Is Free Market Access Enough for Development? – Lessons of the Lomé Conventions

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Nowadays, problems of the developing countries belong to the global issues. More and more initiatives and financial assistance are to promote their development, but their effectiveness is at a low level. Perhaps as a result of it, the role of trade becomes more important and international organizations emphasize its role in development. Despite its current relevance, there were also attempts on this field in the past, the European Union's activity is outstanding. The EU granted significant trade and other economic preferences for the African, Caribbean, Pacific (ACP-) countries on a non-reciprocal basis for a long time in the framework of the Lomé Conventions.

In our study – using multivariate statistical methods – we aim to investigate the Conventions' impact on the economic development of the beneficiary countries. Our before-after comparison is based on cluster analysis investigating the relative situation of countries within and outside of, and before and after the Lomé-system. Our empirical research shows that the Lomé Conventions do not have significant impact on the economic development of the beneficiary countries.

Keywords: Lomé Conventions, free trade, trade and development, cluster analysis

1. Introduction

Nowadays trade plays an essential role, although some countries are unable to take part in the global trade effectively. It is accepted that trade could contribute to the eradication of poverty, and several international organizations accept it. They represent the interest to enable extremely favourable or free market access to the developing, mainly the least developed countries, and this would enable these countries to develop. Among these institutions, the European Union has been paying also great attention on trade in its development policy, as the EU has been providing favourable market access to several developing countries to the European markets.
The EU differentiates among the developing countries, and it has built up a special relationship with the African, Pacific, Caribbean (ACP) countries, and the Lomé

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Conventions provide the framework of this relationship. 46 ACP countries and 9 EC member states signed the first Lomé Convention in 1975, and three other Conventions followed this providing free market access and other economic preferences for the ACP countries. The objective of the conventions was to promote the economic and social development of the contracting developing countries.

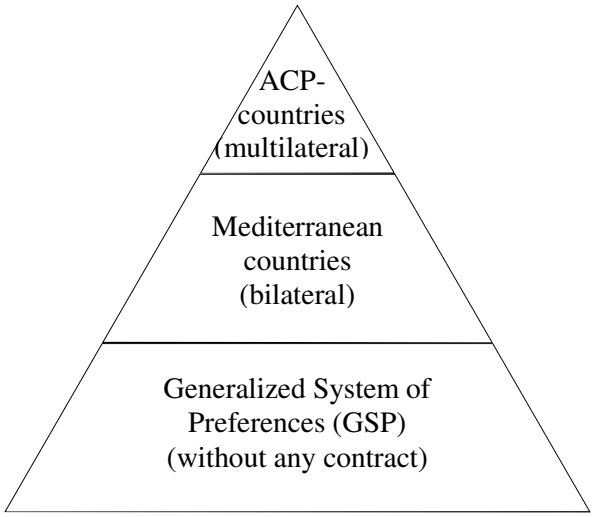
All these mean that there have already been initiatives which tried to integrate developing countries into the world trade and promote development through trade. Consequently, it is worth analysing how effective they were. Therefore *the objective of this paper is to investigate whether the Lomé Conventions as a unique initiative could contribute to the economic development of the contracting African, Pacific and Caribbean (ACP) countries*. To achieve this objective, we hammered out a new statistical methodology: the empirical analysis is based on a *before-after comparison using cluster analysis*. The analysis does cover not only the ACP countries, but other developing countries were also involved into the empirical research, playing as a control group. The paper first discusses the EU's relationship with the developing countries, then it introduces the Lomé Conventions as the greatest tool of the EU's development policy. In the next section we detail the methodology of the statistical analysis and present the results of the cluster analysis.

2. The EU's relationship with the developing countries

The European Union has been playing a great role in promoting development in the less-advanced countries. To achieve this aim, the EU grants not only financial assistance, but trade preferences to the developing countries in its development policy (Udvari 2008). The EU has established relationship with almost all the developing countries, but the preferences it grants for them are different. According to the obtained trade preferences we can analyse the relationship and the EU's influence on the developing countries (Figure 1).

The pyramid of beneficiaries shows that *the ACP countries are staying at the top level*, since they receive the greatest preferences and the most support from the European Union (Balázs 2002, Persson-Wilhelmsson 2006), that is these countries are the main beneficiaries of the EU's development policy. The EU-ACP relationship is based on contracts which ensure high level of security for the contracting parties. Besides, the contracts have a multilateral form as they are not signed with only one country but with several ones (with a country group). The preferences granted by the contracts cover a wide range of products, and there are only few restrictions and exemptions (Persson-Wilhelmsson 2006). Nowadays, 79 countries belong to the ACP-group (EC 2009a), out of which 48 stays in Africa. The framework of the EU-ACP relationship is based on the Lomé Conventions, which provided different preferences for the ACP countries. As the Lomé Conventions are the key point of our analysis, we detail them in the next section.

