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ECONOMIC AND SOCIAL COMMITTEE

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Report of the Section for External Relations

Implementation of the Lome Convention – the road towards a new convention

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I. INTRODUCTION

1.1. At its meeting on 4 July 1977, the Committee Bureau officially requested the Section for External Relations to draw up an Opinion on the stage reached in implementing the Lomé Convention, with a view to negotiations being begun on a new convention. The Opinion would be issued by the Committee on its own initiative.

1.2. At its meeting on 11 October 1977, the Section for External Relations set up the following Study Group to do the preparatory work :

<u>Chairman</u>	:	Mr	STARATZKE
<u>Rapporteur</u>	:	Mr	SOULAT
<u>Members</u>	:	Mr	CANONCE
		Mr	CAPRIO
		Mr	DE RIDDER
		Mr	EVAIN
		Mr	KIRSCHEN
		Mr	MAHER
		Mr	O'CEALLAIGH
		Mr	PFEIFFER
		Mrs	STROBEL
		Mr	de VRIES REILINGH (subsequently re- placed by Mr van RENS)

The following were appointed as experts :

Mr Michel GAUD	-	(for the Rapporteur)
Mr Henri MICHEL	-	(for Group I)
Mr E. KRISTOFFERSEN	-	(for Group II)
Mr Robert HOLTZ	-	(for Group III)

1.3. In the second half of 1978, a start will be made on the preliminary negotiations to renew the Convention signed at Lomé on 28 February 1975 between the nine Member States of the Community and 46 African, Caribbean and Pacific countries.

The Committee is very much interested in these negotiations. Indeed, since its establishment, the Committee has always been greatly interested in relations between the Community and the developing countries, particularly those states and overseas territories which formerly had links with the Community.

1.4. In 1974, while the discussions which lead up to the signing of the Convention of Lomé were still in progress, the Committee issued an Opinion on the negotiations between the Community and the ACP States (*). In its Opinion, the Committee considered, in particular, that

"the quantitative changes made to the association model must be coupled with qualitative changes - that is to say cooperation should be based on genuine complementarity of interests and benefits and on a real equality of rights and obligations".

It went on to point out that

"By defining a new strategy for relations between the industrialized and the developing countries, the Community will pave the way for a new type of international relations".

(*) OJ No. C 116 of 30 September 1974.

In another important field the Committee drew attention to the imperative need for the Community to :

"define its own development model in the light of present and future changes in the pace and nature of its partners' development and the growth of their competitive capacity, ...".

1.5. In a further Opinion (*) issued on 26 November 1975, i.e. after the signing of the Convention of Lomé, the Committee pointed out that :

"Some of the Convention's innovations deserve to be emphasized, particularly the STABEX scheme and the say given to the developing countries in determining how the aid is to be used. Some of these innovations could be applied in a wider framework and thus further a world development aid policy. But the most important element is the desire of the signatories to promote industrial cooperation and encourage initiatives by businesses, trade unions and other trade associations".

1.6. In line with the views it expressed in the Opinions referred to above, the Committee has, on several occasions, expressed its profound desire to see economic and social interest groups given the right to be involved, in an appropriate way, in the formulation and implementation of agreements such as the Lomé Convention and succeeding agreements. The Committee would like to see such a right extended to all economic and social interest groups (i.e. including trade unions) in the ACP and EEC States.

(*) OJ No. C 35 of 16 February 1976.

The Committee appreciated the Commission's work in this field and the positive stand taken by the ACP/EEC Consultative Assembly. Thanks to this considerable support a meeting was arranged in Luxembourg on 9 June 1977 between members of the Joint Committee of the ACP/EEC Consultative Assembly and representatives of economic and social interest groups in the ACP and EEC countries. The Economic and Social Committee played an important role in the preparations for this meeting and the meeting itself.

1.7. The present Report seeks to carry a stage further the various views expressed by the Committee in its earlier Opinions referred to above. The present document contains first of all a brief summary of the main provisions of the Convention and an assessment of the way in which these provisions have been implemented (see Chapter II). This section of the Report, which has been deliberately kept brief, is based to a large extent on the reports and the work of the ACP/EEC Council of Ministers, the ACP/EEC Consultative Assembly, the Joint Committee of this Assembly and the work of the Commission.

Chapter III of the Report is more in the nature of an analysis and a consideration of future developments. The Committee hopes that it will be able to make a positive contribution towards the discussions leading up to the conclusion of a new convention. It will seek to make this contribution by drawing attention to the issues which it regards as fundamental, by putting forward certain concrete suggestions and also by pointing to the questions which arise in connection with various situations.

In making its contribution to the discussions, the Committee will take particular account of :

- the deeply-felt desires for a new international economic order and the Convention's actual and potential role in bringing this about;

- the problems faced by both the EEC and ACP countries in implementing and renewing the Convention.

1.8. This Report will also take account of the experience gained from the fact-finding trip to four African countries (Mali, Togo, Ghana and Cameroun) by a delegation from the Section for External Relations in February 1978.

This trip enabled Section members to :

- acquire a concrete knowledge of a number of economic and social realities in Africa;
- be informed of the views of the authorities of the countries visited on various aspects of the implementation of the Convention of Lomé;
- establish contacts with economic and social interest groups in these countries.

II. THE IMPLEMENTATION OF THE LOME CONVENTION

2.1. On 28 February 1975, after nineteen months of negotiations, the EEC Member States and 46 countries of Africa, the Caribbean and the Pacific signed a convention on Lomé (Togo) replacing and amplifying the Convention of Yaoundé, which had linked the EEC to 18 African countries and Madagascar.

2.2. After ratification by all the signatories, the Convention came into force on 1 April 1976. But the trade provisions had been put into effect earlier on 1 July 1975, and it had already been agreed that the STABEX scheme would first be applied in 1975.

2.3. Although our examination is being conducted three years after the Convention was signed, it is on two years' implementation that we are basing our remarks.

A - New Signatories to the Convention

2.4. Initially, 46 ACP countries signed the Lomé Convention. In the meantime, in accordance with the accession procedures laid down :

- Surinam, the Seychelles, the Comoro Islands and Djibouti have deposited their acts of accession;
- Sao Tomé and Príncipe, the Cape Verde Islands and Papua New Guinea have signed agreements with the Community providing for their accession and the ratification procedures are currently being carried out.

As a result, the total number of ACP countries who are parties to the Lomé Convention is 53.

B - Trade Cooperation

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

Trade arrangements :

- a) Free access to the Community market for ACP products, except for certain agricultural products directly or indirectly covered by the Common Agricultural Policy. These however are treated more favourable than products from non-EEC countries;

- b) Principle of Non-Reciprocity : the ACP countries are not obliged to give preferential customs treatment to EEC goods, but they must not give the EEC countries less favourable treatment than other developed countries. The ACP countries also have to undertake not to favour one Common Market country above others;
- c) More Flexible Rules of Origin than those in the Convention of Yaoundé. The Protocol to the Convention of Lomé includes a provision whereby the ACP countries are to be regarded as a single territory;
- d) Safeguard Measures : these have been provided for in case the entry of goods into the EEC causes serious disruption there;
- e) Procedures for Mutual Consultation : these cover all matters which may affect trade cooperation.

As far as trade promotion is concerned, the Convention provides for action to help the ACP countries make the most of the trade and industrial cooperation under the Convention.

2.6. In the section on trade cooperation, we can also include the protocols on sugar, rum and bananas.

- a) As regards sugar, the EEC undertakes to buy from ACP producers agreed quantities of sugar (raw or white) at guaranteed prices which are negotiated annually;

- b) As regards rum, each year the EEC will fix the amount of rum which may be imported free of customs duties. The amount will be based on the highest levels of imports over the three preceding years, to which will be added an additional amount, corresponding to an annual growth rate laid down in the Protocol;
- c) As regards bananas, no ACP country should have less favourable terms of access to the Community market than those in force up to now. In addition, a joint effort is to be made to encourage in particular investments (at all stages from production to consumption) so as to allow ACP countries, particularly Somalia, to increase their banana exports to their traditional markets and get established in new markets in the Community.

2.7. From our examination of the stage reached in implementing the Convention, it is clear that things have been generally satisfactory as far as trade cooperation is concerned. Almost all goods from the ACP countries are exempted from customs duty and the Community has not once invoked the safeguard clause laid down in Article 10 of the Convention, despite the problems created by certain products which are now in surplus.

This being the case, can it be said that the trade cooperation has achieved its fundamental aims, namely to "promote trade between the contracting parties" and make this trade more balanced?

Answering this question is a delicate matter, both because of the recession, which makes it difficult to interpret the trade statistics of the last few years, and because it is too early to identify any medium-term trends and, still less, any long-term trends. But we can make a few remarks on the basis of the tables in Appendix 2 :

- . Although the value of EEC exports to the ACP countries has risen steadily, this has been much less the case for imports;
- . Although the ACP countries' share of exports outside the Community has risen slightly, their share of imports is falling, and it is difficult to say whether the rally noted in 1977 will continue;
- . At any event, the rise in the value of trade between the EEC and ACP countries (especially of imports) is less than the rise in the value of all trade between the EEC and the developing countries;
- . Three countries account for a half of EEC/ACP trade. According to the figures for 1977, 49% of the EEC's imports from the ACP countries come from Nigeria (28%), the Ivory Coast (12%) and Zaïre (8%) and 50% of its exports to the ACP countries go to Nigeria (37%) Liberia (7% approx.) and the Ivory Coast (also around 7%).

