the clause, the developing countries are given a further two years for the maximum period of application.

25. Countries have been allowed to establish procedures for investigating alleged dumping which are biased towards positive results, where action can be taken quickly – provisional duties can be introduced immediately - and without the need to provide compensation, and where actions can be and often are informally settled through price or trade volume commitments by the exporting country.

anti-dumping actions will continue to be used for protecting the domestic industry, either through the harassment of foreign suppliers or through the imposition of anti-dumping duties.

Most of these non-tariff restrictions and anti-dumping actions will continue to fall on the most industrialised of the developing countries. With their low levels of exports of manufactures, most ACP States have little to fear for the moment. However, as the Multifibre Arrangement is phased out the industrialised countries could make increasing use of these actions to protect their own textile and clothing sectors, and the ACP states could conceivably face such actions in their export markets outside the EU. Moreover, the threat of anti-dumping actions in particular will discourage investment in manufacturing among developing countries, including the ACP. Now that a number of the more industrialised developing countries are themselves adopting anti-dumping legislation, potential markets for exports of manufactures are being infected by this corrosive form of contingent protection.

5. Other changes to the international economic environment affecting ACP trade

The Lomé mid-term review and trade

Compensation for lost preferences?

Despite the relatively small losses from preference erosion, the ACP countries have asked the European Union, undoubtedly the market where they will lose most of their export revenue because of trade diversion, for compensation within the framework of the Lomé Convention. The EU, however, under severe pressure from not only the international trading environment but also from domestic producers, has been reluctant to compensate. It is generally considered that compensation for preference erosion does not fit in with the ideology of trade liberalisation that has governed the Uruguay Round. There has always been an explicit obligation under the GATT to compensate outsiders for the erosion of MFN status, for example because the formation or extension of a regional trading area requires some countries to raise external tariffs to a common level. However, no compensation is foreseen for the loss of a relative advantage provided in the form of preferences, which are not even guaranteed under the GATT.[26] They are simply concessions granted unilaterally by the industrialised countries.

The EU has been under increasing pressure from the international community to adapt the Lomé Convention to the changed global trade environment and to the momentum of liberalisation. It has been particularly reluctant to make changes to the Convention because all changes, however small, must be notified to the WTO. Although the EU has a waiver for the Lomé Convention up to 2000, this is reviewed bi-annually and the EU has been afraid that changes might raise new problems reminiscent of the banana dispute.

However, when the fourth Lomé Convention was signed in 1989, recognition was given to changes which the EU might accept in the Uruguay Round, which were then still uncertain, which could negatively affect the Lomé countries. ACP concerns about the impact of trade liberalisation on their preferences and trade with the EU led the Lomé negotiators to agree to the inclusion of Annexes XXVII and XXIX in the Convention – the first providing for the possibility of renegotiating ACP preferences on agricultural exports to the EU, if they proved to be adversely affected as a result of the outcome of the Uruguay Round, and the second a joint declaration on general trade liberalisation, indicating the EU's awareness of the need to ensure the maintenance of the ACP states' competitive position in the EU market[27]. How this

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26. The only form of compensation mentioned in the UR agreement relates to the increased costs of food imports in the 'Decision on measures concerning the possible negative effects of the reform program on least developed and net food-importing developing countries'.

27. 'The Contracting Parties note that the Community is conscious of the need to ensure, in the overall application of the Convention, the maintenance of the competitive position of the ACP States where their advantages on the Community market are affected by measures relating to general trade liberalization. The Community declares its willingness, whenever ACP States bring to its attention any specific case jointly to study specific, appropriate action with a view to safeguarding the interests of the latter.'

was to be done was left open.

When the mid-term review came up in February 1994, however, the EU barely mentioned changes to the trade provisions of the Convention, considering them sufficiently favourable. It took the position that 'the erosion of preferences cannot be avoided or compensated by further concessions', while the ACP states insisted that the EU should provide support for countries which had suffered directly from preference erosion. The issues the ACP countries argued for (outside the protocols) were: better access for agricultural exports from ACP countries and improved rules of origin, including wider cumulation.

It took the EU almost a year to make its own proposals on trade provisions because of the difficulty of the member states reaching agreement on extra concessions. Protectionist tendencies within the Union, together with the reluctance to increase the budget for EDF 8, persisted until the end of the negotiations (on the last day of the French Presidency) to create a bottleneck in the completion of the mid-term review. Further trade concessions were to be a trade-off against the EDF budget, which in the end saw a reduction in real terms in comparison with EDF 7.

Results of mid-term review negotiations on trade provisions

On market access, the EU has extended preferences to all ACP exports, including agricultural products. Products that had not previously received any preferences, including pork, duck, some dairy products and certain vegetables and nuts, are to benefit from a 16% reduction of customs duties and levies (the ACP had campaigned for a 36% reduction). A 50% reduction of import charges is offered for a limited quantity of cereals (15,000 tons) and pork (500 tons). However, the few products on the list which were exported by the ACP between 1991 and 1993 and which therefore could have benefited from an extension of preferential access – olives and olive products, wine and lemons – are excluded from this arrangement. The only three products which can take advantage of this extension of preferences are raspberries, chestnuts and sugar cane weeds. Other products are simply not exported by the ACP countries, so, although exports might be encouraged, the immediate value of the new preferences is limited.

For agricultural exports that have been subject to reference quantities and/or quotas as expressed in Annex XL of the Lomé Convention, all reference quantities have been abolished, apart from those on oranges and mandarins, which were the two products on the list whose quota was most in need of adjustment. Some arrangements have been made for quotas for individual products. Tariff quotas on sheep meat, poultry meat, meat preparations, milk products, cheese, and pears have been doubled; this will be particularly beneficial for exporters of cheese, milk products, and pears, where ACP exporters have exceeded the quota at some point between 1991 and 1993. The increase in the quota for strawberries from 1,500 to 1,600 tons is expected to have little effect. Import charges for rice are reduced by 15% within the existing quota of 125,000 tons, only a quarter of which was used in 1993. Finally, tariff quotas for fresh figs, sorghum and millet, which were among the most constrained of this list, will now be applied as ceilings but at what level is not yet clear.

The final list of products that received an extension of preference during the mid-term review contains those products that are subject to a marketing time table (mainly fruit and

Box 5: Outcome of the Mid-term Review of the Lomé Convention

During the European Summit in Cannes, 26-27 June 1995, the heads of government agreed to allocate Ecu 13,307m to the 8th European Development Fund for the second half of Lomé IV (1995–99). Earlier, the member states had failed to agree on the aid allocation for the 70 ACP countries because some of them, notably the United Kingdom, were reluctant to increase their contribution to the Fund.

The final compromise on the size of EDF 8 is less than the French proposal of Ecu14.3bn which took account of inflation since 1989 and the integration of three new member states into the Union. Although the agreed amount is an increase in absolute terms compared with EDF 7 (which amounted to Ecu10,800m) it does not fully take these factors into account. The fifteen member states are contributing Ecu12,840m to the EDF 8. The balance comes from resources that were not allocated in previous EDFs (Ecu292m), from an increase in humanitarian aid from the EU budget (Ecu160m) and the conversion of special loans into grants (Ecu15m). The UK is the only country which reduced, in absolute terms, its contribution to the Fund.

Because of the delay in agreeing the size of the EDF budget negotiations in the mid-term review were basically stalled. It was only after the Cannes Summit, on the last day of the French Presidency, that the remaining issues, including the trade provisions, could be resolved and the mid-term review could be completed. Although the final version of the mid-term review agreement was not available when this publication went to the press the outcome of the ACP-EU Council on 30 June is assumed to reflect the final agreement on the trade negotiations. Only slight changes in the wording of the text are expected to appear subsequently.

The new agreement stresses the need for both the ACP and the EU Contracting Parties to pay more attention to trade development. The importance of trade development has been included in the objectives and principles of cooperation (Art. 6) of the Convention (Art. 15), and also in a special joint declaration which will be signed together with the MTR of the Convention. The latter implies that various instruments of the Convention can and should be utilised for trade development purposes and that they should be better coordinated and made more coherent. Generous support for trade development is promised,[1] it will be up to the ACP states to prepare a strategy and make good use of it. Progress will be reviewed every two years by the ACP-EU Council. Various amendments have put more emphasis than before on increasing trade in regional, intra-ACP and international markets in addition to domestic and EU markets).

Offers on improved market access have finally been agreed for agricultural products, some of which had not received preferential treatment before. The rules of origin have also been tackled and relaxed in a relatively minor way, increasing the value of non-originating material tolerated from 10% to 15%. The introduction of further cumulation opportunities has been welcomed by the ACP but, is more useful for some ACP countries than others. For textiles and clothing exports where the rules of origin had posed particular problems in the past cumulation is more complicated than for other products. In the case of fisheries the arrangements for the definition of vessels will be dealt with by the Customs Cooperation Committee and have been excluded from the final agreement.

The new agreement will be signed in Mauritius in November 1995.

[1] New forms of support include support for joint ventures, support for penetrating third markets and support for the creation and reform of legal and regulatory frameworks. (Art 136).

vegetables). Here a 15% reduction of customs duties has been offered outside the marketing calendar for all products. The EU negotiated for strawberries, cherries, tomatoes and perry pears to be excluded from this offer, but (for once) did not get its way, although the 15% reduction offered is far from the 80% for which the ACP countries were negotiating.

It is hard to tell what consequences these offers will have for ACP exports. Admittedly the extension of reductions in duties has been rather small, and particularly with regard to the first group of products the exclusion of a number of them has removed most of the potential benefit. The outcome of the Uruguay Round has added further uncertainty. As of mid-1995 all levies resulting from the Common Agricultural Policy need to be ratified according to the Uruguay Round agreement. At the time of writing the Commission had elaborated transitional measures to comply with this, and adaptations to the preferential trade arrangements will follow from that.

Rules of origin and cumulation

With respect to manufactured exports, which are not subject to barriers when entering the EU market, the final deal on rules of origin is of most importance. The value of non-originating (ACP or EU) material has been increased from 10% to 15% (the ACP had negotiated for an increase in the value tolerance to 20%).This means that there is slightly more room for manoeuvre with regard to manufacturing products that require inputs not available in the ACP countries. There are probably countries outside the EU which are more competitive sources because of distance or competitive pricing.

What will, however, be of greater significance, in particular for Caribbean and African countries, is the compromise reached on cumulation of inputs. The ACP countries' request to allow them to source inputs from developing countries with a preferential arrangement with the EU was not fully agreed[28]. Instead, the EU argued for an extension of cumulation to those countries that have a free trade area or customs union agreement with ACP countries. The final decision is somewhere in between, i.e. the customs union or free trade area condition has been replaced by an indicative list of countries with which cumulation is allowed. Article 6 of Protocol 1, in which the rules of origin are described, states that 'at the request of the ACP states products originating in a neighbouring developing country[29]other than an ACP, belonging to a coherent geographical entity shall be considered as originating in the ACP state where they undergo further processing.' An indicative list which states the countries which would qualify for cumulation on a regional basis has been agreed. The list will be confirmed in a joint declaration to be attached to the final agreement. (It seems that 'neighbouring' and 'coherent geographical entity' are somewhat loosely interpreted.) The regional basis for cumulation opportunities means that only cumulation within the region is allowed, e.g. Namibia cannot benefit from the extension of the cumulation to Venezuela. For the Pacific countries the offer is particularly disappointing. The extension of cumulation is expected to be most beneficial for the Caribbean, which has now been given opportunities for cumulation

28. This was suggested by ODI in its report on the effects of the EU offers to the UR, which included a negotiating strategy for the mid-term review (ODI, 1994)

29. Developing country for this purpose is defined as the DAC list of developing countries plus the Republic of South Africa except for high-income countries and countries with GNP exceeding $100bn.

with some more industrialised countries.

Table 5.1: Indicative list of cumulation opportunities that would be allowed[a]

ACP Country in:	Africa	Caribbean	Pacific
may cumulate with:	Algeria, Egypt, Libya, Morocco, Tunisia and South Africa	Colombia, Costa Rica, Cuba El Salvador, Guatemala, Honduras, Nicaragua, Panama, Venezuela	Nauru

[a] A joint declaration to confirm this will be attached to the final agreement of the Lomé MTR.

Source: ACP Secretariat

Rice (classification heading 1006) and tuna (classification heading 3 and 16) are excluded from this provision. The derogation from the rules of origin for the latter has been increased from 2,500 to 4,000 tons, half the amount the ACP group had been negotiating for.

For textiles and clothing the working or processing required in the ACP state is more demanding than for the other products, as it needs to lead to a change in the classification heading of the input from the non-ACP or EU source. A new annex to the protocol (Annex X) further describes which specific process needs to be gone through in the ACP states in order for clothing and textiles to qualify for the preferences in the EU market. Finally Annex XI mentions some exceptions to cumulation, including certain types of jerseys, pullovers and shirts.

Other outcomes of the negotiations relevant to ACP trade might be those of the negotiating group on commodities, in which the ACP side argued for an increase in funds available for the support of diversification in the form of financial and technical assistance in processing, marketing, distribution and transport. However, with the general decline in real terms of the EDF, such extra assistance will mean a reallocation of resources rather than an increase.

In the meantime negotiations have started between the EU and South Africa for a possible inclusion of the latter in the Lomé Convention as 'a qualified member', whatever that may mean.

South Africa soon to be a qualified member of the Lomé Convention?

European Commission proposal for a trade agreement

The Commission's proposal for accommodating South Africa was finally set out at the end of March 1995 – significantly, before the conclusion of the mid-term review of Lomé IV. Like the ODI assessment published in 1992 (Page and Stevens,1992) the Commission has opted for a specially tailored approach for South Africa, recognising its special status and history. The Commission proposed that South Africa be given the special status of 'qualified' membership of the Lomé Convention. It will not be given the same duty-free access to the EU market as the ACP but will be offered a free trade agreement over 10 years, with product restrictions similar to those faced by the Central and East European countries on agricultural and industrial products: South Africa will not, however, be obliged to grant the EU reverse preferences.

Similarly it will not be given access to EDF aid (and hence will not be allowed to draw on either SYSMIN or STABEX). Instead, it has been offered a continuation of the EU's country aid programme, totalling about Ecu 500m over the next four years, which is probably more than it would draw as an ACP state from the EDF, if STABEX and SYSMIN were barred. Nor will South Africa have any allocation under the special protocols on EU sensitive agricultural products (bananas, sugar, beef and veal). Or, put another way, the existing ACP states will not have to share their quota-like arrangements with the new member. It is not even clear which version of the Lomé Convention South Africa will sign in order to obtain this 'qualified' membership, although the Commission insists that it will be allowed to tender for EDF projects and will be permitted cumulation with other ACP states for rules-of-origin purposes. It is these two last concessions which are likely to prove most valuable to South Africa's development. The rest is essentially a cosmetic change from the post-apartheid transitional arrangements, themselves a recognition by at least some EU member states that, if a close association with Europe was not formed quickly, other major powers would fill the vacuum. The main change in trade relations with the EU in fact came earlier with the switch from a sanctions-bound economy to one trading on an MFN basis.

