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## **TANZANIA – EEC RELATIONS**

X/269/80

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## TANZANIA - EEC RELATIONS

### From the Arusha Convention to the Lome Convention

Relations between Tanzania and the European Community date back to September 1969 when Tanzania, as a member of the East African Community signed the Arusha Convention with the then six member states of the EEC. This Association Agreement came into force in 1971.

The Arusha Convention was negotiated under Article 238 of the Treaty of Rome, which makes provision for the establishment of an association agreement "involving reciprocal rights and obligations, common action and special procedures". In content the agreement was merely a trade arrangement as there were no provisions for financial and technical aid, as in the case of the then Yaounde Convention between the EEC and the African and Malagasy States (AASM).

The East Africans' interest in concluding an agreement with the EEC stemmed from the increasing indications in the early sixties that the United Kingdom might enter the European Community. Moreover a large number of the products produced in East Africa are similar to those produced in the AASM States, hence in view of the existence of the Yaounde Convention, Tanzania, Kenya and Uganda felt it desirable to have an arrangement to secure part of the EEC market for East African products. So Article 1, paragraph 2 of the Arusha Convention stated: "the aim of the Association Agreement is to promote an increase of trade between the European Economic Community and the Partner States of the East African Community and thus to contribute to the development of international trade".

The agreement was essentially of interest for three main export products of the East African Community, namely unroasted coffee, cloves and tinned pineapples. These exports were however subject to ceilings. If these quantities were exceeded, then the Community could take safeguard measures. In the case of unroasted coffee, the East Africans were allowed to export 56,000 metric tons to the Community, 120 metric tons of cloves and 860 metric tons of tinned pineapples over a twelve month period. These guidelines were not however strictly imposed. In 1971, imports of East African tinned pineapples reached 1,680 metric tons before the EEC took safeguard measures. In 1972 a total of 1,714 metric tons were imported into the Community and no action was taken to restrict the amounts concerned.

When the United Kingdom became a full member of the European Community in January 1973, the English speaking developing countries in the African Caribbean and Pacific region expressed interest in negotiating a trade and aid pact with the Community. Tanzania, Uganda and Kenya were also amongst those interested in concluding a broader based agreement with the Europeans.

So in February 1975, Tanzania was one of the 46 African, Caribbean and Pacific States to sign the ACP/EC Convention of Lome, demonstrating its interest in maintaining and developing its links with the EEC.

### The Lome Convention - an agreement with great potential

When the Lome I Convention was signed it was heralded as a model in relations between industrialised and developing countries. The first Lome Convention expired on 29 February 1980 and the following day the terms of the Lome 2 agreement were provisionally applied. The latter comes into full effect once the national parliaments have completed the ratification procedures.

But before mentioning the new Convention, the relations between Tanzania and the Community under the Lome I Convention should be considered. First of all it is worth pointing out that the Lome I Convention was much wider in scope than any previous agreement concluded between the European Community and developing countries. In the trade field, the Convention offers duty free access into the Community markets for nearly all ACP products. Provision is also made to finance trade promotion schemes to enable the ACP to gain a better share of the markets and also encourage consumer interest in new products. The authors of the Convention realised that developing trade was not merely a question of opening up markets in terms of reducing customs duties, specific action must be taken to encourage new export potential.

Another major advantage over and above the previous Arusha Convention and indeed the Yaounde Conventions relates to reciprocity. Under the latter Conventions, trade advantages were reciprocal. When the Lome Convention came up for negotiation, the ACP States pointed out that reciprocity was no longer justifiable. In the early 1970's many international bodies said that reciprocity should no longer be demanded of developing countries. So under the Lome Convention these provisions were abolished.

In terms of financial and technical cooperation, Tanzania is scheduled to receive about 103.4 million units of account, approximately 1,137 million Tanzania Shillings from the 4th European Development Fund. This is a relatively high amount as Tanzania is one of the least developed ACP States which receives particularly favourable treatment under the provisions of the Convention.

Tanzania has also been a major beneficiary of the Stabilisation of Export Earnings Scheme (Stabex). Stabex acts as a type of insurance scheme for the ACP States. If their exports to the Community fall through no fault of their own, due to for instance drought conditions or market difficulties in the European Community, then the EEC compensates the ACP States concerned for the loss in earnings. By taking the past four years as reference period, the ACP State concerned receives a transfer equivalent to the difference between the average performance in normal years and the short fall registered in the year in question. This scheme has been particularly beneficial in relation to Tanzania's exports of sisal.