Figure 1 Pyramid of beneficiaries in the aspect of trade preferences



Source: own construction based on Persson-Wilhelmsson (2006)

At the *second level of the pyramid the Mediterranean countries are staying* – they receive similar preferences to the ACP countries, although the contracts are bilateral and there are more exemptions and several restricting rules than in the case of the ACP countries (Persson-Wilhelmsson 2006). Among the Mediterranean countries we can mention 16 countries with which the EU re-launched the Euro-Mediterranean Partnership in 2008 (EC 2009b).

At the *lowest level* of the pyramid those countries are standing which obtain only preferences *under the GSP*[2]*-rules*. Although this system is the oldest tool in the EU's trade preferences, the GSP-system provides the less favourable preferences and the EU grants them in an autonomous way: there are several restrictions, the rules on country of origin are extremely strict, besides, and here are several exemptions (Horváth 2005, Persson-Wilhelmsson 2006). Nowadays almost all the developing countries enjoy preferences under this system (EC 2009c).

This pyramid is essential for our analysis, since it gives us the opportunity to choose out the potential countries for our analysis. The pyramid shows us that in the aspect of trade preferences the EU provides for developing countries the ACP countries are the main beneficiaries, but other countries are also in connection with the European Union in a closer or a looser way. Consequently, this pyramid gives the basis for determining the group of control countries.

[2] Generalised System of Preferences

3. The Lomé Conventions

As the Lomé Conventions and their interventional areas provide the basic points to our empirical research, it is important to know their key elements. As the EU's development activity contains not only financial assistance but trade preferences, we accept that the Lomé Conventions belong to the tools of the EU's development policy (Horváth 2005). They granted preferences only to the ACP countries – but the preferences contained not only trade preferences, but interventions on other economic areas (diversification, investment), too (Babarinde-Faber 2004, Bjornskov-Krivonos 2001, Nunn-Price 2004).

The first convention was signed in 1975 and three other followed it. They expired after five years, excluding the fourth one with its 10-years. Consequently, between 1975 and 2000 the ACP countries could enjoy great preferences in the framework of these agreements.[3] The number of the ACP countries changed during this time: 46 ACP countries signed the first Lomé Convention, while 68 countries the fourth one (Bilal-te Velde 2003, Udvari 2008). All of the conventions involve the following areas (Babarinde 1994, Udvari 2008):

- *Trade preferences* ensured the ACP-countries free market access to the European markets in a non-reciprocal way.
- *Industrial cooperation* aimed at the industrial and technical development of the beneficiaries and at promoting the technology transfer.
- *Financial cooperation* enabled the ACP-countries to partake in financial support under the framework of the European Development Fund, European Investment Bank and the EU-budget.
- *Foreign direct investment* prescribed that no restriction may hinder the movement of capital between the contracting parties.
- *Technical cooperation* aimed at the diversification and modernization of the beneficiaries' economy.

All of these areas can be found in every convention, the difference is only the growing number of the articles in the conventions. It was supposed that the interventions would contribute to the economic and social development of the contracting ACP countries. Although most of the relevant literature emphasizes the trade preferences in connection with the Conventions, the importance of these interventions is larger.

3.1. The importance of the Lomé Conventions

These Conventions were unique in the era when they were signed. The concept seems to be successful as the number of the ACP countries signed the Conventions grew from 46 to 68 (and there was no left). It is unambiguous that *the key point of the Conventions is the trade preferences and long-term free access* to the European

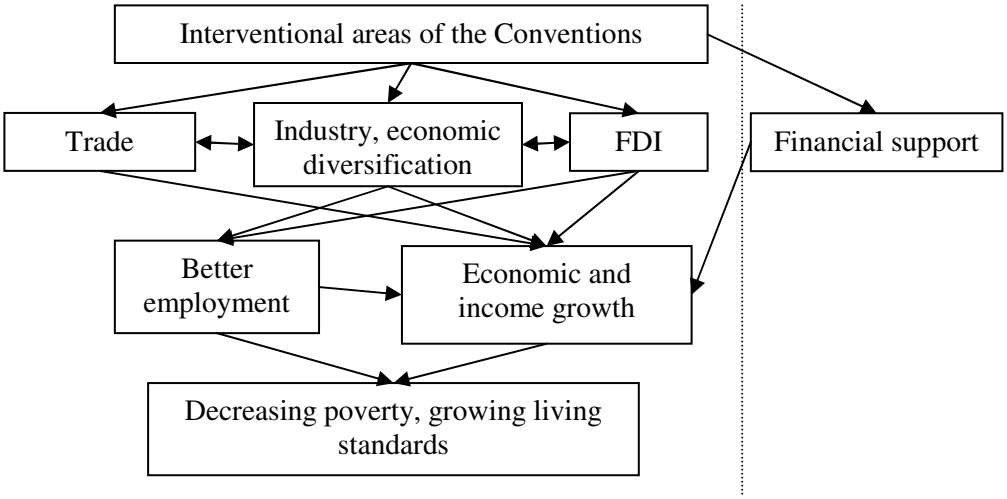
[3] Since 2000 the Cotonou Agreement plays this role for the ACP countries (Babarinde-Faber 2004).

market granted in contractual form to the recipient countries (Babarinde-Faber 2004, EC 1996).

