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Lomé Convention, Agriculture and Trade Relations between the EU and the ACP Countries in 1975-2000

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Executive Summary

Nine countries of the European Economic Community, EEC, concluded the so-called Lomé Convention with 46 African, Caribbean and Pacific countries in 1975. The first Lomé (I) Convention was succeeded by the II, III and IV Lomé Conventions, which entered into force in 1980, 1985, 1990, so that the Lomé period covers the years 1975 – 2000. From 2000, the Convention between the European Union and 77 ACP countries was renewed, but this time under the name of the Cotonou Convention.

The Lomé Conventions have contained parts in which elements of trade and development aid and political dialogue were integrated into one whole.

The Lomé Conventions have channelled a significant amount of development aid into the ACP countries. For trade policy, the important point was that the ACP countries were given substantial preferences in their exports to the EEC/EU countries. For instance, exports of industrial products were exempt from customs duties. Trade preference has been expanded to the point where customs-exempt exports account for 97% of the ACP countries' exports to the EU countries.

A particular component of the trade preferences comprises the so-called Protocol products, which fall under the scope of the Common Agricultural Policy restrictions or other restrictions. Originally the Protocol products were sugar, bananas, meat and rum. For these products, the traditional exporters among the ACP countries had export quotas, which were priced at an export price determined on the EU internal market. The internal market price has normally exceeded the world market price, due, for example, to agricultural policy objectives and the accompanying trade policy restrictions.

For the Protocol products, the most significant export advantage was for sugar, for which the EEC/EU domestic market price has been 2 to 3 times higher than the world market price. According to the estimates (see Table), the extra export revenue from Sugar Protocol exports fluctuated between 400 and 600 million dollars a year at the onset of the 21st century. This extra export revenue is of the same magnitude as the development aid financing the Sugar Protocol countries received from the EU under the Lomé Convention. According to the 2004 development aid statistics, the extra sugar export revenue accounted for a fifth of the entire EU development aid to the ACP countries.

The extra export revenue under the Sugar Protocol naturally varies, reflecting the difference in prices on the EU internal market and the world market. The projection for 2009, for instance, indicates that the difference between the sugar reform realised by the

EU since 2006, which allows a decrease in the internal market price and, on the other hand, the world market price for sugar, which has gone up owing to the international demand for ethanol, will remain small.

Table Estimates of Income Transfer under the Sugar Protocol, EC Developing Aid and EU Imports from ACP Countries

	Milner et al. (2003)	LMC/OPM (2004)	EC dev.		EU Imports 2004	
Sugar Prot. Countr.	**Transfer US$ mill.**	**Transfer US$ mill.**	**Aid 2004 € million**	**sugar € mill.**	**agricult. € mill.**	**imp. total € mill.**
Barbados	**16.2**	**24.7**	**1.99**	**15.7**	**36.6**	**53.1**
Belize	**14.8**	**17.1**	**0.30**	**25.9**	**73.2**	**81.0**
Congo	**0.7**	**5.4**	**10.44**	**8.5**	**18.6**	**262.6**
Cote d'Ivoire	**3.3**	**7.7**	**20.17**	**12.8**	**1702.6**	**2 193.2**
Fiji	**48.8**	**69.5**	**12.62**	**94.5**	**98.4**	**100.5**
Guayana	**60.9**	**61.3**	**8.21**	**94.4**	**137.1**	**188.5**
Jamaica	**46.4**	**53.2**	**50.52**	**72.2**	**110.4**	**628.5**
Madagascar	**4.9**	**10.3**	**105.54**	**9.4**	**293.0**	**549.8**
Malawi	**12.2**	**13.8**	**53.27**	**24.5**	**155.7**	**157.2**
Mauritius	**180.7**	**205.6**	**14.72**	**281.4**	**376.9**	**1 126.8**
St. Kitts	**0**	**7.3**	**0.35**	**7.1**	**7.9**	**10.8**
Swaziland	**56.4**	**57.4**	**11.42**	**94.1**	**127.3**	**140.4**
Tanzania	**4.5**	**4.3**	**131.41**	**12.0**	**230.1**	**677.2**
Trinidad&Tobago	**14.7**	**20.1**	**1.90**	**22.9**	**33.5**	**482.8**
Zimbabwe	**19.9**	**20.9**	**30.45**	**38.2**	**245.4**	**452.0**
Total Sugar Protocol	**490.1**	**584.2**	**453.31**	**813.6**	**3 646.4**	**6 915.9**
ACP Total			**2 528.00**	**866,0**	**8 536,5**	**29 422,8**

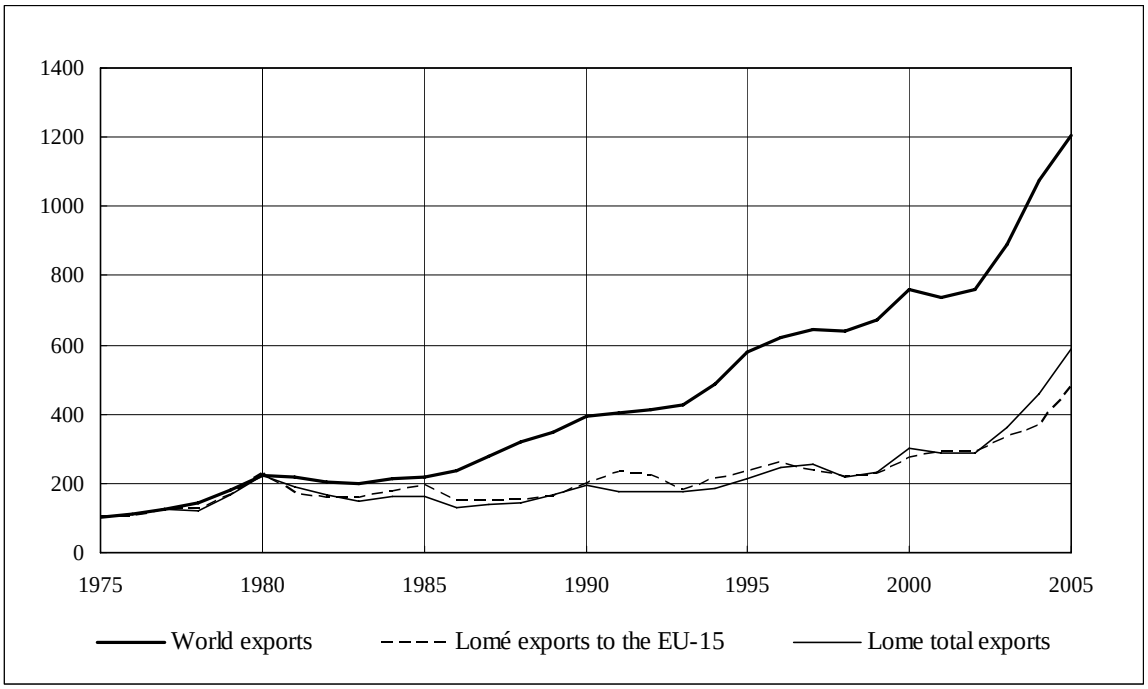
Source: Ian Gillson, Adrian Hewitt & Sheila Page: Forthcoming Changes in the EU Banana/Sugar Markets: A Menu of Options for an Effective EU Transitional Package, Overseas Development Institute, EU Commission, WTO Trade Statistics

In the light of the table, the estimated extra export revenue accruing to the Protocol countries from the Sugar Protocol amounted to $490 to $584 million at the onset of the 21st century. The EU-bound sugar exports from these countries totalled €813.6 million in 2004. The EU-bound exports from the Protocol countries totalled €6915.9 million and from the ACP countries as a whole €29 422.8 million.

The ACP exports to the EU countries increased by an average annual rate of almost 3% in the years 1975 – 2000. The number of Convention countries increased under Lomé both on account of the enlargement of the European Union and of an increase in the number of ACP countries. This report will consider the development of a certain set of EU countries including Austria, Sweden and Finland, which became Member States in 1995, and the ACP countries include a total of 69 Convention countries in 1990.

In the years 1975 – 2000, the growth of ACP exports to the EU countries lagged behind the average global trade growth rate. The value of global trade increased in the years 1975 – 2000 by more than 8%, and the volume by about 5% a year. However, the ACP exports to EU-countries developed relatively slower despite the trade preferences. It is worth noting that the ACP exports to non-EU countries experienced a rapid growth during last couple of years. This was mainly due to export boost to China.

Figure. Development of the World Exports and Lomé IV (69) Countries' Exports to the EU(15) and to the Rest of the World in 1975-2005, indexes



Source: Comtrade.

As a result of the sluggish development of exports, the share of global trade accounted for by the existing ACP countries (77 countries) and also by the Lomé IV countries (69 countries) fell sharply. The combined share of the ACP countries in global exports dropped from 3.2% in 1975 to 1.3% in 2000. The ACP countries were severely marginalised both in global trade and in the world economy during the period of the Lomé Conventions. The Lomé Conventions were incapable of turning the tide.

The development of the entire national economy in ACP countries showed a high degree of heterogeneity under Lomé. In more than 10 ACP countries, the per capita growth rate of the domestic product was so high that the living standard soared. In the ACP countries of the Caribbean region, the development was markedly more consistent and more positive than in other regions. The economic growth of the small island states was good, which was certainly due to the service-driven reorientation of the economic structure, in other words, due for example, to the growth of tourism. Equatorial Guinea, Botswana

and Mauritius were the African success stories. The growth rate of Equatorial Guinea shot up as a consequence of oil exports. On the other hand, Botswana and Mauritius were able to use the revenue from the key production and export commodities for the benefit of the entire national economy. The Botswanan economy revolved around diamonds, while economic development and structural change in the Mauritian economy were driven by sugar.

1 Introduction

The common history of the group of the African, Caribbean and Pacific countries, the so-called ACP countries[1] and the European Union and its predecessors goes back to the Treaty of Rome, in other words, to 1957. The Rome Treaty established the European Economic Community, the EEC. Its Member States had long-standing economic relationships with developing countries, some of which were still colonies. The signatories of the Rome Treaty wanted the Treaty to enshrine their solidarity and commitment to the colonies and their other overseas territories.

The first extensive collective treaty with the countries in question, the so-called Yaoundé Convention, was in force from 1963 to 1969. It was renewed by the signing of a new, similar Convention for the years 1969 – 1975. The bulk of EEC aid went at that stage to Francophone Africa.

The group of the ACP countries actually only took shape after the UK had joined the European Economic Community in 1973. The EEC, which now numbered nine Member States, concluded a very comprehensive Convention with 46 African, Caribbean and Pacific countries in 1975, and the Convention was named after the place where it was signed, the capital of Togo, Lomé.

The first Lomé Convention reflected the spirit of the 1970's, when the first oil crisis and the ensuing "New International Economic Order", NIEO, sought to find and introduce new ideas for development policy. The Lomé Convention included elements that fused trade and development aid instruments and political dialogue to form a single whole. In addition, new instruments were put in place with a view to reaching the objectives of the Convention.

This report will examine the impact of the Lomé Conventions on the economic development of the ACP countries and their trade with the EU countries. Special attention will be given to any benefits the ACP countries may have received on account of their trade preferences, which embraced both industrial products and agricultural products.

Chapter 2 will deal with the birth and the history of the Lomé Conventions. The Lomé Conventions have their roots in the colonial history of the major EU countries, which meant that economic ties of the African, Caribbean and Pacific countries and the production structures of their economies were largely determined by their mother

[1] The African, Caribbean and Pacific countries (ACP) number at the moment 79 countries, including South Africa.

countries. The Lomé Conventions guaranteed the continuity of these economic ties. Trade preferences, such as the Sugar and Meat Protocols, reflect this history.

Chapter 3 will discuss the national economies of the ACP countries and the contribution of the agricultural sector to their economies. Chapter 4 describes the development of the ACP countries' trade in light of international comparisons. The development of agricultural trade has been described in greater details.

Chapter 5 explores the ACP countries' trade with the Member States of the European Union under the Lomé Conventions, i.e. with an emphasis on the years 1975 – 2000. In view of the review period, the focus will be on the 69 ACP signatory countries of the Lomé IV Convention.

Chapter 6 will summarise empirical studies on the impacts of the Lomé Conventions on the exports and economic development of the ACP countries. In addition, the chapter will provide our own econometric estimate of the impacts the Convention has had on ACP exports. Chapter 7 will draw conclusions from this study.

2 History of the Lomé preferences

2.1 Conventions before the Lomé Conventions (1957 – 1975)

The first Convention associating French-speaking overseas countries and territories with the European Common Market aimed at their economic and social development, was signed on 25 March 1957 for a period of five years, within framework of the Treaty of Rome. Particularly France, whose economy at that time had strong linkages with its colonies in Africa, urged the inclusion of a regulation in the Treaty that would somehow associate these territories with the EEC (Dabo 2000).

Articles 131-136 in the Treaty of Rome provided for the association of the Overseas Countries and Territories (OCT). They were granted duty-free access to the EEC markets, and the European Development Fund (EDF) was set up to provide financial assistance (Nolte 2002).

Even after the former colonies had become independent in the early 1960's, links with the EEC were not broken. The Convention defining their status as associated States was periodically renewed. On 20 July 1963, the new Convention, that of Yaoundé, established financial, technical and trade cooperation between the EEC and eighteen Associated African States and Madagascar (AASM).

The free trade regime that had existed between the EEC and the States since 1957 was maintained, procedures were streamlined to encourage the imports of tropical products from these countries, and customs duties were abolished for most products imported into the EEC. The Convention established a customs preference zone between the EEC and the associated states.

Additional resources were made available to the European Development Fund (EDF) to finance agricultural development projects in Africa. The European Investment Bank (EIB) was authorised to intervene with loans and advances to regulate the process of importing tropical products, completing the actions of the EDF.

This first Yaoundé Convention was followed by a second, signed on 29 July 1969, broadening the scope of the EDF, and providing capital for African industry and help in exceptional circumstances to compensate for a fall in the price of primary products.

The signatories were the same, and the provisions of the treaty did not change fundamentally either. The international environment had, however, changed since 1963. The United Kingdom's membership of the EEC had become subject to serious consideration. The entry of the UK into the EEC would most likely demand preferential treatment of its former colonies similar to that enjoyed by the AASM and would therefore mean the expansion of the Yaoundé Convention to include the former British colonies.

2.2 The Lomé Conventions (1975 – 2000)

2.2.1 Main features

With the enlargement of the EEC in 1973, the Conventions of Yaoundé and Arusha[2] for English-speaking countries were replaced by the Lomé Convention, now including English-speaking countries in Community cooperation. Together, these countries were referred to as ACP (African, Caribbean and Pacific) States. On 6 July 1975, these countries signed the Georgetown Convention in Georgetown, Guyana, founding the 'ACP Group', identifying themselves as a group of countries with common international interests and giving them the proper legal status, which they had formerly lacked (European Commission 2000).

[2] Association agreement between the EEC and Tanzania, Uganda and Kenya signed in Arusha, Tanzania

The Lomé Convention has long been considered a highly innovative model of international cooperation. In many ways, it acted as a pilot scheme for other forms of cooperation. Some of the original features included (ECDPM: Cotonou Infokit 3):

- *Equal partnership.* Partnership was the cornerstone of the first Lomé Convention. It gave ACP countries the responsibility for their own development by entrusting them with a lead role in managing resources, with the EU playing a supportive role only.
- *Aid and trade.* Lomé cooperation provided predictable aid flows over a five year period as well as non-reciprocal trade benefits.
- *Commodities.* Lomé I (1975) introduced the so-called Stabex scheme to help stabilise export receipts on a wide number of agricultural products such as cocoa, coffee, groundnuts, and tea. Lomé II (1979) created a similar mechanism (Sysmin) for countries that were heavily dependent on mineral resources and suffered export losses.
- *Protocols.* The EU also agreed separate trading Protocols on sugar, beef and veal, bananas, and rum. Under the Sugar Protocol, the Community buys a fixed sugar quota each year from ACP producers at guaranteed prices, higher than world market prices.
- *Mutual obligations.* The negotiated nature of the Lomé partnership made it possible to break new ground on sensitive matters. Lomé IV (1989) became the first development agreement to incorporate a human rights clause.
- *Joint administration.* A unique feature of Lomé cooperation is dialogue and joint administration of its content. A set of joint institutions ensures a permanent dialogue.

Four Conventions have succeeded one another over twenty five years. The first, Lomé I, was signed on 28 February 1975 by the EEC and 46 ACP States, (nineteen States already associated with the EEC, twenty-one States belonging to the Commonwealth and six East African States with no particular links to EEC countries) with the fourth EDF (3 billion ECU).

The first three Conventions were signed for five years: Lomé II, on 31 October 1979 with 57 ACP States; Lomé III, on 8 December 1984 with 66 ACP States; Lomé IV on 15 December 1989 for ten years, linking the EEC and 69 ACP States.

These Conventions covered trade, industrial, financial and technical cooperation. Lomé I introduced fundamental changes to the trade regime applied before, under Yaoundé II. First, the reciprocity in trade preferences, which had been agreed on in Yaoundé, was abolished. Another important alteration was the setting up of the STABEX system, a system for stabilising the export earnings of ACP States in case of price fluctuations

affecting certain basic products from these countries (coffee, cotton, cocoa, peanuts, etc.).

The most important change affecting the Yaoundé trade regulation was, however, the founding of the Sugar Protocol. In the accession act of the UK, Ireland and Denmark, the EEC committed itself to considering the export interests of countries that had exported sugar to the UK under preferential conditions. In Article 25 Protocol 3, the EEC undertook to purchase from certain ACP countries at the EEC intervention price fixed quantities of cane sugar, which these countries undertook to deliver (Nolte 2000).

In 1976 a Beef Protocol similar to the Sugar Protocol had been attached to the treaty granting access to specific quantities of beef originating in certain African countries.

Lomé II introduced SYSMIN, which guaranteed prices for mining products when market prices dropped to such an extent that they threatened production capacity or export earnings from ACP mining products. Lomé II, signed in 1979 and corresponding to the fifth EDF (4 542 billion ECU), did not introduce major changes, with the exception of the SYSMIN system.

Lomé III, signed in 1984 and corresponding to the sixth EDF (7 440 billion ECU), shifted the main attention from promotion of industrial development to self-reliant development on the basis of self-sufficiency and food security.

Under Lomé IV, nearly all the products from ACP States could enter the EEC without restrictions on quantities or customs duties, and without any reciprocal obligations. The Agreements extended cooperation to the environment, the fight against desertification, agriculture, fishing, industry, services, and were complemented by financial and technical cooperation. The EEC became the developing countries' biggest trading partner.

Lomé IV was the first Convention to cover a ten-year period, even though the attached financial Protocol had a duration of five years. The first financial Protocol (1990 – 1995) provided 12 billion ECU, 10.8 of which from the seventh EDF, the rest from EIB. The second ran from 1995 to 2000 and supplied 14 625 billion ECU through the eighth EDF.

2.2.2 Granted preferences [3]

The original aim of the non-reciprocal trade preferences regime, the very foundation of trade relations linking ACP States to the EEC since 1975, was to increase exports of ACP products to the European Community, in order to encourage development and reduce poverty in the former European colonies. This regime granted tariff advantages and/or certain forms of non-tariff advantages (essentially on quotas) to ACP products upon entry into Community territory, compared with competing products from other countries in the world.

The "preferential margin" for ACP products can therefore be calculated by comparing the amount of customs duty charged by the EU on products originating from non-ACP States to the reduced (or zero) duty charged on the same products originating from ACP States.

Most ACP exports are still composed of primary products, and the EU Commission has calculated that two thirds of their exports would have entered the EU duty-free under MFN or GSP treatment, while a large proportion of the remaining products have been subject to tariff preferences of a trivial level of 5% or less. However, according to some analyses, Lomé preferences could not have had any quantifiable trade stimulating effect on most ACP exports (except for the product Protocols) (McQueen et al 1997).

