
ACP - EEC, CONSULTATIVE ASSEMBLY

Working Documents

1978-1979

September 1978

DOCUMENT ACP-EEC 10/78

Report

drawn up on behalf of the Joint Committee

on the annual report of the ACP-EEC Council of Ministers (Doc. ACP-EEC 8/78) and on the present state of the Convention of Lomé with a view to the negotiation of the agreement which might follow it.

Rapporteur: Mr A. GUILLABERT

CA/41/fin.

Pursuant to Article 19 of the Rules of Procedure, the Joint Committee of the ACP-EEC Consultative Assembly decided, at its meeting of 29 November 1977 at Maseru (Lesotho), to draw up a report on the annual report of the ACP-EEC Council of Ministers and on the present state of the Convention of Lomé with a view to its renewal.

At the same meeting, Mr GUILLABERT was appointed rapporteur.

At its meeting of 26 September 1978, the Joint Committee decided to amend the title of this report as follows:

"Draft report on the annual report of the ACP-EEC Council of Ministers (Doc. ACP-EEC 8/78) and on the present state of the Convention of Lomé with a view to the negotiation of the agreement which might follow it."

The Joint Committee considered this report at its meetings from 29 May to 1 June in St. George's (Grenada) and from 26 to 27 September 1978 in Luxembourg and adopted it unanimously with 3 abstentions on 27 September 1978.

Present: Mr Kasongo Mukundji (Zaire), co-chairman, Mr Bersani, co-chairman; Mr Guillabert (Senegal), rapporteur; Mr Van Aerssen (deputizing for Mr Schwörer), Mr Aigner, Mr Amadei, Benin, Mr Bordu, Botswana, Mr Broeksz, Burundi, Cameroon, Lord Castle, Central African Empire, Chad, Mr Cunningham, Mr Dankert, Mr Deschamps, Mr Dewulf, Djibouti, Mrs Dunwoody, Ethiopia, Fiji, Gabon, Gambia, Ghana, Mr Glinne, Guinea, Guinea Bissau, Mr Holst (deputizing for Mr Andersen), Ivory Coast, Jamaica, Mr Jung, Kenya, Lesotho, Mr Lezzi, Liberia, Mr Lücker, Madagascar, Malawi, Mali, Mr Meintz, Niger, Nigeria, Mr Porcu (deputizing for Mr Vitale), Rwanda, Lord St. Oswald, Mr Sandri, Mr Schreiber (deputizing for Mr Fellermaier), Seychelles, Sierra Leone, Somalia, Surinam, Swaziland, Togo, Tonga, Uganda, Upper Volta, Mr Vandewiele (deputizing for Mrs Walz), Mr Vergeer, Zambia.

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MOTION FOR A RESOLUTION

The ACP-EEC Consultative Assembly, meeting in Luxembourg from 27 to 29 September 1978,

- having regard to the statements by the President of the ACP-EEC Council of Ministers, the President of the ACP Council of Ministers and the representatives of the Council and Commission of the European Communities,
- having taken note of the annual report of the ACP-EEC Council of Ministers (Doc. ACP-EEC 8/78),
- having regard to the report of its Joint Committee (Doc. ACP-EEC /78),
- welcoming the accession of the Republic of Djibouti to the Convention and the steps currently being taken for the accession of the Solomon Islands and Tuvalu,
- welcoming the accession to the Convention of Cape Verde, Sao-Tomé and Principe and Papua-New Guinea, while regretting that it was unduly delayed because of the slowness of the ratification procedures in the Member States of the Community,
- stressing once again that the Convention is still open, under the provisions laid down, to other free and independent countries and those who will be so in the future,
- recalling the will of the partners to the Lomé Convention to maintain and develop the friendly relations existing between their countries in accordance with the principles of the United Nations Charter,
- considering that the Lomé Convention remains a unique example of multi-lateral cooperation between industrialized and developing countries,
- emphasizing the need, through improved implementation of the Lomé Convention, to achieve progress in the economic development of the ACP States and the Member States of the Community,
- hoping that the achievements of Lomé will provide a foundation for the negotiations on the new Convention, and so allow for further progress in cooperation between the ACP States and the Community,

(a) On the implementation of the Lomé Convention

1. Expresses its concern that the trading position of the ACP States with respect to the Community is still unsatisfactory; stresses, therefore, the urgent need for further measures to strengthen the position of the ACP States on the Community market;

2. Notes that the Community's generalized preferences scheme, one element in the liberalization of international trade, is leading to a progressive reduction in the advantages which the Convention provides for ACP States, and consequently calls for measures to be taken to safeguard these interests in keeping with the UNCTAD IV resolution.
3. Calls for the necessary measures to be taken to safeguard the interests of the ACP States on the basis of the results of the working party set up, and hopes that other industrialized countries will grant preferential benefits to the developing countries equal to those granted by the Community;
4. Considers that the Community decisions on the import treatment for beef and veal and tomatoes originating in ACP States do represent progress,
 - (a) but urges the Community to consolidate the preferential regime for beef and veal currently in force taking full account of all conditions and factors within the terms and the spirit of the Lomé Convention;
 - (b) and calls for an increase in the quota for tomatoes, taking account of the production facilities of the ACP States and the ability of the European market to absorb this production;
5. Feels that a spirit of solidarity and mutual understanding should make it possible to overcome the present difficulties connected with the import into the Community of rum originating in the ACP States;
6. Notes the decision of the banana-exporting ACP States to establish a common organization to promote and safeguard their interests, and the support which the Commission is giving to these states for this initiative; urges the Community and the ACP to make every effort to develop the marketing of ACP bananas in the various Member States of the Community;
7. Condemns the lack of genuine negotiations on the fixing of the guaranteed price for ACP sugar for the 1978/79 marketing year and the failure to comply with the spirit of the provisions of Article 5(4) of the sugar protocol which, according to the Convention, should ensure a just and remunerative price for the ACP States;
8. Welcomes the fact that the concept of 'force majeure' has finally been defined, thus facilitating the implementation of the protocol on sugar;
9. Invites the Council to submit new proposals, without delay, on the supply of surplus agricultural products to the ACP States and the aid to be granted to them in respect of transport and storage in order to ensure the carriage, conservation and distribution of these products;

10. Invites the ACP States and the Community to work out together solutions to the difficulties arising in the operation of the STABEX system, in particular as regards the transfers to which certain ACP countries can legitimately lay claim;
11. Notes the resolution adopted by the ACP-EEC Council of Ministers at its meeting of 13 and 14 March 1978 on the implementation of common objectives in regard to the export of basic products;
12. Calls for speedier realization of objectives in the field of industrial cooperation;
13. Requests the Joint Committee to organise, whenever necessary, informal ad hoc meetings with the representatives of the economic and social groups of the ACP States and the Member States of the Community;
14. Deplores the delays in payments in connection with financial and technical cooperation and delays in appraisal and implementation of projects notably affecting certain Pacific States;
15. Reminds the Council and Commission of the Communities of the serious situation of the least developed, landlocked or island ACP States and urges that special measures and specific action in their favour should be implemented or intensified; believes that encouragement of regional cooperation amongst ACP States may, in collaboration with the EEC or individual Community countries, contribute to solutions to these difficulties;
- (b) As regards the negotiation of the agreement which might follow the Convention of Lomé
16. Notes the favourable climate in which the negotiations for a new ACP-EEC Convention opened on 24 July 1978;
17. Feels that the future Convention should provide an opportunity for strengthening the pattern of relations established between developed and developing states by the Lomé Convention in the perspective of a new international economic order, taking into account in particular the changes which have occurred since the signing of the existing agreement and the principal claims put forward by the developing countries, in particular in connection with the common fund forming part of the integrated programme for raw materials and the debt burden, especially as regards the least-favoured countries;
18. Suggests that the new Convention should be valid for a longer period and that it should contain the revision clauses needed to provide the ACP States and the Community with greater guarantees, a formula which would also stress the permanent nature of ACP-EEC cooperation;

19. Recognizes that the prospective enlargement of the Community, from a membership of Nine to one of Twelve, provides the possibility of advantages, as well as of problems, for the ACP States, which are themselves likely to be increased in number in the years immediately ahead; and calls on those who will be engaged in the negotiation of a new agreement to take those factors fully into account in their deliberations;
20. Hopes that the negotiations will provide an opportunity to extend, innovate and reinforce all the instruments of cooperation contained in the Convention;
21. Stresses that the new Convention should take sufficient account of the fact that 19 ACP States number among the 29 poorest, landlocked and island states in the world and that therefore particularly favourable arrangements are necessary to help them overcome their specific difficulties;
22. Calls for the successor Convention to the Lomé Convention to make special provisions for aiding the ACP States to resolve the problem of marketing mining products (particularly copper, phosphates and rubber) at stable and remunerative prices, according to the STABEX method, or by other appropriate means;
23. Considers that the question of a reference to human rights in the future Convention should, when the time comes, be approached with great care and a high sense of responsibility; there must be no complacency or prejudice, nor must this matter be used as a veiled pretext for interfering in the internal affairs of the Member States of the Convention;
24. Hopes that the possibility of including, in the future Convention, provisions on the promotion and protection of foreign investment will be carefully studied, due account being taken of the provisions of ACP investment codes and the investment guarantee policies of the Member States of the Community;
25. Emphasises that a break in continuity between the present and future Conventions would be disastrous for the partners to the agreement, and urges that the negotiations be concluded in time to allow ratification to be completed before the present Convention expires; and that after the new agreements have been concluded the ratification procedures be simplified and speeded up;

