

INDUSTRIAL COOPERATION AND THE LOMÉ CONVENTION

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INDUSTRIAL COOPERATION AND THE LOMÉ CONVENTION

Industrial cooperation is one of the new and striking features of the ACP/EEC Convention of Lomé. Probably no other agreement goes into such detail to outline ways in which developed and developing countries can cooperate in the industrial field. The Convention does not make any wild promises but it does provide a framework for cooperation, and given both political will and imagination a great deal of progress could be made.

The African, Caribbean and Pacific States requested early on in the negotiations that a special chapter in the Convention be set aside to cover cooperation in this sector. At the Kingston Conference in July 1974, the ACP tabled a 'memorandum on industrial cooperation' and secured Community agreement that special mention be made of this in the Convention. The ACP memorandum acted as a basis for negotiation and thus played a key role in the drafting of the final text.

When the Convention was signed in Lomé, Togo, on 28 February 1975, Mr Babacar Ba, the Senegalese Minister of Trade and at that time chairman of the ACP Council of Ministers, said that there are advantages to be gained in the 'global character of our Convention, it is the development in industrial cooperation which by upgrading our produce will enable us to press for a more satisfactory balance in our relations with the advanced countries. Thus the Lomé Convention can become a framework for some form of redistribution of industrial tasks which we regard as one of the most important challenges implicit in our cooperative venture.'

Seen as a whole the Lomé Convention is possibly the most comprehensive of agreements between developing and industrialized countries. The trade cooperation section of the agreement offers free access into the Community markets for nearly all ACP products.

The financial aid package is geared specifically to the development needs of the ACP. A substantial part of the aid is in the form of grants, so the ACP do not have to worry about problems of debt servicing — an important advantage for many developing countries. In addition the ACP can make recourse to the facilities of the European Investment Bank to finance important industrial projects.

The stabilization of export earnings scheme is one of the new and exciting aspects of this agreement. It compensates the ACP for losses in earnings from 19 groups of products all of which are vitally important for their economies. Compensation under this section of the agreement is given when falls in earnings occur through no fault of their own, such as alterations in world prices, natural calamities and so forth.

It is the industrial cooperation section of the agreement which offers the ACP a wide range of opportunities to develop their economies and no longer be merely the suppliers of raw materials to the industrial world.

Industrial cooperation and the Lomé Convention — the legal provisions

The Lomé Convention is quite explicit on the types of industrial activities which should be promoted between the ACP and the European Community.

Article 26 of the Convention states that 'industrial cooperation between the Community and the ACP States shall have the following objectives:

- (a) to promote the development and diversification of industry in the ACP States and to help bring about a better distribution of industry both within those States and between them;
- (b) to promote new relations in the industrial field between the Community, its Member States and the ACP States, in particular the establishment of new industrial and trade links between the industries of the Member States and those of the ACP States.
- (c) to increase the links between industry and the other sectors of the economy, in particular agriculture;
- (d) to facilitate the transfer of technology to the ACP States and to promote the adaptation of such technology to their specific conditions and needs, for example by expanding the capacity of the ACP States for research, for adaptation of technology and for training in industrial skills at all levels in these States;

- (e) to promote the marketing of industrial products of the ACP States in foreign markets in order to increase their share of international trade in those products;
- (f) to encourage the participation of nationals of ACP States, in particular that of small and medium-sized industrial firms, in the industrial development of those States;
- (g) to encourage Community firms to participate in the industrial development of the ACP States, where those States so desire and in accordance with their economic and social objectives.'

No actual cash has been set aside to finance industrial cooperation but aid can be requested from the European Development Fund and loans from the European Investment Bank. These facilities can be used to finance specific projects. Special arrangements have also been provided for small and medium-sized firms. The European Development Fund has already opened lines of credit to a number of development institutions in the ACP States which in turn pass on finance to these firms.

What type of assistance has been given?

The European Community has already approved assistance for a number of industrial projects, ranging from assistance to small and medium-sized firms to large-scale industrial projects.

Industrial cooperation also covers assistance in the field of trade promotion, training and assistance for industrial estates in the ACP States.

Trade promotion: one section of Community activity

The European Community has already approved a number of projects relating to trade promotion. The EEC has for instance approved the release of 450 000 units of account in assistance to Mali to help establish a Centre for Industrial Studies and Promotion. Between 1977 and 1979, the EEC will support the new Centre's activities by studying the business management aspect of the Centre, by supplying technical and financial assistance to small firms and also by helping to promote Mali in terms of attracting the interest of foreign promoters and investors.