The original aim of trade preferences granted to ACP products imported into Europe was "to promote and diversify ACP countries' exports, so as to favour their growth and development" (see Annex II). This regime has been seen as the most generous European trade arrangement with third countries before EBA.[4]

Preferences were granted to countries with little export potential in manufactured products. They did include substantial preferential margins for certain agricultural products that did not compete with European ones, but more limited margins for those that did potentially compete (CAP products). In the end, the incapacity of ACP economies to produce more, better and a greater diversity of products has in fact prevented them from taking advantage of this privileged access. Preferential margins cannot compensate for a lack of basic competitiveness in ACP economies. However, limited preferences for competing products may appear somewhat inconsistent with the objective of promoting and diversifying ACP exports (Slignac Lecomte 2000).

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[3] Mainly based on Slignac Lecomte (2000)
[4] EBA= the Everything but Arms Initiative launched for the Least Developed Countries in 2001

The preferences are non-reciprocal, that is to say, ACP States do not have to apply the same tariff concessions to products imported from the EEC, in return. This is important in two respects. Firstly, it allows ACP States to keep their customs duties, and thus protect the nascent sector of their economy whilst retaining a substantial part of their fiscal revenue. Secondly, non-reciprocal regimes are incompatible with the multilateral rules and regulations of the WTO, of which 56 of the 79 ACP States are members and 10 ACP States are observers (Annex VI).

A safeguard clause in the Lomé regime authorises the EU to reintroduce tariff and non-tariff protection on ACP products in the event that the import of the latter causes severe disturbance to a sector of activity inside the Community. To date, this clause has been very little used.

To ensure that it effectively applies to ACP States and ACP States alone, the Lomé regime includes a rigorous system of rules of origin. It defines the minimum degree of transformation that a product must undergo in an ACP State in order to attain "origin status" and thereby qualify for preferences. The non-originating material content of a product must not exceed 15% of its price on leaving the factory. When calculating the originating part, the remaining 85% can accumulate value added in other ACP States, EU countries or a few other countries under the terms of an agreement, particularly in the Maghreb and in South America. The straightforward assembly of a product in an ACP country does not confer upon it the origin likely to allow it to benefit from the advantages of the Lomé regime.

With regard to its field of application, the Lomé regime covers all industrial or transformed products, as well as basic products which are the main export products of many ACP countries. On the other hand, the regime does not cover agricultural products which come under the Community Common Agricultural Policy (CAP). Preferences are limited for these products, or are subject to special Protocols. The Lomé Convention included special regimes for four agricultural products originating from ACP States in the form of four additional Protocols: sugar, beef and veal, bananas and rum. The Protocols allowed these four products free access to the Community market, but in carefully specified quantities originating only from certain "selected and traditional" ACP producers.

Finally, pursuant to the Cotonou Convention, which succeeds the Lomé Conventions (I to IV) and entered into force in 2000, 97% of ACP exports to the EU countries are exempt from customs duties (European Commission 2006).

2.2.3 The Protocols of the Lomé Conventions

2.2.3.1 The Sugar Protocol

The EU represents the largest single market for sugar from ACP countries. The changes to take place over the next few years in the trade relations between ACP countries and Europe may have a serious impact on the export revenue of sugar-producing ACP countries. The ACP-countries presently benefiting from their guaranteed access to these markets are the following (Robbins 1999):

Table 1. ACP Countries with the Lomé Sugar Quotas

Country	Quotas Tonnes	Sugar revenue as % of GDP	Number employed, directly
Barbados	50 312	1.7	3 500
Belize	40 348	10.5	9 000
Congo	10 186	n/a	2 000
Fiji	165 348	10.8	35 000
Guyana	159 410	26	23 500
Cote d'Ivoire	10 186	0.9	5 000
Jamaica	118 696	2.6	42 000
Kenya*	0	n/a	n/a
Madagascar	10 760	3.9	9 000
Malawi	20 824	3.5	14 400
Mauritius	491 030	7	37 000
St. Kitts & Nevis	15 590	49	3 100
Suriname	0	n/a	n/a
Swaziland	117 844	60	9 000
Tanzania	10 186	3.1	32 000
Trinidad & Tobago	43 751	2.7	19 000
Uganda	0	n/a	n/a
Zambia	0	2.3	8 000
Zimbabwe	30 244	2.7	25 000
Total	**1 294 700**		

* 0 indicates a signatory to the Protocol but with no quota

The value of the Sugar Protocol to ACP countries is to be greatly diminished under reforms to the EU sugar policy. The EU has committed itself to transform tariff protection for EU farmers into direct payments, but these may not apply to ACP farmers. After sugar prices have been reduced in the EU, ACP farmers will receive a significantly lower price for EU sales.

2.2.3.2 The Beef and Veal Protocol

The Beef and Veal Protocol of the Lomé Convention has been of less importance to ACP countries as a whole than the Protocols on sugar and bananas. The Protocol enables ACP states that are traditional exporters of beef to maintain their position on the EU market, thus gaining a certain level of income for their producers. Under the Protocol, six countries are offered the opportunity to export a total of 52 100 tonnes of beef and veal to the EU with a 92% reduction on the full import duty.

The recipient countries are the following (Robbins 1999):

Table 2. Quotas and Imports of the Beef and Veal Protocol Countries in Trade with the EU

Country	Quota Allowance tonnes	1997 EU imports tonnes	Import share of allowance %
Botswana	18 916	10 670	56.4
Kenya	142	-	0
Madagascar	7 579	435	5.7
Swaziland	3 363	225	6.7
Zimbabwe	9 100	7 825	86.0
Namibia	13 000	6 026	46.3

The reduction of EU import duties under WTO agreements will increase imports from third countries, which would be highly competitive with ACP producers.

2.3 The benefits of the Lomé trade preferences

The trade preferences were granted to developing countries because they demanded better access to the markets of developed countries, and because the developed countries believed that this was a useful way of providing poorer countries with better opportunities for economic growth. Preference margins – the difference between the MFN tariff and the preferential tariff – could be seen as estimates of welfare gains that the preference-receiving exporting country could derive from a trade preference.

The preference margin for ACP agricultural exports to the EU was estimated in a FAO study by Sharma (1997). For 1996, i.e. with MFN tariffs at the beginning of the post-Uruguay Round period, the aggregate preference margin for all ACP countries and all agricultural products was estimated at 710 million ECU (US$ 840 million), about 14%

of the value of trade covered. 52% of this preference margin originated from sugar, followed by 21% from beef (See Table 1 and Table 2, pages 12 and 13).

Estimates of preference margins for selected agricultural exports from the African ACP countries (AACP) to the EU were provided in a study carried out for UNCTAD by Tangermann and Josling (1999). For the aggregate of the selected agricultural products covered in the study, the total preference margin for AACP countries was estimated to be around 630 million ECU, based on 1997 trade data and 1999 tariffs. The share of the preference margin in the value of exports differed from product to product. It was highest where specified ACP countries had received specific preferences for given quantities of beef and sugar. For beef it was estimated that the preference margin under the Protocol amounted to as much as 75% of the export value (Tangermann 2002).

According to these analyses, the trade impacts of ACP preferences have been relatively limited. The greatest benefits of the preferences have been for bananas, sugar and beef, for which special Protocols assured special duty-free quotas on the high-price EU markets. For sugar, exporters were guaranteed internal EU prices, two to three times higher than world market prices.

Preference margins vary widely between different products in terms of the value of exports. They reached 75% for beef – as mentioned early – and 55% for sugar exports under the Protocols. They averaged 7% for fresh fruit and vegetables and 20% for their processed products, 13% for fish, and 14% for tobacco (Tangermann and Josling 1999).

The income effects of Protocol preferences for African ACP countries amounted to almost $260 million for sugar and $90 million in 1997 for beef. However, it could be added that in spite of their income effects, the long-term effects of the Protocol preferences were less pronounced than the above estimates suggest. The Protocols did not allow for much volume expansion during the implementation of the Yaoundé and Lomé agreements. Imports from each individual country were restricted by quotas, which remained generally unchanged for long periods. In addition, in many cases ACP countries have underutilised or completely failed to utilise the beef, sugar and banana quotas allocated to them (FAO 2003).

In general, the ACP countries' agricultural preferences, apart from those for Protocol products, have been continuously eroded in size, product coverage and effectiveness over time. For example, MFN duties for most tropical products have been progressively reduced and finally eliminated by the EU during the various rounds of multilateral trade negotiations.

ACP countries required relatively high tariff preferences in order to achieve export success. One-sixth of the products which achieved export success in the EU did so in spite of a generally declining trend in total EU imports of these products in the period from 1996 – 2000, but with the help of substantial preferences. For two-thirds of their trade value, the preference margins were 10% or more (FAO 2003).

3 Economy and agriculture in the ACP countries

3.1 ACP countries in the 21st century

The Cotonou Convention of 2000 was signed by 77 ACP countries as well as the 15 Member States of the European Union and the Republic of South Africa.[5] Later, Cuba also joined the ACP countries. The existing 79 ACP countries, including the Republic of South Africa and Cuba, cover almost half of all developing countries, but most of these countries are very small in terms of their population and economies. In 2005, the total population of the ACP countries, including the Republic of South Africa, was about 795 million people, which is about 12% of the total world population (Annex III). By far the most populous ACP country is Nigeria, with a population of about 132 million people in 2005. The second largest country is Ethiopia, with a population of slightly more than 77 million people in 2005. Altogether 30 of the ACP countries have populations below one million people.

Table 3 Most Populous ACP Countries (including South Africa) in 2005

Country	Population 2005 Million people
Nigeria	131,5
Ethiopia	77,4
Congo Dem. Rep. of	57,5
South Africa	47,4
Tanzania	38,3
Sudan	36,2
Kenya	34,3
Uganda	28,8
Ghana	22,1
Mozambique	19,8
Other ACP countries	301,3
ACP Total	794,6

Source: UN: World Population Prospects: The 2004 Revision

The ACP countries do not differ from one another only in terms of their populations. The differences between the countries are at least as great when they are compared in terms of their territory. Many ACP countries are very large in area, Sudan being the 10th largest country in the world and the Congo Democratic Republic the 12th largest. Chad, Niger, Angola, Mali, South Africa, Ethiopia, Mauritania and Tanzania rank among the

[5] In 2000 a reform of the Lomé scheme led a new agreement, the Cotonou Economic Partnership between the EU and the 77 countries concerned. It takes up certain aspects of the Lomé IV Convention, based not only on trade preferences but also on cooperation and development aid. South Africa acceded to the Cotonou Convention with a separate Protocol, but only with certain restrictions. On December 2000 Cuba became the 78th member, but was, however, the first ACP country to take no part in cooperation with the EU under Cotonou.

30 largest countries in the world in terms of the size of their territory. The ACP countries also include a large number of very small states in terms of their area. More than 20 ACP countries have areas of less than 10 000 km². Tuvalu and Nauru have the smallest areas with only 26 and 21 km² respectively.

3.2 Economic and development performance

3.2.1 Economic growth in the ACP countries in 1975 – 2000

Apart from the population and territory statistics, the ACP countries also differ vastly from each other in terms of the size of their economies. When the gross domestic product of each country is corrected by the purchase power parity to enable comparison, the ACP country that has by far the largest economy is the Republic of South Africa. South Africa accounts for no less than 50% of the total GDP of the ACP countries. Other large economies are Nigeria (15% of the total GDP of the ACP countries), Sudan (7%), Dominican Republic (6%) and Ethiopia (5%). The ACP countries account for about 2% of the gross domestic product of the whole world.

When we review economic development under the Lomé Conventions, the economic growth in very many ACP countries seems to be slow. The human development report by the UNDP of 2005 discusses only 66 ACP countries. The UNDP report compares the development of different countries in terms of GDP, the level of education of the population and life expectancy. In the period from 1975 – 2003, the per capita GDP of 37 ACP countries rose and at least in 23 ACP countries fell.

As Table 4 indicates, certain ACP countries have nevertheless been able to sustain positive economic growth. The per capita growth of the GDP was positive, especially in the Caribbean countries. Haiti was the only country in the region to suffer a negative change in its GDP.

Table 4. Economic Growth of the Different ACP Countries in 1975 – 2003

ACP Countries	GDP per capita annual growth rate, %	
Caribbean ACPs	**1975-2003**	**1990-2003**
St. Kitts and Nevis	5.1*	3.1
Antigua and Barbuda	3.8	1.6
St. Lucia	3.6*	0.3
St.Vincent&the Grenadinco	3.4*	1.8
Grenada	3.2*	2.4
Belize	3.1	2.2
Dominican Republic	2.0	4.0
Bahamas	1.3	0.3
Barbados	1.2	1.4
Jamaica	0.4	..
Trinidad and Tobago	..	3.2
African ACPs		
Equatorial Guinea	11.2*	16.8
Botswana	5.1	2.7
Mauritius	4.6*	4.0
Cape Verde	3.0*	3.3
Seychelles	2.9	2.2
Lesotho	3.1	2.3
Uganda	2.6*	3.9
Mozambique	2.3*	4.6
Swaziland	1.8	0.2
Pasific ACPs		
Tonga	1.8	2.0
Fiji	0.7	1.8
Samoa	0.8*	2.4
Vanuatu	0.2*	-0.3

* Data refer to a period shorter than that specified
Source: UNDP Human Development Report 2005

Unlike the countries of the Caribbean region, the economic growth of the Pacific countries was very weak. Their living standard has scarcely improved at all over the last quarter of the 20th century.

Economic growth was most uneven in Africa. In about 10 countries the economic growth in 1975 – 2003 was so positive they had a moderate increase in living standards. The increase in living standards in Equatorial Guinea, Botswana and Mauritius, i.e. the per capita increase of the GDP, even qualifies as very positive. The economic growth of Equatorial Guinea is owed to the finding of oil in the country's territory. Botswana and Mauritius were able to turn the revenue from raw materials and natural resources into growth for the entire national economy.

In about 10 African ACP countries, the per capita economic growth in 1975 – 2003 was very weak or almost non-existent. The living standard scarcely increased over the review

period. The UNDP report showed a declining GDP for about half of the 42 African ACP countries.

Table 5 Economic Decline in Some African ACP Countries in 1975 – 2003

	GDP per capita annual growth rate, %	
Country	**1975-2003**	**1990-2003**
Comoros	-1.0	-1.3
Angola	-1.5	0.4
Central African Republic	-1.5	-0.4
Madagascar	-1.6	-0.9
Cote d'Ivoire	-1.9	-0.4
Niger	-1.8	0.0
Zambia	-1.9	-0.9
Sierra Leone	-3.3	-5.3
Djibouti	-4.2	-3.3
Congo, Dem. Rep. Of	-4.9	-6.3

Source: UNDP: Human Development Report 2005

Economic growth was especially weak in more than 10 countries, where the living standard dropped significantly in 1975 – 2003 (Table 5).

3.2.2 Ranking of the ACP countries in light of the HDI indicators

Based on the annual report by the UNDP, not only the economic growth of the ACP countries has been weak in the period from 1975 – 2002. In general, the ranking of the ACP countries in terms of human development indicators has also been modest. In its 2005 report, the UNDP reviewed a total of 177 countries. According to the Human Development Index, 40 out of 42 countries with the lowest ranking were ACP countries. The remaining 66 ACP countries under review ranked somewhat higher. The highest ranking in terms of the HDI in 2003 went to Barbados, ranking 30th.

When the development of the ACP countries is compared with that of other countries in the light of the UNDP Human Development Index, the position of the ACP countries did not improve in the 1990's, with certain exceptions. Not only did the ACP countries rank low as a group in the index, but the countries' ranking also deteriorated over the last decade, irrespective of the Lomé Convention.

The 1990 review involved a total of 160 countries and the 2000 review included 173 countries. Due to the larger numbers of countries being compared, the ranking of many countries fell in the index. Nevertheless, it is safe to say that the position of the ACP countries deteriorated in the 1990's in terms of the benchmark index. Only eight countries improved their rankings. These countries were St Kitts and Nevis (65→ 44),

Seychelles (63→ 47), Belize (67→ 58), St. Lucia (68→ 66), Cape Verde (109→ 100), Equatorial Guinea (137→ 111), Sudan (143→ 139) and Djibouti (153→ 149).

With the exception of Sudan, all the countries that have improved their rankings have been small. Typically, the majority of these countries have also been island states. Obviously, the countries have been able to take advantage of their maritime connections for developing tourism or some other non-traditional industry. For instance, Equatorial Guinea became a significant oil exporter in the late 1990's with the result that the country's economic growth was extremely rapid.

Table 6. Human Development Index (HDI) and the Ranking of ACP Countries

HDI Rank 1990		HDI Rank 2000		HDI Rank 1990		HDI Rank 2000	
1		1		90		90	
2		2		91		91	St Vincent and the Grenadines
3		3		92		92	
4		4		93		93	
5		5		94		94	Dominican Rep.
6		6		95	Botswana	95	
7		7		96	Solomon Islands	96	
8		8		97	Gabon	97	
9		9		98		98	
10		10		99		99	
11		11		100		100	Cape Verde
12		12		101	Vanuatu	101	Samoa
13		13		102		102	
14		14		103		103	Guyana
15		15		104	Swaziland	104	
16		16		105	Namibia	105	
17		17		106		106	
18		18		107	Lesotho	107	
19		19		108		108	
20		20		109	Cape Verde	109	
21		21		110		110	
22	Barbaros	22		111	Zimbabwe	111	Equatorial Guinea
23		23		112	Sao Tome Principe	112	
24		24		113	Kenya	113	
25		25		114		114	
26		26		115	Congo Brazzaville	115	
27		27		116	Madagascar	116	
28	Bahamas	28		117	Papua New Guinea	117	Gabon
29		29		118	Zambia	118	
30		30		119	Cameroon	119	Sao Tome Principe
31		31	Barbaros	120		120	
32		32		121	Ghana	121	Solomon Islands
33		33		122	Cote d'Ivore	122	Namibia
34		34		123		123	
35		35		124	Congo D.R.	124	
36		36		125	Haiti	125	Swaziland
37		37		126	Comoros	126	Botswana
38		38		127	Tanzania	127	
39	Trinidad and Tobago	39		128		128	Zimbabwe
40		40		129	Nigeria	129	Ghana
41		41	Bahamas	130		130	
42		42		131	Togo	131	Vanuatu
43		43		132	Liberia	132	Lesotho
44		44	St Kitts and Nevis	133	Rwanda	133	Papua New Guinea
45		45		134	Uganda	134	Kenya
46	Antiqua and Barbuda	46		135	Senegal	135	Cameroon
47	Mauritius	47	Seychelles	136		136	Congo Brazzaville
48		48		137	Equatorial Guinea	137	Comoros
49		49		138	Malawi	138	
50		50	Trinidad and Tobago	139	Burundi	139	Sudan
51		51		140		140	
52		52	Antiqua and Barbuda	141	Ethiopia	141	Togo
53	Dominica	53		142	Central African Republ	142	
54		54		143	Sudan	143	
55	Suriname	55		144		144	
56		56		145		145	
57		57		146	Mozambique	146	Haiti
58		58	Belize	147	Angola	147	Madagascar
59	Jamaica	59		148	Mauritania	148	Nigeria
60		60		149	Somalia	149	Djibouti
61		61	Dominica	150	Benin	150	Uganda
62		62		151	Guinea-Bissau	151	Tanzania
63	Seychelles	63		152	Chad	152	Mauritania
64	Grenada	64		153	Djibouti	153	Zambia
65	St Kitts and Nevis	65		154	Burkina Faso	154	Senegal
66		66	St Lucia	155	Niger	155	Congo D.R.
67	Belize	67	Mauritius	156	Mali	156	Cote d'Ivore
68	St Lucia	68		157		157	
69		69		158	Guinea	158	Benin
70		70		159	Gambia	159	Guinea
71	Fiji	71		160	SierraLeone	160	Gambia
72		72	Fiji			161	Angola
73		73				162	Rwanda
74		74	Suriname			163	Malawi
75		75				164	Mali
76		76				165	Central African Republic
77		77				166	Chad
78		78				167	Guinea-Bissau
79	St Vincent and Grenadines	79				168	Ethiopia
80	Dominican Rep.	80				169	Burkina Faso
81	Samoa	81				170	Mozambique
82		82				171	Burundi
83		83	Grenada			172	Niger
84		84				173	SierraLeone
85		85					
86		86	Jamaica				
87		87					
88		88					
89	Guyana	89					

Source: UNDP: Human Development Reports 1991 and 2002

3.3 Agricultural production in the ACP countries

The EU and the ACP are country groups with very distinct economic structures. ACP members are developing countries with a remarkably low per capita income. Of the 77 ACP countries 40 belong to the Least Developed Countries of the world. Agriculture is a key sector of the economy in most ACP countries. While European farms are highly mechanised, market oriented enterprises, a vital proportion of ACP farmers are subsistence smallholders with the little or no machinery, producing basically for home consumption. Only a small part of ACP agriculture is export oriented.

