

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

**Guidelines for the negotiation
of new cooperation agreements
with the African, Caribbean
and Pacific (ACP) countries**

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Policy guidelines for future EU-ACP relations

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Policy guidelines for future EU-ACP relations

To meet the challenges of a changing international scene, the relationship between the EU and the ACP countries needs to be recast with an eye to the 21st century. The public debate launched by the Commission on the basis of its Green Paper has been intense and fruitful. This truly interactive process has already revealed the foundations for a new relationship able to cope with international and regional change.

The participatory and transparent method adopted by the Commission in the discussion of a policy so tightly bound up with the building of Europe has laid the foundations for a new and open partnership, in which civil society, businesses, social players and local authorities all have an active role. The Commission's proposal on the negotiation of new cooperation agreements with the ACP countries was born of this approach, which means that it is inevitably broad in scope. Yet the Commission remains persuaded of the need to simplify the future agreements: when proposing negotiating directives, it will do its utmost to reconcile the imperatives of flexibility and efficiency with a multi-pronged, integrated approach to cooperation.

Post-colonial days are over. The Union and the ACP countries have common interests to develop and a strategic opportunity to grasp within a brighter, more ambitious vision. This ambition has inspired the Commission to propose that the EU-ACP partnership be placed on a new footing enabling it to negotiate successfully the requisite changes.

There are five major policy guidelines:

The first involves giving the new partnership a strong political dimension. This will involve greater selectivity in the management of Community cooperation, more effective and open dialogue upstream of conditionality and a new overall contract based on a shared political vision.

The EU-ACP relationship will occupy a new position on the Union's external front. It will serve the objectives of peace and stability and enable more resources to be channelled into preventing and settling violent conflicts. The impact of the new EU-ACP cooperation policy will be all the greater if it is backed up by a clear political will on the Union's part to observe the principles of complementarity, coordination and coherence. The partnership will be underpinned by the EU-ACP relationship's specific achievements concerning support for policies promoting human rights and democratic principles, consolidating the rule of law and good governance. The new development model gradually emerging from the major international negotiations, which reflects an integrated approach to economic, political, social and environmental factors, will provide the frame of reference. An enhanced policy dialogue fostering the establishment of a policy environment conducive to legitimacy and effectiveness of governance will make development cooperation more effective. Recognising the close links between a government's political will, its capacity to handle changing power relations in society and the actual prospects for alleviating poverty, improving education, health and the situation of women, and creating conditions for sustainable development, is vital if countries aided by the international community are to become the "owners" of their development processes.

The second guideline proposes the adjustment of Community policy to make poverty alleviation the cornerstone of the new partnership. This guideline reflects the thrust of the public debate and in no way implies any narrowing of the scope for cooperation. It refers to an integrated approach to poverty considering together economic growth factors, in particular the development of local markets, regional integration and integration into the international economy, and the social impact of such growth. Political backing for a framework conducive to equal opportunities and the emergence of an active and organised civil society will be part and parcel of such an approach. Special attention will be given to developing private enterprise, notably by backing the reforms needed to remove the institutional, regulatory or economic policy barriers that so often handicap the development of the formal and the informal private sector in the ACP countries. Similarly, the social dimension of cooperation will have to be strengthened considerably by support for policies on employment, access to productive resources and basic social services (education and health in particular) and by systematic consideration of the need to improve women's participation in economic, political and social life. The design and operation of policies to protect natural resources and the environment will have to be integrated into every stage of cooperation. Cooperation will also be guided by consideration of the institutional dimension and the principle of developing local capacity.

The third major guideline proposed by the Commission concerns opening up cooperation to economic partnership. The impact and relevance of the Lomé preferences have been insufficient to generate a real dynamic in a prospective view. More ambitious objectives, and in particular the steady integration of the ACP countries into the world economy, and the need to breathe new life into EU-ACP economic and trade relations call for a shift towards a more balanced approach involving a genuine partnership reflecting the mutual interests of both parties. This approach entails the negotiation of regional or subregional economic cooperation and partnership agreements linked to the overall EU-ACP partnership agreement.

These regionalised agreements will seek to develop close cooperation in a series of areas ever more crucial to the development of international economic and trading relations. There will be greater cooperation on, for example, technical, health and safety standards, basic labour rights, environmental measures, investor protection, intellectual property rights, trade in services, competition policy and access to public contracts. Agreements will also include preferential trade arrangements, with reciprocity gradually being introduced for ACP countries or groupings that want it, taking account of the criteria laid down by the European Council concerning such issues as compatibility with WTO rules and the common agricultural policy. These agreements will be implemented gradually, in support of regional integration processes and in phase with them. This enhanced economic partnership will take account of each partner's level of development, with particular attention to the least-developed countries (LLDCs), for which the EU plans to extend and harmonise market access arrangements (for all LLDCs, ACP or otherwise).

The fourth guideline concerns the practical procedures for managing financial and technical cooperation, which need a complete overhaul. The major achievements of the Lomé "culture" in terms of contractuality, security and predictability are assets that need to be preserved. However, shortcomings in the way they have been put into practice combined with the increased demands for efficient financial management and the need for differentiation highlighted in the Green Paper mean that a complete overhaul is needed.

Such an overhaul entails the simplification and rationalisation of cooperation instruments; it also involves refocusing Community support on sectoral approaches encouraging the countries concerned to make reforms their own and gradually converting Community funding into direct budget aid. This development, which depends on a number of conditions, reflects the principle that each country has chief responsibility for its own development. It also presupposes a system of resource allocation based not only on the needs of the countries concerned but also on their merits within a framework of rolling programming, which must be restored to its central position in the cooperation process. It calls likewise for more decentralised and efficient management.

The fifth guideline preserves the ACP as a group while introducing considerable geographical differentiation. This principle of keeping the ACP group intact emerged quite clearly from the debate on the Green Paper. Both governments and civil society expressed a strong sense of solidarity, which is bound to be emphasised at the Libreville summit of ACP Heads of State and Government.

The EU must heed this expression of political will. Besides proclaiming the ACP as a political entity, it reflects the value of EU-ACP relations in a world that is now multipolar. Yet there is a need for differentiation reflecting the regional dimension of economic and trade cooperation, the increasing role of regional integration as a factor for development and, more generally, the need to adjust to the facts of life and the specific circumstances of the ACP group's various components by conducting dialogue and cooperation activities at the most appropriate level. This is why the Commission is proposing a new overall agreement with the ACP countries, with differentiated procedures and agreements. The future agreements will also have to be flexible and open enough to respond to new needs and opportunities.

The EU-ACP negotiations scheduled to open next September will involve a key aspect of the European Union's international identity. The challenge is to convert the legacy of the past into a strategic opportunity.

INTRODUCTION

Relations between the European Union and the ACP States are on the verge of unprecedented change, a change of which all must weigh up the challenges and opportunities. As revised by the agreement signed in Mauritius on 4 November 1995, the fourth Lomé Convention provides for negotiations to open in September 1998 "in order to examine what provisions shall subsequently govern relations between the Community and the Member States, on the one hand, and the ACP States, on the other."¹ These negotiations offer the partners a unique opportunity to move into the next century and invest their relationship with new ambition and increased chances of success.

In preparation for this deadline and with this objective in mind, the Commission launched a wide-ranging public debate by publishing a Green Paper.² It did so in view of the changes that have taken place on the international scene, the transformations under way in the ACP countries, a Europe in constant evolution and a critical review of past cooperation.

The debate has been conducted in consultation forums organised by the Commission in every Member State and the three main ACP regions³ and at seminars and conferences convened by non-governmental organisations, the private sector, trade unions or development-studies centres. There have also been many written contributions. The European Parliament and the Economic and Social Committee have addressed many of the key issues raised in the Green Paper.⁴ The ACP countries too have conducted national and regional consultations for the purpose of reaching their own positions.

The debate has been intense, sometimes heated and often decisive in pinpointing the constraints faced by the different parties, the challenges ahead and the strategic options for meeting them. It has marked a movement away from twenty-five years of cooperation towards the organisation of a new relationship reflecting a changing world.

In the light of the debate, this paper proposes broad policy guidelines for future relations between the European Union and the ACP countries. It will be followed by a proposal for negotiating directives reflecting these guidelines, possibly amended to take account of positions expressed in the Council, the Parliament and the other institutions.

¹ Article 366 of the fourth Lomé Convention.

² COM(96)570 final of 20 November 1996 entitled "Green Paper on relations between the European Union and the ACP countries on the eve of the 21st century: Challenges and options for a new partnership".

