EUROPEAN DEVELOPMENT AID

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COMMISSION OF THE EUROPEAN COMMUNITIES


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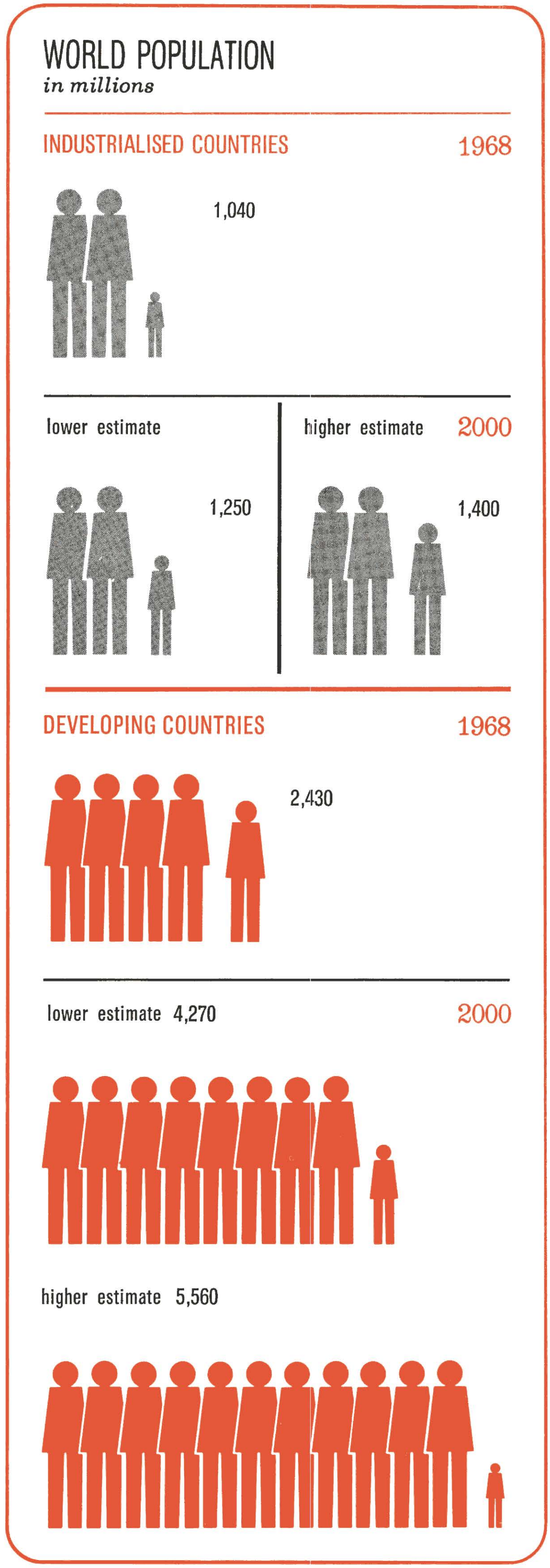
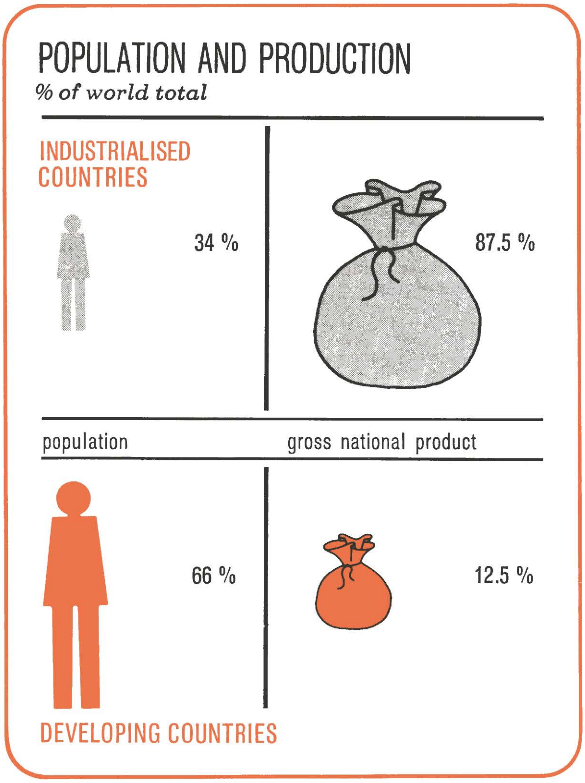
EUROPE AND THE DEVELOPING COUNTRIES



One of the major problems of our time is the division of the peoples of the world into economically developed and developing nations. The countries in the first group have more than 1,000 million inhabitants, those in the second about 2,500 million. This gap, already enormous, is bound to get wider rapidly. By the end of the century, at the present rate of growth, there will be about 1,300 million people in the first group against 5,000 million in the second. The developed nations account for more than four-fifths of the world's total production and more than 90% of its industrial output. There is no clearer indication of the key role of industry in economic advance and in raising standards of living.

Given this difference, gross national product per head naturally varies enormously: $ 100 a person a year at the lower end of the scale, more than $ 3,500 at the top. The average is at about $ 500. Above that level a few live in luxury; below it, a huge number face suffering in all its forms: starvation or malnutrition, illiteracy, early death.



why help developing countries?

What makes the situation dramatic is that population and production follow opposite trends: production increases much faster in the industrialised countries than in the others, where its growth scarcely balances the growth of population.

If this trend continues unchanged, it will create a gulf between the rich and the poor, the privileged and the underprivileged, so deep that it will inevitably lead to an explosive situation.

The commission set up by the World Bank under the chairmanship of Lester B. Pearson, former Canadian prime minister, reaffirmed that the world had become a village unified by necessity, whether by war or by pollution. If developed nations were to ignore this, they would one day find the rage of the hungry directed against them. At the same time they would be betraying the essential values on which they based their own development, striving to eliminate the excessive inequalities which cause stagnation. And they would be limiting their own horizon, for only international cooperation can maximise the benefits from all the resources of the world for the good of poor and rich, weak and strong alike.

If the developed nations wanted to retain their place in the world, the Pearson Report said, they would have to participate fully in the creation of a world order in which all nations and all men could live in freedom and dignity, and could enjoy a decent standard of living.

This action beyond national frontiers, far from clashing with what is being done within them, complements it. The struggle against poverty is a response to the same single moral and political imperative. And the resources available today are adequate for both if there is a common readiness to make minimal sacrifices.