Table 7 Agricultural Land Use in ACP Countries*

	African Mill. ha	Caribbean Mill. ha	Pacific Mill. ha	ACP Total Mill. ha
Permanent Pasture	737.3	4.1	0.4	741.8
Arable&Permanent Crops	161.0	3.7	1.6	166.1
Arable Land	140.9	2.6	0.6	144.1
Permanent Crops	20.0	1.1	1.0	22.1
Agricultural Area	898.2	7.8	2.0	908.0

*Marshall Island and Micronesia not included
Source: Stephan-Alfons Nolte, p. 13

The total agriculture area of the ACP countries amounts to approximately 900 million hectares, most of which is located in the African member countries (Table 7).

Like the population, the territorial size and the size of the national economy of the ACP countries, the area of arable land varies to a great extent by country. The group of countries includes large and very small countries. In terms of arable and permanent crops, the largest countries are Nigeria (33.0 million ha), Sudan (16.7 million ha), the Congo Democratic Republic (10.7 million ha), Ethiopia (7.8 million ha) and Uganda (7.2 million ha). The 10 largest countries also include Cameroon, Côte d'Ivoire, Ghana and Zambia, apart from those mentioned above. The arable land of the Republic of South Africa amounts to 15.7 million ha.

Almost 50 ACP countries have an arable land area of less than 1 million ha. The Caribbean and Pacific islands have little or no arable land.

Almost half of the area under crops is cultivated with cereals, most of which are coarse grains such as maize, millet and sorghum, with an area of approximately 20 million

hectares each. Wheat, barley and rye, the most common cereals in the EU, are only grown on a very small scale.

Table 8. Production of Stable Foods in the ACP Countries in 2000*

	African Mill. tons	Caribbean Mill. tons	Pacific Mill. tons	ACP Total Mill. tons
Cereals	76.0	1.8	0.0	77.8
Roots and Tubers	158.0	1.4	1.6	161.0
Plantains	21.1	0.7	0.0	21.9
Pulses	7.2	0.1	0.0	7.3
Oilcrops	5.9	0.1	0.6	6.8

* Palau not included
Source: Stephan-Alfons Nolte (2002): p. 15.

The largest part of the area under crops in the ACP countries is used for growing staple foods. About 10% of the area, around 18 million hectares, remain for the cultivation of so-called "cash crops", of which the sugar cane production is the most important.

Table 9. Production of 'Cash Crops' in the ACP Countries in 2000*

	African Mill. tons	Caribbean Mill. tons	Pacific Mill. tons	ACP Total Mill. tons
Sugar cane	43.7	13.9	3.6	61.3
Fruit	20.4	2.7	1.3	24.4
Vegetables	19.4	1.0	0.5	20.8
Cocoa Beans	2.3	0.1	0.1	2.4
Coffee, green	1.2	0.1	0.1	1.3

* Palau not included
Source: Stephan-Alfons Nolte (2002): p. 17.

Pasturelands (Table 7) in African member countries occupy the largest part of the agricultural area. Most of the pastureland area is given over to husbandry of ruminants. A considerable number of chickens are also kept in African member countries.

Table 10. Livestock Production in ACP Countries in 2000, Comparison with the EU

	ACP Total Million tonnes	EU Million tonnes
Beef and Veal	2.9	7.4
Cow milk	11.9	122.1
Mutton and Lamb	0.6	1.1
Sheep milk	1.2	2.2
Goat meat	0.7	0.1
Goat milk	2.5	1.5
Hen Eggs	1.6	5.2
Chicken meat	1.3	6.7

Source: Stephan-Alfons Nolte (2002): p. 18

The EU has been a much bigger producer in livestock production than the ACP countries, especially in the production of cow's milk. Only goat meat and milk production has been higher in the ACP countries than in the EU.

4 Participation of the Lomé IV countries in international trade

4.1 Shares and composition of the ACP countries' foreign trade

The share of the ACP countries in global trade has contracted over the past few decades. The existing 77 ACP countries, excluding South Africa and Cuba, accounted for about 3.2% of global exports of goods in 1975, 3.3% in 1980, about 1.5% in 1990 and no more than 1.3% in 2000. If South Africa and Cuba are included, the ACP countries accounted for about 4.6% of global exports in 1975 and about 1.8% in 2000. The share reflects fluctuations of oil prices in particular, but the trend has nevertheless been declining. (Annex IV).

The largest exporters among the Lomé Convention countries have been the oil-exporting Nigeria and Angola, together with some other exporters of raw materials and primary commodities like Côte d'Ivoire, Trinidad and Tobago, Botswana and Cameroon. The 10 largest exporters, including Sudan, the Congo People's Republic, Gabon and Kenya, account for two thirds of the exports from the ACP countries (77) as a group.

Table 11. Composition of Sub-Saharan African Exports, by Destination, 2003 In Percent of Total Exports, %

	World	EU 15	USA	China*	Dev.countries
Agriculture	26.7	35.5	13.5	26.6	23.6
Food	14.6	23.6	4.3	4.1	15.2
Fuels	42.7	29.6	68.2	52.9	44.7
Manufactures	30.4	34.5	18.2	20.5	31.1

* Includes Hong Kong and Macao
Source: Yongzheng Yang: Africa in the Doha Round: Dealing with Preference Erosion and Beyond, IMF PDP/05/8

Many ACP countries are very dependent on exports of a few raw materials or primary commodities. More than 40% of the exports from the sub-Saharan African countries, which represent four fifths of the ACP countries in terms of the volume of production and exports, have consisted of foodstuffs or agricultural products. No less than 60% of the exports to the European Union consist of agricultural products and foodstuffs.

The Cotonou Convention, which was adopted in 2000, included eight new ACP countries. The overall picture of the ACP countries as a group has not, however, changed much from the days of the Lomé IV Convention, since the new Member States have been small in terms of their population and the size of their economies. In analysing the impacts of the Lomé Convention, the basis used is a review of the 69

countries that belonged to the ACP group in 1990. Although the original group of ACP countries that signed the Lomé Convention in 1975 included only 46 countries, the review of pre-1990 history includes all the 69 ACP countries. Below, the group of countries will be called the Lomé IV countries.[6]

4.2 International trade of the Lomé IV countries in 1975 – 2000

The Lomé IV countries had a total population of about 420 million people in the early 1990's, which accounts for almost 10% of the world population. These 69 countries accounted for 3.2% of the global exports of goods in 1975. By 2000, the share had dropped to about 1.3% (Table 12).

Table 12. Share of the Lomé IV Countries in Global Exports of Goods in 1975 – 2000, %

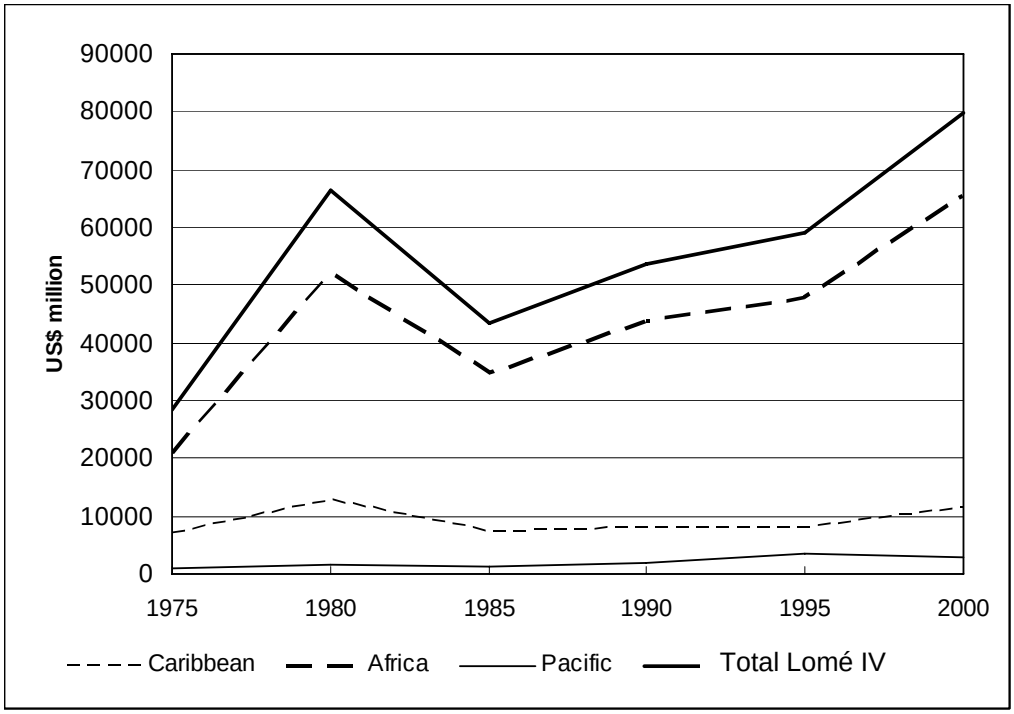
	1975	1980	1985	1990	1995	2000
Africa	2.3	2.6	1.8	1.3	0.9	1.0
Caribbean	0.8	0.6	0.4	0.2	0.2	0.2
Pacific	0.1	0.1	0.1	0.1	0.1	0.0
Lomé IV Total	3.2	3.3	2.2	1.5	1.2	1.3
World	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNCTAD: Commodity Yearbook 2003

The bulk of the exports of goods from the Lomé IV countries originated from the African countries. Under the Lomé Conventions in 1975 – 2000, the share of African countries grew, from 70% of the exports from the Lomé IV countries to more than 80%. The exports of the small Pacific states have always been of minor importance. Of the one-fifth of Lomé IV exports originating outside Africa, the majority came from the Caribbean countries.

[6] ACP and Lomé IV countries: Angola, Antigua and Barbuda, Bahamas, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Br.), Cook Islands*, Côte d'Ivoire, Cuba*, Djibouti, Dominica, Dominican Republic, DR of Congo, East Timor, Equatorial Guinea, Eritrea*, Ethiopia, Fiji, Gabon, Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Marshall Islands*, Mauritania, Mauritius, Micronesia*, Mozambique, Namibia, Nauru*, Niue*, Niger, Nigeria, Palau*, Papua New Guinea, Rwanda, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Africa*, Sudan, Suriname, Swaziland, Tanzania, Togo, Tonga, Trinidad and Tobago, Tuvalu, Uganda, Vanuatu, Western Samoa, Zambia, Zimbabwe
* Not in the Lomé IV Convention

Figure 1. Total Exports of Goods from the Lomé IV Countries in 1975 – 2000, million dollars



Source: UNCTAD: Commodity Yearbook 2003

Total exports of goods from the Lomé IV countries climbed from about $30 billion to $80 billion between 1975 and 2000. The increase in total exports has been due almost exclusively to an increase in exports from the African countries. The exports from the African countries tripled from more than $20 billion to $65 billion, while exports of goods from both the Caribbean and the Pacific countries rose only slightly. Admittedly, the exports from the Pacific countries tripled too, but exports from these countries are of very minor significance, amounting to less than $3 billion in 2000.

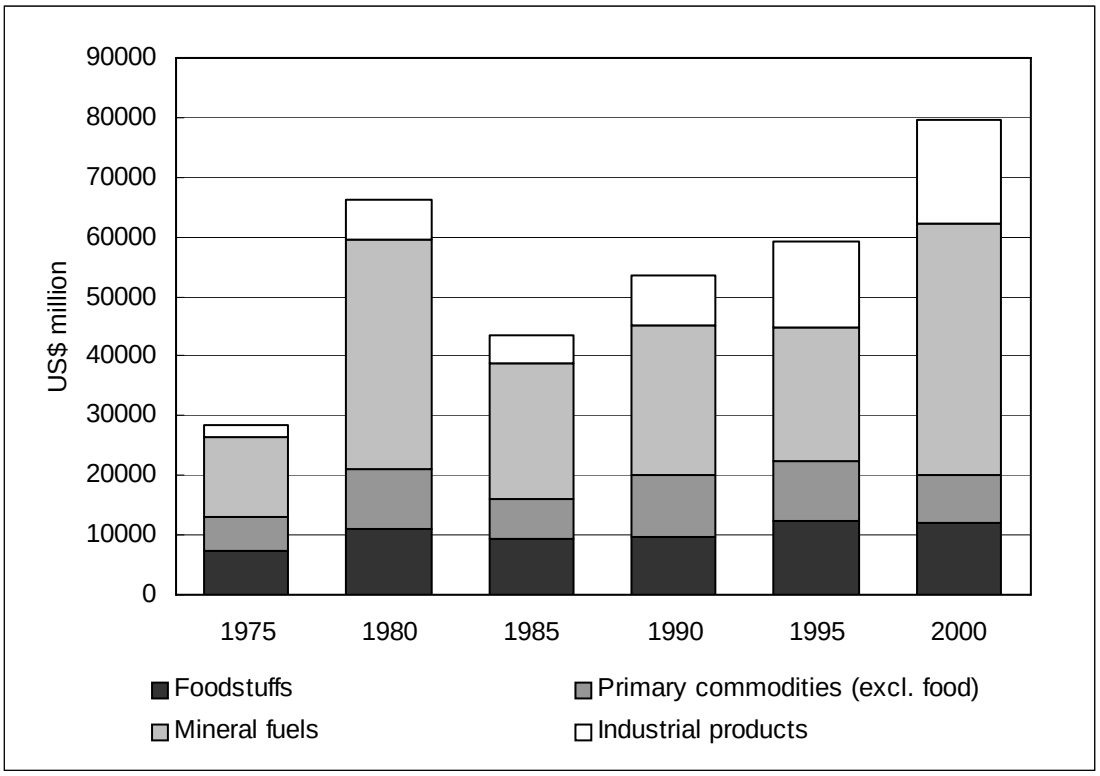
When the exports of goods from the Lomé IV countries are reviewed by commodity group, three things stand out. A substantial proportion of the total exports from these countries consists of mineral fuels. The share of mineral fuels, such as crude oil, in the total exports of goods varies on either side of 50% (Figure 2). The variation in exports of mineral fuels depends mainly on fluctuations in international oil prices.

Growth in exports of so-called primary commodities, including foodstuffs, is negligible. Consequently, the share of primary commodities in total exports has dropped throughout the review period 1975 – 2000, dropping from about 46% in 1975 to 25% in 2000.

A rising trend has been most obvious in industrial products, which accounted for less than 10% of total exports in 1975. The share of industrial products is, however,

increasing, as in other developing countries. In 2000, industrial products accounted for over 25% of total exports of goods from the Lomé IV countries.

Figure 2. Exports from the Lomé IV Countries by Product Category in 1975 – 2000

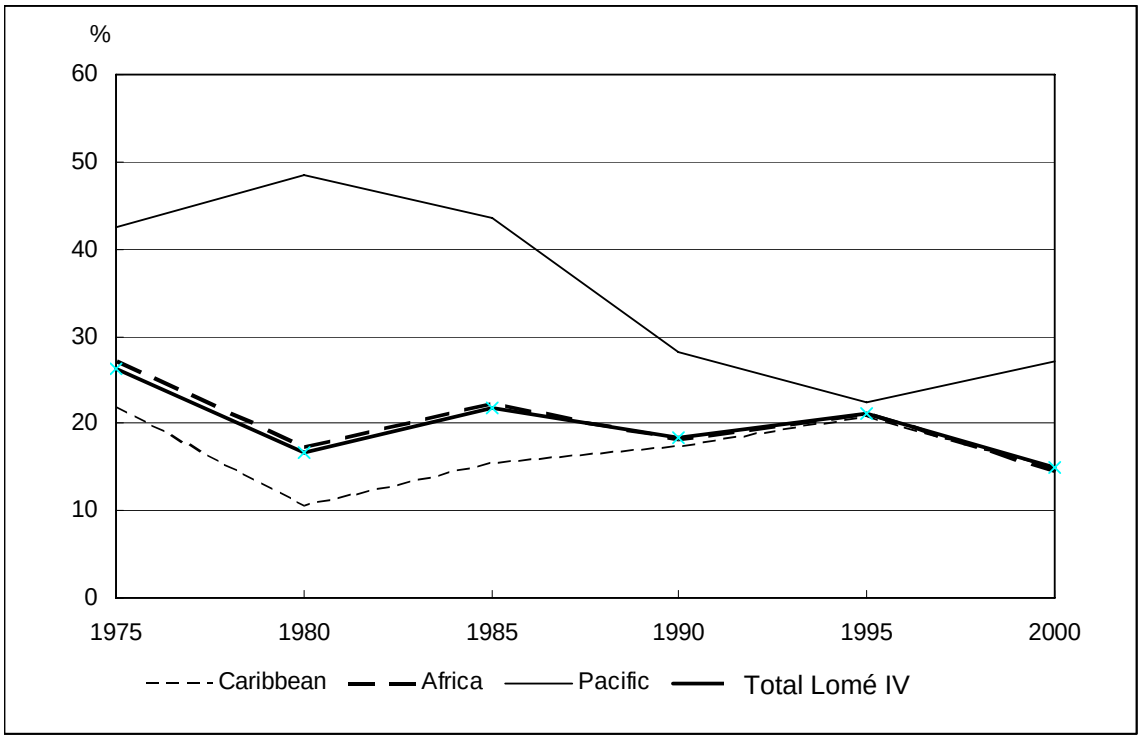


Source: UNCTAD: Commodity Yearbook 2003

Nevertheless, exports of goods from the Lomé IV countries continue to consist preponderantly of primary commodities, including foodstuffs and mineral fuels (Figure 2). Foodstuffs accounted for no more than 15% of exports from the Lomé IV countries at the turn of the millennium, after having increased from less than $8 billion in 1975 to $12 billion in 2000. Almost 80% of the exports of foodstuffs by Lomé IV countries originate from the African countries.

From 1975 on, the share of foodstuffs in exports from African countries had dropped from more than 25% to about 15% in 2000. The share of foodstuffs in the exports of goods from the Pacific countries was still close to 50% in the early 1980's, but has also declined dramatically.

Figure 3 Shares of Foodstuffs Exports from the Lomé IV Countries by Region



Source: UNCTAD: Commodity Yearbook 2003

4.3 Share of the Lomé IV countries in global agricultural trade

The share of agricultural products in international trade has been decreasing steadily. The share of agriculture during the Lomé Convention in the global trade of goods had dropped from 12% to 7% by 2000.

At the same time the share of overall global trade accounted for by the Lomé IV countries was also declining, and the same was true of agricultural trade. In 1979 – 1981, the Lomé IV countries as a group accounted for 4.7% of overall global agricultural trade (FAO 2004). In the years 1999 – 2001, the share was no more than 2.8%. Not only did agricultural trade grow more slowly than trade in goods as a whole, but the Lomé IV countries also lost some of their market share in international agricultural trade.