The new package was finally approved as a negotiating mandate by the EU Foreign Ministers on 12 June 1995, with the proviso that the aid arrangements should be budgeted annually (i.e. in Ecu 125m tranches rather than guaranteed over five years). The trade arrangements themselves – as well as any eventual free trade agreement – still have to be negotiated between the European Commission and the South African Government. The South African Government was in the process of rejecting the free trade offer at the time of finalising this report (September 1995). This seems to be because the government is hoping for as close an alignment as possible with the Lomé Convention. It argues that it is too early to consider a free trade area in view of the social and economic (e.g. employment) difficulties faced in South Africa. A transitional period at least is necessary. Moreover, a free trade area might harm the interests of the Lomé members of the South African Customs Union (Botswana, Swaziland, Lesotho and Namibia). The differential treatment might hinder further regional integration efforts.

Table 5.2: South African trade with ACP countries (1993, m Rand)

	exports	imports
Africa	6,800.0	1,600.0
Caribbean	30.3	15.6
Pacific	7.3	3.2

Source: South African Foreign Trade Statistics, in ACP Secretariat, 1995b

Position of the ACP group

The position taken by the ACP group is that South Africa should be allowed to enter the Lomé Convention as a qualified member. Individual ACP countries which believe that they will be negatively affected by this arrangement should take this up with the South African Government. (ACP Secretariat, 1995b). A recent study undertaken by the Institute of Development Studies at the University of Sussex (Stevens and Kennan, 1995) showed that there is no objective reason why there should be trade friction between South Africa and the ACP countries. Only 14% of South Africa's exports would be eligible for Lomé preferences, and even then, competition with ACP exports is minimal. The ACP countries with the greatest overlap of product interest with South Africa are Swaziland (ortaniques) and Zimbabwe (flowers and men's woven cotton denim trousers), and to a lesser extent Namibia (fish), Kenya (flowers and pineapple juice) and Mauritius (men's woven cotton denim trousers).

Regionalisation: the impact on the Caribbean ACP of links with NAFTA

NAFTA membership

There are both positive and negative reasons for the Caribbean countries to think seriously about preparing to join the North American Free Trade Area. To take the negative reasons first, the NAFTA arrangements, and in particular Mexico's membership, are likely to divert trade away from Caribbean producers exporting to North America. Although estimates of the direct loss in export revenue this will cause are expected to be small and are most serious for apparel exports, where losses could amount to $13m to $17m (Davenport, 1995), the longer-term effect through the diversion of investment is likely to be more significant. With the prospect of other Latin American countries, such as Chile, joining NAFTA, this will further affect the strategy of the Caribbean ACP countries. Being part of NAFTA (after a transitional period) will not only be a way of preventing the trade diversion but will also encourage Caribbean industries to adapt to the competition and exploit their comparative advantages.

To turn to the positive reasons, NAFTA membership would give the Caribbean ACP countries a 'safe' place in one of the large trading blocs into which the international trading environment is becoming divided despite multilateral trade liberalisation. The advantage over the preferential access they currently enjoy on US and Canadian markets is the fact that NAFTA is based on a treaty, and the treatment of Caribbean exports would not be at the discretion of a preference-granting country which can withdraw its preferences at short notice as described in Chapter 1. Within the NAFTA arrangement, Mexico is afforded more secure access to the US market for a wider range of products than the Caribbean ACP countries enjoy under the CBI. In common with the Lomé Convention, the CBI exists in an environment in which the prospects for non-reciprocal trading arrangements and their survival in the existing form into the next century do not seem secure. Although closer links with the EU outside the Lomé Convention can be envisaged after Lomé IV, the EU, apart from its historical links with the region, is not the first and most natural trading partner of the Caribbean ACP countries.

What NAFTA membership entails for the Caribbean ACP countries is that they have to be prepared to provide reciprocity to imports from the NAFTA countries. NAFTA has established several categories for different rates of tariff liberalisation depending on the sensitivity of products, with a complex system for imports of agricultural products. Canada and Mexico have negotiated some exclusions for sensitive sectors to allow for export controls or taxes in certain sectors, but it might be difficult for newcomers to argue for similar special treatment. According to a strict reading of the Lomé convention allowing tariff-free access to NAFTA exports would imply giving equivalent access to EU exports.

This would mean that more than half of Caribbean ACP countries' imports would not be dutiable, with commensurate loss of protection. This obviously has implications for government revenue, the balance of payments and the protection of domestic suppliers. Bernal (1994) argues that reciprocity should not be feared and can be managed by the Caribbean countries. Trade-offs in other areas such as investment would help compensate for the trade concessions.

Apart from reciprocity, NAFTA membership involves complying with agreements on investment, intellectual property rights, and subsidies and opening up government procurement. In addition, it implies that the Caribbean countries have to comply with environmental and labour standards that go beyond the requirements of the Uruguay Round. Some observers argue that many of the requirements following these agreements would actually benefit the Caribbean countries as they are likely to stimulate the reinforcement of market mechanisms. However, some requirements might constitute obstacles to membership.

As a transitional arrangement to grant Caribbean countries parity with Mexico, access to the US market on a non-reciprocal basis has been suggested. The latest proposal suggests parity only for CBI exports to the US of apparel products which used to fall under the 807A regulation (i.e. yarn formed and woven in the NAFTA region), and folklore articles. The parity would be conditional on national legislation to establish intellectual property protection rules and trade-related investment measures and possibly compliance with environmental and labour standards.

This rather limited form of parity would be most beneficial for Jamaica, the largest exporter of apparel in the region. It might even be a necessary incentive to the industry to prepare for increased competition following the phasing out of the MFA. Jamaica is also one of the countries which could most easily comply with the requirements attached to the NAFTA parity (without harming local industries). However, some other Caribbean ACP countries might be less ready to adjust, and in the short run there might be less in the arrangement for them.

Implications for participation of Caribbean countries in the Lomé Convention
If the Caribbean members of the ACP group decide to join a free trade area such as the NAFTA they will have to take account of a condition of the Lomé Convention which states that the ACP countries are obliged to provide no less favourable conditions to the EU than the MFN treatment enjoyed by other developed countries, (Art. 174 [2a,c]). This implies that if the Caribbean ACP countries were to be prepared to offer reciprocity to the NAFTA countries this would need to be extended to the members of the European Union, unless the EU permits a waiver from the reciprocity obligation. However, as the Jamaican ambassador to the United States has correctly argued, this is a 'difficult proposition to market politically in the EU' (Bernal, 1994).

On balance, it is argued that it is essential for the Caribbean ACP countries 'not to miss the boat' while the NAFTA is growing, especially as some of the Latin American countries are now lining up to join. Tariff- and NTB-free access to the growing American regional bloc might be more secure over time than the benefits of Lomé preferences. Reciprocity is in the spirit of the ongoing globalisation of international trade.

Inconsistencies between the Lomé Convention and the GATT/WTO

In the twenty years since the first Lomé Convention was signed, the issue of the compliance of special preferences with the MFN principle has hardly been raised. There has been a tacit acceptance that the trading position of the ACP states has been broadly non-threatening and that certain EU member states should continue to be allowed to discharge their post-colonial obligations in this way if they so wish. Indeed, until the concluding stages of the GATT Uruguay Round, the question of seeking a waiver for the Lomé trade preferences had never been formally raised. It was the EU's discriminatory (and arguably internally inconsistent) banana preference regime for ACP suppliers that stimulated an examination by a GATT working group of the legitimacy of the Lomé Convention under the GATT rules in 1994.

They concluded that the Convention is inconsistent with the GATT, and is an illegitimate derogation from MFN rules. The main reasons for this conclusion are (i) that the Lomé Convention is non-reciprocal and therefore cannot be seen as a derogation within the framework of a free trade area, and (ii) that it is discriminatory among developing countries and therefore cannot be allowed under the provision for special and differential treatment for developing countries, since in that case it should be extended to all developing countries. The banana dispute, which was finally settled by a compromise offer by the EU (which was, however, accepted by only four of the five countries complaining) livened up the debate on Lomé trade preferences.

In 1995, however, the EU and the ACP sought a new waiver from the MFN principle, to take them to the end of the fourth Lomé Convention. This was granted by a GATT decision of 9 December 1994. The new waiver is valid up to 29 February 2000 (at which time the fourth Lomé Convention will expire), but it will be reviewed bi-annually in the meantime (i.e. at the end of 1996 and 1998).

Two factors might threaten this waiver before 2000: the arrangement concluded for the Republic of South Africa, or the revival of the simmering banana issue. Regarding the membership of South Africa, the current (July 1995) European Commission proposal probably goes too far, for WTO compatibility purposes. It extends certain extending some special preferences and aims for a free trade arrangement with South Africa over the longer term, as well as allowing South African firms to tender for EDF projects (effectively under restrictive public procurement in ACP countries) and permitting all (not just SACU) ACP states to cumulate with South Africa for rules-of-origin purposes. This goes to the heart of the waiver accorded in December 1994. Moreover, since then the EU and the ACP have also agreed to extend the countries with which the ACP can cumulate on a regional basis as well.

As regards the discriminatory banana regime, it is likely that the dispute will be raised again in the WTO on some occasion before 2000. Objections to it have been raised multilaterally by Guatemala which did not accept the EU's compromise offer, and unilateral legal action against the EU has been threatened by the US (after strong lobbying by its multinational banana suppliers). In November 1994 the United States opened a Section 301 investigation under US trade law and a year later, on 28 September 1995, filed a complaint against the EU's banana import regime with the WTO, drawing in Guatemala, Honduras and

Mexico in support. Furthermore, at least one EU member state, Germany, may further challenge the validity of the banana regime in the European Court, although an earlier challenge was dismissed in early 1995.

In the meantime it has become more difficult to justify the special treatment of 70 countries with historical links with Europe. Global liberalisation is hard to reconcile with arrangements like the Lomé Convention. But even within the European Union, attention is being diverted away from the interests of ACP countries. The economies in transition in Central and Eastern Europe and developing countries which are performing more successfully than the ACP states are attracting increasing attention among some members of the EU. According to one view, the EU should move away from considerations of a special relationship based on colonial ties to a less emotional foundation for trade policies towards developing countries (*Financial Times*, 20 May 1994). Another view is that Europe gives priority to its eastern and southern borders by assisting the countries on its periphery to achieve economic prosperity, at the expense of countries further afield and a more global development policy. Nevertheless, if policies were indeed to be directed to the real needs of developing countries, it should be stressed that 38 of the ACP countries are among the list of the 47 least developed countries.

6. Conclusions and implications for ACP policy

Conclusions

As former colonies of the member states of the EU, ACP countries have enjoyed preferential access to the EU market. Since 1975 four successive Lomé Conventions have committed this specially privileged group of African, Caribbean and Pacific countries, now numbering 70 states, and the European Union to achieving a 'better balance of trade'. Nevertheless, despite duty- and quota-free access for most of their exports to the EU and the trade-related provisions of the Convention, the trade performance of the ACP has been disappointing. The share of ACP exports in the EU market declined from 6.7% to 3.7% between 1976 and 1992, while developing countries which have enjoyed less favourable treatment, in particular Asian countries, have been more successful in penetrating the EU market.

This is particularly serious, given that the ACP countries have remained largely dependent on the EU market for their export earnings (41% on average between 1990 and 1992). Large differences in the volume and structure of exports exist among the 70 countries; they are far from homogeneous although some of them might face similar obstacles in expanding their export base. Most ACP exports still originate from only a small number of countries and remain concentrated on raw materials and traditional exports. In general, Lomé preferences have failed to stimulate ACP countries to diversify their exports into non-traditional ones.

What has gone wrong? To begin with, the expectations of the expansion of ACP exports as a result of the preferences were too ambitious. As the majority of ACP exports have a zero MFN tariff or GSP rate their preferential margin over other exporters is often nil. Of the other exports that could potentially have benefited from Lomé, only 7% received a significant preferential margin (ie a tariff differential greater than 5%) vis-à-vis other exporters. In addition to the existence of a preferential export margin, the value of preferences depends on the response to price changes, expressed as the products' elasticities of demand and supply. As these are generally relatively low for many commodities exported by ACP countries, large benefits could not have been expected.

At the disaggregated product or country level, evidence can be found that those countries which were able to diversify their exports towards products with a relatively high preferential margin might have benefited from the Lomé arrangements. At the product level, some ACP exports with a significant preferential margin, such as canned tuna, bovine hides and skins, processed wood, some fabrics and clothing and furnishing, have grown relatively fast during the Convention's existence, although little correlation appears to exist between the size of the growth rate and the preference margin. Mauritius, Jamaica and Zimbabwe are examples of countries which have been able to expand their exports to the EU significantly over time, and did so while exploiting Lomé preferences after they had moved into more processed and manufactured exports. However, it is unlikely that these good performances can be attributed solely to the Lomé preferences. Although in these countries the Lomé trade provisions may have played a catalytic role in developing dynamic export sectors, experience in other countries suggests that they may be neither a necessary nor a sufficient condition for developing a dynamic export sector and that other critical factors restrict the accelerator role of preferences and limit the benefits that can be derived from them.

In other words, the Lomé Convention may not have provided sufficient incentives to overcome the structural problems of some ACP countries that limit trade development, such as the lack of adequate infrastructure to provide a reliable export supply, insufficient capacity to attract private investment, an inadequately developed financial sector and the weak human resource bases which exist in some countries. It could be argued that the non-trade elements of the Lomé Convention might have addressed precisely these deficiencies, and so complemented the trade provisions, but that would be asking a lot from what is, after all, a relatively modest set of instruments.

Other factors hampering ACP trade are more germane to the implementation of the trade provisions, namely the limited awareness of their existence even after more than twenty years, the complicated procedures that apply to the access provisions and the restrictive rules of origin. Most ACP states, however, have experienced great difficulty in exploiting the Lomé preferences for structural, capacity and procedural reasons. This has been more constraining than any limitation of market access, except probably in the case of some agricultural exports where access has been restricted by quota. It should also be mentioned, that the value of the Lomé preferences has been decreased by the extension in recent years of some near-equivalent preferences to other developing countries, and that multilateral trade liberalisation, most recently in the Uruguay Round, has further eroded them.

The fact that the ACP states have been exempted from the highest trade barriers now being dismantled, on agricultural and MFA exports in particular, means that they will not gain from the Uruguay Round to the same extent as other countries, both developing and developed. In contrast, they are likely to lose out following the reduction of their preferential margin vis-à-vis other exporters, and the loss of markets to more competitive suppliers. The effect of the erosion of their preferences is small, however, since the majority of their exports have duty-free access to the developed countries anyway. The ACP states as a whole are expected to lose only 1.5% of export earnings as a result of the Uruguay Round; losses of individual countries vary and depend on their export structure and volume.

The ACP countries most affected by the erosion of preferences on tropical products are Cameroon, Côte d'Ivoire, Ghana, Kenya, Malawi, Ghana, and Zimbabwe. The coffee and cocoa-producing countries, Burundi, Rwanda and Uganda, lose a relatively large proportion of their export earnings (around 5% each) because of their high dependence on these exports to the EU. Countries which lose most as a result of the preference erosion on industrial products (excluding textiles and clothing) are those that have become more advanced in processing and manufacturing or have been able to take advantage of some of the Lomé preferences. In Africa the main losers are: Cameroon, Côte d'Ivoire, Gabon and Liberia. The Caribbean countries are most affected in this area, in particular the Bahamas, the Dominican Republic, Jamaica, Suriname and Trinidad and Tobago. In the Pacific only Papua New Guinea loses significantly.

