THE EUROPEAN ECONOMIC COMMUNITY AND AFRICA

It is always possible to take liberties in interpreting figures. For example, if we look at the list of developing overseas countries benefiting from EEC aid, we can be tempted to conclude that European efforts in the campaign against under-development are, as it were, world-wide. The beneficiary countries number 31. They have 60 million inhabitants and cover altogether an area of 11.5 million km^2, one and a half times as big as the USA and ten times the size of six-power Europe. Through them the Community is present on all the oceans of the world, the Atlantic, Pacific and Indian Ocean; in Africa, in Polynesia (Tahiti), off Canada (St. Pierre et Miquelon), in the Antarctic (Southern territories), and even on the Caribbean in the neighbourhood of Cuba (French and Netherlands Antilles, Surinam).

However, such a conclusion would be a false one. By their political and economic importance, their recent accession to sovereignty, and the enormous scale of their needs, it is in the main the 17 independent African States and Madagascar which form the association. To be objective, therefore, we must speak of the EEC and Africa, and examine in turn the justification for this association, how it works, its salient features, the difficulties encountered, and consequently the extensions which already seem necessary.

1) Why an association between the EEC and Africa?

There are numerous reasons for this relative concentration, geographically speaking, of Europe's efforts to remedy under-development.

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One fact to begin with. Association of the African States and Madagascar with the Community is an integral part of the Treaty of Rome, as stated in the Preamble, confirmed in Part IV and provided for by an Implementing Convention.

For certain Member States of the Community this association was even a sine qua non in negotiating the Treaty. The strength of historical, economic and cultural bonds formed during a century of life in common made it impossible to envisage European integration without an association of the Continental group with its African counterpart, whose geographical proximity constitutes an inescapable fact.

As, moreover, in contrast to what happened in other continents, decolonization in tropical Africa came about by an almost entirely peaceful process, the political conditions were propitious for the maintenance of an association which originally had been decided without the voice of the beneficiaries being heard. The bonds of friendship between the former metropolitan countries and the new sovereign States were not broken. One of the first things the new States did on attaining independence was to confirm their association with Europe.

For these countries association with industrialized nations could be considered as a stark economic necessity, for integration would further the growth of the latter and, consequently, their power to help less fortunate nations. For in the tropical African countries associated with Europe all the hallmarks of underdevelopment are to be found: countries in transition between a subsistence and a market economy; a per capita income generally between 50 and 100 dollars per annum; foreign trade not exceeding in value 3 to 4% of that of the free world; an energy consumption which, according to country, is between 2 and 7% of the known average in the free world.

Brought face to face with these glaring needs, Europe, like the USA, accepts its responsibilities vis-à-vis the developing countries. Here are the figures for its share of the burden: according to the latest OECD statistics, public and private aid granted in 1961 by the member countries of DAC - which include nearly all the donating countries of the free world - amounted to $8 700 million; $4 600 million from the USA (53%) and $2 600 million from the EEC (30%). So the USA and the six countries of the European Community together distribute 83% of the free world's aid today.

This European aid is not concentrated on Africa, far from it, for bilateral aid from each of the six Member States, as distinct from Community aid, is distributed on a wider geographical basis; it is world-wide. But the special reasons of solidarity, which have just been mentioned, fully justified a regional solution for European Community aid, without ignoring, furthermore, the interests of other non-member countries, as exemplified by the association with Greece ($125 000), and then with Turkey ($175 000).

2) How does this association work?

During the first stage, from 1958 to 1962, the Association functioned in accordance with the rules of the Treaty and the annexed Implementing Convention, that is to say according to arrangements that had been made when the associated countries were not yet sovereign States.

The main features of the first Association were: the gradual establishment of a free-trade area between the European Common Market and the African associated countries; the establishment of a free-trade area amongst the associated countries themselves; the first steps towards a Community preference with the first measures to align tariffs towards the common external tariff; the extension of the right of establishment; economic and social investment to a total of $581 million.

As the associated countries which had become independent confirmed their association with Europe, with one exception (Guinea), the Community made as far back as 1960 a number of changes to take into account this new independent status: the eighteen sovereign States are represented in Brussels by Ambassadors, who watch over their interests directly, and have ceased to present their investment projects to the European Development Fund through their former metropolitan countries.

The years 1962 and 1963 will therefore be looked upon as a transition period in which the new Association Convention, signed at Yaoundé on 20 July 1963, was negotiated, initialed, signed and ratified. It was a true multilateral negotiation, with the traditional machinery at all levels: ministerial conferences; a steering committee at ambassadorial level; specialized working parties of experts. The often conflicting

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interests of the twenty-four sovereign States were freely discussed.