Even though the share of agricultural trade has dropped, agricultural trade has been a very important source of export revenue for the ACP countries in general, and for the Lomé IV countries in particular. In 1979 to 1981, more than half of the exports from 31 Lomé IV countries consisted of agricultural products, which is to say more than 40% of the exports of 37 countries consisted of agricultural products. In 1999 – 2001, more than 50% of the exports of 17 countries consisted of agricultural products and more than 40% of the exports of 22 countries.

Table 13. Largest Agricultural Exporters – Lomé IV Countries

Country	Agric. export 1979-81 US$ million	Share %	1999-01 US$ million	Share %	Share of agr. exports in total exports 1979-81 %	1999-01 %
Cote d'Ivory	1811	17,1	2123	18,2	66,38	50,97
Kenya	667	6,3	1033	8,9	53,99	57,34
Zimbabwe	486	4,6	921	7,9	37,66	43,71
Dominican Republic	635	6,0	539	4,6	62,71	63,04
Ghana	641	6,1	521	4,5	64,4	31,77
Tanzania	422	4,0	500	4,3	73,9	72,79
Cameroon	592	5,6	454	3,9	49,77	25,99
Malawi	232	2,2	439	3,8	89,4	96,75
Nigeria	525	5,0	415	3,6	2,55	2,39
Papua New Guinea	331	3,1	322	2,8	35,04	16,58
Mauritius	257	2,4	307	2,6	67	19,68
Swaziland	178	1,7	307	2,6	53,78	32,13
Ethiopia	377*	3,6	290	2,5	92,82*	61,85
Uganda	341	3,2	279	2,4	99,26	58,01
Jamaica	132	1,2	275	2,4	14,45	18,22
Mali	182	1,7	267	2,3	91,09	43,76
Trinidad and Tobago	77	0,7	229	2,0	2,24	6,08
Guyana	154	1,5	218	1,9	45,11	43,09
Benin	38	0,4	186	1,6	80,43	47,11
Fiji	200	1,9	162	1,4	63,4	28,31
Lome IV Total	10592	100,0	11668	100,0		

* Etiopia, former People's Dem Rep. of
Source: FAO Statistical Yearbook 2004, Vol. 1

The 20 largest agricultural exporters among the 69 Lomé IV countries accounted for more than 80% of the corresponding exports of the entire group of countries at the later stages of the Lomé agreement. The share accounted for by the largest exporters had also increased during the Lomé Conventions, and in fact agricultural exports have been dominated to a large extent by the largest exporters. Among the largest exporters were Côte d'Ivoire, which accounted for more than 18% of the agricultural exports from this group of countries in 1999 – 2001, Kenya (9%), Zimbabwe (8%), the Dominican Republic (5%), Ghana (4.5 %) and Tanzania (4 %).

Agricultural exports from Côte d'Ivoire consist mainly of cocoa beans and cocoa products. In addition, the country's exports include cotton and rubber. Kenyan agricultural exports consist primarily of tea, pineapples, beans, coffee and vegetables. Overall, the exports from the largest agricultural exporters consist primarily of tropical products, such as coffee, cocoa and tea, fruit, tobacco products and cotton. The most notable export product from the perspective of the EU's agricultural policy is sugar and its refined products.

5 European Union trade with the Lomé countries

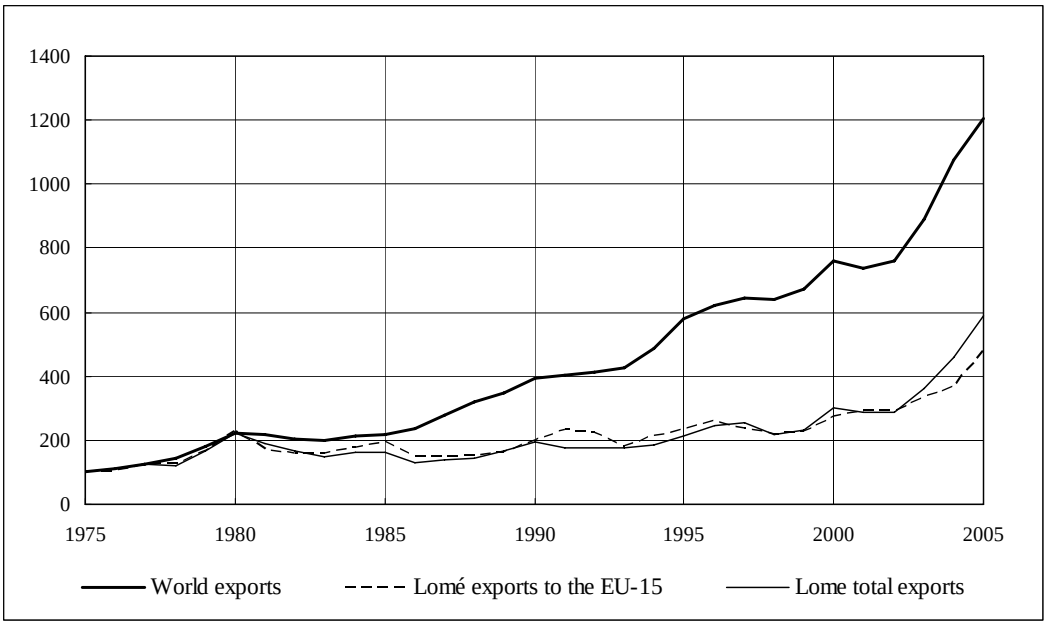
5.1 Trade in 1975 – 2000

5.1.1 Development of EU imports since 1975

In reviewing the impact of the Lomé Conventions on imports to the European Union from the ACP countries, the focus is, as above, on those 69 ACP countries that joined the Lomé IV Convention in 1990. The EU countries include all the 15 countries that have been Member States since the mid-1990's, with Greece becoming a member of the EU in 1981, Spain and Portugal in 1986 and Finland, Sweden and Austria in 1995.

Total imports to the European Union from the Lomé countries have been growing fairly steadily since 1975. In the years 1975 to 2004 imports rose steeply from about $10 billion to some $32 billion. The annual growth rate of imports was about 3.5%, rising somewhat in the latter half of the review period. In the years 1990 to 2004, imports grew by more than 5% annually.

Figure 4. Development of the World Exports and Lomé IV (69) Countries Exports to the EU (15) and to the Rest of the World in 1975-2005, (index 1975=100).



Source: Comtrade.

Figure 4 describes development of world exports and the Lomé IV countries total exports and exports to the EU (15). The Figure suggests that the Lomé countries' share of total world trade has strikingly diminished during the past 30 years.

When the value of the imports from the Lomé countries to the EU countries is examined, currency also plays a part. If the dollar-based amounts are converted into euros, the picture is slightly different. The euro became the official currency in 1999, but its parity with the dollar can be extrapolated backwards in time. In 1995 – 2004 the exchange rate parity of the dollar and the euro fluctuated annually between 1.3 and 0.9. Due to a decline in the parity of the euro, the imports from the Lomé IV countries increased in terms of euros towards the end of the 1990's more than they did in terms of dollars. The growth of imports in euros was almost 85% in the period 1995 – 2001. Consequently, when the dollar dropped against the euro by almost 30% in 2001 – 2004, the growth of imports in terms of euros came to a halt.

Figure 5. Total Imports of the EU (15) from Lomé IV (69) Countries 1975 – 2004

The growth of imports in euros and in dollars

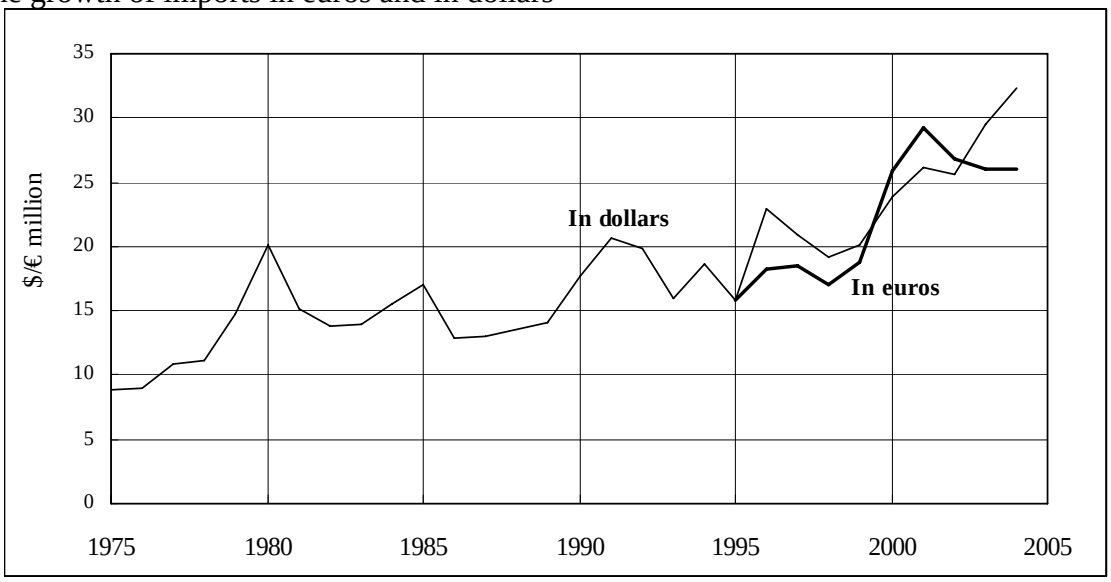
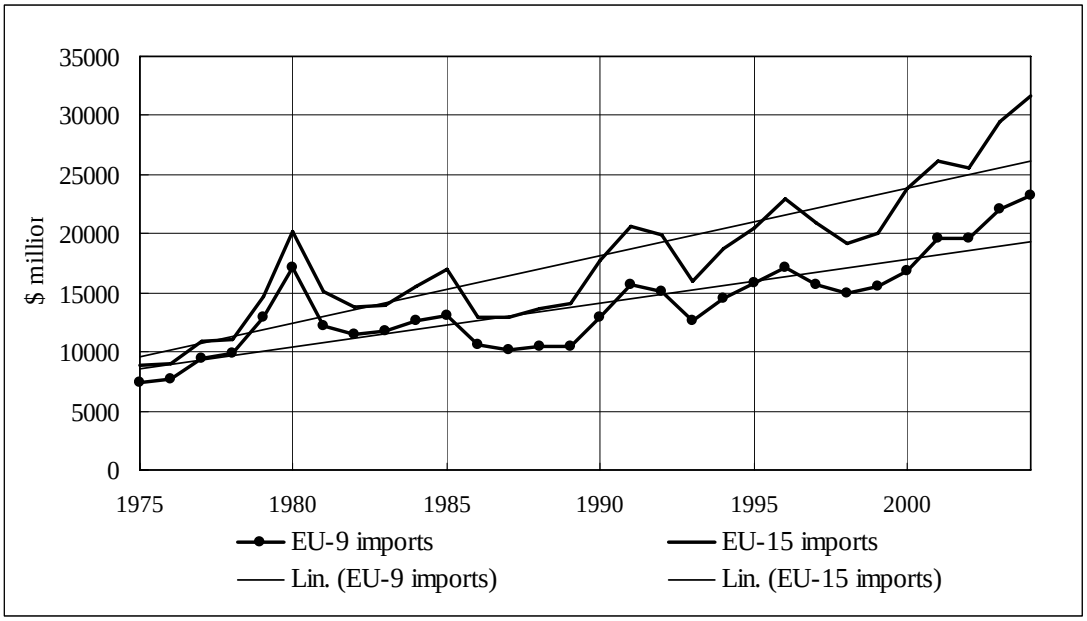


Figure 6 EU (9) and EU (15) Total Imports from Lomé (69) IV Countries in 1975 – 2004



Source: Comtrade

Table 6 shows that the nine EU countries which signed the first Lomé Convention imported most of EU imports from the Lomé countries in the years 1975 – 2003. In the 1990's, under the Lomé IV Convention, imports from other countries than the nine original signatories grew faster to the new EU Member States, i.e. Greece (1981), Portugal and Spain (1986) and Sweden, Finland and Austria (1995).

In the 1990's, total EU (15) imports grew by approximately 3.5% a year on average, while imports to the EU (9)[7] grew a little more slowly, by approximately 3% annually.

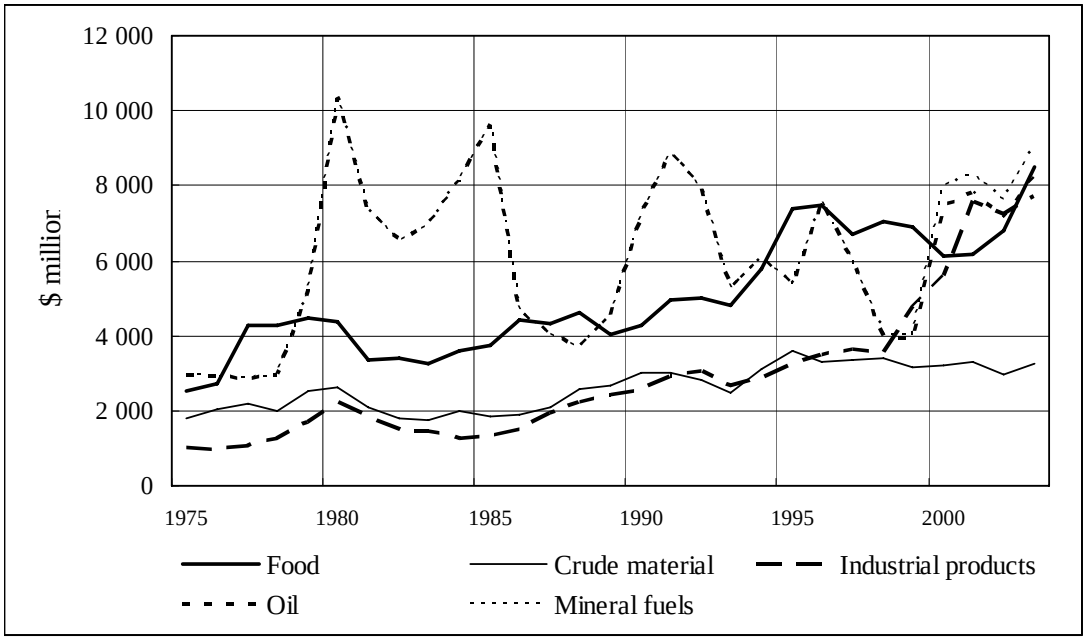
5.1.2 Development of imports in different commodity groups

When imports to the EU (15) countries are analysed by main categories, some differences in the development of imports stand out between the commodity groups. The ACP countries are very dependent on exports of raw materials and primary commodities. The share accounted for by industrial products was quite modest, especially in the early stages of the Lomé Conventions. Imports of industrial products were exempted for the most part from import restrictions, as the Lomé Conventions were intended to stimulate diversification of ACP exports and the growth of exports of industrial products.

[7] The EU (9) countries are those EU Member States that signed the first Lomé Convention in 1975. All of the EU (15) countries. New members are Greece, Spain, Portugal, Finland, Sweden and Austria.

Imports of industrial products increased steadily under the Lomé Conventions. Imports of industrial products tripled, but remained quantitatively very modest throughout the review period. From 2000 on, imports of industrial products from the Lomé countries saw a clear upturn.

Figure 7 EU (15) Imports of Main Products Groups from Lomé IV (69) Countries in 1975 – 2004



Source: Comtrade.

Imports of raw materials other than mineral fuels and foodstuffs to the EU grew only slightly between 1975 and 2003. On the other hand, imports of foodstuffs have grown at approximately the same rate as total imports. The share accounted for by foodstuffs in imports was at times the largest of the main categories of commodities, competing for the top position with mineral fuels. The mineral fuel group consists almost exclusively of crude oil, which is exported by some ACP countries. A typical characteristic of mineral fuel exports has been strong variation, mainly due to fluctuations in international oil prices.

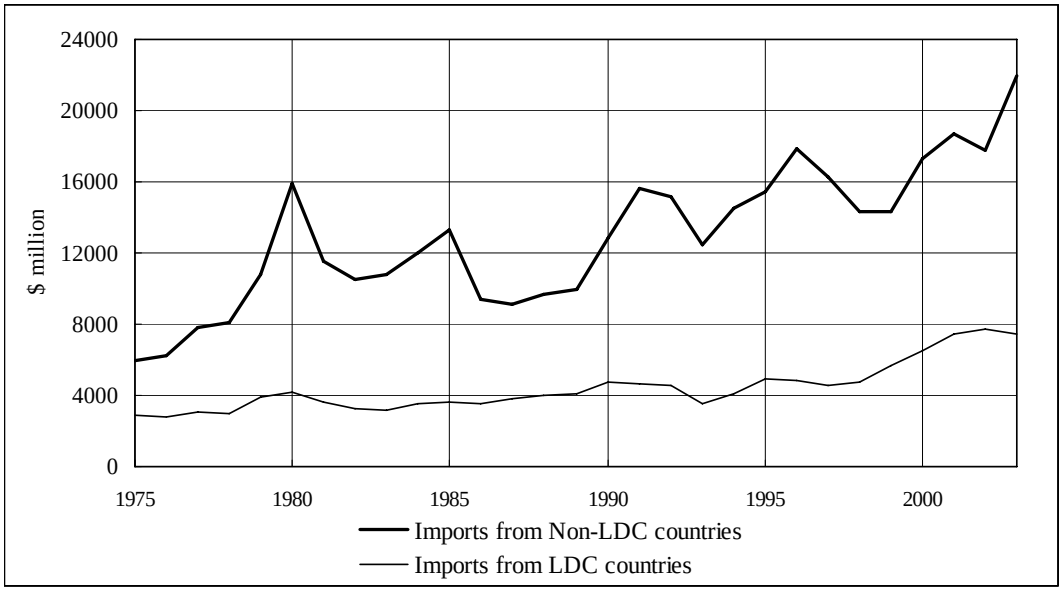
5.1.3 Imports from LDC and non-LDC countries

The majority of the existing ACP countries belong to the group of the Least dDeveloped Countries (LCD), as defined by the UN. The existing ACP countries include non-LDC countries, while under the Lomé IV Convention, non-LDC countries numbered 30.

Imports to the EU (15) countries from the non-LDC countries clearly outweighed imports from the LDC countries (Figure 8). In 1975, imports from the LDC countries totalled about $3 billion and from the non-LDC countries over $5 billion. In the year 2000, the corresponding figures were a little less than $6 billion and $17 billion respectively.

In 2003, EU (15) imports from the LDC countries amounted to about $7.5 billion and from the non-LDC countries over $22 billion. Imports from the non-LDC countries are currently three times bigger than the imports from LDC countries.

Figure 8. Imports of the EU (15) from LDC and Non-LDC Lomé IV Countries in 1975 – 2003



Source: Comtrade

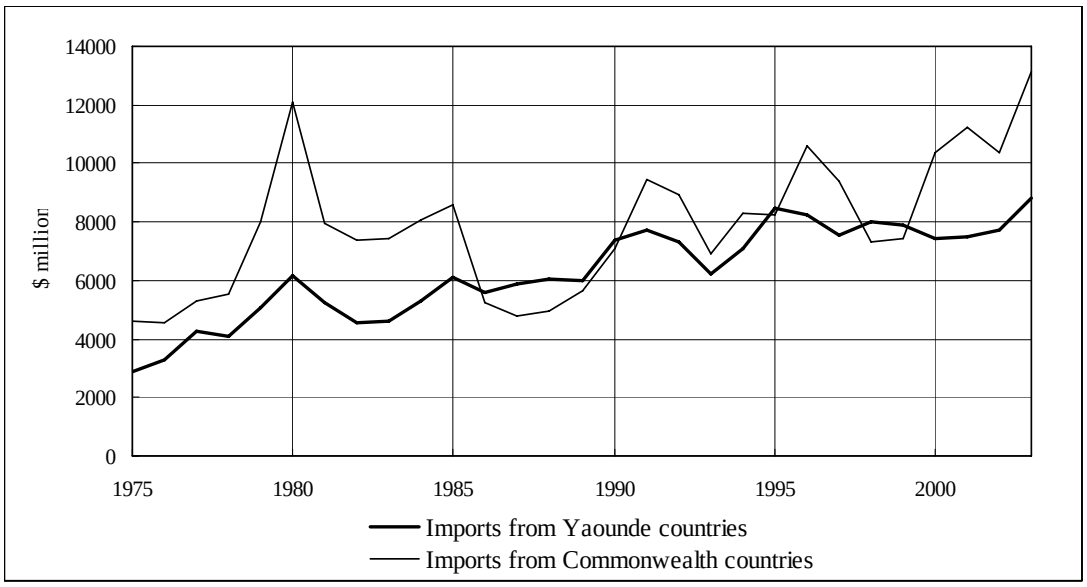
5.1.4 EU imports from the Yaoundé and the Commonwealth countries

Of special interest are the groups of countries with which the Lomé Conventions were originally signed. As we have seen, the European Economic Community, EEC, had an agreement on trade and economic cooperation with the AASM countries even before the

Lomé Conventions. Most of these countries are Francophone African countries. These countries can be called the Yaoundé countries after the Yaoundé Convention.