The main effect the liberalisation of agricultural trade will have on ACP countries will be the likely increase in world market prices for agricultural exports caused by these changes. Within the EU, however, domestic prices for temperate exports, such as beef and sugar which fall under the Common Agricultural Policy are expected to decline. The net effects of the Agreement on Agriculture are most serious for those ACP countries which are food importers, such as Angola, Côte d'Ivoire, Senegal and Nigeria, and for those which currently enjoy preferential access to the EU market on an otherwise highly restricted product like sugar or beef under one of the Lomé protocols, such as Botswana, Mauritius and Guyana.

So far only a few ACP countries including Mauritius, Jamaica, Lesotho and Zimbabwe have benefited from their exemption from the Multifibre Arrangement, . The phasing-out of the MFA will affect them because of fiercer competition (mainly from Asian producers) once the exemptions have been removed, which could be in as long as ten years time. Mauritius and Jamaica are expected to lose most in terms of export earnings, 16.5% and 7.6% (of 1992 exports) respectively, mainly because they are seen as not having a comparative advantage in producing clothing and textiles but instead are exploiting EU (and US) preferences in this sector.

In total, the effects of the Uruguay Round on ACP export earnings, form trade in goods are negative, though small (around 1.5%)[30], because the level of their involvement in the international trading system is too low to allow them to gain or lose much from the Round. However, we have argued that the improved access to non-EU markets and the expected increase in global income and demand should benefit the ACP countries.

Finally, the ACP states are not in a position to gain as much as other countries from improvements in the regulatory framework, since they have not been targeted for extra protectionist actions by the developed countries and have not suffered directly from disputes or anti-dumping actions, as some of the Asian tigers have. But the improved transparency and organisation of the new trade regime will give them new opportunities to become more integrated into the system. Being part of the WTO is better than being excluded from it.

In Chapter 5 we described how the changes in the trade provisions following the Lomé mid-term review might affect ACP exports in future. The improved market access for agricultural products is not likely to make a great deal of difference to most ACP countries; the offers have been limited and most products of interest in terms of ACP potential have been excluded. In contrast, the relaxation of the rules of origin, in particular the cumulation opportunities, might offer some scope for improved exploitation of the preferences by African and Caribbean countries.

Depending on the outcome of the negotiations between the EU and the Republic of South Africa, the position of the southern African ACP countries in particular might be further improved. Studies have pointed out that extending membership of the Lomé Convention will not harm the ACP countries, and could benefit them. The fact that they also indicate that EU domestic producers are not likely to be damaged by providing South Africa with qualified membership of the Convention increases the chance of Lomé's expansion in that direction.

For the Caribbean ACP countries important developments have taken place in the region since the establishment of NAFTA in 1993. We argue that it is essential for the Caribbean countries, which have been the most successful of the ACP countries in organising themselves

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30. We have not been able to estimate the dynamic effects of the loss of preferences, but they are important, especially in sectors where preferences seem to have triggered a growth in exports and diversification in production. However, we argue that preferences are not a sufficient condition for progress. Attraction of investment and improvement in the efficiency and competitiveness of ACP export industries also depend on structural factors.

regionally, to take an active interest in possible membership of NAFTA. Although some countries are better prepared for this than others, they are all likely to be better-off inside than outside this important trading bloc which is expected to expand to countries in South America in the next few decades. An adaptation of their Lomé membership would be needed, but the future of the Lomé Convention is in any case somewhat uncertain.

Although a waiver for the derogation of the MFN principle has been granted to the EU up to 2000 (with bi-annual revisions between now and then), several pressures, both external and internal, weigh upon it to rethink its policy towards its most preferred trading partners. The possibility of the banana regime again being disputed and the negotiations about the accession of South Africa to the Convention are two minor pressures, but the general move towards progressive trade liberalisation and reciprocity is more likely to force the EU to restructure Lomé preferences. It could be argued that as long as tariff preferences remain significant, and potentially valuable, the benefits should be focussed, along with other development cooperation policies, on the poorest of the ACP and other countries. However, some observers argue that the preferences have not had the intended effect, but in contrast have created a psychological dependence on the EU among ACP states, and have made them less able to stand on their own feet. These people believe that the reduction of preferences and the liberalisation of global markets will ensure that the ACP states become more aggressive in developing new markets for their products and new exports. The case of the over-protected Caribbean banana producers is an obvious example.

The performance of the ACP countries in world trade has not been greatly improved by the Lomé Convention. What could improve the competitiveness of what used to be Europe's preferred partners and make them more capable of facing today's competitive trading environment? We would distinguish between two types of action that need to be taken – one aimed at the rather short term, while Lomé and other preferences are still providing opportunities, and other more general measures concentrated on changing the structure and diversifying the destination of ACP exports.

Implications for ACP policies

Exploitation of existing preferences

Although there is limited evidence of effective utilisation of the Lomé trade provisions in the past, it should be recognised that now, more than before, ACP exporters might be able to benefit from them. This is especially so because in some countries structural adjustment programmes are succeeding and policy and infrastructural conditions are improving, opening up opportunities for exporters. It needs to be stressed that, despite erosion caused by the Uruguay Round, the ACP countries still enjoy a considerable degree of preference. In particular for the more sensitive products, which were generally protected by non-tariff barriers in the past (e.g. temperate agricultural products and textiles and clothing) this will remain a major advantage despite global trade liberalisation. Only at the end of the ten-year implementation period of the UR agreement will the most significant quotas be abolished. After that high tariff levels will remain on these products, leaving the ACP exporters with a considerable price advantage in the EU market.

The marginally relaxed rules of origin might facilitate a greater use of preferences, although it seems that the products which need it most are unlikely to benefit from the outcome of the mid-term review. Cumulation opportunities need to be explored. Although they are helpful for some countries, it might be necessary to plead for a further extension of the possibilities. ODI suggested in its strategy advice to the ACP Secretariat (ODI, 1994) that it could negotiate for the coverage of situations where exports of the final product to the EU from the input-supplying country are tariff-free and not subject to quantitative restrictions, so that no deflection or preference-seeking could be involved, or where the inputs themselves are allowed duty- and quota-free access to the EU.

Regarding Lomé preferences, it will be important to overcome some of the restrictions on their effective use, one of which is clearly the lack of public awareness of the provisions, and in particular in the private sector. Small and medium-sized enterprises should be made more aware of the opportunities the Lomé Convention can offer them in the form of preferential access to the EU market and assistance of various kinds.

Furthermore, it is essential that government officials (in particular the National Authorising Officer) should pay more attention to the coherence of the aid and trade provisions Lomé can offer. This means exploiting some of the available aid provisions for trade purposes, ie orienting aid spending to integrate with and assist in trade development, for instance, by investing in marketing and distribution facilities. This also applies to the regional indicative programmes which should be more targeted to promoting regional trade development, not only via transport links, but also by commitment to liberalising border controls.

Finally, effective implementation of the Trade Development Project can give some further incentives to trade development in the ACP countries (ACP and CEC, 1993). This project was included in Annex XX of the Lomé IV Convention and has been proposed to the European Development Fund Committee. It will identify factors inhibiting the effective use of the provisions, support actions addressing trade policy issues, and provide assistance in dealing with production, distribution, and marketing difficulties. It will also provide market information to ACP exporters from its Brussels base.

For the two-year pilot phase of the project, twenty countries have been targeted for support to increase their exports by means of technical assistance, institutional development, and training. Early commitment is needed by both the EU and the ACP so that this phase can be extended to cover the other fifty countries.The project was to start in the autumn of 1995 based in Brussels. If it is successful it will be a good way of stimulating the use of the Lomé trade provisions, although there is some fear that its establishment in Brussels will be too remote from the ACP users.

Apart from these new efforts, more intensive use should be made of the Centre for the Development of Industry. This Lomé institution was established in 1977 to support industrial enterprises in the ACP states. It particularly encourages joint initiatives by EU and ACP economic operators, especially at the level of small and medium-sized enterprises.

Export diversification essential to improve ACP competitiveness

Although the preferences, with the help of (albeit reduced) exemption from tariff escalation and improved cumulation opportunities, can already give a boost to attempts to diversify ACP economies into more processed and manufactured exports, experience shows that more needs to be done to stimulate the public and private sectors to move away from traditional exports of raw materials. If shorter-term actions are successful in increasing the utilisation of the existing trade provisions, then medium- and longer-term strategies of the ACP states should emphasise successful operation in the global trade environment. The priorities are to improve export efficiency, to enhance the competitiveness of ACP products, and to diversify ACP exports into new products and new markets.

Diversification into non-traditional products is crucial on two counts: non-traditional exports are subject to higher income elasticities of demand; and secondly, in general they face higher MFN tariffs so that the ACP preferences are still relatively large compared with those for primary products. Moreover, it is important to reorient trade performance from being heavily dependent on the EU market, as is still the case for many African and small Caribbean ACP countries, towards other markets. In general, it is essential for the ACP countries to become less reliant on preferences, as they will clearly be further eroded; a more market-oriented approach to exporting could also strengthen their competitiveness.

Suggestions for improving ACP competitiveness in selected sectors
For exports of **coffee** and **cocoa beans**, it is important that the ACP states which depend heavily on these exports invest in **processing**, marketing, distribution and transport (pmdt) to move the industry forward to the production of higher value-added products, such as roasted coffee and coffee products, cocoa butter and powder and eventually chocolate products. Existing initiatives for the alternative marketing of these products could be further exploited. In general, the EU member states could promote ACP tropical exports by removing or 'levelling down' the consumption taxes on some of these products, for instance coffee and cocoa. This would give particular opportunities for trade expansion in Denmark, Italy and in some instances in the UK, as indirect tax rates are relatively high in these countries.

As there has been a partial EU response to the requests for improved access for **rum** and **sugar** the ACP should take advantage of this. Regarding **banana** exports, suppliers need to prepare themselves for further erosion of their preference in the future, in view of the ongoing internal and external pressure on the EU. Promises of financial support (in terms of allocating relatively more of the EDF to the affected banana-producing countries, not an increase in the overall budget) need to be followed up and channelled to the right people the best alternative activities.

For the development of **fisheries** in the ACP states, again investment in pmdt facilities is critical. As tariffs have been reduced relatively little in the EU market in comparison with the other OECD countries, ACP preferences there are still very significant. ACP exporters should endeavour to exploit economies of scale in order to become more competitive and increase their market share in both the EU market and other markets which become more accessible as the Uruguay Round is implemented. The fast growth of industry in the ACP states in recent years is an encouraging trend. The ACP-EU Customs Cooperation Committee which has been made responsible for sorting out for the restrictive rules of origin for fish exports (definition of vessel ownership and possibilities for chartering and leasing third-country vessels) could favourably influence ACP competitiveness if the rules are relaxed.

In the course of the ten-year transitional period for phasing out the Multifibre Arrangement, the ACP states should try to intensify their use of the remaining EU preferences to enable them to move forward in the **textiles and clothing** industry. Investment should be encouraged in order to build up capacity in the sector to become more competitive in the long run, so as to be able to compete with other exporters in both the EU and other markets. As the competition becomes fiercer, it is important that the ACP states should acquire more know-how regarding the marketing of their textiles, and in particular their clothing exports, and the tastes of the European customer. They should try to create their own niche market for their clothing and textiles products.

With a view to assisting the ACP, the EU should modify and relax the rules of origin for their exports of textiles and clothing which has not really been done in the mid-term review. Currently some ACP exporters are unable to benefit from the Lomé preferences because they cannot supply their industry with necessary raw materials. As purchasing raw materials on the European market is an expensive alternative, the ACP states find it more beneficial to import them from Asia at competitive prices. In support of capacity building in the sector, the EU could relax the definition of 'sufficiently worked' textiles and clothing by allowing basic raw materials to be imported or granting cumulation rights with GSP beneficiaries.

By attracting new investment in the textiles and clothing industry, and improving processing, marketing and distribution with the support of the EU over the next ten years, ACP exporters should be able to derive benefits from the opening up of other developed country markets for their products after the MFA has been phased out, in particular where they already have some market share. The ACP states could specifically seek to encourage investment by clothing firms based in South-East Asia, some of whom have already set up factories, encouraged by freedom from MFA quotas (which will remain an attractive feature for some years) and relatively low labour costs. Technical assistance from the EU in the area of FDI (see below) would be beneficial.

Benefiting from services liberalisation

With the progressive liberalisation in services in prospect, the ACP states have an incentive to develop their service sectors. Existing service opportunities, such as in tourism and data-processing, should be further exploited to benefit from the free market access. But as the existing ACP services cannot benefit from any further liberalisation in their export markets, the ACP countries should also try to develop their trade in other labour-intensive services, such as transport (maritime and overland).

To some extent, preferential treatment of ACP services exports could come in the form of tax relief for ACP suppliers. The EU should examine whether tax relief could be granted on certain inputs of ACP subsidiaries and branches in the EU, for instance travel agencies or airline offices, and on the repatriation of ACP workers' earnings. It could further support the ACP states with technical assistance for the development of new labour-intensive services, as well as instituting sector-specific measures to promote existing and new ACP services in the EU market.

Finally, the EU could liberalise its government procurement policies so that ACP enterprises could bid for its domestic and overseas development projects. The ACP states are already allowed to tender for EDF aid contracts in their own and other ACP countries, but the opening of tenders in the EU market would increase market opportunities for ACP service suppliers enormously. This should go beyond the new Agreement on government procurement in the Uruguay Round.

Creating a healthy trade environment

It is essential that ACP countries should give more priority to trade development. A more appropriate trade environment is needed in every country. This requires both physical arrangements, such as improved infrastructure and the establishment of an effective trade promotion organisation, and changes at the policy level.

ACP governments need to commit themselves to more liberal trade policies. Protection of manufactures, taxes on food products, and overvalued exchange rates still occur frequently in ACP countries. One possibility is that, in response to higher food prices, some countries which have tended to favour consumer over farmer interests might seek to insulate themselves, at least temporarily, from rising world prices through export taxes and consumer subsidies. This could lead to increased distortions in factor allocation and a failure to exploit comparative advantage.

Another alternative is more openness. The Zietz/Valdés and Anderson/Tyers simulations in Goldin and Knudsen (1990) include the dismantling of certain instruments of indirect agricultural protection (such as currency controls and overvalued exchange rates). World price changes will then be more fully transmitted into changes in national prices of agricultural products. Higher prices should encourage factors to shift into agriculture where there is comparative advantage. In the long run an improved allocation of resources is more important than short-run changes in the trade balance. Indeed, changing world prices may lead to trade reversals; countries may discover that they are now competitive producers of goods which they have hitherto imported. Participation by the developing countries in the liberalisation process, by reducing fiscal and other policies which burden the farm sector, will temper the negative effects of higher world prices by encouraging domestic production for the home and export markets.

Involving the private sector

This also includes more outward-oriented policies and the increased involvement of the private sector in the formulation of trade policies. In some countries, such as Jamaica, the private sector already has a relatively close relationship with government and plays a significant role in identifying the needs for a good business environment. In this connection the ACP states can also learn some lessons from the East Asian miracle countries in integrating private concerns with public policies.

