

THE LOMÉ CONVENTION AND NEO-CAPITALISM

by

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1. The European Community: A Superpower in the Making?

The Lomé Convention between the nine member countries of the European Community and the 46 ACP (African, Caribbean and Pacific countries) was signed in February 1975 must be seen in a proper historical and global context. One effort to establish such a context is the present author's book The European Community: A Superpower in the Making written during the winter 1971/72. The basic ideas in that book are as follows:

(1) The European Community is essentially an effort to preserve capitalism within the area formerly dominated by European colonial powers.

(2) The essence of capitalism for this purpose is not so much private ownership of means of production but cooperation between international capital and intergovernmental organizations in order to maintain, possibly increase, maximum mobility of production factors so that raw materials, raw labor and raw capital can flow into the European Community and ready-made products can flow back.

(3) In order to secure the benefits from this type of division of labor between Center and Periphery a sufficient organization is some kind of confederation (*Staatenbund*) capable of organizing the flow mentioned above from trade and simple processing to industrial processes, including research and development. Part of the strength of this system would exactly consist in appearing feeble, having the world focus on day to day quarrels at the same time as the structure grows stronger and stronger.

(4) In the longer run the growth processes of the European Community will be stimulated through crises rather than

through monetary union (now abandoned for 1980) or "integration". Eventually such crises will take a military character, particularly in connection with unrest in the capitalist periphery in former colonial areas. The military form is less likely to be invasion or intervention, more likely to be "internal rule" through military or paramilitary government supported by the center in the European Community.

(5) In this effort to establish a more eurocentric world the European Community will have some successes to start with, will reach its peak relatively soon and in general be short-lived, and historically stand out as a Don Quixote effort to turn history backwards with some modern features attached to it.

Having written the book four years ago the time may perhaps already have come for the author to state where he thinks he might have gone wrong.

Thus, there is in the book an underevaluation of the United States control over western Europe. The assumption when the book was written was that the U.S. would continue to go down, being beaten in Indo-China and morally beaten in Chile, that this would be reflected in recurrent "dollar crises", and that the country would have more than enough with internal difficulties. All this happened, but there is an under-estimation in the book of the ability of the U.S. to establish new forms of imperialism, particularly by means of the "energy crisis". There was also the assumption that western European politicians and statesmen would be more able to rise to the occasion, more willing and capable of utilizing the opportunities for joint action to save European capitalism and regain for "Europe" a more prominent place in the world.

One recent example may illustrate this. The successful action of oil exporting countries to improve their terms of trade did not come as a surprise - after all, a basic idea of the book was that such things will happen, and eventually lead to a substantial decrease, in some cases even down to zero, of the exports of any raw materials from Third World countries to the industrialized world, including the EC.

What was unexpected was that the United States would be able to keep command over the situation, as seen so clearly through the establishment of the International Energy Agency. Only France is a non-member, and the French policy is what one might have expected the EC countries to go in for jointly: Mediterraneanism rather than Atlanticism. For on the other side of the Mediterranean are oil exporting countries, one of them with close ties to France, in need of industrialization - what would be more natural than to establish a "new international economic order" across the Mediterranean, being willing to pay the new prices of oil but institutionalizing the relationship in a reliable pattern for the future? Instead what was seen is an IEA under U.S. leadership with the purpose of keeping the prices of oil high rather than low so as to make highly capital and research intensive new forms of energy, particularly based on nuclear power, competitive with oil. Since the U.S. is the least, not the most dependent on oil imports of the IEA member countries (not counting Norway which is the only net exporter of oil, but being associated, not a full member) to accept U.S. leadership in these matters is not only to turn the back to the oil exporting part of the Third World, but also to continue to accept U.S. economic penetration control through the energy corporations and other corporations. More time perspective is needed in order to understand whether this should be attributed to U.S. skill in recovering from recent defeats, or to western European weakness, not the least of her statesmen, in grasping opportunities.

The book also fails to foresee the events in Portugal. The prediction of the book was that the Portuguese wars in Africa sooner or later would end up in some kind of trilateral deal: Portugal will give independence to her former territories, these territories will sign some kind of agreement with the European Community giving raw materials, particularly in the form of energy - including uranium! - to the EC in return for grants and aid in general, the European Community will give some type of membership to Portugal. This prediction may still come true, but the color of the regimes evolving in Portugal was certainly not foreseen. What was

predicted was something more similar to the present Italian system, not regimes with a clear marxist ideological basis and a policy which bears strong resemblance with the Cuban situation 1959-1961)(a much better parallel to lean on than the frequently quoted situation in Czechoslovakia early 1948). Where the book is written in terms of a future expansion of the European Community to include countries like Turkey, Greece, Spain and Portugal thus completing a capitalist, conservative configuration with some fascist streaks, the inclusion is now less likely due to the changes of the regimes in southern Europe - particularly since the European Community does not seize the occasion - the emergence of a New Mediterranean, a north-south cooperation across that historic sea, particularly involving the north of Africa and the south of Europe as the convergence of the political basis in these countries becomes more evident.