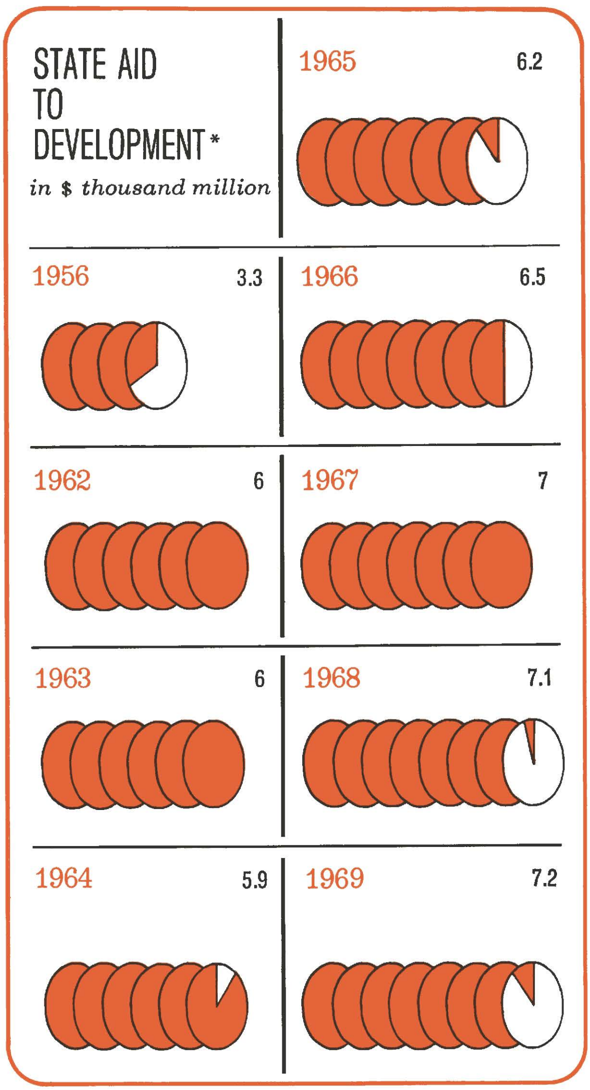
crisis report

Official development aid given by the industrialised countries, which had grown rapidly until 1962, has since then levelled off and as a percentage of gross national product it has actually fallen. Taking into account the growth of their own resources, and the depreciation of monetary values, the developed nations have fallen further and further short of the aid target of 1 % of G N P.

This target includes both official aid and private capital. Official aid, according to all the international organisations, should reach a minimum of 0.70 % of G N P of the donors. Yet it precisely this form of aid which has declined the most.

The targets for overall aid from the developed countries have never been reached. The European Community did meet its target in 1960, but since then it has fallen below the minimum for official aid. To put things right by 1975, the Pearson Report estimated that world official aid must reach $ 16,200 million a year as against $ 7,100 million in 1968. EEC aid should reach $ 3,500 million as against $ 1,800 million.

These figures show how great is the effort needed to counteract the decreases of recent years. This effort can succeed only if the rich countries accept certain constraints and even certain sacrifices.



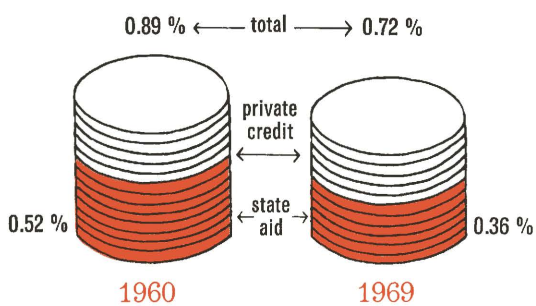
* Bilateral and multilateral state aid provided by the 16 member countries (1). Development Aid Committee (DAC) of the OECD who together provide almost all such aid.

(1) Germany, Australia, Austria, Belgium, Canada, Denmark, U.S.A., France, Italy, Japan, Norway, Holland, Portugal, Sweden, Switzerland, United Kingdom.

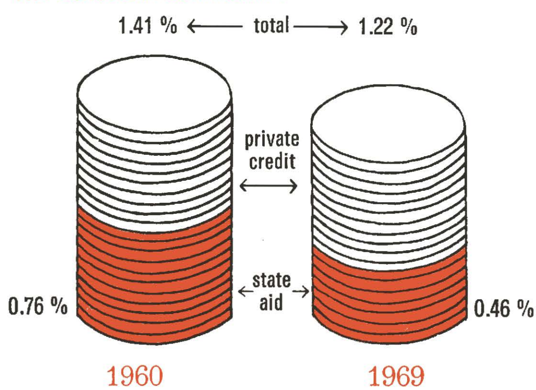
Official aid, which is mainly in the form of grants, is irreplaceable. Even if loans at low interest have a part to play, they can never replace grants because repayment entails a burden on the budgets of the states receiving the loans which is too much for them to bear. The Pearson Report said that loans, which have grown from 13% to 50% of bilateral aid, are increasingly placing an intolerable burden on the developing countries: servicing the debts takes 87% of new loans in Latin America and 73% in Africa. Only an increase in grant aid can stop this trend, which threatens to lead to a tragic dead-end.

