EUROPE-SOUTH DIALOGUE

Foreword

This dossier is not intended to be an exhaustive study of the Community's development policy. The aim is to provide a clear overall picture by focusing on a different aspect of the subject in each of the four parts that it contains. Part I spotlights some of the basic facts – often not known – of interdependence, i.e. the economic ties between the Community and the Third World. By putting our cards on the table and pointing out these facts from the start, we are not saying that they are the only reason for the Community's cooperation policy, but rather that they help to show why this policy is necessary to all those in Europe who are tempted to see it as mere charity or waste.

Part II attempts to tell the story of the Community's development policy from the Treaty of Rome to the negotiations going on now, in 1984, to renew the Lomé Convention. We tend to forget that it is the rather remarkable story of a venture that started from nothing or next to nothing and grew by stages into one of the Community's major policies – to the point where the Community today would be unrecognizable without it.

Parts III and IV deal in rather more detail with two specific areas, the Lomé policy and the Mediterranean policy. In Europe's relations with the Third World, the ACP group and the southern Mediterranean countries make up the inner circle of privileged cooperation. Although the Community now extends its action much further afield, these two policies remain, by virtue of the ambitions behind them, the symbol of Europe's commitment to the Third World and the permanent test of its steadfastness.

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(1973 – 81)

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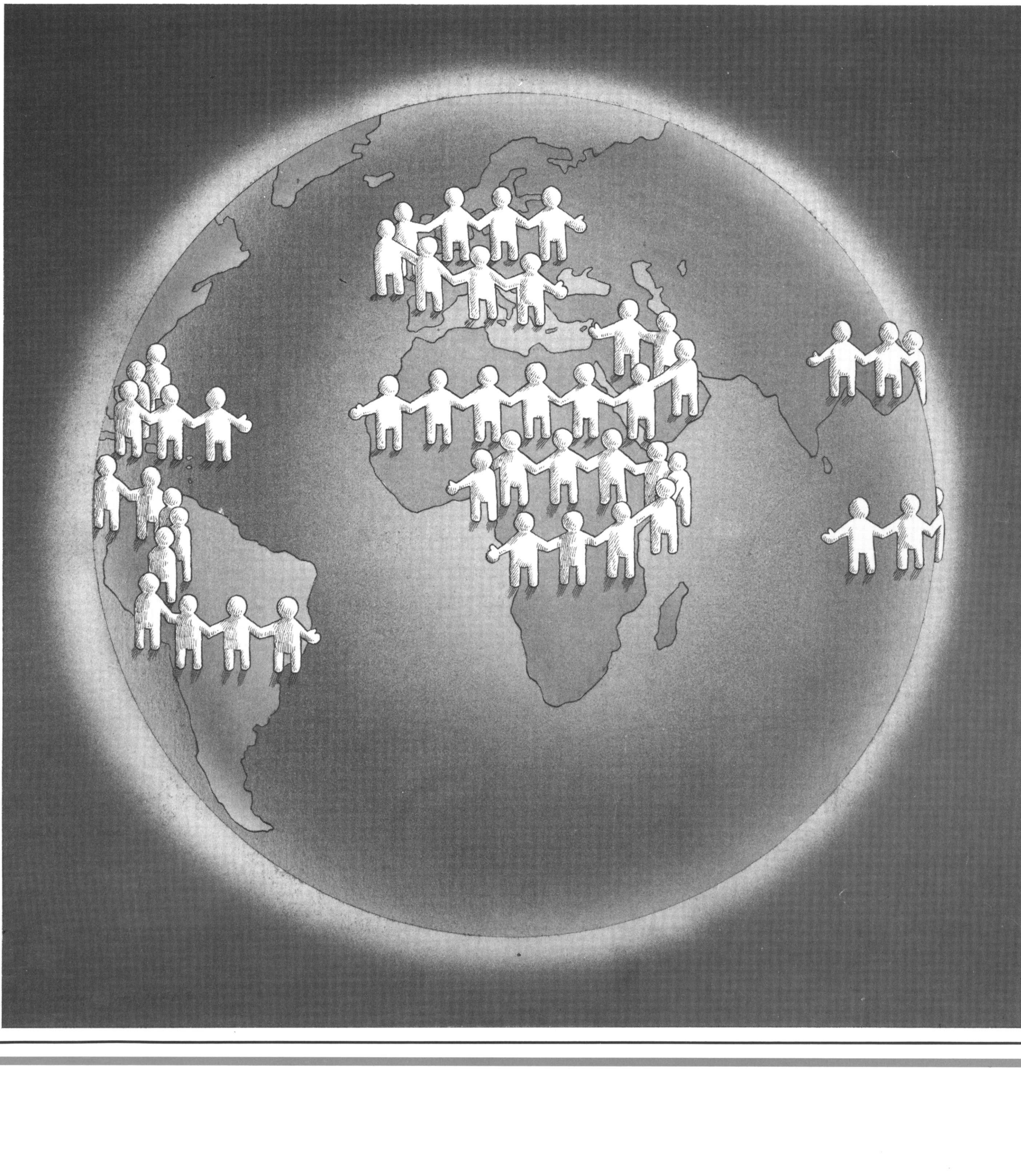
MAP

Relations between Europe and the Third World

1 Interdependence



'We beg the Community to inform public opinion about the real nature of our interdependence.'

Hugh Shearer, President of the ACP Council

Cards on the table

Introduction

Relations between Europe and the countries of the South already have a history, but it is one that cannot readily be understood unless we consider a few fundamental economic realities that underlie and explain the interdependence between Europe and the Third World.

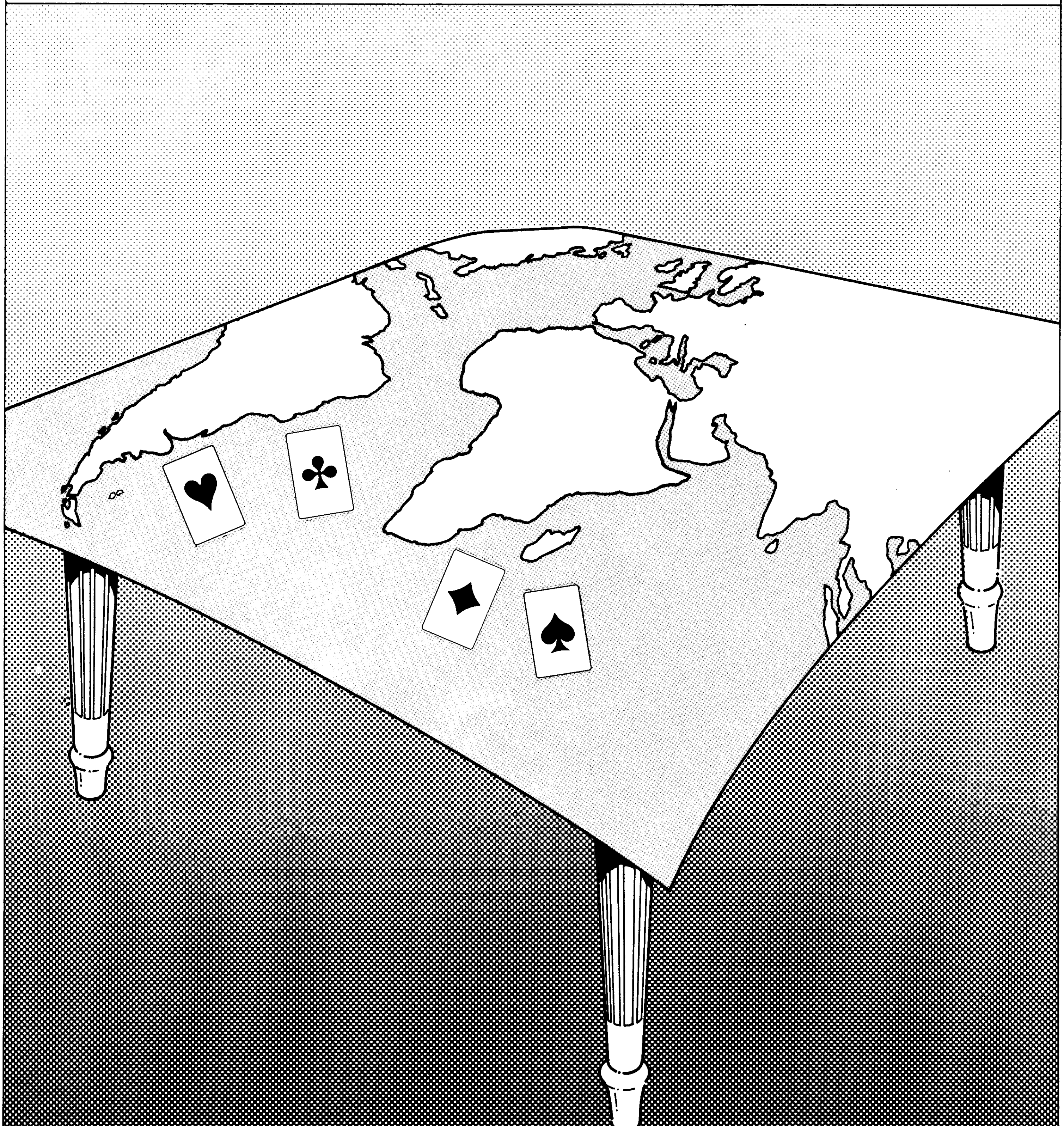
So let us put our cards on the table, and take a look at the substantial mutal interests at stake. They explain the past, and shape the future too. It is because there are mutual interests that a Europe-South cooperation policy was possible in the first place and that it must now develop. Recognizing this is not a sign of political egoism or narrow-minded materialism. Although our interests leave us no choice but to cooperate, there is still room for politics, morals and humanism, for they alone can inspire our priorities and the way in which we cooperate. ■

OUR CUSTOMERS IN THE SOUTH

THE SOUTH'S BIGGEST MARKET

THE WEALTH OF THE SOUTH

AID AND TRADE



♥

Our customers

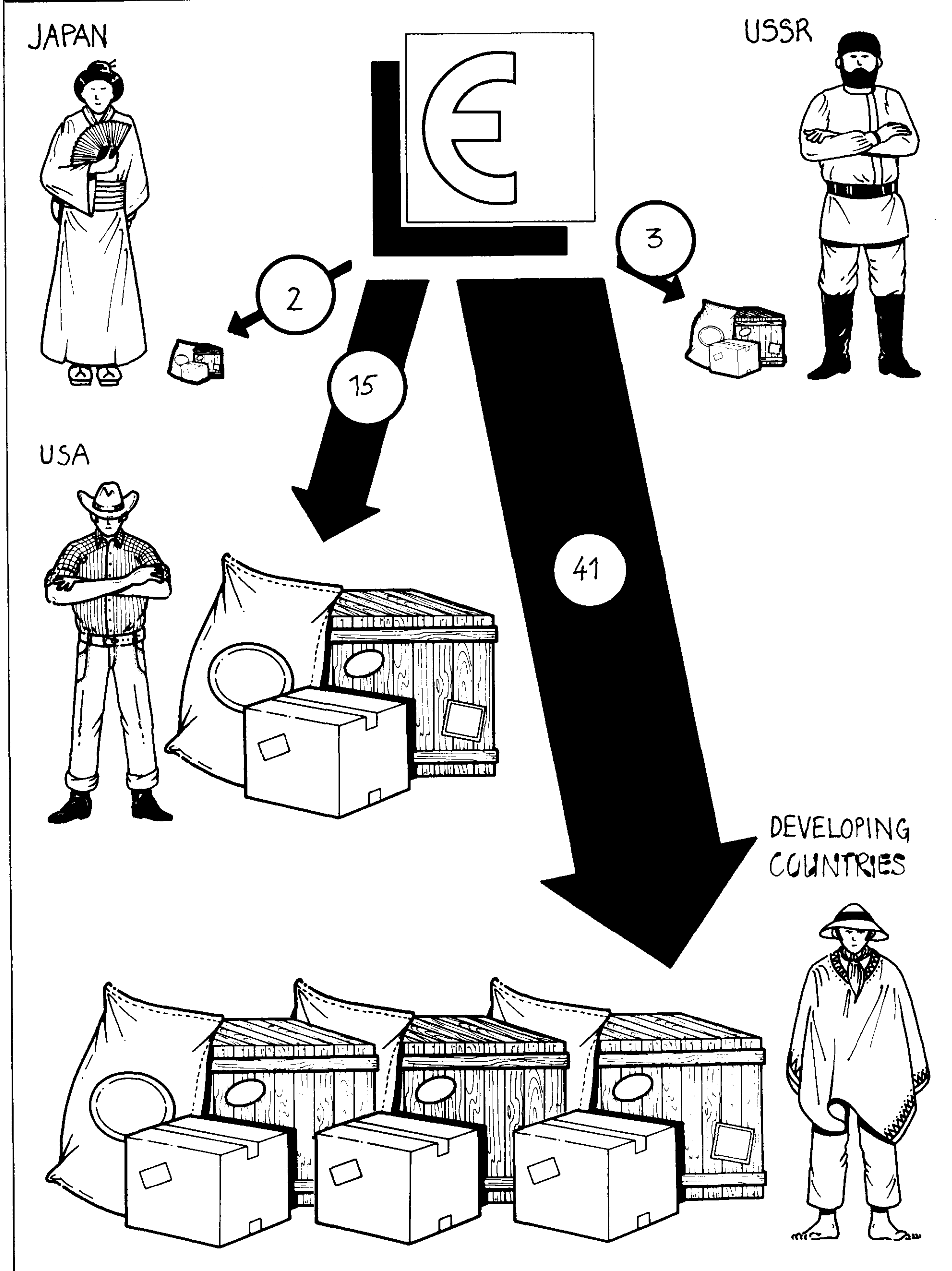
Crisis? Long live the Third World! That is how the very serious OECD experts think – aloud – for they believe that 'since 1973, the developing countries have been a dynamic outlet for exports from the industrialized countries'. Yet the public in Europe, stricken by the crisis, can only see the Third World as an unfair competitor and a bottomless financial pit. Well, the public is wrong!

Europe's present economic and social slump would already have turned to disaster, no doubt, without our customers in the South. Think about it! Our trade with the Third World guarantees jobs for 5 million people in the Community. The South, our biggest trading partner, absorbs 41% of the sales we make outside the Community – twice as much as Japan and the USA combined (see Figure 1). We do not just export anything either. Nearly 80% of our sales to the Third World are finished products, those that bring in the most because of their high added-value.

Over the past decade, the markets of the South have become increasingly important outlets for our goods. An independent expert report suggests that European exports to the Third World increased twice as fast as those to the industrialized countries between 1973 and 1977. And the trend is continuing, in spite of the sudden brake recently applied to world trade, because sales to the Third World, unlike our extra-Community trade as a whole, continued to expand into 1982.

To whom do we sell? First of all to the oil-exporting countries, whose purchasing power has grown spectacularly since 1973. And then to the countries of the ACP Group (the 64 nations of Africa, the Caribbean and the Pacific, which are linked to the Community by the Lomé Convention) and the countries south of the Mediterranean, which

1. Where do our exports go? – 1982

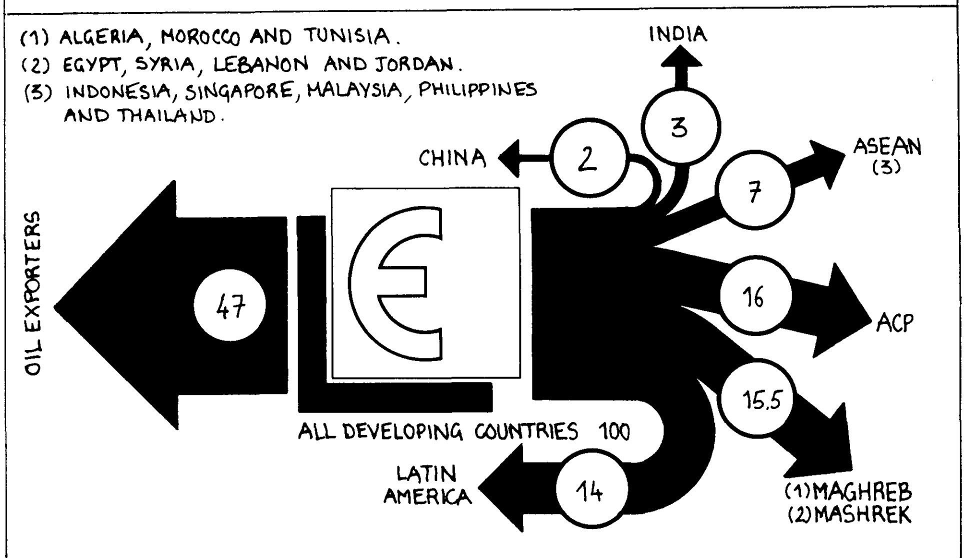


Source: Eurostat. *(in %)*

Unless societies prepare their citizens for the interdependent world they have inherited . . .

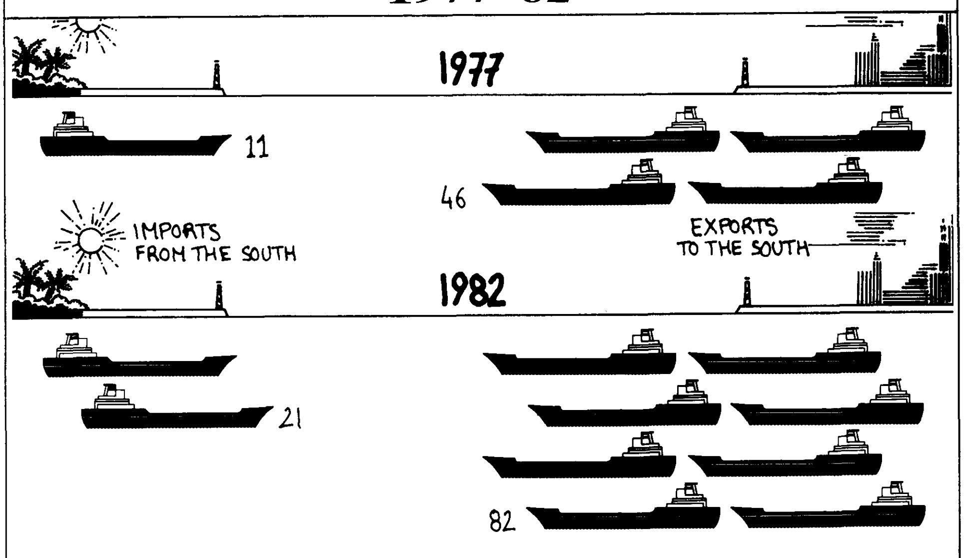
in the South

2. Our exports to the South – 1982



Source: Eurostat. *(in %)*

3. Our trade in manufactures with the South 1977–82



Source: EEC. *(in 1 000 million ECU)*

account for a third of sales to the South (see Figure 2).

So, not only do we sell a lot, we also sell profitably. The Third World, our biggest customer as far as agricultural products are concerned, buys finished products above all – machinery and transport equipment (43.5%), manufactures (26.5%) and chemicals (9%), with the OPEC countries taking half and the ACP countries a third.

So not far short of half our exports of finished products go to the Third World – a field in which our trade balance is progressing rapidly (see Figure 3). These are all benefits which make the so-called invasion of our markets by products from the countries of the South seem very relative.

We can see then that the Third World looms large in our economy. Its sustained demand since the crisis began has helped us maintain employment and activity in the Community. But the crisis is not over and, in 1982, for the first time since the war, the volume of world trade dropped. Trade between Europe and the South was not spared – the increase in 1982 was only 2% and it had been 21% the previous year . . . . Why?

Because of falling commodity prices, protectionism in the North and bigger debts in the South. The Third World was unable to increase its exports or borrow more and had to cut imports to service its debt. The EEC Commission was concerned and sounded the alarm: 'The impoverishment of the Third World is having repercussions on the Community markets.' For Europe must realize that if it wants to go on selling to the South, the South has to have money to buy from us. So, one answer is to open up our markets to it . . ■

. . . their governments will find it difficult to take the decisions that an interdependent world economy demands.

Brandt Commission

Who buys

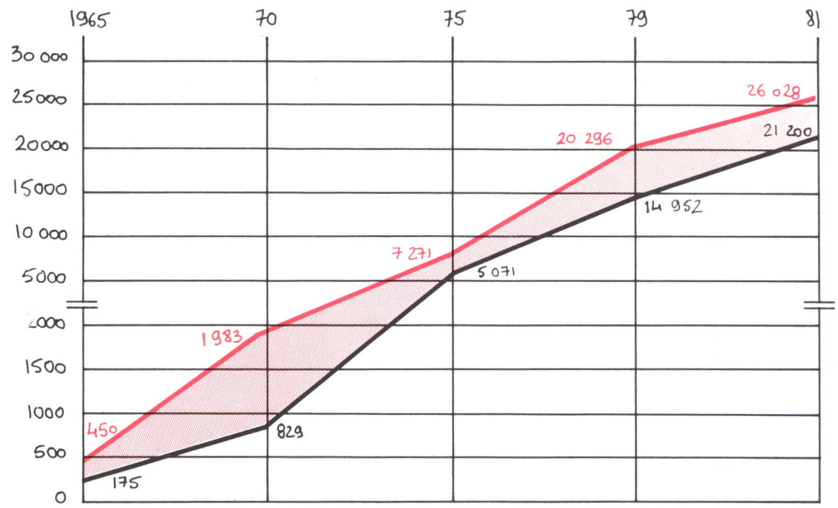
What is the point of development? For the poor nations, it is obvious – to give them a happier life. But why should the rich nations help the unfavoured nations to develop? There is the unbearable sight of injustice, poverty and hunger, of course. But has human solidarity ever been a driving force in history? Perhaps it would be better to talk about our interests . . .

Europe is looking for new consumers, but the needs of the Community market are nowhere near the levels of the 'glorious 30 years' of the post-war era. Any hope for further growth today is to be found across the seas, with the peoples of the South. They are still on the fringe of our consumer society and their aspirations to well-being seem to know no bounds. But a good consumer needs purchasing power and the Third World is penniless. Hard luck, perhaps? But it is hard luck on us too! Increasing development aid and finding an answer to the debt problem would already be a step in the right direction. But the South earns 84% of its income from its exports. If we are to help our own growth, we must encourage economic development in the countries of the South, for when it has money, the Third World buys our goods.

Here is an example (see the figures) – four nations which have developed in distinctly different ways over the past 20 years. But they have one important thing in common – the more they have sold, the more they have bought. That is what interests us!