However, we generally stand by the thesis of the book. But the thesis is a little bit more complicated than the title: the concept of superpowers is not identical with that of a strong superstate, the time horizon for the rise and fall of that superpower is in the early 1980's, not tomorrow. And one of the most important factors in this connection is the inclusion of most former territories into one vast trading empire. This has now happened, to a large extent as predicted in the book; the instrument is the Lomé Convention.

2. The Lomé Convention.

The Lomé Convention is the successor to the Yaoundé Convention and "opens up and extends the kind of special relationship established by these conventions to countless other African countries and to the Caribbean and Pacific countries, in accordance with the provisions adopted when the Community was being enlarged" (the Courier, special issue March 1975, page 38).

The number of the ACP countries is 46, the European Community countries being nine this makes a total of 55 with slightly above 500 million inhabitants, divided about

evenly between the ACP and the EC. "Each will now be trading in a new market of 250 million people; and within this market it will be able to offer its goods on appreciably better terms than those which apply to its competitors" (p. 24). Thus, it is a trading and marketing arrangement and given the domain in which it operates and the scope of the operations it must be something of the most extensive in the world's history. Hence it is of importance to arrive at some judgement as to what it means in concrete terms.

The basic provisions of the Convention can be summarized as follows:

- (1) The Convention supercedes earlier systems based on tariff barriers and quotas, particularly the very complicated system of generalized preferences, in giving manufactured goods from the ACP countries free access to the European Community.
- (2) The inverse preferences have disappeared: the ACP countries can build tariff walls (and other walls) against industrial products from the European Community to protect their own industries, the EC cannot do this relative to industrial products from ACP countries.
- (3) The same applies to foodstuffs and other agricultural products provided they do not compete with those produced inside the European Community - and 86% of the value of present ACP exports in this sector are noncompetitive.
- (4) For the remaining 14% the tariffs will be lower than those found in other countries and than the tariffs used in the European Community before the Convention.
- (5) Prices of raw materials from ACP countries will be stabilized meaning that if the earnings from these products fall below 7.5% of the average for previous years the countries concerned will get a subsidy. For the 20 poorest of the 46 countries the threshold is not 7.5 but 2.5% and whereas the others have to pay the subsidy back if they make a profit later the poor do not have to do so. The products concerned are: ground nuts, cocoa, beans and products, farm produce, hides and skins, timber products and iron ore (other minerals are excluded).

(6) Aid will be provided over the next five years to the tune of 3.39 billion units of account (£1.7 billion). In addition 160 million UA will be made available for the overseas countries, territories and departments making a total of 3.55 billion. Out of the 3.39 billion 2.1 billion will be in the form of non-repayable grants.

(7) The ACP will have more control over the European Development Fund than formerly.

(8) The ACP countries may enter into equally favorable agreements with other industrialized countries, and more favorable arrangements with other developing countries.

(9) Any ACP country can opt out of the Lomé Convention if the agreement is no longer satisfactory.

It is assumed that the more precise details are known, so what shall be attempted here is only an effort to put these items in a perspective.

There is no doubt that the agreement goes a far distance towards establishing a new international economic order, different from the old one. Many of the complaints and contradictions in the old economic order are being handled, and effectively so - at least on paper for it always remains to be seen what this means when carried into practice. Thus, the basis is laid for a better trade composition by giving industrial products access; these preferences are not reversed making it possible for the ACP countries to protect infant industries; the ACP countries can count on a more stable income from export of raw materials being less victimized by price fluctuations; there is more control over grants and aid; and, most importantly - it is possible to conclude agreements with others in the industrialized world and with other developing countries and it is possible to leave the entire arrangement. In short, this is more a convention between equals and less of a convention between

neo-colonies and their former masters than was the case for the predecessor, the Yaoundé Convention.