Implementing the Convention has probably had a fairly strong impact on the trade patterns of certain ACP countries, particularly those who were not signatories to the Yaoundé Conventions, but once again this is merely conjecture as insufficient time has elapsed for one to make a valid judgment.

Although the Lomé Convention looks at trade cooperation purely in terms of quantity, it is obvious that the type of goods traded is at least as important as volume. We shall return to this question in chapter III of our Report.

2.8. There are still a number of differences between the EEC and ACP countries as regards application of the protocols on sugar, rum and bananas. Although the measures taken with respect to beef and veal exports to the EEC from the most under-privileged ACP countries are considered as a first step towards a solution in this area, any lasting solution will have to take account of the problems posed by non-tariff barriers.

2.9. On several occasions, the ACP countries have complained about the inadequacy of the procedure for joint consultation, feeling that the Commission has consulted them too late, when decisions had already been taken. The Commission, for its part, feels that the ACP countries are not fulfilling their obligations under the Convention to inform the Council of Ministers of measures which they are planning to take in the field of trade.

2.10. The Community's generalized preferences scheme (GSP) continues to draw comment from the ACP countries, particularly from those who feel it may rapidly erode the advantages granted to them under the Lomé Convention. The Commission does feel that some of the criticisms of the GSP are justified and considers that in the short term "the monitoring scheme which has been introduced should identify the actual extent of such erosion and a means should be found of counteracting it, in particular by supporting the efforts of certain ACP countries to improve their pattern of foreign trade"(*).

(*) Extract from the speech given by Mr Claude CHEYSSON, Member of the Commission of the European Communities, to the ACP/EEC Joint Committee at Maseru on 30 November 1977.

C - Stabilization of Export Earnings (STABEX)

2.11. According to the Convention, the STABEX scheme is aimed at "remedying the harmful effects of the instability of export earnings and of thereby enabling the ACP states to achieve the stability, profitability and sustained growth of their economies". The Community is to "implement a system for guaranteeing the stabilization of earnings from exports ... to the Community of ... products ... which are affected by fluctuations in price and/or quantity. The scheme is applicable to 12 products and their derivatives (i.e. a total of 29 items). The products in question are groundnuts, cocoa, coffee, cotton, coconut, palm, palm nuts and kernels, raw hides and skins and leather, wood products, fresh bananas, tea, raw sisal and iron ore.

The main characteristics of the system are as follows : where an ACP State's earnings from the export of one of these products represent at least 7.5% (5% for sisal) of its total earnings, that State is entitled to request a financial transfer if its earnings from the export of one of these products to the Community are at least 7.5% below the reference level calculated on the basis of the average of the 4 preceding years.

For the 34 least-developed, land-locked or island ACP States, these two thresholds (dependence and trigger thresholds) are reduced to 2.5% (Article 24). For some of these countries - Burundi, Ethiopia, Guinea Bissau, Rwanda and Swaziland - the system will apply to all exports of the products in question irrespective of destination, for the weakness of exports to the Community would have deprived the scheme of any interest (Article 17(4)).

Financial transfers are based on the differences between reference levels and actual earnings.

To cover these transfers, the EEC is allocating 375 MUA for the five years which the Convention is due to run. This amount is divided into annual instalments managed by the Commission.

Where certain conditions are met, those ACP countries which have received transfers should contribute towards the reconstitution of the system's resources in the five years following the granting of transfers. This rule does not apply to the "least developed" countries (24 are currently included on the list in Article 48).

2.12. After an examination of the first two years of operation of the STABEX scheme (1975 and 1976) the following remarks can be made in the light of the tables in Appendix 3 :

- 22 ACP countries (out of 46) received transfers. Of these, 15 who are on the list of least developed countries will not have to repay the transfers;
- 8 countries (Ivory Coast, Ethiopia, Niger, Benin, Congo, Uganda, Ghana and Guinea-Bissau) accounted for 70% of the payments;
- 19 products out of 29 were involved, but 6 of them accounted for nearly 80% of the payments (wood in the rough : 29.5%; cotton : 13%; coffee : 12%; groundnuts : 10%; raw hides and skins : 8% and sisal : 7%);
- The transfers totalled 109 MUA (as compared with the 150 MUA scheduled for the first two years) and 70% of this total were in the form of grants;
- Compensation for the fall in earnings caused by the recession accounted for 67.4% of the 1975 transfers and 20.6% of those made in 1976.

Compensation for earnings lost as a result of disasters or local circumstances made up 32.6% of the transfers in 1975 and 79.4% of the following year's total.

- According to reports received by the Commission concerning the 1975 transfers, 30% of the total sum was devoted to the development of the products concerned and 70% was either used for concrete projects in a very wide variety of fields or added to treasury funds.

It must be pointed out that for several countries the impact of the STABEX scheme was by no means negligible. The transfers made in 1975 correspond to a high percentage of 1974 export earnings in Benin (24%), Niger (13%), Ethiopia (6.5%) and Burundi (5.5%). Impressive percentages are also obtained when comparing STABEX transfers and total exports of certain products, e.g. 63% for Burundi cotton, 39% for Togo coffee and Niger groundnuts and 33% for hides and skins from Somalia and Burundi.

However, the biggest STABEX transfer (15 MUA for Ivory Coast wood in the rough), which was one fifth of the total, represented only 2% of the Ivory Coast's 1974 exports and 15% of its total wood exports.

Finally, it must be pointed out that :

- In 1975, three transfers totalling 1.5 MUA were made to three overseas countries and territories, namely Belize (0.1 MUA for sawn wood), the New Hebrides (1.2 MUA for copra) and the TTAI (0.3 MUA for hides and skins);

- In 1976, four overseas countries and territories received transfers totalling 2.9 MUA, all of which concerned one product, namely, copra. Two overseas countries and territories (the Comoro Islands and Djibouti) also became independent and received 0.5 MUA in respect of copra and hides and skins.

2.13. In 1977, acting on a decision taken by the ACP/EEC Council in Fiji in April, the Community Council adopted revised lists of countries and products covered by the STABEX scheme :

- A number of new products were added, namely, vanilla, cloves, pyrethrum, mohair, wool, gum arabic and ylang-ylang;
- New countries seeking accession to the Convention were admitted to the STABEX scheme.

Moreover, the derogation provided for in Article 17(4), whereby the STABEX scheme may apply to exports irrespective of destination, was extended to Western Samoa, Tonga, the Comoro Islands, the Seychelles and Lesotho.

2.14. Several of the problems which arose in connection with the first transfers are still to be solved. Among them were :

- The choice of the reference period for calculating payments : some countries ran into difficulties because of droughts, cyclones and other "acts of God" in the four-year reference period, which led to production being lower than normal;

- The list of products covered : the ACP countries want the inclusion of a number of products which are a mainstay of certain economies, such as dried and smoked fish, cattle, rubber, phosphate, copper and rice.

D - Industrial Cooperation

2.15. The signatories to the Convention recognized that it was essential to develop industry in the ACP countries. They therefore agreed to do everything to bring about effective industrial cooperation.

The following objectives were particularly singled out :

- (i) bringing about a better distribution of industry both within the ACP countries and between them;
- (ii) establishing new industrial relations between the parties to the Convention and between their economic operators;
- (iii) improving the transfer of technology and the adaptation of such technology to the specific conditions and needs of the ACP countries;
- (iv) promoting the marketing of ACP industrial products;
- (v) encouraging the participation in the industrial development of the ACP States of, on the one hand, nationals of the ACP States, in particular small and medium-sized firms, and on the other hand, of Community firms, where the ACP States so desire.

In order to attain these objectives, the Community must help to carry out programmes, projects and schemes concerning industrial infrastructures and ventures, training technology and research, small and medium-sized firms, industrial information and promotion, and trade cooperation.

The Convention stresses that such co-operation must take account of the aspirations, priorities and development objectives of the ACP countries.

Generally speaking, financial and technical co-operation must provide the means for implementing industrial co-operation. The more specifically new instruments for its implementation are :

- The Committee on Industrial Co-operation, supervised by the Committee of Ambassadors and generally responsible for seeing to the implementation of co-operation;
- The Centre for Industrial Development, which will have the task of gathering and disseminating information, carrying out project studies, organizing and facilitating contacts between firms, etc..

2.16. The progress report on this chapter of the Convention can be drawn up fairly rapidly.

Many months were necessary to set up the bodies provided for in the Convention.

The Committee on Industrial Co-operation held its first meeting in December 1976. Most of its work in 1977 was concerned with drafting its rules of procedure and with problems connected with the structure and terms of reference of the Centre for Industrial Development, whose Director, Mr THIESEN (Luxembourg), was appointed in December 1976.

According to information received from the Centre, it has helped to implement 24 industrialization projects in ACP countries involving investments of approximately 500 million u.a. These projects have led to the creation of 3,000 new jobs in the ACP countries and 1,500 in the EEC countries.

The type of projects being promoted under the industrial cooperation with the ACP countries include :

- joint ventures between ACP businessmen and industrialists from EEC countries; the Centre for Industrial Development provides assistance in various fields (estimates of production levels, checks on the primary material content of products, preliminary feasibility studies, etc.);
- assistance to small and medium-sized businesses to enable them to meet, in particular, the needs of regional markets;
- the development of industries having a ready access to local supplies of raw materials;
- the expansion of agriculture and allied industries.

An Advisory Council for the Centre for Industrial Development was set up in 1977. The Council, which has 14 members (3 EEC and 6 ACP) does not seem to have played a particularly important role so far.