While integrating the business community into decision-making on trade policy would already have a positive effect on private investment in ACP states, more can be done to attract foreign and domestic investors. Appropriate policies are needed, such as attractive fiscal incentives and a good institutional framework to deal with foreign direct investment. Here, useful lessons can be learned from the way Mauritius was successful in attracting Asian investors.

However, it has to be recognised that political and economic stability is essential in drawing in this investment. In countries where a favourable investment climate already exists, appropriate fiscal incentives could encourage foreign direct investment by Western companies or special projects could be introduced to stimulate joint ventures between ACP and European investors, such as those in the European Community Investment Partners (ECIP) initiative for the Asian, Latin American and Mediterranean countries, would increase the involvement of private companies in developed countries and improve the transfer of production technology and marketing know-how.

The EU can make a significant contribution to the efforts of the ACP states to diversify their exports, increase their capacities and improve their marketing, distribution and transport in order to make their production more competitive. The ACP states should insist on more technical assistance in support of their diversification process and the promotion of marketing awareness and export-oriented production. This could help them to identify emerging export opportunities for processed and manufactured products, providing valuable concrete information about the EU market for different products. Secondly, it could continue to help ACP exporters to exploit the opportunities through promotion activities. Financial assistance for investment in infrastructure, such as air links, to get ACP exports to the EU market is also essential.

Not only the opportunities but also the requirements of various markets, such as the phyto-sanitary and other standards, provide scope for an EU contribution. The ACP group should ask EU experts to help their exporters comply with the rules by increasing their awareness and by technical assistance.

Joining the WTO .

Finally it is very important for the ACP group to be part of global thinking on international trade. In order to take advantage of the improved structures of the WTO and its stricter rules in favour of the ACP states, the group needs to be better organised in presenting its collective opinions on important issues of concern to it. In contrast to the developing countries of Latin America and Asia, the ACP countries did not play a major role in the Uruguay Round negotiations; only 50 of the 70 ACP states were Contracting Parties to the GATT and only 12 were represented in Geneva at the time. Coordination of ACP interests was therefore a hazardous task. The ACP states should be prepared as a group to defend their interests in future discussions on issues such as social dumping and trade-related environmental barriers, and in new negotiations, for instance in liberalisation of trade in services.

In order to achieve this, the ACP Secretariat or a special unit within the group could be charged with coordinating ACP opinions and improving cooperation among the states in negotiations. It is also advisable that all ACP countries should join the WTO, not only to increase the group's influence in the organisation, but also because they would be better-off as being part of the only comprehensive international trading regime.

The future of Lomé preferences

The long-term future of all preferences is uncertain in the current international trading environment of global liberalisation. Even conceding that compensation is an appropriate way of dealing with the international process of reducing trade distortion, discrimination and selective (as well as generalised) preferences between two sets of trading partners, in the real world beyond EU-ACP relations quite another agenda is being followed. True, it is twin-track: there is a rush to form regional (and sub-regional) trade groupings, but the dominant trend is still towards multilateralism, towards liberalisation and towards a distant goal of free (or freer) trade.

Some people argue that the limited evidence of the effectiveness of Lomé preferences and the continuing dependence of ACP countries on the European market where they enjoy most preferences proves that preferences are working against the natural law of comparative advantage. They contend that the trade provisions, including the protocols, discourage diversification, and that where preferences are effective they tend to lock countries into a pattern of exports which may not be justifiable in terms of economic rationality. Preferences therefore do not encourage the best allocation of resources in the long run – and should not be sustained.

In addition to this scepticism, budgetary constraints and domestic recessionary pressures in the EU militate against the Lomé preferences. Moreover, the weakening of the historical links argument used in defence of protection for the old colonies stimulates debate in favour of more global EU preferences which take more account of the actual level of development than of the past relationship with the EU member states.

In contrast to this view is the opinion of the ACP negotiators that the Lomé preferences do not seriously harm other countries, while the abolition of the preferential scheme would be detrimental to the ACP group and, to some extent, might even hurt the EU. Also, it needs to be observed that, in countervailing fashion to the multilateral trade liberalisation effort, the mid-1990s have seen a strengthening of regional trade and economic groupings (NAFTA, MERCOSUR, even APEC). Although more reciprocal in nature than the EU-ACP arrangements, these still echo the exclusive and hence discriminatory nature of the Lomé Convention, despite the latter's roots being in the 1970s (if not in the colonial 1950s and post-colonial 1960s). In other words, there is a fresh tendency towards free trade zones which only slightly reflects the ACP arrangements, but which is not strictly compatible with the MFN principle.

However, it has already been conceded by senior sources in the European Commission that the EU will never again be in the position to offer a successor arrangement to Lomé IV with the same exclusivity and discriminatory treatment for the ACP states. Discussions about the post-Lomé IV (2000) era have already started, even though the mid-term review for the second half of Lomé IV has only just been completed. The difficulties faced in concluding the mid-term review, especially with regard to the size of the European Development Fund for the next five years and further concessions on the trade front, have sent a signal to ACP countries that they may need to prepare themselves for a different type of negotiation next time round.

Three scenarios for the follow-up of Lomé IV can be envisaged.

- A first option might be that the Lomé Convention continues to exist but that non-reciprocal preferential treatment is withdrawn from some of the more advanced ACP countries (e.g. the Bahamas), on the ground that they need to be able to stand on their own feet and that equal preferential treatment for them and for the least developed African countries is neither realistic nor fair. This could go so far as to restrict non-reciprocal preferences to African countries, which in general are the most vulnerable ACP countries and the most heavily dependent on the EU for their export revenue.

- A second scenario might be to globalise the Lomé Convention, undoubtedly under a new name, to focus it on the world's poorest or least developed countries, including those outside Africa, e.g. Bangladesh, Laos, etc. This would mean that not all ACP countries, but only the least developed, would be targeted.

- A third scenario might be for the EU to set up Free Trade Areas (FTAs) with ACP countries on a regional basis. This would be in line with the EU perspective on regional integration, and has already been suggested for other developing country areas. It would be problematic, however, for most regions within the ACP group: apart from the Caribbean and southern Africa no significant regional integration has taken place so far. The other ACP regions run the risk of developing FTAs that might end up just being equivalent to bilateral agreements between the individual ACP country and the EU. This would undermine the goal of a partnership which was so basic to the Convention in the first place, as well as the practical bargaining strength of the ACP countries.

Europe's Preferred Partners?

In 1995 some of the elements of this part of Europe's offshore variable geometry fell into place. The ACP at least know where they stand until the year 2000 in terms of their relations with the EU. The mid-term review of the Lomé Convention was concluded, the replenishment of the European Development Fund agreed, and the Convention solemnly signed in Mauritius. But are the ACP still Europe's Preferred Partners? Can they remain so?

At the very least, the tide of history seems to be against them. It is difficult for Europe to form a common foreign policy, but those elements of it which derive from previous external (trade-based) EEC policies, combined with new initiatives, indicate that the EU will give priority to Eastern Europe; and to its southern borders, the Mediterranean states of North Africa and the Middle East. In some of these cases, economic integration with the EU, not just preferential trading arrangements, is the aim. Next seems to come the relaunch of stronger economic relations with Asia, the fastest growing part of the developing world: The EU's 1994 *Towards a New Asia Strategy* is to be was followed by the first EU-Asia Summit in 1996. Not neglected among the high priorities are of course relations with North America: and with Mexico and South Africa to which the EU has proposed free trade agreements, rather than preferential schemes.

Described in this way, it looks as if a policy of playing to one's partners' strengths, or, from the EU point of view, 'cherry picking' is the dominant option at present. Put together with the shift we have described in the world trade regime towards global liberalisation and away from generalised and selective preferences, there does not appear to be much space afforded, nor many practical instruments available, to support preferences, whether for the ACP as the traditional EU-favoured group, or for poor or 'least developed' countries generally. In the bleakest of all possible cases, the ACP might be left with highly eroded tariff preferences and strict rules of origin and interpretations of surges which fail to offer any significant stimulus to production and trade for the EU market, plus just the residual sugar purchase arrangements (the banana protocol having been abandoned under this scenario).

We cannot prescribe a new policy for the ACP. If they wish to proceed as a Group they need to articulate their own demands and initiate their own requests to the EU, as they began to do on trade questions in the Lomé IV Mid-Term Review. They would be justified in asking for completely free access to the EU market for their exports of textiles, clothing, manufactures, processed agricultural products, fruits and food grains during the remaining period (up to 10 years) when world trade (and EU access) is being liberalised under the Uruguay Round Settlement. Trade could then be for them the engine of growth and production investment it has failed to be during previous Lomé Conventions. Even then, they would need stronger guarantees that the EU's own policies do not distort trade patterns and negate the value of preferences: rules of origin should be simplified and used only to guarantee reasonable levels of local content, not as a protectionist device; agricultural subsidies, while they are being tariffied, should not be used to remove production and export incentives away from poorer growers; import 'surges' should be defined in a meaningful way before protectionist action against any small ACP country is even threatened.

In addition to this, the best advice to the ACP would be to rely not on the eroding and devaluing preferences which Europe offers them for sometimes dimly perceived historic reasons, nor to do exclusive aid-related deals with the EU, but to look to buoyant markets elsewhere, especially in Asia and in other regional groupings which offer them fewer words embodied in grand treaties but more action in the form of trade dynamism. Wiser ACP heads are doing this already.

Appendix Tables

Appendix Table A1: Developing country members of the Yaoundé and Lomé Conventions

Yaoundé I	Yaoundé II	Lomé I	Lomé II	Lomé III	Lomé IV
Benin	Benin	*as before plus*	*as before plus*	*as before plus*	*as before plus*
Burundi	Burundi	*Commonwealth*	Cape Verde	Angola	Dominican Republic
United Republic of Cameroon	United Republic of Cameroon	Bahamas	Comoros	Antigua and Barbuda	Eritrea
Central African Republic	Central African Republic	Barbados	Djibouti	Belize	Haiti
Chad	Chad	Botswana	Dominica	Mozambique	Namibia
Gabon	Peoples' Republic of Congo	Fiji	Kiribati	St Kitts and Nevis-Anguilla	
Guinea	Dahomey	Gambia	Papua New Guinea	St Vincent and the Grenadines	
Côte d'Ivoire	Gabon	Ghana	St Lucia	Vanuatu	
Madagascar	Guinea	Grenada	Sao Tomé and Principe		
Mali	Côte d'Ivoire	Guyana	Seychelles		
Mauritania	Madagascar	Jamaica	Solomon Islands		
Niger	Mali	Kenya	Suriname		
Rwanda	Mauritania	Lesotho	Tuvalu		
Senegal	Mauritius	Malawi	Zimbabwe		
Somalia	Niger	Nigeria			
Togo	Rwanda	Sierra Leone			
Upper Volta	Senegal	Swaziland			
	Somalia	Tanzania			
	Togo	Tonga			
	Upper Volta	Trinidad and Tobago			
	Zaire	Uganda			
		Western Samoa			
		Zambia			
		Non-Commonwealth			
		Equatorial Guinea			
		Ethiopia			
		Guinea-Bissau			
		Liberia			
		Sudan			

Source: The Courier, March–April 1990

Appendix Table A2: Trends in trade between the EU and developing countries, 1976–1992

EU imports, Ecu bn

	1976	*1980*	*1985*	*1990*	*1992*
ACP[a]	10.5	19.4	26.8	21.9	18
Asia[b]	6.7	16	26	50.9	66.4
Latin America[c]	8.3	13.7	25.8	25.7	24.8
Mediterranean[d]	9.6	16.4	32.3	29.8	30.3
All developing countries	70.7	114.3	128.9	143.8	145.6
Extra-EC	157.7	269.9	399.7	461.5	487.6
World	308.6	518.9	828.2	1127.6	1207.8

EU exports, Ecu bn

	1976	*1980*	*1985*	*1990*	*1992*
ACP[a]	9.6	15.7	17.4	16.6	17
Asia[b]	7.5	13.1	29.4	41	47.1
Latin America[c]	7.7	12	13.5	15.6	20.4
Mediterranean[d]	12.3	19.8	29.8	28.5	28.6
All developing countries	550.9	83.4	121.7	134.2	153.1
Extra-EC	141.3	221.1	380.8	415.3	436.1
World	292.9	475.1	811.8	1076.6	1137.8

ACP-EU trade balance, Ecu bn

	1976	*1980*	*1985*	*1990*	*1992*
ACP[a] exp-imp	-0.9	-3.7	-9.4	-5.3	-1

Share of extra-EU imports, %

	1976	*1980*	*1985*	*1990*	*1992*
ACP[a]	6.7	7.2	6.7	4.7	3.7
Asia[b]	4.2	5.9	6.5	11.0	13.6
Latin America[c]	5.3	5.1	6.5	5.6	5.1
Mediterranean[d]	6.1	6.1	8.1	6.5	6.2
All Dev. countries	44.8	42.4	34.7	31.2	29.9
Extra-EC	100.0	100.0	100.0	100.0	100.0

Notes:

a) These figures represent exports and imports of the 69 states that were contracting parties to the Lomé Convention in 1992, although in earlier years some of them have not benefitted from the Lomé trade provisions.
b) Afghanistan, Bhutan, Brunei, Bangladesh, Burma, Cambodia, China, India, Indonesia, Kampuchea, Laos, Macao, Malaysia, Maldives, Mongolia, Myanmar, Nepal, North Korea, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam du Nord, Vietnam
c) Argentina, Bermuda, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela
d) Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia, Turkey

Source: Eurostat database

Appendix Table A3: Total exports from ACP countries to the EU in Ecu'000

	1976	1980	1985	1990	1992	Share of ACP Exports to EU in 1992 (%)	Average Annual Growth Rates 1976–92 (%)
Nigeria	3,228,091	7,871,571	10,070,934	4,386,186	3,990,920	22.22	1.42
Côte d'Ivoire	1,006,151	1,412,421	2,329,023	1,676,590	1,553,999	8.65	2.94
Cameroon	367,181	710,255	2,156,440	1,378,976	1,073,258	5.98	7.41
Gabon	378,099	780,292	1,059,813	1,094,959	1,049,217	5.84	7.04
Mauritius	193,199	319,842	431,470	755,755	833,484	4.64	10.24
Angola	68,104	214,317	568,754	1,091,683	824,742	4.59	18.09
Zaire	864,400	1,315,878	1,395,571	1,142,259	715,882	3.99	-1.25
Congo	103,866	316,380	308,928	601,744	646,771	3.60	12.97
Ghana	317,699	392,431	346,330	729,413	572,093	3.19	4.00
Kenya	268,963	454,963	709,190	519,721	525,714	2.93	4.57
Zimbabwe	785	158,402	539,053	576,567	514,549	2.87	8.17
Liberia	334,242	453,030	607,856	702,303	462,063	2.57	2.18
Jamaica	113,417	169,104	187,752	277,755	281,934	1.57	6.26
Guinea	82,409	100,247	295,527	305,638	270,393	1.51	8.24
Senegal	311,093	191,498	299,092	410,781	253,287	1.41	-1.36
Zambia	404,310	563,155	348,306	365,464	245,266	1.37	-3.28
Bahamas	139,989	640,760	290,811	213,618	223,599	1.25	3.17
Papua N.Guin	165,247	298,161	553,460	224,752	209,673	1.17	1.60
Malawi	84,091	124,680	268,466	133,841	187,447	1.04	5.49
Sierra Leone	31,143	157,346	164,951	127,059	184,470	1.03	12.59
Mauritania	134,462	142,818	275,157	238,719	181,144	1.01	2.01
Madagascar	134,535	119,656	194,506	156,133	175,805	0.98	1.80
Trinidad, Tob	136,284	278,494	392,837	177,882	174,939	0.97	1.68
Suriname	107,929	194,281	196,691	183,015	164,110	0.91	2.83
Dominican R.	77,137	55,049	88,510	117,041	158845	0.88	4.93
Tanzania	181,897	211,300	241,091	177,087	154,956	0.86	-1.06
Namibia					154,235	0.86	
Guyana	99,776	113,892	168,961	118,486	148,782	0.83	2.70
Niger	73,710	329,106	249,294	181,905	135,892	0.76	4.16
Uganda	121,382	143,217	266,103	131,192	126,909	0.71	0.30
Swaziland	81,960	72,482	105,648	127,529	122,671	0.68	2.72
Fiji	41,256	67,705	67,172	92,703	113,271	0.63	6.97
Gambia	18,358	12,335	18,646	77,550	98,209	0.55	11.83
Ethiopia	87,534	113,011	209,298	128,693	97,597	0.54	0.73
Sudan	211,483	165,305	173,033	160,200	95,766	0.53	-5.14
St Lucia	0	15,981	75,174	84,402	83,427	0.46	11.65
Botswana	32,140	10,151	66,942	73,995	83,098	0.46	6.54
Rwanda	32,230	41,968	149,712	78,849	79,903	0.44	6.24