This was reflected in the entire pre-Lomé process. The negotiations differed from preceding negotiations in at least three regards: during the period the under-developed countries, from Africa, the Caribbean and the Pacific operated by and large as one unit, coordinating their positions; the level of pure skill exercised in these negotiations from the ACP side was as high or higher as what was found on the other side; and the negotiations were "tough". No doubt all of this is to a large extent due to the circumstance that the 19 states that had been associated with the EC until January 31, 1975 by the Yaoundé Convention were mainly former French possessions (15 of them, the exceptions being former Belgian Congo, Rwanda and Burundi, and former Italian Somalia). There are now 21 commonwealth states, many of them considerably more autonomous, present around the negotiation table. (In addition to these 19 plus 21 equals 40 there are six countries of Africa with no special relationship with the EC countries invited to join "because their economies are comparable": Ethiopia, Liberia, Sudan, Guinea, Equatorial Guinea and Guinea-Bissau. What is left outside the Lomé Convention in Africa are only the five Arab countries to the north (the countries that would constitute the south Mediterranean part of a future Mediterranean partnership), the Republic of South Africa with Rhodesia, and the remaining territories that were not independent at the time of the negotiation: Angola, Mozambique, French Somalia and Spanish Sahara.

Thus, it looks as if exploitation is being reduced because the trade arrangements will facilitate the export of industrialized goods from a ACP to EC; fragmentation is being reduced as evidenced by the joint negotiations; and marginalization of the rest of the world is also being reduced because of the possibility of concluding as favorable or more favorable agreements with them (the latter for the developing countries). But does not this mean that the

Lomé Convention is a progressive step in current history?

3. Evaluation of the Lomé Convention.

Is the Lomé Convention progressive or not? - the answer obviously depends on how one looks at the Convention and how one defines the term. As can be seen from the brief summary of the Convention given above it is essentially manufacturing and trade oriented; in other words, it is oriented towards the two types of activity that will yield in due time ample benefits in terms of increased gross national product, also per capita, even with very modest assumption where population control is concerned. The question is, of course, whether increased industrialization and increased trade on the one hand and its expression in terms of increased GNP on the other is or should constitute the goal of a country, whether it is underdeveloped or overdeveloped.

The whole perspective changes the moment one looks at economic activities from the point of view of satisfaction of fundamental needs. Concretely this becomes a question of feeding the local population, which in turn becomes a question of whether fields should be used for locally consumed foodstuffs or for cash crops, even luxury crops used as raw materials in industrialized countries and for luxury consumption. It becomes a question of whether textile production should be for clothing of the local population, and even like food possibly taken out of the market and made available at a subsidized, rationed basis - or for export in order to earn foreign currency. And similarly for housing, health and education: should productive forces be used to produce within these categories for the whole population, possibly on a very local basis like in a Ujamaa village or should the production be on an economic cycle that also runs through industrialized countries?

The usual answer is "it depends on the governments"; if they are of the right kind they will make use of the benefits reaped from the Lomé Convention and steer the surplus

in the direction of fundamental need satisfaction for their peoples. The Lomé Convention as such is neutral, it will be asserted, it is up to the governments to make use of this opportunity and design those additional instruments that steer surplus away from an overconsumptive elite and towards the hungry masses.

One may agree to this latter point, but there is still an important question to ask. What kind of structure will the Lomé Convention promote? In saying that the Convention is totally compatible with locally existing and generated capitalism one is not necessarily excluding other arrangements, for instance state socialism/capitalism. However, with the regimes and the structures in most of the ACP countries being what they are the net result is likely to be a strengthening rather than a weakening of a mildly controlled private capitalism. Concretely this means that the basic focus of economic activity will be trade oriented rather than fundamental needs oriented, aiming at expanding the infrastructures needed for continued export of the raw and crude, and continued import of the processed and sophisticated. The fact that added to this there may be a more substantial flow than the present trickle of manufactured goods from developing countries does not alter the picture. What it means is only that industrial capacity in the rich countries will be liberated for even more complicated goods, and that production capacity in the developing countries will be used for other purposes than production for fundamental needs, ^{with} no built-in guarantee that this will improve the living conditions of the masses. [After all, there is much experience from rapidly industrializing developing countries testifying to this: conditions of poverty for the majority are very compatible with even relatively sophisticated processes of industrialization in its midst. One reason for this is, of course, the high level of productivity - there are relatively few jobs created through this process, and consequently relatively little trickling down effect. Another reason is already mentioned: the goods are often not for

fundamental need satisfaction but for market demand. And the third reason lies in the circumstance that this type of development plays economic and also political power into the hands of forces that are not easily controlled by a soft government, so that only a minor part of the surplus will accrue to the much less profit-bearing fundamental needs sector. On the other hand, it should also be mentioned that with increasing industrialization more of the spin-off effects from processing may remain in the developing countries unless it takes the form of production according to ready-made blueprints, within a setting provided by transnational corporations.