³ A list of consultation forums organised at the initiative of the Commission can be found in the annex.

⁴ European Parliament report on the Green Paper: PE 223.237; Opinion of the Economic and Social Committee on the Green Paper: CES 775/97.

1. A NEW THRUST IN LINE WITH A CHANGING WORLD

In its Green Paper the Commission briefly retraces the history of relations between the Union and the ACP countries. It recalls the origins of the Community's development policy, which dates back to the association of the overseas countries and territories with the Community in 1957, the background to the signing of the first Lomé Convention in 1975 and subsequent changes to it. The Green Paper also places this relationship in the context of developments in other areas of external action, among them the new framework for partnership with the Mediterranean non-member countries, growing links with Latin America and the new Asia strategy. It underlines the universal nature of the Union's external relations, but also their differentiated nature.

A critical review of the fruits of past cooperation, based in particular on the evaluation studies carried out according to the criteria drawn up by the OECD's Development Aid Committee,⁵ showed the strengths and weaknesses of Lomé. Community cooperation has generated considerable funding - most of it concessional - and helped improve living conditions in the ACP countries. Founded on the principles of partnership, contractuality, predictability and security, the Lomé Convention has incontestably provided an unrivalled framework for cooperation between two groups of countries. It has been a proving ground for new ideas. But like all forms of cooperation, it has had its shortcomings. The principle of partnership has proved difficult to carry through. Dependence on aid, short-termism and the pressure of crises have increasingly overshadowed relations. The recipient country's institutional environment and economic and social policy have often a major constraint on the effectiveness of Community cooperation. The Union must bear some responsibility: its procedures have also limited the effectiveness of its aid. The impact of trade preferences has been disappointing on the whole. The effectiveness of aid practice has also been diminished by a lack of flexibility, the difficulties of the joint management system and the near-automatic way in which a large part of the resources have been granted.

The Green Paper's main premises have been borne out by the fruitful and wide-ranging debate that followed its publication:

- Significant changes in the world scene have affected the relationship between the Union and the ACP countries in particular the rapid globalisation of trading and financial systems with its opportunities and dangers, the technological revolution and the advent of the "information society", the geopolitical upheavals caused by the collapse of the Eastern Bloc and the recognition of principles of sustainable development for the sake of future generations.
- The Union's role in the world is developing as its integration process advances and it moves towards an unprecedented enlargement.
- A root-and-branch reform is needed to adapt the Convention to the late 1990s, especially to help the ACP countries raise living standards and slot into international trade.

⁵ OECD/DAC "Principles of Effective Aid".

- The ACP countries are changing fast. Though economic and political instability continues to cause major problems, the opportunities and signs of the emergence of a "New Africa" are becoming ever more apparent. Democratisation processes are under way in many countries and must be sustained and reinforced. Economic reforms are beginning to produce their first fragile but promising results. The change of régime in South Africa, regional integration efforts in West, Southern and East Africa and an opening-up to new outside partners are new tendencies that are helping change the face of Africa. Closer relations with neighbouring regions are opening up new horizons for the Caribbean, a region that now sees its future ties with the Union as a vital diversification of its external relations. The small island economies of the Pacific, so far from their nearest neighbours, are seeking to maintain meaningful relations with Europe.

The debate on the Green Paper has itself been a milestone in the overhaul of EU-ACP relations. It has in particular revealed the existence, on the part of both the ACP countries and the Member States of the EU, of a strong will to revitalise the partnership. What is new is that this desire has been manifested by a broad spectrum of agencies: along with the usual non-governmental development organisations, business federations, trade unions, local authorities, youth associations and academic circles have made plain their interest in a new form of EU-ACP cooperation, hoping to play their part both in the field and when it comes to establishing political priorities.

As the European Parliament emphasises in its report, the debate on the future of the Lomé Convention has already helped alter its content by revealing new thinking on both sides and bringing to the fore key issues of development policies and development aid that are all too often overshadowed by current events and emergencies.

2. REVITALISING THE PARTNERSHIP WITH A NEW POLITICAL CONTRACT: A STRATEGIC OPPORTUNITY

2.1 The EU's motives responsibilities and common interests

As the world's leading trading partner, the main source of development aid, a pole of stability and the most advanced example of regional integration, the Union is duty-bound to develop a responsible approach to the regions of the South, especially those most vulnerable to poverty and marginalisation. In "Agenda 2000" the Commission emphasises that "the European project will remain credible only if it responds to the growing calls from its citizens for greater unity and more effective ways of building and defending peace, stability and prosperity on the European continent and throughout the world."⁶ Development cooperation is a vital aspect of this response.

Effectiveness demands that the European Union perform a key role: making sure that the development policies of the Member States and the Community complement each other; improving coordination both at the levels identified by the Council (policies, operations and international forums) and by adopting a common overall strategy in respect of ACP countries; and keeping EU trade, fisheries, agricultural and other policies consistent with

⁶ COM(97)2000 of 15 July 1997 "Agenda 2000: For a stronger wider Union".

the objectives of development. The new EU-ACP cooperation policy must be backed up by a clear political will with regard to these three principles.

Post-colonial days are over and it is time to stop thinking in terms of donors and recipients. The EU and the ACP countries have common interests to defend. Their relations must:

- become a factor for peace and stability, helping tackle the deep-seated causes of violent conflict;
- in coordination with the other donors, help attain internationally recognised objectives of sustainable development, and in particular the alleviation of poverty. The EU-ACP partnership will see one of the Union's chief contributions to the international community's efforts to achieve the objectives laid down for human development, and in particular in the strategy adopted by the OECD's Development Assistance Committee;⁷
- promote a development model that guarantees human rights and social progress;
- improve the management of global risks and interdependence in the fields of the environment, various forms of trafficking, migration, health etc. It is in the interests of both the EU and the ACP countries to use their intercontinental relationship to enhance cooperation, especially in areas where international cooperation is making slow progress;
- foster mutually-advantageous economic development. Africa, where recent improvements in economic management front have seen medium-term growth forecasts revised upwards, is clearly a potentially important partner.

As well as wishing to avoid threats to the security and well-being of the North arising from their lack of development (violent conflict, migratory pressure, rising extremism, drugs, pandemics, AIDS etc.) the Union therefore also has good positive grounds for pursuing its cooperation with the ACP countries and adjusting it to a radically different situation. To do so, it and its partners must agree terms for a new and inherently political contract.

2.2 The Union's proposal⁸

The Union will be offering the ACP countries a long-term commitment in the form of a partnership. Based on the principle of ownership, this partnership will involve:

- a strong political dimension and in-depth dialogue;
- help with the establishment of a political environment fostering equal opportunities, good governance and conciliation procedures permitting the peaceful settlement of

⁷ OECD/DAC paper of May 1996 on the role of development cooperation on the eve of the 21st century.

⁸ For simplicity's sake, this document generally uses the term "the Union", but the contracting parties are, of course, the Community and its Member States.

conflicts of interest and enshrining dialogue and the participation of civil society as the norm;

- help with the implementation of reforms and financial and technical support for sound and responsible policies;
- systematic consideration of need for institutional development, with the objective of developing the capacities of the public sector (including local authorities) and the private sector alike not only for the conception, analysis and implementation of development strategies but for the organisation of civil society in general;
- a stronger social dimension to cooperation;
- a new strategy for the development of the private sector;
- including environmental considerations at every stage of cooperation;
- enhanced economic cooperation in the mutual interest, with cooperation being extended into a series of trade-related areas and focused on integration in the world economy,
- the expansion of cooperation, especially in the fields of scientific and technological research and the Information Society, in the light of new opportunities;
- a more active partnership including consultation of economic and social players;
- the principle of regionalised cooperation within the framework of an overall agreement with the ACP countries;
- appreciation of the factors that make our ACP partners, particularly the small island economies, vulnerable;
- differentiation of the procedures and priorities for cooperation in the light of the partner's level of development, needs and long-term development strategy. This will in particular mean an increasing concentration of the Union's activities. In other words, the Union will not be doing everything everywhere: it will expand the range of possible cooperation sectors while focusing its activities in a given country or region on a limited number of priorities. The way in which resources are managed will also be geared to developing the partner country's capacities;
- a quest for greater efficiency, a simpler convention and easier access for new agents of cooperation.

In return, the EU expects of its partners a commitment to pursue or initiate credible reforms and good governance in the political, economic, social and environmental spheres. This new contract will involve not only greater selectivity in the management of aid but more dialogue upstream of conditionality.