Now, as we enter the second stage of the Association (1964-68), which has the Yaoundé Convention as its charter, a few figures will illustrate the results achieved during the first stage. By the end of 1963, including provision to meet rising prices, the European Development Fund (EDF) will have expended or committed nearly all its budget of $581 million. It will have made possible the construction or the start of work on 303 hospitals, sick bays and bush dispensaries, representing a total of more than 9 000 beds; 47 maternity hospitals; 2 742 primary and continuation classes; 20 secondary schools and teacher-training establishments; 165 technical training establishments; 2 720 kilometres of asphalted roads and 3 461 kilometres of unsurfaced roads; 2 955 wells and watering points; irrigation schemes covering some tens of thousands of hectares; plantations on selected sites of oil-palm, cotton, tea, etc.

The Yaoundé Convention, which governs the new Association, will bring about a certain number of changes of method, as the result of experience and the guidance afforded by international conferences (in particular the OECD); and these will give the Association a completely new image.

First of all, in pursuance of the great principle of "trade and aid", the Association is to be all-embracing. It will form a coherent whole, overlooking no essential aspect of the struggle against under-development: promotion of trade, diversification of structures, industrialization, free movement of persons, capital and services, moderation of short-term fluctuations of prices, technical co-operation, productive investment, and investment in economic and social infrastructure.

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Secondly, there will be a marked rise in total aid for the next five years: \$800 million instead of \$581 million, an increase of nearly 40%. The Community, together with the EDF and the European Investment Bank, which are going to work as a co-ordinated team, will have at its disposal a financial instrument which is probably unique for the diversity of its methods and its broad scope. There is no financial institution in the world which can at the same time provide subsidies, hard loans and soft loans, rebates of interest to lighten the burden of hard loans, "deficiency payments", pre-investment surveys, experts, scholarships, study periods, rapid training courses, etc.

If one remembers that under the first Association Convention the EDF could dispense only subsidies and that nowhere did the term "technical co-operation" even occur, it is easy to measure the progress made.

Joint institutions (Association Council, committee at ambassadorial level, arbitration tribunal and inter-parliamentary conference) exercise permanent guidance and control over the course of the Association.

3) Salient features of the Association

Important though the above-mentioned changes may be, certain other points are also worthy of note because they illustrate the democratic nature of the Association and its outward-looking character:

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1. The Association is conducive to African unity. Under the first Association, the establishment of a free-trade area among the associated territories led to the creation, among countries which were in danger of "balkanization", of an economically viable area, the starting point for regional groupings of a technical nature, such as the Afro-Malagasy Organization for Economic Co-operation. The second Convention with the Six could not legislate on this point, which is a matter for internal African law, but stated (Article 8) that it did not preclude "the maintenance or establishment of customs unions or free-trade areas among associated States". The important point is that the Association has no political strings: a country like Mali, which belongs to the Casablanca group, and the countries of the OAMCE, with their very different political leanings, are equally at home in it.

2. The Association is outward-looking. The free-trade area established by the associated States is not a customs union. It is not encircled by a common external tariff. The associated States remain free in their tariff and trade policies vis-à-vis third countries. That is why Article 9 of the Yaoundé Convention states that it also does not preclude "the maintenance or establishment of customs unions or free-trade areas between one or more associated States and one or more third countries....". Further, Article 58 of this Convention provides for cases in which third countries whose economic structure and production are comparable to those of the associated States may apply for accession. The EEC Member States have publicly declared their intention to seek with third countries, in a spirit of co-operation, formulae which may range from straightforward accession to the Convention to commercial agreements aimed at facilitating and developing trade. Further to this declaration, the EEC Commission has already opened talks with East-African countries (Uganda, Kenya, Tanganyika) and the Federation of Nigeria.

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3. <u>The Association has due regard for the interests of other under-developed countries.</u> In customs matters the Yaoundé Convention contains an important innovation. At the frontiers of the European Economic Community the common external tariff will come into effect at a faster pace than was envisaged by the Treaty of Rome, but this tariff will be established, as far as the chief tropical products are concerned, <u>at a level 40% lower than was provided for in the Treaty.</u> This is an important concession to the interests of third countries which were apprehensive that Community preference would divert trade. But this has not been so: from 1957 to 1962, EEC imports from associated African countries went up by 7.5% in value while imports from <u>non</u>-associated African countries increased by 15%. To use GATT terminology, the European Common Market, so far as Africa is concerned, has proved to be not "trade-diverting" but "trade-creating".