TOTAL AID TO DEVELOPING COUNTRIES
as a percentage of gross national product

MEMBER COUNTRIES OF THE DAC



THE EUROPEAN COMMUNITY



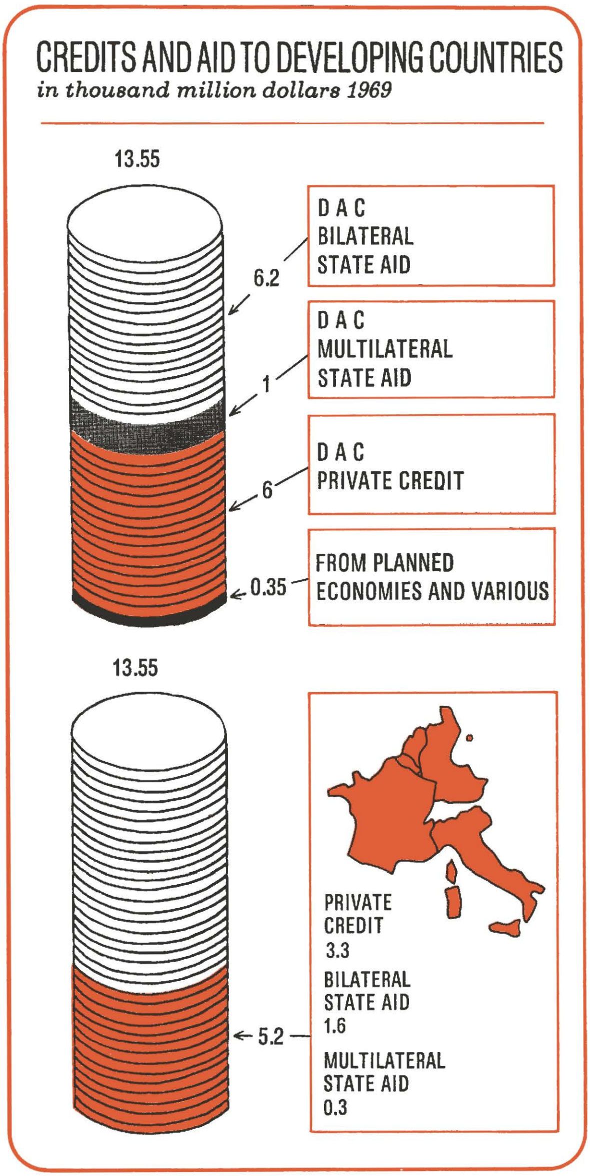
europe's responsibilities

All these facts, too often unknown or forgotten, indicate what attitude the rich countries must adopt. Apart from any fellow-feeling, concern for their own future makes it imperative for them to take all possible measures to avoid the conflicts which will result if this trend continues. How can they refuse to make an effort which demands no more from them than did the right of the poor in the Middle Ages to glean 1% of the harvest from the rich?

It is natural that the developing countries should turn first of all to Western Europe, well up in the small group of privileged countries, with a per capita GNP of $ 2,048 in 1968. It is natural too that Europe should face particular responsibilities. For it was Europe that contributed decisively in the age of colonisation to awakening vast areas and (by fighting endemic disease and reducing infant mortality) to setting off the population explosion which is so alarming today.

The old continent has put much effort, often at great cost, into remedying the imbalances resulting from its own development, which has for example affected farmers and small traders, it is unconceivable that it should remain passive in the face of problems which have arisen in the countries for which it had for a time taken responsibility.

So it is understandable that the six members of the European Community alone provide a quarter of all the official aid to developing countries. Most of this aid, as is the case for the industrialised nations as a whole, is bilateral, from one country to another.



the community and africa

Relations between Europe and the developing countries entered a special stage after the establishment of the Common Market in 1958. When Germany, Belgium, France, Italy, Luxembourg and the Netherlands decided in 1957 to link their economic destinies, they could not ignore the problems posed by the special relationships some of them had with countries or territories overseas, mainly in Africa.

The preamble to the Rome Treaty declares that the six states resolve to confirm the solidarity which links Europe and the countries overseas, and assure their prosperous development. This objective is expressed in article 131 of the Treaty where it says "The purpose of this association shall be to promote the economic and social development of the countries and territories... This association shall in the first place permit the furthering of the interests and prosperity of the inhabitants of these countries and territories in such a manner as to lead them to the economic, social and cultural development which they expect".

This general statement was made at the beginning of the Community's joint undertaking, and shows the member states' willingness to contribute to the development of the developing world within the particular geographical framework bequeathed by history.

But because it covered countries which were on the point of becoming independent, the association was intentionally conceived as something that could be revoked. By making it renewable after five years, the signatories of the Rome Treaty made the long-term future of the association subject to the wishes of their partners. The association defined by articles 131 to 136 of the Rome Treaty amounted to an entirely new approach, its legal status hard to define, but its spirit perfectly clear. At the same time as they committed themselves to an unprecedented effort of economic integration the six states were inaugurating a new form of cooperation between industrialised nations and developing countries.

the two aspects of the association

This cooperation has two essential aspects: the creation of a vast economic area, in which trade is as free as possible, and the granting of development aid to the associated countries, mainly by means of a fund specially set up for the purpose, the European Development Fund.

The trade arrangements had to take into account associated States' widely differing degrees of economic development and the diverse situations they had inherited; some countries, like the Belgian Congo, had had an "open door" trade system, whereas others, in particular those linked with France, benefited from extensive protection and preferences. These complexities were to lead to the establishment of a basically pragmatic system. Limits or exceptions were laid down to meet the needs of the associated economies, as yet insufficiently industrialised, and to take into account certain of the Community's own requirements, (the common agricultural policy in particular).

This empirical and flexible approach did not prevent the setting up of a new system between the Community countries and the associated States-which has no parallel in the whole world of free trade.

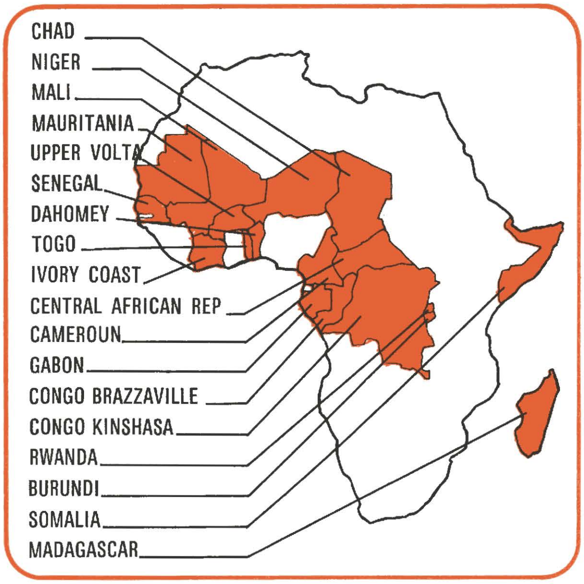
The financial aid given, besides being multilateral, is additional to and never substituted for other contributions to the developing world from the Community. It consists entirely of budgetary allocations. These government funds were entirely available for non-repayable aid on investment projects likely to further economic or social general development. They offered no immediate return. The total amount, for the first five years (1958-63) was fixed at $ 581 million.

from rome to yaoundé

The nature of the association was bound to change as most of the non-European countries became independent. The idea of the Community's founders was indicated as all except two chose to remain associated with the Six. The exceptions were New Guinea, which chose to join Indonesia, and Guinea, in west Africa.

In this way there emerged the group of 18 independent states (seventeen in Africa, plus Madagascar) which had formerly been linked with France, Belgium and Italy, and are now associated with the Community. Two territories under British trusteeship also came to be included: South Cameroun, which formed part of the Federal Republic of Cameroun, and Somaliland which joined the Somalian Republic. After negotiating as free states with the Six, all these 18 countries on July 29, 1963, signed a Convention at Yaoundé, capital of Cameroun, covering a further five years.