2.3 Key issues for the negotiations

For the Union the key issue will be to give EU-ACP relations a new role in its external relations and ensure that its political, trade and development cooperation activities are consistent not only with each other but with internal policies too.

For all concerned, the main challenge of these negotiations will be to carry through the necessary changes with an eye to the future. The negotiations must produce agreements that are innovative enough, without destroying past achievements.

The new partnership with the ACP countries must mark the shift from a situation rooted in the past to a strategic opportunity. Accordingly, the Union's offer should be characterised politically by a partnership that is in every sense closer and geographically by its global and regional aspects.

3. BRINGING EU-ACP PARTNERSHIP INTO UNION'S FOREIGN POLICY

3.1 More resources for conflict prevention and more effective development cooperation

Once thought neutral in its impact on the ACP countries' political environment, EU-ACP cooperation is now seen as having a clear political dimension: the new partnership must reflect this fully. The distinguishing quality of Community action is increasingly seen as lying in the complementarity of its three facets: the political dimension; economic partnership; ambitious social development measures.

Political dialogue will have to be enhanced for two fundamental reasons:

- Development cooperation must serve the objectives of the common foreign and security policy (Article J.1 of the Treaty on European Union). More specifically, it must "preserve peace and strengthen international security", addressing the causes of poverty and inequality - potential sources of conflict - by helping improve social cohesion and fighting marginalisation.

It is in this context that greater priority for preventing conflict and consolidating peace acquire particular resonance. The EU's recently adopted guidelines on preventing conflict in Africa are specifically aimed at helping develop the capacities of African organisations (OAU and subregional organisations) to act.⁹ But they also provide for the coordinated and consistent use of every means available, among them development cooperation and support for policies to promote human rights, democracy, the rule of law and good governance. Development cooperation must nevertheless retain sufficient independence to maintain continuity in the pursuit of long-term objectives. It cannot be chopped and changed without endangering its effectiveness; situations of political instability warranting a reaction in terms of the management of development cooperation will therefore have to be assessed to see whether they are temporary or likely to last.

⁹ Council common position of 2 June 1997 and SEC(96)332 Council common position of 2 June 1997 and SEC(96)332 on the European Union and the issue of conflicts in Africa: re-establishing peace, crisis prevention and beyond.

The Union's crisis prevention action will also benefit from the Treaty's new provisions, which include (a) the establishment of a policy planning and early warning unit to alert the Council to incipient crises and (b) greater cooperation with the Western European Union, particularly over the prevention and management of crises.

Specific cooperative measures must also be implemented to improve the security environment at both global and regional level. On the basis of the first projects currently being carried out, such measures could address non-proliferation, arms control, illegal arms trafficking and land mines.

- Deeper political dialogue must also serve to make cooperation more effective. Unless there is a political will on the part of the governments of the countries concerned, no outside aid can really significantly affect human development indicators or economic growth.

The need to tighten the links between socio-economic and political action is made increasingly apparent by the new development agenda emerging from the major international negotiations,¹⁰ one geared not only to meeting basic needs but to guaranteeing human rights in the political, social and cultural spheres.

Because they imply fundamental changes in social structures and power relationships, issues such as the alleviation of poverty, the efforts called for in the education and health sectors, the need to promote the status of women, consideration of environmental factors, demography and its impact on migration, and urban development issues cannot be handled from a purely technical and economic standpoint.

The support - which the EU will be proposing to step up - for the organisation of civil society and the development of the capacities of a broad spectrum of private-sector and social movements, the encouragement to introduce transparent machinery for consultation and dialogue, will constitute another significant new political dimension.

3.2 A new political dialogue

For all these reasons, the Union will be proposing to its ACP partners that the political dialogue be conducted in greater depth and that its scope be extended to encompass whatever are the issues of the day. Without wishing to pre-empt discussions by drawing up an exhaustive list, the following issues will be addressed not in isolation but within an integrated approach reflecting the multiple links between them:

- Human rights, democratic principles and the rule of law are now an essential element of EU-ACP relations.¹¹ As regards the first two, which have been essential features in every agreement concluded by the EU with a non-member country since 1995¹² - the

¹⁰ See in particular the Agenda for Development (UN, June 1997) and the summary of the conclusions of the major international conferences: "The World Conferences, Developing Priorities for the 21st Century", UN briefing papers, 1997.

¹¹ Articles 5 and 366a of the revised Lomé Convention.

¹² On 29 May 1995 the Council adopted a standard formula for human rights clauses in Community agreements with non-member countries; this formula includes a suspension clause allowing the Community to react immediately in cases of human rights violations.

universality and indivisibility of all human rights was affirmed by the Vienna Conference¹³. This means that human rights must be linked to policies for social progress, access to education, reducing disparities between men and women, respect for minorities etc. Full compliance with the international conventions governing humanitarian protection and operations is a key condition for preserving any real scope for humanitarian operations in ACP countries. A strict approach in terms both of the principles and their application on the ground is vital in this area.

Respect for democratic principles does not imply a single universal model. Every society has the right to choose its own route to democracy in the light of the particular circumstances in its own country. But that choice must include the fundamental features of representative democracy: the separation of powers guaranteeing the independence of the judiciary, the right of citizens periodically to elect or sanction their political leaders and their right to free access to information and freedom of expression.

The observance and working of the rule of law, and in particular the fairness, performance, accessibility and transparency of the legal system are fundamental to both human rights objectives and economic and social development objectives. In all these areas partners will have to commit themselves to according special attention to the situation of women, promoting their equal status and helping them play a full part in political life.

Only a real dialogue based on ongoing analysis and taking account of cultural, social, economic and political developments on the ground coupled with the implementation of constructive schemes will permit the development of an effective, progressive approach rooted firmly in the facts of life in each country.

- Like the rule of law, good governance is as crucial to social development and alleviating poverty as it is to building up investment and the private sector. In the revised Lomé Convention, this concept, now a leitmotif in the international debate on development aid, refers to the transparent and responsible management of a country's resources (human, natural, economic and domestic and external financial resources) for the purposes of economic and social development. It encompasses fighting corruption and is fostered by participative approaches. The European and ACP partners will have to agree on the principles they wish it to include; the EU's position will be informed by the Commission's recent communication concerning a policy on corruption both inside and outside the Union¹⁴ and international initiatives in the matter (G7 etc.).

This should lead the EU to suggest to its partners that good governance be made an essential element of the future agreement, just like the three (described in the previous paragraph) already enshrined in the revised Lomé IV.

- Another important topic will be preventing and settling conflicts. The Union will act within the relevant international or regional forum and seek to prevent conflict as early as possible or restore peace. Other issues addressed will include controlling and

¹³ World Conference on Human Rights, Vienna, 1993.

¹⁴ COM(97)192 of 21 May 1997. The Commission advocates three lines of action in the sphere of development cooperation: preventive measures (help with the improvement of the legal framework, procedures, public procurement etc.) as part of the development strategy; special programmes to deal with corruption; the inclusion of a "good governance" clause in every cooperation agreement.

limiting the buying and selling of arms, combating illegal arms trafficking, banning and clearing land mines and meeting needs in the area of civic and legal education.

- Issues relating to justice and home affairs in the Union (the third "pillar"), among them immigration, drugs and cross-border crime and trade in human beings will be another area.
- Sectoral policies backed by Union aid will include support for research and technological innovation.
- The resources deployed to alleviate poverty will be covered.
- Topics of general or regional interest (global and regional efforts to protect the environment, intercontinental migration, illegal trafficking and multilateral negotiations) will be discussed.
- Regional cooperation and integration, which are powerful factors for stability, will be discussed in terms both of preventing or settling conflicts and of economic and social development.

3.3 A new institutional basis for more effective and open dialogue

Political dialogue thus becomes the third instrument, a vital complement to aid and economic cooperation. As the expression of a positive approach to conditionality, it is the very lifeblood of a revitalised relationship between mature and responsible partners who honour their commitments, i.e. a partnership between equals.

The arrangements for the political dialogue will have to be as flexible as possible, the ultimate aim being tangible results. Depending on the importance and interest of the topics on the agenda, dialogue should be (a) multilateral, regional or bilateral and (b) political or technical. In many areas, efficiency demands that the dialogue be conducted at regional or subregional meetings attended by members of the government and parliamentarians.

The quest for efficiency will also entail a review of the way the joint institutions work - in order to give them a new regional dimension - taking their own proposals as a starting point.