The granted trade preferences are important because it covered 90% of the ACP export products (Babarinde-Faber 2004, Dezséri 2003). Besides, more than half of the ACP countries were contracting parties of the GATT[4], which dealt with tariff cuts of only industrial products and not of agricultural ones – which meant a large disadvantage for the developing countries (Stiglitz 2003). Furthermore, non-tariff barriers were imposed on goods produced by the ACP countries (Somai 1997), so these countries had a non-favourable position in the international trade.

The literature about the Lomé Conventions emphasizes the trade preferences only but we believe they were more than simple trade conventions, since they contained elements in connection with industrialization and foreign direct investments, as well as elements about financial assistance (Figure 2). All of these had the aim of economic diversification and to hinder that the ACP countries be independent from one (generally agricultural) export product and be able to decrease the risk coming from the fluctuating price of the products they can export.

Figure 2. Scheme of the Lomé Conventions



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All these facts suggest that the intervention of the EU should be favourable for achieving real economic development of the beneficiary ACP countries. Considering this, we try to analyse the economic effects of these Conventions using multivariate statistical methods. We have to emphasize that the interventional areas

[4] General Agreement on Tariffs and Trade, signed in 1947. It is the former institution of the World Trade Organization.

provide the basis for our empirical research, but in our analysis we investigate only the economic side, since, on one hand, because of lack data we had to leave out the effects of financial support from our analysis; on the other hand, lack data hindered us to analyse social indicators and social development. In the next section we detail the empirical research we made for analysing the impacts of the Lomé Conventions.

4. The empirical analysis

The four Lomé Conventions concentrated on the same areas, consequently most of the ACP countries could enjoy trade and other economic preferences for 25 years. This enables the empirical analysis of their impacts on the economy of the ACP countries. *The analysis is based on a before-after comparison* to investigate the changes happened after the Conventions. To get the most relevant results, control countries were involved into the investigation: the ACP-development was compared to that of the control states. In this section we first introduce the relevant countries and the indicators chosen out for the analysis. Later, we detail the methodology we hammered out for the investigation, and at the end the results will be presented.

4.1. Relevant countries and indicators

For choosing out the potential countries and indicators, we considered two things: on one hand, we concentrated on the interventional areas of the Conventions, on the other hand, we paid attention on the indicators in related literature. The literature review included not only studies on the empirical analysis of the Lomé Conventions, but on the relationship between trade and economic growth (e.g. UNCTAD 2007, Yanikkaya 2003) and on competitiveness (e.g. Lengyel 2000, Lukovics 2008), as well. In our analysis we studied only the direct economic effects of the Conventions, therefore we left out social indicators. Finally, we have determined *14 – exclusively economic – indicators to analyse the direct impacts of the Conventions*, they are as follows:

1. Trade
    a. EU-share from the country's export
    b. EU-share from the country's import
    c. Country's share from the EU's extra-export
    d. Country's share from the EU's extra-import
    e. Share of export from the GDP
    f. Share of total trade from the GDP
2. Industry, economic diversification
    a. Share of agriculture from the GDP
    b. Share of manufacture from the GDP
    c. Share of services from the GDP
    d. Agricultural employed within the population

3. Foreign direct investment
    a. Inward FDI per capita
    b. Inward FDI in proportion of the GDP
4. Economic and income growth
    a. Household consumption expenditure in proportion of the GDP
    b. GDP per capita (in logarithm way)

As for the trade performance, we found that we should analyse the trade from two sides: on one hand, we have to investigate whether the EU is an important partner for the country (*1a* and *1b* indicators); on the other hand, we have to analyse whether the country is important for the EU (*1c* and *1d* indicators) and this could show the effects of the Lomé-system. The *1a* and *1b* indicators showed that the EU played great role in the trade activity of the investigated countries[5], therefore we assumed the interventions of the EU could have a relatively strong impact on these economies.

The data were collected in case of all the indicators for the years of 1970-1975 and 2000-2005, and to avoid the outlier data we counted averages for these years. The data are from the on-line database of the UNCTAD Handbook of Statistics (UNCTAD 2009a), UNCTAD FDI (UNCTAD 2009b), and the United Nations Statistics Division (UN 2009). To eliminate the different measures of the indicators, we used standardized variables.

For determining the relevant countries to the analysis, the pyramid of the beneficiaries provided the basis. Beside the ACP countries, the Mediterranean countries and economies under the GSP (as a control group) were involved into the investigation. The relevant countries are from the study of Persson-Wilhelmsson (2006). Originally, 112 countries were involved into the analysis (as was in the study mentioned above), but throughout the investigation process we had to leave some countries out of the analysis because of three reasons (so-called country-filter): first, countries were left out which were outliers in the aspect of trade (e.g. China and India); secondly, we missed countries where data for most of the indicators were not available. Consequently, the sample contained 82 countries and the analysis was based on 14 indicators. But we had to leave out another two countries (the Bahamas and Singapore) as we experienced their distorting effects on the results of the cluster analysis. Finally, *80 countries composed the sample of our analysis,* out of which 50 countries belong to the ACP-block, while 30 countries (7 Mediterranean[6] and 23 GSP-countries) belong to the control group.