Table A3 Continued

	1976	1980	1985	1990	1992	Share of ACP Exports to EU in 1992 (%)	Average Annual Growth Rate 1976–92 (%)
Mali	42,716	79,107	72,134	78,106	74,873	0.42	3.81
Mozambique	80,306	66,241	21,627	63,190	74,614	0.42	-0.49
Burundi	25,004	46,718	117,068	74,638	73,509	0.41	7.45
St Vincent	0	12,518	37,974	62,872	68,335	0.38	11.98
Cent. African Rep	48,672	57,801	110,202	103,949	67,445	0.38	2.20
Togo	115,703	149,924	160,805	111,164	62,028	0.35	-4.07
Burkina Faso	34,281	33,139	48,393	76,986	58,417	0.33	3.62
Somalia	18,201	18,813	35,679	46,707	51,779	0.29	7.22
Benin	24,805	44,255	125,559	43,399	49,531	0.28	4.72
Belize	15,350	24,723	28,971	34,041	48,391	0.27	7.96
Chad	32,181	21,518	32,331	57,771	46,284	0.26	2.45
Djibouti	1,067	6,513	3,335	27,757	43,542	0.24	28.05
Dominica	0	15,462	31,962	36,330	38,513	0.21	6.27
Barbados	14,655	25,914	27,137	37,322	38,474	0.21	6.65
Equat.Guinea	8,424	11,983	24,806	38,127	30,317	0.17	8.91
Lesotho	2,728	4,670	6,476	8,446	26,877	0.15	16.48
Seychelles	510	2,167	20,846	53,429	26,774	0.15	30.22
Haiti	35,477	63,258	83,487	35,057	26,058	0.15	-2.04
Solomon Isls	0	14,371	27,152	15,046	22,626	0.13	3.07
Comoros	9,471	4,442	11,146	13,741	12,982	0.07	2.12
St. Kitts & Nevis	0	0	0	6,366	12,826	0.07	
Vanuatu	0	0	21066	11896	10885	0.06	-4.31
Grenada	10,127	12,713	16,714	11,208	7,773	0.04	-1.75
Guinea Biss.	1,062	3,814	4,138	15,340	5,244	0.03	11.23
Cape Verde	138	751	1,740	8,762	4,843	0.03	26.77
Antigua,Barb	0	0	2,335	24,085	3,999	0.02	3.65
S.Tome & Princ	2,467	14,102	5,087	2,808	3,321	0.02	2.00
West. Samoa	2,361	6,502	1,843	2,132	429	0.00	-10.75
Tonga	3,267	869	175	348	387	0.00	-13.26
Kiribati	0	0	1,443	1,596	263	0.00	-10.73
Tuvalu	0	110	201	94	234	0.00	5.16
Total ACP Exports*	10,563,525	19,473,772	26,952,133	201,23,158	17,959,893	100.00	3.60
ACP Group*	9,999,688	18,892,758	26,190,084	20,123,698	17,960,182		

Source: COMEXT database

* indicates total of exports of individual countries which belonged to the ACP group in 1992; i.e. this is larger than exports of ACP group as indicated in the database because some countries were not member of the ACP group in earlier years. The fact that figures 1990 and 1992 do not follow that logic is due to the limitations of the database.

Appendix Table A4: Textile and clothing exports of ACP countries to the EU (averages 1990–92 Ecu'000)

	mfa	non-mfa	textiles + clothing	textiles	clothing	other	total trade
Angola	46.5	0	46.5	2.0	44.5	0	958,212.5
Benin	1,153	23,268	24,421	24,296.5	124.5	0	46,465.0
Botswana	4,805.5	140.0	4,945.5	3,848.5	1,086.5	10.5	78,546.5
Burkina Faso	40.0	21,004.5	21,044.5	21,017.5	26.5	0.5	67,001.5
Burundi	386.0	79.0	465.0	301.0	162.0	2.0	74,073.5
Cameroon	7,294	14,670	21,964	21,648	307.5	8.5	1,226,117.0
Cape Verde	37.0	0	37.0	14.0	23.0	0	6,802.5
Central African Rep.	56.5	2,080	2,136.5	2,120.5	15.5	0.5	85,697.0
Chad	73.5	43891	43964.5	43,926.0	10.5	28	52,027.5
Comoros	51.5	0	51.5	20.0	31.0	0.5	13,361.5
Congo	20.0	0	20.0	9.0	1.0	10.0	624,257.5
Côte D'ivoire	34,520.0	27,895.5	62,415.5	56,161.5	6,223.5	30.5	1,615,294.5
Djibouti	52.5	54.0	106.5	69.5	24.5	12.5	35,649.5
Equat. Guinea	2.5	0	2.5	0.5	2.0	0	34,222.0
Ethiopia	3912.5	179.5	4092.0	833.5	3258.5	0	113,145.0
Gabon	8.0	23.0	31.0	25.5	4.0	1.5	1,072,088.0
Gambia	33.5	793.5	827.0	795.0	32.0	0	87,879.5
Ghana	44.5	0	44.5	7.0	33.5	4.0	650,753.0
Guinea	90.0	1231.5	1321.5	1247.0	64.5	10.0	288,015.5
Guinea Bissau	2.0	149.0	151.0	150.5	0	0.5	10,292.0
Kenya	12,446.5	6,534.0	18,980.5	9,995.0	8,797.0	188.5	522,717.5
Lesotho	9845.5	0	9845.5	253.5	9566.5	25.5	17,661.5
Liberia	187.0	66.0	253.0	232.5	20.5	0	582,183.0
Madagascar	22,204.5	4,226.0	26,430.5	13,349.5	12,287.5	793.5	165,969.0
Malawi	4,530.0	4,237.5	8,767.5	8,733.0	34.5	0	160,644.0
Mali	306	36,740.5	37,046.5	36,887.5	96.0	63.0	76,489.5
Mauritania	258.5	16.5	275.0	44.0	231.0	0	209,931.5
Mauritius	437,953.5	758.5	438,712.0	12,216.0	415,497.0	10,999.0	794,619.5
Mozambique	3,217.0	11,023.0	14,240.0	13,521.0	717.0	2	68,902.0
Namibia	25,498.5	24,363.5	49,862.0	41,506.5	7,930.5	425.0	861,821.5
Niger	282.5	540.5	823.0	726.0	93.5	3.5	158,898.5
Nigeria	8,902.0	1,256.5	10,158.5	9,933.5	204.5	20.5	4,188,553. 0
Rwanda	34.5	22.5	57.0	24.5	32.5	0	79,376.0
San Tomé & Princ	0	0	0	0	0	0	3,064.5
Senegal	984.5	5,474.0	6,458.5	6,352.0	103.5	3.0	332,034.0
Seychelles	65	0	65.0	4.0	61.0	0	40,101.5
Sierra Leone	478	0	478.0	18.0	460.0	0	155,764.5
Somalia	59	144.5	203.5	144.5	59.0	0	49,243.0
Sudan	802	23,733.5	24,535.5	24,124.5	407.0	4.0	127,983.0
Swaziland	1,836.0	1,343.0	3,179.0	2,749.0	430.0	0	125,100.0

Table A4 continued

	mfa	non-mfa	textiles and clothing	textiles	clothing	other	total trade
Tanzania	14,433.0	17,938.0	32,371.0	28,523.5	3,820.5	2.07	166,021.5
Togo	147.5	17,978.5	18,126	18,013.5	109.5	3.0	86,596.0
Uganda	414.0	4,976.5	5,390.5	5,018.0	372.5	0	129,050.5
Zaire	582.0	0	582.0	108.5	470.5	3.0	929,070.5
Zambia	9,708.0	3,297.5	13,005.5	1,1453.0	1,552.5	0	305,365.0
Zimbabwe	39,445.0	35,305.5	74,750.5	51,349.0	23,380.0	21.5	54,558.0
Antigua & Barbuda	374.5	169.0	543.5	246.5	297.0	0	14,042.0
Bahamas	160.5	0	160.5	44.5	116.0	0	218,608.5
Barbados	562.0	0	562.0	5.0	555.0	2.0	37,898.0
Belize	439.0	8.5	447.5	17.0	430.5	0	41,216.0
Dominica	57.5	0	57.5	0.5	57.0	0	37,421.5
Dominican R.	3019.0	468.5	3487.5	469.0	2958.5	60.0	137,943.0
Grenada	181.0	14.0	195.0	32.5	162.5	0	9,490.5
Guyana	41.0	9.0	50.0	10.5	1.5	38.0	13,3634.0
Haiti	3,890.0	74.5	3,964.5	886.5	3,077.0	1	30,557.5
Jamaica	35,894.5	0	35,894.5	103.5	35,787.0	4	279,844.5
St.Kitts & Nevis	22.5	0	22.5	22.0	0.5	0	9,596.0
St Lucia	123.5	0	123.5	49.0	74.5	0	83,914.5
St Vincent	31.0	0	31.0	0	31.0	0	65,603.5
Suriname	110.5	0	110.5	38.5	72.0	0	173,562.5
Trinidad & Tobago	89.5	0	89.5	35.0	53.5	1	176,410.5
Fiji	1,847.5	0	1,847.5	5.5	1,838.0	4	102,987.0
Kiribati	0	0	0	0	0	0	929.5
Papua New Guinea	11.0	470.5	481.5	471.0	10.5	0	217,212.5
Solomon Islands	24.5	0	24.5	0	24.5	0	18,836.0
Tonga	0	100.5	100.5	100.5	0	0	367.5
Tuvalu	1.0	0	1.0	0	0	1.0	164.0
Vanuatu	194.5	0	194.5	0	194.5	0	11,390.5
Western Samoa	0	0	0	0	0	0	1,280.5
Total ACP exports	694,323.5	336,749.0	1,031,072.5	474,310.0	543,950.0	12,812.5	19,826,229.5
WORLD	82,242,202.0	401,142.5	86,283,344.5	39,104,797.0	45,107,545.0	20,171,002.5	1,167,710,597.0
Extra-Ec	34,696,057.5	33,63,704.0	38,059,761.5	13,798,504.5	23,090,216.0	1,171,041.0	
All dev. countries	16,484,292.5	996,263.0	17,480,555.5	4,964,078.0	12,203,335.5	31,342.0	144,706,457.5
ACP Share	2.01	9.86	2.73	3.41	2.36	1.09	
Other Dev Share	45.53	19.39	43.23	32.54	50.65	26.15	

Source: COMEXT, database

Appendix Table A5: ACP services exports to the world

ACP states	1990	1991	Average (1990 and 1991)	% Export services in total export earnings
African states				
Angola	119.1	186.3	152.7	4.00
Benin	114.6	122.6	118.6	29.90
Botswana	497.3			22.10
Burkina Faso	65.1	63.5	64.3	18.80
Burundi	24.8	35.1	29.95	26.71
Cameroon ('88)	473			20.44
Cape Verde	62.7	21.1	41.9	87.57
Central Afr. Rep.	66.2	69.8	68	31.29
Chad	44	47.5	45.75	17.74
Comoros	20.2	27.5	23.85	53.00
Congo	113.9	92.2	103.05	7.55
Côte d'Ivoire	563.8	525.7	544.75	17.31
Djibouti				
Equat. Guinea	4.5	6.2	5.35	12.69
Ethiopia	301.8	313.8	307.8	50.01
Gabon	261.7	246	253.85	9.65
Gambia	71.4			39.23
Ghana	93.1			9.46
Guinea ('87)	58.2			9.34
Guinea-Bissau				
Kenya	1222.8	1149.3	1186.05	53.47
Lesotho	495.6	517.7	506.65	88.85
Liberia ('87)	57.7			13.34
Madagascar	199	146	172.5	34.19
Malawi ('88)	37.8			11.29
Mali	99.5	89.7	94.6	21.46
Mauritania ('89)	39.2			0.00
Mauritius	572.6	651.2	611.9	33.77
Mozambique	173.4	202.8	188.1	56.58
Namibia				
Niger	71.3	58.5	64.9	18.10
Nigeria	1176	1097	1136.5	8.09
Rwanda	46.6	46.5	46.55	31.96
Sao Tomé & Principe	3.9			48.15
Senegal	585.8	582.8	584.3	39.17
Seychelles	233.2	238.5	235.85	91.03
Sierra Leone ('89)	38.5			21.63
Somalia ('85)	37			35.34
Sudan	184.9	79.7	132.3	29.61
Swaziland	241.8	226.8	234.3	29.33

Table A5 continued

ACP states	1990	1991	Average (1990 and 1991)	% Export services in total export earnings
Tanzania	140.1			25.57
Togo	197.6	195.7	196.65	27.95
Uganda	30.4			14.60
Zaire	171		85.5	7.41
Zambia ('89)	87			6.10
Zimbabwe ('88)	207.8			
Caribbean states				
Antigua & Barb.	325.7	349.4	337.55	91.19
Bahamas	1,514.4	1,425.8	1,470.1	82.41
Barbados	685.6	688.9	687.25	82.34
Belize	125.9	116.9	121.4	49.37
Dominica	37.4			38.44
Dominican Rep.	1,282.4	1,338.1	1,310.25	65.30
Grenada	69.9			72.44
Guyana ('85)	48			18.32
Haiti	88.1	92	90.05	35.78
Jamaica	1,170.8	1,096.5	1,133.65	49.61
St Kitts & Nevis	56.9	62.5	59.7	72.28
St Lucia	168.4	176.1	172.25	59.68
St Vincent	42.1	49.1	45.6	38.06
Suriname	23			4.70
Trinidad & Tobago	393.1	455.7	424.4	18.72
Pacific states				
Fiji	446.9	469.8	458.35	50.32
Kiribati ('86)	14.3			88.82
Papua New Guinea ('89)	254.9			16.20
Samoa	42.3	38.1	40.2	82.89
Solomon Islands	30.7	36	33.35	30.25
Tonga	35	24.6	29.8	75.25
Tuvalu				
Vanuatu	95.7	106.8	101.25	87.59

Source: UNCTAD, 1992:Balance of Payments Summaries.