4. REFOCUSING COMMUNITY POLICY ON THE COMPLEMENTARY OBJECTIVES OF SUSTAINABLE ECONOMIC AND SOCIAL DEVELOPMENT; THE ALLEVIATION OF POVERTY AND INTEGRATION INTO THE WORLD ECONOMY

4.1 Objectives of EU-ACP cooperation

The commitments made by the European Community, the Member States and many ACP countries at United Nations conferences on social development, the environment, equality between men and women, population and food security constitute the new frame of reference for the dialogue on policies and for EU aid operations. The Rio and Copenhagen summits in particular mark a turning point in that they have produced a new vision of development combining economic, social and environmental dimensions. The connections between reducing poverty, combating discrimination, especially against women, and protecting the environment and acting responsibly for future generations have been

highlighted. The importance of making decisive progress in the areas of primary education, basic health care and other essential services has been recognised. The Agenda for Development recently adopted by the United Nations reflects this approach geared to improving living conditions, and also recognises its fundamentally political dimension.¹⁵ The entire process is founded on the principle that the countries concerned have primary responsibility for their own development.

The ACP countries' own strengths and weaknesses in the face of a changing international economy likewise highlight the need for fundamental improvements to their economic environment, for a climate more conducive to the development of the private sector. The importance of the informal sector or "poor people's economy", with its job- and income-generating potential and capacity for social and economic innovation, also warrants special support to help achieve sustainable improvements to living and working conditions. The fact that many countries are heavily dependent, particularly through agriculture, on natural resources, combined with current climatic instability also means that environmental issues must be given due priority. We must also recognise the strategic value of more systematic support for developing skills and facilities, particularly in the spheres of science and technology.

In view of the objectives laid down by the TEU for Community development policy,¹⁶ the new priorities laid down by the Council in recent years¹⁷ and the quantitative and qualitative objectives fixed by the main donors in the OECD,¹⁸ the Union will be proposing that its partners give special priority to poverty alleviation by enhancing the social dimension of cooperation and, at the same time, focusing on improving factors for growth, competitiveness and employment.

Though it is for the governments and peoples concerned to choose their development policies, these policies are increasingly interdependent. Mutual interest and reciprocity are therefore the driving forces for closer cooperation, be it economic, social or environmental. Improving living and working conditions in the developing countries is now a priority for the Union's action abroad. The Union is not seeking to export its model, it is simply sharing its experience. At a time of internal and external change, the EU itself is having to come to terms with the need to adapt in order to sustain its social choices, defend its social model and reconcile the principle of competition as a force for economic progress with the solidarity necessary to social cohesion. The EU is looking for a new way of linking the economic and the social, with social policy contributing to economic performance, jobs and competitiveness.

It is against this background that the complementarity of the three overall objectives of Community cooperation has be safeguarded. Alleviating poverty, which is a vital objective of any partnership with the ACP countries, must be part of a wider policy pursuing

¹⁵ Agenda for Development, UN General Assembly, June 1997.

¹⁶ Article 130u: "the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them; [their] smooth and gradual integration ... into the world economy; the campaign against poverty...".

¹⁷ Conclusions and resolutions on social and human development, equality between the sexes (November 1995), priorities for health, education and training, food security, alleviating poverty (December 1993), structural adjustment support, the relationship between emergency aid, rehabilitation and development.

¹⁸ OECD/DAC paper on the role of development cooperation on the eve of the 21st century, May 1996.

sustainable development by means of economic growth and job creation, ending discrimination against women, access to education and health care, and preserving and improving the environment. As the latest Human Development Report emphasises, the debate on the relationship between economic growth and the alleviation of poverty - a key issue during the consultations on the Green Paper - is to some extent a red herring in that it draws attention away from the two most important questions, namely how to speed up growth and how to create a growth model geared to alleviating poverty.¹⁹

These considerations and the consultations on the Green Paper suggest that alleviating poverty in its various forms - in terms both of social and human development and protecting the natural resources on which the poor depend - should be placed at the very heart of EU-ACP cooperation in an integrated approach addressing both the factors for economic growth and the social impact of such growth. The establishment of a political environment fostering opportunities for all members of society and the emergence of an active civil society will be part and parcel of this approach. There must be recognition and backing for the role of the private sector (both formal and informal), the State, local authorities and sections of society organised into trade unions, associations, cooperatives and other groupings. The Union's action must foster the development of the capacities of these different agents and the improvement of the institutional framework necessary for social cohesion, the working of a democratic society and a market economy founded on concertation. The State must pay particular attention to the proper operation of markets and take action to remedy their failures. Lastly, the Community has a specific contribution to make in support of the processes of regional integration and cooperation, which are recognised as being conducive to development and as an often crucial step towards integration into the international economy.

These guidelines establish a new strategy for cooperation and new priorities. Cooperation will be differentiated, i.e. the focal sectors will be chosen from a wide range of complementary sectors in the light of a country's needs, potential and political will, with priority going to sectors where the Union's activities can add more value than another donor. A tight link must also be established between the enhanced political dimension and cooperation; in this context, preventing violent conflict and the need to tackle the deep-seated causes of such conflict will also influence the choice of priorities. Such activities, which cannot be exhaustively listed in advance, will focus on three main priorities (growth-competitiveness-employment, the social and cultural dimension and regional integration) and satisfy three essential criteria (capacity development, gender issues and environmental principles).

4.2 Three main priorities

4.2.1 *Support for growth and policies for competitiveness and employment*

Increasing employment and access to productive resources are vital to any lasting reduction in poverty and tackling exclusion. The pledges made in Copenhagen lay down a series of highly relevant objectives in this domain. Increased investment and the development of a dynamic private sector, both in the formal sector and the "poor people's" economy, are essential to speeding up growth in rural and urban areas alike, broadening the basis of that growth and increasing employment. Jobs will be all the more

¹⁹ UNDP, 1997.

secure and sustainable - and thus more likely to bring about a real improvement in living conditions - if they are accompanied by an improvement to the competitiveness of the economies concerned. Particular account must be taken of the status of women and their opportunities for taking part in economic life and sharing the benefits of growth.

With a view to restoring the confidence of economic operators and fostering job creation, the Union's cooperation will include support for:

- the implementation of predictable and credible macroeconomic, trade and sectoral policies, creating an environment favourable to private investment (internal and from abroad) and taking express account of the objective of employment. Monetary cooperation may also be proposed in this context, especially in relation to the introduction of the euro; the establishment of economic and technological infrastructures will also be fostered;
- administrative, institutional or legislative reforms aimed at improving conditions for the development of a competitive private sector, and for the establishment of a legal and social framework conducive to the informal sector's gradual integration into the formal economy, as well as arrangements to ensure that the environmental aspect is taken into account;
- the development of financial systems and greater access to financial services;
- the creation and development of businesses, especially those with great potential for job creation but no access to production factors (technologies, financing etc.) or markets, in particular SMEs, microenterprises and cooperatives. The financial and technical aid administered by the European Investment Bank (EIB) and the Centre for the Development of Industry (CDI) will complement the aid administered by the Commission in these areas;
- the improvement of education and training systems contributing to greater productivity in both formal and informal sectors;
- labour policies and institutions, particularly with regard to information and training, the implementation of legislation affording workers a suitable level of protection and basic rights,²⁰ improvements to health and safety at work, non-discriminatory practices, especially in respect of women, and improvements to the social dialogue. This support will have to take account of the need to sustain a suitable flexible labour market;
- reforms and policies aimed at improving access - especially for the most vulnerable groups - to productive resources, e.g. the right to own and work land, capital and credit, education and training, technology, information, transport and communications services.

Outside the framework of EU-ACP relations as such, a more ambitious international approach is needed to the developing countries' external debt problems, which very much determine the outcome of the efforts of heavily indebted countries in the areas of growth, competitiveness and employment.

²⁰ ILO Conventions on the right to organise and collective bargaining, the prohibition of forced labour, child labour, non-discrimination.

4.2.2 Support for social policies and cultural cooperation

Another priority of future EU-ACP cooperation will be to improve the quality of social services and reduce inequalities in access to health care, education, water, housing and other essential services. The Union's approach will be to help the partner countries (a) maintain and gradually increase funding for the major social sectors and (b) adapt social services and systems of social protection to changes in economic conditions, local needs and the specific demands of a country or region. Decentralised cooperation will be particularly important here and will have to be increased. In all these spheres, the EU attaches particular importance to reducing the gap between men and women. Targeted operations, especially for the poor, will be considered only where political conditions prevent a broader approach to the mechanics of social progress.