(c) On the political situation in southern Africa

26. Recalls the resolution on the situation in southern Africa adopted by its Joint Committee in Maseru (Lesotho) on 1 December 1977;
27. Condemns the racialist policy of apartheid pursued by South Africa, pays tribute to the courage of the peoples and governments of Botswana, Lesotho, Swaziland and Zambia and reaffirms its solidarity with them;
28. Urges that the special measures already taken for their benefit be stepped up and in particular that a special action programme be instituted urgently for them;
29. Strongly condemns the decision by South Africa to organize elections in Namibia unilaterally and calls for the immediate holding of free elections under UN supervision, to be prepared in close collaboration with all the representative forces of the Namibian people;
30. Welcomes the Community's efforts to influence the conduct of multinational companies in South Africa, in particular through the establishment of a code of conduct for companies operating in that country;
31. Urges further speedy action to end the collaboration of these companies with the Government of South Africa;
32. Instructs its President to forward this resolution and the report by Mr Guillabert¹ to the ACP-EEC Council of Ministers and the Commission of the European Communities.

¹Doc. ACP-EEC 10/78

EXPLANATORY STATEMENTI. INTRODUCTION

The ACP-EEC Council of Ministers held its third meeting on 13 and 14 March 1978 in Brussels. Like the previous meeting, it was devoted primarily to considering the application of the various titles of the Lomé Convention and devising solutions to the problems and difficulties which have arisen. For the first time, part of the meeting was devoted to an informal discussion of matters of mutual interest, which, according to the two parties concerned, proved extremely interesting and valuable.

At the end of the meeting the ACP-EEC Council adopted its second annual report on the application of the Lomé Convention between 1 April 1977 and 28 February 1978. Pursuant to Article 80(4) of the Convention, the report will be forwarded for consideration to the ACP-EEC Consultative Assembly, which will discuss it at its next meeting on the basis of the report submitted by our Joint Committee.

The first part of this report will analyse the results achieved by the Council of Ministers. It will necessarily take account of the meetings of the Joint Committee in Maseru and Grenada where your rapporteur made the opening speech, and in particular of the assessment of the functioning of the Convention contained in the final declarations adopted on 1 December 1977 and 1 June 1978.

The second part of the report will deal with the question of the renewal of the Lomé Convention, negotiations for which are due to begin next September. At its last two meetings, the Joint Committee held an initial debate on this matter, which led to the adoption of paragraphs 9 to 14 of the final declaration at Maseru and paragraphs 16 to 21 of that at Grenada. Our task now is to consider in greater depth the conditions which the future Convention will be required to fulfil. Since the Maseru meeting, certain views have been expressed on the renewal of the Convention, including those by the ACP Council of Ministers at its meeting in Lusaka and that of the Commission in its memorandum. Last but not least, the official opening of the negotiations on the renewal of the Lomé Convention on 24 July 1978 provided both the Community and the ACP with an opportunity to state their position as regards the 'philosophy' and content of the future Convention.

PART ONE - CONSIDERATION OF THE SECOND ANNUAL REPORT OF THE ACP-EEC
COUNCIL OF MINISTERS (1 April 1977 - 28 February 1978)

The Council's annual report, which consists of a detailed account of the application of the Lomé Convention and of the difficulties and problems still unresolved, covers all the areas of cooperation provided for in the Convention. It should be emphasized from the outset that this annual report lacks originality, since the matters dealt with are inevitably very similar to those covered in the first annual report (the subject of a report by Lord Reay) and in the introductory address by your rapporteur in Maseru. However, this initial impression is not entirely accurate since, on a number of matters, progress has been made and solutions are in sight.

CHAPTER I - Trade cooperation

In accordance with Article 2 of the Convention, products originating in the ACP States have continued to be imported into the Community free of customs duties and equivalent charges.

As a rule agricultural products originating in the ACP States and covered by the common agricultural policy have been imported into the Community on more favourable terms than those granted to third countries which benefit from the most-favoured-nation clause. However, although the Convention does provide preferential access to the Community market for ACP products (Art. 1), the fact remains that the lack of any precise definition of this preferential treatment limits its advantages and therefore causes problems for the ACP States.

During the period in question (1 April 1977 to 28 February 1978), the Community did not apply the safeguard clause provided for in Article 10, despite the difficulties facing certain sectors.

(a) Development of trade between the Community and the ACP states

According to initial estimates, Community imports from the ACP States in 1977 totalled 12.500 million EUA (compared with 10.500 million EUA in 1976 and 4.800 million EUA in 1972). To understand these figures correctly it should be remembered that in 1975 the fall in commodity prices and the recession in the industrialized countries led to a sharp fall in imports from developing countries and hence from the ACP States: the fall in 1975 (-17%) was higher than the average

(-10%). In 1976, imports from the ACP states recovered (+ 20%) but to a lesser extent than those from the developing countries (+ 27%). Initial estimates for 1977 point to an increase of 20% in imports from the ACP States¹ compared with a rise of only 7% in the Community's imports as a whole. This means that in 1977, the share of the ACP countries in Community imports - 7.4% - showed an increase for the first time (see Annex I).

These figures need to be immediately corrected, however, by the information provided by the ACP countries whose imports to the Community increased most. These countries were essentially the coffee producers and, to a lesser extent, the cocoa producers. It has to be noted that it was current price conditions which led to increases in the value of coffee exports. In fact there was no change in the structure of trade between the Community and the ACP, and it can be said that the latter merely recorded the effects of the increase in world coffee prices.

Nigeria remained the Community's largest supplier in 1977 (28% of imports from the ACP States), although its relative share has fallen since 1974. However, Nigeria's sales (basically oil) increased by only 8% in 1977 and do not therefore account for the rise in ACP exports to the Community in 1977.

The expansion of Community exports to the ACP countries, which began in 1975, continued in 1977 (7.5% compared with 7% in 1976 and 5.3% in 1975), although the rate of increase declined considerably. It should also be emphasized that in 1977 two oil-exporting countries, Nigeria and Gabon, accounted for 41% of Community exports to the ACP countries (compared with 20% in 1972).

Whereas in 1976 the Community's trade balance with the ACP states showed a deficit of 634 million EUA, in 1977 this was reduced to 1 million EUA, which means that trade between the two parties is more or less equally balanced. The ACP states deplore this situation and feel, moreover, that more accurate statistics would reveal that, under the Lomé Convention, their trade balance with the Community has passed from surplus to deficit. They point out that, in real terms, their exports to the Community are lower now than in 1974. This trend is of course inconsistent with the aims of the Lomé Convention and requires appropriate measures to be taken without delay to restore the share of the ACP States in Community imports.

¹ Statics show that for the first eight months of 1977 Community imports from the ACP were 26% higher than for the same period in 1976

(b) The Community's generalized system of preferences

In general, it is a matter of concern that the liberalization of trade has totally eroded the ACP's preferential position under the Convention, a situation further aggravated by the fact that some third countries have larger quotas than the ACP States.

As regards the Community's generalized system of preferences, in particular the ACP States have always agreed that this system should be granted to the developing countries but they feel that it should not undermine the preferences they enjoy under the Lomé Convention. This concern is also reflected in the resolution adopted at the 4th UN Conference on trade and development in Nairobi which states in particular that the non-reciprocal and non-discriminatory generalized preferences system should be improved in favour of the developing countries, having regard to the pertinent interest of these developing countries which benefit from special advantages and to the need to find ways and means to protect their interests.

Shortly before the meeting of the ACP-EEC Council of Ministers, Mr Patterson (Jamaica), President-in-Office of the ACP Council, stated that the ACP States were concerned by the fact that their preferential position as regards exports of their products to the EEC is being constantly eroded and this is jeopardizing the success of other measures aimed at encouraging the development of their economies.

The ACP States have repeatedly emphasized the need for measures to compensate for this erosion and to ensure that they are not adversely affected by the process of liberalization.

At the request of the ACP States, one of the first measures to be taken was the setting up of a joint working party, subordinate to the ACP-EEC Sub-Committee on Trade Cooperation. The working party is responsible for monitoring ACP exports in certain sensitive sectors with a view to assessing the impact of the generalized system of preferences on ACP exports and, if necessary, proposing measures to protect their interests.

