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# Time for Reorientation in Lomé III?

by H. Eisold, R. Hasse, Hamburg\*

**The Lomé Convention with its 63 signatory states in Africa, the Caribbean and the Pacific (ACP) represents the centre-piece of the EC's development policy. The current agreement, Lomé II, expires on February 28, 1985, and negotiations on Lomé III already began in Luxembourg on October 6, 1983. The time has therefore come to take stock and to appraise the possible negotiating positions and areas of conflict facing the partners contracting to Lomé III.**

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The "Memorandum on the Development Policy of the European Community"<sup>1</sup> issued in October 1982 gives an indication of the EC's probable negotiating platform for Lomé III. The intentions of the ACP states, on the other hand, still remain vague, and the likely nature of their demands can only be deduced from a comparison between their initial expectations and the degree to which these initial goals and objectives have in fact been attained via cooperation between the ACP states and the European Community. Our appraisal will concentrate on the following aspects: foreign trade policy, the STABEX scheme and the intended reorientation of development policy within the context of a "political dialogue". The extent, the structure and the allocation of the expected increase in funds (Lomé I = ECU 3,457.8 million; Lomé II = ECU 5,692.0 million) will reflect the subsequent compromises in the areas of conflict.

## Dwindling Significance of ACP-EC Trade

Within the framework of the Lomé Convention both sides set out to achieve economic and political objectives: improved cooperation between the EC and the ACP states in order to promote the latter's independence in both economic and foreign policy fields. Up to now, financial assistance and the preference system have been the most important tools used to further this end. In trade and commerce this has above all meant largely duty-free access to the EC market, special preferences for a large number of agricultural products, renunciation of the reciprocity principle, and the recognition of the ACP states as one single customs zone (cumulative origin).<sup>2</sup>

The aggregate figures on the ACP-EC commodity trade between 1970 and 1982 would seem to corroborate the general supposition that preferences have had a positive impact on trade and that the ACP

states have succeeded in connecting to the international division of labour (see Table 1). Yet a very different picture emerges if the patterns of merchandise trading are analysed. The positive development of exports and of the balance of trade is solely due to high oil exports, most of which come from Nigeria. About 95 % of Nigerian exports, which accounted for 35.9 % of total ACP exports in 1982 (see Table 2), consist of oil and oil derivatives.

The extent of the relative and absolute losses of trading shares and trading volumes becomes clear if the development of exports by ACP states to the EC in 1981-82 is compared with other trade flows (percentage changes over the figures for the previous year)<sup>3</sup>:

- ACP exports to the EC (figures in brackets exclude oil): 1981: -24.3 % (-30.7 %); 1982: 2.8 % (8.6 %);
- world trade: 1981: 0.5 %; 1982: -2.5 %;
- exports by non oil-producing developing countries: 1981: 6.3 %; 1982: 0.3 %;
- imports by all industrialised countries: 1981: -2.4 %; 1982: -0.5 %.

The structural composition of merchandise in the ACP states is a major reason for such trading "losses". Over 80 % of the exports of the ACP states consist of basic agricultural products and mineral or organic raw

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<sup>1</sup> EC Commission: The Development Policy of the European Community, Memorandum by the Commission to the Council of Ministers from 4th October, 1982, in: Bulletin of the European Communities, Supplement 5/82 (referred to as the "Memorandum of the Commission")

<sup>2</sup> For details on the precursory agreements to and individual provisions of the Lomé Convention cf. R. Hasse, R. Weitz: Das Abkommen von Lomé - Übergang oder Alternative zu einer neuen Weltwirtschaftsordnung?, Cologne 1978; R. Hasse, R. Weitz: Lomé II. Tendency to an "Orderly Development Policy", in: INTERECONOMICS, No. 6, Nov./Dec. 1979, pp. 304ff.

<sup>3</sup> Cf. IMF: World Economic Outlook 1983, Washington D.C., 1983, p. 176.