Another important innovation to be included in the Lome I Convention concerns industrial cooperation. Early on in the Lome Convention negotiations, the African, Caribbean and Pacific States requested that a special chapter be set aside in the new agreement for the industrial development of the ACP. The Community agreed and a special chapter was devoted to industrial cooperation between the EEC and ACP. This is the first time that the Community has included provisions in the industrial field in an agreement with developing countries and this was seen as a sign of the EEC's interest in helping the ACP to develop their industrial potential. The Convention also made provision for assisting small and medium sized firms which are a natural phenomenon in the ACP.

#### Profile of Tanzania

Situated just south of the equator, the United Republic of Tanzania covers an area of 945,087 sq kms and has a population of 17.5 million (1978). To the north lie Uganda and Kenya, to the west Zaire, Rwanda and Burundi, to the south Mozambique and Malawi and to the south west Zambia. The eastern part of the country borders on the Indian Ocean.

The United Republic was formed on 26 April 1964 when Dr. Julius Nyerere and the late Sheikh Abeid Karume signed an Act of Union, uniting Tanganyika with the island of Zanzibar. At this juncture it was called the United Republic of Tanganyika and Zanzibar, but on 29 October 1964 was renamed the United Republic of Tanzania. It was on this occasion that Dr. Nyerere was named president and Sheikh Karume as first vice president. President Nyerere has held this position ever since.

Tanzania has a wide variety of landscape, and includes both the highest and lowest parts of Africa -Mt Kilimanjaro, 5950 meters and the floor of Lake Tanganyika, 358 meters below sea level. The economy is based on agriculture, the main export crops being coffee, cotton, sisal, tobacco, cashew nuts and cloves. Tanzania also exports some diamonds.

While Tanzania faces similar problems to other African states and produces similar crops, it is unique in terms of the way in which it tackles the development problem. The Tanzanian government has since 1967 pursued a policy of self reliance and socialism. This policy, which was spelt out in the Arusha Declaration of 1967, is based on an integrated economic, social and political strategy. The main instrument for rural development is the formation of Ujamaa villages where people group together and work the land as a cooperative effort. This means that basic facilities can be more easily supplied by the government than if the people lived in scattered areas. At present there are over 8,000 Ujamaa villages in the country. The industrial and transport sectors of the economy are mainly run by parastatal corporations which at present number 140.

#### Agriculture: the mainstay of the economy

Agriculture is the backbone of the Tanzanian economy. It accounts for about 90% of total exports, about 46% of Gross Domestic Product (1977) and is the central activity of most Tanzanians. Since independence the government has developed an agricultural policy which is embodied in the programmes of villagisation and the policy of Ujamaa. The latter is based on four main assumptions: that Tanzania's economy depends on agriculture; that nearly 95% of the people live in rural areas and that agricultural development depends on these people and therefore Tanzania's development depends on the policy of rural development.

In terms of food for local consumption, the chief products are maize, rice, wheat, beans, sorghum, cassava, sweet potatoes, copra and bananas. The main export crops are coffee, cotton, sisal, tobacco, pyrethrum, cloves, tea and cashew nuts.

Coffee is the most important export crop accounting in 1977 for about 41% of total exports. Grown mainly in the north east around Mt Kilimanjaro and in the south west of the country, production is currently about 51,000 metric tons (1978/79) per season. Tanzania produces mainly arabica coffee.

Cotton is the second most important export earner accounting in 1977 for about 12% of total exports. About 85% of the country's total output is produced in the Lake and West Lake Region. The domestic textile industry is however taking over greater quantities of local cotton, such that less is now available for export. Production stands on average at about 61,500 metric tons.

Sisal used to be Tanzania's main export crop. However world demand for sisal has fallen in recent years due to the development of synthetic fibres. As a result production in Tanzania has fallen and in 1977 only just over 66,000 tons was exported. Sisal is grown mainly on government-owned estates

in the Tanga region.

Cashew nuts have become increasingly important in recent years. Grown mainly around Mtwara and Dar Es Salaam, production stood in 1979 at 96,748 tons, a 15% rise on 1976 figures. Cashew nuts now account for about 6% of total exports.

Cloves are produced mainly on the islands of Zanzibar and Pemba. Production there has made Tanzania into the leading world exporter of this crop. Most of the exports go to India and Indonesia.

Other crops: Tanzania also produces tea, tobacco and pyrethrum for export.

#### Industry: a major growth sector

Although industry only accounts for about 10% of gross national product, it is a major growth sector. The current development plan has set aside 27% of total expenditure to develop industrial capacity. Tanzania is concentrating on developing the processing of local agricultural products - food processing, textiles, brewing and cigarettes. However iron and steel production is now being developed with Chinese assistance and production of cement, timber, paper and leather products is being stepped up. Mining for diamonds is carried out in the Shinyanga region, south of Lake Victoria. As an export commodity, they account for about 3% of total exports.