With UK membership, some countries of the British Commonwealth acceded to the Lomé Convention. It is interesting to see how exports to the EU countries from these two groups of countries, one of them Francophone and the other Anglophone, evolved under the Lomé Conventions.

Figure 9 Imports of the EU(15) from the Yaoundé and the Commonwealth Countries in 1975 – 2003



Source: Comtrade.

From 1975, imports from the Yaoundé countries increased from about $3 billion to $8 billion in 2000, while EU (15) imports from the Commonwealth countries climbed from about $4.5 billion to $8 – $10 billion in the late 1990's. The imports from the latter group of countries fluctuated more dramatically year by year than those of the Yaoundé countries. For instance, Commonwealth imports reached more than $12 billion as early as 1981. These fluctuations arose mainly from the fact that the Commonwealth countries included large oil exporters such as Nigeria.

EU imports from the Francophone and Anglophone groups are almost equal, although the average growth of imports from the Yaoundé countries has slightly outpaced that from the Commonwealth countries. The difference is most pronounced in the foodstuffs category, as exports of foodstuffs from the Yaoundé countries to the EU countries have clearly grown faster than those from the Commonwealth countries.

5.2 Trade between the EU countries and the ACP countries at the onset of the 21st century

5.2.1 General features of trade

The EU countries continue to be key importers of ACP products. More than 30% of total exports from the ACP countries is destined for the EU countries, which since May 2004 have numbered 25. Another important point to note as regards imports from the ACP countries to the EU countries is that the most important product groups focus heavily on raw materials in a fairly unrefined form, with fuel and lubricant exports making up the single largest export category. This is explained by exports of crude oil to the EU countries from Nigeria and some other oil producing countries.

Table 14. EU (25) Trade with ACP Countries in 2004, Main Product Groups, Mill. €, (incl. South Africa)

SITC	Product group	EU Imports	%	EU Exports	%
0	Food and live animals	8482	18.5	3168	7.2
1	Beverages and tobacco	1252	2.7	1312	3.0
2	Crude materials, except fuels	4782	10.4	540	1.2
3	Fuel products	9680	21.1	1621	3.7
4	Oil, fats and waxes	250	0.5	138	0.3
5	Chemical products	846	1.8	5202	11.9
6	Manufactured goods	9677	21.1	5637	12.9
7	Machinery, transport equipment	6100	13.3	22288	50.9
8	Miscellaneous manufactures	1770	3.9	3355	7.7
9	Articles not classified elsewhere	3037	6.6	992	2.3
0-9	**Total**	**45875**	**100.0**	**43782**	**100.0**

Source: Eurostat

Fuels accounted for about 21% of the EU (25) imports from the ACP countries in 2004 The total share of industrial products and manufactured goods (SICT 5-8) was as high as 40%, foodstuffs accounting for more than 18% and non-fuel raw materials for 10%.

Machines and equipment made up the largest EU (25) export category in 2004 (50.9%). Industrial products and manufactured goods (SITC 5-8) accounted for more than 83% of EU exports to the ACP countries.

5.2.2 EU imports from the ACP countries by commodity groups

When import categories are broken down further, the principal products prove to focus heavily on primary production.

Table 15. EU (25) Imports from ACP Countries, Main Products in 2004, (incl. South Africa), million €

SITC	Products	EU import	%
33	Petroleum and petroleum products	6570	14.3
66	Non-metallic mineral factures	4839	10.5
79	Other transport equipment	3238	7.1
07	Coffee, tea, cocoa, spices	3042	6.6
9	Articles not classified elsewhere (e.g. gold)	3037	6.6
05	Vegetables and fruit	2290	5.0
32	Coal, coke, and briquettes	2116	4.6
03	Fish, crustaceans, mollusc	1968	4.3
68	Non-ferrous metals	1961	4.3
28	Metalliferous ores and metal scrap	1948	4.2
67	Iron and steel	1738	3.8
24	Cork and wood	1077	2.3
74	General industry machinery and equipment	1073	2.3
34	Gas, natural and manufactured	990	2.2
06	Sugar, sugar prep., honey	958	2.1
84	Clothing and clothing accessories	847	1.8
11	Beverages	809	1.8
78	Road vechiles	752	1.6
71	Power generating machinery, equipment	447	1.0
12	Tobacco	442	1.0
82	Furniture, bedding, mattresses	442	1.0
	Other total	5291	10.1
0-9	**Total**	**45875**	**100.0**

Source: Eurostat

A detailed review exposes the one-sidedness of the ACP countries' exports in EU trade. Industrial products were already exempted from import restrictions within the framework of ACP exports in the Lomé Conventions. Approximately 97% of total imports are exempt from import restrictions, customs duties and import quotas. Nevertheless, imports in 2004 continued to be dominated by raw materials and primary production. Industrially refined products consisted mainly of timber, textiles and alcohol.

The largest group of export products (Table 15) was petroleum and petroleum gases, a natural consequence of the fact at the ACP countries include some significant oil producers such as Nigeria.

The second largest product group, accounting for approximately 10% of total imports, comprises raw and processed diamonds, some African countries being the world's leading raw material sources for these products.

The main product groups consist of typical products of developing countries such as cocoa, fish and a diversity of seafood, fruit, coffee, cotton, natural rubber and metal raw materials such as aluminum concentrate and aluminium products. Apart from diamonds, the ACP countries also export gold, either unrefined or with a low degree of refinement. New types of product groups expected to lay the foundations for future trade include cut flowers.

Ships, vessels and also aircraft rank high in exports from the ACP countries, but it is less a question of manufacture than of resale, some ACP countries figuring as flag countries for international shipping companies.

5.2.3 EU imports of raw materials from the ACP countries

The ACP countries account for less than 5% of the total EU imports of goods. This share has declined steadily over the decades, due to the fact that the bulk of these imports consist of product groups with a slowly growing demand and prices that tend to decrease, for instance in comparison to industrial products. The ACP countries have not been able to diversify their production and exports in the same way as, for example, the Southeast Asian countries.

In some commodity groups, the share accounted for by ACP countries in total imports to the EU was particularly high in 2004. These commodity groups included, among others:

- Sugar, sugar preparations, honey 49.6%
- Coffee, tea, cocoa, spices 44.8%
- Tobacco 23.2%
- Non-metallic mineral product 22.3%
- Beverages 21.4%
- Coal, coke, and briquettes 19.5%
- Cork and wood 17.7%
- Vegetables and fruit 14.2%
- Hides and skins, raw 12.1%

Source: Eurostat

The high percentages of sugar, coffee, tobacco and some other commodity groups in the total EU imports indicate that, as far as the supply to the European Union is concerned, the ACP countries have focused on various primary commodities and raw materials or stimulants.

The African and Caribbean countries are important producers of tropical products. For these countries, coffee and cocoa are the most important export products. On the other

hand, sugar imports to the EU are very limited. The ACP countries have played a central role in sugar imports from non-EU countries on account of the EU's Sugar Protocol.

5.2.4 The largest import and export countries of the EU in trade with the ACP countries

Trade between the ACP countries and the European Union countries has continued in 2000 to revolve around the relations between former colonies and their mother countries and around countries that have long-standing relationships with the developing countries.

Table 16 Different EU (25) Countries' Trade with ACP Countries (incl. South Africa) in 2004, Mill. €

EU country	Imports		Exports	
	Mill. €	%	Mill. €	%
Belgium	4 207	9.2	2 617	6.0
Chech Republic	128	0.3	198	0.5
Denmark	466	1.0	480	1.1
Germany	5 253	11.5	9 702	22.2
Estonia	11	0.0	8	0.0
Greece	301	0.7	159	0.4
Spain	6 094	13.3	2 723	6.2
France	6 354	13.9	8 395	19.2
Ireland	272	0.6	613	1.4
Italy	4 506	9.8	4 298	9.8
Cyprus	14	0.0	18	0.0
Latvia	2	0.0	7	0.0
Lithuania	22	0.0	24	0.1
Luxemburg	20	0.0	63	0.1
Hungary	48	0.1	155	0.4
Malta	11	0.0	23	0.1
Netherlands	4 260	9.3	3 634	8.3
Austria	419	0.9	686	1.6
Poland	500	1.1	390	0.9
Portugal	1 416	3.1	1 167	2.7
Slovenia	36	0.1	39	0.1
Slovakia	21	0.0	71	0.2
Finland	381	0.8	654	1.5
Sweden	308	0.7	1 191	2.7
United Kingdom	10 823	23.6	6 439	14.7
EU (25) total	45 875	100.0	43 782	100.0

Source: Eurostat

The UK clearly dominates imports from the ACP countries. In 2004, the UK accounted for 23.6% of the EU (25) imports. Other large importers were France (13.9%), Spain (13.3%), Germany (11.5%), Italy (9.8%), Holland (9.3%) and Belgium (9.2 %). Imports to these seven countries from the ACP countries accounted for more than 90% of total EU imports from the ACP countries.

Another point worth noting in the breakdown by country is the fact that in 2004 the newly joined Member States had very little trade with the ACP countries. The new Member States accounted for 1.8% of the EU imports from the ACP countries in 2004. More than half of this amount consisted of imports to Poland (1.1%).

EU exports to the ACP countries were also very uneven. The total share accounted for by the nine largest exporters was more than 90% in 2004. The largest exporters in addition to the above-mentioned major importers were Sweden (2.7%) and Portugal (2.7%). The largest exporter was Germany, which accounted for slightly more than 22% of total EU exports to the ACP countries in 2004.

As in the case of imports, exports from the new Member States to the ACP countries remained very modest. The 10 new Member States accounted for approximately 21% of EU exports to the ACP countries in 2004. The largest exporter among the new Member States was Poland (0.9%).

5.2.5 Share of agricultural products in trade between the EU (25) and the ACP countries in the 21st century

In terms of euros, the trade exchange between the EU countries and the ACP countries stagnated since the beginning of the 21st century. The value of both exports to and imports from the ACP countries by the EU (25) countries was less in 2004 than in 2000. The share of foodstuffs and agricultural products remains very high in this trade exchange. Agricultural products have continued to account for about 30% of imports from the ACP countries and for 14% – 15% of exports from the EU countries.

Table 17. EU (25) – ACP Trade Relations in 2000 – 2005, (incl. South Africa)

	2000 Mill. €	2001 Mill. €	2002 Mill. €	2003 Mill. €	2004 Mill. €	2005 Mill. €
EU25imports,total	28 346.7	29 189.4	32 158.5	30 670.6	29 422.8	36 076.7
- Agricultural products	8 350.8	8 644.8	9 107.1	9 282.3	8 536.5	8 586.1
- % of total	28.6	26.9	29.7	31.2	29.0	24.0
EU25 exports, total	27 115.1	28 323.6	28 257.5	27 527.6	26 760.0	30 619.4
- Agricultural products	3 694.9	4 201.0	4 237.4	4 181.5	3 715.5	3 815.9
- % of total	13 613.6	14.8	15.0	15.2	14.0	12.0

Source: Eurostat

The trade exchange between the EU (25) countries and the ACP countries continues to be dominated by trade with the African ACP countries. In 2000, nearly 87% of the imports from the ACP countries originated from the African area (Table 16). Both the Caribbean countries and in particular the Pacific countries continue to play a very minor role.

Table 18. EU (25) Countries' Trade Relations with Different Regions of the ACP Countries in 2000 and 2005, (excl. South Africa)

	African Mill. €	**Caribbean Mill. €**	**Pacific Mill. €**	**Total Mill. €**
EU (25) imports				
- Year 2000	25 337.4	3 394.1	457.9	29 189.4
- % of total	86.8	11.3	1.6	100.0
- Year 2005	31 008.3	3 823.1	1 245.5	36 076.1
- % of total	86.0	10.6	3.5	100.0
EU(25) exports				
- Year 2000	22 066.6	4 869.2	179.3	27 115.1
- % of total	81.4	18.0	0.7	100.0
- Year 2005	25 370.3	4 681.4	567.9	30 619.4
- % of total	82.8	15.3	1.9	100.0

Source: Eurostat

5.2.6 The impact of EBA on ACP trade

Another important dividing line runs between the least developed countries (LCD) and other ACP countries. Since 2001, the LDC group has had exemption from customs duties and quotas, EBA, with the exception of transitional periods, for bananas, rice and

sugar. A total of 41 ACP countries belong to the group of least developed countries. The EBA trade preference can be expected to have a positive influence on imports from these countries. 37 ACP countries are non-LDC countries.

Table 19. EU (25) Trade Relations with the LDC and the Non-LDC ACP Countries in 2000 and 2005, (excl. South Africa)

	LDCs, Mill. €		Non-LDCs, Mill. €	
	2000	2005	2000	2005
EU(25) imports	8 443.4	10 809.9	20 746.0	25 266.2
- Agricultural products	2 200.9	2 175.8	6 149.9	6 385.2
EU(25) exports	10 572.7	12 543.5	16 542.4	20 046.7
- Agricultural products	1 874.9	1 920.1	1 820.0	1 941.0

Source: Eurostat

The Everything But Arms (EBA) preference has as yet, at the onset of the 21st century, had very limited effect on the division of trade between the LDC countries and the non-LDC countries. LDC countries accounted for less than 30% of ACP exports to the European Union (25) in 2000. In 2004, the share of EU (25) imports from the LDC countries remained unchanged.

About 40% of EU (25) exports to the ACP countries goes to the least developed countries. At the onset of the 21st century, approximately half of the corresponding agricultural exports from the EU went to LDC countries, while LDC countries accounted for around 25% of ACP agricultural exports to the EU countries over the same period.

5.3 What next?

The year 2007 will be decisive for the future of the special relations between the EU and the African, Caribbean and Pacific (ACP) countries, for it is marked by the prospective signing of Economic Partnership Agreements (EPA).[8] The need to transform the trade chapters of the EU-ACP agreements as they agreed first in Yaounde then Lomé and finally most recently in Cotonou, became clear when the Uruguay Round of the international trade negotiations transformed the GATT agreement into the World Trade Organisation (WTO) in 1995 making multilateral agreements more binding. By their nature, the ACP trade preferences obtained from the EU are a violation of article 1 of the WTO – the Most Favoured Nation principle (MFN) – as these trade preferences are withheld to other developing countries, reserved as they are to countries selected on the

[8] Articles 36 and 37 of the EU-ACP Agreement (Cotonou) signed in Benin on 23 June 2000. Karel van Hoestenberghe ad Hein Roelfsema: Economic Pertnership Agreements between the EU ad groups of ACP countries: Will they promote development?, UNU-Cris Occasionel Papers, 0-2006/27

base of their colonial past. In 2001, at the end of the Doha Ministerial, the ACP group of countries obtained a Waiver valid until 2007. However, there seems to be no political consensus to renew this waiver after 2008.

Alternative trading arrangements

The EU-ACP relations, governed by successive Lomé Conventions and currently the Cotonou Agreement, have always been a comprehensive partnership, and the first between developed and developing countries to establish tight linkages between trade and development issues. The EPAs currently being negotiated between the EU and the ACP regions should be development oriented free trade agreements.

By creating free trade areas with the EU, the ACP regions will benefit from the standard gains from trade: increased market access to the EU, reduced prices of EU exports for ACP consumers, and associated competitive effects should foster economic growth and hence development.

Article 37.6 of the Cotonou Agreement provides for a mechanism to each an alternative arrangement for the ACP countries that do not wish to enter into an EPA.[9] Any new arrangement must be compatible with WTO rules an leave the country at least no worse off than it is in the existing situation under the Cotonou framework.

If some ACP countries do not want to open up their markets to the EU goods, the most obvious solution is to rely on the EU generalised system of preferences (GSP), in one form or another. Least developed countries (LDC) among the ACP group already benefit from the Everything But Arms (EBA) initiative, a special GSP provision available to all LDCs which grant them duty- and quota-free market access to the mainly all products.

ACP non-LDCs could benefit from either

a) the other provisions of the current EU GSP for developing countries, or
b) an extension of the GSP+ to incorporate Cotonou-equivalent preferences, or
c) an 'enhanced GSP' comprising three special trade regimes: GSP+, EBA for LDCs, and a new 'ACP non-LDC preferential regime', to ensure that no ACP country market access to the EU would be worse off under reformed GSP.[10]

LDCs in the different ACP regions

The EBA initiative provides for the LDC countries an opportunity to choose a non-reciprocal concession in the EU trade. In other words, the EU provides a duty-free

[9] Trade Negitiations Insights, From Doha to Cotonou. Vol. 5 No.1, 2006 ECDPM
[10] Ibid, page 2

import treatment for all goods (excluding arms), but the LDCs are not obligated to do the same in their imports. The LDCs are likely to choose the EBA agreement, because there is no risk for enhancing competitiveness of the EU exports in their domestic markets. 77 ACP countries are currently negotiating about the EPA agreement. It is worth noting that 37 countries of the 77 ACP countries are entitled to a LDC status. Majority of these LDC countries locate in Africa (31), while five LDCs are positioned in Pacific and one of the LDC is in the Caribbean.

Majority of the African countries in the current EPA free trade negotiations have the LDC status, which implies that the LDCs do not necessarily have a strong incentive to create free trade regions. At this stage, the contracting parties carry on negotiations to create six free trade regions; four of these regions locate in Africa, one in Caribbean and one in Pacific. In the West Africa, (CEDEAO + Mauritania) 16 countries are negotiating about the free trade agreement, but only 3 of them (Ghana, Ivory Coast, Nigeria) do not have the LDC status. In the Central Africa (CEMAC + STP) region, three of the 8 countries are not the LDC countries (Cameroon, Congo Republic and Gabon). In the East South Africa region (ESA), in turn, only 4 of the 15 countries are not the LDCs (Kenya, Mauritius, Seychelles and Zimbabwe). Only three SADC-countries in the Southern Africa do not have the LDC status (Botswana, Namibia and Swaziland).

If the African LDCs decide not to join in the free trade regions, the remaining countries (three in each region) will probably not obtain any significant benefit of the integration. These countries have a very similar economic structure, and this type of integration is not necessarily the best possible starting point for economic growth. The Caribbean countries will probably obtain the best advantage of the integration, because the EBA option is not available for these countries, except for Haiti. Economic growth in Caribbean countries is highly based on services and tourism, but collaboration in tourism provides advantages too.

Economic integration has longest tradition in the SADC region in Africa, where collaboration started decades ago. South Africa plays a crucial role in economic development in this regions, and therefore South Africa need to be carefully taken into account when separate integration options are analysed.