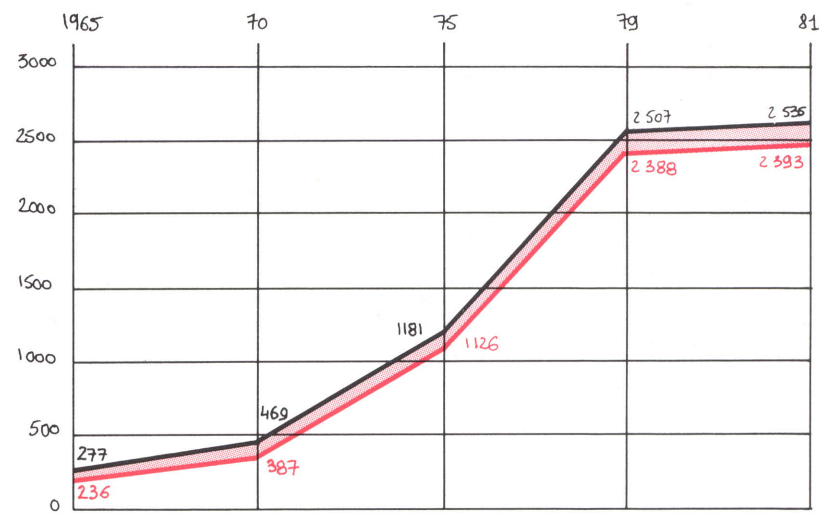
South Korea is one of the newly industrialized countries. Europe and the industrialized world as a whole find its dynamic economy frightening, yet, in 1965, its export trade was smaller than that of either the Ivory

South Korea



Source: Unctad. — Exports / Imports — (in million USD)

Ivory Coast



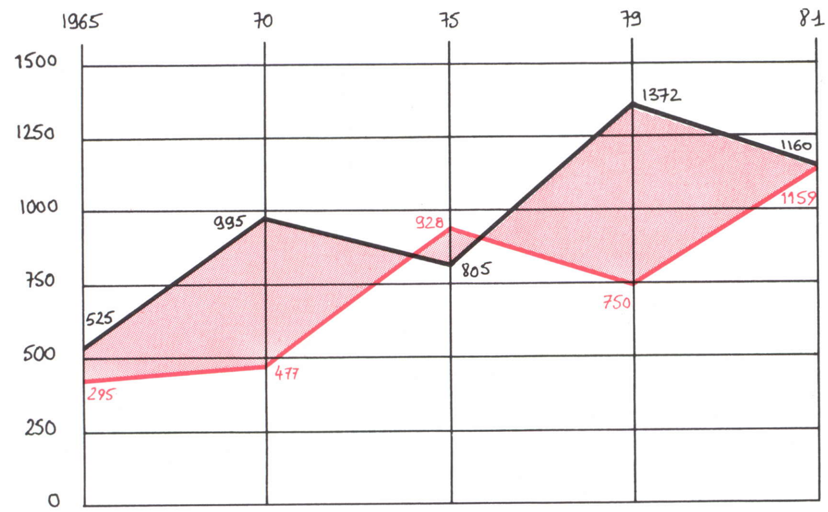
Source: Unctad. — Exports / Imports — (in million USD)

Will it be possible to go back to minimum growth if the Third World markets do not expand rapidly?

Claude Cheysson

from us?

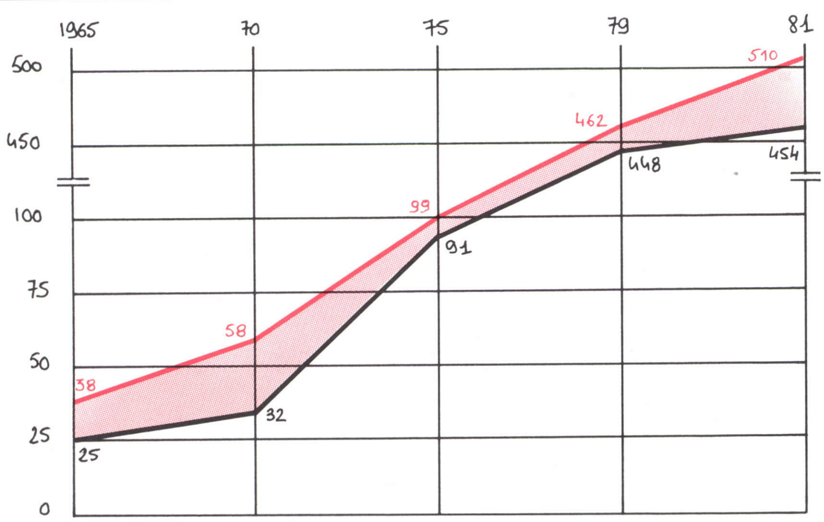
Zambia



Exports
Imports

Source: Unctad. *(in million USD)*

Niger



Exports
Imports

Source: Unctad. *(in million USD)*

Coast or Zambia and today, the external trade of neither of these two countries would bear comparison! Manufactures make up 80% of South Korea's exports and food products, minerals and metals the rest.

In Africa, the *Ivory Coast* is an example of an economy which has expanded regularly and diversified its external trade over the past 20 years. In 1982, more than 60% of its foreign sales (as against 80% in 1979) were made up of three products – coffee, cocoa and forestry products. The Ivory Coast also exports other agricultural products (pineapples, bananas, palm oil, rubber, cola nuts and cotton fibre) and even oil products as well. The country's main imports are oil, machinery and mechanical appliances, road vehicles, iron and steel products and cereals.

But in Africa, the Ivory Coast is a rather unusual case. Most African countries depend on just one or perhaps two export products – which means they also depend on world prices, which can be very unreliable.

Zambia, for example, counts on copper sales for more than 90% of its needs. When the price of copper goes up, the country's purchasing power goes up with it. But today, after several years of depression in the copper sector, Zambia has had to call on the IMF. Yet this is a country with more natural assets (agricultural and other) than the Ivory Coast . . .

Niger is 80% dependent on sales of its uranium for its export earnings and its purchasing power has expanded rapidly thanks to this metal. Like Zambia, Niger sees the volume of its imports wax or wane with the rise and fall of the price of its raw material. One more reason for the EEC to back commodity price stabilization projects. ■

The economic recovery of the West could well peter out for lack of customers . . . or lack of raw materials.

Edgard Pisani

The wealth

What do you drink at breakfast time? Coffee or tea or maybe hot chocolate? Now, just for a moment imagine that they were not available any more . . . 270 million Europeans would be off to a very bad start every day! Is this unthinkable? Probably, but not as unthinkable as you think, for the Community depends on the countries of the Third World for almost 100% of its supplies of these three products.

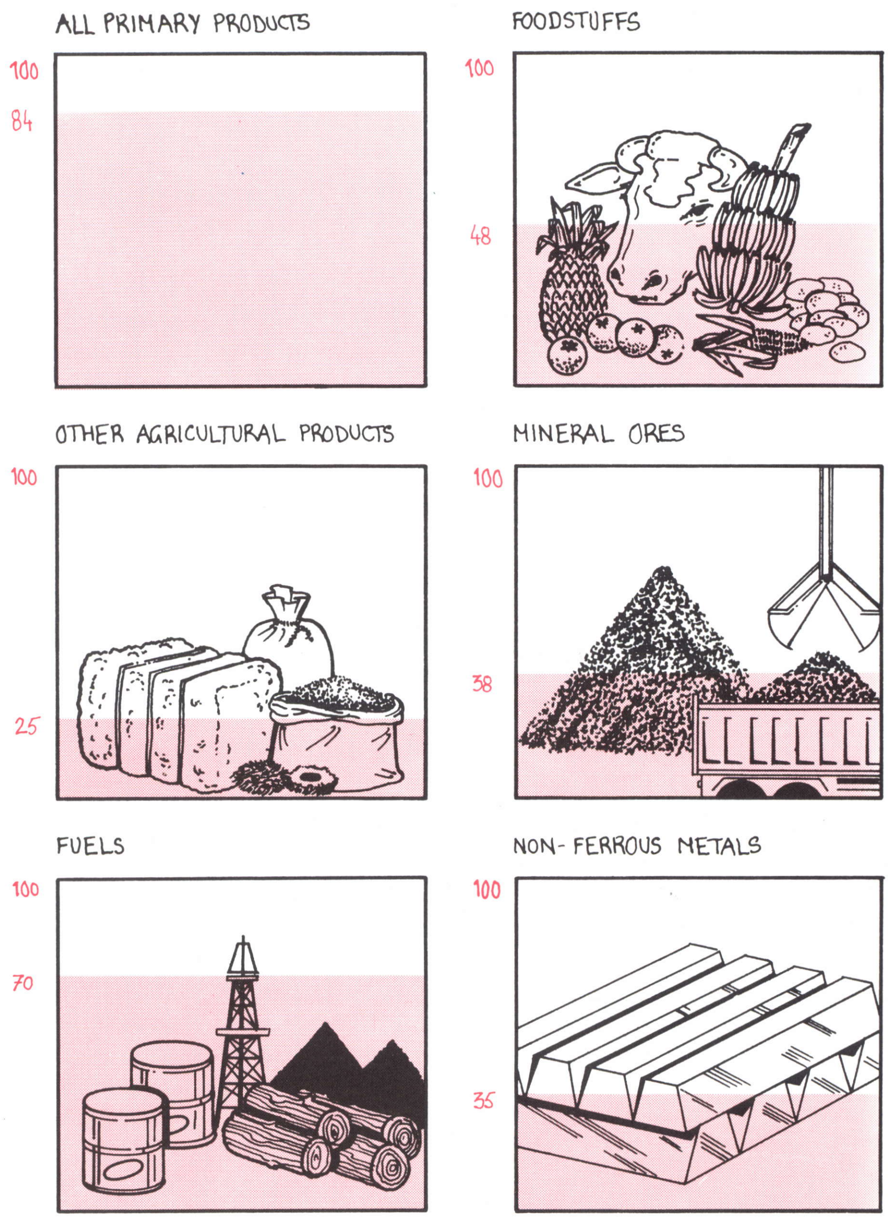
And it is not just morning coffee either. It is the whole of the economic life of the EEC, as our daily consumption of each of these products keeps transport companies on their feet, and factories and supermarkets and thousands of families and workers of all levels, all of them European. But coffee and cocoa and tea are only three striking examples from a list of dozens of commodities . . .

In 1982, close to 85% of the Community's imported commodities came from the South. This general figure has to be weighted differently in each category of products (see Figure 1), but it does reveal an undeniable fact – that we are massively dependent on the Third World for our economic wellbeing. Far more than either the USA or the Soviet Union.

As every citizen of Europe knows since the oil crisis in 1973, Europe depends on the developing countries for its energy (oil, natural gas and uranium). Oil and petroleum products make up three quarters of our energy supplies and 9 out of every 10 tonnes of oil come from the South, principally the Middle East and Africa. We import 95% of our uranium from the ACP countries. This is long-term dependence too, as the European Community only has 2-3% of the world's oil and uranium reserves.

What the same European citizen probably does not know is that we are even more

1. The commodities we buy – 1982



Source: GATT. *(extra EEC imports = 100; from developing countries in %)*

> *Raw material supplies will never be reliable until the developing countries are guaranteed fair and stable prices.*
>
> **Brandt Commission**

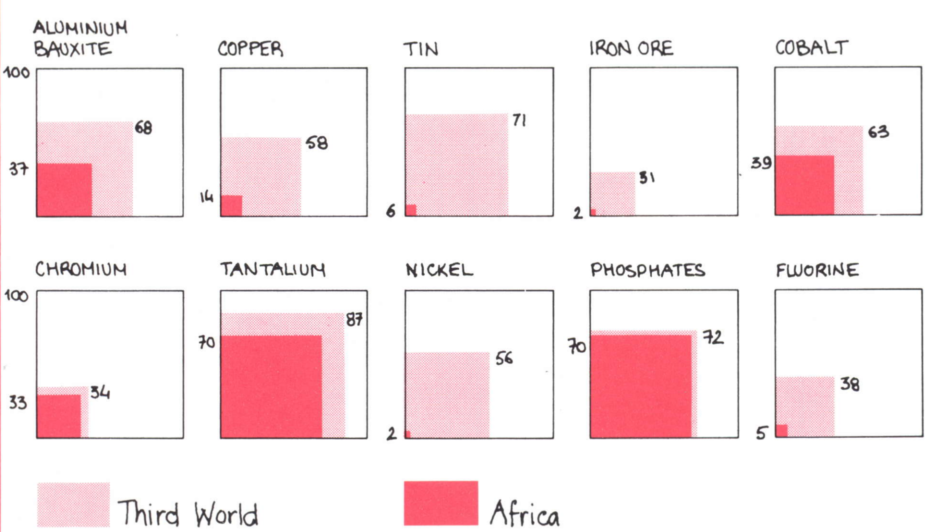
of the South

2. Our dependence for some products – 1982

90-100	Coffee, cocoa beans, manioc, bananas, natural rubber, uranium, sugar, palm oil, coconut oil, sisal, oil
80-90	Tea, groundnut oil, tin
70-80	Spices, natural phosphates, copper
60-70	Oil-cake, aluminium
50-60	Iron, tobacco, manganese
40-50	Zinc, cotton, lead, petroleum products
30-40	Groundnuts, tungsten
20-30	Rice

Source: Eurostat Siena. *(in % of extra-Community imports)*

3. The South's mineral reserves



Source: EEC. *(in % of world reserves)*

heavily dependent for many of the agricultural raw materials – rubber, cotton, sisal, jute, tropical wood and certain vegetable oils – which our industries need. The European Community produces none of these. And let us not forget the food products, such as sugar, bananas and spices, which are part of our everyday life (see Figure 2).

In the more strategic field of mineral products, we are more than 50% dependent on our imports. Production in the Member States and recycling enable us to cover half our lead and aluminium requirements, but for all the other products, the share of European production is dramatically small. Two thirds of extra-Community imports come from the South (see Figure 3), principally the least-developed countries (LDCs). Our ACP partners are important suppliers of aluminium, copper, iron ore, manganese, nickel, cobalt, fluor and phosphates to the EEC.

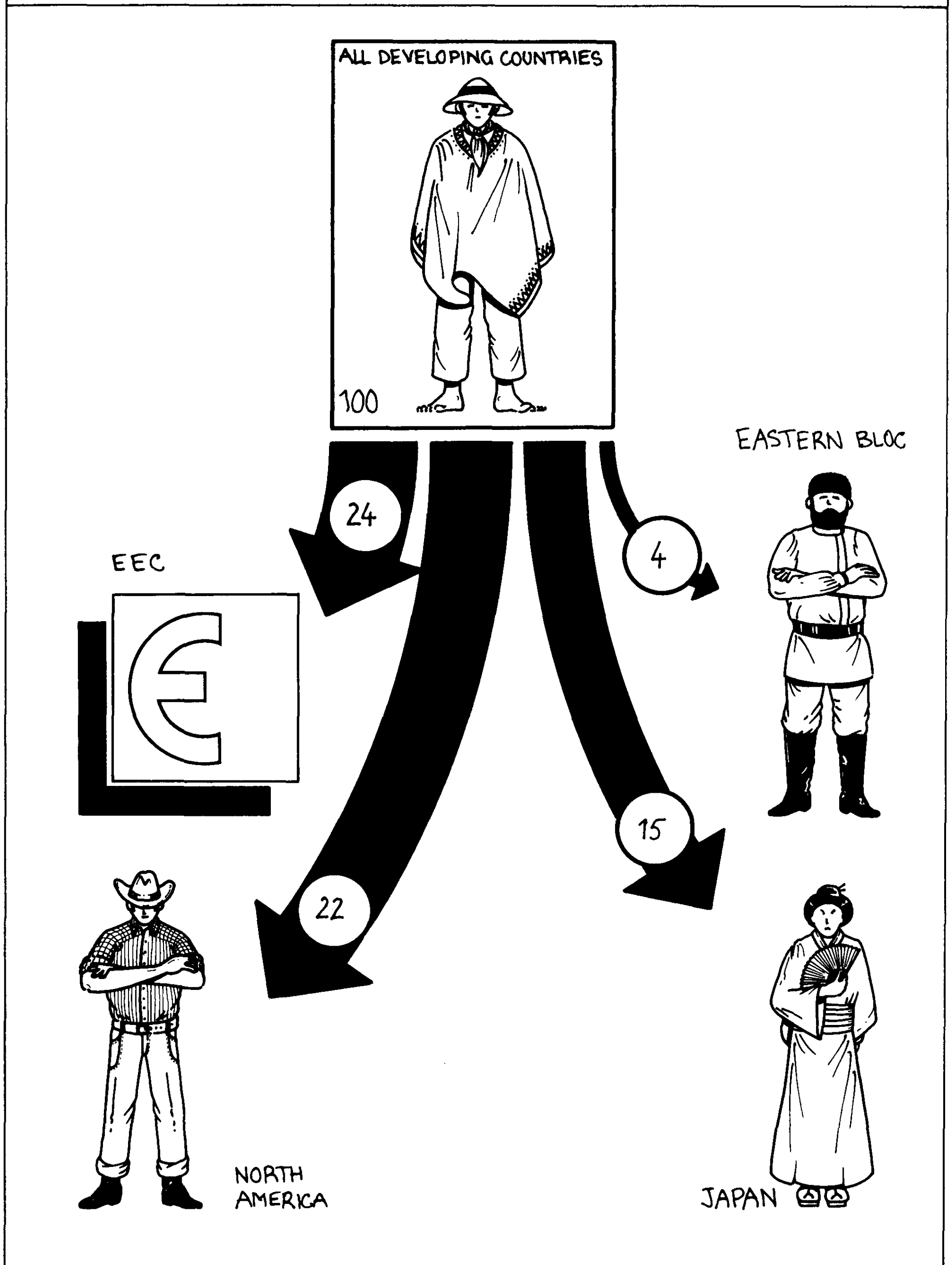
So nature has not spoiled the European Community, which will always depend on the formidable mineral resouces of the South (see Figure 3). Africa, especially well-endowed, possesses reserves of primary products which are largely intact – and even uncharted. For there is not as much prospection in Africa as there should be – only USD 50 million of the USD 1 500 million invested in international mineral prospection each year. Firms in the EEC have only channelled 2% of their investments to Africa, as against 80% to the industrialized countries. Yet it is clear that a bridge must be built beween Africa and a Europe starved of raw materials. But if it is to become a regular, reliable source of supplies to the EEC, Africa needs a massive injection of funds to prospect for resources and modernize its mining industries.

It is vitally important for the Community to guarantee and diversify its supplies of raw materials.

EEC Commission

The South's

1. Total exports from the South – 1982



Source: GATT. *(in %)*

The European Community is the Third World's biggest export market (see Figure 1). If South-South trade is discounted the EEC absorbs a third of the exports of the developing countries. Although the Community market is irreplaceable, it has still declined in importance, as its share of the South's global exports dropped from 33% to 24% between 1970 and 1982, to the benefit of trade between countries of the Third World.

Europe's importance becomes clearer if we look at the breakdown of the South's exports by region (Figure 2) and by product (Figure 3).

It is important to emphasize just how decisive our market is for Black Africa and the Maghreb, two regions from which we buy half the exports. The countries south of the Mediterranean export three quarters of their agricultural products (citrus fruit, vegetables, wine and olive oil) to the EEC. The ACP countries find nearly 40% of their export outlets in Europe. But although the EEC is the biggest market as far as Africa is concerned, the USA is far more important to the Caribbean. The EEC and Japan rank equal as markets for the Pacific, but sales by the countries of this region to industrialized nations other than the USA and Japan are twice what they are to the European Community.

As far as products are concerned, commodities (fuel, food and raw materials) make up 80% of what the Third World sells us, a percentage that has not altered since 1970! These commodities rarely represent more than 10% of the value of the finished product, so by exporting its natural wealth without processing it, the Third World is getting a bad bargain . . .

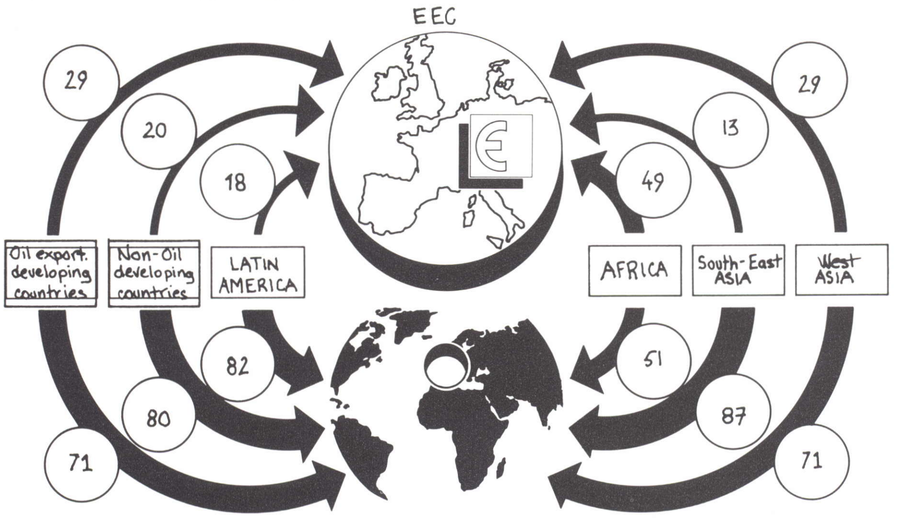
Finished products only account for 20% of our purchases in the South. Yet the coun-

In 1976, we had to sell 4 tonnes of cocoa to buy a tractor. In 1982, it was 7.6 tonnes.

Hugh Shearer

biggest market

2. Exports from the South, by region – 1982



Source: GATT. *(in %; World = 100)*

3. Exports from the South, by product – 1980

	World	EEC	USA	Japan	USSR
Foodstuffs	100	29	17	7	10
Agricultural products	100	25	7	19	3
Mineral ores and fertilizers	100	30	13	27	2
Fuels	100	27	22	17	0.2
Chemicals	100	16	11	15	1
Non-ferrous metals	100	41	16	15	2
Textiles and clothing	100	29	19	7	2

Source: Unctad. *(in %)*

tries of Latin America and South-East Asia which supply them to us look like a threat to a Europe that is up against deep-reaching industrial reorganization. We imported 22 000 million ECU-worth of manufactures from the Third World in 1982 and 10 000 million ECU-worth of them came from four 'newly industrialized countries' – Hong Kong, Taiwan, South Korea and Brazil, the ACP and OPEC playing only minor parts in comparison.

What are the facts of this invasion of finished products that gets such a bad press in Europe? What we are actually talking about is a small group of products (textiles and clothing, leather goods and footwear) for which the EEC had a trade deficit with the Third World of 4 500 million ECU in 1982. In isolation, the amount cannot fail to impress us. Yet what we must realize is that, in the same year, our trade in electronic equipment with the South brought us in a surplus of more than 5 000 million ECU. And it is worth pointing out that in 1982, we made a surplus of 60 000 million ECU in our total trade in finished products with the developing countries.

However, there is no denying that our textile and clothing industry is in a very bad way, with a 4 000 million ECU trade deficit with the Third World. Would penalizing the newly industrialized countries be the answer? Perhaps not, as it would be forgetting that the battle has to be fought, within the Community first and then between the EEC, the USA and Japan. Competition with the new producer countries only comes later. If this Community industry has lost 700 000 jobs since 1973, it is primarily because of higher productivity, not imports. And, in 1982, we sold the South machinery for its textile and clothing industries, to the tune of 730 million ECU. ■

The North cannot hope to export more until it ensures that the South gets better access to its markets.