According to Article 10 of Decision 1/76 of the ACP/EEC Council of Ministers, which deals with the composition and the operation of the Committee on Industrial Cooperation, a procedure

should be adopted to enable economic and social interest groups in the ACP and EEC countries to be consulted on a regular basis. Up to now, however, we are not aware of any measures which have been taken in this respect.

It is therefore clear that although some of the foundations for industrial cooperation have been laid, the new type of industrial cooperation as envisaged by the Convention has not really begun, despite the fact that industrial cooperation is considered to be one of the essential aspects of the Convention.

E - Financial and Technical Cooperation

2.17. According to the Convention, the basic purpose of financial and technical cooperation is to correct structural imbalances in the various sectors of the ACP economies, and thus contribute to their economic and social development.

An overall sum, initially set at 3,390 MUA has been allocated by the Community to financial and technical cooperation, for the duration of the Convention. The bulk of this sum is to constitute the endowment of the new European Development Fund (EDF) (*), while the remainder is to be provided by the European Investment Bank.

(*) The new EDF is the fourth one :

- The first Fund, set up by the Rome Treaty's implementing convention, amounted to 581.25 MUA;
- The second Fund, set up by Yaoundé Convention I, amounted to 730 MUA plus 70 MUA for normal EIB loans;
- The third Fund, set up by Yaoundé Convention II, amounted to 905 MUA plus 100 MUA for normal EIB loans.

More than 65% of the financial assistance is provided as outright grants. In general, special loans are granted for 40 years and carry an annual interest rate of 1%. A proportion of the assistance may be allocated, as risk capital, to ACP companies in order to help with industrial, mining and tourist projects. The STABEX funds are also included in the overall sum mentioned.

Allowing for the new accessions, which have changed the initial breakdown, we obtain the figures given below :

'000 000 ua	ACP states	OCT	TOTAL
<u>EDF Total (a)</u>	<u>3,054.10</u>	<u>105.40</u>	<u>3,159.50</u>
- Grants	2,137	37	2,174
- Special loans	440.10	29.40	469.50
- Risk capital	97	4	101
- STABEX	380	20 (+ 15 reser- ves)	400 (+ 15 reser- ves)
<u>EIB Total (b)</u>	<u>390</u>	<u>10</u>	<u>400</u>
<u>GRANT TOTAL (a + b)</u>	<u>3,444.10</u>	<u>115.40</u>	<u>3,559.50</u>

These sums are financed by the Member States according to the following scale : Belgium, 6.25%, Germany, 29.95%, France, 25.95%, Italy, 12%, Luxembourg, 0.2%, Netherlands, 7.95%, United Kingdom, 18.70%, Denmark, 2.4%, Ireland, 0.6%.

About 10% of the financial resources are set aside for schemes likely to promote regional and inter-regional cooperation.

A special allocation of 150 MUA has been set aside for exceptional aid to ACP states having to cope with serious difficulties brought about by natural disasters, or the like. In addition, 20 MUA has been earmarked for very-small-scale schemes so as to respond effectively to the needs of local communities.

Special assistance may be provided for the twenty four least-developed countries.

Special attention is paid to planning aid to ensure that it fits in with the development plans and programmes of the individual ACP states. These states will, moreover, participate actively in each of the various stages of projects up to and including the final evaluation of their results.

2.18. On the basis of the annual reports from the Commission to the ACP/EEC Council of Ministers (see tables in Appendix 4) it is possible to make a summary assessment of the progress made over the last two years.

During this period approximately 1,220 million European Units of Account (EUA) was allocated under Article 42 of the Convention. This sum represents 35,4% of the total amount of Community aid (3,444 million EUA).

91.1% of the sum allocated was financed by the EDF and 66.3% was in the form of subsidies. The remaining 8.9% was met by the EIB.

2.19. The overall figures for these two years show that a very large amount of money was earmarked for boosting levels of production (almost 60% of the total amount set aside under the outline programmes - excluding STABEX transfers and special and miscellaneous aid). The sums so allocated were divided almost equally between industry and production in rural areas.

22.7% of the total sum allocated was used to part finance economic infrastructures, much of this aid being granted under the heading of regional cooperation. The aid was used, in particular, to help make the least-developed ACP States more accessible. Most of the projects financed involved roads, railways, ports and telecommunications.

Projects to improve social infrastructure got off to a slow start in 1976 but for the two-year period under consideration they received 16.7% of the total allocations. The projects involved :

- educational facilities mainly for the teaching of practical and technical subjects and often at intermediate level;
- training facilities: 62.5 million EUA was allocated to projects in this field and this represents almost 40% of the total amount allocated for social infrastructure improvement work. The aid covered inter alia, specific training projects carried out almost exclusively in the beneficiary countries, training in connection with production or infrastructure projects, further training

seminars and courses and, in particular, grants for periods of study and training (up to the end of June 1977) 2,085 such grants had been made, including 1,513 in ACP countries and 432 in EEC countries);

- public health facilities : here priority was given to small and medium-sized centres, particularly in rural areas;
- water works and environmental projects : particularly water supply projects, sanitation work and environmental improvement work to aid underprivileged sections of the population.

Trade promotion aid : 80% of this aid went towards the cost of organizing trade fairs, trade exhibitions for particular products and other trade promotion events. The other 20% went towards the cost of setting up liaison schemes for businessmen, preparing and making use of market research and distributing trade information.

Special aid is made available under Article 59 of the Convention. During the period under consideration a total of 61.2 million EUA was allocated as special aid to 15 countries which were faced with serious difficulties, as a result of either natural catastrophes or comparable exceptional circumstances. These sums were used to purchase the most urgently needed imports (medicines, fertilizers, fuel, spare parts, rolling stock, seeds, detergents) and to finance the building and repair of houses hospitals, roads and schools).

2.20. Some of the innovations of the Convention of Lomé deserve special mention, namely : regional cooperation (*), schemes to aid small and medium-sized businesses, microprojects, the programming of aid and the setting up of delegations.

(*) In this document "regional cooperation shall apply to relations either between two or more ACP States or between one or more ACP States on the one hand and one or more neighbouring non-ACP countries on the other. Interregional cooperation shall apply to relations either between two or more regional organizations of which ACP States form part or between one or more ACP States and a regional organization".

2.20.1. Regional cooperation: in March 1977 the Community authorities agreed on a programme for the allocation of the first instalment of regional cooperation aid. 207,800,000 EUA is to be allocated under this programme. This represents approximately two-thirds of the amount earmarked for regional cooperation. 90% of the amount allocated is to be spent on projects and programmes included in the lists drawn up by the ACP States, regional bodies and inter-state bodies.

Priority has been given to improving transport infrastructure. A number of difficulties have arisen in the implementation of this regional cooperation programme. The Commission puts these difficulties down to the lack of preparation of some of the regional projects, real difficulties over coordination and the large number of projects requiring joint financing.

By the end of 1977 64.6 million EUA had been allocated to particular projects. This represents less than a third of the total amount made available under the first instalment.

2.20.2. Schemes to aid small and medium-sized businesses in the ACP countries. This is an aspect which was stressed in the Convention and it bears witness to the growing awareness of the role of these businesses in the developing countries. In this field, too, progress appears to have been slow, despite the fact that in 1977 the Commission approved the initial proposals on the allocation of finance. The aim of these proposals was to open a credit line for ACP bodies offering credit to small and medium-sized businesses. The EIB also increased its loans to banks in the ACP countries which offer financial aid to businesses of this type.

2.20.3. The micro-project programme was received with considerable interest by the ACP countries. By the end of 1977 the first annual programme was in the course of completion in 11 ACP countries. A total of 5.1 million EUA has been allocated for this programme. Although initial progress of this programme has been slow, the process of allocating funds to projects now seems to be progressing at a faster rate.

2.20.4. The aim behind the programming of Community aid has been to :

- help the ACP countries to set national priorities and to plan investments by informing them in advance of the amount of finance they may obtain from the Community;
- ensure that the Community projects and action programmes are in line with the aims and priorities set by the ACP countries in their development plans.

Though it is difficult to assess the extent to which all Community aid has tied in with the priorities and objectives set by the ACP countries, it would nevertheless seem that the parties to the Convention do take account of the need for these two factors to be aligned. The planning missions seem to have worked satisfactorily.

2.20.5. A total of 41 delegations representing the Commission have been set up. During its visit to Africa the Committee's delegation was able to see at first hand the important and effective work being done by the Commission representatives and their teams and the way in which this work was appreciated by the authorities in the ACP countries.

F. Institutions

2.21. The institutions of the Convention are the Council of Ministers, assisted by the Committee of Ambassadors, and the Consultative Assembly.

The Council of Ministers is the supreme organ. It is composed, on the one side, of the members of the Council and Commission of the European Communities, on the other of one member of the government of each of the ACP countries.

The chair is occupied alternately by a member of the Council of the European Communities and a member of the government of an ACP country.

The Council of Ministers is convened at least once a year by its President. It holds any further meetings which may prove necessary, in accordance with the stipulations of its Rules of Procedure.

The Committee of Ambassadors assists the Council of Ministers in the performance of its tasks. It supervizes the work of all committees - including the Industrial Cooperation Committee - and other bodies or working groups set up under the Convention.

The ACP/EEC Consultative Assembly consists on the one hand of members of the European Parliament, and on the other of representatives appointed by the ACP states, both parties appointing the same number of representatives. The Assembly adopts Opinions and resolutions on matters germane to the Convention.

An arbitration procedure has been laid down for disputes about the interpretation and application of the Convention.