The working party first met on 23 November 1977 to decide which exports should be given particular consideration (wood products, certain fruit and vegetables, especially tinned pineapple). As this work continues, it should be possible to establish to what extent and for which products the generalized system of preferences particularly affects the position of the ACP States. As regards the measures which would then be required the ACP Council of Ministers, meeting at Lusaka in December 1977, recalled in resolution No. 13/77/ACP 'the Community's own commitment to take all steps necessary to safeguard ACP's position, including if necessary, the withdrawal of specific GSP concessions'.

(c) Beef and veal

On 21 November 1977, the Council of the European Communities decided to renew for one year the special provisions then in force (i.e. a 90% reduction in normal import charges within the limit of predetermined quantities and in addition to complete exemption from customs duties).

While acknowledging the positive aspects of this decision, the ACP States emphasize that these provisions are valid only until the end of 1978 and, moreover, that they do not provide for any increase in quantities.

At the ACP-EEC Council meeting of 13/14 March 1978 the ACP States therefore asked for the provisions to be extended until the expiry date of the Convention and for the quantities to be increased. The Community noted this request.

(d) Tomatoes

Following a request from the ACP States the Community decided that from 1 March 1978, tomatoes originating in the ACP States would be imported from 15 November to 15 April at customs duties equal to 40% of Common Customs Tariff duties within the limit of a Community tariff quota of 1,000 tonnes, with a minimum levy of 2 units of account per 100 kg.

The ACP States were satisfied with this decision but thought that the tariff quota of 1,000 tonnes did not take account of their production capacities. They therefore requested the Community to open a consultation procedure before reintroducing the Common Customs Tariff duties when the quota was exhausted.

(e) Rum

The difficulties facing ACP rum exports to the Community are connected with the two problems of import licences and the Community definition of rum. The ACP States repeated their request for all obstacles preventing the issue of licences to export to the Community to be identified by a joint working party and for the appropriate solutions to be applied. The Community undertook to refer this matter to the departments responsible. Furthermore, it pointed out that the Commission had not yet submitted a proposal on the definition of rum but that, in any event, the ACP States would be consulted before such a proposal was considered by the Council of the Communities.

(f) Bananas

The Ministers of the banana-exporting ACP States met in Douala (Cameroon) from 9 to 17 July 1977 and adopted a memorandum condemning the Community's failure to apply the provisions of the banana Protocol.

Under this Protocol, aid should be granted to the banana-producing ACP States in addition to the aid provided for by other provisions of the Convention. They submitted proposals on:

- ' - the conclusion between the Community and the ACP States of a prior agreement on the organization of the Community banana market to guarantee the ACP States, and Somalia in particular, market access facilities on their traditional markets and preferential treatment compared with all other imported bananas;
- the establishment, under that prior agreement, of firm arrangements whereby a minimum share of new Community markets should be earmarked for the ACP States on terms profitable for those suppliers;
- the setting up of an ACP-EEC banana experts working party to supervise the implementation of the arrangements in question.

Lastly, while recognizing that the solution of trade problems is a prerequisite for the development of the ACP States' banana industry, the ACP States considered that investment aid in the banana sector was implicit in Protocol No. 6 which commits the Community to adopt "appropriate measures particularly with respect to investment", and would thus ensure the producer ACP States of special resources in addition to those provided for in other provisions of the Convention. These resources should be used not only for the individual producer States in particular but also for certain projects of common ACP interest where bananas were concerned.'

Finally, the ACP States announced that they were planning to set up an association of banana-producing ACP States to protect their trade interests.

(g) Supply of surplus agricultural products to the ACP States

On many occasions and most recently in a Memorandum the ACP States have already requested the Community to consider possible arrangements whereby surpluses of certain foodstuffs in the Community could be made available to the ACP States on favourable terms. The Joint Committee also discussed this request at its meeting in Maseru.

The Commission has meanwhile submitted a communication to the Council on this problem. As part of the market administration machinery the Commission proposes to provide commercial operators who would enter into reciprocal undertakings with the countries concerned as to the supply and purchase of certain surpluses of agricultural products. Initially, according to the

Commission, these operations might involve common wheat and flour, milk products and sugar. By the use of export refunds and prior determination of these refunds the ACP countries could obtain these foods at prices which would not exceed the world price when the transactions were concluded and which would be fixed throughout the deliveries, generally for at least 12 months.

In July 1978 the Council forwarded to the ACP countries a document setting out its position on this question. This document is quite inadequate and can by no means serve as a basis for the negotiations between the Community and the ACP States. In view of this the Joint Committee requests the Council of the European Communities to submit new proposals dealing more adequately with the problems raised by the ACP countries.

(h) Trade promotion

From the beginning of the implementation of the Lomé Convention it was clear that the opening up of the Community market to ACP products was not enough to promote trade between the Community and the ACP States as a whole. The organization of fairs, which are often expensive and seem to have relatively little effect, cannot of itself take the place of a trade promotion policy.

The lack of support measures means that those ACP States which already had an active trade policy and the appropriate infrastructure benefit most from the opening up of the market.

The ACP States and the Community therefore emphasized the need to increase trade promotion with regard to ACP products by improving external trade structures, extending training schemes and implementing a marketing policy. A Seminar involving ACP experts and Community officials was held on 6/7 February 1978 in Brussels to the same end. The realistic and practical conclusions reached at this meeting are such as to reactivate trade promotion.

Moreover, the ACP States stressed that if the Community sets up a European agency for trade cooperation with developing countries, it should under no circumstances jeopardize the interests of the ACP States.

CHAPTER II - Customs cooperation

In general the application of Protocol No. 1 was considered satisfactory.

(a) Derogations from the rules of origin

Four decisions granting derogation from the rules of origin have so far been taken and the request concerning Mauritius is still being considered. As a result of the powers derogated to the ACP-EEC Committee of Ambassadors by the ACP-EEC Council of Ministers, the Community accepted the ACP States' view that the Committee should be responsible for taking decisions on requests for derogations.

(b) Amendment of Protocol No. 1 concerning the definition of the concept of 'originating products' and methods of administrative cooperation

The ACP-EEC Council of Ministers adopted this amendment, which was necessitated by the changes made to the existing international nomenclature. In a statement accompanying this decision the ACP-EEC Council provides for the introduction of measures to protect the interests of the ACP States should this become necessary as a result of the implementation of the new nomenclature.

CHAPTER III - STABEX

(a) List of eligible products

On 14 April 1977 the ACP-EEC Council decided to add the following to the list of products covered by the system: vanilla, cloves, pyrethrum, wool, mohair, gum arabic and ilang-ilang. Since then, the ACP States have submitted requests for the inclusion of sesame, tobacco, sisal products, cashew nuts and shea nuts. At present sesame is the only product being considered by the Committee of Ambassadors.

(b) Acceptability of requests for transfers in 1975 (Gabon - Kenya - Mali)

The ACP States have asked the Council to request the Commission to examine the requests made for transfers in 1975 by Kenya, Mali and Gabon in respect of losses in export earnings in the wood products sector.

Since the ACP-EEC Council of Ministers could not reach agreement on the proposal from the ACP States to instruct the Commission to investigate a number of requests for transfers submitted for 1975, it decided to open the good offices procedure (Art. 81).

The Joint Committee stresses the importance of this subject to the economies of the three countries involved, and requests that the good offices procedure be brought to a speedy and satisfactory conclusion.

(c) Commodities

Following the request by the ACP States for certain minerals (copper, phosphates) and rubber to be included in the STABEX system, the Council of Ministers adopted a Resolution on the attainment of common objectives regarding commodity exports. This Resolution, which referred to worldwide commodity agreements or arrangements to be concluded between the industrialized countries and the developing countries, stated in particular that the contracting parties to the Lomé Convention would take account of their mutual interests at international level, would ensure that the necessary collaboration took place between them and would afford each other all possible assistance. The chief aim of these consultations would be to try to identify, by mutual agreement at international level, possible solutions to the problems presented on the one hand by the supply of commodities and on the other hand by the disposal and marketing of those commodities.

In this connection the Community made a statement to the effect that, in view of the requests made by the ACP States, the consultations referred to in the Resolution would cover rubber, copper and phosphates.

The Government of Liberia subsequently asked for rubber to be included in the list of products covered by the stabilization system, but the Community stated that, in view of the current discussions at international level, it would seem preferable not to go beyond the implementation of the above-mentioned Council of Ministers Resolution, while ensuring that the necessary collaboration took place between the ACP States and the Community in international discussions on rubber.

(d) List of countries benefiting from the provisions of Article 17(4)

Article 17(4) states that for certain special cases exports, irrespective of destination, may be taken into account for the calculation of transfers. By decision of 14 April 1977 the following ACP States were added to the countries benefiting from these provisions: The Comoro State, Western Samoa, Tonga, Seychelles and Lesotho. It was agreed that a similar decision would be taken for Cape Verde on its accession to the Convention.

(e) Transfers for 1976

These transfers amount to 36.2 m EUA spread over 12 ACP States, (compared with 72.8 m EUA spread over 18 ACP States for the 1975 financial year).