**Table 1**  
**Trade and Balance of Trade between the**  
**ACP States and the EC, 1970-82**  
(US \$ billion at current prices)

Year	ACP Exports	ACP Imports	Ex-Im
1970	4.7 ( 4.1) <sup>a</sup>	3.5	1.2 ( 0.6) <sup>a</sup>
1975	10.9 ( 7.2)	10.2	0.7 (-3.0)
1976	11.8 ( 8.0)	11.1	0.7 (-3.1)
1977	14.5 (10.4)	14.4	0.1 (-4.0)
1978	15.4 (11.0)	16.4	-1.0 (-5.4)
1979	20.7 (12.8)	16.3	4.4 (-3.5)
1980	26.7 (14.0)	22.0	4.7 (-8.0)
1981	18.5 (10.6)	20.8	-2.3 (-10.2)
1982	20.1 (10.9)	20.4	-0.3 (-9.5)

<sup>a</sup> The figures in parentheses exclude oil and oil products.  
Sources: The Courier, No. 79, May/June 1983, p. 57; The Courier, No. 80, July/August 1983, p. 48; own calculations.

**Table 2**  
**ACP-EC Trade by Regions, 1972-82**  
(in %)

Regions	ACP Exports to the EC			ACP Imports from the EC		
	1972	1976	1982	1972	1976	1982
West Africa	52.0	56.7	55.3	42.0	62.6	58.2
of which Nigeria	27.8	33.8	35.9	19.0	42.5	36.4
Central Africa	14.3	18.8	18.9	18.6	13.1	15.5
East Africa,	25.7	17.4	15.3	25.7	17.5	19.8
Indian Ocean						
Caribbean, Pacific	7.8	7.3	10.5	13.7	6.8	6.5

Sources: Data for calculations for 1972 and 1976: ACP: Yearbook of Foreign Trade Statistics 1972-1978, pp. 16 ff; figures for 1982: The Courier, No. 80, July/August 1983, p. 48.

materials<sup>4</sup> whose prices on the world market have fallen drastically since 1981, whereas the prices of their main imports (75 % of which are manufactured products) have not witnessed such a steep decline.

The EC is the most important export market for the ACP states. Whereas the share of non-oil products in total exports to the EC in 1981 rose to 65 %, at the same time the share of ACP imports in total EC imports of these products fell from 8.3 % in 1970 to 5.6 % in 1981<sup>5</sup> and the ACP share of EC imports of non-oil products from developing countries fell from 31 % (average 1971-75) to 22 % (average 1975-80).<sup>6</sup>

A further problem is the pronounced concentration of ACP exports as well as of EC exports and imports on a limited number of countries.<sup>7</sup>

<sup>4</sup> Exports to the EC according to SITC classification: 0 + 1 (Foodstuffs, beverages, tobacco) - 25 %; 3 (Oil and oil products) - 46 %; 2 + 4 (Raw Materials) - 15 %. Imports from EC countries 1982: 5 (Chemicals) - 10 %; 6 + 8 (Other finished goods) - 24 %; 7 (Machinery, transport equipment) - 41 %. Cf. The Courier, No. 79, May/June 1983, p. 60.

<sup>5</sup> Cf. *ibid.*, p. 57-59.

<sup>6</sup> Cf. The Courier, No. 80, July/August 1983, p. 36.

The ACP states attribute this adverse development of the balance of trade and of ACP exports to the following external causes:

- deterioration of the terms of trade,
- gradual erosion of their trade preferences,
- existing import restrictions for agricultural products,
- hindrance of imports via non-tariff barriers,
- relative ineffectiveness of the "cumulative origin" system.

The ACP states justify their individual demands by referring to this "analysis" of existing problems. They feel that the trend towards falling terms of trade and export earnings could be arrested via:

- a more extensive earnings stabilisation system,
- suitable measures designed to prevent sharp price increases for vital imports,
- long-term supply commitments for the EC's surplus agricultural products at special prices,
- avoidance of any further erosion of the preference system, which has been brought about, for example, by increased trade cooperation with the Maghreb and Mashrek countries<sup>8</sup>, the EC's southward enlargement and the Tokyo Round of negotiations,
- improvement of the "cumulative origin" system.