[5] The mean of this indicator was 45%, and 42%.

[6] Although nowadays more countries belong to the Mediterranean countries, we left out the 'newer' countries and concentrated on the countries that Persson-Wilhelmsson (2006) had determined.

4.2. *Methodology*

For the analysis *we hammered out a new methodology*. In our assumption, the Lomé Conventions granted remarkable preferences for the ACP countries for long-term, therefore some development should be experienced in these countries after the Lomé-system expired. To gain the most appropriate result, we involved countries outside of the ACP-group to the analysis as a control group. Consequently, we compared the results of the ACP-countries and that of the control group.

Our methodology is based on a *before-after comparison*. The investigation periods are the pre- (1970-75) and the after-period (2000-05) of the Lomé-system. Analysing the pre-period gives the opportunity to get a picture of the relative situation of the ACP- and the non-ACP countries before the Lomé Conventions appeared. Comparing this situation with the after-period, we can state the changes and investigate the economic results of the Lomé Conventions. *For the comparison we used cluster analysis*, as the aim of this multivariate statistical technique is to organize cases into homogeneous groups along the involved variables, and as a result, cases in a cluster are nearer (similar) to each other than to any member in other clusters (Sajtos-Mitev 2007, Székelyi-Barna 2005).

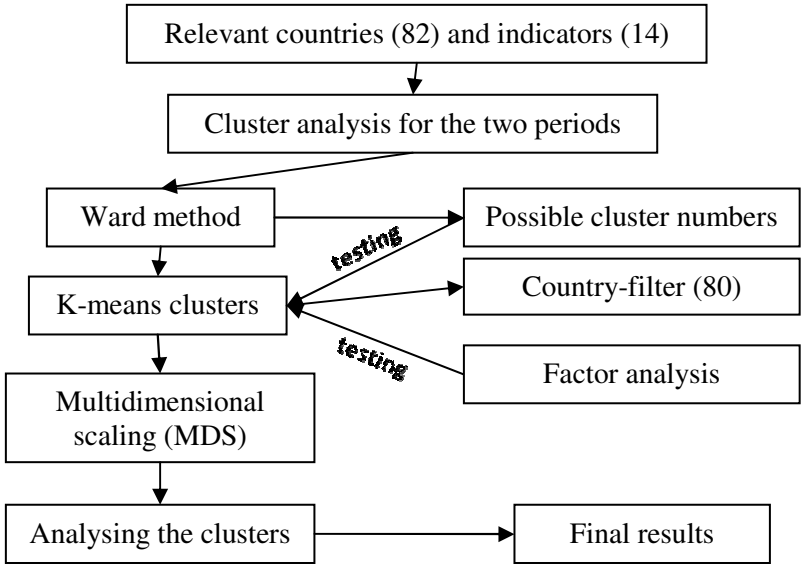
In our analysis *the clusters enabled us to investigate the economic changes between the two periods*. The *clusters of the pre-period show the relative situation of the involved countries before the EU's interventions*, as countries with similar economic results were organized into the same group. Consequently, we could determine which countries are more developed than the others and which lag behind along the indicators we involved into the analysis. Besides, the *clusters of the after-period show the results of the Lomé-system*, and we assumed the Lomé Conventions could contribute to the economic development of the beneficiaries; therefore changes should happen among the clusters. Consequently, during our analysis, *we compared two things in connection with the clusters*: on one hand, we paid great attention on the changing meaning of the clusters between the two periods; on the other hand, we analysed the changes of the cluster membership, as well.

Although the cluster analysis is the core point of our methodology, we tested and *checked the primary results with several other multivariate statistical methods* (Figure 3)[7]. These additional statistical techniques were necessary, since there were no references from the earlier studies how many clusters were assumed to gain. Therefore to determine the appropriate number of the clusters, we used two methods for the grouping and we followed the practice as preparing a hierarchical cluster analysis at first and then a non-hierarchical one (Sajtos-Mitev 2007). Consequently, the *hierarchical cluster analysis* (with Ward method) was the starting point *to determine the potential number of the clusters* with analysing the difference between the coefficients, as great difference between the coefficients shows that clusters are far from each other, therefore it is no worth uniting them (Sajtos-Mitev 2007).

[7] The process of the analysis was the same for both periods.

The hierarchical cluster analysis showed only uncertain results[8], therefore we tested the potential cases with *K-means clusters* (non-hierarchical method). This method showed us that two countries (the Bahamas and Singapore) appeared in one single cluster during the tests of all the cases, therefore we found they had a distorting effect and we should leave these two countries out of the analysis. Consequently, the number of the relevant countries decreased to 80.