2.22. The institutions were set up without any major problems.

The Council of Ministers held its first meeting in July 1976, and its second in April 1977. The third meeting is scheduled for March 1978. The Council secretaries are Mr T. KONATE (for the ACP) and Mr G. LESORT (for the Community).

The Council has delegated a number of powers to the Committee of Ambassadors, to enable the many problems posed by the implementation of the Convention to be tackled better.

The ACP/EEC Consultative Assembly held its first meeting in June 1976, its second in June 1977. Once the new members have been formally accepted, the Assembly will have 212 members (106 for each side).

The Assembly has set up a Joint Committee which currently comprises 52 ACP members of the Assembly (1 member per ACP State) and an equal number of members of the European Parliament. The Committee meets twice a year.

At its second meeting, held in Lesotho in December 1977; the Joint Committee began to debate the problems posed by the renewal of the Convention.

G - Role of Economic and Social Interest Groups

2.23. The potential role of representatives of economic and social interest groups from both the ACP and EEC countries in the implementation of the Convention has been discussed on several occasions at various levels.

The following points should be mentioned :

- At the level of the Council of Ministers, Article 10 of Decision 1/76 stresses the importance of consultation of economic and social interests by the Industrial Co-operation Committee. To date, however, little progress has been made on the matter.
- The Consultative Assembly has repeatedly expressed its views on the question :
 - . In June 1976, the Assembly passed a resolution trusting that the Council would, as soon as possible, adopt provisions implementing Article 74(6) of the Convention, which states that "The Council of Ministers may make all the arrangements that are appropriate for ensuring the maintenance of effective contacts, consultations and co-operation between the economic and social sectors of the Member States and of the ACP States.
 - . In December 1976, the Joint Committee of the Assembly proposed that a meeting with representatives of representative ACP and EEC economic and social bodies be held during the Assembly session of June 1977.
 - . A meeting between members of the Joint Committee and representatives of economic and social interest groups in the ACP and EEC countries was in fact held in Luxembourg on 9 June 1977. The Economic and Social Committee played an important role in the preparation of the meeting and the meeting itself. The meeting was regarded as a very positive step forward.

- . In a special resolution passed at its session of 8 to 10 June 1977, the Assembly welcomed the meeting of 9 June and stated that it was aware of the need for regular meetings between members of the Joint Committee and representatives of economic and social interests. The Joint Committee was asked to continue its review of the practical details of closer cooperation with representatives of economic and social interests, and to report back;

- . In point 20 of the General Resolution adopted at this same meeting, the Consultative Assembly "urges the Council of Ministers to pursue appropriate action at the level of the Committee of ACP/EEC Ambassadors to ensure ways of establishing, within the meaning of Title 3 of the Convention, effective contacts, consultations and cooperation between the economic and social sectors of the Member States and the ACP States";

- . In December 1977, the Joint Committee, meeting in Lesotho, instructed HE, Mrs MATHE, Ambassador of Botswana, to report on the matter at its meeting in June 1978. The Community members of the Joint Committee also agreed that the Committee on Development and Cooperation of the European Parliament should also draw up a report on the matter. Nonetheless, it must be noted with regret that the resolution issued by the Joint Committee meeting in Granada at the end of May 1978 hardly marked a positive step in this direction.

III. THE ROAD TOWARDS A NEW CONVENTION

3.1. The Convention of Lomé, which was concluded for a period of five years, is due to expire on 1 March 1980. Under the provisions of the Convention, 18 months before its expiry the contracting parties are to start negotiations on the provisions governing the subsequent relations between the Community and the ACP States.

At some time after 1 September 1978, the contracting parties will therefore start to work out a new Convention. Since the beginning of 1978 both the Secretariat of the ACP States and the Commission have been submitting initial proposals and guidelines to the ACP Council and the EEC Council.

Although the Convention of Lomé has only been operative for a relatively short time, the Section considers that the achievements and experience of those two years when coupled with the aspirations of the ACP States, the medium and short-term interests of the EEC and the need to contribute towards a joint effort to find a new international order are so many reasons for consolidating and strengthening the cooperation which was begun by the Convention.

The Section stresses the importance, in drawing up the new Convention, of having consistency between the economic and social objectives of the ACP States and those of the EEC Member States. In order to arrive at this consistency, a frank and full two-way flow of information is essential, as are determination and permanent consultation procedures. One cannot expect current imbalances, notably in the structure of trade flows, to disappear spontaneously.

Again, the Section considers that continuing with the cooperation policy whose expression is the Convention of Lomé must not impede Community development policy, vis-à-vis developing countries which are not in the ACP group.

In this spirit, the EEC could not neglect its moral and legal obligations towards the whole of the Third World and it would be desirable if all the Member States applied the international aid standard for development aid (0.7% of GNP) and worked for further harmonization of their development aid policies.

Some members feel that this percentage is too high for a regional issue and would not fit in adequately with cooperation at world level.

Both when negotiating and implementing the new Convention there must be a vigorous drive for consistency between the various facets of EEC/ACP cooperation.

In order to achieve all this, economic and social circles in the ACP states and in the EEC must be involved, as the Economic and Social Committee has repeatedly pointed out.

A - The Convention and the New International Order

3.2. Like the current Convention, the new Convention cannot be classified on traditional lines as a trading, industrial or financial agreement. The Lomé Convention can and must to an increasing degree, by reason of their fundamental nature of cooperation agreements, constitute an important contribution towards the finding of a new international order. The new international order must have different approaches and different objectives from merely overseeing relations between the developed and developing countries.

3.3. It is obvious that there cannot continue to be a world order which is the source of injustice between countries, that there cannot continue to be acceptance of the profound inequality which divides humanity into two groups of nations, those with the chance to increase their prosperity and power and those who are in almost no position at all to break out of underdevelopment, and that there cannot continue to be a world order which aggravates inequalities within individual countries.

In addition, how can it be accepted that the industrialized countries should continue to develop using the Third World as their source of raw materials, agricultural products and manpower and on the basis of contracts which almost invariably are to the advantage of the stronger party?

How can an international division of labour be valid when in its name people advocate expanding trade in everyday manufactures made using cheap labour for products using advanced technology?

In this new division of industrial activities, the multinationals are playing a crucial role. Often it is products from subsidiaries set up by multinationals in the Third World which are competing with the goods produced in the industrialized countries.

These great companies dominate international trade. A recent report of the UNCTAD industrial committee estimates that more than 50% of the developing countries' trade is accounted for by multinationals and that more than a third of world trade is conducted internally within the multinationals themselves. It is obvious that the production and trading strategies and objectives of such companies are at least as determinant as those of States.

Some members think that the Report neglects the positive side of the multinationals' activities in the developing countries, but other members think that the Report should have condemned the attitude of the multinationals more strongly.

3.4. This international division of labour, coupled with the present international economic system which engendered it, is incapable of overcoming the current world crisis. On the contrary, it is liable to give rise to unthinking, fierce reactions of protectionism and trigger a series of serious clashes.

3.5. For the peoples of the Third World have gradually become aware of the responsibility of the world economic system for their under-development. They have prepared a set of demands which they put forward in all international negotiations. The bases of the new economic order for which they are pressing are as follows :

- substitution in international economic relations of cooperation for domination, of equity and negotiation for the blind laws of supply and demand, of equal participation of all countries in international institutions rather than the monopoly which the developed countries currently enjoy;
- respect for national sovereignty, control of national resources and supervision of foreign firms set up on their territory;
- increased independence by means of groupings of producers and regional and inter-regional cooperation;
- change in the operation of world markets so as to ensure more regular and higher earnings for the developing countries;

- increased solidarity between the developing and the developed countries by means of preferential, and non-reciprocal, treatment, increased aid and the introduction of transfers which are more suited to the needs of those on the receiving end.

The ACP States are all in the "Group of 77" and are party to these demands. There would be no point in discussing with them in disregard of these fundamental issues which can be found for the most part in the Declaration adopted by the General Assembly of the United Nations in May 1974 on the establishment of a new international economic order.

3.6. The EEC countries, for their part, have what they consider to be legitimate interests to defend, namely :

- regular delivery and quality of their supplies of commodities;
- guaranteed security of investments by their citizens in ACP countries;
- the supervision of multinational companies operating on their territory;
- protection against cut-throat competition in the case of a number of activities regarded as essential to national independence and employment.

3.7. The demands and the interests of both the ACP countries and the EEC countries, the weaknesses of free trade and the difficulties in the way of implementing a new international economic order, all of these factors point to the need for consideration to be given to introducing a new development strategy in the negotiations on the renewal of the Convention of Lomé.

Under this new strategy the quantitative increase in trade between the ACP countries and the EEC should be geared to the development requirements of the countries involved. This means that a constant effort should be made to modify the structure of the trade between the ACP countries and the EEC and that priority should be given to expanding the national and regional markets of the ACP countries in order to enable them to increase their production of goods to meet the basic requirements of their own populations.

Though such a strategy can be justified on the basis of a critical examination of the realities of international trade, it does in fact go beyond the confines of international trade to involve financial cooperation, technical cooperation, transfer of know-how, and industrial cooperation. All these different forms of cooperation must pursue the same aims and be complementary to one another.

This unified strategy would provide a reason for not breaking down the negotiations on the renewal of the Convention into sectoral negotiations but maintaining an overall approach. It would not seem to be possible to achieve in each of the above-mentioned fields a balance in the concessions which the two parties to the Convention would have to make in order to arrive at a coherent overall agreement. It would, however, be perfectly possible for a given trade guarantee granted by the ACP countries to the EEC to be offset by improving the implementing procedures of, for example, financial cooperation.