Appendix Table A6: Elasticities used in the partial equilibrium analysis

	demand	*export supply*			*substitution*
		ACP	*GSP*	*MFN*	
Coffee beans	-0.31	0.46	0.65	n.a	-10.00
Cocoa beans	-0.19	0.80	0.80	n.a	-10.00
Tobacco	-0.40	0.41	0.41	0.70	-5.00
Veg. oils	-0.51	0.40	0.40	0.49	-5.00
Other tropical	-0.58	0.60	0.60	0.60	-3.00
Fish	-0.58	0.50	1.00	1.00	-3.00
Metals, mins.	-1.10	0.27	0.27	0.50	5.00
Wood, pulp, paper	-1.30	0.50	0.50	0.50	5.00
Leather, footwear	-2.39	0.50	1.00	1.00	1.00
Chemicals	-2.53	0,50	1.00	1.00	1.00
Elect. eqpt.	-1.14	0.50	1.00	1.00	1.00
Non-elect. mach.	-1.62	0.50	1.00	1.00	1.00
Transport. eqpt.	-3.28	0.50	1.00	1.00	1.00
Other ind. excl clothing and textiles	-1.30	0.50	1.00	1.00	1.00

Sources: Langhammer (1983); Bond (1983), Islam and Subramian (1989), Adams and Behrman (1982), Askari and Cummings (1977) and other sources quoted in Page et al (1991), Stern, Francis and Schumacher (1977) and Davenport (1988)

Appendix Table A7: Effect of Uruguay Round on agricultural imports and exports

	Net exports, $ m. av. 1990-92			*Final UR effect change in net exports,$ m.*				*Net exports $ m.*	
	Meat, dairy (a)	*Grains inc oil seeds*	*Sugar*	*Meat, dairy*	*Grains inc oil seeds*	*Sugar*	*Total*	*pre-UR*	*post-UR*
Angola	-129	-90	-35	-7.2	-2.0	-1.5	-10.7	-254	-265
Benin	-17	-30	-9	-0.9	-0.9	-0.4	-2.2	-55	-57
Botswana	67	-26	-27	-11.3	-0.6	-1.2	-13.1	14	1
Burkina Faso	-17	-52	-2	-0.9	-1.2	-0.1	-2.2	-70	-73
Burundi	-4	-13	-2	-0.2	-0.3	-0.1	-0.6	-18	-19
Cameroon	-17	-91	-3	-1.0	-2.2	-0.1	-3.3	-111	-114
Central African Rep.	-4	-12	-4	-0.2	-0.3	-0.2	-0.6	-20	-20
Chad	-3	-12	-4	-0.2	-0.3	-0.2	-0.6	-19	-20
Comoros	-6	-10	-1	-0.4	-0.2	-0.1	-0.6	-17	-18
Congo	-34	-36	8	-1.9	-0.8	-0.4	-3.1	-62	-66
Côte D'ivoire	-75	-166	1	-4.2	-3.8	0.2	-7.7	-240	-248
Djibouti							-2.4	-41	-43.6
Eq. Guinea	.						-0.2	-5	-4.9
Ethiopia	-11	-157	3	-0.6	-3.5	0.2	-3.9	-165	-169
Gabon	-44	-37	1	-2.5	-0.8	0.1	-3.2	-81	-84
Gambia	-7	-17	-19	-0.4	-0.4	-0.8	-1.6	-42	-44
Ghana	-43	-74	-42	-2.4	-1.6	-1.8	-5.9	-159	-164
Guinea	-15	-63	-17	-0.9	-1.4	-0.7	-3.0	-95	-98
Guinea-Bissau	-2	-17	-1	-0.1	-0.4	-0.0	-0.5	-20	-20
Kenya	1	-62	-37	-0.2	-1.5	-2.0	-3.8	-99	-102
Lesotho	-14	-39	-13	-0.8	-0.9	-0.6	-2.2	-66	-68
Liberia	-7	-51	-2	-0.4	-1.1	-0.1	-1.6	-60	-61
Madagascar	-4	-32	13	-0.8	-0.7	-0.1	-1.6	-22	-24
Malawi	-4	-57	28	-0.2	-1.3	-0.2	-1.7	-33	-35
Mali	-21	-30	-25	-1.2	-0.7	-1.1	-3.0	-77	-80
Mauritania	-21	-51	-26	-1.2	-1.1	-1.1	-3.4	-98	-101
Mauritius	-57	-52	363	-3.2	-1.2	-24.1	-28.5	254	226
Mozambique	-13	-137	-4	-0.7	-3.1	-0.0	-3.8	-154	-158
Namibia	31	-20	-26	-0.0	-0.4	0.0	-0.5	-15	-15

Table A7 (continued)

	Net exports, $ m. av. 1990-92			*Final UR effect change in net exports,$ m.*				*Net exports $ m.*	
	Meat, dairy (a)	*Grains inc oil seeds*	*Sugar*	*Meat, dairy*	*Grains inc oil seeds*	*Sugar*	*Total*	*pre-UR*	*post-UR*
Niger	-8	-38	-16	-0.5	-0.8	-0.7	-2.0	-61	-63
Nigeria	-70	-174	-155	-3.0	-4.0	-10.4	-17.4	-399	-416
Rep. Cape Verde							-1.9	-32	-33.4
Rwanda	-5	-17	-6	-0.3	-0.4	-0.2	-0.9	-27	-28
Sao Tomé & Principe							0	-1	-1
Senegal	-50	-150	-21	-2.9	-3.4	-0.9	-7.2	-222	-229
Seychelles							-1.2	-19	-21
Sierra Leone	-6	-49	-6	-0.3	-1.1	-0.3	-1.7	-61	-63
Somalia	-3	-66	-5	-0.2	-1.4	-0.2	-1.8	-74	-76
Sudan	-19	-67	4	-1.0	-2.3	0.3	-3.0	-82	-85
Swaziland	-16	-21	160	-1.2	-0.5	-1.2	-2.9	122	119
Tanzania	-3	-29	-3	-0.3	-0.8	-1.0	-2.1	-35	-37
Togo	-10	-23	-8	-0.5	-0.6	-0.4	-1.5	-41	-42
Uganda	-4	7	-4	-0.2	0.0	-0.6	-0.8	0	-1
Zaire	-60	-90	-4	-3.3	-2.0	-0.2	-5.5	-153	-159
Zambia	-1	-42	7	-0.1	-1.0	0.4	-0.6	-36	-36
Zimbabwe	14	-40	20	-6.2	-1.7	1.6	-6.3	-6	-12
Africa	**-711**	**-2229**	**82**	**-64**	**-53**	**-50**	**-172**	**-2956**	**-3128**
Antigua							-1.3	-21	-23
Bahamas							-7.8	-132	-140
Barbados	-30	-23	33	-1.7	-0.6	-2.9	-5.1	-20	-25
Belize	-10	-8	44	-0.7	-0.2	-1.5	-2.4	26	24
Dominica							1.3	15	16
Dominican Rep.	-26	-122	142	-2.2	-3.2	6.1	0.7	-5	-5
Grenada	-9	-4	-2	-0.5	-0.1	-0.2	-0.8	-16	-17
Guyana	-8	11	98	-0.4	-0.6	-9.4	-10.4	101	91
Haiti	-23	-101	-24	-1.2	-2.6	-1.7	-5.6	-148	-154
Jamaica	-62	-96	66	-3.5	-2.5	-7.7	-13.7	-92	-106

	Net exports, $ m. av. 1990-92			*Final UR effect change in net exports,$ m.*				*Net exports $ m.*	
	Meat, dairy (a)	*Grains inc oil seeds*	*Sugar*	*Meat, dairy*	*Grains inc oil seeds*	*Sugar*	*Total*	*pre-UR*	*post-UR*
St Lucia							2	20	22
St Vincent							3.9	26	30
Suriname	-8	13	-4	-0.4	-2.1	-0.6	-3.2	1	-2
Trinidad/Tob.	-58	-71	29	-3.2	-1.7	-4.8	-9.7	-100	-109
Caribbean	**-234**	**-401**	**382**	**-14**	**-14**	**-23**	**-52**	**-345**	**-398**
Fiji	-19	-21	166	-0.5	1.0	-3.2	-2.7	127	124
Papua New Guinea	-70	-60	-0	-1.9	2.5	0.2	0.9	-130	-129
Solomon Islands	-2	-2	-1	-0.1	0.5	-0.0	0.4	-6	-6
Tonga	-6	-3	-1	-0.2	0.1	-0.0	-0.1	-10	-10
Vanuatu	1	1	-1	0.0	0.4	-0.0	0.4	0	1
Western Samoa							-0.3	-7	-7
Pacific	**-96**	**-86**	**163**	**-3**	**4**	**-3**	**-2**	**-26**	**-27**
ACP (66) (b)	**-1041**	**-2716**	**627**	**-80**	**-62**	**-76**	**-226**	**-3326**	**-3553**
Total Developing Countries	-5791	-14479	2673	-373.3	-77.8	209.8	-241.3	-17596	-17837
LDCs (c)	-446	-1929	-387	-40.3	-36.9	-29.6	-106.8	-2762	-2869

Notes: (a) Live animals excluded as data are insufficient.
(b)St Kitts, Kiribati and Tuvalu were omitted from the calculations owing to lack of data: For the following countries detailed information was not available and calculations were made on the basis of their total net food exports:Djibouti, Eq. Guinea, Rep. Cape Verde, Sao Tome & Principe, Seychelles, Antigua and Barbuda, Bahamas, Dominica, St Lucia, St Vincent,and Western Samoa
(c) LLDCs exclude Bhutan, Cape Verde, Djibouti, Equatorial Guinea, Kiribati, Myanmar, Samoa, Sao Tomé & Principe

Appendix Table A8: Tariff rates for agricultural and industrial exports before and after the Uruguay Round and GSP utilisation rates

Agricultural

	MFN pre-UR		*MFN post-UR*		*GSP pre-UR*		*GSP post-UR*		*% utilisation GSP (a)*
	EU	*other OECD*	*EU*	*other OECD*	*EU*	*other OECD*	*EU*	*other OECD*	
Coffee beans	5.0	0.0	0.0	0.0	4.5	0.0	0.0	0.0	95
Cocoa beans	3.0	0.0	0.0	0.0	3.0	0.0	0.0	0.0	95
Tobacco	22.5	10.0	17.8	5.0	22.2	0.0	17.8	0.0	5
eg. Oils	8.0	1.0	5.1	2.5	2.5	1.0	2.5	1.0	22
Other tropical	7.6	9.0	4.2	5.7	6.0	0.5	4.2	0.5	3
Fish	14.0	3.7	12.0	1.1	10.6	0.0	10.6	0.0	4

(a) Share of GSP-covered imports receiving GSP preferences

Source: National tariff schedules and offers to the GATT UR (1994)

Industrial

	MFN rates		*% utilisation GSP*
	pre-UR	*post-UR*	
Metals, minerals	3	1.3	5
Wood, paper	3.5	1.1	39
Chemicals	8.9	7.3	9
Leather, footwear	6.7	3.7	4
Elect. equipment	6.6	3.5	19
Non-elect equipment	4.8	1.9	28
Transport equipment	7.5	5.8	10

Note: GSP exports of manufactures are duty-free, although they are subject to ceilings and quotas in some cases.

Source: National tariff schedules and offers to the GATT UR (1994) and GATT (1994a).

Appendix Table A9: Static loss in ACP export earnings on tropical products resulting from preference erosion due to the Uruguay Round ($ m)

	coffee	*cocoa*	*tobacco*	*veget. oils*	*other tropical*	*fish*	*OECD imports 1992*	*Volume change*	*Revenue change*
Angola	-0.3	0.0	0.0	-0.0	-0.0	-0.2	10.9	-0.2	-0.5
Benin	-0.0	-0.0	0.0	-0.1	0.0	-0.0	6.1	-0.1	-0.2
Botswana	0.0	-0.0	0.0	0.0	-0.0	-0.0	0.0	-0.0	-0.0
Burkina-Faso	0.0	-0.0	0.0	-0.0	-0.1	0.0	2.8	-0.1	-0.1
Burundi	-2.5	-0.0	-0.0	-0.0	-0.1	-0.0	63.2	-0.8	-2.7
Cameroon	-5.9	-1.4	-0.1	-0.2	-2.3	-0.0	170.8	-3.9	-9.9
Cent. African Rep.	-0.3	0.0	-0.1	-0.0	-0.0	-0.0	4.8	-0.2	-0.4
Chad	0.0	-0.0	0.0	-0.0	-0.0	0.0	0.1	-0.0	-0.0
Comoros Isl.	-0.0	0.0	0.0	0.0	-0.9	-0.0	20.2	-0.5	-0.9
Congo	-0.0	-0.0	0.0	0.0	-0.0	-0.0	0.1	-0.0	-0.0
Côte d'Ivoire	-7.9	-9.8	0.0	-2.2	-10.4	-2.8	608.7	-15.7	-33.1
Djibouti	0.0	-0.0	0.0	0.0	0.0	-0.0	0.0	-0.0	-0.0
Equatorial Guinea	-0.0	-0.1	0.0	0.0	-0.0	-0.0	0.2	-0.0	-0.1
Ethiopia	-3.4	-0.0	0.0	-0.0	-0.1	-0.0	88.4	-1.0	-3.5
Gabon	-0.0	-0.0	0.0	-0.0	-0.0	-0.0	2.4	-0.1	-0.1
Gambia	-0.0	-0.0	0.0	-0.0	-0.1	-0.4	15.0	-0.3	-0.5
Ghana	-0.1	-3.8	-0.0	-0.1	-1.6	-0.7	61.2	-3.0	-6.1
Guinea	-0.3	-0.0	0.0	-0.0	-0.1	-0.1	10.7	-0.2	-0.5
Guinea Bissau	-0.0	-0.0	0.0	-0.0	-0.0	-0.0	1.0	-0.0	-0.0
Kenya	-7.6	-0.0	-0.3	-0.0	-11.6	-1.0	497.4	-10.2	-20.5
Lesotho	0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	0.0	-0.0
Liberia	-0.0	-0.0	0.0	0.0	-1.0	-0.0	23.9	-0.7	-1.1
Madagascar	-1.9	-0.1	0.0	-0.0	-3.5	-0.6	149.8	-3.1	-6.0
Malawi	-0.5	-0.0	-16.6	-0.0	-0.8	-0.0	341.7	-9.7	-17.9
Mali	0.0	-0.0	-0.0	-0.0	-0.1	-0.0	2.7	-0.1	-0.1
Mauritania	0.0	-0.0	0.0	-0.0	-0.0	-0.4	13.6	-0.2	-0.4
Mauritius	-0.0	-0.1	-0.0	0.0	-0.5	-0.6	40.2	-0.6	-1.1
Mozambique	-0.0	-0.0	-0.2	-0.0	-0.6	-0.0	19.4	-0.5	-0.8
Niger	0.0	-0.0	0.0	-0.0	-0.0	-0.0	0.3	-0.0	-0.0
Nigeria	-0.0	-1.6	-0.0	-0.3	-3.7	-0.1	103.8	-3.3	-5.8
Rep. of Cape Verde	0.0	-0.0	0.0	-0.0	-0.0	-0.0	2.7	-0.0	-0.1
Rwanda	-2.8	0.0	0.0	0.0	-0.2	-0.0	50.5	-1.0	-3.0
Sao Tomé & Principe	-0.0	-0.0	0.0	-0.0	-0.0	-0.0	0.0	-0.0	-0.0
Senegal	0.0	-0.0	0.0	-1.4	-0.1	-2.6	157.9	-2.4	-4.1
Seychelles	0.0	-0.0	0.0	0.0	-0.0	-0.8	33.3	-0.5	-0.8
Sierra Leone	-0.3	-0.1	-0.1	-0.0	-0.0	-0.4	19.7	-0.4	-0.9
Somalia	-0.0	-0.0	0.0	0.0	0.0	-0.0	0.0	-0.0	-0.0
Sudan	-0.0	0.0	0.0	-0.1	-0.0	-0.0	5.3	-0.1	-0.2
Swaziland	0.0	-0.0	0.0	0.0	-0.1	-0.0	3.4	-0.1	-0.1
Tanzania	-3.4	-0.0	-1.0	-0.0	-0.7	-0.0	114.1	-1.9	-5.2
Togo	-0.6	-0.0	0.0	-0.2	-0.1	-0.0	21.5	-0.3	-0.9
Uganda	-6.3	-0.0	-0.3	0.0	-0.1	-0.1	137.4	-2.1	-6.9
Zaire	-4.7	-0.1	-0.3	-0.0	-0.2	-0.0	77.0	-1.8	-5.3
Zambia	-0.1	-0.0	-0.4	-0.0	-0.1	-0.0	14.0	-0.3	-0.7
Zimbabwe	-0.7	-0.0	-13.8	0.0	-1.5	-0.0	336.9	-8.3	-16.0
Africa	**-49.5**	**-17.3**	**-33.3**	**-4.9**	**-40.5**	**-10.8**	**3232.9**	**-73.6**	**-156.3**