Figure 3. Steps of the empirical analysis



Source: own construction

By K-means clusters method we could test the potential solutions of the cluster numbers we received by the hierarchical analysis. To choose out the most appropriate one, the *multidimensional scaling* (MDS) was taken. MDS is such a multivariate statistical technique, which decreases the data and enables the geometric representation of cases according to their distances in a decreased dimension area (Székelyi-Barna 2005). In our case, the MDS was prepared for two dimensions on all the indicators we involved into the analysis.[9] The two axis (dimensions) could be named as economic and trade performance. The two-dimension graphic appearance contributed to analyse the distances between the cases (countries) and to decide which cluster-number could give the most

[8] The potential number of the clusters was between four and eight.

[9] The value of the S-stress indicator shows whether the MDS is appropriate for the analysis (Kovács-Petres-Tóth 2006). The value of this indicator was 0.071 (good) for the pre-period, and 0.091 (good) for the after period.

appropriate solution. Using the coordinates we gained by the MDS, we represented the countries in a two-dimension area where we analysed their positions according to their cluster membership. We rejected those solutions for the potential number of clusters where the countries' appearance according to their cluster membership was not obvious.

Beside the graphic representation, we used *factor (principal component) analysis for testing the results of the K-means cluster analysis*, as well. Principal component analysis is a technique to reduce the number of the variables by getting a new variable which cannot be investigated directly (Hajdu 2003, Sajtos-Mitev 2007). We decreased the number of the variables according to the scheme and interventional areas of the Lomé Conventions, and as a result we received six factors.[10] The cluster analysis was prepared again (beginning with the hierarchical method) along these new factors as variables. The result was persuasive: *the difference between the two cluster analyses was not significant* – the most appropriate number of clusters was the same, besides, most of the countries belonged to the same cluster as originally. As there was no significant difference and as there was no contradiction with the testing methods, *we could accept the results of the K-means cluster analysis*.

4.3. Results of the cluster analysis

In this chapter we will present only the results of the K-mean cluster analysis for both periods. As there was no contradiction between the testing methods, we do not detail either the pre-calculations or the results of the testing methods. Because of the relatively large number of the countries, we cannot introduce the membership of the clusters, we will present only some examples, the final results of both periods can be found in the appendix.

4.3.1. Cluster analysis for the pre-period of the Lomé Conventions

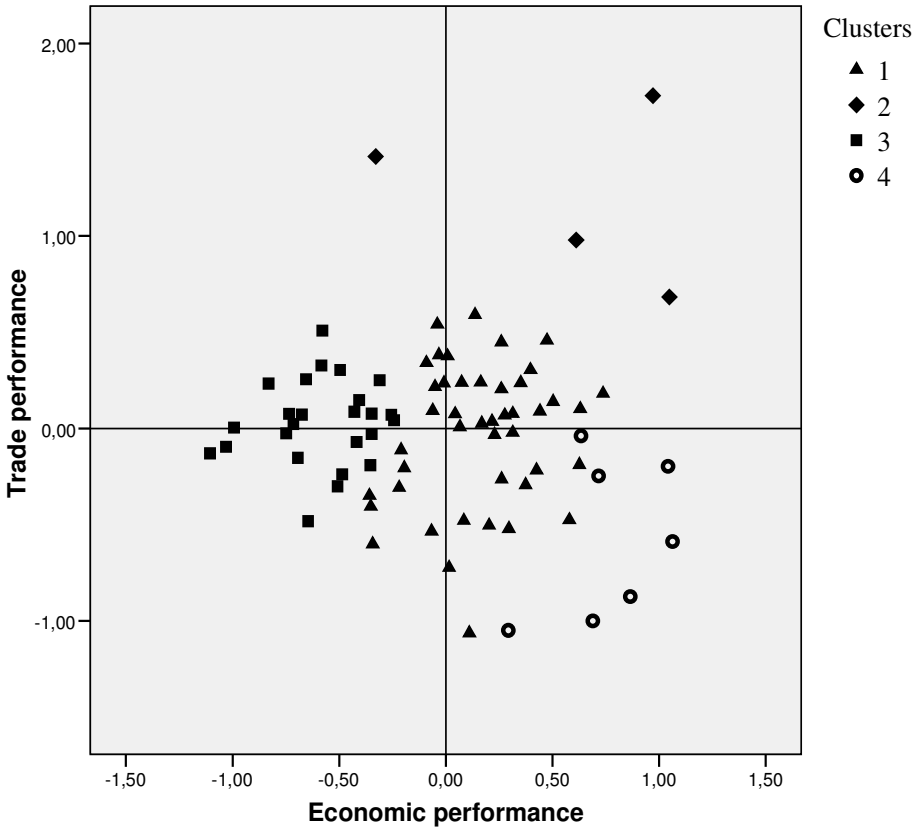
The analysis for the pre-period was prepared along the above-mentioned 14 indicators and for 80 countries. The MDS and the K-means cluster analysis strengthened us (complying with the hierarchical cluster analysis) that the most appropriate number for the clusters are four (Figure 4).