Brandt Commission

Aid an

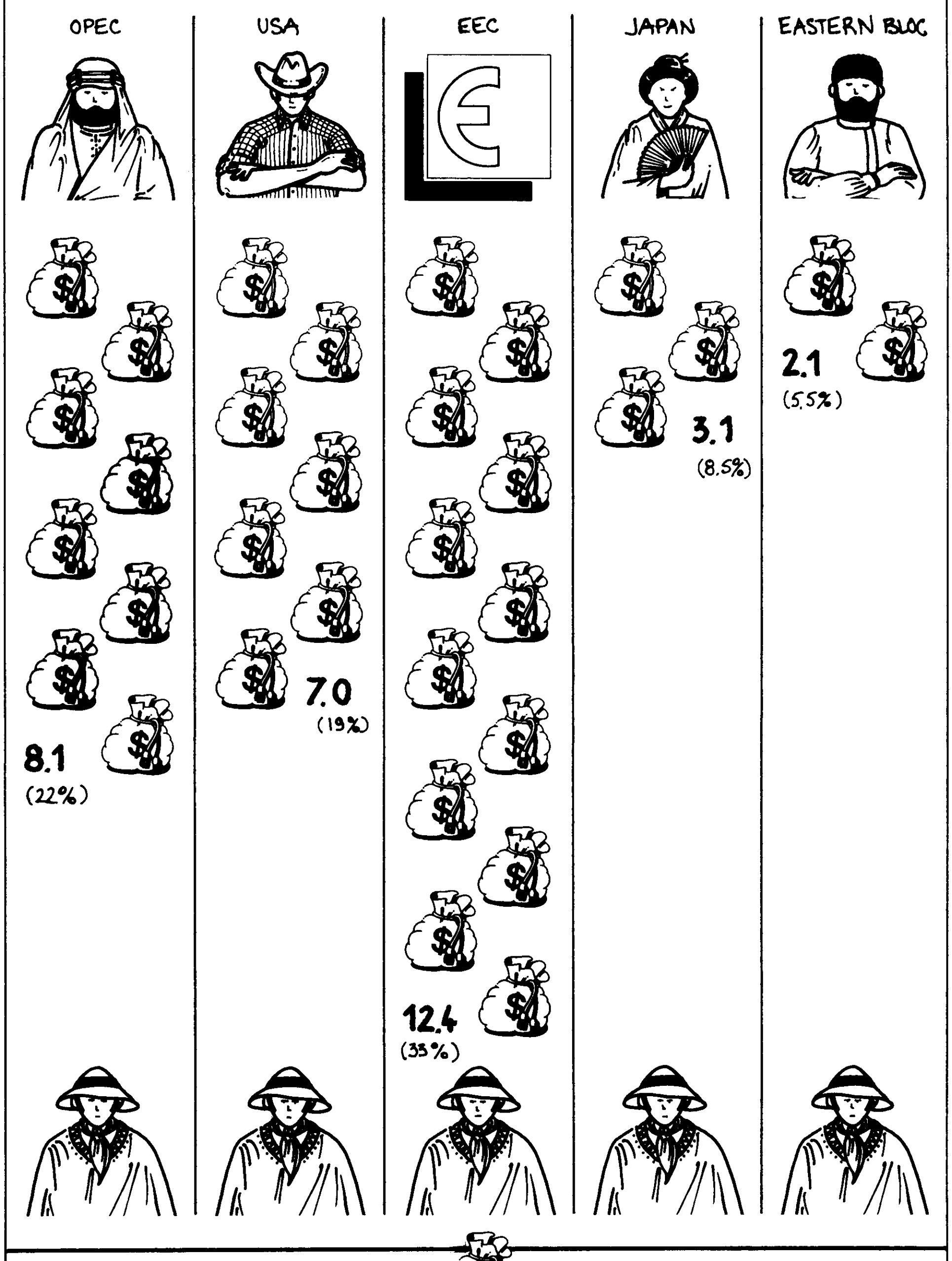
One dollar down, nine back! A blunt little phrase perhaps, but one that shows just what this aid to the Third World, which we readily imagine to be so generous, is worth. Compare the figures for aid with those for our sales: for every dollar we give the South, we sell it USD 9-worth of goods – and this is without our aid always being tied to an obligation to buy European. Moralists, of course, will be shocked by such self-interested generosity, but . . .

. . . where Europe gets 9 times its original outlay, the USA gets 15, Japan 21 and the Soviet Union 25. So there is no need for the Community to blush, bearing in mind the fierce economic battle going on internationally. And the countries of the South are well aware that they get the most official development aid from the EEC, twice the American figure, four times the Japanese figure and six times the figure for the Eastern Bloc (see Figure 1). Europe's share is even bigger if all the finance (loans and grants) that flows into the Third World is taken into account (see Figure 2).

But the comparative advantages of the European attitude do not stop there. Although the EEC has not yet reached the UN target of 0.7% of GNP in aid to the South, it does far better (0.53%) than the USA (0.24%), Japan (0.29%) or the Eastern Bloc (0.13). However it should follow the example of Norway and Sweden (0.92%).

About 11% of European aid is channelled through the Community and the rest is dealt with by the Member States, which allocate it as part of their bilateral relations and make contributions to international organizations. Three quarters of Community aid goes into financial and technical cooperation and a quarter into food aid. Let us complete the picture by saying that development aid represents 7.4% of Community spending, the second item in the budget after agriculture.

1. Official development aid 1981–82



Source: OECD. *(in USD 1 000 million)*

Nobody in the Third World gets as much as two thousandths of the average income of a taxpayer in the developed countries. Is that a lot? Is it too much?

Edgard Pisani

d trade

2. Financial flows to the South – 1982

Total world contribution		: 93
Total Community contribution		: 37.7 (40%)
of which:	official grants	: 13.5
	private-sector grants	: 1.3
	official loans	: 2.3
	private-sector loans	: 20.6

Source: OECD. *(in USD 1 000 million)*

3. If everyone gave as much as the EEC – 0.53% of GNP –

	Today	Tomorrow
EEC	12.4	12.4
USA	7.0	15.4
Japan	3.1	5.6
OECD (total)	27.0	39.1
OPEC	8.1	8.2
Eastern Bloc	2.1	8.7
World total	37.4	56.0

Source: EEC. *(in USD 1 000 million)*

Geographically speaking, Community aid proper goes primarily to Africa (65%). But if bilateral aid is counted, Europe of the Ten is the biggest donor everywhere. It provides 50% of all aid to Africa, 57.5% of all aid to Central and South America and 25% of all aid to Asia.

The biggest European donors of official aid are France (including its overseas departments and territories), followed by the FR of Germany and the United Kingdom. The nations giving the largest percentage of GNP the Netherlands (1.08%), Denmark (0.75%) and France (0.73%).

Nevertheless, official development aid only accounts for 6% of the total resources of the South – which is mainly financed (84%) by its export earnings. The rest comes from loans on standard market terms. This shows once more how much the development of the countries of the South depends on the stable growth of commodity prices and on the industrialization and diversification of their economies.

But here again, the differences between the various regions of the Third World must be taken into account. Although official aid only makes up 1.5% of the total income of the OPEC countries, the figure is 45% for the least developed countries, most of which are in Africa, the continent that relies most on official aid. The World Bank suggests that the present level of aid to Africa (almost USD 5 000 million) will have to be doubled by 1990 if it is to have a chance of emerging from its under-development. This is not a huge demand to make of the international community. If, for example, everyone was as generous as the European Community (see Figure 3), Africa would have its extra USD 5 000 million and there would be almost another USD 15 000 million left over to cover other problems in the South. ■

Interdependence must be the only basis on which we build our cooperation

Hugh Shearer

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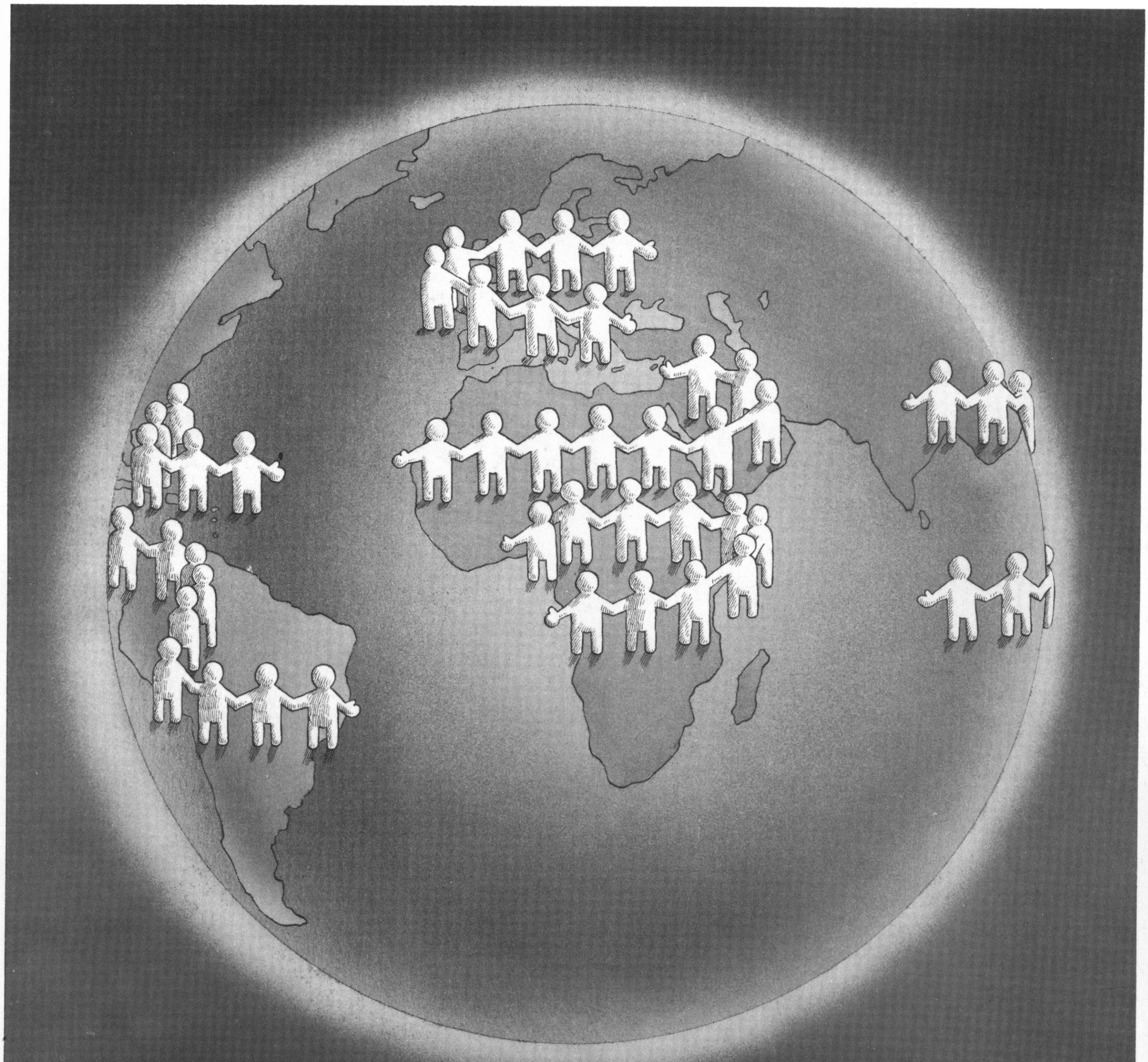
2 History



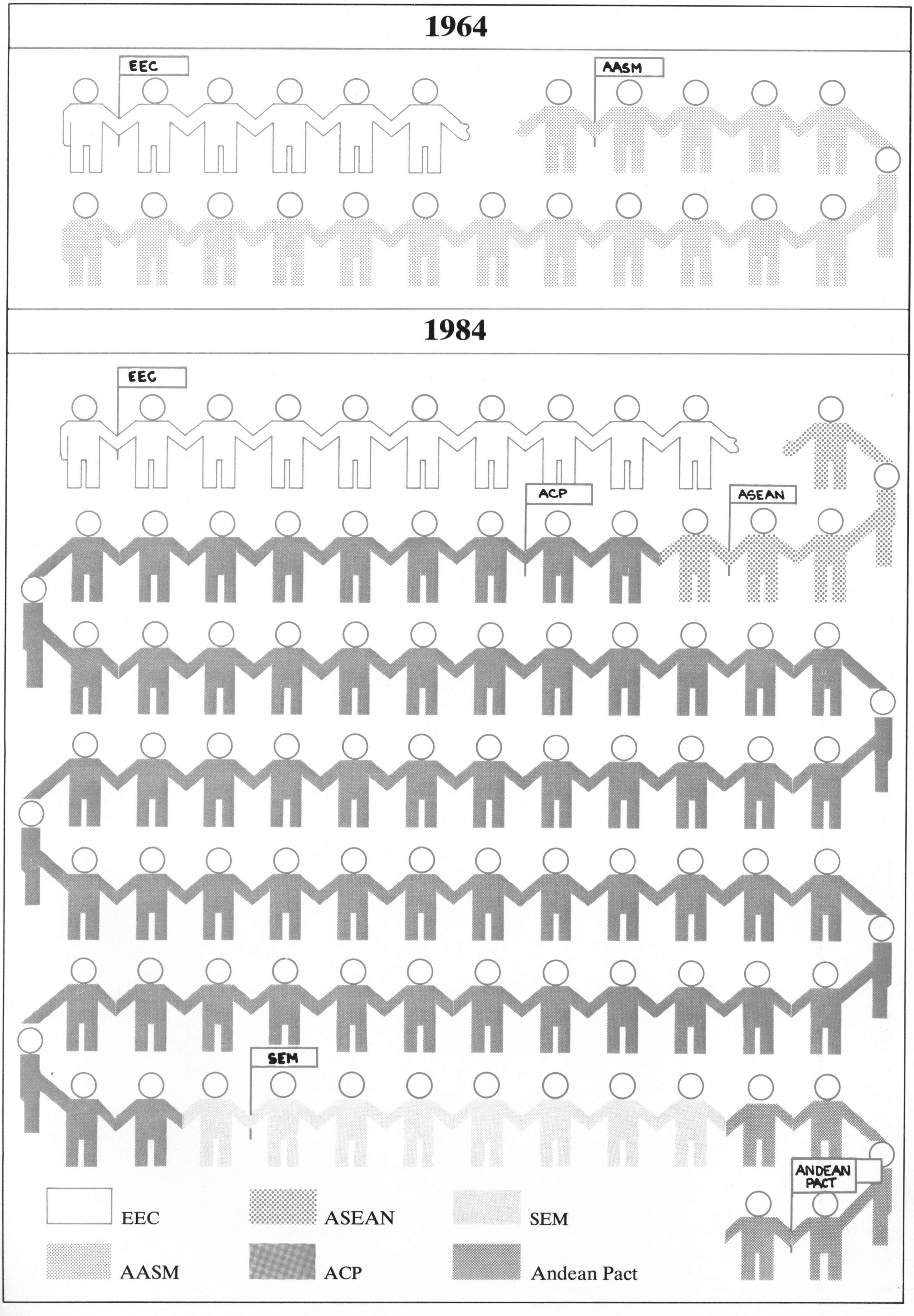
Introduction

A look at a few basic facts reveals the economic ties that bind Europe and the Third World together. Without this knowledge, how can we understand the history of the Community's development policy or more important, prepare its future?

But there is another aspect to take into account, besides economic realities. The Third World expects more of Europe than just trade or financial arrangements and Europe cannot confine itself to safeguarding its markets and its sources of supply. Our mutual interest is economic, no doubt, but it is political too. To varying degrees, Europe and the Third World have been relegated to the sidelines by the super-powers, without being safe from any tension, or conflict between them. By cooperating, Europe and the Third World can gradually strengthen their independence and help create poles of stability in the world.

Here, the Lomé Convention model for cooperation is an inestimable achievement. However, the progress made with international relations between North and South has still to be translated into tangible results in development terms. The European Community has devised a sound model for cooperation and, with its partners, it is now trying to define a modus operandi *for more effective development.* ■

Europe-South dialogue


1964
EEC
AASM
1984
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EEC
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The end of the colonies

At the Messina Conference of 1955, when the foundations of the future European Economic Community were negotiated, the problems of 'overseas' were not even mentioned. Three years later, when the Treaty of Rome was signed, France managed to get its reluctant partners to agree to establish a connection between the newly emergent Europe and the overseas countries – mainly colonies and territories under French sovereignty, but some recently independent countries, such as Morocco and Tunisia, as well.

Although the Treaty proclaims solidarity between Europe and the overseas countries and asserts the need to further their prosperity, any search in the Community's 'constitution' for a definition of a proper cooperation and development policy would be in vain. The time was not yet ripe. The process of decolonization, although well under way, was by no means complete. All that had happened was that, when the Six negotiated a global compromise, France got them to agree that its entry into the common market would not compromise any privileged economic relations or free trade arrangements it had with its partners overseas. It also got Europe to help set them up by creating the first European Development Fund (EDF), with a sum of 581 million units of account (1 u. a. = USD 1 in 1959) for a five-year period.

So emergent Europe was committed both commercially and financially to about 20 overseas countries. The fact that the end of the colonial period coincided with the beginnings of European integration was to give rise to some surprising developments. European cooperation policy, the result of both chance and necessity, was gradually to take shape. It was a policy that the authors of the Treaty of Rome never imagined. ■

Lomé – a policy the authors of the Treaty of Rome never dreamed of.

Yaoundé, testing ground for the future

At the end of the 1950s, history put on a burst of speed, as it sometimes seems to do. Africa was in the throes of decolonization. The ex-French colonies became independent nations between 1958 and 1962. In 1960, Belgium handed over to Zaire, to Burundi and to Rwanda. Somalia gained independence the same year.

With the exception of Guinea, which made a spectacular break with France, all these newly-independent countries were anxious to preserve the benefits of their association with Europe – i.e. privileged access to its markets, particularly for the commodities that were so important to the treasuries of these young States, and financial aid, modest no doubt, but not entirely negligible at a time when the call everywhere was for equipment and development.

So the association sealed by the first Yaoundé Convention in 1963 really stemmed from the system granted unilaterally in 1958. But this time, the agreement was negotiated and the outcome of a perfectly explicit choice on the part of the 18 Associated States of Africa and Madagascar (AASM). Yaoundé I already contained the basic characteristics that were later to become the Lomé policy – a freely negotiated agreement, covering a similar five-year period, concluded with a group of countries (the 18 AASM) and dealing with both trade and financial and technical aid. Lastly, joint institutions were set up at both ministerial and parliamentary level.

With Yaoundé I came the second European Development Fund. While the 1st Fund gave priority to infrastructure and equipment, the 2nd Fund put more than 40% into developing and diversifying the productive sector. By making a special effort in agriculture, European aid was once more anticipating future trends.

The Yaoundé Convention also contained innovations. It diversified the instruments of cooperation. The 2nd EDF provided loans as well as grants, and financing was no longer confined to investments, but could also cover technical assistance and training. And for the first time the European Investment Bank came in alongside the EDF.

Yaoundé II (1969-75) followed the same pattern. However, the negotiations were marked by difficult discussions on access to the Community market for products covered by the common agricultural policy and, even at this early stage, on sugar. These products were in fact excluded from the system of free trade that the association provided, but the Community finally agreed to grant them more favourable arrangements than those applied to third countries.

The first three EDFs

1st EDF (1958-63)
The first Fund was for countries whose economic and social infrastructure was still very inadequate; its resources were used for basic facilities (transport and communications networks, hospitals, maternity units, dispensaries, schools and wells) rather than directly productive investments (plantations and factories).

2nd EDF (1964-69)
The new EDF continued to finance infrastructure, but this time placed more emphasis on the productive sector (purchase of agricultural equipment, technical assistance officers, etc.) and projects to diversify the economies of the AASM. It also financed missions by experts who were sent out to prepare projects or supervise their implementation, and funded training schemes for African staff. Lastly, the Fund financed emergency aid and advanced money to States in financial difficulties.

3rd EDF (1970-75)
The third Fund continued support for productive investments. Aid for industrialization was increased thanks to more flexible lending terms, and the Community could now take minority holdings in risk capital operations in AASM firms. Aid for the tourist sector was also provided. And lastly, aid for the marketing of tropical products figured amongst the new EDF objectives.

	1st EDF	2nd EDF	3rd EDF
EDF grants	580	680	810
special loans		50	90
total	580	730	900
EIB ordinary loans		70	100
Total	580	800	1 000

Source: EEC. *(in million ECU)*

EEC–AASM trade

A look at EEC-AASM trade between 1959 and 1969 leads to a number of interesting observations.

Exports (oil excluded) to the Community did indeed show a bigger annual increase (6%) than exports from all the developing countries combined (5.1%), but there is little evidence that this was due to the trade preferences granted by the EEC. A look at each product individually shows that the AASM sales increase was particularly marked in the case of products – copper (price increase), for example, and rough timber, iron ore and other metals – that did not get preferential treatment.

The AASM's share of the Community market in products that where covered by preferential arrangements (coffee, bananas and groundnut oil) increased little, if at all, with the exception of cocoa: the AASM almost doubled their sales of cocoa to the EEC.

The advantages of free trade did not lead to any extraordinary growth of the Community's exports to the AASM either. The average annual increase was 5.6%, as against 5.9% for exports from all the developed countries combined.

However, the association led to a geographical diversification of trade between the AASM and the various countries of the Community. Whereas, in 1959, the former French colonies did 81% of their European trade with France, the figure had dropped to only 56% by 1969.

And conversely, European exports to the AASM were 66% French in 1959 and only 59% French by 1969.

The first agreements with the Maghreb

Cooperation with the countries on the southern shores of the Mediterranean got under way more tentatively than with French-speaking Black Africa, and less systematically.

Algeria was still French territory and therefore eligible for the 1st EDF. Once independent, it was to wait some time before establishing cooperation links with the Community – the wounds of the struggle for independence needed time to heal. Morocco and Tunisia, however, were explicitly covered by a protocol to the Treaty of Rome in view of their privileged economic relations with France. Rabat and Tunis called for the opening of negotiations on the conclusion of association agreements with the Six as early as 1963, but had to wait until 1969 for them to be signed (for a five-year period). They were trade agreements, as the Community did not wish to go in for proper cooperation agreements. A few months later, similar agreements were signed with Malta and Israel and negotiations with Egypt and Lebanon were started.

Here, then, were the separate elements that, two years later, the Community was to undertake to combine and organize in the framework of an 'overall Mediterranean approach'.

But this piecemeal beginning, plus the historical and political conditions of the region, ruled out a collective, inter-regional approach of the kind adopted for Black Africa.