Table A9 continued

	coffee	*cocoa*	*tobacco*	*veget. oils*	*other tropical*	*fish*	*OECD imports 1992*	*Volume change*	*Revenue change*
Antigua	-0.0	0.0	0.0	-0.0	-0.0	-0.0	0.3	-0.0	-0.0
Bahamas	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.3	-0.0	-0.0
Barbados	0.0	-0.0	0.0	-0.0	-0.0	-0.0	1.0	-0.0	-0.0
Belize	-0.0	-0.0	0.0	0.0	-0.1	-0.0	3.0	-0.1	-0.1
Dominica	-0.0	-0.0	-0.0	0.0	-0.0	-0.0	0.3	-0.0	-0.0
Dominican Republic	-0.7	-0.7	-4.2	-0.0	-1.1	-0.0	155.0	-3.3	-6.8
Grenada	-0.0	-0.0	0.0	0.0	-0.2	-0.0	4.4	-0.1	-0.2
Guyana	-0.0	-0.0	0.0	0.0	-0.0	-0.1	4.1	-0.1	-0.1
Haiti	-0.8	-0.1	0.0	-0.0	-0.0	0.0	17.9	-0.3	-0.9
Jamaica	-0.2	-0.0	-0.4	-0.0	-0.6	-0.0	37.1	-0.6	-1.2
St. Lucia	-0.0	-0.0	0.0	0.0	-0.0	-0.0	1.3	-0.0	-0.0
St. Vincent	0.0	-0.0	0.0	-0.0	-0.0	-0.7	21.3	-0.4	-0.7
Suriname	-0.0	-0.0	0.0	-0.0	-0.0	-0.2	6.1	-0.1	-0.2
Trinidad and Tobago	-0.0	-0.1	0.0	-0.0	-0.1	-0.4	14.7	-0.3	-0.6
Caribbean	**-1.7**	**-0.9**	**-4.5**	**-0.0**	**-2.2**	**-1.6**	**266.8**	**-5.4**	**-11.0**
Fiji	-0.0	-0.0	0.0	-0.1	-0.1	-0.7	31.9	-0.6	-1.0
Papua New Guinea	-3.5	-0.5	-0.0	-2.9	-0.3	-0.0	189.5	-3.0	-7.2
Solomon Islands	0.0	-0.0	0.0	-0.3	-0.0	-0.3	23.0	-0.4	-0.7
Tonga	-0.0	0.0	0.0	-0.0	-0.1	-0.0	3.6	-0.1	-0.1
Vanuatu	-0.0	-0.0	0.0	0.0	0.0	-0.3	7.9	-0.2	-0.3
Western Samoa	0.0	-0.0	0.0	-0.0	-0.0	-0.0	0.6	-0.0	-0.0
Pacific[a]	**-3.5**	**-0.6**	**-0.0**	**-3.3**	**-0.5**	**-1.4**	**256.5**	**-4.2**	**-9.3**
ACP (65)	**-54.8**	**-18.7**	**-37.9**	**-8.2**	**-43.2**	**-13.8**	**3756.2**	**-83.2**	**-176.6**
LLDCs[b]	-38.4	-15.2	-3.0	15.0	60.2	34.6	30394.6	86.0	53.2
ldc (d)	-28.1	-1.3	-19.0	-0.9	-8.8	-2.7	1367.6	-25.0	-60.9

Notes: [a] ACP (65) excludes: Namibia, St Kitts, Kiribati, Tuvalu and Eritrea due to a lack of data .
[b] LDCs exclude Bhutan, Kiribati, Myanmar, Samoa

Appendix Table A10: Impact of Uruguay Round on industrial exports to OECD countries, excluding textiles and clothing (losses in export earnings in $ m)

	metals minerals	*wood, paper*	*chemicals*	*elect. equip.*	*trnspt. equip.*	*other industrial*	*OECD Imports 1992*	*Diversion +creation*	*Revenue change*
Angola	-2.3	-0.0	-0.0	-0.0	-0.1	-0.7	207.0	-2.2	-3.1
Benin	-0.0	-0.0	-0.3	-0.0	-0.0	-0.0	9.4	-0.3	-0.4
Botswana	-1.3	-0.0	0.0	-0.1	-0.0	-0.6	119.1	-1.4	-2.0
Burkina-Faso	-0.0	-0.0	-0.0	-0.0	-0.0	-0.2	5.8	-0.2	-0.2
Burundi	-0.0	-0.0	-0.0	-0.0	-0.0	-0.2	9.1	-0.2	-0.3
Cameroon	-1.0	-8.2	-0.0	-0.0	-0.0	-0.6	414.0	-7.8	-9.9
Cent. African Rep.	-1.0	-0.4	-0.0	-0.0	-0.0	-0.1	93.9	-1.0	-1.4
Chad	0.0	-0.0	0.0	-0.0	-0.0	-0.0	2.0	-0.1	-0.1
Comoros Isl.	0.0	-0.0	-0.0	-0.0	-0.0	-0.3	7.8	-0.3	-0.3
Congo	-4.2	-3.9	-0.0	-0.0	-0.0	-0.5	501.8	-6.4	-8.7
Côte d'Ivoire	-1.4	-8.6	-0.0	-0.1	-0.0	-0.9	464.9	-8.6	-11.0
Djibouti	-0.0	-0.0	-0.0	-0.0	-0.0	-0.1	3.0	-0.1	-0.1
Equatorial Guinea	-0.0	-0.8	-0.0	-0.0	-0.0	-0.0	33.5	-0.7	-0.8
Ethiopia	-0.0	-0.0	-0.0	-0.0	-0.0	-2.4	59.4	-2.0	-2.5
Gabon	-2.2	-5.8	-1.6	-0.1	-0.0	-1.2	469.9	-8.6	-11.0
Gambia	-1.6	-0.0	0.0	-0.0	-0.0	-1.3	163.3	-2.2	-3.0
Ghana	-4.0	-3.8	-0.1	-0.1	-0.0	-1.1	492.4	-6.7	-9.0
Guinea	-6.0	-0.1	-0.0	-0.0	-0.0	-1.4	516.9	-5.4	-7.5
Guinea Bissau	0.0	-0.1	0.0	-0.0	-0.0	-0.1	5.4	-0.2	-0.2
Kenya	-0.2	-0.1	-0.4	-0.3	-0.0	-3.0	106.8	-3.2	-4.0
Lesotho	-0.2	-0.0	-0.0	-0.0	0.0	-0.0	15.5	-0.2	-0.2
Liberia	-4.4	-1.8	-0.0	-0.0	-6.1	-1.9	700.7	-11.4	-14.3
Madagascar	-0.4	-0.1	-0.0	-0.0	-0.0	-3.7	122.8	-3.3	-4.2
Malawi	-0.0	-0.0	-0.0	-0.0	-0.0	-0.2	6.4	-0.2	-0.3
Mali	-0.4	-0.0	-0.0	-1.1	-0.0	-0.3	63.2	-1.4	-1.8
Mauritania	-2.5	-0.0	0.0	-0.0	-0.0	-7.9	394.5	-8.1	-10.5
Mauritius	-0.4	-0.0	-0.0	-0.1	-0.0	-3.5	121.2	-3.1	-4.0
Mozambique	-0.0	-0.0	-0.0	-0.0	-0.0	-3.0	78.8	-2.5	-3.1
Niger	-0.0	-0.0	-8.0	-0.0	-0.0	-0.3	181.0	-7.2	-8.3
Nigeria	-0.2	-0.5	-0.2	-0.2	-0.1	-7.8	232.0	-7.1	-8.9
Rep. of Cape Verde	-0.0	-0.0	0.0	-0.0	-0.0	-0.1	2.3	-0.1	-0.1
Rwanda	-0.0	-0.0	-0.0	-0.0	-0.0	-0.3	10.4	-0.3	-0.3
Sao Tomé and Principe	-0.0	-0.0	-0.0	-0.0	0.0	-0.0	1.4	-0.0	-0.1
Senegal	-0.3	-0.0	-0.0	-0.2	-0.0	-3.3	111.5	-3.0	-3.9
Seychelles	0.0	-0.0	-0.0	-0.0	-0.0	-0.1	3.0	-0.1	-0.1
Sierra Leone	-3.7	-0.0	-0.0	-0.0	-0.0	-1.1	327.6	-3.5	-4.9
Somalia	-0.0	-0.0	-0.0	-0.0	-0.0	-0.4	9.2	-0.3	-0.4
Sudan	-0.0	-0.0	-0.0	-0.0	-0.0	-0.6	17.6	-0.6	-0.7
Swaziland	-0.1	-0.1	-0.0	-0.0	-0.0	-0.4	22.4	-0.5	-0.7
Tanzania	-0.5	-0.1	-0.0	-0.0	-0.0	-0.6	61.4	-1.0	-1.3
Togo	-0.8	-0.0	-0.0	-0.0	-0.0	-0.2	74.4	-0.8	-1.1
Uganda	-0.0	0.0	-0.0	-0.0	-0.0	-0.3	9.2	-0.3	-0.4
Zaire	-10.6	-1.5	-0.1	-0.0	-0.0	-5.0	1030.4	-12.6	-17.2
Zambia	-7.4	-0.0	-0.0	-0.0	-0.0	-0.1	595.8	-5.2	-7.6
Zimbabwe	-3.6	-0.0	-0.0	-0.2	-0.0	-2.1	344.5	-4.3	-5.9
Africa	-60.9	-36.1	-10.9	-2.9	-6.6	-58.5	8222.4	-134.7	-175.8

Table A10 continued

	metals minerals	*wood, paper*	*chemicals*	*elect. equip.*	*trnspt. equip.*	*other industrial*	*OECD Imports 1992*	*Diversion +creation*	*Revenue change*
Antigua	-0.0	-0.0	-0.0	0.0	0.0	-0.1	2.2	-0.1	-0.1
Bahamas	-0.4	-0.0	-19.2	-0.0	-4.7	-7.5	806.7	-26.8	-31.9
Barbados	-0.0	-0.0	-0.0	-1.2	-0.0	-0.6	37.9	-1.4	-1.8
Belize	-0.0	-0.0	0.0	-0.0	-0.0	-0.6	15.2	-0.5	-0.6
Dominica	-0.0	-0.0	-0.0	-0.0	-0.0	-0.2	6.0	-0.2	-0.2
Dominican Republic	-3.3	-0.1	-0.2	-9.1	-0.0	-21.7	1064.8	-26.9	-34.3
Grenada	-0.0	-0.0	0.0	-0.0	-0.0	-0.2	6.1	-0.2	-0.3
Guyana	-1.4	-0.1	-0.1	-0.0	-0.0	-0.8	137.3	-1.8	-2.5
Haiti	-0.0	-0.0	0.0	-0.4	-0.0	-1.6	47.9	-1.5	-2.0
Jamaica	-1.9	-0.1	-0.6	-0.2	-0.0	-16.5	575.2	-15.0	-19.3
St. Lucia	-0.0	-0.0	0.0	-0.5	-0.0	-0.2	13.3	-0.5	-0.6
St. Vincent	-0.0	-0.0	-0.0	-0.0	-0.4	-0.1	17.7	-0.4	-0.5
Surinam	-0.5	-0.0	-0.0	-0.0	-0.0	-11.8	324.7	-9.6	-12.3
Trinidad and Tobago	-0.0	-0.0	-7.7	-0.1	-0.0	-5.8	311.4	-11.2	-13.6
Caribbean	-7.5	-0.3	-27.9	-11.6	-5.2	-65.8	3366.3	-96.1	-120.0
Fiji	-0.0	-0.7	-0.0	-0.1	-0.0	-1.2	61.8	-1.6	-2.0
Papua New Guinea	-4.2	-4.0	-0.0	-0.0	-0.0	-0.9	515.4	-6.7	-9.2
Solomon Islands	-0.0	-1.0	0.0	-0.0	-0.0	-0.4	48.9	-1.1	-1.4
Tonga	-0.0	-0.0	-0.0	-0.0	-0.0	-0.1	3.3	-0.1	-0.1
Vanuatu	-0.0	-0.0	0.0	-0.0	-0.0	-0.1	4.7	-0.1	-0.2
Western Samoa	-0.0	-0.0	0.0	-1.3	-0.0	-0.0	25.3	-1.0	-1.3
Pacific	-4.3	-5.8	-0.0	-1.4	-0.0	-2.7	659.3	-10.6	-14.2
ACP (65)[a]	-72.7	-42.2	-38.8	-15.9	-11.8	-128.8	12,248.1	-241.4	-310.1
ldcs	291.4	15.0	67.1	-152.1	81.3	-576.1[1]	32,9077.0	-3061.0	-213.0
LLDCs (b)	-51.2	-6.2	-8.7	-2.0	-5.9	-34.7	4277	-86.3	-110.6

[a] ACP (65) excludes: Namibia, St Kitts, Kiribati, Tuvalu and Eritrea due to a lack of data

[b] most of this is a loss in non-electrical machinery.