The main areas of cooperation will be:

- support for general and sectoral policies promoting access to basic services - primary education, basic health care, water, urban housing - in coordination with the Member States and other donors;
- support for policies on food security and improving access to foodstuffs by maintaining local production, as well as for responsible management of water resources;
- support for demographic policies;
- support for schemes aimed at mutualising risks and building up social development funds permitting decentralised and participatory management by the agencies eligible. Such funds may be organised nationally or locally and serve either social promotion or, more generally, the people's economy. Making partners aware of their responsibilities through the use of monitoring and evaluation criteria will be a fundamental principle;
- strengthening participation and developing social dialogue in both the broad sense (between all significant forces in civil society) and the narrow sense (between employers and trade unions). This support will take its cue from the ILO Conventions on trade union freedom and collective bargaining rights, basic labour rights identified at the World Summit on Social Development which the Commission has proposed to promote in all agreements with non-member countries;²¹
- cultural cooperation through schemes fostering the recognition of cultural identities and intercultural dialogue and the consideration of this dimension in all Community operations.

4.2.3 Regional integration

Regional integration is often a necessary step towards integration into the wider international economic system. It enables national economies to diversify and fosters economies of scale. The Community has backed various forms of regional cooperation since the first Lomé Convention, and has steadily stepped up its support for regional integration. This type of operation is specific to the Community, enabling other countries

²¹ COM(97)724 on the follow-up to the World Summit on Social Development.

to benefit from the experience of building Europe and the know-how accumulated in a number of areas.

The EU will be offering ACP partners engaged in regional integration a cooperation strategy involving:

- support for regional economic integration schemes (coordination of macroeconomic policies and investment schemes, trade liberalisation and customs cooperation etc.);
- support for regional cooperation schemes concerning infrastructure (especially inland transport and port infrastructure), the environment, health, research etc.;
- building up the capacity of regional organisations and national governments to act effectively on economic, social, political and environmental matters, among other things by promoting codes of conduct, standards etc.;
- for a transitional period, taking the effects of integration on budget revenue and the balance of payments into account when assessing funding needs.

Support for regional integration will also be central to the trade policy and the economic cooperation agreements covered in Chapter 5.

4.3 Three horizontal guiding principles

4.3.1 Institutional development and helping build local capacities

Systematic attention will be paid in EU-ACP cooperation to institutional aspects and to building local capacities for the design and implementation of appropriate reforms and policies. With its explicitly political agenda and long-term mutual commitments, the partnership proposed by the EU constitutes an appropriate framework for supporting institutional development, the establishment of the mechanisms needed for social dialogue, the national or local organisation of economic and social sectors and civil society in general, and the reinforcement of democratic and participative structures generally. South-South and North-South exchanges of experience will also be encouraged.

Capacity building in the ACP countries will be one of the criteria governing the choice of practical cooperation arrangements.

The EU will in particular try to help:

- improve the capacities of the State and the public sector. Priority will go to reforms carried out in the course of democratisation and the consolidation of the rule of law (working of judicial systems, the legislature etc.), reforms aimed at improving the efficiency of the public sector (administrative decentralisation, role of local authorities and other local bodies, etc.), supervising the market economy (application of commercial law, competition policy, protecting investments, stability of the financial system, etc.), good governance (public procurement, management of public finances, etc.), fighting crime and drugs. Priority will also be attached to developing capacities for the analysis and drafting of economic and social policies and sustainable

development strategies (a principle accepted at the UNGASS conference²²), formulating and implementing policies to foster the development of research and investment in technology.²³ The Community will also provide assistance for consumer legislation which, as well as reinforcing the rule of law, will help protect consumers' health and economic interests and improve their access to information and education and their right to organise.²⁴

- reinforce the private sector's capacities in terms of human, financial and technological resources in support of economic diversification strategies. Particular priority will be accorded to institutional support for organisations representing business, vocational training, increasing research capacities and the use of information technologies (improvement of telecommunications services, development of new services and new applications), which can do much to improve access to education, develop research networks and increase productivity and competitiveness;²⁵
- back the organisation of civil society and strengthen existing social players. Cooperation could help them gather their forces - without undermining their quest for new methods of representation and dealing with the authorities - and encourage exchanges of experience, in particular on a South-South or regional basis. Besides human rights associations, trade unions, consumers' associations (which contribute to better understanding of food hygiene, the use of medication, the household economy, health and sustainable consumption), trade associations, producer associations, women's associations, youth organisations, children's organisations and environmental protection movements will also benefit;
- the use of local know-how, which will be developed in, for example, EU-ACP networks.

4.3.2 Adopting a gender-sensitive approach and reducing disparities between men and women

Gender disparities influence economic life at every level from the microeconomic to the macroeconomic. They figure prominently in every analysis of poverty. Development policies generally fail to take sufficient account of the respective roles of men and women in the management of human and natural resources.

Redressing gender disparities must become one of the key stated objectives of human-centred development. For the Union, this dimension is integral to the development process, crucial not only to fairness and social justice but to economic objectives and the effectiveness of development and cooperation policies.

²² June 1997.

²³ In line with the guidelines included by the Commission in its recent Communication on "Scientific and technological research - A strategic part of the European Union's development cooperation with developing countries" - COM(97)174 final of 25 April 1997.

²⁴ In line with the Commission's viewpoint in its communication of 31 October 1995 (COM(95)519).

²⁵ See also COM(97)351 of 15 July 1997 on the EU's role in the information society and development.

Given the pledges made at Union²⁶ and international level,²⁷ future EU-ACP cooperation will have to comply with the principles governing the integration of gender issues into all macroeconomic, sectoral or project assistance. The situation of women will receive special attention in every area of EU activity, and especially support for job creation and social policy.

“Mainstreaming” (i.e. the systematic integration of gender issues into every area of activity) will not, however, preclude positive measures for women in areas where they can help reduce a particularly significant gap between the sexes. The Union will give priority to reducing disparities in access to essential services, and in particular education and health, respect for sexual and reproductive rights, and the reduction of inequalities affecting access to economic resources and the labour market. Specific attention will also be given to gender issues in emergency operations and the subsequent rehabilitation and development phases.

4.3.3 Integrating the principles of conserving natural resources and protecting the environment

The Earth Summit was a milestone in the international debate on environmental issues, calling for a change in attitudes and an integrated approach to environmental, economic and social aspects of development. In line with its commitments, the EU is trying to develop principles and new practices conducive to economically, socially and environmentally sustainable development.

These principles and practices will have to be brought into planning, implementation and evaluation in every area of development cooperation, with particular attention to:

- capacity building and the improvement of environmental assessment practices;
- the links between alleviating poverty and environmental problems, including the redistributive aspects of fiscal instruments;
- increasing internalisation of environmental costs when supporting economic reform, taking social and environmental impact into account;
- the establishment of effective public/private partnerships, notably for the transfer of clean technologies;
- specific schemes in some sectors, with priority going to water resources, energy efficiency, desertification, urban development, sustainable forestry management and the preservation and sustainable management of biological diversity and fishery resources.

Particular attention will also be accorded to small island countries threatened by climatic change.

²⁶ COM(95)423 of 18 September 1995 on the integration of gender issues into development cooperation; Council resolution of December 1995.

²⁷ Fourth World Congress on Women (Peking, September 1995) and World Summit on Social Development (Copenhagen, March 1995).

5. OPENING UP COOPERATION TO ECONOMIC PARTNERSHIP

EU-ACP trade cooperation has not really fulfilled its objectives. The ACP countries' trade performance has generally been disappointing and Community businesses have shown relatively little interest in them. There are many reasons for this, and shortcomings in the Lomé Convention's trade arrangements are not high on the list. Analysis of the situation does, however, show that EU-ACP trade cooperation has failed to fulfil its potential and that a more dynamic approach to developing economic partnership between the EU and the ACP countries would help both benefit more from their special relationship.

5.1 More ambitious economic and trade objectives

It will not be possible to enhance the EU-ACP economic partnership without abandoning the traditional approach to trade - centred on a system of unilateral preferences - in favour of a more balanced approach characterised by a genuine partnership and taking account of the parties' mutual interests.

Such an approach calls for ambitious objectives, which for the Union involve:

- encouraging and assisting the gradual and harmonious integration of the ACP countries into the world economy, including both the development of their trading capacities and their ability to attract domestic and foreign investment;
- creating a new trading dynamic and strengthening Europe's presence in the ACP countries by enabling EU businesses to tap into those countries' comparative advantages;
- inviting the ACP countries to cooperate with the EU in international economic and trade negotiations.