#### Five Year Development Plan for 1976 - 1981

The Third 5 Year Development Plan, covering the period 1976 to 1981 was only approved and published in 1978. The plan aims at achieving an average growth rate of 6 per cent per year, compared with 4.8 per cent under the previous plan. The government once again emphasises the need to shift resources into the productive sector of the economy and to improve productivity. With this in mind the plan shows a 5 year capital expenditure programme amounting to 27 billion T Sh, allocated to the main sectors as follows:

agriculture 4.4 billion T Sh  
industry 7.2 billion T Sh  
construction 2.7 billion T Sh  
Transport and communications 2.2 billion T Sh  
administration 3.7 billion T Sh.

Of this total 21.7 billion will be spent by the government and 5.3 billion by the parastatals. About 62% of the government share will be financed externally.

In the agricultural sector, the third development plan aims at increasing production of cash crops and expanding local processing of raw materials in order to maximise export earnings from sisal, cotton and cashew nuts. By 1981 the government hopes to achieve the following results: (in '000 tons)

CROP	1975/76	1981		
	Production	Total prod.	Local processing/ utilisation	Export
Coffee	55	65	2	63
Cotton	42	100	21	79
Sisal	118	200	130	70
Cashew nuts	83	166	74	78
Tea	13	24	4	20
Tobacco	18	38	6	32
Pyrethrum	4	8.1	0.1	8

As mentioned earlier, about 7.2 billion T Sh should be invested in the industrial sector during the plan period. Of this total over 27% goes to the textile, leather and sisal sub sectors, 19% to food and beverages and 19% to paper and wood. Investment in the latter sub sector is fairly high as the government wishes to forge ahead with the Mufindi paper and pulp mill.

#### Economy under strain

Since mid 1978 the economy has come under increasingly severe strain which could jeopardise hopes of achieving the aims set out in the development plan. Since mid 1978, import licences have been severely cut back, donors have been asked to switch aid from projects to cash for purchasing essential goods. The World Bank has been approached for additional aid and the IMF has also been approached for additional credit facilities. The recent hostilities with Uganda in order to oust Idi Amin are estimated to have cost the Tanzanians 400 million ua.

Since March 1979, the economic situation has continued to deteriorate, particularly as regards trade and the overall balance of payments deficit. A number of circumstances have contributed to this situation:

- the drought years of 1974-75 and again in 1979;
- the increase in the price of oil which means that 45% of the country's total export earnings in 1980 will be used to pay the oil bill;
- the war with Uganda;
- slow down in production due to lack of spare parts or raw materials;
- the unforeseeable and substantial investment in the new national airline; cash needed to run the railways and ports due to breakdown of East African Community's common transport services.

#### TRADE: EEC IS MOST IMPORTANT PARTNER OF TANZANIA

The European Community is by far the most important trading partner of Tanzania. The EEC now accounts for nearly half of Tanzania's imports (54 % in 1978) and nearly half of her exports (about 50 % in 1978). The United Kingdom is still the largest single trading partner, although Germany is becoming increasingly important. The UK absorbs over 70 % of tea exports and 80 % of tobacco exports and is the biggest customer for sisal.

Under the provisions of the Lome Convention, nearly all ACP products benefit from duty free access into the EEC. The only exceptions apply to

products covered by the Community's agricultural policy but this does not affect Tanzania.

Coffee is Tanzania's most important export crop, but the value of exports is strongly influenced by world market prices. Before the sharp rise in coffee prices, coffee accounted for about 20% of the value of total exports. This rose to 42% in 1977, but in 1978 fell again with the sharp fall in world prices.

The Nine buy most of Tanzania's exports of coffee, most of her tea, almost all of her tobacco, all her diamonds and a substantial share of her sisal. The EEC is also the main recipient of Tanzania's cashew nuts after they have been processed in India.

The composition of Tanzania's imports has changed over the past few years, with greater emphasis being placed on capital and intermediate goods. However, oil price rises are now a major burden and so the government has severely restricted import licences for other goods in order to save foreign exchange.

Further details of the trade pattern and performance are given in the following tables, and in annex II.

Direction of trade (in million T Shillings)

	<u>Imports</u>			<u>Exports</u>		
	1975	1976	1977	1975	1976	1977
EEC	1,926	1,911	2,846	952	1,637	2,133
Other W. Europe	209	173	233	73	99	91
USA & Canada	879	426	372	208	452	678
Middle East	570	760	530	12	7	39
India	123	223	352	150	203	163
China	581	349	178	112	113	145
Far East	530	551	886	543	777	646
Kenya, Uganda	406	460	138	175	240	28
Other neighbours	51	31	49	101	127	181
Other countries	419	328	576	398	400	397
<b>Total</b>	<b>5,694</b>	<b>5,212</b>	<b>6,160</b>	<b>2,724</b>	<b>4,055</b>	<b>4,501</b>