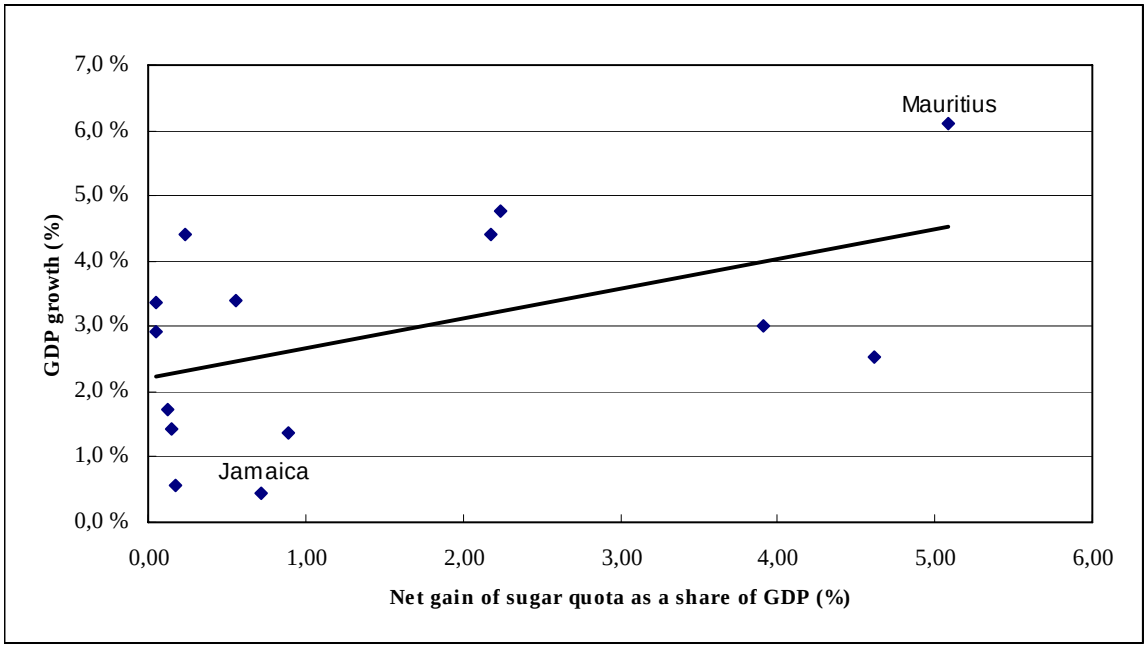
Net gain of protocols and aid for trade

The commercial arrangements for providing the developing countries with various preferences have been a key feature of EU import policy. For example, the special arrangements for sugar imports have been taken up in the so-called Sugar Protocol from 1975 on. In the Sugar Protocol, the EU committed itself to buy and to import 1.3 million tonnes of sugar (Table 1) at the guaranteed price from the countries in question and,

conversely, the countries commit themselves to supply the agreed amounts. The Sugar Protocol has been one of the most influential instruments within the Lomé Conventions signed with the ACP countries.

The protocol system has provided "extra" net gain for the ACP countries. In the Figure 14 below GNP growth of sugar protocol countries is explained by net benefit of ACP sugar quota in 2000. The net benefit was calculated as the product of the quota and the difference between the EU price and the world market price. This value of exports was divided by GNP in year 2000. The Figure 14 suggests that the net gain comprised approximately 0.5% - 5.0% of the GDP in the ACP countries.

Figure 10. Benefit of the sugar protocol for the sugar protocol countries compared to GDP growth 1990-2000.



As a result of avoidance of the Lomé and the Cotonou Agreement, the extra net gain of protocol products (bananas, sugar, beef) challenged to ACP- countries will vanish. However, according to the Cotonou agreement, losses of the net gain will be compensated for the ACP countries. The compensation will be probably financed by the EPA.

The EU has already decided about the next tenth EDF (European Development Fund) financing framework, which includes years 2008-2013. According to the decision, tenth budget of the EDF will be 22,682 billion euros in 2008-2013. Moreover, the EU also decided to grant at the minimum 2 billion euros per year for co-operation for trade, also called aid for trade. However, it is unclear whether these commitments are part of the

traditional co-operation budget, or if this co-operation will provide some extra compensation for the ACP-countries.

The ACP-countries have demanded new finance solutions in Cotonou and in the EPA negotiations to compensate the losses of the avoidance of the protocol system. In fact, the ACP countries made an announcement in summer 2006 that implementation of the EPA requires new resources (Financial Facility). As a consequence of avoidance of the sugar protocol the ACP-countries suggested at the minimum 500 million dollars per year compensation for years 2007-2013. The sum is based on an estimation made by consultants about the net gain of the ACP countries export revenues per year. The EU has already decided to compensate loses of the ACP countries by 40 million euros in 2006 due to 36% cut in the EU domestic price.

6 Empirical evidence of the impact of the Lomé Conventions

6.1 Introduction

Qualitative analyses do not see the positive effect of trade preferences as very convincing, and the analysis presented earlier in this study does not make an exception. The truth is that the ACP countries are not very well integrated into the world economy. Panagariya (2002) also points out that the empirical literature (he refers to Baldwin and Murray 1977, Grossman 1982, Sapir and Lundberg 1984, Brown 1989 and Mattoo et al. 2002) supports the broad conclusion that trade preferences have had only little beneficial impact beyond the income transfer accompanying duty-free entry of goods.

However, trade preferences may still be very important. According to e.g. Persson and Wilhelmsson (2006), the decline in import shares might have been even faster without preferences. The most recent literature gives a slightly more optimistic view of the impact of trade preferences granted by the EU to the ACP countries than the traditional opinion (Agostino et al 2006). Another question is whether freer trade without preferences would have promoted the development of the least developed economies as well or better than any preferences. This view is often presented by such highly respected economists as Jagdish Bhagwati and Arvind Panagariya (e.g. Panagariya 2002).

Since the analyses have been subject to many limitations, and some results are also conflicting, there is still much scope for further research on the topic. In the following section, we firstly take a brief look at recent econometric results based on gravity models. Secondly, we also make our own contribution to the empirical literature.

6.2. Literature review[11]

Gravity models are based on Newton's Law of Gravitation, which states that the variation in volume of trade between two economies increases with their size (the usual proxies are GDP, population and land area) and decreases with transaction costs (commonly measured as bilateral distance, adjacency and cultural similarities such as common language) (e.g. Cipollina and Salvatici 2006). The pioneers in using the gravity model in bilateral analysis were Tinbergen (1962) and Pöyhönen (1963). Since then, gravity models have been widely applied for explaining bilateral trade.

[11] Agostino et al (2006) offer a detailed review of most of the studies mentioned in this chapter. They also refer to Nielsens' (2003) study, which gives a comprehensive review of other approaches than gravity models.

There is also quite an extensive econometric literature using gravity models for analysing the effect of trade agreements. For example, Cipollina and Salvatici (2006) use 75 analyses in their meta-analysis on reciprocal trade agreements. Their main finding is that, with the agreements, trade flows have been at least 30% more than they would have been without them. The empirical literature covering non-reciprocal trade agreements is much less extensive, and the impact of the Lomé preferences has been kess frequently analysed. When it has been analysed, the analysis has usually also covered other non-reciprocal preferences.

A common way to include the preference in the gravity model is to add a dummy variable or a set of dummy variables. For example, Oguledo and MacPhee (1994) added four dummies to their model. Two of them controlled for non-reciprocal agreements (GSP, and Lomé), one for a free trade area (EFTA) and one for the EU's partnership programme with the Mediterranean states. Both Nilsson (2002) and Verdeja (2005) used dummy variables that were basically very much alike. Due to the very long time series (1960 – 2002), Persson and Wilhelmsson (2006) utilise a very large set of preference dummies. They cover ordinary GSP, LDC GSP, Yaoundé, and Lomé, whereas almost similarly, Agostino et al (2006) use a set of three non-reciprocal preference dummies, namely ordinary GSP, LDC GSP and other preferences. In addition, they include the interactions of GSP's and other preferences as well as the reciprocal trade agreement (RTA) dummy.

Most of the gravity analyses are based on cross section analyses, especially the earlier ones, such as Sapir (1981), Langhamer (1983) and Bormann et al (1985). However, the most recent analyses have utilised modern panel analysis methods (Verdeja 2005, Persson and Wilhelmsson 2006, Agostino et al 2006). In addition, Agostino et al (2006) and Manchin (2004) have made an effort to control for possible sample selection bias. Agostino et al (2006) also point out the importance of the use of disaggregated data when analysing the effects of trade preferences. This is due to the fact that the preferences differ by products (e.g. the Sugar Protocol in the Lomé Convention).

Of the earliest studies Sapir (1981) found a positive and significant effect in only two of the analysed eleven years in the period 1967 – 1978. Langhamer's (1983) study even shows a negative effect of the preferences for the years 1978 – 1980. Borrman et al (1985), who also analysed the EU's GSP preferences (for the years 1967 – 1982), found a positive impact for most of the years concerned. By contrast, Golhar (1996) found a negative effect.

In addition to dummies controlling trade preferences, Oguledo and MacPhee (1994) also utilise tariff rates as explanatory variables in their cross section model for the year 1976. The argument for using both the binary dummy and the continuous tariff rate variable is

that the former captures all other factors than tariffs that may affect trade, such as non-tariff measures, institutional ties and the competitiveness of preference receiving countries. The authors found the expected effects for both of these variables, i.e. lower tariff rates increase EU imports, and the presence of GSP indicates additional impacts of preferential schemes. When comparing different preference programmes, they found the impact of the Lomé Convention to be greater than that of GSP or Mediterranean partnership.

Nilsson (2002) ran several regressions for the years 1973 – 1992, finding positive and significant impacts of both GSP and the Lomé preferences. Like Oguledo and MacPhee (1994), he also found the Lomé effect to be greater. However, as Agostino et al (2006) and Persson and Wilhelmsson (2006) point out, he as well as other researchers using cross sectional data disregard the country pair fixed effect, which causes econometric problems in OLS regressions.

Verdeja (2005) firstly replicated Nilsson's (2002) analysis, but then extended it by gathering more data up to the year 2000 and also by using both FE and RE models. The latter was rejected on the basis of the Hausmann specification test. He also found a positive effect for trade preferences, although it decreaed in time. One reason for this is that every time the EU has enlarged, its need to trade with third countries has decreased.

Manchin's (2004) results firstly showed that the magnitude of preferences offered has a significant impact on the uptake of preferences. Secondly, she found a positive effect for the preferences on trade flows. She also included an indicator of economic freedom in order to capture the effect of the quality of the economic environment in the model. She found at least weak evidence in favour of her expectation of a positive connection between trade and the quality of the economic environment.

Persson's and Wilhelmsson's (2006) key conclusion is that, in general, all country groups receiving more than ordinary GSP preferences benefit from the preferences. They also found that the Lomé effect was the greatest. This supports the view presented by Manchin (2004), that some minimum preference is needed before it has an effect.

The most recent gravity analysis is that of Agostino et al (2006), who put a significant effort into improving the accuracy of gravity modelling. Firstly, they use modern panel analysis technology. Secondly, they use state of the art technology in correcting possible sample selection bias. Finally, they show the importance of using disaggregated data. Most of the other studies use total exports or at best total agricultural exports as the dependent variable, whereas Agostino et al (2006) utilise 2-digit level export data in addition. According to their study, the impact of preferences is very often underestimated when more aggregated data are used.

6.3 Modelling export from Lomé countries

6.3.1 Model

There may be some two-way interaction between the dependent variable of the gravity model and some of its regressors. In particular, the exports and the GDP of a country are likely to be determined simultaneously. Thus, an endogeneity problem emerges in our empirical model. We handle the endogeneity by also estimating the gravity equation by 2SLS instrumental variable method. For comparison, we also report the results obtained by more conventional approaches used to estimate the model (OLS, fixed effect model and random effects model). We basically follow the Agostinos et al (2006) model.[12] However, we have two major distinctions compared to their model. Firstly, empirical observations of the previous studies support the view that there must be certain amount preferences before they affect exports (Manchin 2004) and that the effect becomes less as the preference becomes smaller, for example, due to a general tariff reduction (Verdeja 2005). Thus, instead of using only dummy variables that catch the impact of trade preferences, we also construct a other preference variable. This is also important for other reasons, since the ACP countries' exports to the EU are also regulated by quotas that may affect the level of preference.

The key idea of the estimated models was to incorporate into the models a variable(s) measuring the effects of the Lome agreement and/or trade preferences on the level of exports. The models were build to explain the value of exports from selected countries to the EU and the US. The set of countries consisted of subsets of both the Lome and non-Lome countries. The observations of the independent variable consisted of pairwise export flows between the countries. It was possible to extract the impact of the Lome agreement to the exports just because the data also included export flows between countries without any mutual trade agreements of preferences.

The trade data is based on the trade statistics from Comtrade database, which covers year 1981-2005. The trade data is comprised by 31 exporting countries and 2 importing countries (the EU and the US). Exporting countries are divided into two sub groups; 20 Lomé countries and 12 non-Lomé developing countries. The chosen 20 Lomé countries represent over 90 % of total exports of the Lomé countries. The main idea behind this division was to choose 12 developing countries, which would be well comparable to the Lomé countries, when the size of country, general living of standard and structure of export is in particular interest. Hence, such countries as Brazil, China and India were rejected due to their different standpoint of the economy. Moreover, it was also pursued

[12] Aggregation and selection bias was not taken into account in our model.

to choose such countries, which do not have special trade preferences in their EU exports.

Importing countries are the European Union and the US. European Union should be understood here as EU-15, because the number of the EU-countries remain unchanged the whole period. The European Union comprised by only 10 countries in 1981, however, majority of trade is carried out between the Lomé and the EU-9 countries (see Figure 6 in page 38), and thus the EU-15 countries can be applied in the analysis during the whole period.

The Lomé convention period is 1975-2000, however, the first years of the data was dropped due to statistical problem. In other words, there were too many missing values during 1975-1981 (the problem of missing values is discussed later in this chapter). Period 2000-2005 is also taken into account in this estimation, because the Cotonou Agreement started right after year 2000 and the agreement did not include major changes compared to the Lomé conventions.

The estimation was run for three products; coffee, cocoa and sugar. The products were chosen based on their importance of exports for the Lomé countries. It is worth noting that coffee, cocoa, banana, sugar, cotton and oil comprise approximately 90 % exports of the Lomé countries. In other words, the Lomé-countries' export structure is still highly concentrated on raw materials. Coffee and cocoa are imported as duty free (without upper limits) to the EU from the Lomé-countries. For sugar is granted a special sugar protocol quota, which guaranteed two or three times higher export price for the Lomé-countries compared to world market price. Coffee, cocoa and sugar are also widely produced in the selected non-Lomé countires, and thus the benefits of the Lomé convention can be easily compared to the non-Lomé-countries.

Data for other variables is collected from various sources. Data for real GDP and population are from World Development Indicator database and Penn World Table. All GDP values are expressed as constant 2000 US dollar.

Missing value of trade data commonly creates a problem when implementing an econometric analysis. We also faced this problem, whether the missing value really lacks (the actual trade is not declared) or there has been a zero-trade (trade does not exist). The problem was solved by checking each bilateral trade by product, if the trade was likely to exist or not. For example, non-reported cocoa export from Bangladesh to the EU is probably zero-trade, because Bangladesh does not practically produce or export cocoa. The result of this checking is collected to the following Table 18 below. "Yes" indicates that trade does exist between these bilateral partners, "no" indicates that there is no trade, or the trade is extremely modest, or the trade does exist at some extent, but it is

probably transition trade. Technically, this classification led to following practise. If there were missing values in “yes” columns, the missing values were filled by using interpolating method. “no” colums, by contrast, were treated as zero-trade and they were swept away from the analysis.

Table 20. Data Description, Cocoa, Coffee and Sugar Exports of the Lomé and Non-Lomé Countries.

	Cocoa	Coffee	Sugar
Chile	Yes	Yes	No
Uruguay	No	Yes	Yes
Peru	Yes	Yes	Yes
Costa Rica	Yes	Yes	Yes
Guatemala	Yes	Yes	Yes
Bangladesh	No	Yes	No
Sri Lanka	Yes	Yes	Yes
Philippines	No	No	Yes
Malaysia	Yes	Yes	Yes
Indonesia	Yes	Yes	No
Thailand	Yes	Yes	Yes
Vietnam	No	Yes	No
Dominica Republic	Yes	Yes	Yes
Jamaica	Yes	Yes	Yes
Trinidad & To.	Yes	Yes	Yes
Angola	Yes	Yes	No
Botswana	No	No	No
Cameroon	Yes	Yes	No
Congo R	Yes	Yes	Yes
Coté d'Ivory	Yes	Yes	Yes
Ethiopia	No	Yes	Yes
Gabon	Yes	No	No
Ghana	Yes	No	Yes
Kenya	Yes	Yes	Yes
Mauritius	No	Yes	Yes
Nigeria	Yes	Yes	Yes
Sudan	No	Yes	Yes
Zambia	Yes	Yes	Yes
Zimbabwe	No	Yes	Yes
Fiji	Yes	Yes	Yes
Papua New Guinea	Yes	Yes	Yes

6.3.2 Variables

For modelling exports of cocoa, coffee and sugar from the Lome countries to the EU, we estimated gravity models of international trade. The number of the countries in the data was 22 for cocoa, 27 for coffee and 23 for sugar. The data was annual, unbalanced panel data, and the time series for the country pairs for cocoa, coffee and sugar spanned from 1981-2005 respectively. For all three commodities, the set of explanatory variables

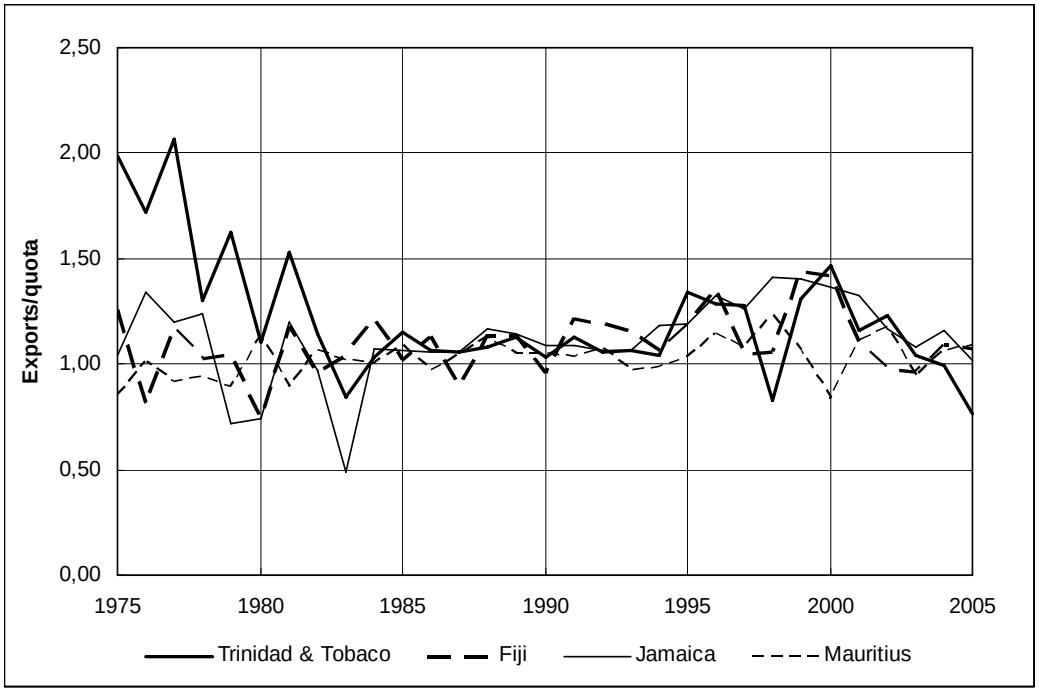
consisted of the usual “gravity variables” (the real GDPs and populations of both the importing and exporting countries), a commodity price variable and a dummy variable – “Lome dummy”- pointing to the possible trade agreement and/or preference between the country pair. The price variable was constructed slightly differently for cocoa and coffee than to sugar.

In cases of cocoa and coffee, the price variable was the price ratio between the prices paid by the EU and the US. Since there has not been any trade preference in neither of the commodities, the EU/US price differential only reflects transport costs and tariffs. However, significance of the tariffs was relatively low due to the fact that the EU and U.S. do not commonly apply import duties for these products. This is not very odd, because coffee and cocoa are not produced in the U.S. or in the EU and they are not classified as sensitive products.