Achieving these objectives will depend on the capacity of the future partnership to:

- consolidate regional integration processes as a step on the way to global integration. The EU proposal will have to take account of the will for integration displayed to varying degrees by countries in sub-Saharan Africa, the Caribbean and the Pacific and developments in integration processes. This inevitably introduces a dynamic element into the future economic partnership, which will have to be implemented gradually;
- improve the ACP countries' capacity to handle other trade-related issues, including compliance with technical, health and safety standards, basic labour rights, environmental measures, investment protection, protection for intellectual property rights, trade in services, competition policy, consumer policy and access to public procurement, all of which are set to play an increasingly crucial role in international trade. Closer cooperation in these areas will therefore be necessary;
- stabilise the ACP countries' trade and investment policies, enhancing their predictability and contractuality for businesses and potential investors. The future economic partnership must enable the ACP countries to rely on an economically strong and reliable partner as they reform their economies, strengthen the transparency and credibility of such reforms and ensure the consistency of their trade and economic policies while they do so. It must help generate more business interest in the ACP countries, foster domestic and foreign investment and the transfer of know-how and

technology, thereby increasing the ACP countries' competitiveness and aiding their gradual and smooth integration into the world economy.

5.2 Strengthening regional integration

The EU's ultimate objective should therefore be to conclude economic partnership agreements with each of the three ACP regions (Africa, the Caribbean and the Pacific), taking account of the ACP countries' political commitment to regional integration.

This objective can only be achieved gradually, starting with the negotiation of economic agreements with regional subgroups engaged in a process of integration and, in a limited number of cases, individual countries belonging to no regional grouping but satisfying the necessary conditions concerning size, level of development and administrative capacities.

The areas to consider are West Africa, Central Africa, southern Africa, East Africa, the Caribbean and the Pacific. It would, of course, be for the ACP countries themselves to choose the regional structures with which the EU negotiates.

The progress of regional integration processes, and in particular the degree of liberalisation within these integration areas and whether they establish a common commercial policy, will nevertheless determine the timetables for negotiations. In any case, given the current state of regional integration, the EU's partners could include such groupings as UEMOA, UDEAC, the SADC, EAC and CARICOM. Initiatives under way in the Pacific (the South Pacific Forum) do not permit a regional partner to be identified at this stage, but cooperation opportunities could be explored.

5.3 Adapting the approach to the situation of the LLDCs

An approach aimed at enhancing the economic partnership would obviously have to take account of each partner's level of development, constraints and capacities.

What this means is that the EU should maintain the current arrangements when dealing with the least-developed countries (LLDCs) and extend them wherever possible. In other areas related to trade, it should avoid seeking commitments that are beyond the LLDCs' economic and institutional capacities. However, this necessary differentiation between LLDCs and other countries should not be at the expense of the regional integration processes under way. Many ACP LLDCs belong to customs unions or free-trade areas with which it would make sense to conclude economic cooperation agreements involving

a degree of reciprocity. The benefits of taking part in an area of enhanced economic cooperation with the EU should outweigh any interim costs of liberalisation. Reciprocity would, however, require a greater adjustment effort from these LLDCs, efforts which would have to be taken into account when assessing their needs and give rise to extra help in the form of flanking measures (transition aid, macroeconomic assistance, sectoral assistance etc.).

5.4 Differentiated agreements

Enhancing the economic partnership would therefore involve the negotiation of a number of agreements: an overall EU-ACP agreement and a series of economic cooperation agreements between the EU and regional subgroups including trade provisions providing for differing degrees of reciprocity and appropriate timetables.

Such negotiations would be difficult to carry through in the period laid down by the Lomé Convention. It also has to be recognised that enhancing the economic partnership would gradually change the ACP countries' rights and obligations. It would therefore make sense to plan several stages of negotiations.

The first stage (1998-2000) would see the negotiation of the framework or overall agreement. The second would see the negotiation of regionalised agreements. In the interests of both the partners and the EU, such regionalised agreements could, subject to the proviso in 5.5 below, take the form either of economic cooperation agreements (not totally reciprocal) or economic partnership agreements (reciprocal, including free-trade areas). This second stage should not exceed three years from the expiry of the current Convention (2000-2003).

The content of these agreements would be as follows:

- The overall agreement would establish the parties' commitment to the gradual enhancement of their economic partnership. It would specify the ultimate objective, which would be to reach economic cooperation agreements with the three ACP regions, and name the regional subgroups and non-LLDC ACP countries undertaking to negotiate economic cooperation or partnership agreements during the second stage of negotiations. It would establish the general framework for these agreements and, as far as possible, the overall timetable envisaged. It would provide for the eventual harmonisation and fusion of these agreements in the light of progress towards integration in the three ACP regions.

The overall agreement would also contain common provisions concerning trade-related areas, which would then be expanded on in the future regionalised agreements. Industrial cooperation and trade promotion schemes could also be developed under the overall agreement.

It would propose that all non-LLDC ACP countries retain current preferences throughout the three-year negotiating period.

Where non-LLDC ACP countries did not wish to commit themselves to negotiations aimed at introducing an element of reciprocity into their relations with the EU, negotiations broke down or initial commitments were not fulfilled, it would allow countries to continue to benefit from trade preferences under the GSP on expiry of the

three-year period. It would likewise lay down the terms of access for LLDCs not belonging to a regional grouping involved in negotiations with the EU on the basis of the current *acquis* and the Council decision of 2 June 1997 in favour of the LLDCs (in follow-up to the LLDC action plan adopted at the December 1996 WTO ministerial conference in Singapore), it being understood that these arrangements would apply to all LLDCs (ACP or otherwise).

- Regionalised economic cooperation agreements would consolidate the ACP countries' access to the European market and introduce an element of reciprocity for EU exports. Such agreements would be a key step on the way to overall liberalisation. They would specify the access arrangements applicable to the two parties and the rate and schedule for adjusting tariffs. They would also contain provisions on further cooperation in other trade-related areas. They would specify the period after which the situation would need to be reviewed to assess the progress made towards liberalisation and establish a timetable for subsequent stages.
- Besides provisions on economic cooperation, regionalised economic partnership agreements could provide for the gradual establishment of a free-trade area in accordance with WTO rules (excluding no sector, covering the bulk of trade, a normal implementation period of ten years) and the common agricultural policy.

The enhanced economic partnership would therefore be achieved by economic partnership agreements, preceded where necessary by economic cooperation agreements, covering trade arrangements, introducing the principle of reciprocity and close cooperation in other trade-related areas.

Such an approach would significantly reinforce economic ties between the parties by creating highly integrated economic areas.

5.5 Compatibility with the WTO compatibility and the common agricultural policy

In the long run, the harmonisation of the preferences offered by the EU to all LLDCs and a proliferation of economic cooperation agreements compatible with the WTO, and in particular GATT Article XXIV on free-trade areas, would ultimately mean that the EU's future trade arrangements were perfectly in line with WTO provisions and require no exceptions.

In the short and medium term, however, whatever line is actually taken, it is hard to imagine trade arrangements between the EU and the ACP countries that would not require an exception from the WTO.

An exception would have to be obtained to maintain the current arrangements throughout the three-year negotiating period. Furthermore, given that the movement towards reciprocity involves, for some areas at least, economic cooperation agreements, an exception of the type provided for in Article 9 of the WTO Agreement (like the current one) or XXIV.10 would be needed. The Community should carefully prepare its presentation of these measures to the WTO. It could, for instance, emphasise the considerable development benefits of such agreements, which would help the ACP countries adjust, each according to its own development level, to the new international environment.

The advisability of switching to economic partnership agreements involving free-trade areas will in any case require careful examination in terms of the criteria laid down in the report to the European Council on the development of the commercial policy and the Community's preferential agreements,²⁸ notably in terms of compatibility with the WTO and the common agricultural policy. If this examination revealed inconsistencies, the EU would have to resort to agreements that were narrower in scope, which would necessitate an exception, the duration of which would have to be determined, but which would be subject to annual review. In the weeks ahead the Commission will be examining, in the light of the criteria laid down in the report to the European Council, the extent to which the objective of free trade could be written into the overall agreement to be offered to all ACP countries.