The desire not only to put a stop to the erosion of preferences but also - as provided for by the EC's system of preferences and the Lomé safeguard clauses - wholly or partially to remove such preferences for other (non-ACP) developing countries if these have an adverse effect on the situation of ACP states<sup>9</sup>, will probably present a particular problem. Such demands are most likely to centre around agricultural products. The alleged erosion of preferences is not a convincing argument when it comes to industrial and finished goods. In view of the low supply capacity of the ACP states in this field, there is at present no indication that the countries benefitting from the EC's Generalised System of Preferences could rightly be accused of any kind of predatory competition. Most of the latter countries are newly industrialising countries which offer goods on the EC market that are hardly produced by the ACP states anyway. The alleged competition of

<sup>7</sup> Cf. K. Focke: Von Lomé I zu Lomé II, Luxembourg 1980, p. 13.

<sup>8</sup> Maghreb states: Algeria, Morocco, Tunisia. Mashrek states: Egypt, Jordan, Lebanon, Syria.

<sup>9</sup> In 1979, for example, the plywood quota in the EC's Generalised System of Preferences was only increased by 5 % instead of 13.3 % out of consideration for the ACP states. Cf. Official Journal of the EC, L 340, p. 1/2.

substitute goods with the North African countries also scarcely exists. Any support for this line of trade policy would mean a further undermining of the principles of GATT; positive economic effects are most unlikely.

The import restrictions imposed by the EC on agricultural products and "sensitive" manufactured goods will continue to spark conflict during the coming rounds of negotiations. Concessions have up to now been indicated by the EC only for products which are vital to individual ACP states, the imports of which can be controlled and which are relatively insignificant to the Common Market: for example, increases in import quotas for rum, bananas and sugar.<sup>10</sup> The EC has the option of either opening up its markets or, so as to avoid the internal conflicts associated with this alternative, increasing funds as a quid pro quo. This second alternative, however, would currently clash with the financial problems caused precisely by difficulties in the agricultural sector.

Another area in which the EC could grant concessions is that of simplifying and facilitating the system of cumulative origin, which, for many reasons, is only rarely taken advantage of by ACP states. The administrative rules and regulations are still regarded as over-complicated, the cooperation between ACP states and the present degree of product processing are insufficient to be able to reach the required 50 % level of cumulative value added. The suggestion has therefore been made that this principle be applied also to goods which are produced in the context of joint ventures with European partners.<sup>11</sup> A general or selective reduction of the stipulated percentage figure could also be considered.

It is once more confirmed that preferences alone do not result in the intended improvement of exporting capacity. Greater support in opening up new markets and the training of experts able to devise marketing strategies for the markets of both industrialised and developing countries are essential. But measures which go beyond the scope of trade policy in the broader sense of the word are even more urgently required. The EC

hopes to establish a "policy dialogue" which, however, can only then bring about an improvement if agricultural, industrial and regional policies are combined with financial and technical cooperation to form a development programme. This ultimately means an overall economic policy strategy in which the respective economic systems of ACP states cannot remain taboo.

### STABEX: Stabilisation Unsuccessful

The most spectacular development has occurred in the case of the development policy tool regarded by the EC as the most important new concept in the Lomé Convention and viewed by others as a model for the stabilisation of the export earnings of developing countries. STABEX remains unique in that it is still the only international fund which compensates for the revenue shortfalls of individual products and in which over 80 % of its compensatory payments are non-repayable grants on account of its "social provisions" and qualified repayment stipulations<sup>12</sup>; the rest consists of interest-free foreign currency loans. The EC Commission already announced its special interest in the further development of the STABEX system and of the investment fund for minerals (SYSMIN) at the time of pressing financing difficulties.<sup>13</sup>

Ceilings are set to the amount of STABEX funds available (Lomé I = ECU 380 million; Lomé II = ECU 557 million). Ex post compensatory payments are granted by STABEX for 46 agricultural and forest products or groups of products if export earnings have fallen substantially due to a drop in world market prices (price component) or a setback in the applicant country's production (quantitative component), irrespective of what the cause may have been (natural disasters, political disturbances etc.).