Source: Ministry of trade

Major Exports (in million T Shillings)

<u>Products</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Coffee	1,283	1,870	1,303
Cotton	613	542	419
Sisal	240	228	218
Cashew nuts	131	188	229
Cloves	261	244	59
Tea	135	180	168
Tobacco	188	206	222
Meat and meat preparations	17	14	3
Pyrethrum extract	20	17	17
Petroleum products	173	134	- *)
Minerals	175	210	- *)
Manufactures	221	259	- *)
<b>Total exports</b>	<b>3,853</b>	<b>4,506</b>	<b>3,635</b>

Source: Ministry of trade

\*) non available



Major Imports in 1977 (in million T Shillings)

Capital goods	2,873
Crude oil	551
Other intermediate goods	1,473
Textiles and apparel	325
Grains	291
Other food	314
Other consumer goods	<u>195</u>
Total	6,022

Source: Bank of Tanzania

LOME 1 AID: DRAWING UP THE INDICATIVE AID PROGRAMME

In December 1975 a programming mission composed of officials from the European Commission and European Investment Bank visited Dar Es Salaam for talks with the Tanzanian Government. The aim of this mission was to draw up an "indicative aid programme", in other words to compile a list of projects which could be considered for financing under the terms of the Lome 1 Convention. This list is deliberately called an "indicative aid programme" as both sides were anxious to maintain a certain amount of flexibility over the destination of funds available.

During the course of the mission the Tanzanians pointed out that they wished the aid to be used mainly to support industrial and rural development projects. This is in line with the aims of the third development plan which was being drafted at that time.

Under the terms of the Lome 1 Convention, Tanzania is to receive 103.4 million units of account from the 4th European Development Fund, not counting risk capital and administrative costs.

The indicative aid programme which was finally drawn up contained a heavy industrial component. About 33 per cent of the total aid package was set aside for industrial development projects, 28 per cent to finance transport infrastructure (roads and ports), 24 per cent to finance rural development schemes, 10 per cent for social development and the remaining 2 per cent to finance training projects.

Tanzania : Lome 1 Indicative Aid Programme (modified). Situation at March '80

	<u>E.U.A. million</u>
<b>1. <u>Industry</u></b>	
Expansion of Kiltex textile factory in Arusha	6.6
Morogoro industrial complex (canvas mill)	13.0
Bitumen plant	3.0
Road Idetero to Pulp and Paper Mill Mufindi (including study)	11.6
	<hr/> 34.2 = 33%
<b>2. <u>Infrastructure</u></b>	
Lake Victoria circuit road (Mwanza-Musoma link)	28.4
Zanzibar (Pemba port) projects (ferry connection and final design)	0.3
	<hr/> 28.7 = 28%
<b>3. <u>Rural Development</u></b>	
Coffee improvement programme	12.7
Iringa Integrated Rural Development Scheme	6.5
Complementary action for coffee programme	1.8
Dakawa Rice Project	3.5
	<hr/> 24.5 = 24%
<b>4. <u>Social Development</u></b>	
Urban water supply (Mbeya, Mtwara, Mwanza)	11.0 = 10%
<b>5. <u>Training</u></b>	
General training	0.5
Technical teacher training college, Mtwara	1.4
	<hr/> 1.9 = 2%
<b>6. <u>Housing for delegation</u></b>	0.3
<b>7. <u>Studies for projects for Lome 2 Programme</u></b>	0,6
<b>8. <u>Sundries and contingencies</u></b>	2.2 = 3%
	<hr/>
Total	103.4

## Implementation so far of the major projects included in the EDF programme

By March 1980, nearly all of the projects mentioned in the indicative aid programme had been approved for financing by the European Commission.

### Industrial sector projects

In the industrial sector all four projects have been given the go-ahead.

#### 1. Expansion of Kiltex textile factory

A special loan of 6.55 million ua has been accorded to the Kilimanjaro Textile Corporation's Kiltex textile mill in Arusha. The loan will enable machinery to be purchased so that production of cotton and cotton/polyester blended textiles can be increased. The former will be increased from 5.5 million sq meters per year to 11 million per year, and the latter from 1.5 million sq meters to 4.5 million per year. The project will also lead to the creation of a further 380 jobs.

#### 2. Morogoro industrial complex (canvas mill)

The European Development Fund has approved the release of 13 million ua to help finance the construction of a canvas mill on the Morogoro industrial complex. The mill will produce about 9.8 million sq meters of canvas per year, about 50 per cent of which is destined for the export market. The mill is part of a new industrial complex which the National Development Corporation of Tanzania is developing at Morogoro, about 180 kms west of Dar Es Salaam. The industrial complex will eventually cover an area of 65 hectares and include a canvas mill, shoe factory and leather goods factory.