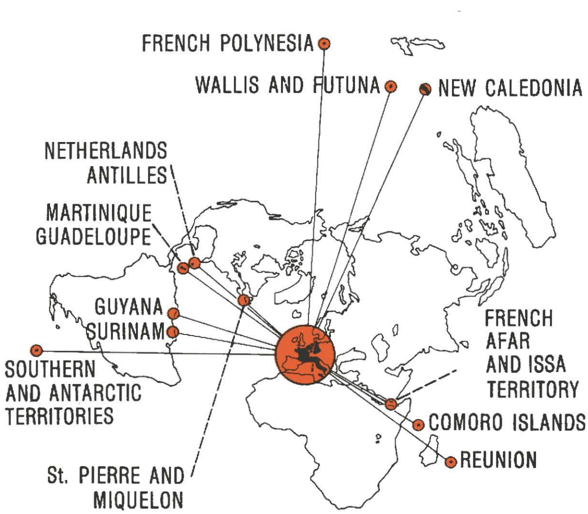
Alongside the associated states, the following also have special links with the Community, especially where aid from the European Development Fund is concerned: the overseas countries and territories connected with certain members of the Community (Surinam, the Dutch Antilles, French Polynesia, the Comores, New Caledonia, Wallis and Futuna, St Pierre and Miquelon and the Territory of the Afars and the Issas), and the French overseas departments (Guyana, Martinique, Guadeloupe and Reunion).



reinforced cooperation

The Yaoundé Convention indicated clearly that the policy started at Rome was to be continued. The preamble to the Convention states that the signatories are "resolved to pursue in common their efforts for economic, social and cultural progress in their countries". This voluntary cooperation "on the basis of complete equality and friendly relations, whilst respecting the principles of the charter of the United Nations" was reflected in the institutions set up : practically without equivalent in their rigorous respect for the equality of all the countries taking part, they favoured the pursuit of the work already undertaken.

The work continued to revolve around two cardinal points: reciprocal free trade and financial aid from the Six to their partners. On both points, the new terms sought only to adapt the former system and apply in changing circumstances the lessons learnt from experience. The trade arrangements were modified by a lowering of the Community's external tariff on tropical products, the "opening" towards the rest of the world being partly compensated for by a provisional system of price support. At the same time steps were taken to enable the associated states to protect their developing economies, and particularly their infant industries.



The size of the European Development Fund was increased, and its field of action enlarged, in particular by the possibility of granting special very long term loans at low rates of interest. It was also laid down that the European Investment Bank could make loans on normal terms of up to $ 70 million, thus bringing the total contribution by the Six to the associated states and the overseas territories to $ 800 million.

the second yaoundé convention

The Yaoundé Convention came into force on 1 June 1964. It proved to be as fruitful on the political level as in its practical implementation, being a product of care and realism on both sides. The links forged between the Six and the associated countries, and the positive results obtained, led naturally to a renewal of the agreement. Negotiations started at the end of 1968 and there were numerous meetings of ministers and experts, with full discussion of the problems posed by the internal development of the Six and the Eighteen, as well as by world trends generally. A new Convention was initialled on 28 June 1969, in Luxembourg, and signed on 29 July at Yaoundé.

The signatories kept the same objectives as before and retained pratically unchanged the institutions and procedures of the association. In doing so, they acknowledged that what they had achieved in common was worthwhile. After the second Convention had been ratified by the Six and the Eighteen it came into force on January 1, 1971, and expires on January 31, 1975. Negotiations on a new system will start eighteen months before its expiry (instead of one year as before).

The Convention strengthened some of the previous arrangements and introduced some new ideas, including a recognition of the need to harmonise the overall policy of the Community towards developing countries with the regional policy existing within the framework of the association.

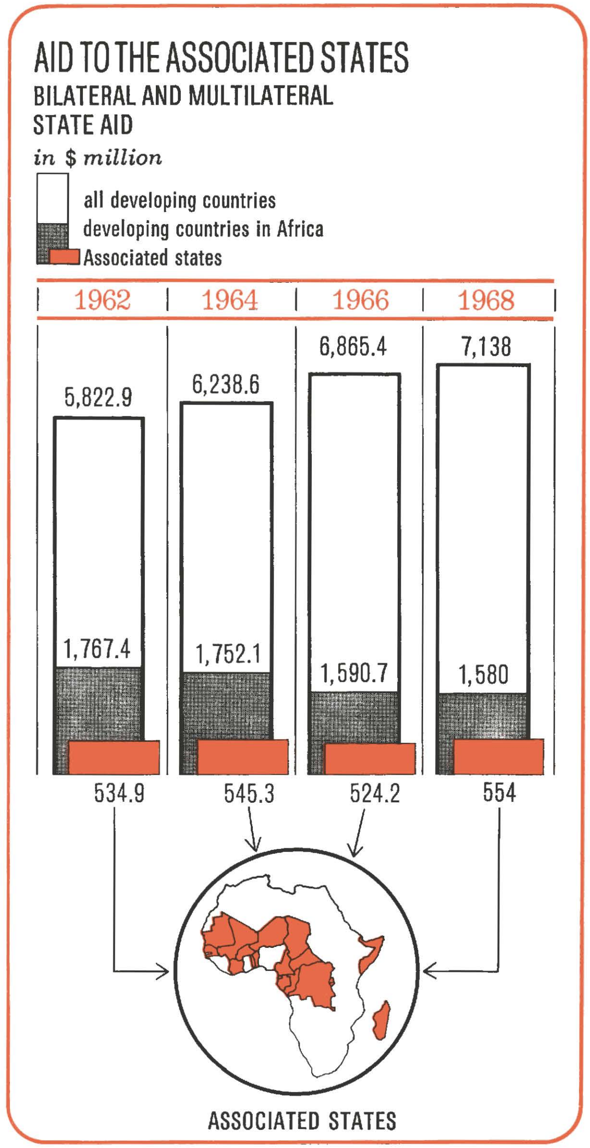
Thus the trade arrangement provided for a new lowering of the external tariff for certain tropical products, without any compensatory measures of price support. But new forms of aid were planned to enable the associated states to cope with exceptional difficulties. Incentives to inter-African cooperation were strengthened. At the same time aid from the E D F and the EIB was raised to $ 900 million and $ 100 million respectively, i.e. a total of $ 1,000 million.

The Fund's and Bank's methods were made more flexible and better adapted to building up the economic independence of the associated states by promoting productive investment, particularly in industry, and by increasing technical assistance.