Analysing the final cluster centres and the means of all the clusters, we could give meanings for them and make economic distinguish between them. Using cross

[10] All the principal components preserved more than 80% of the information of the original indicators. These components are as follows: (1) openness, (2) EU's importance in the country's trade, (3) country's importance in the EU's trade, (4) FDI, (5) economic activity outside the industry, (6) economic income.

tables we could also analyse other features of these clusters with other variables which were not directly involved into the analysis. [11]

Figure 4. Clusters before the Conventions



Source: own construction

The cluster names and their features are as follows:

- *Middle opened, averagely developed countries (cluster 1)*, containing 44 countries, where we can find African and Latin-American countries, as well (e.g. Angola, Bolivia, Egypt, Nicaragua, Uruguay).

- *Relatively developed industrial economies with strong EU-relations (cluster 2)*, containing only 4 countries (Argentina, Brazil, Israel, Nigeria). The

[11] In these cases it is no worth speaking about ACP countries, as the ACP-group was created a bit later, and we speak about them in connection only with the Lomé Conventions.

strong EU-relations mean that the countries are important partners for the European Union, but the EU's role in the countries' trade is under the average.

- *Relatively closed and underdeveloped, agricultural countries (cluster 3)*, containing 25 economies, out of which 84% are African countries (e.g. Chad, Ghana, Burundi, Uganda).
- *Relatively developed, opened economies independent from the EU (cluster 4)*, containing only 7 countries. The openness refers to the openness for both the foreign investments and trade. Half of these countries belong to the Caribbean countries (e.g. Barbados, Jamaica).

These results show that before the Lomé-system there were two smaller groups which were relatively developed than the other countries. Furthermore, these relatively developed countries are outside of the ACP-group. It is important to emphasize that *the relatively underdeveloped, agricultural cluster contains mostly African countries*. As the African countries are the greatest beneficiaries of the Lomé-system, and they obtained more favourable preferences than any other countries, we have to pay attention on this cluster while analysing the after-period. Consequently, we should experience development and changes in this cluster and in its membership.

4.3.2. Cluster analysis for the after-period of the Lomé Conventions

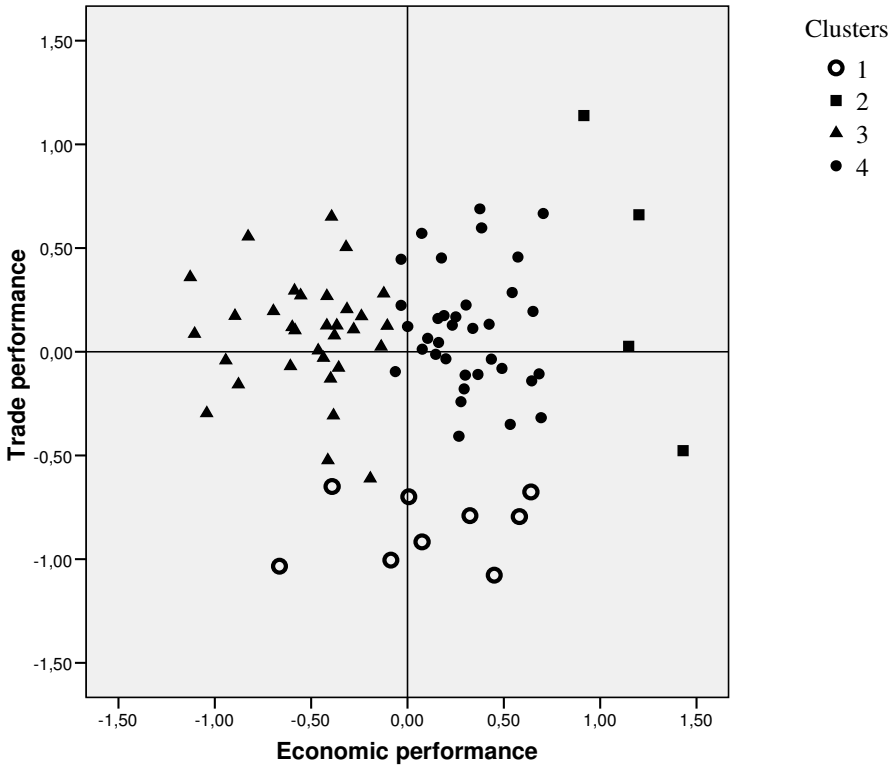
For the after-period similar analysis was prepared as happened in the case of the pre-period. Because of the interventional areas of the Lomé Conventions we assumed that there would be great changes not only in the number of the clusters, but in their meanings, as well. Despite, our analysis gave a surprising result. The K-means cluster analysis together with the MDS shows that the four-cluster solution seems to be the most appropriate (Figure 5).

Beside the similar number of clusters, the meaning of the clusters remained similar to that of the earlier period. The clusters' names are as follows and their features are analysed by using cross tables:

- *Opened economies with strong EU-relations (cluster 1)*, containing only 9 countries. They all are ACP countries and they all signed the first Lomé Convention. The EU is an important trading partner for the countries, but it is not true from the other point of view.
- *Relatively developed, industrial economies with strong EU-relations (cluster 2)*, containing only four countries, but there is a little change in comparison to the earlier period: Brazil and Israel remained in the relatively developed cluster as were in the first period, but two new countries joined them (Thailand, Malaysia). None of the cluster members signed any of the Lomé Conventions, and three of them are under the GSP-system.