During the first five years of application (1975-79) the available funds proved sufficient. This development seemed to confirm the optimistic official expectations and to prove those critics wrong who at an early stage had pointed towards the financing risks involved if both factors were to occur together, or even if there were just a steep fall in prices on commodity markets.<sup>14</sup> This situation did in fact come about in 1980/81 (see Tables 3 and 4). In 1980 the compensatory transfer claims (ECU 161.1 million) exceeded the available funds (ECU 138.0 million)<sup>15</sup> by ECU 123.1 million. In 1981, there were ECU 112.1 million of regular funds as compared with transfer claims to the tune of ECU 453.1 million. The cover ratios therefore figured at 52.9 % in 1980 and only 24.7 % in 1981. All claims in excess of ECU 1 million had to be cut back. In an effort to obtain a better ratio for 1981, agreement was reached on a most problematic

<sup>10</sup> Cf. Memorandum of the Commission, p. 8.

<sup>11</sup> Cf. Carol, Cosgrove, Twitchet: A Framework for Development: The EEC and the ACP, London 1981, p. 47f.

<sup>12</sup> For details of these stipulations and their impact cf. R. H a s s e : Analysis of the Impact of the Proposed New International Economic Order on Stabilization Policies, in: R. C l a p h a m, H. K a m m l e r : World Economic Order: Liberal Views, Kehl am Rhein 1983, chapter IV.

<sup>13</sup> Cf. Memorandum of the Commission, p. 8.

<sup>14</sup> Cf. R. H a s s e : Stabilization Fund of Lomé. A new model with old problems, in: INTERECONOMICS, No. 8, 1975, pp. 238-242.

<sup>15</sup> The sum of ECU 138 million is made up of the remaining funds from Lomé I (6 million), the annual tranche for 1980 and the maximum possible overdraft on the annual tranche of 20 %.

**ACP-EC TRADE**

**Table 3**  
**Reasons for Transfer Request to the STABEX Fund**  
(in million ECU)

Year of Application	Total of Justified Claims <sup>1</sup>	Of which Price Component	Of which Quantitative Component <sup>2</sup>			Transfers Actually Made		
			Total	a	b	c	Value	%
1975	74.8	0.2	74.6	22.1	23.6	28.9	74.8	100
1976	28.5	1.9	26.6	6.5	12.8	7.3	28.5	100
1977	28.8	—	28.8	4.0	15.9	8.8	28.8	100
1978	113.6	2.1	111.5	74.4	28.9	8.2	113.6	100
1979	57.5	1.5	56.0	7.0	46.4	2.6	57.5	100
1980	257.7	60.4	197.4	67.4	71.2	58.8	138.0	52.9 <sup>3</sup>
1981	450.4	291.2	159.2	42.2	71.5	45.6	182.8	42.8 <sup>3</sup>
1982 <sup>4</sup>	65.0						65.0	100

<sup>1</sup> Excluding claims involving less than ECU 1 million.

<sup>2</sup> Earnings shortfalls as a result of a fall in export volume due to a: natural disasters, b: worsening of local production or export conditions, c: other reasons, including lower demand from EC.

<sup>3</sup> Total requests taken into account: ECU 261.1 million (1980); ECU 427.3 million (1981).

<sup>4</sup> Preliminary figures.

Sources: The Courier, No. 79, May/June 1983, pp. 69,70; No. 83, Jan./Feb. 1984, p. XIII.