At the same time the Community should look for other ways of helping the ACP countries integrate into the multilateral trading system. This could be done by encouraging countries that have not yet done so to join the WTO and by encouraging ACP members of the WTO to gradually bind their tariffs at the levels actually applied in the light of their level of development and the economic and social constraints facing them.

It will not be possible to maintain the preferences accorded to LLDCs under the product protocols (on bananas, sugar and beef) unless they are covered by an exception based on Article 9 of the WTO. This would entail an identical exception for countries benefiting from the GSP. For countries entering into economic cooperation agreements with the EU, some or all of the benefits afforded by the protocols could be maintained by incorporating them in a suitable form in the new agreements.

As an agreement between consumers and producers concerning specific quantities, the sugar protocol could be maintained by the EU and the ACP as a separate agreement unrelated to the overall cooperation agreement. It might be necessary to obtain an exception under Article 9 of the WTO to ensure WTO compatibility. It might be worth accompanying this application with one for a broader exception covering all the different needs.

6. TOWARDS NEW PRACTICES IN FINANCIAL AND TECHNICAL COOPERATION

6.1 Effectiveness

Financial cooperation currently rests on a fundamental principle of the Convention: its contractual nature. The Convention binds the signatories on a long-term basis and guarantees them, within this freely negotiated contractual framework based on reciprocal commitments and permanent dialogue, a secure and predictable relationship.

This principle has been the Convention's great strength and has contributed a great deal to the "culture of Lomé". Putting it into operational practice has, however, shown its limitations.

The quasi-automatic manner in which resources have been allocated and donors' tendency to take over responsibility for their management when they deem local

²⁸ Amsterdam, June 1997.

management to be weak has not encouraged the genuine political commitment expected of ACP governments. There has been departures from best practice as cooperation instruments have tended to dominate policies rather than serve them. The variety and growing complexity of these instruments makes them difficult to manage, particularly where they are used simultaneously in the same country.

Shared responsibility in managing aid between the Commission and the beneficiary countries - introduced because of its usefulness in policy dialogue - is a source of confusion and delay.

There has to be a change in cooperation practice. This is rendered all the more necessary by European public opinion's demand that cooperation be effective and the need for differentiation highlighted in the Green Paper.

This change must reconcile three considerations:

- the maintenance, in their fundamental aspects, of Lomé's main achievements: the contractuality and predictability that have, shaped the "culture of Lomé" are more valuable than ever;
- the necessary movement towards a more responsible partnership, increased effectiveness and greater differentiation;
- the demand that resources be used with accountability, i.e. for sound resource management.

Reconciling these considerations presupposes a review of:

- the logic behind cooperation instruments;
- the procedures for resource allocation;
- the forms of aid;
- management procedures.

6.2 Simplified instruments

The efficiency and impact of Community cooperation are limited by the difficulty of ensuring consistency between different instruments applied in related areas, where they inter-act, but which are pursuing distinct objectives according to different criteria. Though some Community initiatives, including 8th EDF strategy papers, undoubtedly curb this undesirable tendency, the impression remains one of complexity, inflexibility and lack of transparency.

Existing instruments will have to be simplified and rationalised.

Such a course of action could be conducted on two levels:

1. Reducing the number of instruments

The need for more flexible cooperation practice able to meet increasingly differentiated and evolving needs suggests that the existing instruments should be gathered into three separate packages:

- A package of programmable resources would be earmarked for long-term development. Depending on the needs and the type of operation considered most appropriate, this package, which would combine the current allocations for programmable aid, adjustment support, Stabex and Sysmin, would provide support for sectoral policies, institutional reforms, macroeconomic reforms, decentralised agents and individual projects. For the countries currently concerned by Stabex and Sysmin, lost export earnings could be offset by providing additional resources for macroeconomic or sectoral reforms.

In other words, a distinction must be made between eligibility for a compensating mechanism and access to the resources concerned.

There are grounds for maintaining the principle of compensation, albeit with a simplified calculation system, because so many countries remain so heavily dependent on fluctuating commodity revenues (prices and quantities). However, considerations of optimum effectiveness argue in favour of using resources as support for reforms.

- An investment fund would be used to promote the development of the private sector and trade through direct investment, improvements to the capacities of technical and financial support services, and the development of capital markets. Such a fund would combine the resources currently allocated for risk capital and interest-rate subsidies.

It would have to be managed on a commercial basis and generate a return on the funding provided. The EIB would play a key role in managing this fund, within the framework of the guidelines approved by the Commission.

The interaction of the EIB, the CDI and the Commission in this area has to be improved.

- A package for dealing with unforeseen emergencies.

Such a development would improve the flexibility, consistency and transparency of the Union's cooperation policy.

2. Restoring programming's central role in cooperation

In some countries only a small part of the resources available is covered by indicative programmes. Yet programming is the best instrument available for policy dialogue. Programming should cover all the resources available to a given country in support of the macroeconomic and sectoral policies for which Community aid is requested, with the aim of concentrating those resources on a limited number of fields.

The dialogue conducted in the course of programming should involve, in an appropriate manner, all non-governmental players: social partners, private sector, NGOs, local authorities etc.

It is unlikely that such an approach could be used in the same way in every country.

Programming must guarantee suitable coordination with all donors.

6.3 Allocating resources on the basis of needs and merits

The automatic allocation of programmable resources has already been reduced by splitting programmes into two instalments, which has introduced a qualitative criterion into resource allocation.

The movement in this direction must be strengthened and the criterion of need, which is based primarily in development indicators, supplemented by criteria of merit based on performance and sound management. This presupposes that distortions inherited from the past can be eliminated.

To reconcile predictability with greater selectivity, a system of rolling programming must be introduced, with regular - e.g. annual - reviews. These reviews will address both the total amount of the allocation and the nature of aid. Such an approach is concomitant with a genuine partnership based on permanent dialogue.

Proceeding in this manner would make it easier to adapt programmes to changes in a country's overall situation.

Such a line of action presupposes:

- transparency in the use of performance criteria;
- a change in the Member States' role in the programme review process;
- abandoning the idea that resources are definitively allocated to various countries: under such an approach the minimum sums presented to each country at the start of the convention (predictability) are strictly indicative.

Such an approach would make honouring commitments and effective implementation of cooperation the criteria for any increase in funding.

6.4 A change in the forms of aid

Support for economic reforms remains necessary in a fast changing world demanding constant adaptation.

At the same time Community support should be refocused on sectoral reforms in order to enhance the impact and effectiveness of cooperation. This entails:

- stepping up efforts to improve the institutional framework and local policy-making capacities;
- where conditions of transparency and budgetary effectiveness permit, and on the basis of undertakings made in the dialogue on policy, gradually replacing aid for individual projects with direct sectoral budget aid, which promotes responsibility and a sense of ownership.

Conditionality, which means that support for reforms is not automatic, must be used to encourage the beneficiary countries to make reforms their own, to ensure that governments are judged on their overall performance rather than compliance with a multitude of specific conditions, and to place such efforts in the context of long-term development. Such is the thrust of the proposals made at the current discussions on the reform of conditionality under the Special Programme for Africa (SPA).

This reform of conditionality is crucial to the appropriation by countries of their development policies and to the implementation of a genuine partnership based on trust.

Conditionality should not be a means of getting one's own way when argument has failed. To be fully effective, it must be the product of a shared vision of the policy to be implemented.

6.5 More efficient resource management

Despite improvements made in successive conventions, all evaluation studies show that the cumbersome joint management system has hampered the effectiveness of aid.

What are the options for meeting the demand for effectiveness and probity in the use of resources and making the beneficiaries more responsible?

This issue should be addressed through a differentiated approach, establishing a link between "sound management" and increasing responsibilities.

Answers may be found by exploring the following ideas:

- greater use of budget aid (see above);
- devolving power from Commission headquarters by delegating certain tasks and responsibilities to the delegations;
- opening up cooperation to non-governmental players;
- simplifying the Convention and its procedures.

7. GEOGRAPHICAL FRAMEWORK: A SINGLE ACP GROUP WITH MARKED REGIONAL DIFFERENTIATION

7.1 An overall agreement with differentiated procedures

Making the political, social and economic partnership between the EU and the ACP part of the Union's political action and presence abroad is crucial. The configuration of the new agreement, if it is not to lead to the geographical fragmentation of the UE-ACP relationship, should take account of two simultaneous requirements :

- The need for an overall agreement. This derives from two principles respectively mentioned during the debate on the Green Paper. The first is political, namely the

value of an EU-ACP grouping in a multipolar world where North-South relations take on new meaning. The Union cannot afford to pass up a strategic opportunity to develop a constructive relationship with a group of countries constituting a potential force on the world scene, whose diversity may serve its interests in international negotiations. The second is the undeniable attachment of the ACP partners to a unified ACP group as the expression of their desire for solidarity. This renewed solidarity is not just the affair of governments - something to be expected in the run-up to negotiations - but is relayed by many segments of civil society. The ACP partners see in the EU-ACP partnership a model that could be improved, but which nevertheless remains unique. They are counting on the combined weight of the ACP and the EU on the international stage and in international negotiations.