TRANSFERS FOR THE FINANCIAL YEAR 1976

<u>Beneficiary ACP State</u>	<u>Product</u>	<u>Amount of the transfer in EUA</u>
Benin ¹	Cotton, not carded or combed	2,750,347
	Palm oil	765,576
Cameroon	Cocoa paste	463,558
Central African Empire ¹	Sawn wood	549,807
Fiji	Coconut oil	1,499,834
Guinea-Bissau ¹	Groundnuts	4,442,347
	Palm nuts and kernels	626,966
Madagascar	Sisal	1,762,943
	Cloves	1,139,516
Niger ¹	Groundnut oil	6,755,991
	Groundnut oilcakes	153,269
Uganda ¹	Tea	1,399,953
	Cotton, not carded or combed	2,249,791
Sierra Leone	Iron ore	3,977,274
Western Samoa ¹	Copra	1,331,544
	Wood in the rough	348,993
Tanzania ¹	Sisal	5,165,208
Tonga ¹	Copra	831,720
	Bananas	72,719
TOTAL		<u>36,287,356</u>

¹ Least-developed ACP States, which receive non-refundable transfers

The Commission pointed out that in view of their export earnings for 1976, the ACP States which had received refundable transfers for the 1975 financial year were unable to contribute in 1977 towards the reconstruction of STABEX funds.

(f) Advances on the transfers due for the current year

The STABEX rules make provision for advances during the financial year on the transfers due for the current year in the event of disaster. The Commission has decided to make use of this provision for the first time in 1978 to compensate Senegal for its export earnings loss due to the collapse of groundnut production.

CHAPTER IV - Sugar Protocol

Under this Protocol the Community undertakes to purchase and import, at guaranteed prices, specific quantities of sugar which originate in the ACP States and which these states undertake to deliver. The agreement is for an indefinite period but the two parties have undertaken to apply it for at least five years and two years' notice of termination is required.

(a) Price fixing

In accordance with the sugar Protocol, negotiations on the guaranteed prices for sugar for the 1978-79 marketing year should be completed before 1 May 1978 and, in the ACP States' view, should take account of the considerable increase in production costs over the last year and of 'all relevant economic factors' (Art. 5(4)).

Furthermore, the ACP States reaffirmed the importance of ensuring their sugar exporters a fair guaranteed price, which was essential for stability, viability and the continued growth of their economies, which were heavily dependent on sugar.

The Community laid particular emphasis on the low level of world sugar prices, which had led the Commission to propose only a slight increase in internal Community prices for the 1978-79 marketing year. If the Community's internal prices predetermine prices guaranteed to the ACP countries, the latter can legitimately question the value of Article 5(4) which, as already stated, lays down that the guaranteed price 'shall be negotiated annually, within the price range obtaining in the Community, taking into account all relevant economic factors'.

At a press conference on 5 April 1978 the ACP sugar group spokesman and Ambassador Chasle requested that sugar prices for the 1978-79 marketing year be negotiated in accordance with the terms of the sugar protocol, i.e. that they be within the EEC price range, so that the agreement remained politically and economically viable. Mr Chasle again deplored the treatment of ACP sugar; the guaranteed price received by the ACP for their sugar had increased by only 6.74% between 1975 and 1977/78, whereas the intervention price for beet sugar had increased by 11.78% during the same period.

In fact, after lengthy and difficult discussions, the agreement¹ on prices for the 78/79 marketing year, which the ACP were forced to accept, increased the guaranteed price by only 2%, the same as the increase fixed by the Community for its internal prices. Once again, the price guaranteed to ACP sugar producers was not the result of negotiations but had been fixed in advance as part of the Community's agricultural price decisions.

¹ Agreement of 24 July 1978 - OJ No. L 203, 27.7.78

(b) Request by Zambia for accession to the sugar Protocol

At the meeting of the ACP-EEC Council of Ministers on 13 and 14 March 1978, the ACP States continued to support Zambia's request for inclusion on the list of ACP sugar-supplying States, for an annual quantity of 15,000 tonnes.

The Community feels that if this request was granted, it would be necessary to revise the sugar Protocol, which, under Article 2 of the Protocol, cannot be done before 1 February 1980. On the other hand, the ACP States feel that if the spirit of Annex XIII is to be respected ('Any request from an ACP State Contracting Party to the Convention not specifically referred to in Protocol No. 3 to participate in the provisions of that Protocol shall be examined'), Zambia's request must automatically be considered.

(c) Definition of the concept of force majeure

At its meeting in Fiji (April 1977), the ACP-EEC Council reinstated the delivery quotas for Surinam, Uganda and Kenya, but stressed that this decision should not be seen as a precedent. The decision by the Committee of Ambassadors of 23 November 1977 clarified the definition of the concept of force majeure¹ and thereby removed one cause of dispute between the ACP States and the Community.

CHAPTER V - Industrial cooperation
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During the period covered by the annual report of the ACP-EEC Council of Ministers, the setting up of the bodies specifically concerned with industrial cooperation was completed (Committee on Industrial Cooperation, Centre for Industrial Development and Advisory Council of the Centre for Industrial Development). The initial results obtained made it unfortunately clear that there is a wide gulf between the aims of industrial cooperation set by the parties to the Convention and what has been achieved.

¹It must not have been possible for the ACP sugar exporting State concerned to have fulfilled its delivery obligations due to circumstances which:

- were unavoidable and unforeseen, or foreseen but inevitable or irresistible and
- arose from causes outside the control of the State concerned and were not the result of its own actions in reducing production or withdrawing or diverting its sugar supplies.

For illustrative purposes, the following might, after examination in the light of the above definition, be regarded as examples of such circumstances:

- (a) natural calamity such as earthquake, flood, drought and cyclone;
- (b) war or riot;
- (c) shipwreck;
- (d) strike leading to a reduction in production or to transport delays;
- (e) crop failure caused by plant disease and attack by pests;
- (f) fire.

The Committee on Industrial Cooperation submitted a detailed report to the Committee of Ambassadors for the meeting of the ACP-EEC Council of Ministers of 13 and 14 March 1978.

(a) ACP-EEC Committee on Industrial Cooperation

By decision of 14 July 1976 the ACP-EEC Council laid down the composition and Rules of Operation of the Committee on Industrial Cooperation. On 21 March 1977 the committee adopted its rules of procedure which lay down in particular the rules concerning the Chairmanship (held alternately for six months), venues of meetings, quorum, etc.

Finally, the Committee took decisions relating to the setting up of the CID, its structure, the setting up of an Advisory Council, the conditions of employment of the staff and the financial regulation. These decisions were required to enable the CID to begin functioning effectively.

(b) Budgets of the CID (1977 and 1978)

The Centre's budget for 1977 amounted to 1.3 m EUA comprising 0.740 m EUA operating expenditure and 0.560 m EUA capital expenditure.

There is a considerable increase in appropriations for the 1978 budget, which totals 2.3 m EUA, made up of 1.331 m EUA in operating funds and 1.028 m EUA in capital funds.

The annual report of the ACP-EEC Council states that it should be noted that the relatively low figure for annual operating expenditure of the Centre is due to the fact that, as agreed between the Community and the ACP States, the Centre pays only a nominal rent for the premises it occupies at ACP House in Brussels.

The ACP States are already stressing the need to set up a separate fund for the CID within the future Convention. This partly reflects the position adopted by the Joint Committee in Maseru, which urged 'the Community to continue to make adequate resources available to it' (the CID).

(c) Consultation of the economic and social sectors

The decision of the ACP-EEC Council of 14 July 1976 provides that the Committee on Industrial Cooperation is to lay down detailed arrangements for the regular consultation of the economic and social sectors of the ACP States and of the Community. At its last meeting the Joint Committee stressed 'the importance and urgency of considering the report to be drawn up by Ambassador MATHE on arrangements for closer cooperation with representatives of the economic and social groups of the ACP States and the EEC, within the framework of the implementation of the Convention of Lomé' (para. 8 of the final declaration).

In a statement to the Committee of Ambassadors on 23 November 1977 the ACP States expressed the view that contacts with economic and social sectors should not be institutionalized nor be confined to industrial cooperation, but should cover all aspects of the Convention. Moreover, they felt that there was no point in reconsidering this matter until the relevant report had been received from the Joint Committee.

(d) Activities of the Centre for Industrial Development

Following the initial work programme for 1977, the CID submitted to the Committee on Industrial Cooperation a list of criteria on which its work programme for 1978 was to be based. The Committee held only a preliminary exchange of views in the course of which the Community expressed the view that the programme submitted to the committee constituted merely a form of commentary to the draft budget rather than a true work programme. With this in mind the Committee approved the draft budget for 1978. However, stressing the fundamental importance of these questions for the success of the Centre, the Community proposed that a dialogue should begin within the Committee to discuss the direction in which the Centre's activities should develop.

At the ACP-EEC Council meeting the ACP States emphasized their development requirements as regards technology transfers and scientific cooperation. They hoped that industrial cooperation could also be directed towards developing trade between ACP States.