The European Commission has also approved a grant of 100 000 u.a. to finance trade-promotion activities in Barbados. This project involves providing technical assistance for the Export Promotion Corporation; training 100 people in export procedures, costing, prices, marketing and promotion; and carrying out limited market research studies and the purchase of selected market research data.

For the Ivory Coast the EEC has provided a grant of 1 008 million u.a. to finance a trade-promotion programme. This involves providing technical assistance for production, further vocational training in the Ivory Coast and in Europe; assistance in the organization of the International Textile and Clothing Fair; marketing assistance; financial assistance for trade missions abroad and assistance in organizing promotion weeks for selected products such as fruit, cut flowers and textile and wood products.

Mauritius has received a grant of 700 000 u.a. to finance an industrial promotion programme. It involves providing information and facilitating contacts to encourage European promoters to invest in the free zones in Mauritius. Assistance will also be given for the setting up of a Promotion Centre.

Lines of credit: another type of assistance that the EEC can provide

The European Community can also provide assistance in the form of lines of credit to ACP Development Banks. The Community has, for example, released a special loan of 700 000 u.a. to the Guyanese Agricultural Cooperative Development Bank to enable it to continue assisting small and medium-sized firms as well as farmers, fishermen and cooperatives.

The Sierra Leone National Development Bank has also received a special loan of 1 million u.a. to act as a line of credit. The NDB gives assistance to small and medium-sized firms in the agricultural and industrial sectors.

Assistance for carrying out market studies

The Community can also help finance market studies to look into demand for new products.

The Community has for example provided a grant of 168 000 u.a. to Trinidad and Tobago to carry out a study on fertilizer production. A market study will assess demand in the Caribbean for fertilizers and also assess the types of blends which are required in the area. If the results of the study are promising, then Trinidad and Tobago will consider setting up a fertilizer plant to serve the Caribbean region.

There are a vast number of small assistance projects such as these which provide practical assistance to the ACP States in their search to industrialize. But the assistance does not stop at this level.

EEC gives assistance to large-scale industrial projects

The European Community has already approved assistance for a number of large-scale industrial projects. Some of these are being co-financed with other aid donors, an idea which the Commission is anxious to encourage in the future.

One example of international cooperation of this type can be seen in the Kpong Dam project in Ghana. The European Community together with Arab funds and assistance from Canada and the World Bank is helping finance a vast hydroelectric scheme. The EEC is providing two loans, one of B.9B million u.a. which is on special terms from the European Development Fund and a second loan of 10 million u.a. from the European Investment Bank. The total cost of the project is estimated at, over 213 million u.a.

The Kpong Dam project is being carried out in five parts involving:

- (i) construction of a dam and reservoir on the River Volta at Kpong about 24 km downstream from the existing Akosombo dam;
- (ii) construction of a hydroelectric power-station incorporated in the dam;
- (iii) erection of a 60 km high-tension line linking the power-station to the Tema sub-station;
- (iv) installation of two condensers at Prestea and Kumasi; upgrading of the Tema-Achimota line and 80 km of lines in the Sefwi-Wiawso-Bibiani region;
- (v) resettlement of the displaced population.

When fully operational the dam is expected to meet Ghana's electricity requirements until about 1985 and also supply some power to the neighbouring countries of Togo and Benin.

An outstanding example of regional cooperation is to be found in the West African Cement Company project commonly called CIMAO.

The aim of this vast industrial project is to construct a clinker plant with an annual capacity of 1.2 million tonnes at Tabligbo in Togo near the Sika Kondji limestone deposits. This plant will supply clinker to Ghana and the Ivory Coast.

These three West African governments saw the advantages which could be gained by a joint venture of this nature and it has become a model for regional industrial cooperation.

In view of the size of the project, this too is being co-financed. The European Development Fund is providing a special loan of 18 million u.a., the European Investment Bank loans of 25.93 million u.a. The balance is being made up by assistance from the World Bank, the African Development Bank, the Arab Bank for Economic Development in Africa and bilateral aid from France, Germany and Canada.

By 1979 the plant will produce 250 000 tonnes of clinker increasing to 900 000 tonnes in 1980 and 1.2 million tonnes in 1981 (the first year of full operation).

The project will be carried out in two parts. In the first instance the plant will be constructed and also equipment provided for the exploitation of the deposits. In the second phase the necessary infrastructure will be set up. This involves connecting electricity supplies; constructing a terminal at the port of Lomé for storing and handling clinker to be sent to the Ivory Coast and Ghana; providing a rail link and improving the existing network and constructing a housing estate near the plant to house the staff who do not come from the existing villages.