- *Relatively underdeveloped, agricultural economies (cluster 3)*, containing 32 countries. 78% of the cluster members signed the first Lomé Convention (1975), and most of the cluster members (94%) are ACP countries. Besides, 60% of the ACP countries belong to this cluster.
- *Averagely developed economies without any important EU-relations (cluster 4)*, containing 35 countries. 80% of the countries which did not sign any of the Conventions became member of this cluster; consequently most of the control countries are in this cluster.

Figure 5. Clusters after the Conventions



Source: own construction

Although we expected significant changes in the meanings and features of the clusters, our results show the opposite. The clusters are similar to the pre-period ones in the aspect of their meaning. Looking at the features of the cluster members, it is unambiguous that most of the ACP countries could not gain from the preferences of the Lomé Conventions, since most of these states belong to the relatively underdeveloped cluster with an agricultural feature. Consequently, the

Lomé Conventions seem to be unsuccessful in the objective of economic development and diversification in the beneficiary countries. The features of the clusters' membership present that countries out of the Lomé-system could perform better in the aspect of the investigated variables. It is important to compare the two periods' results, and we can do it as the clusters are extremely similar to each other.

4.3.3. Comparing the two periods

The results of the two periods are similar to each other: the clusters of the after-period could be corresponded to those of the pre-period. This provides the basis for comparing the two periods. Since the sample of our before-after comparison was equal in the two periods (there was no change), that is the data of the two periods belong to the same sample, we can control these two related samples' homogeneity. And homogeneity of two related samples can be checked with nonparametric tests (Ketskeméty-Izsó 2005, Vargha 2000). Consequently, for comparing the results of the two periods in our analysis *we used a nonparametric test*[12] *(Wilcoxon Signed Ranks Test)*, with which we investigated two things:

- whether there is *significant difference between the cluster memberships* of the two periods;
- whether *signing one of the Lomé Conventions contributed to the changes of the cluster membership*.

In our analysis, the Wilcoxon-test shows that there is *no significant difference between the cluster memberships* of the two periods (p-value: 0.152). This means that countries belonging one cluster of the pre-period became members mostly the same cluster in the after-period. Besides, as for the effects of the Lomé conventions on the cluster membership, the result of the non-parametric test presents that there is *no importance whether the countries signed the Lomé Conventions or not*, the contracts do not have determining role in the changes of the cluster membership (p-value varies between 0.102 and 0.336 along the Lomé Conventions).

Consequently, *the Lomé Conventions* – though they seemed to be effective intervention by the European Union – *seem to perform without any spectacular results*. Countries which were out of the Lomé system could achieve better results and they are more developed than the ACP countries getting significant preferences. Our analysis shows that the most unfavourable result occurs in case of the countries, which belonged to the underdeveloped, agricultural economies in the pre-period: although they became beneficiaries of the Lomé-system, they could not perform much better and they remained in the same cluster. The objective of economic diversification was not successful, either – as the most underdeveloped cluster

[12] At first we had to recode the number of two clusters to correspond to each other in the two periods. As a matter of fact, cluster *4* in the after-period corresponds to cluster *1* in the pre-period (the new number is 1), while cluster *1* in the after-period to cluster *4* in the pre-period.

contains mostly ACP countries. Analysing the cluster membership in the after-period we could see that there are some success countries – but unfortunately they are little and happened to countries mostly which are outside the ACP-group (e.g. Thailand, Malaysia).

5. Conclusions

The aim of this paper was to study the impacts of the Lomé Conventions on the economic development of the ACP countries. This paper and the empirical analysis show us that *the Lomé Conventions do not have important impact on the economic development of the contracting countries*.

The paper introduced that the ACP countries became the greatest beneficiaries of the EU's development policy, the preferences they can enjoy are at the highest level. These show that a special relationship exists between the EU and the ACP countries. The framework of their relationship is regulated by the Lomé Conventions which granted trade and other economic preferences for the contracting ACP-group. The preferences were on non-reciprocal basis, meaning the ACP countries could enjoy free market access to the European markets without any compensation. As the Conventions granted long-term preferences on the same areas (trade, economic diversification, foreign direct investments) in contractual form, the basis for an empirical analysis is given to investigate their direct impact on the development of the beneficiary countries.

The analysis was based on a before-after comparison: the pre-period of the Lomé Conventions was compared to the after-period. Besides, our empirical analysis contained countries outside of the ACP-group playing as a control group. Consequently, we compared the results of the ACP countries to those of the control group, stating the relative situation of the countries within and outside of the Lomé-system. For the analysis we used multivariate statistical techniques and we hammered out a new methodology. The empirical research was based on cluster analysis using other multivariate statistical methods for testing the results.