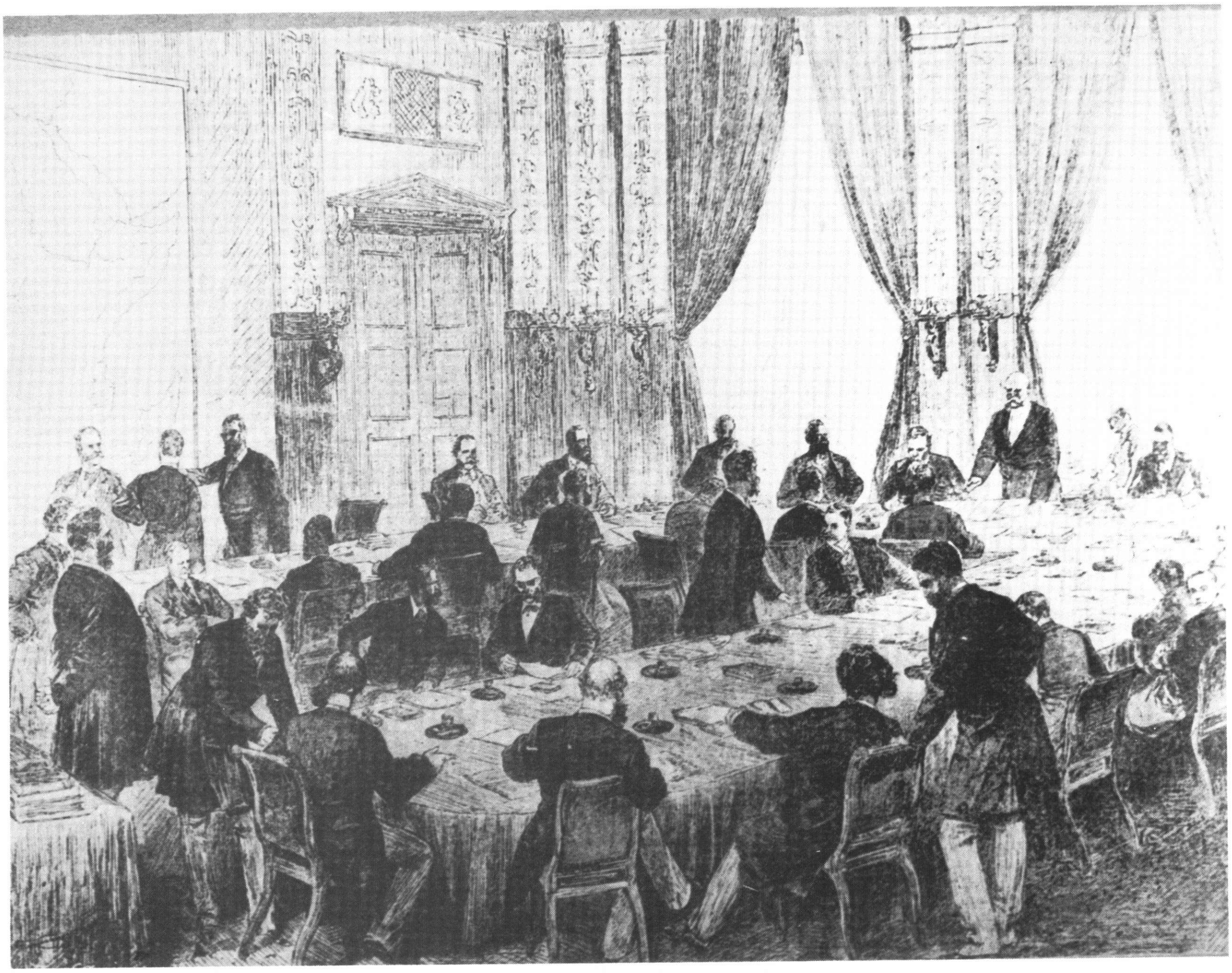
History, geography and the close economic relations attendant on them dictated the areas where Europe's future cooperation policy would be concentrated – Black Africa and the Mediterranean. But a policy in the real meaning of the term still had to be formulated. ■

The Nine and Lomé

Very early on, the Six showed a desire not to confine themselves to the essentially French-speaking Africa of the AASM (subsequently 19 with the accession of Mauritius). Back in 1963, the Council of Ministers adopted a declaration of intent as far as third countries with economic and production structures comparable to those of the AASM were concerned. It offered them a choice between accession to the Lomé Convention, association *sui generis* and a preferential trade agreement. Three East African countries (Kenya, Tanzania and Uganda) plus Nigeria called for negotiations. An association agreement was signed with Lagos in 1966, but it was never ratified and so did not take effect. The first Arusha Agreement (concluded with the countries of East Africa) met with the same fate, but the second one, mainly on trade, was initialled in 1969 and took effect in early 1971.

This move towards English-speaking Africa, although significant, in fact remained very limited until the enlargement of the Community itself. Only then did Europe extend its cooperation policy, both in Africa and the rest of the world. But this was not an automatic consequence. Other factors helped move Europe-Third World relations on to the next stage of their development. Soon after gaining independence, the developing countries got themselves organized (into the Group of 77), realized that they needed to stick together and defined their collective demands. The North-South game took a different political turn, as European leaders were well aware. In January 1971, the European Commission produced a memorandum. The time had come, it said, to define a Community development cooperation policy. The Yaoundé policy, it added, had been the Community's testing ground and a reflection of its desire to take on an increasing share of responsibility towards all the developing countries. Then, in October 1972, the Heads of State or Government of the Community confirmed their desire to set up a global development cooperation policy – without abandoning its regional association policy.

It was this regional cooperation that circumstances were to favour most. Following the negotiations on the United Kingdom's entry into the Community, Protocol No 22 invited 20 independent Commonwealth countries in Africa, the Caribbean and the Pacific to negotiate association agreements or trade agreements with the Nine. A similar invitation went out to all African countries with comparable production structures. In short, the whole of independent Black Africa was approached.



1884 – The Berlin Congress – European rivalry and the sharing out of Africa.

1975 – Lomé: faced with a united Europe, the Africans join forces.

The most extensive cooperation agreement in history

A date was soon fixed. Before 1 August 1973, talks with both the old Yaoundé and Arusha associates and the new invitees were to start. In April, the Commission presented the Deniau memorandum as a basis for discussion. Its aim was to achieve a synthesis between the advantages acquired and guaranteed to the present partners of the association and genuine renewal of this association, which, because of its enlargement, would mean that very considerable adaptation and additions were called for.

This memorandum contained most of the proposals which were to make the Lomé Convention an advance on that of Yaoundé. The most spectacular proposal was the one which led to Stabex as, it said, the Commission had learnt a lesson from the inadequate achievements of the world commodity agreements, realized the demands of its association commitments and adopted the idea of concluding possible regional product agreements. Other innovations were also proposed – financing for regional projects and schemes to support micro-projects and small businesses. Particular emphasis was placed on a long-term effort with rural development. The Commission memorandum, however, was not followed up on one important point – the creation of free trade areas between the partners. It was not to be followed on one major symbolic point either – the terms 'association' and 'associated countries' were (in theory) to disappear from the vocabulary, doubtless because of their colonial connotations.

In July 1973, negotiations began in Brussels and, until the delegations took their place in the Palais d'Egmont, no-one knew whether all the countries had accepted the invitation or not. No-one knew either if they would choose to negotiate the same type of relations with the Community. But they did, and they were all there! The 19 AASM, the countries of the Commonwealth and the rest – Ethiopia, Guinea, Liberia and more. They all chose to explore the same road, the one that led to the most ambitious goal – an overall cooperation agreement. And they also decided to negotiate through a single spokesman.

And so the group of African, Caribbean and Pacific States (ACP) was born. For the first time, French speaking and English-speaking Africans found themselves side-by-side in a collective undertaking dealing together with an external partner.

Thus the most extensive cooperation agreement in the history of North-South relations was produced. This is what gave real historical importance to the Lomé Convention that was signed with pomp and circumstance in the capital of Togo on 28 February 1975.

The relationship between Yaoundé and Lomé is obvious. Yaoundé was both experimental and transitional, for the association oscillated between two eras and was never very prominent in Community life. Lomé, on the other hand inaugurated a cooperation policy of a different dimension. The movement of history, a world-wide agreement involving both the old, white, European world and virtually all the black world, the most sophisticated cooperation methods – all this gave Lomé an altogether different political significance. But the Nine were not to restrict this undertaking to relations between Europe and the ACP group . . . ■

Agreements with the countries of Africa, the Caribbean and the Pacific

1957 – The Treaty of Rome regulates relations between the EEC and the dependent Overseas Countries and Territories in an Implementing Convention.
1963 – The first convention of association between the Community and 18 independent States of Africa (the AASM) is signed in Yaoundé on 20 July.
1969 – The Yaoundé Convention is renewed on 29 July.
– The Arusha Agreement between the Community and the three countries of the East African Community, Kenya, Tanzania and Uganda, is signed on 24 September.
1973 – Protocol No 22, annexed to the Acts of Accession to the Community of the United Kingdom, offers 20 independent Commonwealth countries the possibility of negotiating their future relations with the Community.
1975 – The Lomé Convention between the Community and 46 independent States of Africa, the Caribbean and the Pacific (the ACP countries) is signed on 26 February.
1979 – Lomé II is signed with 57 ACP countries on 31 October.
1983 – The inaugural session of the negotiations to renew the Lomé Convention is held on 6 October with 64 ACP countries (seven more having joined since 1979).

Mediterranean ambitions

The Treaty of Rome gave the Community of the Six commitments in Africa and in the Mediterranean. Would the enlarged Community succeed with an operation of similar size in the one latter area as it had in the former? That was its intention . . .

Up until 1972, the Community had concluded a series of agreements with the countries of the Mediterranean basin. Some were European countries, from Greece to Spain, and others were in North Africa. But, in 1971, the Commission's assessment of its record was somewhat low-key. The considerable overlap of political and economic interests, it said, and the influence that Europe could have in this region made it possible to see the development of the Mediterranean basin as a natural extension of European integration. The agreements concluded with these countries were an inadequate expression of the interest Europe had in the region. The Community had so far only made a limited contribution to the economic development of this part of the world.

In October 1972, the Heads of State or Government of the Community heard this appeal and, at their Paris summit, said that the Community attached vital importance to the implementation of its commitments with the countries of the Mediterranean with which agreements had been or were to be concluded, and that these agreements were to be the subject of an overall and balanced approach. A few months later, the Commission proposed agreements of unlimited duration to the countries south of the Mediterranean. These would involve overall cooperation comprising, in addition to preferential trade arrangements, various types of financial and technical assistance.

However, it was by no means easy to harmonize the European negotiating mandates. Although they were all aware of the political and economic advantages of such cooperation, they found it hard to remember them when it came to deciding on precise concessions, particularly in the agricultural sector. Europe's Mediterranean agriculture was already sick . . .

The negotiations too were long and arduous. They were divided into two successive parts. They were conducted simultaneously with Algeria, Morocco and Tunisia from 1974 to 1976. The agreements were signed on three successive days. Success, despite everything! In Rabat, Claude Cheysson, the European Development Commissioner of the period, said that Europe was embarking on a dialogue with Morocco and its Maghreb neighbours as it would soon be doing with the Mashreq countries and as it had already done with the whole of Black Africa through the Lomé Convention . . . On their side, he said, there was a clear desire to achieve Arab unity . . . leaping over the colonial period and into brotherly goodwill, they were re-establishing their link with Black Africa . . . If they stood back, they would see an extremely interesting picture in which each of the great units – Africa, the Arab world and Europe – was trying to develop its cohesion and assert its desire to be independent and reject external intervention, in spite of vicissitude, conflict, tension and threats. And each of these units had resolutely decided to support the other two.

In 1977, similar agreements were concluded with Egypt, Jordan und Syria and then with Lebanon and Israel. All in all quite an impressive picture. In spite of the tension and conflict in this part of the world – the troubles between the Israelis and the Arabs are not the only ones – it proved possible to weave a network of cooperation with the region as a whole. The southern Mediterranean economies are more developed, nearer and, therefore, more directly competitive than those of Black Africa. This is why people said that the southern Mediterranean policy, which was Lomé transposed, would be the real test. But, unlike Lomé, the overall approach did not result in a collective agreement. Would the Euro-Arab Dialogue, launched in December 1973, provide cooperation between the two shores of the Mediterranean with the dimension it lacked? ■

The Mediterranean agreements

1963 – 12 September: Turkey (agreement setting up an association)
1970 – 29 June: Spain (preferential trade agreement creating a free-trade area)
– 5 December: Malta (agreement setting up an association)
1972 – 22 July: Portugal (preferential trade agreement creating a free-trade area)
– 19 December: Cyprus (agreement setting up an association)
1975 – 11 May: Israel (free-trade and cooperation agreement)
1976 – 25 April: Tunisia (overall cooperation agreement)
– 26 April: Algeria (overall cooperation agreement)
– 27 April: Morocco (overall cooperation agreement)
1977 – 18 January: Egypt (overall cooperation agreement)
Jordan (overall cooperation agreement)
Syria (overall cooperation agreement)
– 3 May: Lebanon (overall cooperation agreement)
1980 – 2 April: Yugoslavia (cooperation agreement)
– 3 December: Portugal (agreement on assistance prior to accession)

World-wide cooperation

The attempt to define a Community development policy that went beyond the association framework dates back to the Commission's 1971 memorandum, a fundamental document which the Community has yet to exploit to the full.

The time had come to define a Community policy, the Commission began by arguing, because, at a time when the Community was setting off along the road towards economic and monetary union and was preparing for enlargement, it was important that it should also express its desire to link its own progress with the progress of the developing countries and to include in its aims a systematic search for a better international distribution of well-being and greater opportunity for social fulfilment for increasingly wide-spread groups of once underprivileged people.

The Community (the Commission went on to say), whose attraction for the whole of the Third World would inevitably increase over the years to come, could not remain as ill-equipped as it was then for the task of helping the progress of all the developing countries. Outside its association policy, its only instruments in fact were its trade policy (which would have increasingly limited means) and food aid.

The declaration of the Paris Summit of October 1972 was a turning point. By giving the Community a very broad mandate, it avoided the legal and political obstacles which had impeded the Community before and it laid the political foundations for a practical start to the process of defining a Community development policy. It also showed that the opposition between the 'universalists' who wanted the Community to adopt a world-wide approach to development problems and the 'regionalists' who preferred a more limited geographical approach could be overcome by inviting the Community and the Member States to advance on both fronts at once.

From Yaoundé to Lomé and from the first agreements with Tunisia and Morocco to the network of Mediterranean agreements, progress on the regional front was assured. There was some progress on the world-wide front too, although more tentative.

Priority for trade and food

Before 1972, the Community had introduced a trade policy and a food aid policy – two areas in which it could capitalize on the powers expressly provided by the Treaty of Rome – for the Third World as a whole.

Very early on, the Community's trade policy towards the Third World was far more open than that of the other great economic powers and the developing countries' trade balance with the EEC showed a substantial credit between 1962 and 1970, although they were running a large deficit with the rest of the world. An even more explicit illustration of this is the decisive role which the Community played in setting up the generalized system of preferences, the idea of which had been adopted by Unctad in 1964. The Community was the first to apply it, in July 1971 (see inset).

The Community was able to undertake its food aid programmes because of the powers it held to enact the common commercial policy and the common agricultural policy. In 1967, for example, during the Kennedy Round of tariff negotiations, it joined the convention on food aid under the International Grains Arrangement, undertaking to supply more than 1 000 000 tonnes of wheat or other cereals every year for three years.

However, its decisions to send dairy products as food aid was taken autonomously, in April 1969, as one of the measures to dispose of dairy surpluses. These programmes have been expanded since then, but, what is more important, the Community has tried, as the Commission's many proposals since 1972 show, to turn this much-criticized instrument into a tool for development.

To these first two aspects – trade preferences and food aid – a third was added, financial and technical aid outside the Convention, something that is still, somewhat anachronistically, called aid to the non-associated developing countries (see inset). As early as 1971 the Commission felt that the Community should gradually be given the wherewithal to run a proper development cooperation policy . . . one that was better balanced geographically speaking and took the diversity of situations in the developing countries into account.

But the first programme was not decided upon until 1976, after the Lomé Convention had been signed, and it in-

Budgets

The Community has the European Development Fund (EDF) to finance the bulk of its cooperation with the ACP countries, an annual budget for other development activities (aid for the Maghreb and Mashreq countries, aid to the non-associated developing countries, food aid, emergency aid and aid via NGOs), and, finally, the resources of the European Investment Bank (EIB) for loans to the ACP countries, the Maghreb, and Mashreq countries, and Israel. Cooperation with the ACP and MMI (Maghreb, Mashreq and Israel) countries is implemented under multiannual agreements.

Financial resources

Lomé II (ACP, 1981-85)	: 5th EDF + EIB = 5.7
Financial protocols (MMI, 1982-86)	: Budget + EIB = 0.97
Annual budget	: in 1979 = 0.43
	in 1983 = 1.05

Source: EEC. *(in 1 000 million ECU)*

The increase in the annual budget reflects the Community's desire to achieve more of a balance between its aid to the ACP group and what it gives the rest of the world. Actual expenditure recorded for the two years given as examples are further proof of a real effort here.

Geographical breakdown of total expenditure

	1979	1983
ACP countries	557 (65%)	903 (60%)
Non-ACP countries	306 (35%)	586 (40%)
Total	863	1 489

Source: EEC. *(in million ECU)*

The generalized system of preferences (GSP)

The aim of the GSP is to encourage industrialization in the Third World by providing preferential treatment for its exports. It consists of special customs arrangements (exemptions from or reductions in duties, with or without quantitative limits) applied by the industrialized countries to products originating in the developing countries. The word 'preferences' is used because these products are given a customs advantage over products from the industrialized world. The system is 'generalized', because the preferences are granted to all developing countries by most industrialized countries for the majority of products. And lastly, it amounts to a 'system' because the industrialized countries give the same sort of concessions, but have their own arrangements for applying them (there is a Japanese scheme, an American scheme and so on).

The Community scheme currently covers 127 independent countries and 22 dependent territories, all finished and semi-finished industrial products, textile products and a large number of processed agricultural products.

Sixty-eight per cent of the developing countries' exports to the Community already enjoy duty-free access (as against 22% of their exports to the USA and 19% of their exports to Japan). A further 20% are exempted from customs duties on entry to the Community by virtue of the GSP.

The most advanced countries have derived the greatest benefit from the system. In 1982, 12 countries (Brazil, Romania, Venezuela, Hong Kong, South Korea, India, Kuwait, Malaysia, the Philippines, Thailand and Singapore) accounted for 73% of all exports to the EEC under the GSP. To help the others make more use of its scheme, the Community has replaced the old global ceilings and quotas by individual limits for each country. The least developed countries get additional advantages (in particular, duty-free entry for all agricultural products imported under the GSP, and duty-free entry and no quantitative limits for industrial and textile products).

volved only a very small sum – 25 million ECU. Unlike aid to the ACP and southern Mediterranean countries, aid to the non-associated countries is decided annually when the budget is adopted. The programme, gradually increased since 1976 (234 million ECU in 1983), primarily goes to the countries of Latin America (20%) and Asia (75%). It is strictly specialized: the only projects covered are those to do with rural development and regional integration, the latter being a priority according to the 1971 memorandum, in view of the Community's special task of helping the developing countries to organize or boost their economic cooperation at regional level. Priority for rural development was only implicitly indicated by the preference that was proposed for the least developed countries. It was to be made explicit in a further memorandum from the Commission in October 1974. This said that the coverage of food requirements should be a priority, as the effective long-term complement to short- and medium-term food aid schemes.

Towards a change in the geographical balance

The Nine were to acquire two other instruments which could be used throughout the Third World.

Thanks to the European Parliament's initiative, it has been providing support for NGO (non-governmental organizations) projects since 1976. This programme, which expanded from 3 million to 30 million ECU between 1976 and 1983, has proved a very valuable addition to Community policy. The NGOs are geared to micro-projects carried out at grassroots level and with the active and direct involvement of ordinary Europeans. Their experience was to exert a considerable influence on Community development aid thinking.

Emergency aid is the EEC's means of helping countries of the Third World that are hit by disasters – and there is no shortage of them, 'associated' countries or not! The Community began with a substantial and rather special scheme. In 1974, it proposed to the UN an international emergency operation for those developing countries worst hit by the oil crisis, announcing that it would make a contribution of USD 500 million. Since then, many more (smaller) emergency aids have been decided, often with emergency food aid as well. A very large percentage of emergency aid has gone to refugees.

So since 1972, there has been a certain shift in the balance between regional and contractual schemes for ACP and Mediterranean countries and worldwide operations for the Third World as a whole. In financial terms, the difference between the budgets is getting smaller . . . and, if all forms of aid are counted, it is India that is the leading beneficiary of Community assistance!

However, these unilateral schemes are not an adequate response to the expectations of the non-associated countries which often have dynamic economic relations (sometimes conflicting, as in the case of textiles) with the Community. So it is not surprising that agreements have been concluded with several countries of Asia and Latin America (see inset). These tend to be trade cooperation agreements and they sometimes also involve regional organizations (Asean in 1980 and the Andean Pact in 1984).

A pattern is emerging, but it is still somewhat sketchy. In 1982, the Commission recommended in its latest memorandum that the Community should try to enrich the contractual

Aid for the non-associated countries

In 1982, the budget for the non-associated countries was 210.2 million ECU, 10 times the first allocation in 1976. This is still only a modest effort, but if bilateral aid from the Ten[1] is taken into account, Europe emerges as a major donor throughout the world. In Latin America, the Community and the Member States are the biggest source of aid for most countries, from Brazil and Mexico to Peru and Nicaragua. The Community is the biggest donor in several large countries in Asia, such as India and Indonesia. In other cases, Japan or the World Bank give more than the Community, although its aid is still considerable.

Expenditure on aid in 1982

Asia		*Latin America*	
India	46	Costa Rica	18
Bangladesh	23.6	Dominica	12
Bhutan	3.4	Haiti	6.6
Nepal	3.7	Honduras	16.9
Indonesia	11.6	Nicaragua	9.8
Thailand	17.2	Andean Pact	0.7
Asean	0.03	Central America (regional aid)	2
Total	105.6	Total	66.0
Africa			
Angola	8.7	Disasters	9.7
		Research	5.5
Mozambique	10.7	Technical aid	4
Total	19.4	Total	19.2
		Grand total	210.2

Source: EEC. *(in 1 000 million ECU)*

The non-associated countries also get food aid from the Community (see inset), emergency aid (81.5 million ECU in 1982), trading facilities and preferential access to the EEc market under the generalized system of preferences (see inset).

[1] Except Ireland, Greece and Luxembourg.

content of these agreements, thereby giving more substance and continuity to joint schemes and making for trade arrangements covering longer periods. Along the same lines, the Commission proposed strengthening relations between the EEC and Latin America in April 1984.

This review of the Europe-South dialogue over the past 25 years would be incomplete without a mention of Europe's role in the North-South Dialogue, i.e. the series of major international negotiations that have marked the past two decades and are aimed at creating a new balance in economic relations between the industrialized and the developing countries.

The results of these global negotiations have not lived up to expectations, in the Third World at least. And the present North-South Dialogue deadlock may make what the Community has done in this field look unimportant However, it is worth noting that the present deadlock is not its fault and that it has often been an irreplaceable mediator between North and South – which has sometimes demanded considerable effort to reach internal agreement first.