(e) Provisional results of industrial cooperation

While the aims laid down by the Lomé Convention in regard to industrial cooperation appear to be generous and ambitious, it has to be acknowledged that the actual results to date are very meagre or even non-existent. There are several reasons to explain this situation apart from the fact that industrial cooperation is an innovation in relations between developing and industrialized countries. The absence of special financial resources for industrial cooperation is certainly a major handicap. To this is added the reluctance of the commercial operators of the Community to invest in the ACP countries, claiming that the economic climate does not favour foreign investments. In more general terms, one of the prerequisites for attaining the objectives of industrial cooperation, close collaboration with the private sector, has not so far been achieved. Finally, the principle of free access to technology has not been reflected in the facts, mainly because of difficulties associated with the system of the ownership of technology in force in the Community.

As regards the objectives laid down at the Centre for Industrial Development, it should be pointed out that the primary aim was to correct the natural tendency for the commercial operators to favour the more developed countries where the conditions are more favourable, and to promote the industrialization of all the ACP countries.

The question is whether the CID has succeeded along these lines.

CHAPTER VI - Financial and technical cooperation

The last nine months of 1976 marked the initial phase of the implementation of the Lomé Convention, when the various instruments of cooperation and procedures for mobilizing under satisfactory conditions the funds earmarked for financial and technical cooperation were progressively established. During that period nearly 450 m EUA was committed out of the 3,390 m EUA provided for in Article 42 of the Convention.

The year 1977 may be considered a normal year of activity during which the establishment of the various cooperation bodies and procedures was completed and 775.9 m EUA was committed, bringing total commitments decided by the Community Institutions up to 1,209.8 m EUA by the end of 1977. At the end of February 1978 total commitments amounted to 1,271.8 m EUA (see Annexes II and III).

Although the commitments situation is normal (nearly 40% of the appropriations had been committed by the end of February 1978), this is not true of payments: so far only 10% of the appropriations entered under Article 42 have actually been paid.

The ACP-EEC Council therefore emphasized the need to increase the rate of payments to keep up with commitments.

The Council also noted the complaints from certain ACP States, particularly those in the Pacific, which are experiencing considerable delays in the implementation of financial and technical cooperation. The Community pointed out in this connection the importance of programming Community aid on the basis of the development plans and priorities of each ACP State.

In conclusion, the ACP-EEC Council decided to call a meeting of the ACP Community representatives concerned to draw up a complete list of all the measures taken since the beginning of the Convention. It would then be for the Committee of Ambassadors to determine the measures to be taken by the Community and the ACP States to ensure that the objectives of financial and technical cooperation are achieved.

(a) Definition of the fiscal and customs arrangements applicable in the ACP States to contracts financed by the Community

Although some progress had been made, this problem had still not been resolved before the ACP-EEC Council meeting and the Council therefore instructed the Committee of Ambassadors to settle the matters outstanding as soon as possible.

(b) Co-financing

Article 44(2) of the Lomé Convention states that 'with the agreement of the ACP State or ACP States concerned, financial aid from the Community may take the form of co-financing with participation by, in particular, credit and development agencies and institutions, firms, Member States, ACP States, third countries or international finance organizations'.

This provision, unprecedented in previous agreements, has so far led to the conclusion and signing of some thirty projects worth a total of 2,200 million u.a., of which barely 400 million have been provided by the EDF. This means that five times the EDF's contribution has been obtained through co-financing, mainly by the Member States of the Community, the World Bank, the African Development Bank and aid from third countries (United States, Canada, Norway, Arab states, etc.).

These figures alone indicate that introduction of the principle of co-financing in the Lomé Convention as a means of financial cooperation has proved judicious and profitable for the ACP.

(c) Implementation of regional cooperation

At its meeting of June 1977 the ACP-EEC Consultative Assembly requested that the second instalment of the Regional Fund should be used to establish a better balance in favour of certain parts of Africa which had received a comparatively low share when the first instalment was allocated. In Lusaka the ACP Council stated that the regions concerned were central, eastern and southern Africa. Since then the Community has stated that it is prepared to consider the ACP States' requests concerning the re-allocation of the resources available for regional cooperation.

(d) Least developed, landlocked and island countries

At its meeting in Fiji (April 1977) the ACP-EEC Council decided to add Comoro State and Seychelles to the list of least developed, landlocked or island countries¹. At the same time it adopted a resolution recommending that the financial commitments for these countries (which number 26) be intensified.

¹ Now 40% of all ACP countries

According to the Commission, more than 60% of the programmed financial resources under its management have been allocated to the least-developed ACP States. Moreover, financing for the least developed ACP States is granted on the most favourable terms possible and therefore generally takes the form of grants, which represented approximately 96% of the total funds committed for these States as at 31 December 1977, while the corresponding percentage for the other ACP States was only 59%. Similarly, 71% of the risk capital committed by the European Investment Bank was granted to countries classified among the least developed ACP States.

The ACP-EEC Council meeting in Fiji also recommended the setting up of an ACP-EEC subcommittee to study the specific problems facing the least developed ACP States but this body has not yet been formed. However, the ACP States announced that they would be forwarding to the Community a memorandum on the practical and immediate problems facing the countries covered by Article 48. The Community undertook to consider this memorandum as soon as it was received and to help set up the subcommittee.

The ACP States also emphasized the crucial situation in some of the least developed ACP States and referred to acts of aggression by Rhodesia against Zambia and Botswana. The Council acknowledged the need to continue to help the countries facing these difficulties. The ACP States felt that the Community and its Member States should, as an initial measure, contribute to the setting up of the United Nations Special Fund for Landlocked Countries.

(e) Microprojects

In June 1977 the ACP-EEC Subcommittee on Financial and Technical Cooperation adopted the arrangements to be applied for appraising, financing and implementing microprojects. On 21 November 1977 the Council of the Communities approved the introduction of a simplified procedure for approval of microproject programmes.

However, there is still disagreement on the interpretation of Article 14 of Protocol No. 2 as to whether a separate budget for financing microprojects should be established, apart from the national indicative programmes.

(f) General provisions and conditions applicable to the placing and performance of public contracts financed by the European Development Fund

At its meeting in Fiji the ACP-EEC Council authorized the Committee of Ambassadors to settle the problems connected with competition for contracts.

Since the committee has not yet concluded its work, the transitional provisions laid down in Annexes IX and X to the Convention are still applicable, even after the recent ACP-EEC Council meeting of 13 and 14 March 1978.

CHAPTER VII - Institutions of the Convention

(a) Improvement in the working methods of the ACP-EEC Council of Ministers

At the meeting in Fiji it was decided that the working methods of the ACP-EEC Council should be reviewed. Based on proposals from the Community this has led to an increase in the work of the Committee of Ambassadors while reducing the number of items to be dealt with at Council meetings.

The former is due to the fact that the Committee of Ambassadors now meets more frequently and that responsibility for technical matters has been delegated to its various subcommittees. The removal of non-political items from the Council's agenda has enabled this body to fulfil its intended role.

(b) Relations with the ACP-EEC Consultative Assembly and Joint Committee

At its meeting of 13 and 14 March 1978 the ACP-EEC Council welcomed the present good relations with the Consultative Assembly and noted the resolution adopted by the Assembly at its meeting in June 1977.

The Council instructed its President to provide comprehensive information on the work of the ACP-EEC Joint Committee and Consultative Assembly. It should be pointed out in this connection that the present system of forwarding the Council's annual report to the Consultative Assembly and its Joint Committee should be improved. The annual report forwarded to the Consultative Assembly is in fact drawn up before the Council's meeting and therefore does not give any indication of what the latter has actually achieved; hence the report provides information only on the situation before the Council meeting and not on the progress or changes made as a result of that meeting.

(c) Strengthening of the general secretariat of the ACP Council

Given the multiplicity of topics relating to the implementation of the Lomé Convention and the large number of ACP States, the ACP Council stressed the need for its secretariat to have sufficient staff and funds.

In accordance with a decision of the ACP-EEC Council, the Community has taken the necessary measures to contribute from the resources of the EDF to the financing of expert assistance for the ACP secretariat.

CHAPTER VIII - Accessions to the Lomé Convention
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On 28 March 1977 the Governments of Cape Verde, Sao-Tomé and Príncipe and Papua New Guinea signed the agreement on their accession to the Lomé Convention.

After a long delay the ratification procedures for these agreements have now been completed. These three States will therefore become full members of the Convention from 1 November 1978.

The Republic of Djibouti has also submitted a request for accession to the Convention under Article 89 (former OCT). In accordance with the procedure laid down in Article 89, the Council of the Communities and the ACP Council approved this request and Djibouti's accession to the Convention took effect on 2 February 1978.

On 18 July 1978 the Council of the European Communities signified its approval, pursuant to the procedure laid down in Article 89 of the accession of the Solomon Islands (former OCT) to the Convention of Lomé. The ACP Council having also given its approval, the Solomon Islands have now become a full member of the Convention.

Finally, in accordance with the same procedure, Tuvalu will become a member of the Convention as soon as it is officially declared independent i.e. on 2 October 1978.