#### 3. Bitumen plant

A special loan of 2.95 million ua has been released to help finance the establishment of a bitumen plant. Until now bitumen has been imported from other African countries and the Middle and Far East. Now bitumen will be produced from residue available from the existing Dar Es Salaam refinery. The plant should produce about 30,000 metric tons of bitumen per year. Bitumen is an essential material for repairing roads. The new plant will be run by the Tanzania Petroleum Development Corporation.

#### 4. Pulp and paper mill

The EEC has approved the release of a special loan of 11.6 million ua to finance the construction of a 40.5 km bitumen road from Idetero to the planned site of a pulp and paper mill. The mill is being constructed by the National Development Corporation of Tanzania in the district of Mufindi and is being financed by an international consortium of donors. The EDF was asked to finance the road which is an essential element of the project.

### Infrastructure projects

The Lake Victoria circuit road has received most of the finance set aside for projects in this sector. In July 1977, 21.3 million units of account was released to strengthen and bituminise the road between Nyangugo and Bunda over a distance of 120 kms. Then at the end of 1979 a further 7.1 million ua was released to strengthen and bituminise a 63 km section of road from Bunda to Musoma. When the latter is complete there will be an all weather road linking Nwanza to Musoma, over a distance of 219 kms. Previously this was a gravel and earth road which was impassable in the rainy season.

## Rural Development Projects

Aid has already been approved for both projects included in the indicative aid programme.

### 1. Coffee improvement programme

At the end of 1976, a grant of 12.6 million ua was approved to help finance a major coffee improvement programme. The programme which will run over a four year period, should result in a 50 per cent increase in production from 46,350 metric tons to 69,400 metric tons. The scheme is being carried out in the six main coffee growing areas of Kilimanjaro, Arusha, Mboya, Ruvuma, Tanga and the West Lake Region.

EDF finance is being used to purchase insecticides and fungicides, carry out improvements to certain factories, for the provision of a go-down at Kidatu and the purchase of certain vehicles, mainly landrovers.

### 2. Iringa integrated rural development project

The EDF is providing a grant of 6.5 million ua to carry out integrated rural development schemes in the districts of Iringa, Mufindi, Njombe and Ludewe.

The project is being implemented over a four year period and will benefit about 70,000 families. The aim is to increase production of maize (by 36,000 tons), sunflowers (by 8,000 tons), pyrethrum (2,600 tons) and wheat (2,000 tons).

## ASSISTANCE FROM THE EUROPEAN INVESTMENT BANK

In addition to assistance from the European Development Fund, Tanzania is also scheduled to receive assistance from the European Investment Bank. The Bank is willing to consider financing suitable industrial projects.

The EIB has already provided 12.5 million ua in assistance to Tanzania.

In March 1977, the EIB provided risk capital worth 2.5 million ua for industrial development in Tanzania. The capital was made available to the Tanganyika Development Finance Company Ltd, which was set up in 1962. Shares in the company are held equally by the Tanzania Investment Bank and three development agencies in the EEC Member States namely the Commonwealth Development Corporation (UK), the Deutsche Gesellschaft für wirtschaftliche Zusammenarbeit (Germany) and the Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden (The Netherlands). The risk capital was given to bolster the company's resources to enable it to increase its support for small and medium sized firms.

In December 1977, the EIB accorded a loan of 4.9 million ua to help finance a canvas mill at Morogoro. This project has also received aid from the 4th EDF.

In 1978, the EIB provided another global loan of 5 million ua to the Tanganyika Development Finance Company Ltd again to bolster its resources.

## Stabex: a new type of guarantee scheme for the ACP

The Stabilisation of Export Earnings Scheme (Stabex) is one of the new aspects of the Community's cooperation policy with the ACP States. Under the Lome 1 scheme, the Community provides compensation for losses in earnings

from 19 groups of products. The scheme applies when losses are incurred through no fault of the ACP State, in other words in the event of a natural disaster or falls in the world market prices. Compensation would not however be given if the fall in earnings was due to a deliberate trade policy measure.

Stabex covers five Tanzanian export products - coffee, cotton, raw sisal, tea and cloves. Each of these products account for over 2.5 per cent of the total exports of Tanzania. Tanzania is subject to the 2.5 per cent of dependence threshold because it is one of the least developed ACP States. The "richer" members of the ACP Group have to satisfy a 7.5 per cent dependence threshold before they can benefit from the scheme.

As a least developed state, Tanzania also has further privileges. Any transfer received under Stabex does not have to be paid back. The "richer" ACP States are required to repay the Stabex funds when their circumstances improve.