The role of mediator is more or less forced upon it by economic interdependence and by the way the countries of the South see Europe. For, between the Eastern Bloc countries, which are indifferent, and the USA, which is ill inclined to change a system which keeps it on top, Europe, a significant economic power but only a moderate political power, is the obvious channel for any reform. So the Community is, inevitably, a source of constant hope and frequent disappointment for the Third World. ■

Agreements with Asia and Latin America

Latin America

There are outline commercial cooperation and (non-preferential) economic agreements linking the Community to *Brazil* (18 September 1980) and *Mexico* (15 July 1975). They last five years and can be renewed automatically.
Uruguay: A non-preferential trade agreement, signed on 2 April 1973 for a three-year period; renewable automatically.
Andean Pact (Bolivia, Ecuador, Colombia, Peru and Venezuela): An outline economic, trade (non-preferential) and development agreement, signed on 17 December 1983, for a five-year period; automatically renewable.

Asia

India: A non-preferential commercial and economic cooperation agreement, signed on 23 June 1981 for a five-year period; automatically renewable.
Asean (Indonesia, Malaysia, the Philippines, Singapore and Thailand): A non-preferential economic, commercial and development cooperation agreement, signed on 7 March 1980 for five years; automatically renewable.
Non-preferential commercial cooperation agreements have been signed between the Community and *China* (3 April 1978), *Bangladesh* (19 October 1976), *Pakistan* (1 January 1976) and *Sri Lanka* (22 July 1975). All are for five years and are renewable automatically.

New directions

In the early 1980s, development was in a state of crisis. Growth in the developed countries had slowed down and then stopped. Recession had set in. Although the developing countries had experienced relatively strong growth in the preceding decades, the development process had all too often not taken root. The record at the end of the second development decade was disappointing, as everyone agreed, and, with the crisis, the outlook was even more discouraging.

The Third World's debt alone was enough to block any voluntarist development policy. And financial resources were dwindling dramatically. In 1982, the price of many commodities was not even half what it had been in the 1950s. And lastly, oil, exorbitantly priced, bit deep into the slender reserves of foreign exchange that were so essential for food imports – which were also increasing fast. Hunger struck massively once more.

Food strategies

The Development Ministers of the Ten decided on 14 June 1982 to launch the experiment known as 'food strategies'. The aim is to get the Third World to feed itself, by giving the peasant farmer an incentive to grow more and the certainty that he can sell his produce afterwards. How is this to be done? By paying the producer a good price for his crop, of course, but also by developing proper storage and marketing facilities. The peasant farmer also needs fertilizer, pesticide, tools and farm machinery and this means setting up small businesses, keeping country areas regularly supplied and setting up a decent system of rural credit. If he is to join the money economy, the peasant farmer will need to be taught what that involves by competent people. And all these efforts will be pointless unless at the end of the day he can buy in his own district the sort of consumer goods that will improve his standard of living.

So taking all this into account, each country must work out its own food strategy, with its attendant aims and policies. Only then can it attract support from the Community, the Member States and perhaps other donors, the important thing being that foreign aid is properly coordinated and fits in with a coherent national development plan.

Four ACP countries – Mali, Zambia, Kenya and Rwanda – have already begun pilot schemes with the EEC to test the Community's new approach. A 'pact' has been signed with the Community, which has undertaken to support these countries for as long as they stick to the aims they have set themselves.

In Mali, the Community is backing an agricultural reorganization programme launched in 1980; an initial reform of the cereal market has already improved supplies to the towns. The idea in Kenya is to re-attain the self-sufficiency of the past. Priority here will be given to reforming marketing channels. In Zambia, the aim is to develop food crops that have been abandoned for the mining sector by running schemes to help small farmers. In Rwanda, a balanced food situation is threatened by the increasing scarcity of land as the population grows. Agricultural output has to be increased if the country's needs are to be met in the year 2000.

Although the Community has decided to restrict this experiment to four countries for the time being, there is no shortage of candidates, either in Africa (Tanzania, Senegal, Niger, etc.) or the rest of the Third World.

Given this crisis in development, there were invevitably second thoughts about cooperation in both North and South. Some people questioned the whole idea (a temptation for the American administration); others, in Europe for example, looked at ways to improve cooperation, to make it more effective while preserving its achievements to date. This is the path the Community has chosen to follow in the 1980s.

Priority for rural development

What set the Community thinking on these lines? Not surprisingly, it was the problem of hunger, the most dramatic aspect of the crisis in the South. The real starting point was a big debate which the European Parliament held in October 1979, when European Commissioner Claude Cheysson said that the rural sector had to have absolute priority, not just because it was in the villages that society and culture had their roots in all countries, but because the rural world held the key to their survival and development. The following year, Parliament approved an important report by the Italian communist, Bruno Ferrero. Then, a few months later, Edgard Pisani, the new European Development Commissioner, got the Community to adopt a plan of action to combat hunger in the world, thereby setting Commission policy in its new direction right away.

The Commission rejected the plan for immediate and massive aid that Marco Pannella, the Italian radical Euro-MP, so resoundingly proposed, opting instead for long-term structural solutions. 'The age-old ills of hunger and poverty are the result of a system of economic, political and social power; they are rooted in individual mentalities, and power centres are their counterpart' wrote Edgard Pisani in a letter to Marco Pannella. 'Wars and conflicts constantly make things worse. They cannot be cured, as people thought, by showers of equipment and sacks of wheat. Curing them is a long and arduous task for several generous and determined generations who are inspired by a rigorous, balanced vision of the world and of society.'

The Community did not, however, ignore the urgency of the matter. The action plan included immediate measures, in particular substantial food and financial aid for refugees. But the essential thing was not the several million ECU that the European ministers ended up allocating: it was that the plan confirmed rural development and self-sufficiency in food as top priorities and cast doubts on the traditional use of certain means of cooperation, particularly food aid.

In the priority sector of food, the Commission decided to launch an experiment, to try another form of cooperation. In 1982, the Community offered four countries its support in implementing a food strategy (see inset). This technocratic term masks what is in fact quite a simple idea, although it is a revolutionary one that will take a great deal of patience and tenacity to put into practice.

The idea of food strategies took hold when it became clear that, in spite of the priority given to the rural sector (which received 40% of EDF aid under Lomé II), the Community was getting the same disappointing results as other, less policy-conscious, donors. Why? Because of a lack of coherence between foreign aid (itself uncoordinated) and the efforts of the recipient countries, as regards both resources and general policy. The important thing is of course to organize donors' contributions and recipients' efforts around a policy that is clearly defined and systematically implemented. In short, if agriculture is to take off, cooperation must stop being rudimentary!

So cooperation must be better organized, more structural, less determined by short-term economic needs. In other words, a longer-term exercise. In addition, there is a need for transnational schemes to preserve the natural environment – halting the advance of the desert, handling problems of water supply, preserving livestock, and so on. The first programmes are already under way. They are still modest, but they show the way ahead.

Economic emancipation for the Third World

In September 1982, the Commission produced a further memorandum on the Community's development policy. A decade had gone by since the 1972 memorandum which had, for the first time, attempted to define how Europe saw aid to the Third World. Was it now rejecting the past and its achievements? By no means! But the Commission's new document starts with a frank look at the failures of development and the disappointing results of cooperation.

The Commission's 1982 memorandum was intended – although this was not well enough understood – to be a political act aimed at Europe itself. Its opening words are proof of this: 'Development policy is a cornerstone of European integration . . .'. In spite of the crisis and in spite of its difficulties, the Community wants to maintain and strengthen its commitment to the Third World . . . a sentiment not, alas, shared by everyone on both sides of the Atlantic.

This commitment of course has financial implications. The memorandum proposes that Community aid be doubled in 10 years. But the Commission is primarily aiming at an improvement in the quality of its aid, for the value of the Community's contribution to North-South relations, modest in volume, lies in the fact that it is experimental, innovatory and exemplary.

So past achievements are to be preserved – cooperation based on contracts, freely negotiated and accompanied by guarantees as to duration and, above all (can anyone do better?), total respect for individual political and ideological options. These are the characteristics of the agreements with the ACP and the southern Mediterranean countries that have to be developed. The Community must consolidate the network of contractual relations it has built up with the Third World and put it on a more systematic basis, the memorandum argues, thereby contributing to the establishment of a system of international relations that is more harmonious, safer and more in line with the interests of all countries.

With this political achievement as a basis, it is possible to do more for both 'cooperation' and development. More dialogue, more consultation and more coordination of our efforts, not just to negotiate the contract, but to implement it too – the logic is the same and the respect for other people is the same, but the results in terms of development may be quite different! So the new method proposed for food strategies, and set out more systematically in the memorandum, is not a break with the past, but a continuation of the original concept of the Europe-South Dialogue.

The memorandum also proposes a redefinition of the ultimate aim of development. Behind the emphasis on rural development and the anti-hunger campaign lies the desire to radically change the aid process by making it serve an eminently political purpose: to support anything that encourages less dependent, more autonomous development, in other words, to give Europe's partners the wherewithal to achieve their economic – and therefore cultural and political – emancipation.

This is something we have heard a lot about from Third World pundits for many years and particularly from developing countries themselves (cf. the Africans' Lagos plan). But putting it into practice is a different proposition! There are many obstacles to overcome – economic and commercial structures inherited from colonial times, the 'acquired rights' of cooperation agreements (requested by the developing countries themselves) that could increase dependence, cultural and technical arrogance here, a tendency to copy there . . . and vested interests everywhere. And are we sufficiently aware of the challenge which a change in the direction of development poses to countries which still have fragile political and administrative structures and teetering economies and are forever harassed by everyday issues? Can they count on Europe to commit itself to a different future?

Timing of new measures

The Pisani memorandum of 1982 does not, in itself, constitute a Community decision. The ministers of the Ten have approved the main lines of the document, although they have not yet given their opinion on its financial implications. So what we have is a policy statement to refer to when the time is right to put its proposals into practice.

The first landmark ahead is the expiry of the second Lomé Convention in February 1985. Negotiations for renewal began in October 1983. The Commission made no attempt to hide the difficulty of the undertaking when it proposed guidelines for a negotiating mandate to the Council:

'It is going to be difficult to decide on the aims and ground rules of an approach to cooperation which must prove durable if it is to continue to set an example.

It is going to be difficult, in the depths of recession, to think ahead into the distant future.

It is going to be difficult to pay enough attention to Third World development now that East-West has eclipsed North-South.

It is going to be difficult to come to terms with the fact that for the countries of the Third World, development does not mean copying us; and that food aid is not primarily a way of disposing of surpluses.

It is going to be difficult to get it across that a million fuel-efficient stoves are worth more than one monster dam and that improving the yields of 100 000 bush farmers is more important than setting up a modern farm.

It is going to be difficult to see that tools serve man rather than vice versa.

It is going to be difficult to explain to certain governments that the fault lies in their methods or the priorities they have adopted.

Food aid

In 1982, the European Community spent 700 million ECU on food aid (the figure was 500 million ECU in 1981) to more than 60 developing countries (and several organizations), notably Bangladesh, Egypt, India and the ACP countries (36% of the programme in 1982).

For 1983, the Commission proposed that the food aid programme should consist of 1 043 000 tonnes of cereals, 150 000 tonnes of milk powder, 46 000 tonnes of butteroil, 10 000 tonnes of sugar and 6 150 tonnes of vegetable oil, with the possibility of delivering other products – dried fish, certain vegetables, olive oil – as well.

Most of the cereals allocation is wheat or wheat flour bought on the Community market. Other cereals are, however, also provided in view of the eating habits in some of the recipient countries. Cereals were sent to 20 countries, most of them in the least developed group (LDCs), in 1982. Egypt and Bangladesh get the biggest quantities, followed by Sri Lanka and Somalia.

The Community provides about two thirds of all the dairy products which the developing countries receive as aid. In 1982, milk powder was distributed to 33 countries and five international organizations. Butteroil (dehydrated butter) went to 29 countries and five organizations. Aid to India in dairy products deserves a special mention: in 1977, this country applied to the Community for 300 000 tonnes over a seven-year period. With the proceeds of the sale of these products, India is setting up a modern dairy industry supplied by 10 million rural families.

In response to a request from the developing countries, the Community is extending its range of products to include, in particular, sugar (especially for Palestinian refugees), vegetable oil (Thai, Afghan and Nicaraguan refugees) and other products such as millet, beans and white maize (Central America).

It is going to be difficult to turn the welfare cases into productive economies and foster their growth step by step.'

Another landmark will be the conclusion of the negotiations on enlargement of the Community to include Spain and Portugal, though their outcome is still uncertain. What will the Twelve's relations be with the countries south of the Mediterranean? The Community and the Member States, says the Commission, must attach great importance to what they do in the Mediterranean, where politically much is at stake . . .

Food aid for development

The Community has been holding internal discussions on a reform of food aid for the past 10 years. In March 1983, the Commission returned to the attack after having had a number of expert reports and assessments drawn up.

All the specialists agreed that food aid could not, in the immediate future, be cut out, nor even reduced overall. The FAO said that the developing countries would need an estimated 200 million tonnes of cereal imports by the end of the century. Unicef said that the number of children with serious nutritional deficiencies would increase from 400 million to 600 million over the next 20 years.

Until the developing countries can produce enough to meet these enormous needs – and this is the priority target – food aid will be essential.

But, as the assessment reports confirm, food aid can have perverse effects that are not intended if it is not part of an agricultural development policy. The Commission has laid down the conditions for this – food aid must be an integral part of a development programme (except in the case of emergency aid); there must be prior consultation with the recipient country to see that it is, supply contracts should cover periods of several years, products must be better adapted to needs and there should be triangular operations to supply food products bought in another developing country.

The main lines of these proposals were approved by the European ministers in November 1983. It had taken the Community 10 years to define a food aid policy for development! ■

Milestones

1968 – The Community's first food aid operations under the Kennedy Round.

1971 – Introduction of the Community's scheme of generalized preferences for all developing countries. Commission memorandum on a Community development cooperation policy.

1972 – The Paris Summit of Heads of State or Government lays down guidelines for a world-wide development cooperation policy.

1973 – Commission memorandum on future relations between the Community, the then AASM and the countries of Africa, the Caribbean and the Indian and Pacific Oceans (the Deniau report).

1974 – Commission memorandum on development aid 'A fresco of Community action tomorrow' (the Cheysson memorandum).

1975 – The Commission's action programme for non-associated developing countries.

1981 – The Commission's action plan to combat hunger in the world, following debates in the European Parliament.

1982 – Commission memorandum on Community development policy (the Pisani memorandum).

1983 – Commission communication on food aid for development.

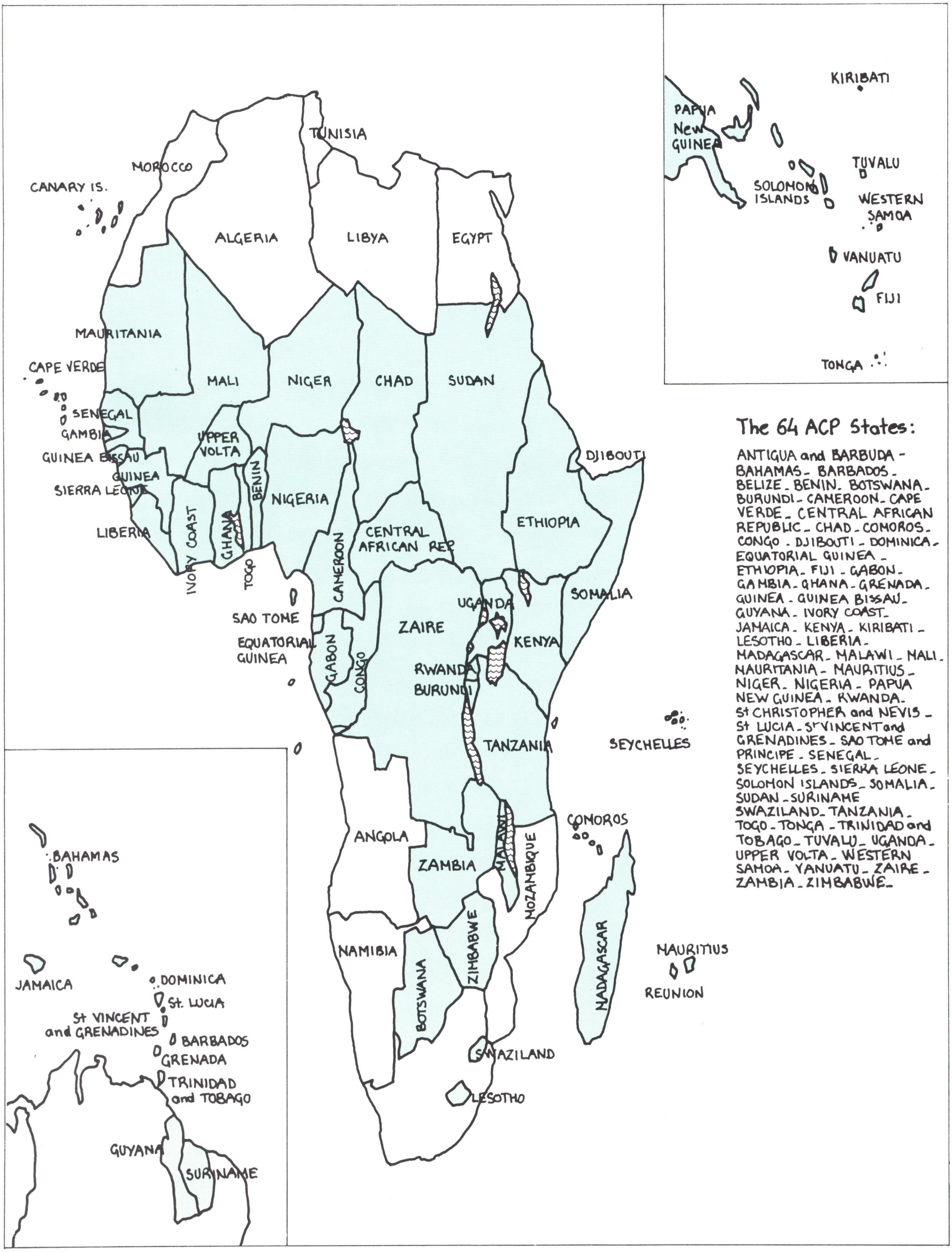
3 Lomé

Introduction

Lomé is not the sole component of Community development policy, but it is the main one. This is true financially – the Lomé Convention represents on average 51% of Community aid every year – and in terms of the number of partners involved: the ACP group, 46-strong when Lomé I was signed, has 64 members now. If Angola and Mozambique, and then an independent Namibia, join the Lomé Convention, it will include the whole of Black Africa as well as the Caribbean and Pacific countries.

Lomé is also the most elaborate policy. It involves a system of cooperation that is world-wide as well as collective. It is a symbol for the Community and of North-South relations – and there lies both its strength and its weakness, for the hopes it has generated turn to disappointment at its slightest shortcoming. ■

The Lomé policy



The 64 ACP States:

ANTIGUA and BARBUDA - BAHAMAS - BARBADOS - BELIZE - BENIN - BOTSWANA - BURUNDI - CAMEROON - CAPE VERDE - CENTRAL AFRICAN REPUBLIC - CHAD - COMOROS - CONGO - DJIBOUTI - DOMINICA - EQUATORIAL GUINEA - ETHIOPIA - FIJI - GABON - GAMBIA - GHANA - GRENADA - GUINEA - GUINEA BISSAU - GUYANA - IVORY COAST - JAMAICA - KENYA - KIRIBATI - LESOTHO - LIBERIA - MADAGASCAR - MALAWI - MALI - MAURITANIA - MAURITIUS - NIGER - NIGERIA - PAPUA NEW GUINEA - RWANDA - St CHRISTOPHER and NEVIS - St LUCIA - St VINCENT and GRENADINES - SAO TOME and PRINCIPE - SENEGAL - SEYCHELLES - SIERRA LEONE - SOLOMON ISLANDS - SOMALIA - SUDAN - SURINAME - SWAZILAND - TANZANIA - TOGO - TONGA - TRINIDAD and TOBAGO - TUVALU - UGANDA - UPPER VOLTA - WESTERN SAMOA - VANUATU - ZAIRE - ZAMBIA - ZIMBABWE -

One policy, several instrume

Two conventions have already been called after the capital of Togo. But more than just the name of an agreement, Lomé has come to mean a policy, a certain way of tackling the dialogue between the developed countries and the Third World. There are four basic characteristics to the 'Lomé spirit', which implies:

(i) lasting cooperation, based on legally binding arrangements set down in a contract that has been freely negotiated by the partners to it;

(ii) a collective agreement between two regional groups, based on respect for the political and social options of each partner;

(iii) an overall approach that defines and combines all instruments of cooperation (Lomé combines trade *and* aid, and in doing so rejects the somewhat doctrinal 'trade not aid' approach);

(iv) continuous dialogue (admittedly difficult and sometimes disappointing in practice) between two groups of countries whose degrees of collective organization are both inadequate and unequal.

The negotiators of the first Lomé Convention took over and added to the range of instruments provided by the Yaoundé Conventions. Lomé II was to contain further additions.

Opening up the Community market

As soon as Lomé I took effect, almost all (99%) of ACP products could enter the Community market free of customs duties and equivalent taxes, and in unlimited quantities. This principle of free and unlimited access could not be applied, however, to certain products covered directly or indirectly by the common agricultural policy – although these generally benefit from preferential treatment in comparison with the same products from third countries. With this agreed, there was little room for further progress, yet Lomé II was able to make certain concessions for some agricultural products. But the Community has not so far agreed to include the principle of totally free and unrestricted access in the Convention.

In order to encourage the partners' exports, the Conventions contain particularly favourable arrangements regarding rules of origin. The ACP States are considered as a single customs terrints

tory, which makes it easier for them to achieve the degree of processing required by the EEC before they can claim to have produced a product. For example, a product which could not be imported into the Community under the label 'made in the Ivory Coast' because it had been insufficiently processed in that country could be imported as an ACP product by counting earlier processing in, say, Togo and Tanzania. Furthermore, the system of exceptions to the rules makes it possible to take individual cases into account. Although few exceptions have been requested and they have, in all but one case, been accepted, the origin rules are one of the bones of contention between the Community and the ACP States. The ACP group wants maximum flexibility, while the Ten are determined to protect themselves against the risk of trade deflection.

The ACP countries are not required to grant similar concessions in return. European exports are no longer entitled to the preferential treatment they had under the Yaoundé Convention. The Lomé Convention now only guarantees them against discrimination in favour of other developed countries.

Experience was to show, as it did under Yaoundé, that free trade arrangements were not enough in themselves to ensure that trade actually developed. So as well as running EDF schemes to boost ACP production potential and competitive capacity, trade promotion had to be extended too. Lomé II was to provide special measures for this – a specific allocation and a broader definition of what constituted trade promotion.

Stabilizing export earnings

Compared to the earlier association agreements, Lomé's most significant innovations lie unquestionably in the field of commodities.

At the time of the negotiations for the first Convention, raw materials were on the agenda of international discussions and figured large amongst the developing countries' demands. The European Commission had suggested introducing interim or additional measures in the shape of agreements of more limited geographical scope.