The Yaoundé agreement, often the outcome of delicate compromises, reflected the determination of the partners to the association to preserve a form of special cooperation between them, but without running counter to the wider efforts being made to increase trade between all countries and to aid the overall development of the economically less-advanced nations.

an open policy

Various reasons justify the special aid given by the Community to the associated states: they are among the most deprived of the developing countries, they lack natural resources, their economies are small and many are landlocked. Their average gross national product per head is not more than $ 100, compared with $ 2,048 for the Community in 1968. This explains the relative importance of official aid, both bilateral and multilateral, to the associated states ; 7,6 % of all aid to developing countries, for a population which represents about 4 % of all the inhabitants of the third world (or $ 8 per person, compared with the overall figure of a little more than $ 4). The members of the Community always considered that these links with the associated states could be extended to other countries. This was clearly expressed in the Declaration of Intent of 1 and 2 April 1963, when the first Yaoundé Convention was signed: in it the Six offered non-member countries whose economic structure and production pattern were comparable to those of their Yaoundé associates the chance of joining the Convention, concluding an association agreement with the Community, mainly concerning trade, or signing a simple commercial agreement. This policy has resulted in a series of negotiations with other African countries. Those with Nigeria were concluded, and then not ratified before the expiry date. But others followed which enabled the Six to start extending the



association. A convention (summarised at the end of this booklet) was concluded in 1969 with the three East African states of Kenya, Uganda and Tanzania.

Also in 1969, five-year agreements were signed with Morocco and Tunisia. They covered reciprocal trade preferences: most industrial goods from Morocco and Tunisia enter the Community duty free: their main agricultural products (olive oil, hard wheat, citrus fruits) receive privileged treatment; and for Community products entering Morocco and Tunisia consolidated the duty-free quotas the Six enjoyed separately and granted tariff reductions. New negotiations will take place, at the latest at the end of the third year, with a view to extending these commercial agreements.

On a more general level, the Community has since 1968 been giving food aid to developing countries. Within the framework of the world food-aid convention of 1967, it undertook to provide 1,035,000 tons of wheat or teed grains annually for three years, some of this being given by the Community as such and the rest by the Six on a national basis. The quotas were fixed at 320,000 tons for Germany and France, 238,000 tons for Italy, 82,000 tons for the Netherlands, 73,000 tons for Belgium and 2,000 tons for Luxembourg. Four international aid institutions (Red Cross, Joint Church Aid, World Food Programme and United Nations Relief and Welfare Association) were involved, and food-aid was sent to 24 developing countries, mainly in Asia (42% of gifts) and in Africa (31%). On its own initiative the Community also established a system of food aid in the form of milk products, as part of its plan to dispose of certain agricultural surpluses. In 1971 the food aid convention was renewed for another three years, and the Community undertook to provide a further 1,035,000 tons. The Community programme, worked out in April 1969, covered skimmed milk and butter oil. Two consignments were sent to the world food programme of the Red Cross, and requests were received from ten states of Asia and Africa.

The Community's outward-looking policy is also shown in its active participation in the work of the United Nation Conference on Trade and Development (U N C T A D). Thus, while the association with the 18 associated states in Africa and Madagascar is the hub of the Six's action, it also fits into the wider framework of the aid which the Community seeks to provide in a variety of forms for all developing countries.


ASSOCIATED AFRICAN STATES AND MADAGASCAR
ASSOCIATED EAST AFRICAN STATES
STATES WHICH HAVE AN AGREEMENT WITH EEC
Algiers
Tunis
Rabat
Tripoli
MOROCCO
TUNISIA
Cairo
SPANISH SAHARA
ALGERIA
LIBYA
EGYPT
Villa Cisneros
MAURITANIA
MALI
Nouakchott
Nile
Senegal
NIGER
CHAD
FRENCH AFAR AND ISSA TERRITORY
Dakar
SENEGAL
Niger
Khartoum
Blue Nile
SUDAN
GAMBIA
Bamako
Niamey
UPPER VOLTA
Ouagadougou
Djibouti
GUINEA
Fort-Lamy
ETHIOPIA
Volta
DAHOMEY
Conakry
NIGERIA
SIERRA LEONE
Freetown
IVORY COAST
TOGO
Addis-Ababa
White Nile
CENTRAL AFRICAN REP.
GHANA
Lagos
Monrovia
Accra
LIBERIA
Porto-Novo
CAMEROUN
SOMALIA
Abidjan
Lome
Bangui
Ubangi
Yaoundé
UGANDA
Mogadishu
EQ. GUINEA
Bata
CONGO KINSHASA
KENYA
Libreville
CONGO BRAZZAVILLE
Kampala
GABON
Nairobi
Kigali
RWANDA
Brazzaville
Bujumbura
BURUNDI
Kinshasa
TANZANIA
Dar Es Salaam
Loanda
COMORO ISLANDS
ANGOLA
MALAWI
ZAMBIA
Lusaka
Zomba
Salisbury
MOZAMBIQUE
Tananarive
SOUTH-WEST AFRICA
RHODESIA
BOTSWANA
MADAGASCAR
Windhoek
Gaberones
Pretoria
Lourenço-Marquès
SWAZILAND
LESOTHO
SOUTH-AFRICAN REP.
Capetown

AFRICA MADAGASCAR: THE ASSOCIATION

INSTITUTIONS

During the negotiations for the second Yaoundé Convention, it was not thought necessary to modify the institutions which had functioned well while the first Convention was in force. The association is thus continuing as it has begun: with a permanent dialogue, in the framework of these institutions, between countries which, although at different levels of development, are legally equal and sovereign.

This basic element of equality, reflected in the institutions of the association, is their most striking characteristic and constitutes the originality of the Community's aid to the Eighteen as compared with other types of bilateral and multilateral aid.

The institutions are: the Association Council, assisted by the Association Committee, the Parliamentary Conference of the Association and the Arbitration Court of the Association.

the association council

The Association Council is composed on the one side of the members of the Council of Ministers of the Community and members of the European Commission and on the other side of a member of the government of each associated state.

The Chairmanship of the Association Council devolves in turn upon a member of the Council of Ministers of the European Community and upon a member of the government of an associated state.

It meets once a year, the meeting being convened by the Chairman; and at any other time that a meeting is thought necessary, according to its standing orders. It has a double role: it provides for exchange of information and for consultation, and it takes binding decisions Consultation is of great importance, and is provided for in many parts of the second Yaoundé Convention, principally in the areas of customs duties, quotas, commercial policy, and safeguard clauses.

The procedure is flexible in the sense that the consultation can take place *a posteriori*, especially in an urgent case. But prior consultation is compulsory under protocol n° 1 of the second Convention; this comes into play when the Community wants to establish rules for importing the Eighteen's agricultural products (or processed foodstuffs made from them but which resemble or compete with Community products). Consultations and exchange of information favour the smooth working of the association while respecting the independence of the partners, above all of the associated states.