In other words, what is probably absolutely certain is that the Lomé Convention is a good basis for further development of local capitalism. It ^{may} bear some resemblances with the decolonization of Spanish America 1810-1842: local elites were not against exploitation but wanted it themselves. For reasons empirically well demonstrated and very well accounted for in theories ^{Center-dependent local capitalism} will serve to counteract national and local control in the interest of the people. Nor is it sufficient to say that for the surplus generated it is possible to import technology that would make it possible to produce locally even more effectively in order to satisfy the needs for food, clothes, housing, health and education. If there is anything we know or should know after so many decades of development it would be precisely how futile this attempt seems to be: technologies in the fields of food production, health and education production imported from the industrialized countries seem incapable to cater to the needs of the many, either by being accessible only to those who can afford them, or by generating or increasing further class cleavages. There are certain exceptions to this and this is not the place to go into detail, but the burden of proof certainly rests on he who seriously contends that there are such technologies available from the rich, industrialized west.

Hence, the conclusion would be that the convention is economic, even classical not only in its formulation but

also in its consequences, by emphasizing production, processing and marketing/trading without always keeping in mind the purpose of all that, the development of human beings rather than things, systems, structures. But to this it can be objected that nothing more was to be expected from the European Community itself being a collection of traders; it has to be judged on its own premises. And as a trading agreement would there not be many positive things to say about it?

Most attention in this connection has been given to the Stabex system stabilizing the prices for certain commodities, generally raw materials, in the way indicated above. But to this there are also important critical remarks to be made.

First, stabilization of the prices of raw materials does not in and by itself guarantee better terms of trade - it all depends on how the manufactured goods fluctuate. At this point the Lomé Convention lags behind current thinking and to some extent practice: there is no built in tie keeping the ratio of manufactured goods + raw material within bonds, rather than fixing a floor below which the prices of raw materials should not go. Hence, the Stabex system may very soon prove to be rather inadequate given inflationary trends and general cost increases, and the more so, we would assume, the more processed the commodity in question. (due to the accumulation of processing of labor, land and capital that takes place in such products).

However, even if there had been this particular arrangement there would still be ample space for criticism. What these measures amount to is essentially to freeze the current division of labor by paying the raw material exporting countries for remaining exporters of raw materials rather than turning to higher levels of processing or, as we shall argue, become more self-reliant. And then, it may also very well be that when such arrangements find their way into the EC-ACP system the purpose will not be so much to guarantee that the

prices of raw materials do not lag behind when the prices of manufactured goods soar upwards as to guarantee that the prices of manufactured goods can be increased as the bargaining power (which means the political power) of the raw material exporting countries increases. In other words, an arrangement tying prices of one to the other may well be more in the interest of the industrial countries than the raw material exporting countries. Added to this there is the circumstance that whereas raw materials are relatively well defined simply through their biological or chemical/physical content it is up to the manufacturer through product differentiation to launch "new" products not yet considered by agreements so that he is at liberty to fix the prices.

From such points of view it may be that the simple Stabex system, which only operates with a floor for raw materials, offers some advantages. On the other hand, the development in years to come is likely to be in the direction of increasing gaps between the prices for manufactured goods and raw materials in spite of raw material export in cartels. This may be particularly true in the rapidly expanding arms trade with the Third World, and the net result may very well be that the ACP countries soon will find the Stabex system to be of little use. It is also unclear how it will work in practice when one has to repay in the good years the subsidy received in lean years - that arrangement is not unreasonable, but it may also make it more difficult to benefit from rapid improvements on the world market.

Our own conclusion is therefore roughly speaking as follows: the essence of the Lomé Convention is the continuation of internationalized capitalism, the continued flow of raw production factors in one direction and processed material in the other. There is something new: the industrialized countries this time (1) have to pay more for their raw materials, (2) have to permit that some of the industry production takes place in the Third World and (3) have to deal with the group as a whole in the context of other developing countries rather than fragmenting the under-developed countries, dealing with them one at a time or in

small groups. Our contention is that these three points are nevertheless a low price to pay for continued international division of labor.] Hence, far from seeing the Lomé Convention as a decline in capitalist imperialism we would be inclined to conceive of it as a new strategy, even a clever one - deliberate or not. It deflects the attention away from satisfaction of fundamental needs towards increased production, processing and trading, and within the latter there is no built-in guarantee that the terms of trade will be satisfactory, nor that the spin-off effects from a possible industrialization process will accrue to the developing country. In general the Lomé Convention will act as a stimulus to local capitalism, and is unlikely to serve as a vehicle for the creation of a local working class similar to what is found in the EC countries themselves because of the high productivity, because of the rapid formation of a labor aristocracy, and because an industrialization process geared to export is likely to be slow and of less significance anyhow since the point of departure is very low or zero in so many of the 46 countries.