This was the birth of Stabex, the first system to guarantee a group of developing countries 'compensation' for losses in export earnings. The undeniable importance of the new system has sometimes led people to forget its limitations. Stabex was never intended to do anything about unstable raw material prices. Only world-wide solutions could handle that problem. Nor could it ensure any indexation of ACP commodity export earnings. Stabex was designed to cushion the shocks arising from significant losses of ACP export earnings due to drops in prices or sales and to do so within the limits of its five-year allocation.

Not all commodities are covered, but the list of those that are – 29 originally, 47 now – has been extended a lot and includes most agricultural primary products and some partially processed products (vegetable oils and cocoa paste). Dependence thresholds, i.e. the percentage of the country's exports that the product has to represent, were fixed at a reasonable level – 6.5% generally speaking, but only 2% in the case of the least developed countries.

The guarantee was extended, its application made more flexible and the fund was increased by 46% from Lomé I to Lomé II. Under Lomé I, all eligible requests were met, but difficulties arose during the course of Lomé II. In 1980 and 1981, there was not enough money

Stabex

Stabex, often called an insurance system for bad years, compensates for drops in export earnings from certain ACP products destined for the Community market. It covers 46 agricultural commodities[1] and, until 1984, iron ore as well. A country is eligible for a transfer if the product in question represents at least 6.5% of total export earnings (the dependence threshold, reduced to 5% in the case of sisal) in the year preceding the application. The other condition is that the drop in export earnings must be at least 6.5% (the trigger point) of average exports to the EEC over the four previous years (the reference period). There are 11 ACP countries which calculate their trigger point on the basis of total exports (all destinations) because of their geographical situation. The dependence and trigger thresholds are only 2% in the case of the least developed countries.

All recipient States (other than the least developed, landlocked and island countries) have to repay Stabex transfers once the level of their export earnings makes this possible. The Council of Ministers of the EEC may demand total reimbursement or write the amount off.

Between 1975 and 1981, 700 million ECU-worth of Stabex transfers were made to 44 countries (representing 61% of the total population of the ACP Group). The least developed countries got 40% of all transfers.

The system was able to meet all eligible requests during Lomé I (1975-79), when about 388 million ECU was transferred to 37 countries for 24 products exported to the EEC. More than two thirds of the transfers were for three products – groundnuts (40%), iron ore (16%) and cotton (11%). The countries of West Africa were the main beneficiaries with 58.8% of the transfers (Senegal alone receiving 17.25%).

Stabex funds amounted to 550 million ECU – 12% of the 5th EDF – under Lomé II. This was divided into five annual parts of 110 million ECU each, with the possibility of drawing a 20% advance from the following year in addition. In 1980, the system could only meet 52.8% of applications; coverage dropped to 42.8% in 1981, and it would have been even lower without an exceptional financial effort on the Community's part. In 1982, however, claims were fully met.

[1] The main products are timber, coffee, cocoa, cotton, oilcake, groundnuts, bananas, tea, hides and skins, palm oil and rubber.

available when a coffee and cocoa price slump coincided with bad harvests here and there. Stabex, a limited form of insurance, could not cover needs 100%, and it became clear that it could only provide temporary relief when world prices fluctuated badly. But it has also become clear that the relative security it offers, combined with the preferential arrangements that ACP products enjoy on the Community market, are not enough to ensure that these products are competitive.

Sugar – guaranteed prices

The sugar protocol annexed to the Convention is quite as remarkable an innovation in the commodity sector as Stabex. The Community has in fact gone a step further with this product, which is of particular importance to the economy of several ACP countries. The idea is not just to stabilize earnings, but to tie the guaranteed price for ACP sugar to the price which European producers are guaranteed.

Not all ACP sugar exports are covered. A ceiling of 1.3 million tonnes of raw sugar was set and the total quantity divided into quotas for each of the producing countries. In 1975, this represented about 66% of all ACP exports.

Trends on the international sugar market since 1975 – depressed world prices and much higher Community prices – have given this guarantee an undeniable importance. But here again, the preferential advantage and the security offered by the sugar protocol are not enough in themselves to guarantee that ACP sugar production is competitive and has a future.

Safeguarding mining potential

With the exception of iron ore, which was covered more or less by accident, Stabex was only aimed at agricultural commodities. The fact that mineral products were excluded obviously led to an imbalance as far as the advantages offered to the ACP countries were concerned. The majority of them derived a certain guarantee against fluctuating export earnings from either Stabex or the sugar protocol, but the countries that exported mainly minerals (Zambia and Zaire) not only got no guarantee for these products, but received no benefit from Stabex because their agricultural exports failed to reach the dependence level.

This 'inequality' was strongly felt at the time of the negotiations for Lomé II, especially since hopes of finding international solutions, particularly for copper, were dwindling. So Lomé II invented Sysmin, a system derived from Stabex although noticeably different from it. Sysmin covers six products and is of potential interest to a dozen or so ACP countries. But, as experience has shown, it is the big copper-producing countries that are the main beneficiaries.

Although it completes the commodity guarantee system, Sysmin is also intended to be part of a wider policy of developing mining resources in the ACP countries – a policy of interest to the Community too, as a major importer of raw materials. Special means (assistance from the European Investment Bank and investment protection) have been provided for this by the Lomé Convention. The need for a more dynamic policy here led the European Commission to propose a series of additional measures and a proper energy and mining strategy in November 1983. ■

The sugar protocol

Under this agreement:

(i) the Community undertakes to buy fixed quantities (about 1.3 million tonnes) of white sugar from the signatory supplier countries at the price it guarantees its own producers;
(ii) the suppliers undertake to deliver their full quotas to the Community, failing which their quotas can be reduced (except in cases of *force majeure*).

The 1.3 million tonnes covered by the protocol currently represent 66% of total ACP sugar exports, a figure that has remained more or less unchanged since the agreement was signed. The Community produces about 12 million tonnes of sugar every year and its annual consumption is 9.5 million tonnes.

The prices offered on the Community market have increased regularly, going from 369 ECU per tonne of white sugar in 1977 to 534 ECU in 1984. The world market offers nothing like such stable increases nor remunerative prices, the figures being 137 ECU in 1977 and 199 ECU in 1984, with a brief rise to 538 ECU in 1980.

The ACP signatories, in order of quota size ('000 tonnes of white sugar) for 1984/85, are: Mauritius (487.2), Fiji (163.6), Guyana (157.7), Jamaica (118.3), Swaziland (116.4), Trinidad and Tobago (69), Barbados (49.3), Belize (39.4), Zimbabwe (25), Malawi (20), St Christopher and Nevis (14.8), Madagascar (10), Tanzania (10), Congo (8), Ivory Coast (2), Uganda and Suriname (0). These last two countries had their quotas reduced to zero because they failed to deliver their agreed quantities. But they remain signatories. Similarly, the quotas of two other countries have been reduced since the protocol came into force. On the other hand, two new countries – Zimbabwe (1980) and the Ivory Coast (1984) – have signed the protocol.

Sysmin

The main innovation of Lomé II was its introduction of a system providing some guarantee for minerals. It is not an export earnings stabilization scheme. Its main aim is to maintain or re-establish existing production capacity, through projects and programmes to assist the ACP mining sector, when a substantial drop in production capacity or a drop in export earnings is recorded for one of the products on the Sysmin list.

The system has a fund of 282 million ECU and covers six products – copper and cobalt, phosphates, manganese, bauxite and alumina, tin, roasted iron pyrites and iron ore. The total amount is divided into five annual parts with the possibility of advance drawings on up to half of the following year's allocation.

The only products covered are those representing more than 15% of the total exports of the ACP country in question (10% in the case of the least developed, landlocked and island countries). No transfer may involve more than 50% of one of the annual allocations. The drop in production capacity must be of at least 10%.

By the end of 1983, only a third of the resources available under Lomé II had been committed – Zambia had received 55 million ECU and Zaire 40 million ECU, both for their copper industries. Other applications under consideration are from Guyana (bauxite production), Rwanda (tin) and, once again, Zambia and Zaire (copper).

The means of development

The means available for financial and technical cooperation have to be used to achieve the aims of development as defined in the Conventions. The tendency from one set of negotiations to another has been to extend and clarify these definitions to produce a veritable catalogue of all possible development operations. The current negotiations will no doubt add to the list, by including, in particular, cultural cooperation activities.

This diversity of aims has probably meant that efforts have been rather widely scattered, but a review of projects actually implemented – the result of free choices by each of the partner countries – reveals some dominant areas.

For example, rural development projects absorb an increasing share of the funds and 40% of the programmed resources of the 5th EDF (Lomé II) have been allocated to them. These projects are increasingly concerned with food crops and, to a lesser extent, cash crops (see inset).

Other sectors where aid is on the increase are industrialization, energy and mining. While the proportion of funds allocated to transport and communi-

Rural development

Lomé II marked an increase in the proportion of funds chanelled to the rural sector, which is expected to absorb 44.2% of national allocations (as distinct from regional project funds), compared to 34.8% under Lomé I. This includes micro-projects. This increase is mainly at the expense of transport and communications, whose share has dropped from 26.4% to 16.7%.

The most common objectives are self-sufficiency in food, better living conditions for rural populations, the diversification of production and higher productivity.

Lomé II has partly altered the 'big project' approach by encouraging involvement of local communities in an increasing number of integrated rural projects. Local peasant farmers define the aims of these projects, take part in the work and manage them. Micro-projects are also on the increase and non-governmental organizations get more support.

There is also increasing emphasis on support for food crops – which is taking more than two thirds of 5th EDF rural development allocations – and less on cash crops.

Trends in project funding

	1st - 3rd EDF		4th EDF		5th EDF	
	million ECU	%	million ECU	%	million ECU	%
Cash crops	*285*	*49*	*249*	*40*	*312*	*33.5*
Food crops	*219*	*37*	*341*	*54*	*605*	*65*
hydro-agricultural	122	21	62	10		
integrated rural dev.	48	8	199	32		
livestock & fisheries	49	8	79	12		
Micro-projects	–	–	19	3	14	1.5
Total	588	100	627	100	931	100

Source: EEC.

cations infrastructure gradually decreased from the 1st EDF to the 3rd, the industrial sector has progressed, accounting for 27% of funds committed under Lomé II as against 19% under Lomé I. So to a certain extent the facts reflect the importance which the Lomé I negotiators attached to industrial cooperation and which the second Convention confirmed (particularly as regards the energy sector). Nonetheless, people gradually became convinced that industrial development could not really take off without more private investment. Various measures to encourage private investment were introduced in the first two Conventions, including the creation of a Centre for Industrial Development. The current negotiations should provide an opportunity to reinforce these measures.

Regional cooperation

Lomé I allocated 346 million ECU to regional cooperation, and Lomé II 632 million ECU. By early 1984, 97% of the Lomé I amount had been committed (and 67% disbursed), while 51% of the Lomé II allocation was committed (and 26% disbursed).

Breakdown

1. *Geographical*	*Lomé I*	*Lomé II*
West Africa	31	25
Central Africa	7	10
Eastern Africa	25	22
Southern Africa	10	11
Indian Ocean	3	3
Caribbean	9	9
Pacific	3	4
ACP (region)	12	16
2. *Sectoral*	*Lomé I*	*Lomé II*
Transport & communications	52	38
Industry, energy & mining	10	14
Agriculture & rural development	13	20
Training & public health	13	12
Technical assistance	1	4
Miscellaneous	11	12

Source: EEC. *(in %)*

The 'toolbox'

The Conventions have tried to meet the requirements of each type of development action by diversifying the range of instruments available. So there are more tools in the box.

The importance attached to regional integration, a constant feature of the Community's development policy, led to 10% of funds available under the 4th EDF being earmarked for this purpose and the figure went up by 83% under Lomé II. So in practice, 'programme' funds (i.e. those earmarked for project financing) are divided up at the beginning of each Convention into country allocations for national projects (this leads to programming in each country and a national indicative programme) and an allocation for regional programmes (itself divided between the various major regions). Part of the funds, however, are set aside for operations concerning all ACP countries (see inset).

At the other end of the scale are micro-projects, small schemes in which the local population is directly involved. The Convention encourages these by means of particularly flexible financing arrangements, and 1 400 micro-projects were financed under Lomé I. Co-financing with non-governmental organizations outside the framework of the Convention offers a further opportunity to involve the people directly concerned by development. All the experts agree that more needs to be done here if genuinely self-reliant development is to take root.

The diversity of projects and their different prospects in terms of economic return were to lead to a diversification of the methods and types of financing and the conditions for applying them. The 1st EDF only made grants and financed virtually nothing but infrastructure. Lomé, after Yaoundé, continued to diversify: in addition to grants, we now have special loans, EIB loans (ordinary or with interest subsidies) and risk capital and quasi-capital operations. There are special provisions to encourage schemes to help small and medium-sized businesses. Lastly, Lomé II introduced new provisions to facilitate co-financing – a type of funding already used increasingly under the first Convention, and one which revealed the catalyst effect of the European Development Fund.

Although the bulk of EDF aid goes on development projects, part of the Fund is reserved for emergency situations calling for immediate assistance that cannot be likened to investment. Lomé I earmarked 150 million ECU and

Lomé II 200 million ECU for emergency operations (supplemented by emergency food aid financed by the Community budget), and more than 180 million ECU was actually used for this purpose between 1976 and 1982, 43% of it for refugees and displaced persons.

The Lomé budget

Changes in the allocation of resources from Lomé I to Lomé II reflect the trends that have just been outlined.

The grant share has grown less rapidly than that of other financing (loans and risk capital) and the amount earmarked for regional cooperation has increased proportionately more than the funds allocated to national programmes. Overall, Lomé funds come to more than 5 500 million ECU, giving an average of 1 100 million ECU for each year of operation. This is by far the most important area of Community aid. For the ACP countries, Community aid proper is relatively modest as compared to total aid from the Member States of the EEC – 8% on average – but this figure can be twice as high in the case of certain countries.

The amounts earmarked for each country are worked out according to a number of socio-economic criteria, with a minimum threshold for the smallest countries. The biggest programmes are for Ethiopia (125 million ECU) and Tanzania (115 million ECU).

At the other end of the scale, the small islands are allocated amounts ranging between 1 and 3.2 million ECU. This apportionment favours the smallest and above all the poorest countries: the 36 least developed nations (they represent 44% of total ACP population) get about 65% of Lomé II programme aid. ■

Financial resources

	Lomé I		Lomé II[6]	
	million ECU	%	million ECU	%
Total EDF	2 980.3	86.2	4 627	71.3
Grants	2 057.7	59.5	2 986	52.5
Special loans[1]	445.6	12.9	518	9.1
Risk capital	97.0	2.8	284	5.0
Stabex [2]	380.0	11.0	557	9.8
Sysmin [3]	–	–	282	5.0
Total EIB	390.0	11.3	885	15.5
Loans with interest subsidies[4]	390.0	11.3	685	12.0
Loans outside the Convention (mining & schemes of mutual interest)	–	–	200	3.5
Total [5]	3 457.8	100.0	5 512	100.0

[1] Special loans have standard conditions for repayment – 40 years with a 10-year grace period. The 1% interest rate is brought down to 0.75% for the least developed countries.

[2] Stabex transfers are grants for the least developed countries and interest-free loans for the others.

[3] Same conditions as for special loans.

[4] Interest subsidies are becoming standard and automatic and mean a 3% cut in the interest rate for the borrower (except in the case of investments in the oil sector).

[5] This figure includes the running costs of the Commission delegations in the ACP countries; under Lomé II, they are paid directly from the Community budget.

[6] Total EDF increased from 4 627 to 4 645 million ECU following the accession of Zimbabwe, St Vincent and the Grenadines, Vanuatu, Belize and Antigua and Barbuda.

Source: Commission.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Controversy and outlook

The innovatory nature of the Lomé policy and the hopes it has engendered may explain the bitter criticism which it sometimes attracts. It is usually blamed for not going far enough and for not having enough resources. The policy may be exemplary, but it needs amplifying, it is said. This shows that Lomé is working along the right lines.

That is not to say that ACP-EEC relations are always idyllic – the permanent dialogue carried on by the institutions of the Convention is frequently enlivened by controversy. As no one bothers to talk about things that are going well, the discussions always hinge on things that people think are going not so well and it is of course these difficulties and disagreements that get into the press.

The result is a series of standard criticisms, some of which are trotted out regularly without any real thought as to whether they are well-founded or not.

Is the Community protectionist?

Curiously enough, it is trade that arouses most controversy. The statistics show that the ACP share of the Community market is dwindling, and their exports are not very diversified, raw materials still accounting for the bulk of them. Some observers have concluded that trade cooperation is a 'mug's game' and that the Community's apparent liberalism is only a front for protectionism.

The fact that the ACP countries have lost ground to the benefit of other Third World producers who do not have such favourable market access suffices to show that this criticism is illogical. Would the Community practice secret protectionism towards the ACP Group so as to give other third countries an advantage?

And it is difficult to see how trade arrangements can be blamed for the non-diversification of exports. Exports of manufactures have indeed expanded, as they have free access to the Community market, but progress is slow in comparison with the performance of some Asian countries which do not have the same advantages.

Lastly, it should be added that the safeguard clause in the Convention has never been used.

Even if the Community sometimes has restrictive reactions when its partners apply for preferential arrangements for new export products (strawberries, for example), these minor offences are not enough to get it convicted of protectionism or to explain the failure of ACP sales to improve. The main problems are the bottlenecks in the agricultural and industrial production system, i.e. in the development process itself and, therefore, partially in the aid channelled into it. For the ACP countries, trade and aid must be combined.

The sugar protocol argument

For many ACP countries, the sugar protocol is vital. Without the guarantees it offers, some economies would simply have gone bankrupt. However, this has not prevented its application being a constant source of controversy and ill humour.

Legally speaking, the protocol, like many texts that have been difficult to negotiate, contains an apparently insurmountable contradiction. It both ensures quasi-indexation on the prices paid to European producers (which constitute a ceiling) and provides for annual negotiation by the ACP group and the Community. But once the Community prices have been fixed within the framework of the common agricultural policy, there is nothing much left to negotiate, so the system is an inevitable source of frustration.

Economically speaking, the problem is probably worse. The Community, anxious to put a brake on over-production at home (it is accused of depressing the world market with its surpluses), tends to restrict or even block domestic price increases – which directly affects the prices paid to ACP producers. But as technological improvements in Europe bring down cost prices, something which tends not to happen with ACP cane sugar, the Community guarantee, however favourable it may be – and it could scarcely be better – is probably not going to be enough to ensure the profitability of production in the long term. Here again, going beyond the trade arrangements, the real problem is the production system and its competitiveness.

Food crops or cash crops?

The Stabex system, better known than the sugar protocol, is an even more frequent target for what is often contradictory criticism. The same critics will have no hesitation in deploring the inadequacy of Stabex funds or calling for the system to be extended to other products, while in the same breath accusing it of increasing the ACP economies' dependence on distant markets by encouraging cash crops to the detriment of food crops.

Criticism is also levelled at the Commission's proposals for stricter application of Stabex transfers to the rehabilitation or diversification of the production system. This would be a new form of conditionality. But at the same time, the system is criticized for its inefficiency and its inability to cover losses which the ACP countries have actually incurred, when in fact these are due (among other things) to a decline in the competitiveness of their products.

The fact is that the originality of Stabex means that it is often judged by inappropriate criteria. It is not a world-wide instrument and it cannot therefore solve the international problem of commodity price fluctuation. So it is, by definition, inadequate in this respect. But it is one of the instruments that contribute to the development of the ACP countries and it is intended to guarantee a certain degree of stability in their export earnings and preserve a part, but only a part, of their economic potential. Other instruments exist to develop other areas – rural development in general and food crops in particular have benefited considerably from EDF aid. The food strategy support policy has revealed the need to go further in this direction.

Spend fast, or spend well

Paradoxically, financial cooperation, that major instrument of development policy, has been the subject of much less discussion and argument. No doubt trade is a better topic for collective discussions than the implementation of development projects proper, which in practice is discussed individually between the Community and each ACP country.

However, there are one or two complaints that crop up periodically: the money is not spent fast enough, projects progress slowly, Community procedures are cumbersome. This concern with the speed at which funds are spent is quite legitimate, but the figures show that responsibility for this is, to say the least, shared: the speed of disbursement varies from one recipient country to another, although the procedure, of course, is the same. Taking the 4th EDF (Lomé I), almost 96% had been committed and an average of 81% actually spent by early 1984. But this 81% was in fact more than 90% in 12 countries and less than 50% in five others. After three years of application of the 5th EDF (Lomé II), 53% of the funds had been committed and 41% actually spent on average, but again, disbursement was in excess of 50% in 21 countries and under 20% in nine others.

This is not to say that the EEC's administrative procedures could not be speeded up, but that there are other things causing the delays in the recipient countries. Account must be taken of the time needed to establish priorities, choose projects, work them out in detail and cope with the problems of implementation. Different types of project take more or less time to finish. A construction project can be completed fairly quickly but agricultural projects, which are intended in future to have priority, will inevitably take longer to implement. So speed of payment is not an acceptable criterion when it comes to assessing the quality of aid.

Outlook for the new Convention

Negotiations are underway and it is difficult to predict how they will turn out. However, there is no doubt that there will be a new Convention to take over from Lomé II, and it could include Angola and Mozambique. There is no doubt either that the present Convention will be substantially maintained and the fundamental lines of the Lomé policy confirmed.

Will there be anything new? That is for the negotiators to decide. However, certain ideas that have been advanced (by the European Commission in particular) will make their appearance either in the text of the new Convention or in the way it is applied – which is every bit as important.

No one will deny the need to give priority to rural development, particularly the food production side. Negotiators will agree that there is every point in covering new areas of cooperation – fisheries or cultural cooperation, say – and discussions on the promotion of private investment, a subject touched on during the negotiations for Lomé II, will be taken further.

The Commission has strongly emphasized the need to improve the practice of cooperation itself, to ensure that Community aid and ACP efforts fit in better with one another and are therefore more effective. This is a delicate subject, involving a critical review of the past and self-examination on both sides – a difficult exercise in collective negotiations. But is there any doubt that this demand will be taken into account in the end? It will mean that the Lomé policy will be more than just a model of cooperation and will become a model instrument of development.