[c] ldcs exclude Bhutan, Kiribati, Myanmar, Samoa

Appendix Table A11: Summary of quantitative effects of the Uruguay Round on ACP export earnings

	Revenue Change following the Uruguay Round in $m				*Total world imports 1992*		*Loss as share of total exports (%)*			
	Trop	*Ind*	*Agr*	*Total*	*1992 $m*	*share of ACP world exp.%*	*Trop*	*Ind*	*Agr*	*Total World*
Angola	-0.5	-3.1	-10.7	-14.3	4010	7.54	-0.01	-0.08	-0.27	-0.36
Benin	-0.2	-0.4	-2.2	-2.7	111	0.21	-0.14	-0.37	-1.94	-2.44
Botswana	-0.0	-2.0	-13.1	-15.0	1742	3.28	-0.00	-0.11	-0.75	-0.86
Burkina Faso	-0.1	-0.2	-2.2	-2.5	157	0.30	-0.07	-0.15	-1.39	-1.62
Burundi	-2.7	-0.3	-0.6	-3.5	72	0.14	-3.78	-0.35	-0.80	-4.93
Cameroon	-9.9	-9.9	-3.3	-23.0	1815	3.41	-0.54	-0.55	-0.18	-1.27
Cent. African Rep.	-0.4	-1.4	-0.6	-2.5	119	0.22	-0.35	-1.21	-0.54	-2.10
Chad	-0.0	-0.1	-0.6	-0.7	194	0.36	-0.00	-0.04	-0.33	-0.37
Comoros Isl.	-0.9	-0.3	-0.6	-1.8	31	0.06	-2.77	-1.05	-2.00	-5.82
Congo	-0.0	-8.7	-3.1	-11.8	1477	2.78	-0.00	-0.59	-0.21	-0.80
Côte d'Ivoire	-33.1	-11.0	-7.7	-51.8	6220	11.69	-0.53	-0.18	-0.12	-0.83
Djibouti	-0.0	-0.1	-2.8	-2.9	17	0.03	-0.00	-0.69	-16.47	-17.17
Equatorial Guinea	-0.1	-0.8	-0.3	-1.3	39	0.07	-0.29	-2.17	-0.77	-3.23
Ethiopia	-3.5	-2.5	-3.9	-9.9	169	0.32	-2.09	-1.45	-2.30	-5.84
Gabon	-0.1	-11.0	-3.2	-14.4	2560	4.81	-0.00	-0.43	-0.13	-0.56
Gambia	-0.5	-3.0	-1.6	-5.1	42	0.08	-1.25	-7.06	-3.87	-12.18
Ghana	-6.1	-9.0	-5.9	-20.9	1120	2.11	-0.55	-0.80	-0.52	-1.87
Guinea	-0.5	-7.5	-3.0	-11.0	643	1.21	-0.07	-1.17	-0.46	-1.71
Guinea Bissau	-0.0	-0.2	-0.5	-0.8	6	0.01	-0.50	-3.25	-8.75	-12.50
Kenya	-20.5	-4.0	-3.7	-28.2	1339	2.52	-1.53	-0.30	-0.28	-2.11
Lesotho	-0.0	-0.2	-2.2	-2.5	97	0.18	-0.00	-0.23	-2.31	-2.53
Liberia	-1.1	-14.3	-1.6	-16.9	827	1.55	-0.13	-1.73	-0.19	-2.05
Madagascar	-6.0	-4.2	-1.6	-11.8	305	0.57	-1.96	-1.37	-0.53	-3.87
Malawi	-17.9	-0.3	-1.7	-19.9	383	0.72	-4.68	-0.07	-0.44	-5.19
Mali	-0.1	-1.8	-3.0	-4.9	321	0.60	-0.03	-0.57	-0.93	-1.54
Mauritania	-0.4	-10.5	-3.4	-14.3	552	1.04	-0.07	-1.90	-0.62	-2.59
Mauritius	-1.1	-4.0	-28.5	-33.5	1292	2.43	-0.08	-0.31	-2.20	-2.60
Mozambique	-0.8	-3.1	-3.8	-7.8	139	0.26	-0.61	-2.25	-2.73	-5.59
Namibia			-0.5	-0.5	1288	2.42	0.00	0.00	-0.04	-0.04
Niger	-0.0	-8.3	-1.9	-10.3	220	0.41	-0.01	-3.77	-0.89	-4.66
Nigeria	-5.8	-8.9	-17.4	-32.1	11886	22.35	-0.05	-0.07	-0.15	-0.27
Rep. of Cape Verde	-0.1	-0.1	-2.4	-2.6	13	0.02	-0.63	-0.75	-18.46	-19.84
Rwanda	-3.0	-0.3	-0.9	-4.2	96	0.18	-3.12	-0.35	-0.92	-4.39
Sao Tomé and Prin.	-0.0	-0.1	-0.1	-0.2	27	0.05	-0.18	-0.19	-0.37	-0.73
Senegal	-4.1	-3.9	-7.2	-15.1	659	1.24	-0.62	-0.59	-1.09	-2.30
Seychelles	-0.8	-0.1	-1.2	-2.1	44	0.08	-1.85	-0.29	-2.73	-4.87
Sierra Leone	-0.9	-4.9	-1.7	-7.5	149	0.28	-0.59	-3.30	-1.11	-5.00
Somalia	-0.0	-0.4	-1.8	-2.2	118	0.22	-0.00	-0.32	-1.55	-1.87
Sudan	-0.2	-0.7	-3.0	-3.9	355	0.67	-0.04	-0.21	-0.84	-1.10
Swaziland	-0.1	-0.7	-2.8	-3.7	367	0.69	-0.04	-0.18	-0.78	-1.00
Tanzania	-5.2	-1.3	-2.1	-8.6	437	0.82	-1.19	-0.30	-0.47	-1.96
Togo	-0.9	-1.1	-1.5	-3.5	277	0.52	-0.31	-0.40	-0.55	-1.27
Uganda	-6.9	-0.4	-0.8	-8.1	142	0.27	-4.83	-0.27	-0.57	-5.68
Zaire	-5.3	-17.2	-5.5	-28.0	416	0.78	-1.27	-4.14	-1.31	-6.72
Zambia	-0.7	-7.6	-0.6	-8.8	756	1.42	-0.09	-1.00	-0.08	-1.17
Zimbabwe	-16.0	-5.9	-6.3	-28.3	1640	3.08	-0.98	-0.36	-0.39	-1.72
Africa	-156.3	-175.8	-173	-505.3	44689	84.02	-0.35	-0.39	-0.39	-1.13

Table A11 continued

	Revenue Change following the Uruguay Round in $m				Total world imports 1992		Loss as share of total exports (%)			
	Trop	*Ind*	*Agr*	*Total*	*1992 $m*	*share of ACP world exp.%*	*Trop*	*Ind*	*Agr*	*Total World*
Antigua	-0.0	-0.1	-1.3	-1.4	32	0.06	-0.04	-0.21	-4.06	-4.31
Bahamas	-0.0	-31.9	-7.8	-39.7	1079	2.03	-0.00	-2.95	-0.72	-3.68
Barbados	-0.0	-1.8	-5.1	-7.0	191	0.36	-0.01	-0.95	-2.68	-3.64
Belize	-0.1	-0.6	-2.4	-3.1	116	0.22	-0.09	-0.53	-2.07	-2.70
Dominica	-0.0	-0.2	1.3	1.0	56	0.11	-0.02	-0.43	2.32	1.87
Dominican Republic	-6.8	-34.3	0.7	-40.4	566	1.06	-1.19	-6.07	0.13	-7.13
Grenada	-0.2	-0.3	-0.8	-1.2	20	0.04	-1.09	-1.27	-3.88	-6.24
Guyana	-0.1	-2.5	-10.4	-13.0	302	0.57	-0.05	-0.81	-3.44	-4.30
Haiti	-0.9	-2.0	-5.6	-8.4	151	0.28	-0.57	-1.31	-3.71	-5.59
Jamaica	-1.2	-19.3	-13.7	-34.3	1102	2.07	-0.11	-1.75	-1.24	-3.11
St. Lucia	-0.0	-0.6	2	1.3	123	0.23	-0.04	-0.52	1.63	1.07
St. Vincent	-0.7	-0.5	3.9	2.6	83	0.16	-0.90	-0.63	4.70	3.17
Suriname	-0.2	-12.3	-3.2	-15.7	419	0.79	-0.05	-2.93	-0.76	-3.75
Trinidad And Tobago	-0.6	-13.6	-9.7	-23.9	1869	3.51	-0.03	-0.73	-0.52	-1.28
Caribbean	**-11.0**	**-120.0**	**-52**	**-183.1**	**6109**	**11.49**	**-0.18**	**-1.96**	**-0.85**	**-3.00**
Fiji	-1.0	-2.0	-2.7	-5.7	407	0.77	-0.24	-0.49	-0.66	-1.39
Papua New Guinea	-7.2	-9.1	0.9	-15.5	1810	3.40	-0.40	-0.51	0.05	-0.86
Solomon Islands	-0.7	-1.4	0.4	-1.7	114	0.21	-0.61	-1.24	0.32	-1.53
Tonga	-0.1	-0.1	-0.1	-0.4	12	0.02	-1.16	-1.06	-0.79	-3.02
Vanuatu	-0.3	-0.2	0.4	-0.1	33	0.06	-0.86	-0.54	1.06	-0.33
Western Samoa	-0.0	-1.3	-0.3	-1.7	14	0.03	-0.12	-9.52	-2.14	-11.79
Pacific	**-9.3**	**-14.2**	**-2**	**-25.0**	**2390**	**4.49**	**-0.39**	**-0.59**	**-0.06**	**-1.05**
ACP (66)	**-176.6**	**-310.1**	**-227**	**-713.4**	**53188**	**100.00**	**-0.33**	**-0.58**	**-0.43**	**-1.34**

Note: ACP (66) excludes St Kitts, Tuvalu and Eritrea to lack of data.

Appendix Table A12: Estimated net income effects from the Uruguay Round, with varying elasticities of demand

	Loss of export earnings as % of exports	*Potential gains from increase in world income, $ m.*		*Net effects of GATT UR on ACP states as % of their exports to world*	
		dem el.=1	*dem el.=3*	*dem el.=1*	*dem el.=3*
Angola	-0.36	42.11	126.32	0.69	2.79
Benin	-2.44	1.17	3.50	-1.39	0.71
Botswana	-0.86	18.29	54.87	0.19	2.29
Burkina Faso	-1.62	1.65	4.95	-0.57	1.53
Burundi	-4.93	0.76	2.27	-3.88	-1.78
Cameroon	-1.27	19.06	57.17	-0.22	1.88
Cent. African Rep.	-2.10	1.25	3.75	-1.05	1.05
Chad	-0.37	2.04	6.11	0.68	2.78
Comoros Isl.	-5.82	0.33	0.98	-4.77	-2.67
Congo	-0.80	15.51	46.53	0.25	2.35
Côte d'Ivoire	-0.83	65.31	195.93	0.22	2.32
Djibouti	-17.17	0.18	0.54	-16.12	-14.02
Equatorial Guinea	-3.23	0.41	1.23	-2.18	-0.08
Ethiopia	-5.84	1.77	5.32	-4.79	-2.69
Gabon	-0.56	26.88	80.64	0.49	2.59
Gambia	-12.18	0.44	1.32	-11.13	-9.03
Ghana	-1.87	11.76	35.28	-0.82	1.28
Guinea	-1.71	6.75	20.25	-0.66	1.44
Guinea Bissau	-12.50	0.06	0.19	-11.45	-9.35
Kenya	-2.11	14.06	42.18	-1.06	1.04
Lesotho	-2.53	1.02	3.06	-1.48	0.62
Liberia	-2.05	8.68	26.05	-1.00	1.10
Madagascar	-3.87	3.20	9.61	-2.82	-0.72
Malawi	-5.19	4.02	12.06	-4.14	-2.04
Mali	-1.54	3.37	10.11	-0.49	1.61
Mauritania	-2.59	5.80	17.39	-1.54	0.56
Mauritius	-2.60	13.57	40.70	-1.55	0.55
Mozambique	-5.59	1.46	4.38	-4.54	-2.44
Namibia	-0.04	13.52	40.57	1.01	3.11
Niger	-4.66	2.31	6.93	-3.61	-1.51
Nigeria	-0.27	124.80	374.41	0.78	2.88
Rep. of Cape Verde	-19.84	0.14	0.41	-18.79	-16.69
Rwanda	-4.39	1.01	3.02	-3.34	-1.24
Sao Tomé and Principe	-0.73	0.28	0.85	0.32	2.42
Senegal	-2.30	6.92	20.76	-1.25	0.85
Seychelles	-4.87	0.46	1.39	-3.82	-1.72
Sierra Leone	-5.00	1.56	4.69	-3.95	-1.85
Somalia	-1.87	1.24	3.72	-0.82	1.28
Sudan	-1.10	3.73	11.18	-0.05	2.05
Swaziland	-1.00	3.85	11.56	0.05	2.15
Tanzania	-1.96	4.59	13.77	-0.91	1.19
Togo	-1.27	2.91	8.73	-0.22	1.88
Uganda	-5.68	1.49	4.47	-4.63	-2.53
Zaire	-6.72	4.37	13.10	-5.67	-3.57
Zambia	-1.17	7.94	23.81	-0.12	1.98
Zimbabwe	-1.72	17.22	51.66	-0.67	1.43
Africa	**-1.13**	**469.23**	**1407.70**	**-0.08**	**2.02**

Table A12 continued

	Loss of export earnings as % of exports	*Potential gains from increase in world income, $ m.*		*Net effects of GATT UR on ACP states as % of their exports to world*	
		dem el.=1	*dem el.=3*	*dem el.=1*	*dem el.=3*
Antigua	-4.31	0.34	1.01	-3.26	-1.16
Bahamas	-3.68	11.33	33.99	-2.63	-0.53
Barbados	-3.64	2.01	6.02	-2.59	-0.49
Belize (Br. Honduras)	-2.70	1.22	3.65	-1.65	0.45
Dominica	1.87	0.59	1.76	2.92	5.02
Dominican Republic	-7.13	5.94	17.83	-6.08	-3.98
Grenada	-6.24	0.21	0.63	-5.19	-3.09
Guyana	-4.30	3.17	9.51	-3.25	-1.15
Haiti	-5.59	1.59	4.76	-4.54	-2.44
Jamaica	-3.11	11.57	34.71	-2.06	0.04
St. Lucia	1.07	1.29	3.87	2.12	4.22
St. Vincent	3.17	0.87	2.61	4.22	6.32
Suriname	-3.75	4.40	13.20	-2.70	-0.60
Trinidad and Tobago	-1.28	19.62	58.87	-0.23	1.87
Caribbean	**-3.00**	**64.14**	**192.43**	**-1.95**	**0.15**
Fiji	-1.39	4.27	12.82	-0.34	1.76
Papua New Guinea	-0.86	19.01	57.02	0.19	2.29
Solomon Islands	-1.53	1.20	3.59	-0.48	1.62
Tonga	-3.02	0.13	0.38	-1.97	0.13
Vanuatu	-0.33	0.35	1.04	0.72	2.82
Western Samoa	-11.79	0.15	0.44	-10.74	-8.64
Pacific	**-1.05**	**25.10**	**75.29**	**0.00**	**2.10**
ACP (66)	**-1.34**	**558.47**	**1675.42**	**-0.29**	**1.81**

Note: ACP (66) excludes St Kitts, Kiribati, Tuvalu and Eritrea owing to lack of data.

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