The Community is also providing assistance for the setting up of a canvas mill at Morogoro in Tanzania. This is part of an important industrial project. The Tanzanian Government is setting up a new industrial estate at Morogoro. The aim is to use locally available raw materials and produce leather and cotton goods

both for the local market and for export. The complex will consist of a tannery, a canvas mill, a shoe factory and a leather goods factory. The European Development Fund is providing a special loan of over 12 million u.a. to finance the construction of the canvas mill.

So these are just three examples of the large-scale projects which EEC is co-financing with other aid donors.

Special ACP/EEC institutions to manage industrial cooperation

Special institutions have been set up to manage the industrial cooperation section of the agreement. The Industrial Cooperation Committee has the task of following the implementation of this section of the agreement, noting problems which arise and suggesting solutions. Every year it has to submit a report to the Committee of Ambassadors on the implementation of industrial cooperation. The tasks of the Committee on Industrial Cooperation are clearly laid down in Article 35 of the Convention which states:

The Committee on Industrial Cooperation shall:

- (a) see to the implementation of this Title;
- (b) examine the problems in the field of industrial cooperation, submitted to it by the ACP States and/or by the Community, and suggest appropriate solutions;
- (c) guide, supervise and control the activities of the Centre for Industrial Development referred to in Article 36 and report to the Committee of Ambassadors and through it, to the Council of Ministers.
- (d) submit from time to time reports and recommendations which it considers appropriate to the Committee of Ambassadors.
- (e) perform such other functions as may be assigned to it by the Committee of Ambassadors.'

Centre for Industrial Development

A Centre for Industrial Development has also been set up in Brussels. According to Article 36 of the Lomé Convention, it has the following functions:

- (a) to gather and disseminate in the Community and the ACP States all relevant information on the conditions of and opportunities for industrial cooperation;
- (b) to have, at the request of the Community and the ACP States, studies carried out on the possibilities and potential for industrial development of the ACP States, Bearing in mind the necessity for adaptation of technology to their needs and requirements, and to ensure their follow up;
- (c) to organize and facilitate contacts and meetings of all kinds between the Community and ACP States' industrial policy makers, promoters and firms and financial institutions.
- (d) to provide specific industrial information and support services;
- (e) help to identify, on the basis of needs indicated by ACP States, the opportunities for industrial training and applied research in the Community and in the ACP States, and to provide relevant information and recommendations.'

In pursuing these objectives, the Centre for Industrial Development gives particular attention to the following:

- (i) 'concerted' EEC industrial promotion measures aiming at the establishment of new national or regional ACP projects; and
- (ii) the establishment of ACP 'Technology Centres', these centres would have to play an important role in:
 - (a) the identification, evaluation and preparation of new projects (to a large extent by the help of trainees stationed with the CID);
 - (b) the training of ACP technicians, in projects to be 'repeated' in their home countries;
 - (c) the production of spare parts, the maintenance of plant and machinery for affiliated firms and the development of prototypes;
 - (d) sub-contracting for small and medium-sized industries, using central production facilities on a time-sharing basis, thus reducing their own investment requirements and overhead expenses.

The Centre can act essentially as a 'marriage bureau'. If an ACP State is looking for a European firm with special technical know-how, it can approach the Centre, which in turn can put it in touch with companies dealing with that type of technology.

Established in January 1977, the CID had by January 1978 identified some 150 sound projects and undertaken active promotion of 105 projects. Approximately half of these requests came from the European side and half from the ACP.

What types of projects has the Centre for Industrial Development dealt with so far?

The Centre is for instance helping establish a low-cost housing scheme in the Caribbean. The Government of Jamaica, an EEC firm and the CID have jointly financed and carried out a feasibility study for the manufacture of 3 000 m³ per year of cement-bonded particle-board in Jamaica. This will provide the basis for building about 20 000 houses per year.

In Nigeria, the CID is studying the possibility of establishing an Engineering Design and Fabrication Centre. This Centre would include a machine-tool and engineering workshop to train Nigerians in design and general workshop technology which would be adapted to local needs. This Centre could become a model for other ACP States to follow.

In Botswana the CID is assisting the Botswana Government to form a consortium of EEC and Japanese firms to carry out a scheme to produce soda ash.