If the Community and the ACP states were to agree on both the advisability and the feasibility of implementing such a strategy, it would then be necessary to consider what effect such a strategy would have on the institutions set up under the Convention. The role of these institutions and their joint composition should be strengthened so that it would be possible for the decisions giving concrete effect to the desire for cooperation between the various partners to be taken both rapidly and with sufficient authority.

In view of all these considerations, the Committee feels that an act of the kind of the Convention of Lomé is not entitled to fail. Such an agreement must increasingly be an act of cooperation between peoples which is based on equity, sovereign equality, interdependence and common interest, independently of the economic and social systems of the countries concerned. It must aim to eliminate the widening gap between developed countries and developing countries and in this way make a contribution towards peace and justice in the world.

B - Some Factors to be taken into Account in EEC/ACP Cooperation Policy

3.8. Development cooperation presupposes joint action against obstacles to development. Such action requires awareness of the relevant facts.

The relevant factors affecting the ACP States, most of which were remarked by the ESC delegation which visited several African countries in February 1978, must be pointed out here.

- The fundamental importance of agriculture in economic life :

In most ACP States, agriculture is the chief economic activity in terms of the number of people for which it provides a means of life (often nearly 80% of the population lives on the land). Despite its vital importance, the agricultural sector is not sufficiently developed, owing to difficult geographical and climatic constraints and the overemphasis on crops for export.

Indeed, many ACP States do not produce sufficient food for their needs, which has an adverse effect on both living conditions and the balance of payments.

- Inadequate transport infrastructures and communications systems :
Communications between countries and within the countries themselves are made difficult by a lack of railways and inadequate road systems; there are practically no transversal airline links, which means that it is often quicker to go via Rome or Paris when travelling between places such as Nairobi and Niamey; the telephone networks - both internal and external - are also inadequate; transport capacity is not used sufficiently because of a shortage of spare parts or a lack of qualified repair workers; newly-built roads have sometimes already been ruined because they have not been properly maintained.

- The dramatic consequences of droughts :
Droughts decimate flocks and bring poverty to whole populations; in many countries assured water supply is the main priority in order to reduce their vulnerability in the face of uncertain climatic conditions.

- The isolated situation of many countries :
Many countries are landlocked which makes it difficult for them to obtain supplies and to export goods, particularly in view of the fact that there is often no alternative to sea transport.

- The special position of frontier states and enclave states in the south of Africa :
These countries suffer harsh consequences as a result of their involvement in the struggle against racism and apartheid in South Africa.

But the reality of life in the ACP countries means many other things that should be gone into in detail but which we can only refer to in passing here, such as :

- . the low level of school attendance in many countries,
- . serious sanitary problems,
- ; widespread unemployment and under-employment,

and it should be remembered too that out of the 53 ACP countries 21 have a per capita GNP of between 90 and 260 dollars a year, in 24 the figure is between 270 and 680 dollars and in 8 others between 920 and 2,600 dollars.

Hence a development cooperation policy also has to take into account all of the above factors. These fundamental problems must be the priority of regional cooperation.

C - Trade Issues

3.9. The Section considers that products from developing countries, including the ACP States, must continue to have duty-free access to the Community market. Furthermore, non-tariff barriers (including ceilings) should be abolished as soon as possible.

The Section considers that the principle of non-reciprocity ought to continue to be respected and points out that the ACP States must not treat the Community less favourably than any other developed countries. It is fair to say that hitherto the ACP countries have not enjoyed the benefits which they demanded from third countries when the Community abandoned the principle of reciprocity.

3.10. As was pointed out in 2.7. above, it is not yet possible to make an accurate assessment of changes in the volume of trade between the EEC and ACP countries. There is, however, no doubting the fact that the pattern of ACP/EEC trade is still very typical of trade links between countries at unequal stages of development.

Three fundamental points should be highlighted in this respect :

- The ACP countries continue to import considerable amounts of foodstuffs. This, together with the fact that under-nutrition exists in all of these countries without exception, shows that these countries are not independent as regards food supplies;

- Though the bulk of ACP imports from the EEC consists of manufactured goods, their imports of capital goods remain at a fairly low level;
- The ACP countries export very few industrial products and, from an overall point of view, there is no real competition between the ACP countries and the EEC in this field.

3.11. The new convention will have to pay particular attention to the structure of trade between the ACP countries and the EEC, rather than to bringing about an increase in the volume of this trade. The importance for the developing countries of expanding the volume of their trade is now seen in more qualified terms than it was until recently.

The negotiators should endeavour to reach agreement on a number of immediate aims, which would include :

- Bringing about a gradual reduction in the amount of foodstuffs imported by the ACP countries from the EEC and the industrialized countries with a view to making the former self-sufficient in foodstuffs. In this connection very careful consideration should be given before allocating certain forms of food aid which often have very harmful effects on local food production;
- Increasing ACP imports of capital goods.

3.12. At the same time, the new Convention should take account of two fundamental preoccupations of the EEC countries. These preoccupations, which may also be seen in terms of sectoral objectives in respect of external trade, can be summarized as follows :

- Possible competition between EEC products and those of the ACP countries in relation to a number of sensitive products and sectors which will have to be defined on the bases of various criteria, the most important one being the number and type of jobs which are jeopardized;

- The provision of regular supplies of certain products.

3.13. From a more general point of view, enlargement of the domestic and regional markets of the various partners must be an integral part of the objectives of the new Convention and must not be compromised by the development of ACP/EEC trade.

3.14. The pursuit of these objectives obviously means that there will have to be very close consultation between the ACP countries and the EEC. There are unlikely to be any sudden changes which will remove the structural imbalances in trade flows. On the contrary, to adopt a *laissez-faire* attitude might lead to unilateral decisions being taken which would jeopardise the cohesion of the cooperation network formed by the ACP countries and the EEC. If the jointly fixed objectives are to be achieved the negotiators must be provided with information, from both sides, which is both full and objective and covers all the existing and foreseeable difficulties.

This broad consultation must take account of the world situation in the round and of international negotiations.

3.15. As regards the sensitive sectors and products mentioned in 3.12. the Section supports the Commission's proposal to introduce regular obligatory consultation between the ACP States and the EEC with the participation of economic and social circles. These consultations ought to afford a better two way flow of information on trends and the outlook as regards output, the market and trade. The aim would be to bring about an ordered expansion of trade in the said sectors and products and plan the necessary structural changes. But such "ad hoc" forms of consultation should give way in the future to an overall consultation process on sectoral policies.

In any event, the consequences and the socio-economic cost of the agreements must not be borne solely by the workers in the industries concerned but must be spread evenly throughout the entire Community.

3.16. In view, moreover, of the importance of the role played by the multinationals in trade and production in the ACP and EEC countries, the various parties to the Convention should try to agree on a joint stand with regard to multinational companies. This should involve the reciprocal exchange of information on the activities of these companies and a supervision of their activities.

3.17. The majority of the trade objectives proposed above cannot be achieved simply on the basis of a trade policy, however well defined and coherent it may be. This is particularly the case as regards the objectives of increasing ACP imports of capital goods and increasing trade between the ACP countries themselves. In the new Convention it will therefore be necessary to link the trade provisions very closely to the provisions of the STABEX scheme and the financial and technical cooperation arrangements.

3.18. If this approach were adopted, the new Convention would provide the legal basis for a joint cooperation network which would involve far more than simply trade relations. If this were to happen, the anxiety expressed by the ACP countries over the way in which their trade advantages over other developing countries were being eroded by the generalized preferences scheme would, to a large extent, no longer be justified. The Section considers that judicious and dynamic trade promotion exercises could foster a restructuring of trade between the ACP States and the EEC.

D - Stabilization of Export Earnings

3.19. In theory, the negotiation and application of the STABEX scheme is a very promising development in the history of relations between industrialized and developing countries. But four aspects of the scheme need attention if it is to have a major practical impact, viz. :

- a) the range of products covered;
- b) the problem of inflation;
- c) intra-ACP trade;
- d) the uses to which transfers of funds are put.

In addition, a number of technical problems with substantial economic and indeed political implications need to be overcome.

3.20. Some countries have had little or no benefit from the STABEX scheme because their exports consist mainly or almost exclusively of products not covered. Basically, these are the minerals except iron ore (e.g. potash, phosphates, etc.), whose importance for EEC economies is considerable. The list of products covered by STABEX should be extended. This would both remove what amounts to discrimination between different ACP countries and be in the clear economic interest of the EEC. Extension of the list of STABEX products would also meet criticisms from the ACP that the scheme keeps them from diversifying their exports.

3.21. A major shortcoming of the STABEX scheme, already pointed out in the Committee's Opinion on the Lomé Convention, is that it does not allow for inflation. The scheme does not compensate countries for a decline in their real, as opposed to their nominal export earnings when, for example :

- a) the prices of the country's exports increase, but there is a greater increase in the prices of its imports, so that its terms of trade deteriorate, and
- b) although there is a fall in the volume of exports of a product, the greater percentage increase in the prices obtained for the product keeps receipts from falling below the qualifying threshold.

In such cases the ACP countries see their purchasing power and capacity to import eroded, but STABEX does not protect against such a fall in purchasing power.

Moreover, in case a), in spite of the fact of the real value of their exports having declined, "more advanced" ACP would also be liable, provided the volume of their exports has not fallen, to repay any advances they might have received.