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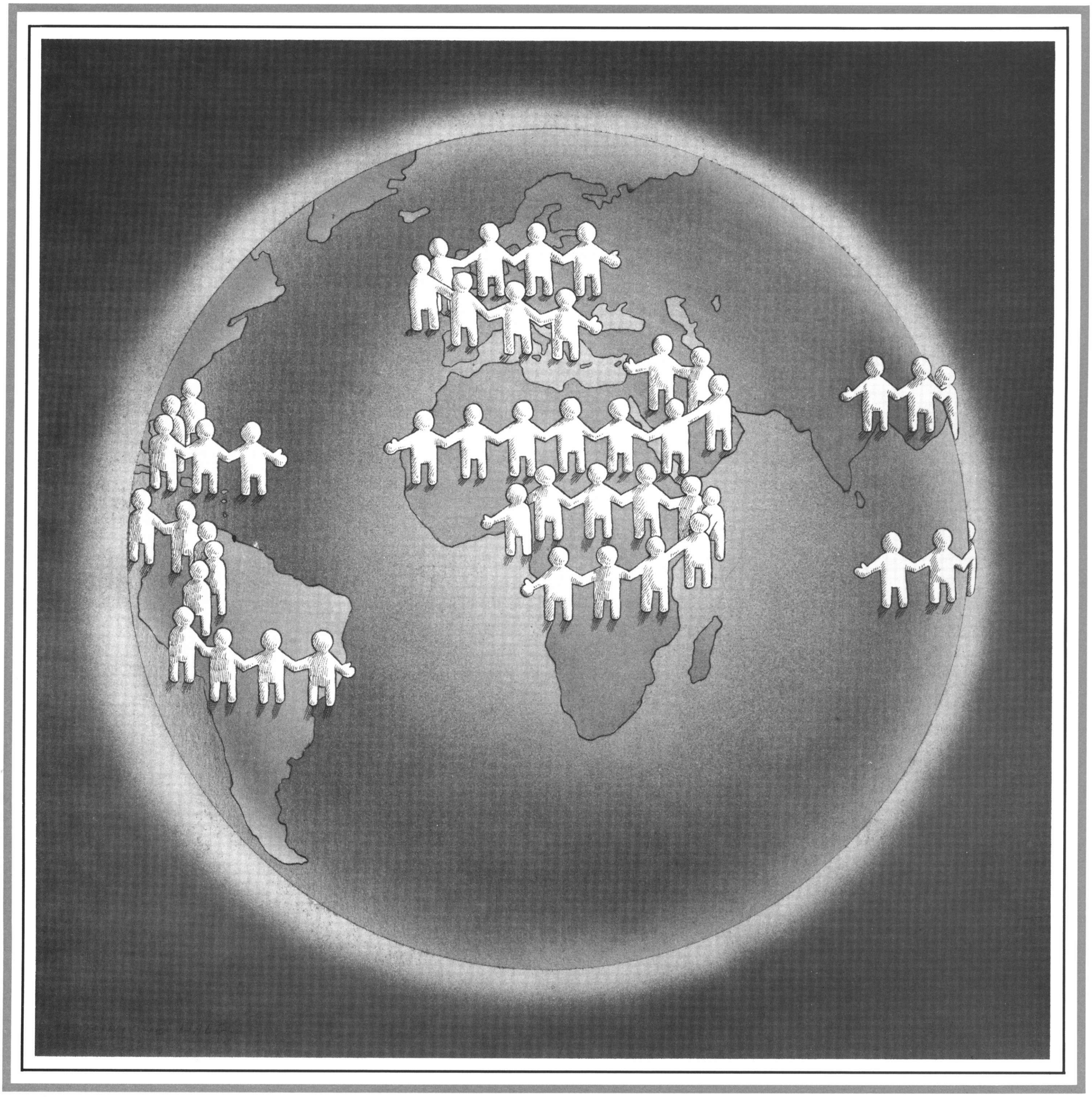
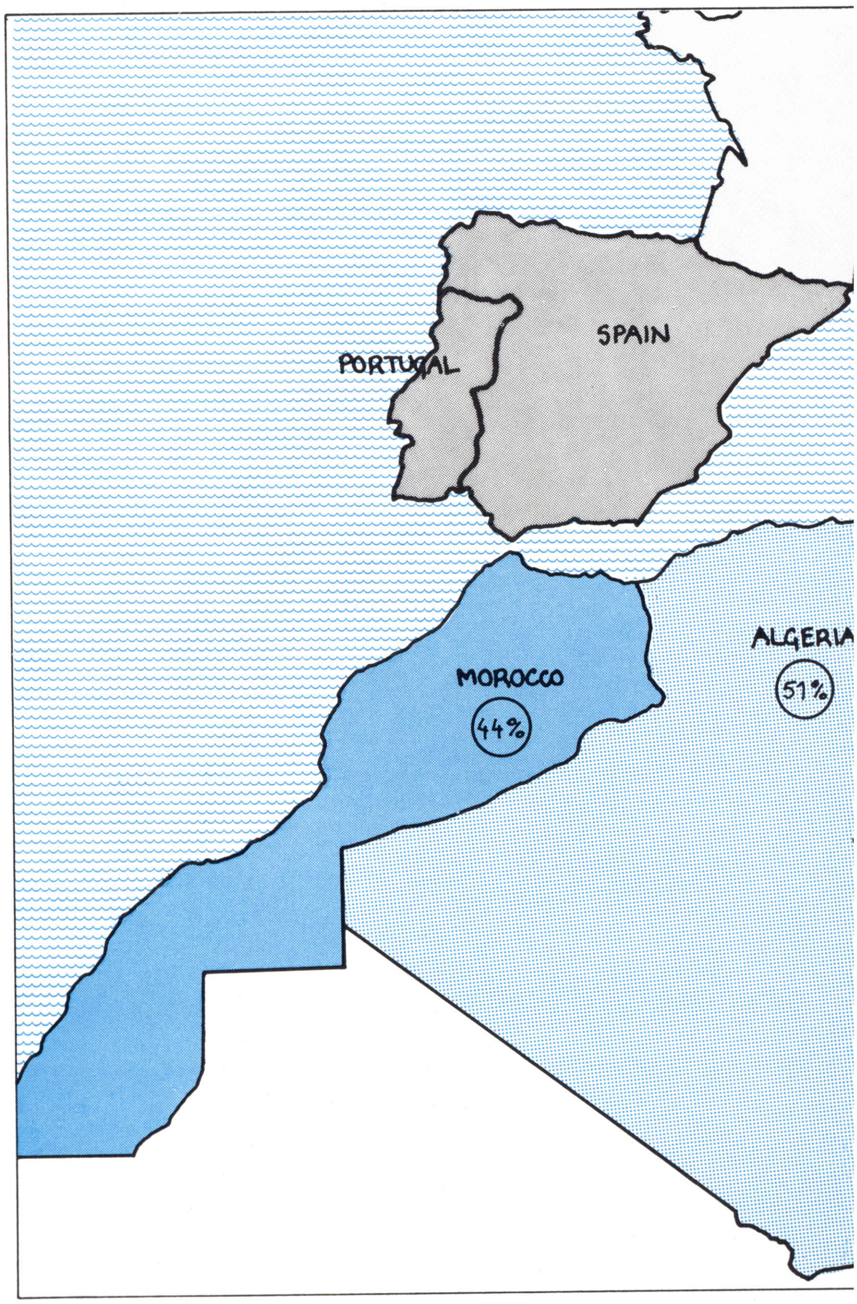
4 The Mediterranean



The Mediterranean policy

Introduction

The Community originally defined its relations with the ACP countries and with the southern Mediterranean countries at the same time. The negotiations which led up to Lomé I and to the Mediterranean agreements started together. At a time when the Community is trying to give its cooperation policy a spring clean, it has to put its overall plan into practice, first for the ACP countries, as there must be something to take over from the present Convention, and then for its partners south of the Mediterranean, now that the third enlargement of the Community is nearly with us. So the outlines of what could be the Twelve's Mediterranean policy are already taking shape. ■



Intensive trade
(in %: trade with EEC/trade with the world)

over 60%

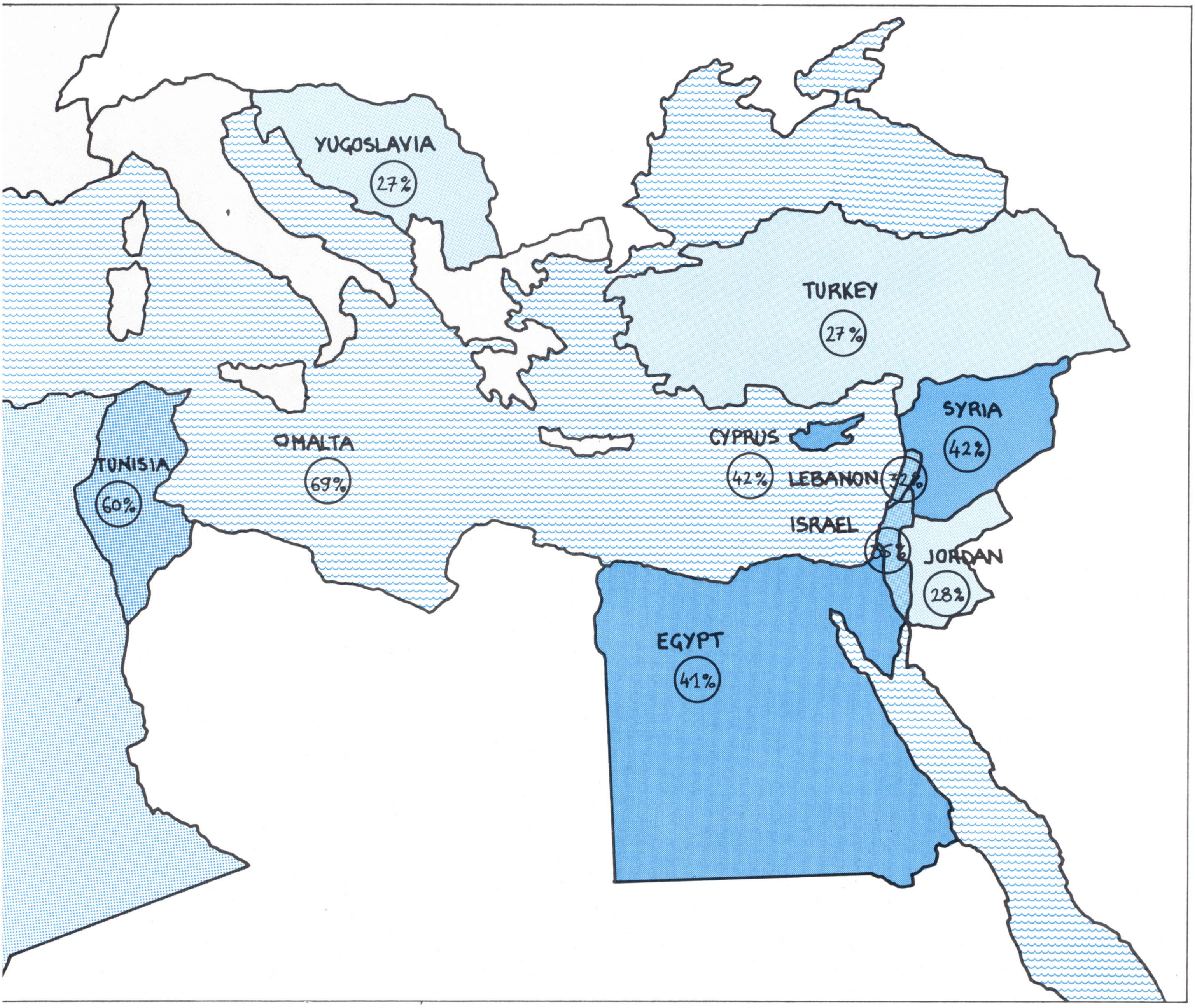
over 50%

over 40%

over 30%

Applicant countries

over 20%



A 'crossroads' policy

The Mediterranean is a crossroads. Similarly, the Community's policy in this region is the meeting point of several separate actions which have in common the same ultimate objective – ensuring peace and prosperity for the peoples who live there, in a relationship which is necessarily one of interdependence.

The Mediterranean, a particularly suitable place for the dialogue between Europe and the South, is symbolic and, as such, well to the fore in the Community's development cooperation policy. But the Community itself is undergoing changes in this region, expanding to bring in first Greece and soon Spain and Portugal too. We all know that enlargement to the south will require a new balance of Community policies and greater internal solidarity – in short a North-South policy within the Community itself.

Welcoming Spain and Portugal without ruining cooperation with the countries on the southern shores of the Mediterranean is no mean challenge for the Community, particularly since there are other partners in between – Yugoslavia, Turkey, Cyprus and Malta – which cannot be overlooked.

The whole of the Arab world beyond the Mediterranean shores is concerned. The cooperation agreements with the Maghreb and Mashreq countries involve seven nations in the Arab League; four others – Mauritania, Sudan, Somalia and Djibouti – belong to the Lomé Convention; and an agreement with North Yemen is being negotiated.

The Euro-Arab Dialogue has attempted to round off these individual agreements with collective cooperation (see inset). Its ups and downs and stops and starts show both how difficult and inevitable a process it is. They also show to what extent political and economic problems are interwoven, inseparable even, in the Mediterranean – hence the difficulty for a Community which is still more economic than political. Rather than as an illustration of this political weakness the Community's determination to maintain cooperation relations with all Mediterranean countries regardless of tensions and conflicts should be seen as a major political act and not as an inability to make a proper choice. ■

The Euro-Arab Dialogue

Origins

On the occasion of the Copenhagen Summit in December 1973, shortly after the first 'oil shock', all the Arab countries told the Nine that they wanted the Community to develop its relations with the Arab world and embark upon long term cooperation with it in all fields.

Different stages

In June 1975, the first meeting of the Euro-Arab Dialogue was held in Cairo. The aims and rules of the dialogue were laid down in a joint memorandum and a series of working groups were set up.

The first meeting of the General Committee (the organizing body of the dialogue) was held in Luxembourg in May 1976 and there were three other meetings – in Tunis (1977), Brussels (1977) and Damascus (1978) – before the dialogue was suspended at the request of the Arab League (March 1979) following the signing of the Camp David agreements.

A 'political' meeting was held in Luxembourg in November 1980 to lay down guidelines and arrangements for continuation of the dialogue and, in December 1983, the General Committee met again in Athens. But they were unable to reach agreement on the political aspects of the problem and this prevented progress in other areas of cooperation.

A fundamental misunderstanding

Because the European Community is primarily an economic body, it cannot deal with political questions – such as those of the Middle East – unless it does so outside its usual structures, i.e. within the framework of political cooperation. The Arab League, which is primarily a political organization, saw the dialogue principally as an opportunity to influence European views on the Middle East.

Areas of cooperation

Apart from these political questions, the dialogue did make it possible to deal with a number of topics – the transfer of technology, investment protection, trade promotion, agricultural development, studies of industrialization, scientific cooperation and cultural exchange. Both parties allocated financial resources.

Strong interdependence

The Community, overall, is the leading trading partner of the countries south of the Mediterranean. It is by far the biggest outlet for exports from the Maghreb and for Egypt, Syria and Israel too. Only Jordan and Lebanon have Arab countries as their principal clients. This dependence on the European market does, however, vary in nature and degree. Most exports from Algeria (98%), Syria (94%) and Egypt are petroleum products and, although the European market is not negligible as far as other products (Algerian wine and Egyptian cotton) are concerned, it is not absolutely vital for their economic and social stability.

The same is not true of Israel, however, where fruit and vegetables make up 40% of sales to Europe – which takes for example, more than 60% of its total exports of citrus fruit. The same goes for Morocco. More than a quarter of its exports are agricultural products for which the Community is the main market. In Tunisia, agriculture's share of the export market has declined noticeably over the past few years, but olive oil, which provides a living for 200 000 farmers, is still of major economic and social importance – and Europe takes slightly more than half Tunisian olive oil exports.

In addition to the earnings from exports to Europe, remittances from migrant workers are important to these countries. More than a million North Africans work in Europe, making up about a quarter of all migrant workers from outside the Community. The money they send home is equal to 20% of the export trade in Tunisia and more than 50% in Morocco. The same thing happens in other Mediterranean countries, Yugoslavia and Turkey, for example. Migration and the human and social problems that go with it are a characteristic aspect of Mediterranean interdependence: these few figures do not do justice to it, but they do show that the migrant workers have not only contributed to our own prosperity, but are making what is sometimes a massive contribution to the foreign exchange reserves, and therefore the purchasing power, of their countries of origin. And Europe gets the benefit of much of this purchasing power.

The southern Mediterranean outlet

The Community is the major supplier of all these countries and purchases from the EEC represent 60% of total imports in Algeria, 50% in Tunisia and 44% in Morocco. In the Mashreq countries and in Israel, the figure varies between 30% and 35%.

The southern Mediterranean is a substantial market for the Community. It represents 7.3% of our total exports, i.e. as much as we sell to all the ACP countries combined, more than three times what we sell to Japan and half what we sell to the USA. Europe is having to struggle to maintain or improve its position on the American and

Japanese markets; it has won the southern Mediterranean market, with its enormous demand – it would be inconceivable for Europe to let a market like that collapse on its doorstep.
This rapid list of the economic aspects of interdependence would not be complete without the aid which the southern Mediterranean countries get from the Community and its Member States.

Aid provided under the cooperation agreements with the Community is minimal. Some countries get important amounts of food aid with it. Egypt is, with India, the main beneficiary of this, having received the equivalent of 200 million ECU in food aid between 1979 and 1983 (compared to 170 million ECU in financial aid allocated under the first financial protocol signed between the Community and Egypt).

On the other hand, total European aid (Community plus Member States) is significant everywhere. In 1981, it represented 45% of all official aid channelled to the countries of the Maghreb and the Mashreq and only in Egypt and Israel did it fail to outstrip American aid. However, OPEC is the biggest donor in Jordan, Lebanon and Syria. ■

Signing of the agreements with the Mashreq countries in 1977.

One agreement, eight variations

The cooperation agreements signed one after the other with the countries of the Maghreb (1976) and the Mashreq (1977) were based on the same model, which reflects the Community's concern for coherence in its search for an overall Mediterranean approach. The agreement with Israel, although also based on the same model, is somewhat different, in view of the level of development the country has reached.

Like the Lomé Convention, these agreements establish cooperation between the Community and its partners, i.e. they cover both trade arrangements and economic, financial and technical cooperation of a lasting nature (the agreements are of unlimited duration). Only the protocols fixing the amount of financial aid are for a limited period (five years). Institutional provisions allow for dialogue between the parties – there is a Cooperation Committee at ambassadorial level and a Cooperation Council at ministerial level – offering the possibility of joint evaluation of results and joint definition of new policies.

On the two main aspects of cooperation, trade and development aid, the agreements have more similarities than differences.

The trade arrangements, in all countries but Israel, are based on non-reciprocity, in spite of the fact that liberalization of trade is still the long-term aim. The Community merely gets the benefit of the most-favoured-nation clause, as it does under Lomé, although exceptions may be made for other developing countries or as part of regional integration policies. European exports do not get special treatment on the markets of the Maghreb or the Mashreq, whereas these countries' exports enter the Community market on favourable terms. The general principle for products not covered by the common agricultural policy – essentially raw materials and industrial products – is free access (no customs duties or quotas). It was not possible to make such generous concessions for agricultural products, but variable (20%-100%) tariff reductions are provided for most (80%-90%) agricultural exports. In spite of its limitations, the whole system was explicitly intended to develop trade and, in view of its permanency and the security thus provided, to help industrialization in the partner countries.

Different amounts of money

Israel is a special case. Because of the level of the country's development, the 1975 agreement aimed at the gradual creation of a free-trade zone, in the industrial sector at least. So Community concessions were matched by

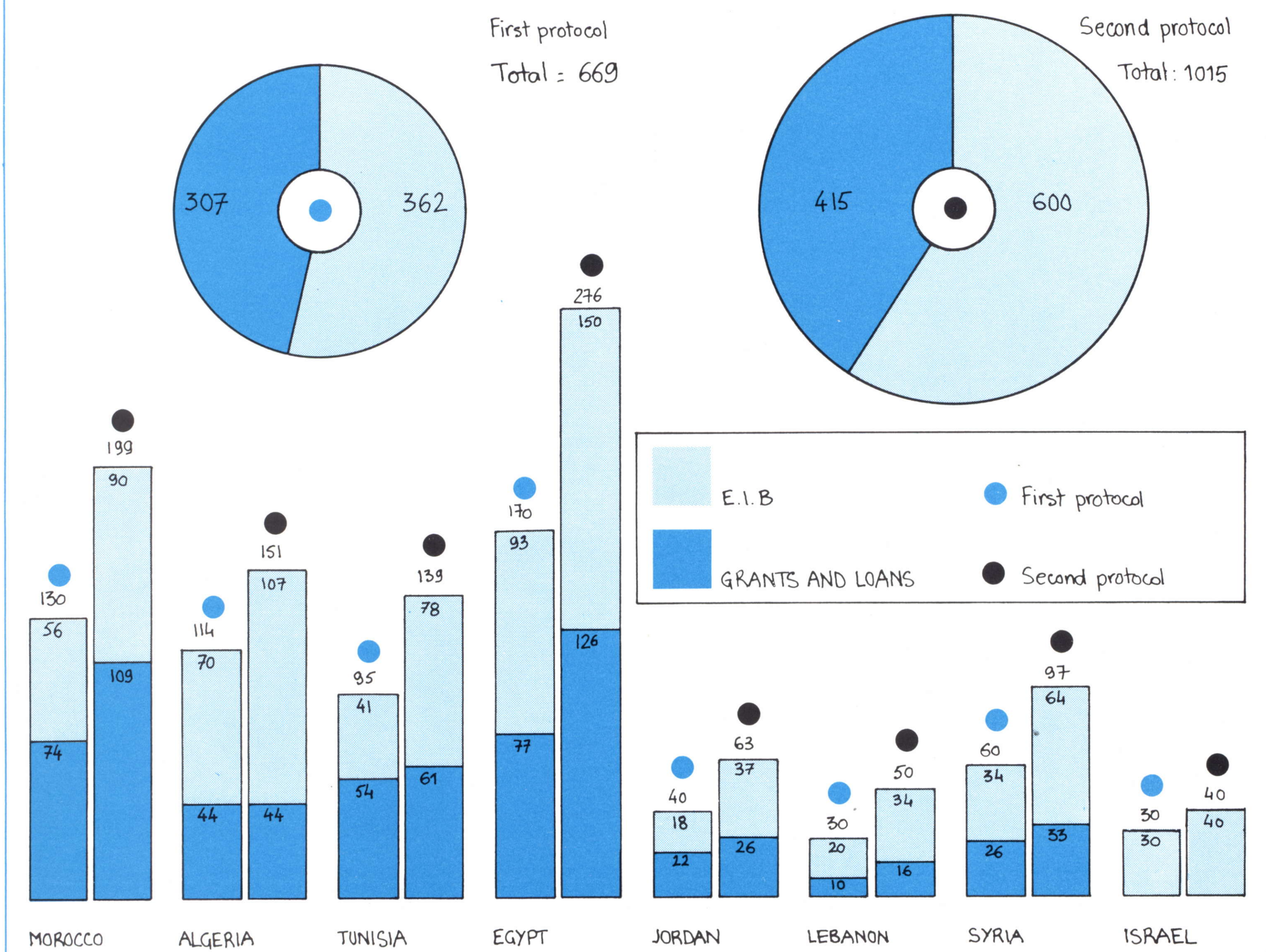
Israeli concessions for Community exports – gradual dismantling of tariffs and removal of quantitative restrictions for industrial products and limited tariff reductions for some agricultural products. For the same reasons, EEC-Israel cooperation was designed primarily as trade cooperation and the economic, financial and technical cooperation schemes (additional protocol and financial protocol) were only defined at a later stage, in 1977 (the basic agreement dates from 1975). The field of application is certainly as broad as in the case of the Maghreb and the Mashreq countries, but the resources available under the financial protocol are slender and only involve EIB loans on standard market terms.