4. Conclusion.

Most of the arguments presented above are well known in the developing countries, they may be contested, but in one form or the other they have certainly entered the considerations of those who have signed the convention. Why, then, has the Convention been signed?

One set of answers has been given in an article in the magazine West Africa (5 May 1975, p.⁴⁹³). The argument would be that the Lomé Convention is a substantial gain above its predecessors in economic terms and is a sign of how strong the ACP countries have become relative to the EC countries. The skill with which the negotiation was carried out is also pointed out.

To this, of course, it can be countered that that is a part of the trap: to negotiate within the framework made by the capitalist EC countries is to a large extent to play their game. We would assume that when the EC countries are

willing to sign the agreement it is exactly for the reasons mentioned in the preceding section, and when the ACP countries are also willing to sign the agreement it is because it looks better than its predecessor and in some cases because alternative patterns are not clearly seen.

The alternative pattern would be increased self-reliance, locally within the ACP countries, nationally, and collective self-reliance; ACP countries trading much more among themselves. The purpose of economic production would above all be fundamental need satisfaction. There would be a very pronounced scepticism against the idea that this can be obtained through the mechanism of production for trade rather than for consumption; and not only because the proceeds might come into the wrong pockets, but also because productive forces are underutilized, creativity is not stimulated, those most concerned are not mobilized in the production for their own and immediate needs.

But even for countries where the government would generally agree to this, as for instance may be the case in Tanzania, there would still be reasons for signing the Convention. One very simple reason is that it is the condition for receiving the benefits of the European Development Fund, and these benefits are substantial. The European Community is willing to pay this, in our view in order to maintain international division of labor - the ACP countries may be willing to receive it for their developing plans, and in order to get out of the division of labor. Whether these two goals are compatible remains to be seen, but there is at least one way in which they could be made compatible.

And this is a factor that is very hard to evaluate: the salience of the Lomé Convention. A poor country may sign it, receive the benefits but by and large go in for self-reliance, relegating the Lomé Convention more to the back-yard of its economic policies. In other words, we would assume that the signatures of the 46 under the document mean very different things to the countries concerned: in one country it may constitute 90% of their trade policies, in

another 9%. We would be inclined to think that the Convention has been overrated, and that it will very soon join the fate of its predecessors. That is, it will be superseded by rapidly accumulating international events which we assume to be in the direction of self-reliance for the poor countries - locally, nationally, collectively - rather than in the direction of better integration of the developing countries into world capitalism. There will be both trends, and we shall hear and see much that has to do with the contradiction between them in years to come - but since the Lomé Convention so clearly sides with the latter we predict it a very short blossoming and a rapid decline into oblivion. Like its predecessors it has been presented as the big new deal for the developing countries, like its predecessors it will soon prove to be either irrelevant or counterproductive.

In saying this, then, is the author only betraying a measure of "juvenile paternalism" (loc.cit.)². It is true that the present author is not among the oldest, and if "paternalism" is defined as pronouncing oneself about what is seen as best for other countries then in a sense the judgement is correct. I would, however, strongly argue in favor of the right to state clearly, in no uncertain terms, that by and large I think the Lomé Convention should be seen as a trap that deviates attention, energy, productive forces away from more important concerns. And I have a right to do so belonging to the human race, regardless of the intention behind the Convention on either side, or the amount of painstaking work and negotiating skill that has gone into it. [I am also doing it, not only hoping, but also knowing that one day my counterparts in the developing countries, including the ACP countries, will raise their eyes above their own horizons and have a keen and critical look at our countries in the industrialized west, not only with a view to understanding better the by and large devastating impact we have had on so much of the rest of the world, but also to criticize what we do to ourselves. The moment they do that we in the rich West shall have a mirror in which to look at ourselves, as seen from the outside, with a vision that is not

blurred by being accustomed to our type of maldevelopment. And even if the verdict would be harsh I would hope that we on our side will not refer to it as paternalism, but welcome it as critical insights offered for our own free consideration, again because we all belong to the same human race.