Improvements should therefore be sought in two areas :

- a) To see whether the scheme cannot be made to apply when a fall in the volume of exports of a product coincides with a worsening of the terms of trade for that product.

The idea should also be considered of using such a provision to help ACP countries which wish to do so to diversify their exports or indeed switch production capacity from exports to producing for the home market.

b) To see whether ACP countries not on the list in Article 48 of the Convention could not be exempted from repayment of advances where the terms of trade for the product have worsened.

3.22. STABEX at the moment does not cover trade between ACP countries, except for five which are covered by virtue of Article 17(4). Moreover, this discourages diversion of export flows from the EEC to other ACP countries.

This anomaly should be corrected, although to do so substantial improvements will be required in present deficient state of trade statistics collection by customs authorities, especially in black Africa.

In addition, would it not be possible for certain ACP States progressively to contribute financially to the scheme during booms, in which case the scheme should be managed jointly?

3.23. It should be possible to negotiate a number of ground-rules to ensure as far as possible that transfers of funds are not used without a definite economic and social development perspective in the country concerned. In particular, it could be stipulated that a specified proportion of the transfers must be channelled to the exporting sector and/or producers concerned and the rest used for the most urgent investment projects in other sectors.

3.24. There are also a number of apparently technical problems in the working of the scheme on which the partners will need to bring political will to bear if they are to solve them.

These concern for example : -

- determination of the reference period. A certain amount of flexibility is needed to cater for exceptional circumstances like a succession of bad harvests. This flexibility should be clearly written into the Convention;
- trade statistics. It is desirable that in future a real synthesis of EEC and ACP trade statistics should be used for calculating transfers to ACP countries. The EEC therefore needs to give substantial help to the customs and statistical services in the ACP. A widening of STABEX to include inter-ACP trade would make such cooperation more urgent still.

Finally, the Section felt that attention should be paid to whether STABEX was consistent with plans under way at world level.

Some members would have liked the Report to have taken a closer look at the possibilities of either extending STABEX to cover all export earnings or indexing the prices of products exported by the ACP countries.

E - Industrial and Technological Cooperation

3.25. The Section considers it essential that industrial co-operation be effectively implemented and strengthened in the new Convention, in keeping with the perspectives opened up in the present Convention and the hopes entertained by the ACP countries in this area.

3.26. The general lines of approach to be favoured. The Section considers that in order to create a diversified industrial base that will contribute to the development of the ACPs, emphasis will have to be placed on the following points in industrial cooperation :

- manufacture aimed first and foremost at satisfying the basic needs of the population expressed on the national and regional markets;
- progressive improvement of the ACPs' export capability with a view to establishing more equitable trade relations; it will be necessary to concentrate on the exploitation of raw materials;
- improvement of the ACPs' technological capability;
- creation of as large a number of jobs as possible;
- a better balance in economic activities at national and regional levels
- the fact that it is important to the ACPs that their industrialization should not lead to deterioration of the environment or of living and working conditions (lessons should be drawn from the costly mistakes made in the industrialized countries);

- the need for industrialization to be integrated in an overall policy for the development of these countries, together with other aspects (in particular, rural development) with which it is closely associated;
- the setting-up of maintenance firms capable of ensuring that existing capital goods stay in good repair;
- the co-ordination of infrastructures with industrial location.

3.27. Industrial cooperation between the ACPs and the EEC will therefore come into its own in so far as these guidelines and the development priorities and objectives of the ACPs are observed. Decisions on the setting-up of industries and firms should therefore be guided by the need for solidarity, effectiveness and coherence in development and not be determined by the wishes and pressures of outside investors or the profits to be made.

3.28. Improving the technological capability of the ACPs. In keeping with these guidelines special attention should be paid to improving the technological capability of the ACPs.

In view of the vital role of technology in industrial growth, it is evident that there can be no genuine development of the ACPs or any other Third World countries unless one has clearly defined and solved the problems involved in affording them access to technology and thereby strengthening their technological capability. This is particularly so, since the kind of development the ACPs want

cannot be achieved by simply transferring technologies that are the vehicles of other models of growth and other methods of production. Instead, one must try to find and apply appropriate technologies in line with the needs, aspirations and resources of these countries.

Article 26 of the Lomé Convention contains interesting ideas in the following sub-paragraph, which defined one of the objectives of industrial cooperation :

"d) to facilitate the transfer of technology to the ACP States and to promote the adaptation of such technology to their specific conditions and needs, for example by expanding the capacity of the ACP States for research, for adaptation of technology and for training in industrial skills at all levels in these States".

3.29. Efforts must be made already to translate these aims into concrete realities, and they should be developed into the new Convention.

The Centre for Industrial Development, set up under the Convention, could act as a useful instrument in this field, for example by :

- giving specific help to the ACPs in choosing, transferring, adapting or inventing the technologies they need;
- encouraging universities, research centres and training institutions to draw up programmes of technological studies;
- seeking ways of securing preferential conditions for the acquisition of technology from the industrialized countries and means of protection against abuses in the transfer operations, particularly as regards prices and restrictive clauses;

- helping to find and promote new activities in those sectors where the ACPs' needs are great, such as solar energy and the manufacture of specific pharmaceuticals using local raw materials.

3.30. Developing small and medium-sized enterprises. Special attention must be paid to small and medium-sized enterprises (SMEs), which often have a considerable impact on the economy and on employment.

There is good scope for SME-scale industrialization in numerous sectors, such as building, mechanical engineering, electrical engineering, agriculture and food, domestic hollow-ware, joinery, etc. Under the Convention, effective cooperation in such enterprises (in any areas the ACP's desire), is possible between EEC and ACP operators, regardless of the legal form of the enterprises concerned (private enterprises, mixed enterprises, State enterprises, cooperatives, etc.).

Cooperation contracts can make specific provision for operations of various kinds, such as transfers of technology, patents of know-how, pooling of distribution networks, setting-up of joint branches, etc.

It should further be emphasized that the ACP's growing interest in micro-projects for basic development should make it possible to encourage the setting-up of SMEs particularly in rural areas.

The Centre for Industrial Development also has an important role to play in the development of SMEs. It can examine and give support to projects, bring into contact with each other those who

are interested in joint projects, help with market surveys and advice on management and organizational matters. It should be possible to step up the Centre's successful activities.

3.31. Encouraging and protecting foreign investments. The Convention does not deal with the problem of investment guarantees. It states simply that the Community and the ACPs should encourage Community firms to participate in industrial development and should take the necessary steps to promote effective cooperation.

The EEC Commission considers that the new Convention should include arrangements for encouraging and protecting foreign investments, paying due regard not only to the sovereign rights of the host countries as to the admission of foreign investments and their integration in economic and development policies but also to the need foreign investors feel for protection against non-commercial risks and stable conditions for their firms to operate in.

According to the Commission, such arrangements would form part of the proposed Community system for encouraging European investments in these countries which recently formed the subject of Commission communication to the Council (Doc. COM(77) 23 final). The existence of investment codes in several ACP states stress their will to welcome foreign investments. In particular, there should be concrete evidence of a desire to facilitate relations between investors and host governments.

The Committee attaches particular importance to this problem and has drawn attention to it on several occasions :

- in its Opinion of February 1974 on the negotiations between the EEC and the ACPs, the Committee agreed on the principle of a Community guarantee for private investments. It asked, however, that account be taken of social considerations in applying such a guarantee (for example, ILO rules should be observed in the projects in question).
- in an Opinion of November 1975, the Committee considered that a guarantee scheme would draw investments towards the ACP States; the issue could be discussed with those interested in developing the activities of private EEC firms on their territory.

In keeping with the above, the Section thinks that the new Convention should devote a chapter to this subject. It considers that the Committee should be able to issue a specific Opinion on this matter using as its basis the memorandum to the Council of 21 January 1978.

3.32. Expanding the role of the industrial cooperation bodies. Attention has already been drawn several times to the functions that, in the Section's view, the Centre for Industrial Development should be able to perform.

A dynamic instrument common to the ACPs and the EEC is an absolute necessity. Such an instrument is essential not only for improving the ACPs technological capability and contributing to the development of SMEs, the training effort and to information and industrial promotion measures, but also for conducting the activities we have gone into at length, such as cooperation in the marketing of ACP industrial products.

Could not the Centre for Industrial Development play an important role here? It should :

- have considerable financial resources that could perhaps be provided by a separate fund under the new Convention;
- work in liaison with specialized international bodies such as UNIDO;

- have close links with similar centres already in existence or to be set up at national and regional level in the ACPs; by acting as local information collectors these ACP centres could help towards a better understanding of the specific problems that arise and towards finding the most appropriate solutions;
- promote intensive cooperation between all concerned and make possible more extensive utilization and development of the experience of ACP research workers and other scientific and technical personnel.

As a logical corollary to expanding the role of the present Centre for Industrial Development, it will be necessary to develop the functions of the Centre's advisory committee and especially the functions of the Committee on Industrial Cooperation. The latter must be equipped with the means to play its full role in preparing and implementing the industrial and technological co-operation provided for under the Convention.

3.33. Role of experts, technical assistance and other technical cooperation personnel. Within the framework of industrial and technical cooperation experts, advisers, technicians and instructors from the Member States are sent to the ACPs, at the request of the latter, on specific assignments for a fixed period of time.