This brings the total number of ACP States signatory to the Convention of Lomé to 55.

The Joint Committee welcomes these new accessions, which provide fresh evidence of the attraction of the Lomé Convention. It hopes that in future Community Member States' ratification procedures will be speeded up so that the accession to the Convention of new applicant countries is not unduly delayed.

PART TWO - RENEWAL OF THE LOME CONVENTION

It is now only a few months before the opening of negotiations on the renewal of the Lomé Convention and the Joint Committee should therefore consider this matter in greater depth, taking account of its preparatory work in Maseru and in particular of the positions adopted since then by various bodies. When this work is completed, proposals will be forwarded to the Consultative Assembly to enable the latter to adopt its position and recommendations on this matter at its next meeting in September or October 1978.

CHAPTER I - Scope and institutions of the future Convention

(a) Geographical area

It is fair to say that the current definition, under the Lomé Convention, of developing countries that are potential members has proved sound. According to this definition the following countries may become contracting parties to the Lomé Convention subject to agreement by the ACP-EEC Council of Ministers:

- in Africa, south of the Sahara, all developing countries which have become independent;
- outside Africa, overseas countries and territories referred to in the EEC Treaty which become independent.

The number of accessions to the Lomé Convention since its entry into force is evidence of the soundness of this definition and its counterpart in the future Convention should therefore be based on the same principles.

(b) Duration of the Convention

Paragraph 14 of the final declaration adopted by the Joint Committee in Maseru requested 'that consideration be given to the problem of the duration of the Convention, taking account of the drawbacks associated with the present system, and that in any event the continuity of relations between the two parties be ensured'.

Since then, the various institutions concerned have discussed the advantages and disadvantages of the two extreme alternatives (that is, limited or unlimited duration) and all the possible compromise solutions.

Your rapporteur feels that the Joint Committee could propose the adoption of an unlimited duration, which would provide greater guarantees to the ACP States and, indeed, to the Community, and would place ACP-EEC

cooperation on a more permanent footing. Clauses should also be included providing for the review or periodical adjustment of certain instruments of the Convention.

In any event, it is vitally important, in the interests of both parties, to begin negotiations in good time and to ensure early ratification to prevent any loss of continuity.

(c) The institutions

At its meeting in Maseru, the Joint Committee stressed the importance of strengthening the structure of the institutions to ensure that all the partners participate and exercise joint responsibility and that certain difficulties encountered in the implementation of the Lomé Convention (outlined in the first part of this report) can be avoided in the future Convention.

It is proposed that the existing institutions should continue to function and that, in defining their role, their relations and their methods of work, account should of course be taken of the experience gained from the implementation of the first Convention.

As has already been pointed out, the Consultative Assembly should, under the future Convention, be provided with greater information to enable it to exercise real control. Finally, the new Convention should be seen as an opportunity of settling the question of relations with the social and economic partners; the report by Ambassador Mathé will be of great importance in this connection.

CHAPTER II - Strengthening and extending the present Convention

(a) Spirit in which the negotiations should be approached

The preamble to the Lomé Convention states that the two partners are 'resolved to establish a new model for relations between developed and developing States, compatible with the aspirations of the international community towards a more just and more balanced economic order'. The new Convention should provide an opportunity of making further progress towards this aim.

This presupposes that the concessions granted to the ACP States under the present Convention should be regarded as securely established. In particular this means that the Community should not use the 'difficult' economic situation as justification for going back on its previous commitments. For example, the Community's classification of commercial products as sensitive or non-sensitive should not be used as a screen for protectionist

measures. On the contrary, the Community must at last set out a policy of industrial redeployment and step up its efforts to plan industrial investment both in the Community and in the ACP countries. This is the only way that the ACP States and the Community will be able under the new Convention to work together effectively in the field of commercial and industrial cooperation.

Furthermore, when the negotiations begin, the two partners should bear in mind that, despite its originality and all the positive results it has achieved, the Lomé Convention has not succeeded in promoting real development in the ACP countries. The whole problem must therefore be re-examined on the basis of the experience gained from the Lomé Convention and through genuine re-negotiations and not just a makeshift renewal of the Convention.

(b) Strengthening of cooperation policies

. Commercial and industrial cooperation

The first requirement is to draw up fresh guidelines for an effective trade promotion policy extending to the production level. Commissioner Cheysson said in Grenada that mere freedom of access to Community markets did not guarantee trade growth or any corresponding development. That was why a considerable effort had to be made to promote trade. Trade promotion was not merely participation in a few trade fairs, it was aid for the construction of external trade structures in countries, capitals and major towns; it was education of the individual, market research and so on.

Your rapporteur fully agrees with this statement and points out that if such a policy is to be successful the ACP must participate directly in its implementation.

As regards the generalized system of preferences, the new Convention should take account of the fact that 50% of the poorest countries of the world are members of the Lomé Convention. As already shown, the system results in the least-favoured countries being ousted from the market by the more developed countries. STABEX, support measures for trade promotion and industrial cooperation have provided a partial solution to this problem. However, the new Convention should in addition provide for compensation in all cases where the generalized system of preferences undermines the concessions granted to the ACP States.

It has already been pointed out that the Centre for Industrial Development should be granted a separate budget commensurate with the tasks assigned to it. In defining the CID's role, the emphasis should be placed on the vital importance of small and medium-sized undertakings for the growth of the developing countries.

. Individual product agreements

The new Convention should offer a fair and just solution to all the current disputes on the application of the banana and rum Protocols. To this end, account should be taken of the conclusions reached in the report by our Joint Committee on the various problems.

The sugar Protocol is valid for an unlimited period, contrary to the other provisions of the Convention. Should the negotiations touch on the question of the future renewal of this Protocol, a system should be adopted which guarantees genuine negotiations on the fixing of prices and which does take account of the 'relevant economic factors'.

In general, experience gained through implementation of the Lomé Convention highlighted the problem of complying with the texts of the three protocols and, in the long run, of their legality. Clearer and more precise wording in the new Convention should eliminate these difficulties.

The problem of ACP beef exports should be dealt with in a special protocol ensuring permanent export arrangements. Finally, the question of commodities such as phosphates, copper and rubber could be dealt with by devising ad hoc solutions including export aids.

. Financial and technical cooperation

One of the first problems which the negotiators will have to deal with is the budget for financial and technical cooperation. As already pointed out by the Joint Committee in Maseru, it will, at the very least have to take account of inflation since 1975.

The arrangements laid down by the new Convention for the use of these funds (commitment and payment) should provide for a more reasonable and regular timetable than at present. This could be more easily achieved if at the same time the rules governing the operation of the European Development Fund were made more flexible. The Joint Committee has already stated that the ACP States should be involved in the management of the EDF.

The Joint Committee has learnt with interest of the statements made by Commissioner Cheysson in Grenada that the Commission will propose that, as from 1979, plans will be made for the projects to be financed by the EDF under the new Convention.

Finally, greater importance should be given to microprojects.

. STABEX

Firstly, the list of eligible products should be extended to include in particular certain agricultural products. In addition the reference levels triggering the system should be adjusted in order to provide the ACP States with a more firm guarantee. It would also be desirable to try to find methods of protecting the resources drawn from STABEX against the effects of erosion due to inflation.

Similarly, the provisions of Article 21, relating to the reconstitution of the resources of STABEX, should be defined more clearly.

(c) Extension of the present Convention

At its meeting in Maseru, the Joint Committee merely drew up a number of guidelines concerning the new chapters to be included in the future Convention. Now that the negotiations are imminent, more detailed proposals are required, which take account of the discussions held since and of the various opinions expressed. Our debates in Maseru concentrated principally on the problems connected with the protection of foreign investments, the development of cooperation in the fisheries sector and on whether the future Convention should contain a reference to respect for human rights and be extended to include cultural cooperation.

These matters should be reviewed and a decision taken as to whether they require further action.

. Promotion and protection of foreign investments

One of the weak points of the Lomé Convention is that it makes no provision for a policy to promote and provide protection for foreign investments. The lack of favourable conditions has discouraged investment in the ACP States, thereby creating a further obstacle to their development.

Moreover, the all-too-rare examples of foreign investment have taken place only in the most developed ACP States.

It is vitally important to rectify this situation. The Community is evidently aware of this, since the Commission has recently forwarded to the Council of the EEC a communication on the need to promote European investment in the developing countries and guidelines for Community action in this field. The ACP States are also willing to take any measure to help create a climate of confidence and security for foreign investment. Given the willingness of both parties and the importance of this matter, it is absolutely vital for the future Convention to introduce provisions to promote and protect investments.

. Fisheries sector

The Lomé Convention more or less ignores the problems of cooperation in the fisheries sector, mainly because at the time of the negotiations, the Community did not yet have the authority in this sector which it has now obtained. The new Convention should therefore introduce arrangements for ACP-EEC cooperation in this field, with particular emphasis on the importance of revenue from fishing for the coastal ACP States.