- The need for a differentiated approach reflecting the regional dimension of economic and trade cooperation and the growing role of regional integration as a factor for development. The introduction of differentiated procedures into the overall cooperation framework is dictated by circumstances, constraints and interests specific to regional or subregional groupings within the ACP and, more generally, by a desire to simplify aid and make it more effective by providing it at the most appropriate level and tailoring it to regional geography.

These two factors must lead the Union to think in terms of a new overall agreement with differentiated procedures geared to regional factors and integration prospects.

7.2 Three levels of differentiation reflecting regional factors and integration prospects

The new overall agreement must provide the framework for the various differentiated subregional agreements. It will focus on the essential components of EU-ACP cooperation: the general objectives, principles and institutional aspects. However, the need for genuine change demands that the modalities of differentiation at regional level (sub-Saharan Africa, the Caribbean and the Pacific) should also be considered. Yet superimposing different types of differentiation could fly in the face of the desired simplification. The underlying rationale for differentiation should therefore be determinant, not contingent factors.

The rationale can be divided into :

- political and policy dialogue;
- the negotiation of regional economic cooperation and economic partnership agreements;
- the dialogue on regional integration.

The cornerstone of the differentiation system is the negotiation of economic and trade cooperation agreements with a number of centres of regional (Caribbean, Pacific) or subregional (Africa) integration. The other two subjects will be dealt with at the regional level only to the extent that the overall agreement does not cover them adequately.

7.2.1 Cornerstones of a differentiated political dialogue

At the political level, besides the key aspects of dialogue defined in the overall agreement, a specific political dialogue targeted on regional issues and based on the most realistic initiatives for cooperation and for economic, social, cultural and political integration will be proposed.

This differentiated dialogue based on the mutual interests of the Union and the regional grouping concerned should focus on a limited number of priority areas in which the Union could assist regional integration efforts. Preventing or resolving conflicts at regional level, good governance, the management of negative interdependence (drugs, other forms of trafficking, population movements, natural disasters and threats), environmental issues and the reinforcement of regional institutional capacities and democracy are all possible focal areas of this differentiated dialogue.

Existing or potential regional groupings in Africa (West Africa, Central Africa, Southern Africa and the Indian Ocean), the Caribbean and the Pacific should be looked at to see how far they are satisfactory interlocutors in regional political dialogue. Priority for such a dialogue should go to the regional integration schemes that seem most durable.

7.2.2 Economic cooperation agreements between the EU and regional subgroups

Enhancing the economic partnership by means of economic cooperation and economic partnership agreements with regional subgroups will be central to the new differentiated approach.

Based on the essential elements, principles and objectives of the overall agreement, regional economic and trade cooperation agreements will seek to:

- revitalise EU-ACP cooperation at a more appropriate level by establishing coherent focal points for a dynamic new trading system, creating common economic interests and thereby increasing the involvement of economic operators in the Union and the ACP area concerned;
- maintain a privileged relationship with ACP partners by enabling subgroups to catch up with the parties to other economic agreements concluded by the Union in other parts of the world.

The proposed structure (regional agreements framed by an overall agreement) will permit a suitably flexible approach, which takes account of the trend towards regional integration processes and the evolving nature of their geographical configuration.

7.2.3 A specific regional integration dialogue

Under the economic cooperation and economic partnership agreements, the political will for regional integration will be a key feature of differentiation, in line with regional integration support's status as a priority for EU-ACP cooperation (see 4.2.3).

A specific dialogue should be conducted during the negotiation and implementation of economic cooperation and economic partnership agreements and take particular account of the commitment of subgroups, regional organisations and national governments to economic integration. It will give rise to differentiated treatment based on an assessment of the financial support needed to cushion the transitional effects of integration on budget resources and the balance of payments.

Countries likely to join regional integration movements in the foreseeable future could receive special treatment - financial and technical assistance - to prepare them for accession.²⁹

Solidarity and cohesion mechanisms would be set up as a complement to structural adjustment instruments to help a regional subgroup's least-developed countries or provinces through the transition phase.

7.3 An agreement permitting new applications for membership or the extension of some provisions to other countries

The convention linking the EU and the ACP countries has always been an open agreement, to which many countries have acceded over the years: the number of ACP states has risen from 46 in 1975 to 71 today. This accessibility should be maintained.

The number of LLDCs in the ACP group and the priority given to the objective of alleviating poverty may result in some of the future agreement's provisions being extended - outside the contractual framework of EU-ACP relations - to other countries of a comparable level of development. This approach is illustrated by the planned arrangements governing the LLDCs' access to the Community market.

The principle of the regionalisation of economic agreements and the account taken of the complementarities between ACP and non-ACP countries in a given geographical area constitute further grounds for the possibility of extension.

In this context, the European and ACP partners will have to reach agreement on the principles and mechanisms for future accessions to all or part of the convention. The future agreements are part of a dynamic approach to development and partnership. They must provide a framework of mutual obligations offering the flexibility needed to find new answers to new problems.

²⁹ For instance, coherent economic rehabilitation and/or conflict prevention programmes for the gradual integration of such countries as Congo, Rwanda and Burundi into their subregion's system.

THE CONSULTATION PROCESS

The publication of the Commission's Green Paper "on relations between the European Union and the ACP countries on the eve of the 21st century: Challenges and options for a new partnership" (COM(96)570 of 20 November 1996) was followed by a debate in the institutions, the Member States, the ACP countries and all interested circles.

1. Institutional consultations

- The European Parliament appointed Mr Martens rapporteur on the Green Paper. On 16 September 1997 the Committee on Development and Cooperation adopted a report (PE 223.237) and the plenary session on 2 October.
- The Economic and Social Committee adopted an opinion on the Green Paper on 10 July 1997 (CES (775/97)).

2. Consultation of the Member States and the ACP countries

Informal consultations have taken place in the EU Council, the EU-ACP Joint Council and at an informal EU-ACP ministerial conference organised by one of the Member States.

3. Consultation of interested circles (only Commission initiatives are listed)

Consultation forums organised in the Member States on the initiative of the Commission

- **SPAIN**, Madrid, 13 February 1997: Association for Research and Specialisation in Latin American Affairs/European Centre for International Cooperation
- **SWEDEN**, Stockholm, 21 March 1997: Nordiske Afrikainstitutet
- **GREECE**, Athens, 8 April 1997: Greek Centre for European Studies
- **FRANCE**, Paris, 14-15 April 1997: SOLAGRAL
- **GERMANY**, Bonn, 16 April 1997: Society for International Development and the Office of the European Commission in Bonn
- **PORTUGAL**, Lisbon, 21 and 22 April 1997: Lisbon University's Institute of Social Sciences
- **AUSTRIA**, Vienna, 28 April 1997: Institute of Economics and Politics and Austrian Federation of Industry
- **IRELAND**, Dublin, 13 May 1997: Center for Development Studies
- **ITALY**, Rome, 15 May 1997: Society for International Development
- **FINLAND**, Helsinki, 22 May 1997: University of Helsinki

- **BELGIUM**, Brussels, 29-30 May 1997: European Forum for a North-South generation contract
- **DENMARK**, Copenhagen, 18 June 1997: MS and IBIS
- **UNITED KINGDOM**, London, 19 June 1997: Overseas Development Institute
- **LUXEMBOURG**, Luxembourg, 9 July 1997: Ministry of Foreign Affairs
- **NETHERLANDS**, The Hague, 12 September 1997: Institute of Social Studies

Seminars organised by the European Commission in the three ACP regions

- **DOMINICAN REPUBLIC**, San Domingo, 25-27 March 1997: Dominex
- **FIJI**, Suva, 22-23 May 1997: The Crown Agents
- **GHANA**, Accra, 8-10 June 1997: Ramel Business Service.

Final conference

BRUSSELS, 29-30 September 1997: Brussels Club

26-27 September 1997: Preparatory meeting with the rapporteurs of the Member States' consultation forums and the ACP regional consultations.

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