Given the many satisfactory aspects of this technical co-operation, but bearing in mind also the criticisms that have been made, the Section thinks that the following guidelines should be followed :

- technical cooperation personnel and experts should be sent out only in response to very specific requests by the States concerned and only for a limited time;

- their proficiency should be commensurate with the demands of the work they will have to do; this would necessitate a rigorous selection procedure;
- there should be preliminary familiarization courses as well as refresher and additional training courses during secondment;
- in view of their considerable responsibilities in the area of training, technical assistants should themselves have solid teaching abilities.

Furthermore, the technical cooperation which is currently designed to overcome short-term deficiencies should change its nature and gradually base itself on genuine technological and cultural exchanges.

Lastly, as was stated in an earlier Opinion (*), personnel engaged on cooperation should have the right to free movement and sufficient legal security.

3.34. Contribution to the training effort. In its earlier Opinions on the negotiations between the EEC and the ACPs and on the Lomé Convention (*), the Committee stated that an essential part of the Convention was the training of supervisory staff and indeed workers in general (including farm workers) in the ACPs.

It pointed out that the Centre for Industrial Development had the job of (i) helping the ACPs prepare their training programmes and (ii) providing relevant information and advice.

(*) OJ No. C 116 of 30 September 1974

OJ No. C 35 of 16 February 1976

It also suggested committees to promote training and, at ACP/EEC Council level a training commission on which all the relevant socio-economic interest groups would be represented.

The Section strongly endorses these proposals, which are more topical than ever. Throughout industrial and technological cooperation there must be at all levels an intensive and regularly-updated technical, vocational, management and marketing training effort, so that all responsibilities, even the highest, in the various sectors and firms can be taken over as soon as possible by ACP nationals.

F - Agricultural Problems and Cooperation

3.35. The Convention does not have a specific chapter on cooperation in the agricultural sphere but agricultural problems do sometimes come to the fore in the practical application of the Convention, as regards both commercial policy and financial and technical cooperation. We have had occasion to stress this earlier on in this Report.

Although at the present stage of implementation of the Convention no serious problems have arisen between the ACPs and the EEC in the agricultural sphere, there are, nevertheless, some points of disagreement concerning trade in agricultural products and the application of the sugar, rum and bananas protocols. One must, however, recognize the major efforts that have been made through financial cooperation in the development of rural production. Over the last two years this has accounted for 28.5% of the total commitments of funds (excluding Stabex and exceptional aid), i.e. almost as much as has been spent on the development of industrial production.

3.36. In view of the importance of agriculture in both the ACPs and the EEC, and the need to do everything possible to ensure that the agricultural problems are solved in the best interests of all parties, the Section considers that the new Convention should have a chapter dealing specifically with agricultural cooperation.

This cooperation would cover in particular :

- the assistance to be provided for agricultural diversification so that priority can be given to the ACPs' self-sufficiency in food;
- the processing of agricultural products;
- the creation of the infrastructure necessary for rural development;
- the steps to be taken to deal with crucial problems such as drought and its consequences and water control;
- the problems posed by food aid;
- the aim of complementarity rather than competition, bearing in mind world market conditions.

In addition, the search for and implementation of appropriate agricultural techniques so that agriculture can be upgraded and modernized must also aim to preserve and increase the usable land of the ACPs (measures to curb desertification, soil degradation).

The many problems involved in the expansion of agriculture in the ACP countries must be seen against the background of the Community's overall responsibilities towards the developing countries,

particularly the Mediterranean nations. The section on agricultural cooperation in the new Convention should therefore stress the importance of regular exchanges of information between representatives of rural interest groups in all the parties to the new Convention.

G - Financial Cooperation

3.37. Financial cooperation offers a means of taking direct action in the field of development to further policies jointly determined by the ACP countries and the EEC. Financial cooperation is therefore a back-up instrument for the commercial, industrial and technological aspects of the Convention.

3.38. The financial cooperation measures taken under the Convention must be continued and expanded in the new Convention with the above aims in mind. Financial cooperation could be geared in particular to :

- Supporting regional and inter-regional projects dealing with road, rail and airline infrastructures, the development of communications, water works, education, public health and technological research;
- Developing a varied agricultural industry; industrial production, particularly in the field of processing raw materials and local products; and also developing small businesses by introducing manufacturing operations which stimulate both the economy and employment; and, finally, continuing, in an active way, the micro-project experiment.

3.39. From a general point of view, there is a need to :

- Continue to give priority to the least developed countries, isolated countries and islands. In this connection, special attention must be paid to helping ACP countries in the south of

Africa which have to support the serious consequences of their struggle against apartheid in South Africa and of the situation affecting this region. The financial cooperation measures which have already been taken (special aid, EEC/ACP programme to aid Namibia) have been positive steps and this work should be intensified, particularly with a view to opening up isolated countries and providing emergency food aid and medical programmes;

- Supplement the financial contributions made to projects which have been carried out, particularly infrastructure projects, by further credits to enable these projects to be kept going, at least for a certain time (maintenance, supply of maintenance and repair equipment, training of staff, etc....);
- Improve the provisions of the Convention concerning the planning of aid in order to enable the objectives and priorities of the ACP countries in the various fields to be properly taken into account;
- Ensure that the partner States play an active role in the management of the aid. They should share responsibility for defining the main guidelines of the aid policy and the policy itself, compiling detailed reports to accompany applications for finance, carrying out the projects themselves, and analyzing their effectiveness in order to assess whether the aims of the aid have, in fact been achieved.

3.40. The Section would like to make a number of points on the concrete financial aspects.

3.40.1. The total sum made available to the ACP States by the Community will have to be increased under the new Convention. Increases will have to be made both in the contributions from the EDF and those from the EIB. Account must be taken of the fact that more countries have now signed the Convention, of the considerable and growing needs of the ACP countries and of the consequences of inflation.

The economic difficulties affecting the Member States of the Community must not be used as a pretext for neglecting the support which it is their duty to give. Let us not forget that the Community is still a long way off contributing 0.7% of its GDP to development aid which was the aim set for the second decade of such aid. According to the latest figures available, the total amount of development aid made available by the Member States of the Community from public funds (including multilateral aid, bilateral aid, and Community aid) was 0.45% of the GDP.

3.40.2. Joint financing between the EEC and ACP countries and outside financial bodies must be increased as far as possible, particularly as regards the financing of joint projects between a number of countries. Administrative delays must not prevent joint financing operations from being carried out swiftly.

3.40.3. At the request of the ACP countries, plans for setting up an ACP Investment Bank are being studied at the present time. Such a bank could promote the aim set out in the paragraph above, namely, to provide a variety of financial means to give the ACP States increased possibilities for financing their investments.

3.40.4. The actual implementation of financial cooperation will also have to be speeded up to reduce to the minimum the disparity between the amounts earmarked for projects and the expenditure actually made. At the beginning of 1978, 40% of the funds had been earmarked but only about 10% had actually been spent.

3.40.5. Finally, the Section supports the Commission's proposal that expenditure on the EEC delegations in the ACP countries should be met by the Community budget and not by the EDF.

H - The Involvement of Economic and Social Interest Groups in the Convention

3.41. As far back as the Conventions of Yaoundé and the preparatory work on the Convention of Lomé, and on numerous occasions since the conclusion of this latter Convention, organizations representing economic and social interest groups have expressed their desire to be involved closely in the preparation and implementation of the Convention.

This desire has been expressed by all the trade union organizations represented at Community level and a similar interest has been shown by other organizations, particularly the Community employers' associations.

In the ACP countries similar requests have been made, particularly by the United Association of African Trade Unions, which represents all trade unions in the African ACP countries, and also by trade unions in Caribbean and Pacific countries.

3.42. The interest shown by trade union organizations, employers' organizations and trade and professional organizations in the Convention of Lomé can be explained by the fact that development policies are becoming ever increasingly influenced by the internal economic and social climate in both the developing countries and the industrialized countries.

It is understandable that these organizations should ask questions about the real beneficiaries of development aid, the economic and social implications of the projects and the formulation and actual implementation of cooperation agreements. These organizations should be consulted in order to make it possible for the Convention to take into account, as far as possible, the interests of the peoples and groups which these organizations represent.

3.43. In response to these desires the Economic and Social Committee of the European Communities has expressed its views on this subject on a number of occasions and has persistently pressed for the involvement of representatives of economic and social interest groups in both the ACP countries and the EEC in the formulation and implementation on the Convention.

The Committee has based its request on the possibilities provided for in this respect under the Convention itself, particularly :

- Article 74 (6) which stipulates that "The Council of Ministers make all the arrangements that are appropriate for ensuring the maintenance of effective contacts, consultations and co-operation between the economic and social sectors of the Member States and of the ACP States.";
- Article 74 (9) which stipulates that "The Council of Ministers may set up committees or groups and ad hoc working groups, to undertake such activities as it may determine.";
- Article 80 (5) which stipulates that "The Consultative Assembly may set up ad hoc consultative committees to undertake such specific activities as it may determine".

A number of other articles in the Convention could also clearly serve as a basis for informing and consulting economic and social interest groups and enabling them to play a part in fields such as commercial, industrial, technical and financial cooperation and other sectoral activities.

3.44. So far, as has already been noted in this report, only one step has been taken to this end, namely the meeting in Luxembourg on 9 June 1977 between the ACP/EEC Joint Committee and representatives

of economic and social interest groups in the EEC and ACP countries. This fruitful meeting was arranged at the initiative of the Consultative Assembly and the ACP/EEC Joint Committee, acting under Article 30(5) of the Convention.

So far no steps have been taken by the Council of Ministers in this respect, as provided for under Article 74.