The aim is to establish a mill producing 1 million tonnes per annum of soda ash and 0.5 million tonnes of salt from brine deposits in northern Botswana (Sua Pan). The Centre for Industrial Development has also sent an Irish expert out to Zambia to help draw up a master plan for the development of tourism.

So these are just a few of the types of projects which the Centre has dealt with so far.

Other types of work which the Centre could carry out

The Centre can also assist in working out the complementarity of markets between the EEC and ACP. In this respect the Centre is anxious to take up contacts with regional organizations in the ACP States such as the Caribbean Common Market (Caricom), the South Pacific Economic Community (SPEC) and the Economic Community of West African States (ECOWAS).

The Centre can do particularly valuable work in providing assistance to small and medium-sized firms. The European Investment Bank is interested in the larger-scale projects and so the Centre fills a useful gap for the smaller industries. In the ACP there are a considerable number of small and medium-sized firms which do require assistance.

As mentioned earlier, the Centre is particularly interested in looking into the possibility of industrial technical service centres. These would provide basic facilities to enable small firms to use the same facilities. For instance in the case of Senegal, the Centre has established contacts with four European firms all interested in setting up new activities in Senegal. One firm would like to produce cutlery, another industrial knives, another hypodermic needles and clinical needles, and another compressors and machinery for cooling blood. Economically it is not feasible to set up just one firm as it is too expensive to install the basic infrastructure. But all these firms could make use of the same facilities. So the Centre is looking into the possibility of providing an industrial technical service centre which would provide the basic facilities required by all the firms.

In terms of regional cooperation, the Centre can also help in the identification of regional projects. By identifying common interests, the ACP States could get together and develop a wide range of joint ventures. For instance, the leather industry in a single country has a limited possibility of developing vertical integration. If a number of countries could be encouraged to group together, then vertical integration could develop and a sophisticated plant set up to produce leather and leather goods. This is one way of increasing promotional thrust. Such a project could for instance be of interest to Upper Volta, Chad, Niger and Nigeria; or in southern Africa between Lesotho, Botswana and Zambia.

Centre for Industrial Development forms cooperation agreements with two organizations

The Centre for Industrial Development is also gaining recognition at the international level.

In December, the Centre and the United Nations Industrial Development Organization signed an agreement of understanding. Both organizations will now cooperate in relation to schemes in the African, Caribbean and Pacific States in order to avoid a duplication of work. The organizations will also regularly exchange information.

In January 1978, an agreement in principle was signed between the Centre and the ECOWAS Fund for Cooperation, Compensation and Development. ECOWAS, the Economic Community of West African States brings together 16 countries, both French and English speaking. It was set up in June 1975. The ECOWAS Fund was established in November 1976 and has been operational since July 1977. Under the agreement between the ECOWAS Fund and the Centre for Industrial Development, the two organizations will cooperate in a number of fields. They will exchange information on possible new industrial projects, carry out joint promotional activities, assess industrial projects, in particular those of interest to more than one of the Member States of ECOWAS.

Activities of the European Investment Bank in relation to industrial cooperation with the ACP States

The European Investment Bank has a vital role to play in the industrial cooperation field. The EIB is essentially interested in the larger-scale industrial projects and has already provided considerable assistance to the ACP.

The Lomé Convention provides for the EIB to lend up to 390 million units of account to the ACP during the life of the agreement. In addition the Bank has the responsibility for managing 100 million u.a. for use as interest subsidies and a further 96 million u.a. to be employed as risk capital financing.

In 1977, the European Investment Bank made 84.1 million u.a. available to the African, Caribbean and Pacific States. Out of this total 67 million u.a. was in the form of loans from the EIB's own resources (all with a 3% interest rebate) and 17.1 million in the form of risk capital.

This assistance took the following form:

Kenya received 25.9 million u.a. from the Bank's own resources plus 1.1 million u.a. in risk capital assistance. These funds were used to assist a sugar factory, a chemical plant, expand a cement works and also assist small-sized industrial ventures via a global loan to the Industrial Development Bank.

Ivory Coast received 21.6 million u.a. from the Bank's own resources plus 250 000 risk capital assistance for high-tension transmission lines and other installations helping the country to exploit its hydroelectric resources. Assistance also went to the development of a palm/coconut-oil mill, a hotel in Abidjan and a dessicated-coconut factory.

Malawi received 9.5 million u.a. from the Bank's own resources and 1 million u.a. risk capital assistance for a sugar mill and for small and medium-sized industrial ventures via a global loan to the Investment and Development Bank of Malawi.