As 25 years passed between the two periods, changes and some economic development were expected. But our analysis does not show significant changes. Interestingly, the clusters' number remained the same with the same meaning in the after period as they were in the pre-period. Comparing the memberships of the two periods we could state that there is no significant change. Moreover, most of the African ACP countries remained members in the least developed cluster. This result is more important if we remember that the Lomé Conventions were not only about trade preferences, but contained elements in connection with economic diversification and foreign investments.

Consequently, free market access and non-reciprocal trade preferences themselves are not enough for achieving economic development. This kind of

initiative of the international organizations should be complemented with other development assistance to achieve more favourable results.

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Appendix

Cluster membership in both of the periods

Country	Cluster (pre)	Distance (pre)	Cluster (after)	Distance (after)
Angola	*1*	2,453	*1*	2,329
Argentina	*2*	2,522	*4*	2,171
Bangladesh	*3*	1,903	*3*	2,372
Barbados	*4*	2,382	*4*	2,522
Belize	*4*	3,17	*4*	1,719
Benin	*1*	2,388	*3*	1,674
Bolivia	*1*	1,663	*4*	1,679
Brazil	*2*	3,459	*2*	2,92
Burkina Faso	*3*	2,395	*3*	1,718
Burundi	*3*	2,166	*3*	1,758
Cameroon	*1*	2,296	*4*	1,998
Cape Verde	*1*	3,128	*4*	2,845
Central African R.	*3*	2,646	*3*	3,637
Chad	*3*	2,027	*1*	3,911
Chile	*1*	2,938	*4*	2,547
Colombia	*1*	1,925	*4*	1,178
Comoros	*3*	2,273	*3*	1,714
Congo	*1*	3,478	*1*	2,587
Costa Rica	*1*	2,835	*4*	1,339
Cote d'Ivoire	*1*	2,055	*4*	2,343
Dem. Rep. Congo	*1*	2,374	*3*	2,608
Ecuador	*1*	2,166	*4*	1,351
Egypt	*1*	2,289	*4*	2,481
El Salvador	*1*	1,811	*4*	2,22
Ethiopia	*3*	2,109	*3*	3,128
Fiji	*1*	2,243	*4*	1,93
Gabon	*1*	4,736	*1*	3,306
Gambia	*3*	3,099	*3*	2,421
Ghana	*3*	1,453	*3*	1,649
Grenada	*1*	2,753	*1*	3,976

Guatemala	*1*	2,191	*4*	1,97
Guinea-Bissau	*3*	2,908	*3*	2,875
Guyana	*1*	2,5	*1*	2,931
Haiti	*3*	1,611	*3*	2,809
Honduras	*1*	2,128	*4*	1,871
Israel	*2*	3,66	*2*	2,962
Jamaica	*4*	2,36	*4*	1,312
Jordan	*1*	3,126	*4*	1,832
Kenya	*3*	1,656	*3*	1,228
Lao P. D. R.	*3*	3,004	*3*	2,241
Lebanon	*1*	3,431	*4*	2,949
Liberia	*4*	3,596	*3*	3,587
Madagascar	*3*	1,815	*3*	1,389
Malawi	*3*	2,051	*3*	1,243
Malaysia	*1*	2,441	*2*	3,134
Mali	*3*	2,882	*3*	1,238
Mauritania	*1*	3,407	*1*	2,886
Mauritius	*1*	2,135	*4*	2,64
Morocco	*1*	2,769	*4*	3,658
Mozambique	*3*	2,828	*3*	1,979
New Caledonia	*1*	3,327	*4*	2,999
Nicaragua	*1*	2,473	*4*	1,811
Niger	*3*	1,609	*3*	1,335
Nigeria	*2*	4,233	*3*	3,255
Pakistan	*3*	1,912	*4*	2,091
Panama	*4*	2,106	*4*	2,524
Papua New Guinea	*1*	3,234	*3*	3,716
Paraguay	*1*	1,625	*4*	1,706
Peru	*1*	1,939	*4*	1,224
Philippines	*1*	3,091	*4*	2,329
Rwanda	*3*	1,157	*3*	1,658
Samoa	*1*	2,465	*4*	2,325
Sao Tome and P.	*1*	3,112	*3*	3,788
Senegal	*1*	2,316	*3*	2,264

Seychelles	*4*	3,172	*1*	4,451
Sierra Leone	*3*	2,46	*3*	3,994
Somalia	*3*	1,631	*3*	3,319
Sri Lanka	*1*	2,429	*4*	1,73
Sudan	*3*	1,773	*3*	2,226
Suriname	*1*	2,829	*1*	2,711
Syrian Arab Rep.	*1*	1,365	*4*	2,922
Thailand	*1*	2,413	*2*	2,673
Togo	*1*	2,881	*3*	1,71
Trinidad & Tobago	*4*	2,523	*4*	2,767
Tunisia	*1*	2,123	*4*	4,405
Uganda	*3*	1,475	*3*	1,145
Tanzania	*3*	1,425	*3*	1,148
Uruguay	*1*	2,511	*4*	1,228
Vanuatu	*1*	2,964	*4*	2,756
Zambia	*1*	3,047	*3*	1,777

Source: own calculation