This independence is even more in evidence when the Council of Association acts: "the joint agreement of the Community on the one hand and the associated states on the other" is necessary. These acts fall into two categories: resolutions, recommendations and opinions; and decisions. The former, which are not binding, can be taken in any field, but decisions can only be taken on questions covered by the Convention. In spite of this limiting aspect, the field covered by decisions is broad; for example, the Association Council defines the general direction of financial and technical cooperation on the basis of an annual report from the Commission. The decisions of the Association Council are mandatory on the contracting parties which must take steps to ensure their execution. So far this has never raised difficulties. Because it is unable to meet frequently, and therefore is unable to intervene in the running of the association each time the occasion arises, the Council can, under certain conditions, delegate to the Association Committee the powers given it by the Yaoundé Convention.

The importance of the Association Council must be stressed. The need to present a united front has spurred the associated states to create common institutions — a legally separate council of coordination, assisted by a coordination committee and by a coordination secretariat.

The second Yaoundé Convention recognised the existence of the Council of coordination with a protocol dealing with privileges and immunities. The association has thus helped to promote African solidarity.

the association committee

The Association Committee is composed of one representative of each member state and one representative of each associated state. The chairmanship is held by the country currently chairing the Council of Association. The Committee accounts to the Council for its activities, particularly in the growing areas where responsibility has been delegated. In these cases the Committee deliberates with the Community and the associated states each acting as a group. The Committee of Association may make proposals to the Council of Association.

the parliamentary conference of the association

The Parliamentary Conference of the Association meets once a year. It is composed of equal numbers of members of the European Parliament and members of the parliaments of associated states.

Every year it receives a report on the activities of the Council of Association and it can vote resolutions in matters concerning the association. The work of the Parliamentary Conference is prepared by a joint Committee.

the arbitration court of the association

The Arbitration Court consists of five members: a president nominated by the Association Council, assisted by four judges, of whom two are appointed by the Community and two by the associated states. The Court, which decides by majority, deals only with disputes which it was not possible to deal with by an informal procedure in the Council. The new Convention moreover provides for recourse to a good-offices procedure before a dispute is brought before the Association Council.

So far the Court has not had to decide any important dispute. This confirms that the association has succeeded in establishing cooperation based on friendship and trust, as desired by all its members.

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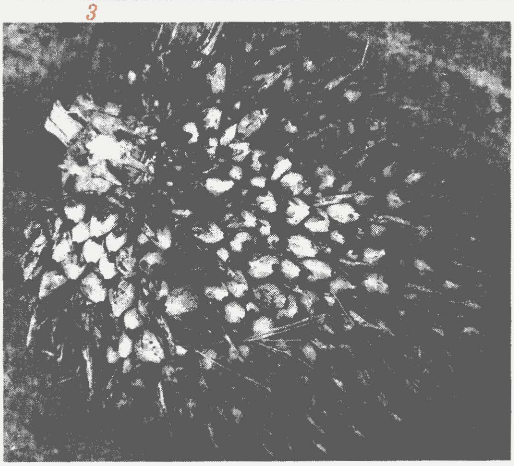

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TRADE

Within the association, the expansion of trade, though not an end in itself, has always been considered as at least a powerful means of contributing to the economic progress of the associated countries. Experience shows that dynamic external trade can decisively influence the rate of growth of economies, particularly in developing countries.

a series of free trade areas

The solution adopted from the beginning was that of the principle of free trade between partners. In this way the Rome Treaty created on the commercial level a large grouping including all the associated countries. The initial idea of the trading system was naturally affected as the African states and Madagascar became independent. The associated states felt that a convention with the Community should not regulate trade relations between the Eighteen themselves; they preferred to break up the free trade area which thus became, under the first Yaoundé Convention, a series of free trade areas between the Community and each of the 18 associated states. In practice, the Eighteen have worked out ways for economic and customs cooperation on a regional level between groups of the associated states; these are outside the rules of the Convention, but have the Community's support. The association thus acted as a catalyst creating or reconstituting regional groupings where there is cooperation of a kind which hardly exists elsewhere in Africa.

1 - Cocoa
2 - Coffee
3 - Bananas
4 - Tea
5 - Palm nuts
6 - Peanuts
7 - Cotton
8 - Timber
(Afrique-Photo)

The principle of free trade in both directions between Africa and the Community was retained in the second Yaoundé Convention, and the granting of reciprocal preferences continues. But the principle has been amended in the course of the years in the light of experience gained, of certain constraints and needs of the partners, and of the demands made on the Community by virtue of its responsibilities to all developing countries.

common agricultural policy

As a rule goods from the associated states are imported into the Community free of customs duties and quotas, and are treated in the same way as those traded within the Common Market. There is one exception: the preferential system applied to agricultural products from the Eighteen which compete directly with Community products falling under the Common Agricultural Policy (C A P) is generally not so advantageous as the intra-Community system.

The C A P was not working at the time of the first Yaoundé Convention and the Convention merely expressed the principle of taking into account the interests of the associated states. Under the terms of Yaoundé II, the Community undertook to guarantee a more favourable system to the associated states than to non-member countries. These special systems have been reviewed and amended after consultation with the associated states. They will remain in force until the end of the Convention, which assures the associated states a large measure of stability.

policy towards non-member countries

The members of a free trade area control their own commercial and tariff policy towards non-member countries. So the benefits accruing from a preferential system can vary according to the shape of that commercial policy. The preference consists of the difference in treatment accorded to non-member countries and privileged countries.

The level of preferences granted to the associated states was bound to be influenced in the long run by the general trend prevailing in relations between industrialised and developing countries. This is towards an opening up of the markets of the industrialised countries in favour of developing countries. The Community could not abstain from taking part in this policy. But the Community has always carefully safeguarded the essential interest of its associates, and tried to find formulae which would reconcile its responsibilities to them with those it had towards all developing countries as a whole.

The Community therefore lowered the duties in the common customs tariff on certain tropical products, notably coffee and cocoa, and has totally suspended them on certain others, such as tea. A further reduction on coffee, cocoa and palmoil was envisaged during the negotiations on the second Yaoundé Convention. So while maintaining tariff preferences for its associates, the Community has nevertheless reduced the level of preferences. The competitiveness of the associated countries has also improved during the years and they can face stiffer competition on the Community market.

In the same spirit, the Community declared itself ready to participate in a system of generalised preferences to be granted by industrialised countries to manufactured and semi-finished products from developing countries. The major industrialised nations agreed on a system coming into force in 1970 and it is expected under resolution 21 (II) of C N U C E D at New Delhi in 1968. While formulating its proposals for this system, the Community kept in mind as far as possible the interests of its associates in Africa and Madagascar.