**Table 4**  
**Trends of World Market Prices of some Dominant STABEX Commodities**  
1975 = 100

Product	1975	1979	1980	1981	1982	1983
Cocoa (New York/London)	100	264.3	209.0	166.7	139.8	171.6
Coffee (New York)	100	233.9	207.9	159.8	173.4	175.7
Cotton (United States/10 markets)	100	137.7	180.3	159.7	133.1	159.9
Groundnuts (Nigeria/London)	100	130.0	112.1	143.8	87.4	80.6 <sup>8</sup>
Groundnut oil (West Africa/Europe)	100	103.6	100.1	121.6	68.2	122.6
Palm oil (Malaysia/Europe)	100	152.4	135.9	133.0	103.7	150.3
Sawnwood (Malaysia/French part)	100	203.7	222.1	188.7	180.1	180.4
Sisal (East Africa/London)	100	121.7	131.8	113.8	102.8	100.8

<sup>8</sup> August 1983.

Source: IMF: International Financial Statistics, various years.

increase in funds amounting to ECU 70.1 million, which meant that together with other cutbacks compensation could in the end be provided for a total of 42.8 % of earnings shortfalls.<sup>16</sup>

Table 3 shows that in 1980 the price component began to increase in importance and that it was in fact

<sup>16</sup> The decision in favour of an extraordinary increase in funds was taken by the ACP-EC Council of Ministers in May 1982. The EC Commission submitted a proposal for additional finance of ECU 70.7 million, of which ECU 40 million was to be charged against interest assets (to be used for financing development projects capable of being implemented rapidly) and ECU 30.7 million from special loan repayments by ACP countries. In addition, several ACP states which had received repayable transfer payments for 1975 and 1976 declared their willingness to redeem part of their debts by renouncing their claims (in ECU) for 1981. In the end, ECU 182.8 million were available to cover ECU 427.3 million in transfer claims. The cutbacks were taken as follows: all claims less than 1 million were covered 100 %, claims by LLDCs to 46.5 % and all others to 41.9 %. The average figure was 42.8 %.

<sup>17</sup> The computed earnings shortfalls resulting from falling prices were ECU 108.9 million for coffee and ECU 172 million for cocoa in 1981.

<sup>18</sup> The quantitative restrictions on coffee exports under the International Coffee Agreement led to STABEX claims: ECU 40 million for the Ivory Coast in 1980 and ECU 38 million for Kenya and Papua New Guinea in 1981. Both sums are contained in Table 3, Column c.

<sup>19</sup> Cf. The Courier, No. 83, Jan./Feb. 1984, Yellow Pages XIII.

more important than the quantitative component in 1981. The related financing bottlenecks were mainly due to the extremely steep falls in the price of coffee and cocoa. Between 1979 and 1981 the price of coffee fell by 31.7 % and that of cocoa by as much as 36.9 % (see Table 4). In 1981 these two products accounted for 96 % of the ECU 291.1 million in transfer claims triggered by falling prices.<sup>17</sup> The significance of these two products becomes even more apparent if the "production shortfalls" are also taken into account. One then discovers that STABEX also compensates for "revenue shortfalls" based on agreements on export restrictions made in the context of international commodity agreements (e.g. the International Coffee Agreement)!<sup>18</sup>

Although there are signs that the application year 1982 will not be faced by financing difficulties, cocoa and coffee account for 59.2 % of the already approved transfer claims.<sup>19</sup> If this development continues those countries whose compensatory payments for 1980 and 1981 were cut can expect retrospective payments.

These findings indicate a series of problems which will undoubtedly influence current negotiations:

- The structure of STABEX transfers reveals a high concentration on a limited number of goods and countries similar to that revealed by the trade flow analysis. Between 1975 and 1982, three (ten) ACP states received almost 40 % (65 %) of total transfers.<sup>20</sup> Between 1975 and 1979 over 80 % of STABEX funds were channelled into offsetting losses in the export earnings of just 6 products.<sup>21</sup> In 1981 three products accounted for as much as 86 % of transferred funds (coffee 43 %, cocoa 27 %, groundnut products 16 %) and 6 countries received 74.3 % of total payments, the remaining 30 claimant countries receiving only 25.7 % of allocated funds.<sup>22</sup>
- The development in 1982 and 1983 of the prices of those products which have so far accounted for the bulk of STABEX payments (see Table 4) indicates an easing of the financial situation facing STABEX. The application of the method of moving annual averages to calculate reference levels and thus the extent of compensatory payments can cause a rapid increase in transfer sums if raw materials prices remain at a high level for a few years and then suddenly fall. The reference level is comparatively slow to fall, which means that earnings shortfalls can be calculated even if prices fall to a normal level or even experience a renewed slight increase.
- STABEX not only provides compensation for accidental or unalterable revenue shortfalls but also for shortfalls which have been planned deliberately. If a particular country effects a general cutback in exports via cartel agreements, export levies, export bans or the like, compensation is also granted for the computed revenue shortfall in such cases. If the objective behind such measures is to export these goods only in a more highly processed state, STABEX finances such restructuring. This may be desirable, but can also lead to serious problems. If the processed product is also a STABEX commodity and is subsequently exported instead of the original raw material, compensation is provided for fictitious earnings shortfalls. If the processed product is not a STABEX commodity, this fact may prevent a country from engaging in further processing, since there would be a greater risk of revenue loss. Whereas timber and groundnuts are

covered by the STABEX system both in their raw *and* processed states, this is not the case for cotton and sisal.

### Negotiating Position for STABEX III

In the light of the afore-mentioned findings the following can be viewed as possible negotiating positions:

- The ACP states will set out to obtain an increase in funds which can at least maintain the existing level in real terms. In view of the probable rejection of this demand by the EC, the ACP states are unlikely to extend their demands to a stabilisation of indexed earnings and thus of their importing capacity. However, they can be expected to advocate a shortening of the reference period (4 years), thus enabling calculated earnings shortfalls to bear greater resemblance to actual losses. It is possible that they will demand an extension of the list of goods covered by the system, the inclusion of service revenue (tourism) and an increase of the non-repayable component of the transferred sums (for the agricultural products tobacco, citrus fruits and beef, and for sisal and timber products which have undergone further processing).
- The EC will try to achieve greater effectiveness for STABEX and, in doing so, concentrate on the following problems: greater emphasis on the revolving element in STABEX, product-by-product stabilisation and the use of funds.

The starting-point for these considerations is the asymmetrical realisation of the STABEX concept: it is a product-linked fund. On the transfer side, the product-by-product scheme has been put into practice; on the user side, i.e. in the ACP states, this has not been the case, since there are no clear guidelines on the use of funds and the latter are *rarely* used to strengthen the relevant economic sectors. One way of encouraging the investive use of transfer payments could be to make the repayment of funds the rule rather than the exception. Even here social aspects could be incorporated by staggering the repayments over a period of up to 40 years, along the lines of the regulations of the European Development Fund.<sup>23</sup> The associated annulment of the hitherto existing life span of the Agreements would correspond to intentions expressed by the EC Commission, which has already proclaimed its readiness to establish relations with the ACP states in a general agreement of unlimited duration.<sup>24</sup> Financial difficulties may also lead to the idea of eliminating the existing lack of symmetry by relaxing the regulations of the product-by-product stabilisation scheme so as to take advantage of possible compensatory effects in the

<sup>20</sup> Cf. A Hewitt, STABEX: Time to overhaul the mechanics, in: Lomé briefing, No. 6, 1983, p. 2

<sup>21</sup> Cf. K. Focke, op. cit., p. 23. Groundnuts 19 %, groundnut oil 18.2 %, iron ore 16.5 %, cotton 11.6 %, timber 10.2 % and sisal 5.5 %.

<sup>22</sup> Cf. The Courier, No. 76, Nov./Dec. 1982, Yellow Pages I.

<sup>23</sup> Cf. A. Hewitt, op. cit., p. 4

export earnings of all the country's STABEX commodities. However, this greater degree of alignment to the IMF system of compensatory financing would clash with the planned reorientation of development aid.