The “Lome dummy” for cocoa and coffee was constructed simply by attaining the dummy a value of 1 if there was the Lome agreement between the countries, and a value of 0 otherwise. We took into account the Lome agreement between the countries even if the agreement did not include any actual trade preferences (this is the case for cocoa and coffee), was justified by institutional and historical reasons.

In the model for the exports of sugar, the existence of the trade preference for some countries made the analysis more complicated. The EU offers an import quota for sugar 15 protocol countries, which guarantees a fixed EU internal price for the Lomé-countries. However, majority of the sugar protocol countries’ sugar exports have exceeded the quota, and the over-quota price is not anymore the EU internal price. Now, the price variable had to be constructed slightly differently, depending on whether there was a trade preference between the countries, and whether the trade had remained inside the quota or not. Figure 11 describes that variation in export volumes of some sugar protocol countries has been wide.

Figure 11. Total Sugar Exports Divided by Sugar Protocol Quota.



The Lome countries have directly gained from the trade preference as a higher price only as far as their exports have remained inside the trade quota for the sugar. For the exports fallen outside the quota, the Lome countries are paid the world market price for their sugar. Thus, in cases of the preferred trade from the Lome countries to the EU, we treated differently the observations with exports remaining inside / exceeding the quota. The different treatment applied as well to the independent variable as the explanatory price and "Lome dummy" variables. In cases where the quota had been exceeded, we used only the out-of-quota share of exports as the observation of the independent variable. In spite of the in quota price, we used the normal world market price as the price variable.

Moreover, the gains from the trade preference in the out-of-quota cases were taken into account by incorporating the net gain from the quota as an explanatory variable into the model. The net gain was calculated as the product of the quota and the difference between the EU price and the world market price. In all the remaining cases the net gain was marked as zero, since if the export level had fallen inside the quota, the gains from the preferences were accounted for in the model by other means, as will be explained below.

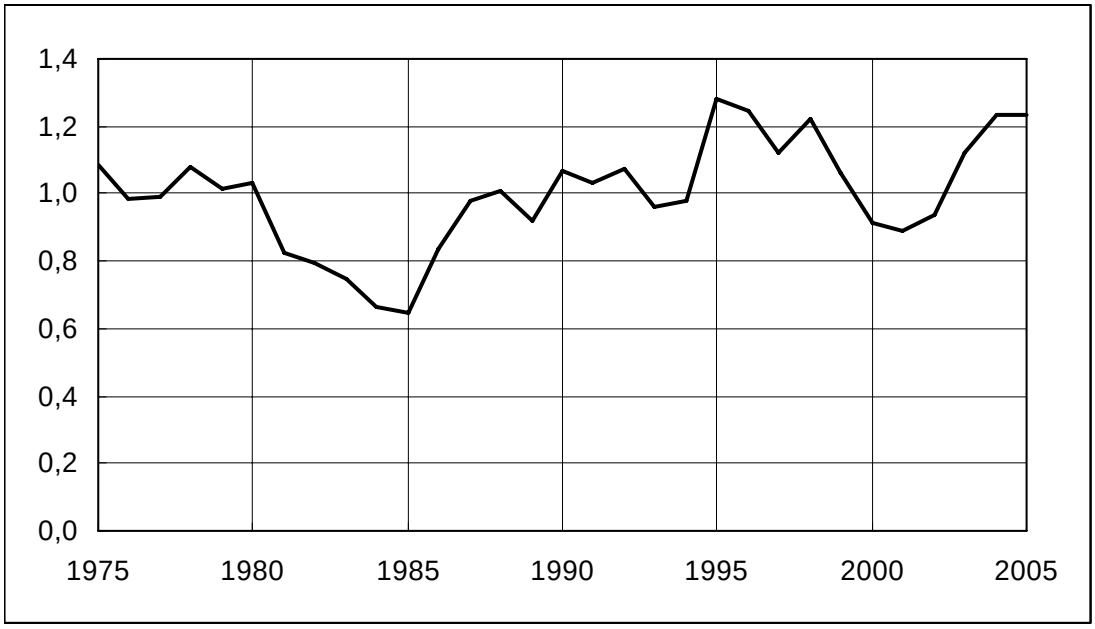
When the sugar exports from a Lome country to the EU had remained inside the limits of the quota, the total exports was used as the independent variable, as usual. Furthermore, instead of using separate price and "Lome dummy" variables, we now combined these two variables as a single variable. The hybrid version of "Lome

dummy" and the price variable was constructed both to capture the existence of trade preferences, and to measure how the gains from the preferential position in sugar trade for the Lome countries has evolved over time.

For observations of preferred sugar exports from the Lome countries to the EU, the value for the dummy was set according to the formula: $\frac{\text{EUprice - mean(EUprice)}}{\text{mean(EUprice)}} + 1$.

EUprice denotes the price that the EU pays to the Lome country for the sugar inside the trade quota, mean(EUprice) refers to the average EUprice over the period of the Lome agreements. Thus, in case of the Lome countries, the dummy oscillates around unity, being proportional to the price gain from the Lome agreement at a given period, compared to the average price gain. Figure 12 provides an example where variation of price dummy for Mauritius is described.

Figure 12. Price Dummy for Mauritius



The main idea behind the hybrid version of "Lomé dummy" lies in its interpretation. A typical Lomé dummy indiciates only, if the Lomé-convention has been useful or not, but it does not tell anything about the relative importance of the preference. In fact, it would be very odd, if the Lomé dummy would not produce any benefit, when exports of the Lomé-countires are compared to non-preference countries. Here the dummy variable describes better the significance of the preference.

Table 21. Modelling of Sugar Exports to the EU.

	Export	Net gain	"Lomé-D"
Lomé in-quota	E_{Total}	0	$\frac{(P_{EU} - \overline{P}_{EU})}{\overline{P}_{EU}} + 1$
Lomé out-quota	$E_{Total} - E_{Quota}$	$E_{Quota}(P_{EU} - P_W)$	0
Non-Lomé	E_{Total}	0	0
Lomé without protocol quota	E_{Total}	0	0

For other observations, including the observations for countries with the trade preference but with total exports exceeding the quota, the dummy was set equal to zero. For the sugar exports of non-Lomé countries, the exports from the Lome countries to the US, and the exports from the Lomé countries to the EU without a trade preference, the price variable was simply measured by the world market price.

6.3.3 Estimation and results

Four different models were estimated for all three commodities, so that OLS was used as a benchmark model. Previous literature suggested that our estimation set-up, regardless of the commodity examined, might be prone to endogeneity problems, because of the potential two-way feedback between the exports of a country and its GDP. The endogeneity problem was solved by estimating the gravity model also using 2SLS instrumental variables estimator. This estimator was used to estimate both a fixed effects and a random effects model. An ordinary fixed effect model was estimated to be compared to the 2SLS fixed effect model.

The evidence was mixed in the models for all three commodities regarding the coefficient values and statistical significance of the GDP:s and the populations, the conventional gravity variables. The coefficient values obtained negative values in some cases, particularly in the cases of GDP:s and populations of the importing country. However, it is worth noting that the number of importers was low and the fairly regulated import system does not allow much variation, which probably explains the negative values. The gravity variables of the exporting country seemed to work in the models better. Coefficients of determination turned out to be low, in particular in the fixed effects models. The “Lome dummies” that we could not use in the fixed effects models due to multicollinearity problems, seem to capture the heterogeneity of the countries better than the country specific means.

Table 22. Estimation Results for Coffee.

Gravity model for coffee				
	FE	FE-2SLS	RE	OLS
GDPi	-0.142	-0.188	0.111	0.144***
	-0.57	0.245	0.077	3.06
GDPe	1.256***	1.067***	0.486**	-0.381***
	5.01	0.284	0.226	-4.78
POPi	-8.187***	-7.559***	-6.436***	-5.420***
	-5.10	1.879	1.357	-3.02
POPe	0.203	0.248	0.366	0.699***
	0.38	0.648	0.306	8.51
Price	-0.192**	-0.114	-0.118	-0.822***
	-2.13	0.0895	0.088	-6.04
Lome			1.468	0.056
			1.076	0.22
Constant	87.317***	84.427	70.830***	79.646***
	5.67	17.774	13.565	3.79
R2	0.0008	0.0001	0.0220	*0.1212*
N	1074	943	943	1074

GDPi and POPi refer to the gdp:s and populations of the importing country (the EU or the US), and GDPe and POPe to those of the exporting country. Price denotes the coffee price paid by the EU divided by the price paid by the US, while Lome is the dummy variable for whether the country considered is a Lome country (Lome=1) or not (Lome=0).

In the gravity model for coffee exports, the price variable obtained, surprisingly, negative values, regardless of the estimation method used. However, it is worth noting that coffee markets have considerably changed during past 15 years, because coffee production has increased especially in Asia. As a result of growing production world market price of coffee has sunk to a very low level and focus of the production has removed to Asia. The price was, however, statistically significant only in the (ordinary) fixed effect and OLS models. The “Lome-dummy” was positive but not significant both in the 2SLS random effect model and the OLS model.

Table 23. Estimation Results for Cocoa

Gravity model for cocoa				
	FE	FE-2SLS	RE	OLS
GDPi	0.016	.0487	-0.121	-0.164***
	0.07	0.19	-1.51	-3.24
GDPe	1.104***	.604**	0.289	-0.283***
	4.29	2.01	1.23	-3.34
POPi	-5.239***	-5.253***	-1.321	1.062
	-3.65	-3.04	-1.01	0.55
POPe	1.419***	2.013***	1.059***	0.949***
	2.91	3.44	3.54	11.60
Price	0.387***	0.392***	0.369***	-0.193
	3.56	3.55	3.34	-0.91
Lome			3.899***	2.796***
			3.40	10.29
Constant	31.533**	36.476**	8.127	-1.429
	2.33	2.27	0.62	-0.06
R2	0.0226	0.0503	0.1891	*0.244*
N	770	675	675	770

GDPi and POPi refer to the gdp:s and populations of the importing country (the EU or the US), and GDPe and POPe to those of the exporting country. Price denotes the cocoa price paid by the EU divided by the price paid by the US, while Lome is the dummy variable for whether the country considered is a Lome country (Lome=1) or not (Lome=0).

Compared to the case of coffee, the model for cocoa yielded significantly more plausible results. The price variable is positive and significant in all models, except OLS. “Lome dummies” get statistically significant values for both the random effects and OLS models. Also the coefficients of determination get now higher values than in the case for coffee.

Table 24. Estimation Results for Sugar.

Gravity model for sugar				
	FE	FE-2SLS	RE	OLS
GDPi	-0.454	-0.169	-0.349***	-0.413***
	-1.39	-0.48	-4.22	-7.18
GDPe	0.503	-0.208	-0.423	-0.343***
	1.20	-0.36	-1.55	-4.49
POPi	-0.589	0.756	1.436	-2.165
	-0.21	0.18	0.52	-0.88
POPe	-0.060	1.223	0.280	0.470***
	-0.08	1.13	0.96	5.62
PRICEw	0.240	0.462*	-0.252	-0.592**
	1.15	1.84	-1.14	-2.53
Dummy	-1.903	-1.756	2.570**	3.779***
	-1.67	-1.24	2.16	2.87
Net gain	-0.256	-0.321***	0.159***	0.324***
	-3.18	-3.17	2.94	19.78
Constant	22.533	-0.252	11.051	56.462*
	0.84	-0.01	0.35	1.94
R2	0.0254	0.0042	0.6409	0.6361
N	456	334	334	456

GDPi and POPi refer to the gdp:s and populations of the importing country (the EU or the US), and GDPe and POPe to those of the exporting country. PRICEw denotes the world market price of coffee, and Dummy is the dummy variable that tells the in-quota price for sugar under the trade preference, relative to the average in-quota price over time. For countries outside the preference and for exports exceeding the quota, the dummy gets a value of 0. Net gain is calculated as the product of the trade quota and the difference between the world market price for sugar and the price guaranteed by the trade preference.

The gravity models for sugar estimated by 2SLS random effects model or by OLS, clearly outperform the fixed effect models in terms of the size of the coefficient of determination. The results regarding the importance of the sugar protocol depends on whether the model was estimated using fixed effects model or not. Both the Lomé-dummy and the net gain obtain positive and statistically significant value. The values were both economically significant values in the OLS and the 2SLS-RE models.

Thus, the results of the OLS and the 2SLS models provide strong evidence for our hypothesis that the Lomé-countries have gained from the sugar protocol. For the cases when the sugar exports have not exceeded the quota, the positive value of the coefficient of the dummy variable suggests that the price mechanism has worked correctly. The higher price the Lome countries have been paid, the more they have exported. In the cases of exports exceeding the quota, the positive and significant coefficient estimate for the net gain suggests that the trade preference can also be interpreted like a lump-sum subsidy. That the gain from the trade preference has been reflected in the exports of sugar may indicate that the money may have been used to investments in sugar industry.

In our two fixed effects models, in contrast, both the Lome-dummy and the net gain are attained negative values, which, however, mostly are statistically insignificant. The

world market price that was paid for countries outside the sugar protocol and for the protocol countries outside quota, obtained positive values in the fixed effects models and negative values in the 2SLS-RE and the OLS models.

7 Conclusions

Even though the Lomé Convention regime, which was in place in 1975 – 2000, was once a very innovative and pioneering scheme ultimately including 77 developing countries and 15 EU countries, its effects may not have been as important as had been hoped. Admittedly, the most recent econometric research has found that the effect of the Convention may have been underestimated and its impacts may have been better than their reputation. In any case, the ACP economies have underperformed compared with many other countries that left from equally poor starting lines.

In 25 years, four rounds of negotiations and five successive Lomé Conventions (Lomé I to Lomé IV-bis) brought little significant change. There is hardly a Lomé country that has embarked on the path of strong, positive economic growth and development. Despite the strong trade preferences, the share accounted for by the Lomé countries in EU trade has declined dramatically. The bulk of ACP exports have continued to revolve around approximately ten product groups heavily focusing on raw materials or agricultural products.

Econometric analysis of the study suggests that the Lomé preferences did have a positive impact on exports from the Lomé countries. We constructed a preference variable model, which produced promising results even with this broad level of aggregation. The Lomé preference seemed to gain cocoa and sugar exports to the EU, while benefit for coffee exports was ambiguous. This is probably due to changing coffee market, where growing coffee production has pushed prices down.

According to the EU, it was deemed essential that non-reciprocal preferences be terminated for three main reasons: Lecomte (2001) lists them as follows:

- *A disappointing result*. In the 25 years between the signature of Lomé I and the expiry of Lomé IV, the share of ACP exports in the European markets has fallen by half, while that of other developing countries, e.g. in South East Asia, which enjoyed a lower level of preferential access to the EU (GSP), has substantially increased.
- *Irreversible erosion*. The value of preferences is eroded under the impact of two phenomena. Firstly, the EU is progressively lowering its trade barriers within the GATT/WTO framework, in favour of all WTO members or a specific group (LDC/Everything But Arms); it is also multiplying its preferential agreements with certain third countries (Eastern Europe, Turkey, Maghreb and Middle East, South Africa, etc.). Secondly, the type of preferences granted are becoming 'outdated': tariff and quantitative restrictions are no longer the only instruments of European protection. Other obstacles, such as veterinary and quality standards,

play an increasing role, against which preferences inherited from Lomé are useless.

- *Challenged legitimacy*. Incompatibility with WTO rules is the argument put forward by the EU to justify the termination of non-reciprocal preferences. Preferences infringe the principle of non-discrimination established by Article I of GATT, whereby all preferences granted to one member must automatically be extended to all others. Exceptions are certainly foreseen to this principle, which permit the conclusion of discriminatory agreements under the following reservations: a) Either that they be reciprocal, in the case of free trade agreements between WTO members, or b) they are granted by a developed country to all developing countries – or to a recognised sub-group – the only one being the Least Developed Countries (LDCs). Preferences inherited from Lomé are not eligible as exceptions.

Even though the results may not have been successful, the EU has decided to continue preferential arrangements in a form of the Cotonou Convention and within the EBA. The disruption of WTO negotiations may also lead to bilateral negotiations between trade blocks. This may leave room for further arrangements unless liberalisation proceeds very rapidly.

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Annex I

Comparison between preferential trade with the developing countries of the EU and the United States

The idea of non-reciprocal preferential trade programmes is that when a developed country open its markets to a developing country, the volume and value of that developing country's exports are increased, which leads to greater economic growth in the developing country. Among developed countries, the European Union and the United States have the largest markets and are important preference-granting donors. Both donors have revised their programmes over time, adjusting the country and commodity coverage and other features. The preferential programmes of the EU and the US are quite similar, despite differences in country and product coverage and in the level of trade concessions provided.[1] While there are a considerable amount of overlap in country and commodity coverage, EU and US programmes provide different levels of trade concessions to the recipients. The main beneficiaries from US programmes are the Western Hemisphere developing countries, while the countries of sub-Saharan Africa tend to be the largest beneficiaries of the EU programs.[2]

Most preferential trading arrangements of the European Union with developing countries have been non-reciprocal. EU programmes consist of a mix of policies that include tariff elimination, preferential tariffs that are lower than MFN tariffs, preferential quotas, and quotas. EU programmes include the GSP (General System of Preferences) programme, which contains a special scheme for LDCs (the Least Developed Countries) known as the Everything but Arms Agreement (EBA); the Cotonou agreement with Africa, Caribbean and Pacific countries (ACP); and the Euro-Mediterranean agreements.

The US GSP programme became operational in 1976. Additional non-reciprocal trade preferences are the Caribbean Basin Economic Recovery Act (CBERA) and the Andean Trade Preference Act (ATPA). In 2001, the US extended non-reciprocal preferences to the majority of the sub-Saharan African countries through the African Growth and Opportunity Act (AGOA).

When comparing the features of the different preferential programs of the EU and the US, it is possibly easier in the trade with the sub-Saharan countries. The EU is overwhelmingly the most important market for African exports, taking almost 50 per cent more items than the USA, Canada and Japan all together. The EU imports the widest range of goods, taking almost 50 per cent more items than other areas put together.[3]

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[1] John Vainio, Shahla Shapouri, Michael Trueblood, and Paul Gibson (2005), USDA
[2] John Vainio et al, idem. p. 39
[3] Christopher Stevens and Jane Kennan (2004), Institute of Development Studies

Table 1. G8 Imports from Africa: the Broad Picture, All Items Imported from Africa in 2000 to a Value of $ a Million or More

	EU	USA	Japan	Canada
Total items for which tariff data available	1 702	491	163	116
GSP	1 452	118	35	11
LDC	1 710	71	38	33
Cotonou	1 612			
AGOA		125		

Source: Stevens and Kennan (2004)

The EU offers preferential rates on a larger proportion of the products it imports than do the other Quad states. EBA, of course, offers duty-free access on virtually all imports, but even the standard Cotonou covers 1 612 items, or 95 per cent of those that the EU imports from any African country. By contrast, AGOA covers only 125 of the 491 items for which data are available for the USA's imports from Africa, or 25.5 percent.

At the same time, and to emphasise that these summary data do not indicate the quality of treatment, a higher proportion of imported products faces zero MFN tariffs in countries other than the EU. The proportion ranges from almost two-thirds for Canada to just over a half for Japan and 42 per cent for the USA; in the EU it is just over one-quarter (although in absolute terms the EU offers zero MFN on more items than all three combined).[4]

In 2000 a reform of the Lomé scheme led a new agreement, the Cotonou Economic Partnership between the EU and the 77 countries concerned. It takes up certain aspects of the Lomé IV Convention, based only on trade preferences but also on cooperation and development aid. The coverage of tariff lines benefiting from preference under Cotonou is greater than before.[5]

Imports under Cotonou represent only 13% of the EU's imports of agricultural and food products but 26% of all EU imports enjoying preferential treatment in 2002.