RATES OF COMMON CUSTOMS TARIFF

for non-associated non-member countries (percentage)

Principal products	Rome Treaty	Modified rates after Yaoundé I	Modified rates after Yaoundé II (suspension)
Coffee	16 %	9.6 %	7 %
Cocoa	9 %	5.4 %	4 %
Fresh pineapple	12 %	9 %	
Cloves	20 %	15 %	
Dried coconut	5 %	4 %	
Nutmeg	20 %	15 %	
Pepper	20 %	17 %	
Vanilla	15 %	11.5 %	
Tea *	18 %	10.8 %	
Palm oil	9 %	9 %	6 %

* *Total suspension since 1964, linked with an identical measure taken by the United Kingdom.*

from aid to production...

As a complement to the system of trade preferences, temporary and diminishing financial aid to the associates' production was granted under the terms of the first Yaoundé Convention. By maintaining prices, the aid ensured a minimum income to producers of certain products which were particularly exposed to fluctuations on the world market, and at the same time facilitated the marketing of these products. Out of a maximum of $ 137 million provided for this, $ 33 million were used to maintain prices and the rest went on structural improvement in crop-growing.

The second Yaoundé Convention abandoned the somewhat rigid institutionalised price-support system. A new, more flexible form of aid was introduced to meet exceptional circumstances such as a drastic drop in world market prices affecting a vital product of the country concerned. A special reserve fund drawn from the European Development Fund to a limit of $ 80 million covers the cost of these activities.

...to the promotion of marketing

Because of the other influences on the development of trade (traditional trade flows, international financial ties, consumers' tastes), a preferential system by itself has only a limited effect. For that reason the second Yaoundé Convention placed very strong emphasis on marketing. It provides for a whole range of measures to help the associated states consolidate their position on foreign markets, and find new outlets by more active export policies. They can be financed wholly or in part by the EDF.

The aids to marketing and sales promotion, which are outlined in article 19 of the Convention, cover five main areas: to improve the organisation and work methods of the various official bodies, services or firms concerned with developing the external trade of the associated states, and to favour the creation of such bodies; to build up the participation of the associated states in international trade fairs and exhibitions (at least six a year in the Community, three or four in non-member countries, one or two in Africa); to train experts in foreign trade; to carry out market studies and research; to improve information in the Community and the associated states themselves with a view to developing trade.

EEC products and the associated states

Community products get duty-free access to the associated African and Madagascar markets and there is no discrimination between the different states of the Community. This system, decided upon in principle from the start, was brought in gradually during the period of application of the first Convention: it means that goods from the Community received preference over goods from other sources; in international discussions this arrangement is termed "reverse preferences".

There are, however, a number of exceptions. First, while the associated states do not levy customs duties on goods imported from the Community, those goods are subject, like all other imports, to excise duties (actual customs duties represent an average of only 10% of budgetary receipts by the associated states from all charges on imports).

Like the Community, the associated states are autonomous in their relations with non-member countries. The level of preferences they grant the Community varies from one associated country or group of countries to another, according to the structure and rates of customs duties. Thus Togo, Burundi and Congo (Kinshasa) give the Community no preferential treatment because of prior international agreements.

Even more important, the associated states are allowed to protect their economies, in case of need, against Community imports; each state can impose or maintain quotas or customs duties to meet their development needs.

In this respect, the clauses of the second Convention are broader and more explicit than those of the first Convention. They say that development needs can be the result of numerous considerations: of programmes aimed at raising the standard of living generally; creating new kinds of output for the same end; the need to ensure balance of payments equilibrium and to meet difficulties stemming mainly from the instability of the terms of trade; the need to ensure rapid and steady growth of receipts from exports. When sales of a given products run into difficulties on the market of an associated state, that state can suspend imports of the product for a limited time; the conditions are determined on a case by case basis.

Although the associated states grant "most favoured nation" treatment to the Community there is also an important exception; anxious to encourage regional cooperation between African countries and greater intra-African trade, the Community accepts the disadvantages to it which may stem from the establishment of customs unions, free trade areas or sectoral agreements concluded between the associated countries, or between them and other African countries of a comparable level of development. This clause means that the associated states are not obliged to extend to the Community those advantages which they grant to African countries in the framework of regional agreements or arrangements.

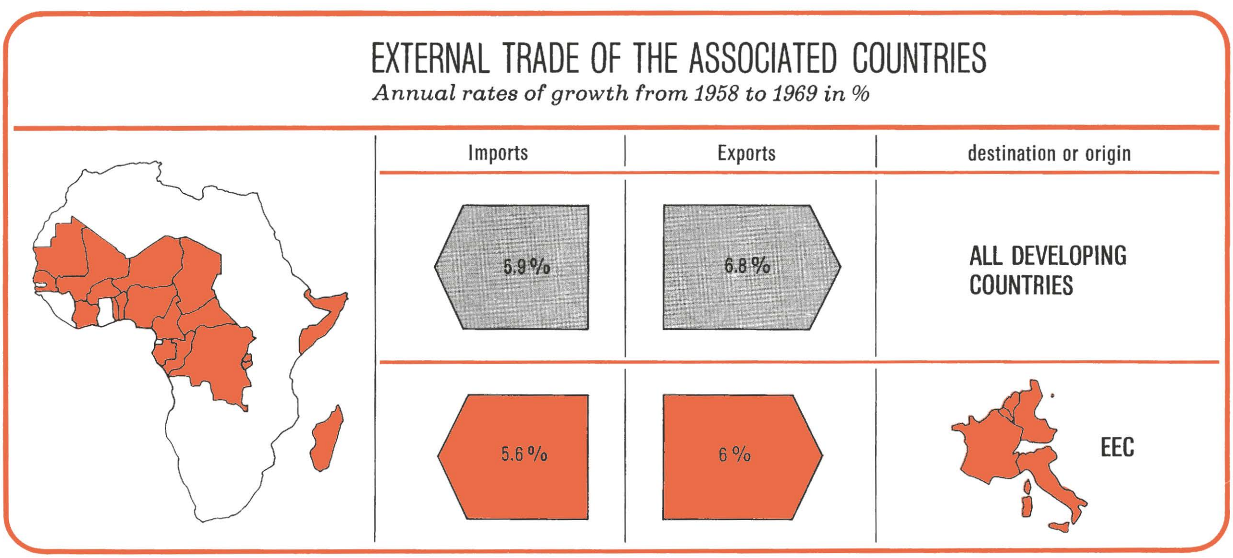
Incentives to regional cooperation are also contained in the clauses dealing with financial aid and technical assistance. They lay down that priority in the allocation of Community aid should be given to actions which help regional cooperation.

balance sheet after ten years

What effect has the association had on trade between the Community and its 18 associated partners? At first sight, the figures seem fairly disappointing. Exports from the associated states to the Community have risen less on average than their exports to other countries, and there has been a similar trend for their imports.