So far, Tanzania has received annual installments of Stabex funds. For 1975, Tanzania received a Stabex transfer of 1.88 million units of account to compensate for falls in earnings from cotton. For 1976, Dar Es Salaam received 5.16 million ua to compensate for losses in earnings from sisal. For 1977, Tanzania received a transfer of 8.17 million ua to compensate for losses in earnings from sisal. Yet another transfer was made for sisal in 1978 when Tanzania received 5.47 million units of account. The international sisal market has been in a depressed state for several years, hence the continued receipt of transfers for this product.

The ACP States are requested to inform the European Commission of what use they have made of the Stabex funds. Tanzania reported that the cotton transfer received for losses incurred in 1975 was used to support two projects: a ceramics factory and a stone quarry. Subsequent transfers have been used to mechanise the sisal estates and develop sisal by-products. Some of the cash has also been used for the Tanga and Mbeya cement factory and the balance for mineral exploration.

So to date Tanzania has been one of the main beneficiaries of the Stabex scheme. Over the past four years, Dar Es Salaam has received a total of 20.6 million units of account from the Stabex fund.

### Regional Cooperation

The European Community, itself a regional grouping of states is keen to encourage regional cooperation projects in the ACP States. About 10 per cent of the resources of the 4th European Development Fund have been set aside to assist regional projects. The amount in question totals 300 million units of account.

Article 47 of the Lome Convention states "the Community shall provide effective assistance for attaining the objectives which the ACP States set themselves in the context of regional and inter-regional cooperation". The main criteria for selecting projects is the extent to which they promote genuine regional cooperation. The Convention specifies that "regional projects are those which help directly to solve a development problem common to two or more countries through joint schemes or coordinated national schemes".

In the context of the regional fund, about 40 million eua will be allocated to projects of interest to Tanzania. Most of the projects concern the development of transport links with neighbouring countries, the most important of these being the development of the "Central and East African

Transportation System" (CEATS), for which 20 million eua has been earmarked. This project was presented by Tanzania, Rwanda, Burundi, Zaire and Zambia, all of which will benefit from the scheme. Tanzania, Rwanda and Burundi have requested a further 20 million eua to finance the construction of the road connecting Isaka in Tanzania with Ruzumu in Rwanda.

Also within the CEATS scheme is a project to improve the port of Kigoma. At the end of February 1980, the EDF gave the go-ahead for the release of 4.9 million eua to finance improvements to this port. This lake side port is connected by rail to the Indian Ocean at Dar Es Salaam and by Lake Tanganyika shipping services to Burundi, Zambia and Zaire. The improvements financed by the EDF will increase the ports handling capacity from 200,000 tons per year to 300,000 tons per year.

#### Trade Promotion

The Lome Convention also contains provisions to promote trade so that the ACP States can derive maximum benefit from the trade cooperation and industrial cooperation sections of the agreement.

While there is considerable scope for action in this sector, measures taken so far have been limited. In 1978 Tanzania, with EEC financial assistance, was represented in several trade fairs in Europe, for example the Herbstmesse in Frankfurt, La Semaine du Cuir in Paris and the International Gift Fair in London.

#### Sugar Protocol

Under the sugar protocol attached to the Lome 1 Convention, Tanzania is allowed to export 10,000 tons of sugar to the EEC each year.

Tanzania has guaranteed access for this quantity and also benefits from a guaranteed minimum price. This price, which is related to the price paid to European producers, is negotiated every year between representatives of the EEC and ACP States. Over the last few years, the Community's guaranteed price has been well above the world free market price for sugar.

So far Tanzania has been able to meet her 10,000 ton quota. But with domestic production lagging behind demand, she has been forced to import in order to cover her own needs. This situation is likely to persist until planned new investments result in increased production.

#### Exceptional aid

Tanzania has also been the recipient of exceptional aid under the provisions of Article 59 of the Lome Convention. This aid is given to ACP States facing serious difficulties resulting from natural disasters or comparable extraordinary circumstances.

In May 1978, the European Commission released 55,000 ua for the purchase of diagnostic materials and pharmaceuticals to help fight the cholera epidemic in Tanzania.

In August 1979, the Commission released 300,000 ua to finance the temporary resettlement of the displaced population in the Kagera region. About 40,000 people were made homeless due to the attack by the forces of the former President of Uganda Idi Amin.

Tanzania also benefited from an allocation of 300,000 ua to the Desert Locust Control Organisation for Eastern Africa. This sum was committed in February 1979.

In March 1979, the EEC also released 4.7 million ua in favour of refugees from southern Africa who had fled to Botswana, Zambia, Lesotho, Swaziland and Tanzania.

### Non Lome aid

#### 1. Food aid

Food aid allocations accorded by the European Community to the ACP States are given outside the framework of the Lome-Convention. The aid is provided in the form of cereals, skimmed milk powder and butter oil.