AGOA covers only a limited number of tariff lines (39% of tariff lines for dutiable agricultural and food products). Furthermore, imports under AGOA concern only 135 tariff lines, some 8% of the total. Imports under AGOA account for only 0.2% of total US imports of agricultural and food products, representing a mere $139 million in 2002.[6]

[4] Christopher Stevens et al, idem. p. 17
[5] OECD (2005): p. 48
[6] OECD (2005): idem. p. 83

Because of the EU preferential regime, the total tariff levels against agricultural exports of African countries is quite low (Table 2).

Table 2. Ad Valorem Equivalents against Africa's Agricultural Exports in 2000, %

Country/area	Ad Valorem Equivalents, %
EU	4.8
USA	11.3
Other OECD	21.5
LDCs	15.5
MICs	18.3
Other LICs	28.1

LDC = Least Developed Countries, LIC = Low-income Countries, MIC = Middle-income Countries
Source: Yongzheng Yang (2000)

Annex II

Non-reciprocal trade preferences granted by the EU to the ACP (1975– 2008?)[7]

Tariff and non-tariff preferences are not reciprocal. This means that ACP countries are not obliged to offer special access to EU products in their own markets, and are able to restrict their entry by taxing them.

Manufactured and processed products from ACP countries are exempted from customs duties, as well as from certain restrictions (non-tariff barriers) on their entry into the single European market. To benefit from these preferences, ACP countries must conform to rules of origin, which set out the degree of processing required within ACP countries: "Non-originating" raw materials cannot represent more than 15% of the ex-works price of the finished product.

Preferences for *agricultural products* are less generous, since they are sometimes limited (by quotas, 'ceilings', seasonal restrictions for fruit and vegetables, and simple exclusion of a limited number of products). There are two types:

- Tropical products which do not compete with European products (coffee, cocoa, etc.) enter duty free. Several ACP countries have successfully developed exports of non-traditional products (cut flowers, tropical plants, etc.) which benefit from a sizeable preferential margin. In most cases, however, this margin is very narrow due to the very low or non-existent customs duties under the Most Favoured Nation regime.
- Temperate products are exempted from certain restrictions applied as part of the EU's Common Agricultural Policy (CAP), consisting of high import duties, levies, quotas and subsidies. ACP exporters have an advantage over other exporters to the EU, but remain at a disadvantage in relation to EU domestic producers.

Four agricultural products were the subject of Protocols annexed to the Lomé Convention, for certain 'selected and traditional suppliers' from the ACP countries. These Protocols gave free access to specific quantities of bananas and rum, and limited the distorting effect of the CAP on ACP exports of sugar and beef and veal.

Other trade-related provisions of the Lomé Convention offered financial and technical aid for the promotion of ACP-EU trade, as well as for strengthening the production and export capacities of ACP countries.

[7] Henri-Bernard Solignac Lecomte (2001): Effectiveness of Developing Country Participation in ACP-EU Negotiations, Working Paper, Overseas Development Institute, p. 41-42.

Annex III

Population of the Cotonou/ACP Signatory Countries in 2005

Cotonou/ACP Signator Countries in 2000 +Cuba

	Population 2005	
	Million	%
LDC Countries		
Angola	15,9	2,0
Benin	8,4	1,0
Burkina Faso	13,2	1,9
Burundi	7,5	1,0
Cape Verde	0,5	0,1
Central African Republic	4,0	0,6
Chad	9,7	1,3
Comoros	0,8	0,1
Congo D.R.	57,5	7,7
Djibouti	0,8	0,1
East Timor	0,8	0,1
Equatorial Guinea	0,5	0,1
Eritrea	4,4	0,6
Ethiopia	77,4	10,3
Gambia	1,5	0,2
Guinea	9,4	1,2
Guinea-Bissau	1,6	0,2
Haiti	8,5	1,2
Kiribati	0,1	0,0
Lesotho	1,8	0,3
Liberia	3,3	0,5
Madagascar	18,6	2,5
Malawi	12,9	1,8
Mali	13,5	1,9
Mauritania	3,1	0,4
Mozambique	19,8	2,8
Niger	14,0	1,7
Rwanda	9,0	1,2
Samoa	0,2	0,0
Sao Tome Principe	0,2	0,0
Senegal	11,7	1,5
Sierra Leone	5,5	0,7
Solomon Islands	0,5	0,1
Somalia	8,2	1,4
Sudan	36,2	4,9
Tanzania	38,3	5,4
Togo	6,1	0,7
Tuvalu	0,0	0,0
Uganda	28,8	3,8
Vanuatu	0,2	0,0
Zambia	11,7	1,6
Non-LDC Countries		
Antigua and Barbuda	0,1	0,0
Bahamas	0,3	0,0
Barbados	0,3	0,0
Belize	0,3	0,0
Botswana	1,8	0,3
Cameroon	16,3	2,3

Congo Brazzaville	4,0	0,5
Cook Islands	0,0	0,0
Cote d'Ivore	18,2	2,4
Cuba	11,3	
Dominica	0,1	0,0
Dominican Republic	8,9	1,3
Fiji	0,8	0,1
Gabon	1,4	0,2
Ghana	22,1	3,0
Grenada	0,1	0,0
Guyana	0,8	0,1
Jamaica	2,7	0,4
Kenya	34,3	4,7
Marshall Islands	0,1	0,0
Mauritius	1,2	0,2
Micronesian Federation	0,1	0,0
Namibia	2,0	0,3
Nauru	0,0	0,0
Nigeria	131,5	18,1
Niue	0,0	0,0
Palau	0,0	0,0
Papua New Guinea	5,9	0,8
Seychelles	0,1	0,0
South Africa	47,4	
St Kitts and Nevis	0,0	0,0
St Lucia	0,2	0,0
St Vincent and the Gredadines	0,1	0,0
Suriname	0,4	0,1
Swaziland	1,0	0,2
Tonga	0,1	0,0
Trinidad and Tobago	1,3	0,2
Zimbabwe	13,0	1,9
ACP Total	794,3	100,0
World	6 464,8	
	11,6	

Annex IV **Total Merchandise Exports of the All Cotonou/ACP Signatory Countries in 1970 – 2000 (including Cuba and South Africa)**

ACP Countries	1970	1975	1980	1985	1990	1995	2000
Antigua and Barbuda	14	27	30	13	21	53	40
Bahamas,The	90	2508	5009	2629	2593	1400	2900
Barbados	40	107	226	352	215	239	272
Belize	19	67	111	90	108	143	194
Cuba	1049	3684	5577	6507	5415	1635	1617
Dominica	6	11	10	28	55	45	53
Dominican Republic	214	894	962	739	735	872	966
Grenada	6	13	17	22	28	22	50
Guyana	155	380	396	220	276	455	498
Haiti	41	81	226	168	160	110	164
Jamaica	342	852	963	564	1158	1427	1296
Saint Kitts and Nevis	4	22	24	20	28	19	30
Saint Lucia	4	17	46	52	127	124	45
Saint Vincent and the Grenadines	4	8	15	63	83	46	47
Trinidad and Tobago	480	1754	4085	2134	1960	2455	4655
Surinam	195	277	514	329	472	477	430
Angola	423	1012	1902	2224	3910	3642	7779
Benin	33	32	63	150	122	420	392
Botswana	26	142	503	744	1785	2142	2712
Burkina Faso	21	44	90	70	152	276	213
Burundi	25	34	65	112	75	106	50
Cameroon	227	447	1384	722	2002	1651	1823
Cape Verde	2	2	4	6	6	9	11
Central African Republic	31	47	115	155	120	171	152
Chad	36	68	146	140	188	243	193
Comoros	5	10	9	16	18	11	16
Congo, Dem. Rep. of the	776	900	1250	1050	999	615	472
Congo. Rep. of the	40	179	960	1087	981	1173	2608
Cote d'Ivore	469	1182	3142	2939	3072	3806	3888
Djibouti	21	36	17	14	25	17	35
Equatorial Guinea	33	26	15	33	65	127	1300
Eritrea						12	14
Ethiopia	122	240	424	338	298	433	486
Gabon	121	983	2173	1952	2488	2713	3556
Gambia, The	16	50	31	43	31	23	40
Ghana	43	807	1257	800	891	1724	1598
Guinea	75	200	520	559	789	650	854
Guinea-Bissau	4	7	11	12	19	31	110
Kenya	395	601	1389	978	1032	1879	1734
Lesotho	7	13	58	23	62	160	221
Liberia	213	394	601	445	400	400	500
Madagascar	145	294	402	274	319	369	261
Malawi	60	139	285	249	417	440	445
Mali	54	85	205	210	359	442	545
Mauritania	110	195	220	374	447	561	479
Mauritius	69	298	431	435	1194	1538	1557
Mozambique	156	198	281	95	126	168	364
Namibia			1600	793	1086	1420	1400

Niger	53	91	590	310	320	288	283
Nigeria	1239	8004	25968	13139	13596	12342	20975
Rwanda	25	46	80	96	110	52	53
Sao Tome and Principe	8	7	22	14	4	5	13
Senegal		460	477	554	762	993	920
Seychellit	2	6	21	28	57	53	177
Sierra Leone	101	117	204	129	138	100	110
Somalia	31	89	133	107	150	145	93
South Africa	3344	8719	25525	16293	23568	27853	29983
Sudan	300	429	594	374	560	556	1807
Swaziland	71	196	369	190	557	956	851
Tanzania	259	374	508	352	408	682	663
Togo	55	126	335	190	268	378	363
Uganda	282	280	355	387	190	560	530
Zambia	1001	810	1500	790	1331	1186	770
Zimbabwe	373	935	1423	1109	1722	2114	1954
Cook Islands	3	3	4	3	5	5	9
Fiji	72	173	377	236	497	619	527
East Timor							
Kiribati	8	38	26	5	3	9	12
Marshall Islands					2	3	2
Micronesian Federation					3	15	18
Nauru	32	110	105	63	60	35	23
Niue	0	0	0	0	0	0	0
Palau	4	7	14	17	18	18	
Papua New Guinea	103	580	1033	915	1177	2654	2096
Samoa	5	7	18	16	9	9	14
Solomon Islands	10	15	73	75	79	200	110
Tonga	3	6	8	5	12	15	13
Tuvalu			0	0	1	1	1
Vanuatu	13	12	36	31	19	28	25
ACP total	**13818**	**41007**	**97562**	**66400**	**82538**	**88768**	**111460**
World	**315947**	**883082**	**2025628**	**2E+06**	**3E+06**	**5120453**	**6346314**
	4,4	4,6	4,8	3,4	2,4	1,7	1,8

Source: Commodity Yearbook 2003, Volume I, UNCTAD

Annex V GDP Growth of the Lomé IV Countries

Lomé IV Countries	**Growth GDP per capita**		
	1990-2000	**Annual growth, %**	
LDC countries	%/ year	1975-2003	1990-2003
Angola	3,2	-1,2	-1,8
Benin	2,8	0,5	1,8
Burkina Faso	2,4	1,4	2,4
Burundi	2,2	-0,7	-4,7
Cape Verde		2,0*	3,3
Central African Republic	2	-1,6	-0,5
Chad	2,9		.-0,8
Comoros		-1,4	-2,4
Congo D.R. of	3,2	-4,7*	-8,2*
Djibouti		-5,1*	-3,9
Equatorial Guinea		10,4*	18,9
Ethiopia	2,3	-0,1*	2,4
Gambia		-0,3	-0,3
Guinea		1,4*	1,7
Guinea-Bissau		0,4	-1,1
Haiti	2,1	-2,0	-2,7
Kiribati			
Lesotho		2,6	2,1
Liberia			
Madagascar	2,9	-1,7	-0,9
Malawi	2,6	0,2	1,8
Mali	2,5	.-0,5	1,3
Mauritania	2,8	-0,1	1,2
Mozambique	2,2	1,5*	3,9
Niger	3,4	-2,1	-1,0
Rwanda	2	-1,3	-2,1
Samoa		0,4*	1,9
Sao Tome and Principe		-0,9*	-0,8
Senegal	2,6	.-0,2	0,9
Sierra Leone	2,3	-2,6	-6,5
Solomon Islands		2,2	-1,0
Somalia			
Sudan		0,6	5,6
Tanzania	2,8	..	0,1
Togo	2,8	-1,2	-0,4
Tuvalu			
Uganda	3	2,3*	3,8
Vanuatu		0,1*	-0,9
Zambia	2,6	-2,3	-2,1
Non-LDC			
Antigua and Barbuda		4,6*	2,8
Bahamas		1,5	0,1
Barbados		1,3	1,7
Belize		2,9	1,6
Botswana	2,3	5,1	2,3
Cameroon	2,7	-0,6	-0,8
Congo Brazzaville	2,8	..	-3,4
Cote d'Ivore	3	-2,1	0,4
Dominica			
Dominican Republic	1,9	1,7	4,2

Fiji		0,7	0,7
Gabon		-1,5	0,1
Ghana	2,6	0,1	1,8
Grenada		3,9*	2,9
Guyana		0,3	5,0
Jamaica	0,9	0,5	.-0,4
Kenya	2,4	0,4	-0,5
Mauritius		4,1	4,0
Namibia	2,5	-0,1*	1,8
Nigeria	2,8	-0,7	.-0,4
Papua New Guinea	2,2	0,5	1,4
Seychelles		2,8	1,1
St Kitts-Nevis		5,7*	4,7
St Lucia		4,4*	0,9
St Vincent		3,9*	2,6
Suriname		-0,1	3,0
Swaziland		1,9	0,2
Tonga		..	..
Trinidad and Tobago		.0,5	3,2
Zimbabwe	2,2	0,3	0,4
ACP Total			
World			

Annex VI ACP Countries, Lomé IV (69) Countries, Their WTO Member Status and Entitlement to Lomé Quotas

ACP Countries	Lomé IV Countries	LDC countries	WTO members	WTO observers	Sugar Quota	Beef Quota
Angola	x	x	x			
Antigua and Barbuda	**x**		**x**			
Bahamas	**x**			**x**		
Barbados	x		x		x	
Belize	x		x		x	
Benin	x	x	x			
Botswana	x		x			x
Burkina Faso	x	x	x			
Burundi	x	x	x			
Cameroon	x		x			
Cape Verde	x	x		x		
Central African Republic	x	x	x			
Chad	x	x	x			
Comoros	x					
Congo Dem. Rep. Of the	x	x	x		x	
Congo, Rep of the	x		x			
Cook Islands						
Cote d'Ivoire	x		x		x	
Cuba			x			
Djibouti	x	x	x			
Dominica	x		x			
Dominican Republic	x		x			
East Timor		x				
Equatorial Guinea	x	x		x		
Eritrea		x				
Ethiopia	x	x		x		
Fiji	x		x		x	
Gabon	x		x			
Gambia	x	x	x			
Ghana	x		x			
Grenada	x		x			
Guinea	x	x	x			
Guinea-Bissau	x	x	x			
Guyana	x		x		x	
Haiti	x	x	x			
Jamaica	x		x		x	
Kenya	x		x		x	x
Kiribati	x	x				
Lesotho	x	x	x			
Liberia	x	x				
Madagascar	x	x	x		x	x
Malawi	x	x	x		x	
Mali	x	x	x			
Marshall Islands						
Mauritania	x	x	x			
Mauritius	x		x		x	
Micronesian Federation						
Mozambique	x	x	x			
Namibia	x		x			x
Nauru						

Niger	x	x	x			
Nigeria	x		x			
Niue						
Palau						
Papua New Guinea	x		x			
Rwanda	x	x	x			
St. Kitts and Nevis	x		x		x	
St. Lucia	x		x			
St. Vincent and the Gren.	x		x			
Samoa	x	x		x		
Sao Tome and Principe	x	x				
Senegal	x		x			
Seychelles	x			x		
Sierra Leone	x	x	x			
Solomon Islands	x	x	x			
Somalia	x	x				
South Africa			x			
Sudan	x	x		x		
Suriname	x		x		x	
Swaziland	x		x		x	x
Tanzania	x	x	x		x	
Togo	x	x	x			
Tonga	x			x		
Trinidad and Tobago	x		x		x	
Tuvalu	x	x				
Uganda	x	x	x		x	
Vanuatu	x	x		x		
Zambia	x	x	x		x	
Zimbabwe	x		x		x	x
Total number	69	41	56	10	19	6

Sources: The Secretariat of the African Caribbean and Pacific Groups of States, WTO: Members and observers

Annex VII **Lomé IV (69) Countries in the Human Development Index by UNDP**

	HDI 1987	**HDI 1990**	HDI 1995	**HDI 2000**	HDI 2003
Barbados		**22**	25	**31**	30
Bahamas		**28**	28	**41**	50
St Kitts-Nevis		**65**	49	**44**	49
Seychelles		**63**	52	**47**	51
Tonga					54
Trinidad and Tobago	37	**39**	40	**50**	57
Antigua and Barbuda		**46**	29	**52**	60
Belize		**67**	63	**58**	91
Dominica		**53**	41	**61**	70
St Lucia		**68**	56	**66**	76
Mauritius	50	**47**	61	**67**	65
Fiji		**71**	46	**72**	92
Suriname		**55**	66	**74**	86
Grenada		**64**	54	**83**	66
Jamaica	44	**59**	83	**86**	98
St Vincent		**79**	57	**91**	87
Dominican Republic	64	**80**	87	**94**	95
Cape Verde		**109**	123	**100**	105
Samoa		**81**	96	**101**	74
Guyana		**89**	104	**103**	107
Equatorial Guinea		**137**	135	**111**	121
Gabon	84	**97**	120	**117**	123
Sao Tome Principe		**112**	125	**119**	126
Solomon Islands		**96**	122	**121**	128
Namibia	97	**105**	118	**122**	125
Swaziland		**104**	114	**125**	147
Botswana	73	**95**	97	**126**	131
Zimbabwe	79	**111**	129	**128**	145
Ghana	101	**121**	132	**129**	138
Vanuatu		**101**	124	**131**	118
Lesotho	78	**107**	137	**132**	149
Papua New Guinea	92	**117**	128	**133**	137
Kenya	89	**113**	134	**134**	154
Cameroon	90	**119**	133	**135**	148
Congo Brazzaville	98	**115**	130	**136**	142
Comoros		**126**	140	**137**	132
Sudan	116	**143**	158	**139**	141
Togo	104	**131**	147	**141**	143
Haiti	102	**125**	156	**146**	153
Madagascar	93	**116**	152	**147**	146
Nigeria	107	**129**	141	**148**	158
Djibouti		**153**	162	**149**	150
Uganda	103	**134**	159	**150**	144
Tanzania	96	**127**	149	**151**	164
Mauritania	123	**148**	150	**152**	152
Zambia	88	**118**	143	**153**	166
Senegal	113	**135**	160	**154**	157
Congo D.R.	111	**124**	142	**155**	167
Cote d'Ivore	99	**122**	145	**156**	163
Benin	121	**150**	146	**158**	162

Guinea	125	**158**	167	**159**	156
Gambia		**159**	165	**160**	155
Angola	109	**147**	157	**161**	160
Rwanda	110	**133**	174	**162**	159
Malawi	117	**138**	161	**163**	165
Mali	129	**156**	171	**164**	174
Central Africa	115	**142**	151	**165**	171
Chad	126	**152**	164	**166**	173
Guinea-Bissau		**151**	163	**167**	172
Ethiopia	112	**141**	170	**168**	170
Burkina Faso	128	**154**	172	**169**	175
Mozambique	118	**146**	166	**170**	168
Burundi	120	**139**	169	**171**	169
Niger	130	**155**	173	**172**	177
Sierra Leone	127	**160**	175	**173**	176
Liberia	105	**132**			
Somalia	124	**149**			
Kiribati					
Tuvalu					
Number of countries in rank	130	160	175	173	177

Sources: UNDP Human Development Report 1990, 1991, 1997, 2002 and 2005