In the final analysis, all the EC can do is to try and influence the use of funds in such a way as to reduce the earnings shortfalls caused by production setbacks in the ACP countries themselves. For with the exception of 1980/81 these have been the primary causes of such shortfalls (see Table 3). The fact that the ACP states only rarely use STABEX transfer payments to promote and improve their agricultural production means that they are in fact discarding the product-link principle. Such neglect of agricultural production by these countries has only been able to develop to the extent it has done because STABEX and food aid could be included in the recipient countries' planning and exploited as a form of insurance against earnings and production shortfalls. This has worsened the balance-of-payments difficulties and resulted in marked sales losses on the EC market compared with LDCs which have not been granted preferential treatment.

As the ACP states oppose any idea of controlling funds, referring to earlier de-coupling assurances, the EC Commission plans to deal with this question within the context of an extensive "political dialogue", which will essentially signify a reorientation of development aid policy hitherto.

#### "Political Dialogue" and Reorientation

The EC Commission has diagnosed the shortcomings of development policies, including its own, in a remarkably clear manner and has developed a concept for long-term reorganisation and cooperation with the LDCs. It does not attempt to gloss over shortcomings on *both* sides and stresses that aid can only then lead to success if the LDCs themselves work out better goals and objectives by making the necessary fundamental economic and political decisions and if the economic interests of donor countries are taken into account (supply security). The solution envisaged is the setting up of a joint dialogue on development aid, which is to be more than merely negotiating the projects to be financed.<sup>25</sup> The Commission feels that this would represent a new, cooperative form of aid conditionality.

Development policy resources are to concentrate *inter alia* on the following areas:

encouragement of efforts by the ACP states to develop and implement their own development policy measures,

attempts to establish autonomy of food supply in the LDCs by slowing down urbanisation, promoting rural development and boosting agricultural production via price incentives,

fostering of regional cooperation between the ACP states themselves and between the ACP states and other LDCs,

orientation of industrialisation projects towards the production of goods geared to the country's own needs,

creation and intensification of lasting contractual relations, based on solidarity and mutual interests (in the fields of trade and industry, energy, mining and fisheries).

If the LDCs take up this dialogue, the Commission would like to see aid increase over the next ten years from its present level of 0.5 % to 1 % of the Community's GDP. Depending on the extent to which the above principles and objectives find their expression in the next Lomé Convention the limited life span of previous agreements can be replaced by a general agreement of unlimited duration.

The approach itself is praiseworthy and far-sighted, yet it is difficult to translate into practice and time presses. Therefore the appropriate improvements (among others, the priority of agricultural production and thus the tying of STABEX funds, and support for mining in SYSMIN) must find their way into Lomé III and not be postponed until some future date via generous "interim solutions". As this project is a concept relating to economic order the developing countries must realise that they can no longer pass on the costs of experiments in this field to the industrialised countries. For its part, the EC should also come out clearly in favour of open import markets: statements to date have been very restrictive<sup>26</sup> on this point and have undermined the EC's incipient intentions, particularly since the idea of preventative import controls has repeatedly shown through in the support provided for development projects.<sup>27</sup> The fact that the Commission deems it appropriate in cases of serious balance-of-payments crises to resort to its own supportive measures for ACP states is most problematic.<sup>28</sup> The EC should become aware of its limitations and not attempt to adopt the role of a substitute IMF.

<sup>24</sup> Cf. Memorandum of the Commission, p. 6.

<sup>25</sup> Cf. *ibid.*, p. 6.

<sup>26</sup> Cf. *ibid.*, p. 21.

<sup>27</sup> Cf. R. H a s s e , R. W e i t z : Lomé II, op. cit., p. 307; Commission of the EC: Europa Information Entwicklung: Der Zucker, die Europäische Gemeinschaft und das Abkommen von Lomé, February 1983, p. 13.

<sup>28</sup> Cf. Memorandum of the Commission, p. 28.