Tanzania received 7.4 million u.a. in risk capital assistance for the setting up of a canvas mill and to bolster the resources of the Tanganyika Development Finance Company to enable it to increase its support for small and medium-sized ventures.

Togo received 2.3 million u.a. from the Bank's own resources plus 3.2 million u.a. risk capital assistance for a palm-oil mill and oil storage facilities.

Cameroon received 4.7 million u.a. from the Bank's own resources for a hotel in Douala and extensions of a cement works and clinker grinding plant.

Mauritius received 3 million u.a. from the Bank's own resources in the form of a global loan to the Development Bank of Mauritius.

Rwanda received 3 million u.a. in risk capital assistance for the construction of a tin foundry and the expansion of mining for tin and tungsten ore.

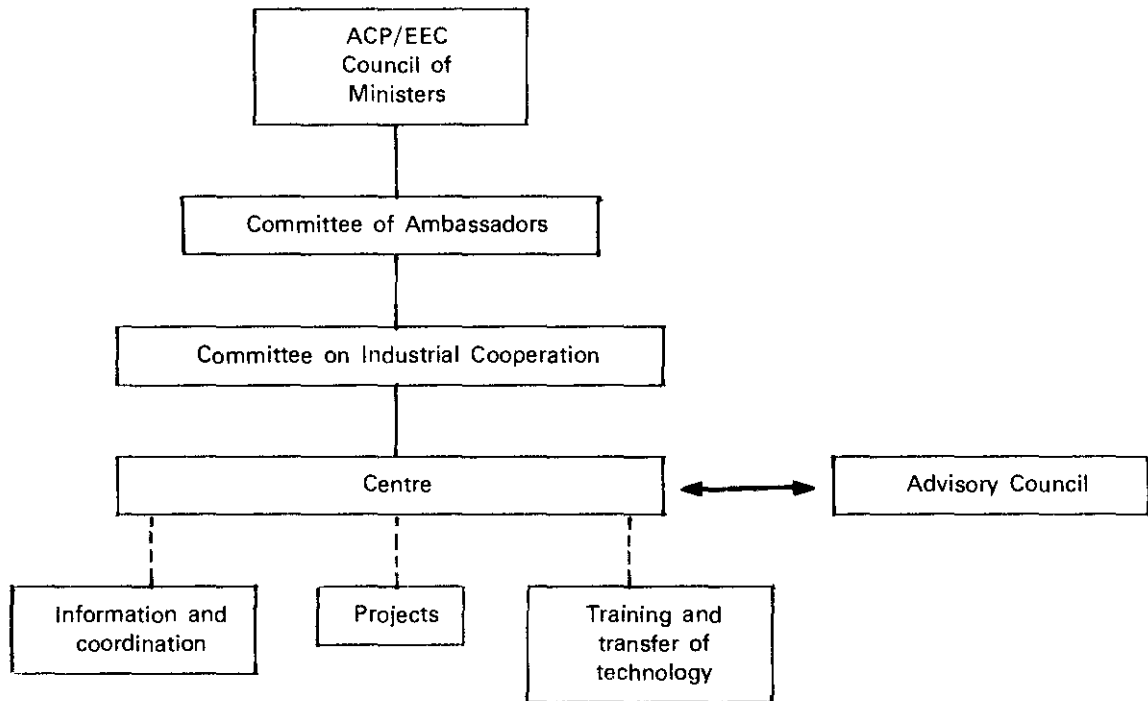
Zaire received 1.2 million u.a. in risk capital assistance essentially for the expansion of a cement works.

The Caribbean Investment Corporation also received 1 million u.a. to support industrial, agro-industrial and tourism ventures.

Conclusion

The Lomé Convention provides a wide range of opportunities to the ACP States to develop the industrial sector of their economies. The facilities of the European Investment Bank can be used to develop large-scale projects. This means that not all of the ACP States are sufficiently industrialized to make immediate use of these facilities. However the European Development Fund and the Centre for Industrial Development can do a great deal to provide a range of facilities to help in the development of small and medium-sized firms.

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Advisory Council: This consists of 14 persons with industrial experience chosen on the grounds of their personal qualifications (6 ACP nationals and 8 EEC nationals). The Council meets several times a year to advise the Director of the Centre on the general work programme and budget of the Centre.

The current members of the Council come from Belgium, Cameroon, Denmark, Fiji, France, Germany, the United Kingdom, Ireland, Italy, Liberia, the Netherlands, Tanzania, Trinidad and Tobago and Zambia.

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