. Addition of a special chapter for agricultural products

The Lomé Convention as applied, has not always treated agricultural products very favourably and this has led to numerous disputes between the two partners. Moreover, problems connected with the agricultural development of the ACP States have not been given due attention. Finally, and with the prospect of a new Convention, the difficulties encountered by the ACP States in the agricultural sector may become insurmountable when the applicant Mediterranean countries actually join the Community.

It is therefore important that the new Convention should set out clearly and precisely the rights and obligations of the parties as regards trade in agricultural products and agricultural development policy.

This chapter could also determine the structure, role and working methods of the Council for Agricultural Development, whose importance has always been emphasized by our committee.

. Cooperation in the services sector

In raising this possibility your rapporteur is thinking particularly of shipping, insurance and tourism, none of which are mentioned in the present Convention. Nonetheless, the underdevelopment of most of the ACP States in these sectors is sufficient reason for discussing this subject during the forthcoming negotiations.

In determining the forms of aid which the future Convention could introduce to encourage and develop these sectors, it must be ensured that this aid is in fact allocated only to ACP undertakings. In the shipping sector, for example, there must be no question of assisting flags of convenience, whose activities are of virtually no economic benefit to the ACP States.

. Scientific cooperation and transfer of technology

In view of the poor results so far achieved, fresh impetus must be given to the policy for the transfer of technology and it is therefore proposed that this matter should be dealt with from a wider viewpoint, as part of a policy of scientific and technological cooperation. Similarly, consideration should be given to the possible ways of involving the ACP States in the Community's programmes of research and development on new forms of energy. In particular, the various techniques for using solar energy should be of great interest to the ACP countries.

The Commission has just submitted a communication to the Council on cooperation with developing countries that do not produce oil for the purpose of surveying and exploiting their own energy sources. Ten million units of account would suffice to initiate such cooperation, i.e. to draw up an initial inventory of the requirements and potential resources of certain developing countries, and for the pilot experiments deemed necessary. This proposal could be discussed with the countries concerned when the negotiations on the renewal of the Lomé Convention are opened. The Community could also discuss this venture in the North-South dialogue, in the various United Nations agencies and in the Euro-Arab dialogue.

This proposal is the logical outcome of efforts by the Community and other industrialized nations, as evidenced by the Bremen and Bonn agreements, to limit dependence on external sources of energy and reduce the use of oil as far as possible. The Commission hopes that implementation of this proposal will help the developing countries to avoid the mistakes made by the industrialized countries before the 1973 oil crisis that made them excessively dependent on external oil supplies.

. Extension of the training programme and cultural cooperation

The Lomé Convention mentioned training almost as an afterthought. It states that financial and technical cooperation shall be available for, inter alia, 'training purposes, scholarship holders and trainees' (Art. 49). It is obvious that for the ACP countries, whose development depends on the assistance of managers, technicians, skilled workers, etc., training programmes should be extended and increased so as to form an effective policy.

The Joint Committee could also consider the possibility, already mentioned at our meeting in Maseru, of proposing that in the new Convention, training policy should form merely one aspect of the much larger sector of cultural cooperation. Your rapporteur is still convinced that the scope of ACP-EEC cooperation should be extended to include aspects of human relations and the human dimension of development. Providing for cultural cooperation involves bringing together the conditions under which the partners will come to know one another better and laying the foundations for genuine solidarity and participation by our peoples in the setting up of a new model for relations between our continents. It is therefore a matter of stating a number of principles rather than drawing up specific implementing rules.

. Reference to human rights

In paragraph 12 of the final declaration adopted in Maseru the Joint Committee considers 'that the question of respect for human rights and fundamental freedoms must be given adequate expression in the new Convention in accordance with the Universal Declaration on Human Rights, to which all the partners to the Convention have subscribed'.

In a resolution adopted in Lusaka in December 1977 the ACP Council of Ministers reaffirms the adherence of the ACP States to the Universal Declaration on Human Rights, while recalling the primarily economic nature of the future Convention.

Like the ACP States, the European Community also attaches great importance to respect for fundamental human rights, and it is constantly reminded of this by public opinion in the Community.

The ACP States have themselves repeatedly requested the Community and its Member States to ensure respect for these rights, especially social and human rights, in the case of ACP nationals who emigrate to Europe. In a special statement the Joint Committee has, moreover, instructed a joint ACP-EEC working party to submit to it suitable proposals for ensuring the respect and protection due to these migrants).

Taking these various aspects into account and referring explicitly to his introductory address in Maseru, your rapporteur feels that the question of including a reference to human rights in the future Convention should, when the time comes, be approached with great care and a high sense of responsibility. There must be no complacency or prejudice, nor must this matter be used as a veiled pretext for interfering in the internal affairs of the member states of the Convention.

The inclusion of this matter in the future Convention should merely provide all the partner states with an opportunity of proving formally their adherence to respect for human rights and their willingness to protect them as the basis of cooperation. That is the sole objective.

CONCLUSIONS

The third meeting of the ACP-EEC Council of Ministers clearly showed up a number of weak points in what the Lomé Convention has achieved.

As regards trade cooperation, it is extremely disturbing that under the Lomé Convention the trade position of the ACP States vis-à-vis the Community has grown steadily worse. The implementation of the Community's generalized system of preferences, the world economic crisis, the effects of inflation on the ACP States undoubtedly provide some explanation for this situation. Nevertheless, in political terms it is unacceptable that, despite the cooperation agreement between the Community and the ACP States, ACP exports to the Community have fallen in real terms as compared with the situation before the Lomé Convention.

Secondly, financial and technical cooperation have produced unsatisfactory results. The fact that in February 1977 the appropriations actually paid amounted to only 10% of the total budget can only be due to shortcomings in the procedures adopted. And yet all concerned should realize that any delay in carrying out a project not only has adverse consequences for the ACP States in the sector concerned but also has negative side-effects on their development policy as a whole. Given the situation of the ACP States, any increase in these delays creates further obstacles to their growth.

Finally, industrial cooperation has not yet reached a genuinely operational stage. One reason for this is undoubtedly that the Lomé Convention did not introduce an effective policy for promoting and encouraging Community investment in the ACP countries. We have already suggested that the new Convention should rectify this situation. Until then steps should be taken to ensure that the Centre for Industrial Development plays an effective part as the initiator of industrial cooperation.

The annual report of the ACP-EEC Council gives the impression that, halfway through the Lomé Convention has lost some of its impetus. There is a tendency for the problems to persist, which makes it more difficult to resolve them, the arbitration procedures seem to be based more on a narrow interpretation of the texts than on a real spirit of conciliation. It may even be quite properly asked whether the 'Lomé spirit' has become somewhat jaded. This should not induce pessimism;

on the contrary every effort must be made to revive the Lomé Convention which is in any case essential if new progress is to be made in the future Convention.

It is banal but true to say that the world is passing through a difficult stage, but it would be irresponsible to say that this warrants a resigned attitude. The negotiations for the renewal of the Lomé Convention should bring fresh progress towards the objective of setting up a new economic order as an element of stabilization and peace in the world. Despite justified criticisms of the Lomé Convention it is - and soon will have been - a unique and original example of cooperation between industrialized and developing countries. The task now is to apply it more enthusiastically and to continue the progress already made into the new Convention.

ANNEX I

ACP-EEC TRADE BALANCE

	1972	1973	1974	1975	1976	1977 ¹
<u>Imports from outside EEC</u>						
Developing countries	24,451	31,927	61,379	54,976	69,865	
OPEC	11,845	15,310		33,357	41,831	
ACP	4,814	6,159	10,491	8,697	10,474	12,531
annual growth		+ 28%	+ 70%	- 17%	+ 20%	+ 20%
ACP's share in these imports	7.3	7.3	8	6.9	6.5	7.4
<u>Exports outside EEC</u>						
Developing countries	19,045	22,948	35,213	44,068	50,879	
OPEC	5,171	6,764	11,060	18,450	23,498	
ACP	4,015	4,432	6,065	8,079	9,841	12,530
annual growth		+ 10%	+ 37%	+ 33%	+ 22%	+ 27%
ACP's share in these exports	6.1	5.5	5.3	6.7	7	7.4
EEC-ACP trade balance	- 800	- 1,727	-4,426	- 618	- 634	- 1

¹ Estimates

Source: SOEC

LOME CONVENTIONFINANCING SITUATION IN 1977, BY METHOD OF FINANCING
AND BY ADMINISTRATIVE BODY

(000 EUA)

	Total volume (article 42 of the Convention)		Commitments taken in 1977						T o t a l	
	Amount	%	Aid administered by the Commission		Aid administered by the E.I.B.		Amount	%	Amount	%
			Amount	%	Amount	%				
<u>EDF Resources</u>	3.000	88,5	678,833	100,0	29,392	30,6	708,025	21,4		
- Grants	2.100	61,9	513,121	75,6	11,337	11,7	524,458	67,7		
of which : micro projects	(20)		(6.513)	(1,0)			6,513	0,8		
interest rate subsidies	(100)				(11,337)	(11,7)	(11,337)	1,5		
exceptional aid	(150)		(13,547)	(2,0)			(13,547)	1,7		
- Special loans	430	12,7	128,338	18,9			128,338	16,6		
- Risk capital	95	2,8			18,055	18,9	18,055	2,3		
- Stabex	375	11,1	37,174	5,5			37,174	4,8		
<u>EIB Resources</u>	390	11,5			66,930	69,4	66,930	8,6		
- Loans from EIB resources	390	11,5			66,930	69,4	66,930	8,6		
T O T A L	3.390 (1)	100,0	678,633	100,0	96,322	100,0	774,955	100,0		100,0

(1) Sum increased to 3,444.1 M UA due to new accessions, subject to ratification by the Member States of the Agreement of 28 March 1977 amending the Internal Agreement on the financing and administration of Community aid (signed on 11 July 1977).