Apart from the agricultural concession, worked out with the export interests of each of the partners in mind, the main thing that distinguishes the different agreements (or rather the financial protocols attached to them) is the amount of money available.

The first protocols covered the period November 1978 to October 1981. The second generation runs from 1982 to 1986 (see tables), with a total increase in funds of 52% at current prices, the price index having gone up by about 43%. But as the breakdown into loans and grants is overall less favourable, it has to be admitted that Community aid has not increased in real terms. However, the breakdown of total funds between recipient countries is to the advantage of the least developed countries (Egypt and Morocco) and of Lebanon.

The agreements with the Maghreb have one distinguishing feature, however – unlike the Lomé Convention and the other cooperation agreements, they contain provisions on labour. This social section – less detailed than the North African negotiators would have liked, but which they consider to be extremely important nonetheless – provides, in particular, for non-discrimination as regards wages and working conditions and various social security measures.

Financial flows to the southern Mediterranean countries



Source: EEC.

(in million ECU)

The policy in practice

The agreements have given rise to difficulties and disappointments on the trade side in particular, but cooperation has progressed in a generally satisfactory manner. The main complaint from the Community's partners is that the funds available are very limited.

How have they been used? First, the speed of implementation in the different countries: at the end of 1982, only 60% of the funds available in Algeria and Syria had been committed for the period 1978-81, although the figure was almost 100% elsewhere. In the main, aid under the first protocols was allocated to infrastructure (roads, bridges, railways, urban development and hydraulics) and to industry (power stations and small and medium-sized businesses) – although training and research schemes were substantial in many cases too. In Jordan, 75% of EEC grant money was spent on this sector and Algeria earmarked a fair percentage of Community funds for the training of management staff, particularly in the agricultural sector. The second protocol has only been partially implemented. The programmes put forward by the Community's partners reveal a desire to concentrate on fewer areas. Although not always the case, the general result is that the agricultural sector has been given more emphasis. This applies in Morocco, Egypt and, above all, Tunisia, where all Community aid will go to support the drive for greater self-sufficiency in food.

In the case of Israel, in addition to EIB loans, one or two cooperation schemes of limited scope have been organized with money from the Community budget.

In the trade sector, however, the Community's partners all see the results as disappointing. In their eyes, the Mediterranean policy has not lived up to expectations. The proof of this, they feel, is the continuing or worsening deficit of their balance of trade with the Community. They offer three main explanations for this state of affairs:

'Firstly, by extending the initial concessions to all Mediterranean countries, and by granting concessions to other developing countries, the Community has eroded their preferences.

Secondly, although it has not been proved that they are the cause of the Community's own problems, the Community has adopted a protectionist attitude towards them in the industrial sector (textiles), without paying proper attention to the complementary nature of its own and its preferential partners' interests.

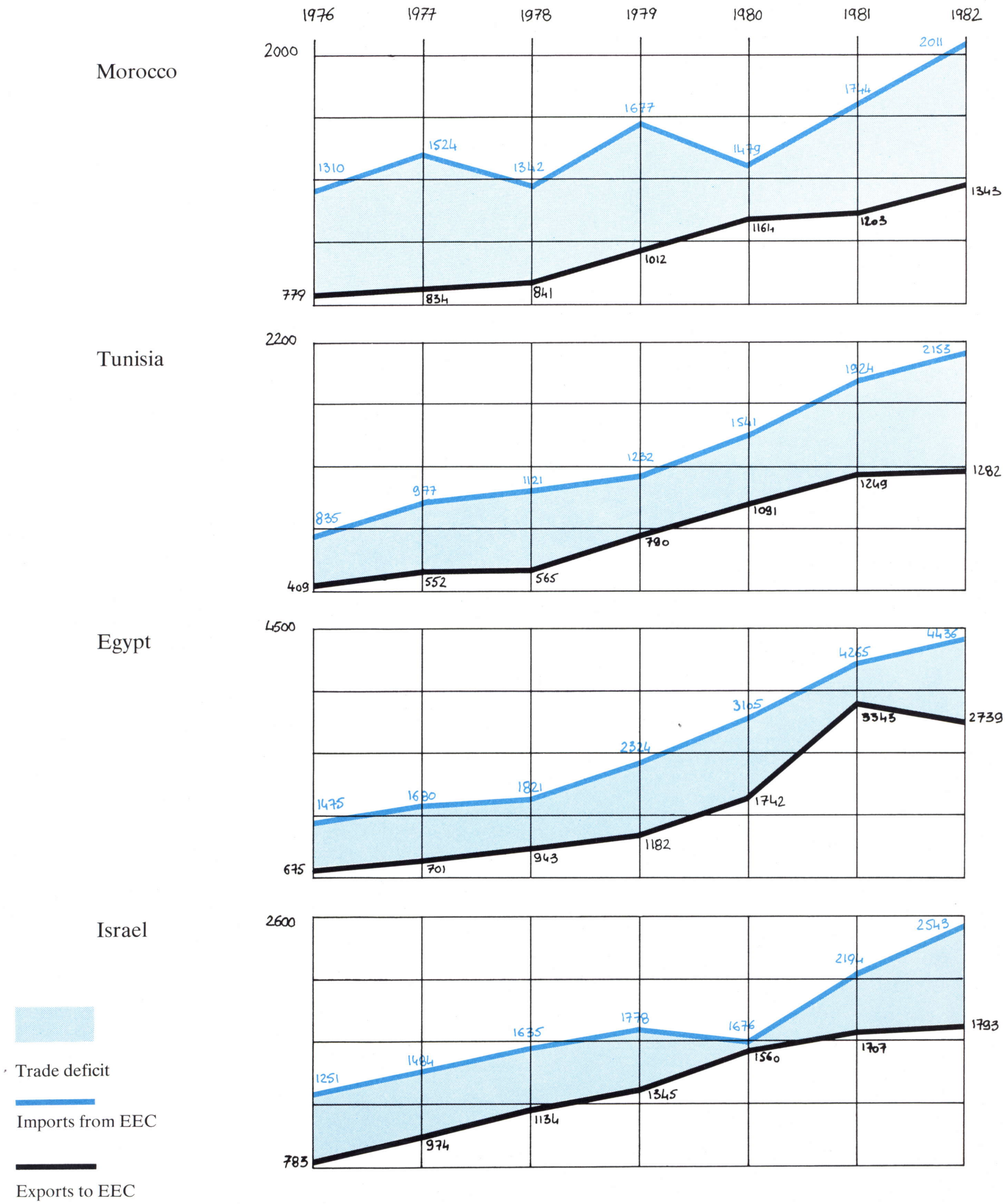
Thirdly, the common agricultural policy has become an increasingly protectionist operation, resulting in production increases and surpluses regardless of the real market situation and the interests of traditional preferential suppliers.'[1]

Large trade deficit

Although the results do not live up to the hopes the various parties had placed in the cooperation agreements and even if, undeniably, certain difficult problems have arisen, the European view of the way trade has developed is less negative. Overall, the Mediteranean partners' trade deficit with the Community is no doubt still large, but, in most cases, its relative size has decreased and the extent to which imports cover exports has considerably improved. In Morocco, for example, the ratio of imports to exports rose from 61% (1976-79) to 72% (1980-82), in Tunisia from 50% (1975) to 60% (1982) and in Egypt from 23% (1975)

[1] Commission report to the Council on the exploratory talks with the Mediterranean countries and the applicant countries (May 1984).

Trends in trade with the EEC
- 1976-82 -



Source: EEC. *(in million ECU)*

Some Community-financed projects

The Aït-Chouarit dam (Morocco). This will provide water for the town of Marrakesh and the Haouz region. It will also supply energy to a hydroelectric power station. The total cost is 242 million ECU and the Community is providing a third (87 million ECU, 52 million from the EIB and 37 million from the Commission budget).

The Helwan project (Egypt). This will provide a sewage network to drain an important industrial area to the south of Cairo. The water thus collected will be used to irrigate some 15 000 ha of arable land in an adjoining region. The project is being co-financed by Europe and Egypt and the total cost is 183 million ECU. The Commission is providing 46.5 million of this from its own budget, Italy is contributing 5 million ECU and the Netherlands 10 million ECU.

Training centres (Tunisia). The Commission and Tunisia are co-financing three training centres which will be specializing in the upkeep of communal buildings (e.g. hospitals), mechanical construction, and masonry, woodwork and electrical engineering for the building trade. The Commission budget is supplying half the total financing (3.9 million ECU).

The Centre for Scientific Study and Research, Damascus (Syria). The Commission has provided scientific equipment for remote sensing, solar energy, optics (laser), minicomputerization and lubrication. Total aid of 5.4 million ECU also includes the technical assistance required to run the equipment in and to train Syrian scientific staff.

The Industrial Development Bank (Jordan). This bank has obtained a 6.3 million ECU loan (6 million from the EIB's own resources and 0.3 million in the form of special loans) – an example of Community support for small and medium-sized businesses via loans to development banks for onlending.

to 70% (1981-82). The figure for Israel was 85% in 1980, but it dropped afterwards, mainly because of domestic economic policy (see table).

The Community, it is true, asked some of its partners to subscribe to voluntary restraint agreements in the textile sector in 1978, although there was no provision for this in the cooperation agreements. However, these measures were more favourable than those which the Community negotiated with its non-preferential partners. The statistics show that they have not halted the development of exports, even if the rate at which these have increased has slowed. Between 1978 and 1981, for example, Morocco's textile exports increased 25% in volume and 52% in value, while Spain's textile exports increased in volume by only 5.6%, and Portugal's by 14%, over the same period.

As regards agricultural products – of particular importance to Morocco, Tunisia and Israel – the difficulties which the Community has encountered with its own Mediterranean produce may have prevented the vigorous expansion of trade which its partners wanted from the agreements, but they have not resulted in a general decline in exports. On the contrary, these have increased. ■

A few facts

Food dependency

Two countries – Algeria and Egypt – are heavily dependent on outside sources when it comes to meeting their food requirements. The figure is 70% for Algeria and 50% overall for Egypt (although it is as high as 75% for cereals, as against 25% in 1960).

Agricultural trade

All the southern Mediterranean countries are running a deficit on their overall agricultural trade balance and (except Israel) on their trade balance with the Community too. European farmers sell more agricultural products to these countries than their farmers sell to Europe. In 1980, the Community recorded a surplus of something like 1 500 million ECU in its trade with the Maghreb and Mashreq countries. It is worth comparing this figure with the amount of official aid which these countries get from the Community and the Member States – about USD 800 million.

Morocco is one of the countries in the group with a slight surplus in its agricultural trade with the Community. However, while Morocco's exports to Europe increased by 13% between 1976 and 1982, European sales to Morocco increased by around 200%.

Dependence on overseas markets

This is one of the features of the economies of the southern Mediterranean countries, as indeed of most developing countries. Regional trade is still small: trade with other Arab countries only represents 1.8% of Algeria's exports, 2.8% of Morocco's exports and 5.4% of Tunisia's exports.

The challenge of enlargement

With the prospect of Spain and Portugal joining the Community, the southern Mediterranean countries' disappointment turned to plain anxiety.

Paradoxically, as the Community becomes more Mediterranean, it is likely to have even more problems sticking to its idea of a policy covering the whole of the region to the greater good of everyone concerned.

Not that the political project is open to question. The applicant countries are completely behind it. Portugal has emphasized 'the obvious interest of keeping and extending a coherent Mediterranean policy for the enlarged Community', and Spain has pointed out that 'political stability in this area is a central feature of Spanish foreign policy . . . and that such stability is closely linked to economic stability . . .'

It is the affinities between the Mediterranean countries that justify the political project and at the same time complicate the process of putting it into practice in economic terms. The trouble is that they all produce the same crops. Agriculturally, they do not complement each other, they compete with each other. Worse, production often outstrips consumption, not just in the Community but in the Mediterranean region itself. The enlarged Community will be self-sufficient in many areas. Its coverage of its own needs will rise from 96% to 106% in the case of olive oil, from 49% to 86% in the case of citrus fruit and it will be up near the 100% mark in the case of many fresh vegetables. There will be bigger wine surpluses too. So what future is there for the traditional exports of the southern Mediterranean countries?

Their foremost concern is with agricultural products. This is a field where there is obvious competition and they are going to be on the wrong side of the fence. Because, for some countries (Israel, Morocco and Tunisia), production and export of these products are vital. And because, in agriculture, changes are long and difficult and it is not always possible to diversify. This is a problem both sides of the Mediterranean, but it is not the only one the Community's partners have in mind.

They are unanimous in emphasizing that the accession of Portugal and Spain will accentuate most of the factors behind the crisis in their relations with the Community – an increase in sensitive sectors (textiles, for example), free movement of Portuguese and Spanish workers, dwindling resources for financial cooperation . . . and a tendency for investors to shift their investments to the applicant countries, etc.[1]

The accession negotiations began in 1978-79 and have been progressing slowly since. As soon as they opened, the southern Mediterranean countries insisted on the Community running parallel negotiations with them and after several cooperation councils had discussed the matter, exploratory talks were held in 1983 and 1984.

New policy guidelines

The European Commission took account of the criticism and suggestions formulated on this occasion when it laid down the guidelines for the Mediterranean policy of the enlarged Community.

They can be summarized as follows:

(i) The definition of a new Mediterranean policy should certainly take account of the consequences of enlargement, but it should also look at the relative shortcomings in the implementation of the cooperation agreements.

(ii) The trade provisions of the agreements are fundamental to relations between the Community and the third countries of the Mediterranean and the new policy should pay particular attention to improving the way they work.

(iii) As a result, the Community should confirm the opening of its market for industrial products – which means dropping certain restrictive measures in the long run. However, the main need is for more industrial consultation to prevent further disruptive situations from arising.

(iv) The need, which the Commission recognizes, to maintain the patterns of trade in products which are of major economic importance to the partner countries means that solutions have to be found for agricultural products if trade is not to fall below its present level. Specific proposals have been made with this in mind, particularly for fruit and vegetables, olive oil and wine. Opening up the Community market to a greater extent, while essential in the immediate future, does not rule out efforts to achieve product diversification.

(v) Diversification should also be one of the aims of greater agricultural cooperation, in accordance with the wishes of the partner countries, who all want Community support for their food strategies.

(vi) Other areas of cooperation should be encouraged too: actions to boost regional integration and develop trade between countries in the Mediterranean, scientific and technical cooperation to develop local capacity, and the development of small and medium-sized businesses.

(vii) The social sector has not been forgotten. On migrant workers, the Commission comes out firmly against any policy of compulsory and systematic return. But there should also be support for vocational training, both for migrant workers in the Community and for those who choose to return to their home countries (aid to voluntary repatriation).

(viii) Although commercial cooperation and the development of trade are both considered as preconditions for a dynamic relationship, the financial aid to be allocated by the Community is still important. It should be increased because 'the extent to which the Community contributes to its partners' economic and social development and develops a strategy of complementarity with them'[1] will be the decisive test of its desire to implement an overall Mediterranean policy. 'The combination of trade and cooperation will be the cornerstone of this policy.'[1]

These are only guidelines. None of the Member States of the Community questions the principles behind them and they all realize what is at stake. The Commission's appeal is quite unambiguous: 'The next enlargement will increase both the Community's sensitivity and its responsibilities towards this region. It should prompt greater awareness of this and stimulate the political will to deal not only with the immediate consequences, important and difficult as they are, but also with the longer-term problem of the fundamental interests of the Mediterranean countries as a whole, which make the short-term cost and sacrifices seem very modest – as in fact they are.'[1] ■

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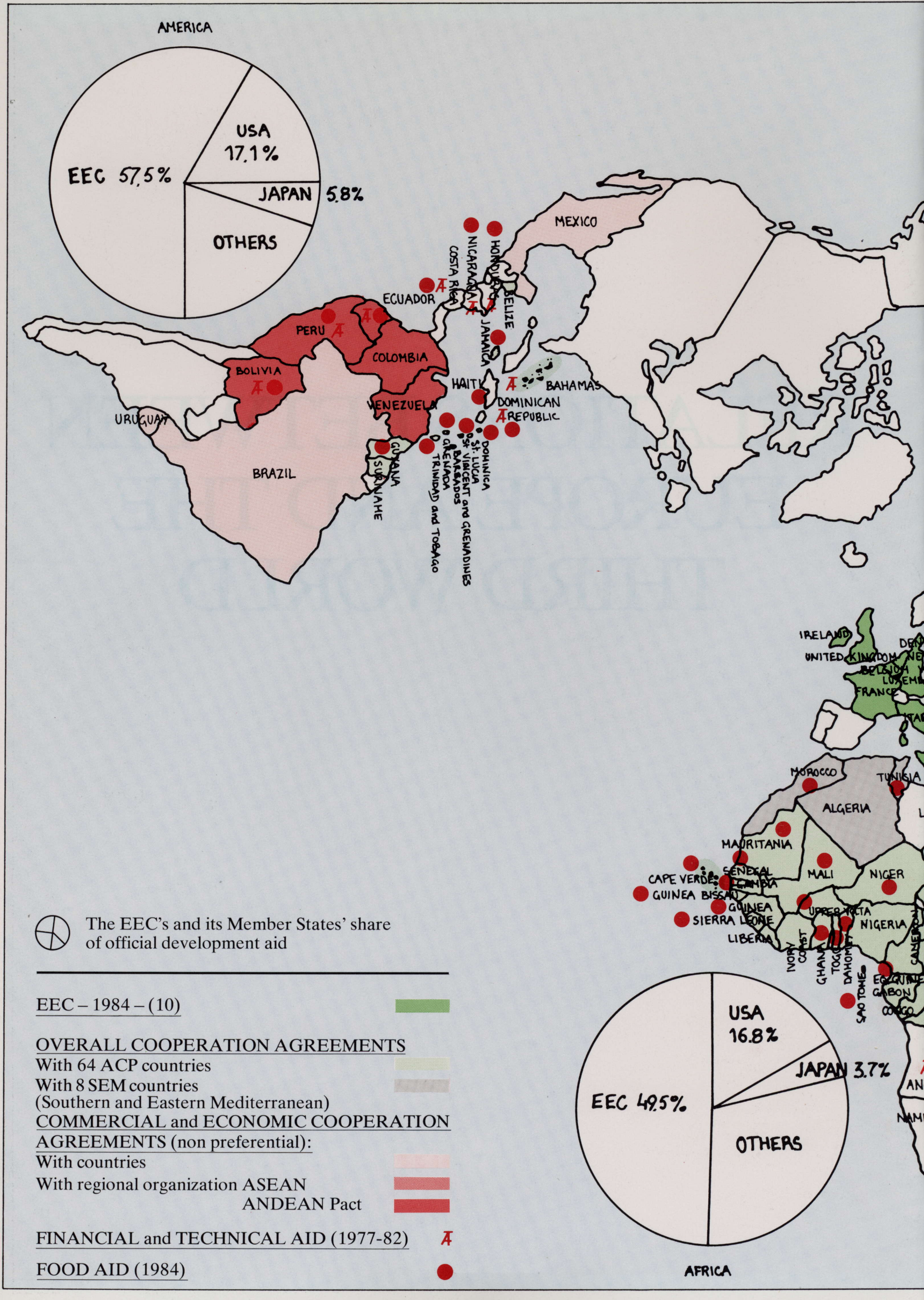

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COMMERCIAL and ECONOMIC COOPERATION AGREEMENTS (non preferential):
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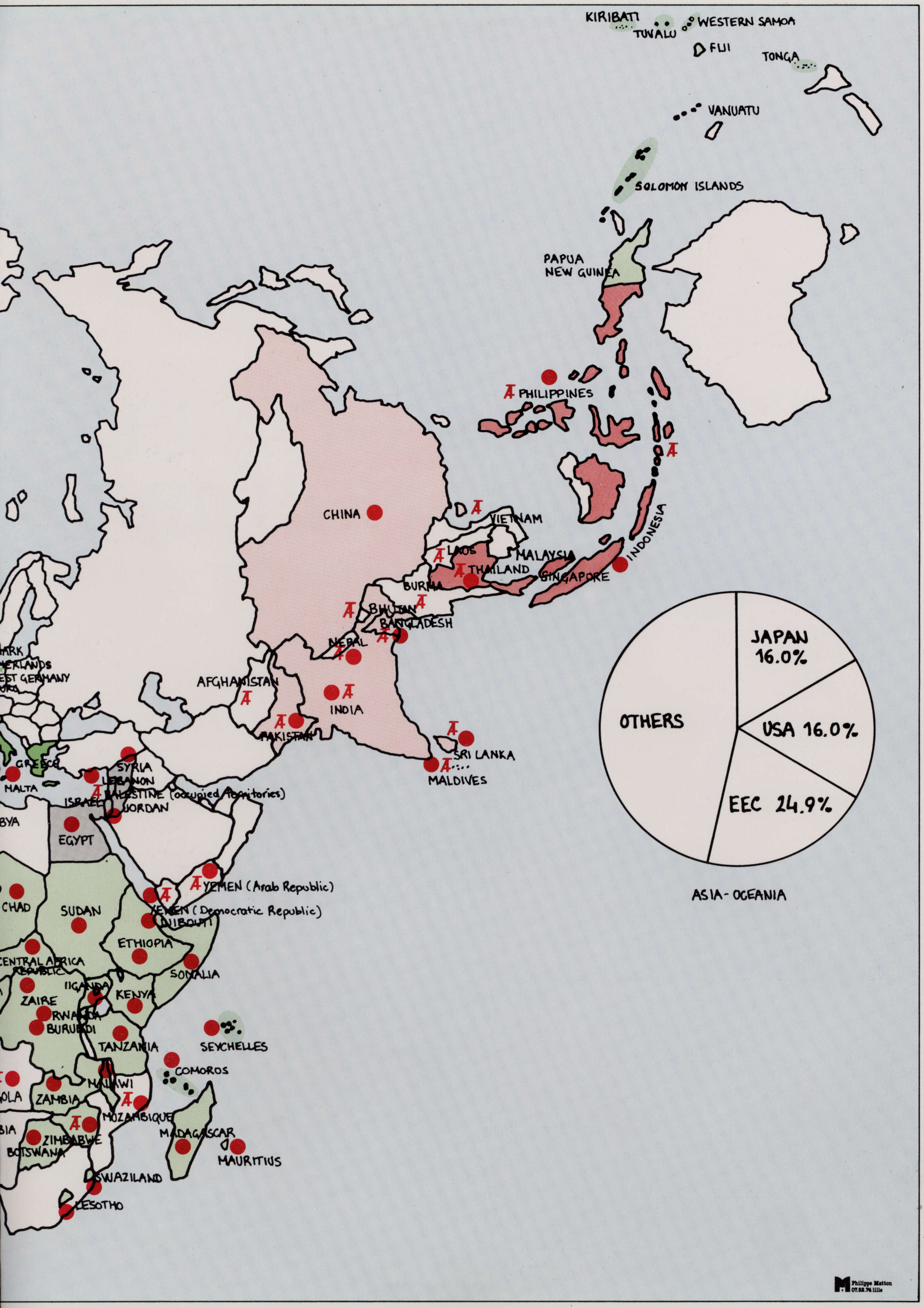

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