3.45. Without wishing to dwell on this subject, there is nevertheless a need for a frank examination of the reasons put forward, at least by unofficial sources for delaying or refusing to implement those articles of the Convention dealing with cooperation with economic and social interest groups. These reasons are of two types, namely political and financial.

3.45.1. Let us take the political reasons first of all. Some representatives of the ACP countries do not look favourably upon the fact that, under the Convention, representatives of workers in the EEC countries may get together and hold discussions with representatives of workers in the ACP countries. The reason put forward for this opposition is that at these meetings ACP trade unions are indoctrinated, the **governments** of the ACP States are brought into disrepute and such meetings do not square with the development objectives of the ACP countries.

The Section does not consider that it is just to make such assessments and, on the basis of these assessments, to bar the way to any meetings or discussions on the Convention and its future between representatives of economic and social interest groups in the ACP countries and the EEC. The Section would also point out that surely discussions and comparisons concerning the various stand-

points and the different structures in the various countries may take place, despite the fact that there are such differences, when these representatives get together at meetings of the International Organization. When representatives of the ACP countries get together with members of the European Parliament at meetings of the Consultative Assembly or the Joint Committee, are there not also positive discussions, without pressure being exercised by either party, and without questioning the different forms of government in the various countries ?

3.45.2. Now let us look at the financial reasons standing in the way of such cooperation. These reasons are put forward particularly by the EEC side, which points out that there is no budgetary provision for such meetings and, in particular, there is no provision for meeting the cost of bringing representatives of the ACP countries to the Community for such meetings and consultations.

Assuming that there is a genuine desire to enable representatives of economic and social interest groups to give their views on the formulation and implementation of the Convention, the financial obstacle can and must be overcome.

3.46. The Section therefore proposes that steps should be taken to solve the fundamental problem of the consultation of economic and social interest groups whilst the current Convention is being implemented and that the concrete arrangements needed to overcome this problem should be provided for in the new Convention.

3.46.1. The Section would make the following proposals to cover the period leading up to the expiry of the current convention :

- An ad hoc select group, consisting of representatives of economic and social organizations in the ACP countries and the EEC, should be set up as soon as possible by the EEC/ACP Council of Ministers, acting under Article 74(6) and (9) of the Convention; this group could be consulted by the Council at least twice between now and the date of expiry of the Convention on general matters relating to the Convention and its renewal and, particularly on : industrial and technical cooperation; the work of the Industrial Development Centre; training programmes and grants; the work of the EDF, particularly in the field of aid to improve community facilities; and the role of the parties to technical cooperation agreements and the role of the experts involved.
- The Section supports the proposal, made by the Commission in its Memorandum, that these consultations should, at the initiative of the Council, include discussions on sectoral matters, particularly the question of sensitive sectors and products, and discussions aimed at improving and updating information on market trends and prospects as regards production and export capacity in both the ACP countries and the EEC.
- The Section strongly hopes that the next session of the ACP/EEC Consultative Assembly might provide a further opportunity for organizing a meeting with the representatives of economic and social interest groups, as a follow-up to the meeting held in Luxembourg in June 1977.

- At the proposed meeting there could be a broad exchange of views on the implementation of the Convention and on matters relating to its renewal. The delegations from the economic and social interest groups could contain an equal number of representatives from the ACP countries and from the EEC. The overall number of representatives taking part would be determined by the chairmen of the Consultative Assembly after holding full consultations with the bodies concerned. On the EEC side the delegation could comprise delegates from representative organizations in the Community and from the Economic and Social Committee.

- During the negotiations leading up to the renewal of the Convention there should be a number of meetings between organizations representing social and economic interest groups in the Community and the Commission in order to ensure that the former groups are kept regularly in touch with the progress made in the negotiations and are consulted on a regular basis.

3.46.2. On the basis of the lessons learned from the present Convention, the Section proposes that the new Convention should make provision for :

- an annual consultative conference bringing together representatives of economic and social interest groups in the ACP countries and the Community which would hold one joint meeting with the ACP/EEC Joint Committee;

- a select committee attached to the ACP/EEC Council of Ministers which would be consulted twice a year on the problems posed by the implementation of the Convention.

At EEC level, regular consultations about the application of the new Convention must be held with European socio-economic organizations.

3.47. As has already been pointed out in this Report, the EEC's Economic and Social Committee, which is made up of representatives of economic and social interest groups in the Community, has on several occasions expressed its concern regarding the Lomé Convention and relations between the EEC and the developing countries.

Evidence of this concern can be found in several Reports and Opinions on these matters :

- in the Committee's active participation in the meeting in June 1977 in Luxembourg with the Joint Committee of the ACP/EEC Consultative Assembly;
- at several debates or meetings it has had on these matters with both ACP and EEC representatives; and
- by the visits it made to Africa at the beginning of 1978.

The Committee intends to pursue its activities in this field dynamically both during the period of the present Convention and while its successor is being drafted and implemented. It will cooperate with organizations representing the economic and social interest groups.

I - Additional Problems relating to the Convention

3.48. In this final part of the Report we will consider a number of other problems which arise in connection with the renewal of the Convention.

3.49. Considerable efforts must be made within the framework of Community and national social policies to improve the situation of ACP migrant workers and their families living in the Community.

All migrant workers in the Community play an active role in the economic development of the Community. "They provide the Community with a labour force whose general education has not cost the EEC a penny. In addition these workers often carry out work which is of a difficult or arduous nature" (*).

3.49.1. The Section would urge that the new Convention contain specific provisions designed to ensure that there is no discrimination in the treatment afforded to ACP migrant workers and their families in the Community in comparison with the treatment afforded to nationals of the Member States.

These provisions could deal in particular with the following fields :

- the implementation of regulations on wages, working conditions, promotion, job security, jurisdiction in the field of labour, trade union rights, housing conditions and health matters;

(*) See the abovementioned Opinion adopted on 26 June 1974 (OJ No. C 116 of 30 September 1974).

- the right to receive the same social benefits as nationals of the Member States (same social security schemes and pensions schemes) and the right to receive family benefits;
- the right of individual workers to aggregate the employment insurance contributions they have paid in various Member States and their periods of residence in these States for the purpose of calculating entitlement to retirement and pensions;
- the right to transfer freely to their countries of origin pensions, annuities and allowances earned in respect of periods spent in the Community.

3.49.2. It is also important to recognize that the host countries have an obligation to provide ACP migrant workers and their families with education and vocational training which are appropriate to their needs and will enable them to play a part in the development of their home countries on their return.

3.50. Among the questions that will be raised when the Convention is renewed is that of whether to include a reference to human rights in the new Convention.

Although this is a delicate matter for our Committee to deal with because of its political implications and the fact that both the EEC and ACP countries may regard such a reference as an interference in their domestic affairs, we think that we should make some sort of contribution to the debate.

3.50.1. First of all, let us remember that the links which the Convention establishes between the parties cannot be simply of a commercial, technical and financial nature. It is obvious that

such links, as in any act of cooperation, must tend to be underpinned by common concepts in such basic areas as defence and respect for justice, freedom and the most elementary of human rights.

It is in this spirit, for example, that the EEC and ACP parties to the Lomé Convention have on several occasions adopted a clear common position against apartheid and human rights violations in South Africa, and have provided special aid for ACP countries that have suffered from the situation there.

It therefore seems desirable that either the preamble or the body of the new Convention should contain a reference to the parties' will to do everything possible to ensure that the most basic human rights are respected in the member countries.

3.50.2. But, in addition to this basic joint declaration the idea of respect for human rights should find more concrete expression in the various chapters of the convention.

This concern has already been expressed on several occasions in our Report, but we could also stress the need for agreements between the parties concerned so that, among other things :

- the minimum working standards laid down by the ILO are respected in any industrialization operation carried out under the cooperation scheme, especially the Conventions on trade union freedoms, negotiations, forced labour and non-discrimination; close collaboration with the ILO could prove to be a very great help when monitoring compliance with standards, since this institution has the instruments needed to do this;

- the parties specifically affirm their will to implement the ILO tripartite declaration of principle on multinationals and social policy, which was adopted unanimously in November 1977;
- no transfer of technology is encouraged unless it observes the highest standards of hygiene and worker safety and respects the environment.

3.51. The Section also considers that major efforts must be made to bring about a real equality between the partners to the Convention. To this end, everything must be done to enable the ACP countries to have the necessary means at their disposal as regards communications, information, statistics and research. An expansion of the ACP Secretariat at Brussels, which is something the ACP countries themselves want, is one step that could be taken towards achieving this aim. It is essential to provide the ACP countries with these additional resources in order, on the one hand, to make them into a more cohesive group, despite the difficulties caused by distances and poor communications, and, more especially, in order to put these countries on an equal footing with the highly-organized EEC. By helping the ACP countries to overcome their handicaps in this field, the EEC will be helping to reduce the time spent discussing figures and statistics and reduce the disagreements over the interpretation of documents.

3.52. While it is difficult for the Committee to give an opinion on the duration of the new convention, it does feel that, whatever happens, some provision should be made for regular discussions between the parties (every five years could be a reasonable interval). These talks could analyze how the convention was being applied in practice, work out what changes needed to be made and lay down the amounts and terms involved in any new disbursements of aid.

3.53. Finally, the Committee insists that adequate procedures be adopted to enable the convention to be in operation rapidly, as soon as it is signed, in order to avoid the long lead times necessary under the present process of ratification.

Done at Brussels, 27 June 1978.

The Chairman
of the
Section for External Relations

The Secretary-General
of the
Economic and Social Committee

Einar CARSTENS

Delfo DELFINI