LOME CONVENTION
Financing situation in 1977, by method of financing and by sector
(million EUA)

	DEVELOPMENT OF PRODUCTION			ECONOMIC INFRASTR.	SOCIAL DEVELOPMENT	TRADE PROMOTION	EXCEPTIONAL AID	STABEX	OTHER	BLOCKED APPROPRIAT.	TOTAL									
	INDUSTRIALIZATION	TOURISM	RURAL PRODUCT.																	
<u>1. Aid administered by the Commission</u>																				
1.1. Non-repayable aid	89.403	50	191.578	74,7	132.566	100	148.759	100	9.915	100	13.547	37.174	100	51.215	100	4.415	83,1	678.633	87,6	
Programme grants (of which microprojects)	13.303	50	163.160	47,0	113.196	85,4	145.019	97,5	8.915	89,9	13.547	100	-	51.216	100	4.415	83,1	513.121	55,2	
Exceptional aid	-	-	103.460 (6.513)	47,0	113.196	85,4	145.019	97,5	8.915	89,9	-	-	-	51.216	100	4.415	83,1	499.574	64,5	
1.2. Special loans	76.100	-	-	-	-	-	-	-	-	-	13.547	100	-	-	-	-	-	13.547	1,7	
1.2.1. Stabex	-	-	26.118	27,7	19.370	14,6	3.750	2,5	1.000	0,1	-	-	37.174	100	-	-	-	128.338	16,6	
2. Aid administered by the EIB	90.371	5.051	-	25,3	-	-	-	-	-	-	-	-	-	-	-	0.900	16,9	55.322	12,4	
2.1. Loans from EIB resources	62.610	4.320	-	17,8	-	-	-	-	-	-	-	-	-	-	-	-	-	66.930	8,6	
2.2. Interest rate subsidies	10.606	731	-	3,0	-	-	-	-	-	-	-	-	-	-	-	-	-	11.337	1,5	
2.3. Risk capital	17.155	-	-	4,5	-	-	-	-	-	-	-	-	-	-	-	0.800	16,9	18.055	2,3	
<u>Grand Total</u>	179.774	5.101	191.578	100,0	332.566	100	148.769	100	9.915	100	13.547	100	37.174	100	51.216	100	5.315	100	774.955	100,0
of which from EDF resources (1, 2.2., 2.3.)	23,2 %	0,7 %	24,7 %	17,1 %	17,1 %	19,2 %	1,7 %	4,8 %	6,6 %	0,7 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %	
from EIS resources (2.1.)	117.164	781	191.578	82,2	332.566	100	148.769	100	9.915	100	13.547	100	37.174	100	51.216	100	5.315	100	708.025	91,4
	62.610	4.320	-	17,8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66.930	8,6

Financing provided from 1964 to 1977 ⁽¹⁾ in the African, Caribbean and Pacific States (AASMM ACP) and in the Overseas Countries and Territories (OCT) ⁽²⁾

Table 12: Sectoral breakdown

Sector	Number	Amount (million u.s.)	% of total
Energy, communications and other infrastructure ⁽³⁾	36	155.6	37.2
Energy	8	54.8	13.1
Production	6	34.8	8.3
Thermal power stations	2	3.8	0.9
Hydroelectric power stations	4	31.0	7.4
Transmission	2	20.0	4.8
Power lines	2	20.0	4.8
Communications	24	88.7	21.2
Transport	23	88.0	21.0
Railways	7	43.7	10.4
Roads	7	24.7	5.9
Shipping and inland waterways	8	15.2	3.6
Airlines	1	4.4	1.1
Telecommunications	1	0.7	0.2
Water schemes	4	12.1	2.9
Agricultural development	2	5.3	1.3
Water catchment, treatment and supply	2	6.8	1.6
Industry, agriculture and services	77	263.1	62.8
Industry	69	245.7	58.7
Mining and quarrying	5	55.6	13.3
Metal production and semi-processing	3	8.2	2.0
Construction materials	10	34.3	8.2
Chemicals	4	9.9	2.4
Motor vehicles, transport equipment	1	1.4	0.3
Foodstuffs	26	94.0	22.4
Textiles and leather	13	25.9	6.2
Unallocated amount of global loans	6	16.3	3.9
Development finance companies	1	0.1	—
Agriculture	2	9.3	2.2
Services	6	8.1	1.9
Tourism	4	7.0	1.7
Research and technical assistance	2	1.1	0.2
Grand Total	113	418.7	100.0

(1) See Note 4 to Table 2, page 25.

(2) Ordinary loans (234.5 million) from EIB resources and special operations (164.1 million) financed from EDF resources.

(3) See Note 1 to Table 3, page 34.

Table 13: Breakdown by project location

Location	Ordinary operations from EIB resources					Special operations ⁽¹⁾					Total financing			
	Yaoundé Conventions		Lomé Convention		Total Amount	Yaoundé Conventions ⁽²⁾		Lomé Convention ⁽²⁾		Total Amount	Number	Amount	of which Yaoundé	of which Lomé
	Number	Amount	Number	Amount		Number	Amount	Number	Amount					
Benin	—	—	—	—	—	1	3.3	—	—	3.3	1	3.3	3.3	—
Cameroon	9	17.3	3	18.2	35.5	6	23.9	1	2.3	26.2	19	61.7	41.2	20.5
Congo	1	9.0	—	—	9.0	3	6.7	—	—	6.7	4	15.7	15.7	—
Ivory Coast	10	51.2	4	21.6	72.8	10	35.6	2	2.2	37.8	26	110.6	86.8	23.8
Gabon	4	4.4	—	—	4.4	3	10.3	—	—	10.3	7	14.7	14.7	—
Ghana	—	—	1	10.0	10.0	—	—	1	2.0	2.0	2	12.0	—	12.0
Upper Volta	1	0.5	—	—	0.5	1	5.0	2	4.4	9.4	4	9.9	5.5	4.4
Mauritius	1	1.7	2	5.0	6.7	—	—	—	—	6.7	3	6.7	1.7	5.0
Kenya	—	—	5	27.9	27.9	—	—	1	1.1	1.1	6	29.0	—	29.0
Madagascar	—	—	—	—	—	1	1.9	—	—	1.9	1	1.9	1.9	—
Malawi	—	—	2	9.5	9.5	—	—	1	1.0	1.0	3	10.5	—	10.5
Mauritania	1	11.0	—	—	11.0	1	2.8	—	—	2.8	2	13.8	13.8	—
Rwanda	—	—	—	—	—	—	—	1	3.0	3.0	1	3.0	—	3.0
Senegal	2	3.9	—	—	3.9	3	6.5	—	—	6.5	5	10.4	10.4	—
Tanzania	—	—	—	—	—	—	—	2	7.4	7.4	2	7.4	—	7.4
Chad	—	—	—	—	—	1	1.2	1	7.5	8.7	2	8.7	1.2	7.5
Togo	1	5.9	2	16.3	22.2	—	—	3	5.2	5.2	6	27.4	5.9	21.5
Zaire	3	34.2	—	—	34.2	2	14.8	2	1.2	16.0	7	50.2	49.0	1.2
Surinam	—	—	—	—	—	1	1.9	—	—	1.9	1	1.9	1.9	—
Netherlands Antilles	—	—	—	—	—	1	4.4	—	—	4.4	1	4.4	4.4	—
Caribbean	—	—	—	—	—	—	—	1	1.0	1.0	1	1.0	—	1.0
New Caledonia	2	7.0	—	—	7.0	2	3.4	—	—	3.4	4	10.4	10.4	—
Réunion	—	—	—	—	—	2	2.8	—	—	2.8	2	2.8	2.8	—
Guadeloupe	—	—	—	—	—	1	0.7	—	—	0.7	1	0.7	0.7	—
Martinique	—	—	—	—	—	1	0.6	—	—	0.6	1	0.6	0.6	—
Grand Total	35	146.1	19	108.5	254.6	40	125.3	18	38.3	164.1	112	418.7	271.9	146.8

(1) Operations on special operations financed from Member States' resources through the European Development Fund and accounted for in the Bank's Special Section.

(2) Ordinary special operations and contributions to risk capital formation.

(3) Risk capital formation.