In the case of Tanzania, the aid is delivered to the port of Dar Es Salaam and thereafter the internal transport to the point of final destination is the responsibility of the government. Some of the food aid allocated to an ACP State can be sold locally and the cash used to finance agricultural development projects. However most is distributed free of charge to people in most need.

The European Community also provides food aid to international bodies such as the World Food Programme, Red Cross and so forth, in order to support their operations.

In 1976 Tanzania received from the EEC 2,000 metric tons of cereals, 1,350 metric tons of powdered milk and 500 metric tons of butter oil. In 1977, Tanzania received more aid -namely 5,000 metric tons of cereals, 2,000 metric tons of powdered milk and 200 metric tons of butter oil. Under the 1978 programme Tanzania received 5,000 metric tons of cereals, 2,000 tons of powdered milk and 85 metric tons of butter oil. Under the 1979 programme Tanzania received 4,000 metric tons of cereals, 2,000 metric tons of powdered milk and 400 metric tons of butter oil.

#### 2. UN Emergency Operation

In 1974-75, Tanzania received 10 million ua from the so-called Cheysson Fund which was used to purchase essential imports. This was a special fund set up to help alleviate the severe problems which the least developed states were experiencing during the oil crisis at that time. The UN Secretary General's Special Account for the same purpose brought an additional 24 million ua into Tanzania. The EEC also contributed to the UN action.

#### 3. North - South Dialogue Special Action Programme

Tanzania is receiving about 15.4 million ua from the Special Action Programme of the North South Dialogue. Part of this sum is expected to be used to support the Kidatu power project.

#### 4. Non governmental organisations

Under the 1976-79 programme, the Commission has approved contributions totalling 830,000 ua.

### LOME II

On 29 February 1980, the Lome I Convention expired and on 1 March 1980, the Lome II Convention provisionally came into force. At present only the non aid sections of the new agreement are being applied. The Lome II Convention will only become fully operational once the national parliaments have completed ratification procedures.

Tanzania has signed the Lome II Convention and so will continue to benefit from cooperation with the European Community. The second Lome agreement essentially confirms the continued benefit to Tanzania of the provisions applied under the first agreement. The trade cooperation measures remain the same and trade promotion measures will be stepped up to ensure that the maximum benefit can be derived from these provisions.

In relation to Stabex the dependence and trigger thresholds have been reduced from the original 2.5 per cent to 2 per cent. Cashew nuts have also been included in the list of products covered by the scheme which will be an additional benefit for Tanzania.

#### LOME II AID: DRAWING UP THE INDICATIVE AID PROGRAMME

In March 1980, officials from the European Commission and European Investment Bank visited Tanzania to draw up an indicative aid programme which will serve as the basis for allocating aid under the Lome II Convention.

Tanzania is expected to receive between 115-132 million units of account under the 5th European Development Fund, about 18.3 million eua of which will be in the form of special loans and the balance in grant form. About 38% of the aid has been earmarked to support agricultural and rural development projects. Part of this allocation will be used to further projects already started with aid under the Lome I Convention. Three projects have been specifically mentioned for further assistance namely the coffee improvement programme; the Iringa integrated rural development scheme; and water supply installations for the towns of Mbeya, Mtwara and Mwanza.

About 25.7% of the total aid package will be used to support transport infrastructure projects. Part of the funds will be used to lay an access road to the Mufindi pulp and paper mill.

Projects in the social sector will receive about 27.2% of the aid package and the balance will be used to support industrial research and development (3.5%), micro-projects (1.3%), the tourist sector (0.5%). The remaining 3.8% will be kept in reserve.

#### Regional cooperation under Lome II

In addition to its individual aid allocation, Tanzania will also benefit from Community aid for regional projects. The EEC will be making between 115 - 140 million eua available to support regional projects in East Africa.

During the Lome II programming mission in March 1980, Tanzania expressed interest in support for, among others, the following East African regional cooperation projects: the Tabora - Kigoma railway; the development of the port of Kigoma; development of a telecommunications network between Tanzania and Mozambique; improvements to the Isaka-Bukombe road; development of the fishing industry on Lake Victoria.



Annex I

Situation September 1980

Global view of financial resources made available under Tanzania - EC Cooperator

(Lome I)