4. <u>The Association gives priority to the interests of the associated States.</u> Those associated States (Congo-Léopoldville, Togo, Somalia) which, on account of previous international commitments, were obliged to continue an "open door" policy vis-à-vis the world at large, were offered transitional formulae by the Community to allow them to adapt themselves to the Association system, which is based on the principle of reciprocity. Furthermore, the Community has opened its market, without customs or quota restrictions, to industrial exports from the associated States, and this advantage without reciprocity clause has been granted in consideration of the great importance attached to the industrialization of African countries with a view to a real diversification of their economies.

5. <u>European aid does not exclude other action.</u> On the contrary, and this is another aspect of the outward-looking character of the Association, EEC policy is in favour of co-operation with bilateral aid as well as with other

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forms of multilateral aid. Community aid, for example, is naturally supplementary to bilateral aid from the Member States; and this is why standing arrangements have been made with these States for information and co-ordination. On these matters cordial relations have very quickly been established with the USA for projects of mutual interest; in fact they soon went beyond this framework, because AID and the EDF are at present financing two important joint schemes in Africa: the eradication of cattle plague in the Lake Chad basin (which is to cost $3 million) and the extension of the trans-Cameroon railway ($30 million). As to multilateral aid, agreements have been reached with the Technical Assistance Bureau, the Special Fund of the United Nations, the International Labour Office, FAO, UNESCO and the World Bank on co-ordination with EEC aid. In at least three cases, the EDF has financed the building of establishments for higher education in Africa, while UNESCO, thanks to the Special Fund of the United Nations, has provided the necessary teachers.

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4) <u>The difficulties: the necessary extensions</u>

Despite these results which, without boasting, one may call satisfying, we cannot gloss over the fact that there remains one problem largely unsolved. It is not peculiar to the Association; it is common to all relations between industrialized and under-developed nations. I refer to the problem of trade.

On this subject let me quote some figures from the latest annual report of the International Monetary Fund published on 9 September 1963. During the fifties, commodity prices in relation to those of manufactured goods dropped by more than 20%. This worsening of the terms of trade meant that during the decade 1950-60 the volume of exports from developing countries rose by 52% while the importing capacity of these countries increased by only 44%. Allowing for population growth, the importing capacity of the under-developed countries did not increase by more than 15%. What is more, these statistics include oil-producing countries; if they are left out of account, the progress is even more meagre, and certainly falls short of the rise in population. The conclusion is obvious; if this situation is perpetuated, the under-developed countries seem to be condemned, for the financing of their development, to have recourse to external aid.

Over the same period the prosperous countries have seen their situation improve considerably. Their purchasing power derived from exports, expressed in terms of imports, has increased faster than the volume of such exports. Per capita purchasing power, after allowing for population increase, has gone up by about 80%, i.e. <u>5 times more than in the developing countries</u>, oil-producers included.

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Such a situation of relative enrichment and impoverishment cannot last very long either politically or economically. More and more a concerted effort by the free world seems to be called for. The efforts made by the EEC through the Association, praiseworthy though they may be, are confined to a regional framework. Now, in this field, action must be taken at world level if it is not to be unavailing. It was at world level that the International Coffee Agreement was concluded in 1962, and the same ideas prompted the draft international agreement on cocoa.

In view of their special responsibilities as the principal importers of commodities in the world, the USA and the EEC can certainly play a decisive role here as partners if they can agree on two essential principles.

The first is not only to stabilize but also to raise world prices of commodities. Since 1950 the price of coffee has dropped by 30%, that of cocoa by 40% and of ground-nut oil by 20%, while the prices of industrial products have increased by at least 12%. As we have already seen, the deterioration in the terms of trade condemns under-developed countries, inevitably and indefinitely, to dependence on external aid.

The second principle is to promote a certain redistribution of industrial activities, giving the under-developed countries their share. Between processing industries and those producing consumer goods - sometimes relatively simple - and those producing capital goods - always complex - the difference in scientific and technical potential required is enormous. Industries in the former category may in many cases, so far as is warranted by home demand, be set up in developing consumer countries, where they will become the best customers for

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industries in the second category, which for a long time ahead will remain in the countries which are highly developed technologically.

We must therefore hope that the USA and the EEC, at GATT and during the World Conference on Trade and Development, will harmonize their attitudes and combine their efforts with a view to generous but realistic action in favour of the developing countries.

Generous but realistic. We must not delude ourselves. This is not only a moral duty, an obligation imposed by philanthropy. It is also a matter of what is at stake politically and a matter of conscious economic calculation. Without stressing the political aspect, for it is perfectly obvious, we must ask ourselves whether there is much sense in pouring millions upon millions into these countries unless we have the assurance of having created, or creating in the near future, the basic economic conditions for them to stand on their own feet.