	<u>Amounts committed or earmarked</u>	
	<u>EUA</u>	<u>T. Sh.</u>
		(2)
	<u>millions (M)</u>	
<u>1. Under Lome</u>		
(Subtotal Lome 177,6 M EUA or M.T. SH)		
- Indicative Aid Programme	103.4 <sup>(1)</sup>	1.230
- E.I.B. (Risk capital and interest subsidies from EDF resources, loans from EIB's own resources (interest subsidies)	13.1	156
- Regional projects	(40)	(477)
- Stabex (Subtotal paid in 1976/79: 20.7 MEUA or 246 M.T. Sh.)		
. Transfer paid for 1975 cotton shortfalls	1.9	23
. Transfer paid for 1976 sisal shortfalls	5.2	62
. Transfer paid for 1977 sisal shortfalls	8.2	97
. Transfer paid for 1978 sisal shortfalls	5.4	64
- Exceptional aid Art. 59 (resettlement of Kagera refugees and cholera campaign 355.000 EUA)	0.4	4
<u>2. Additional financial facilities</u>		
(Subtotal 62.9 M EUA or 692 M.T.Sh.)		
- Food Aid Programmes 1975/80	28.5	339
- U.N. Emergency Operations/Cheysson Fund (1974-75)	24.0	286
- Special Action Programme (Conference on the international Economic Cooperation (21.5 M \$))	15.4	183
- Non-Governmental organisations (Contributions approved in 1976/79 of 829.610 EUA)	0.8	10
	<u>246.3</u>	<u>2.930</u>
	=====	=====

(1) Projects amounting to around 84 M EUA (1000 M.T. Sh.) approved by September 1980.

(2) Rate of exchange used 1 EUA = 11.9 T.Sh. (4.1.1980) (1 EUA = 1.4 \$ USA).

ANNEX II

DESTINATION OF EXPORTS (IN PER CENT)

	<u>1976</u>	<u>1977</u>	<u>1978</u>
European Economic Community	40.1	45.9	48.2
United Kingdom	13.4	14.1	19.2
Germany Fed. Rep. of	13.8	17.9	15.4
Netherlands	3.8	4.1	5.4
Italy	6.2	7.8	5.1
Belgium	0.8	0.8	1.1
Other	2.1	1.2	2
North America (USA, Canada)	9.4	13.2	11.1
Japan	2.3	2.4	2.6
India	4.9	3.6	3.9
Hong Kong	5.2	3.5	4.2
China Peoples Rep. of	2.8	3.2	2.8
Sweden	1.7	1.5	1.2
Singapore	6.8	5.7	1.5
Kenya	6	0.6	-
Uganda	0.2	0.1	-
Zambia	0.7	1.3	0.4
Burundi	1.5	1.5	1.9
Other	15.8	14.8	19.7
Re-export	0.9	1.6	1.1

SOURCE OF IMPORTS (IN PER CENT)

	<u>1976</u>	<u>1977</u>	<u>1978</u>
European Economic Community	36.3	48.6	54.4
United Kingdom	14.9	15.3	19
Germany, Fed. Rep. of	8.3	11.3	10.6
Netherlands	3.1	4.4	6.7
Italy	3.7	4.2	6
Belgium	2	4.8	3.9
France	1.6	2.8	2.2
Other	2.7	5.8	6
North America (USA, Canada)	8.5	4.7	3.4
Japan	6.7	11.1	10.9
India	2.3	5.7	4.1
Hong Kong	0.7	1.4	1.1
China, People's Rep. of	6.5	2.5	3.6
Sweden	2.7	2.4	2.9
Kenya	12.5	2.9	0.2
Switzerland	1.1	1.2	0.8
Australia	0.6	0.6	0.8
Thailand	0.1	0.9	0.3
Iran, Saudi Arabia, Kuwait (Oil)	15.3	8.6	4.4
Other	5.9	9	12.2
(included oil imports from Iraq and Bahrein)			

## OTHER PUBLICATIONS RELATED TO 'DEVELOPMENT'

Other EEC publications about the Community's relations with the Third World can be obtained from the following address:

Spokesman's Group and Directorate-General for Information  
Publications distribution service, Room 2/84  
Commission of the European Communities  
Rue de la Loi, 200  
B - 1049 Brussels ( Belgium)

### 1. Dossiers

- The European Community and the Third World, Bruxelles, September 1977
- Europe and the Third World  
A study on interdependence (by M. Noelke)
- Europe - Third World : The challenge of Interdependence (M. Nölke)  
Edition 1980
- Lomé II - Special edition from the 'Courier' n° 58

### 2. "Information Series" and "Europe Information": (generally all Community languages)

- The European Community and the Textile-Agreements  
special edition (June 1978)
- The European Community and the Arab World n° 169/79
- Europe-Tiers Monde: Rural Development
- Solar Energy: A new area of ACP-EEC Cooperation
- The EEC and the developing countries: Outside the Lome Convention and the Southern Mediterranean
- Community Wine Imports
- Lomé II - Analysis chapter by chapter of the EEC-ACP Convention
- The development of trade between the European Community and the Arab League Countries
- Implications for the Southern Mediterranean countries of the second enlargement of the European Community (R. Taylor)
- Implications of the second enlargement for the Mediterranean and "ACP" policies of the European Community (E. Guth)
- The Question of Commodities in the North-South Dialogue