This lag, which has aroused some concern among the associated countries, must be carefully interpreted. To begin with, it is an answer to the criticism that the association is aimed only at perpetuating the dependence of the associated states on the former protecting powers. The figures show that the preferential system in no way prevents the development of trade with the rest of the world. This trend has been especially noticeable in the case of Japan, Great Britain and the United States.

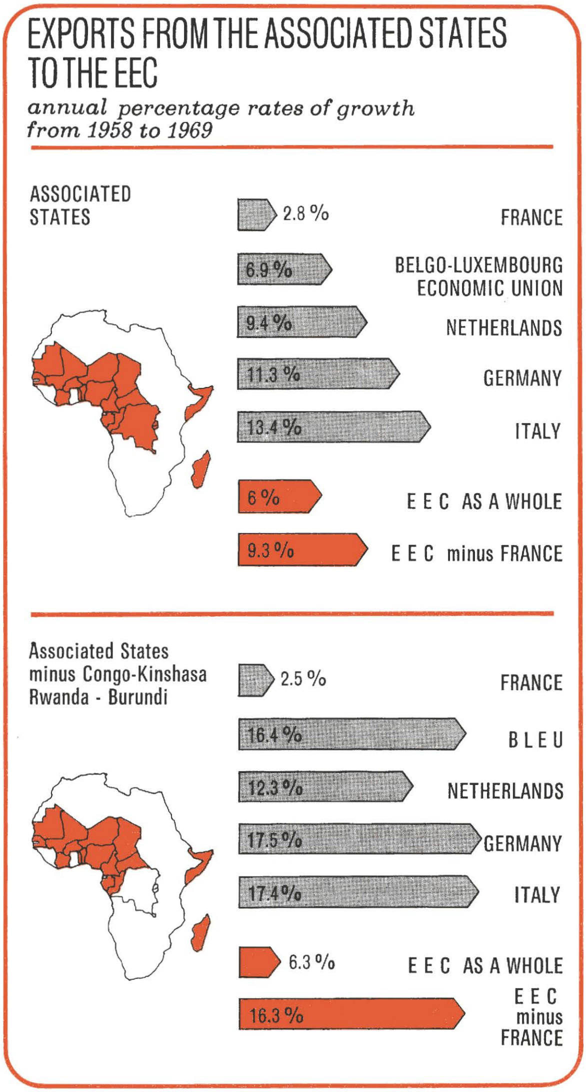
Secondly, the relatively slight growth in the associated states' trade with the Community is largely explained by the fact that most of them already had very close economic ties with France. The exports of the associated states to France have increased by only a little more than 2 % per year, which is nevertheless a remarkable outcome in contrast with the sharp drop in trade between France and the countries of North Africa since they became independent. Conversely, there has been a big increase in trade between the associated states and the other five Community member states, especially Germany and Italy. In addition, if Congo-Kinshasa, whose trade was very much disturbed by the events after independence, is left out of the calculation, the overall rate of growth in trade is much higher. Comparing the exports to the Community from all the developing countries with those from the associated states, one finds that the sales of the associated states have progressed very favourably, taking into

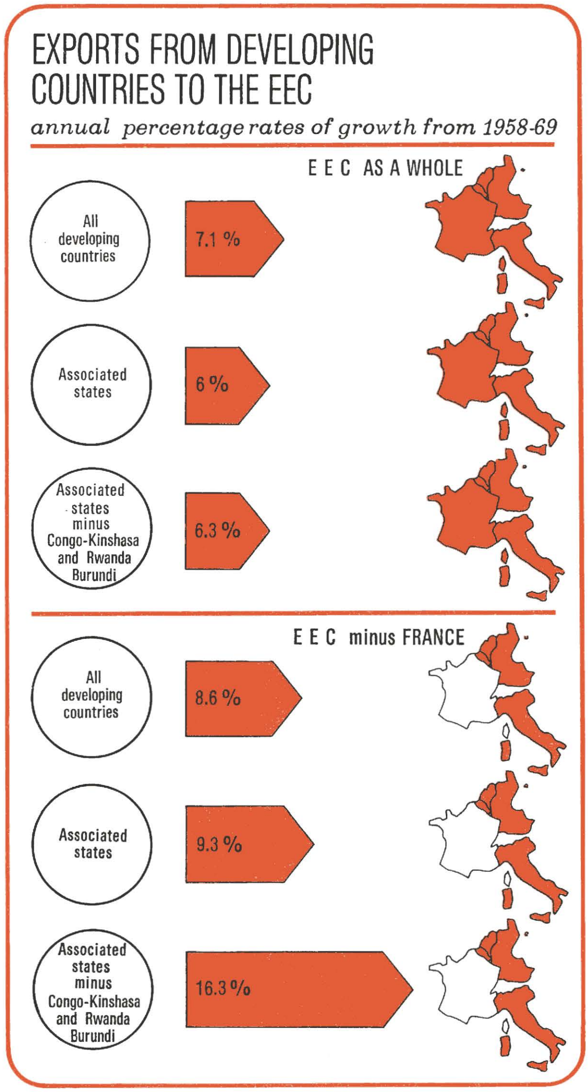


account their special relationships with France (apart from Congo-Kinshasa).

And whereas oil often plays a key role in the exports of other developing countries, it accounts for only a small proportion of the exports of the associated states (except for Gabon).

Thus it emerges that the Yaoundé partnership has positive effects for the associated states, even if they have not all gained equally, because the sectors on which they mainly depend differ. The associated states clearly recognised these benefits when they chose, by adopting the second Yaoundé Convention, to continue the difficult task they had begun.





EXPORTS FROM THE ASSOCIATED STATES TO THE EEC

average of 1967-1969

PRODUCTS	IN $ MILLION	%
COPPER	327	21.8
TIMBER	207	13.8
COFFEE	158	10.5
COCOA	128	8.5
GROUNDNUTS	59	3.9
IRON ORE	53	3.5
BANANAS	49	3.3
COTTON	49	3.3
GROUNDNUT-OIL	44	2.9
COBALT	39	2.6
PALM OIL	29	1.9
CALCIUM PHOSPHATE	24	1.6
OIL-CAKE	22	1.5
ALUMINIUM	21	1.4
TIN ORE	16	1.0
OIL	16	1.0
MANGANESE	15	1.0
OTHER PRODUCTS	247	16.5
TOTAL	1,503	100

WORLD TRADE OF THE ASSOCIATED STATES

(in $ million)

IMPORTS

	1959	1969
FRANCE	386	664
BELGO-LUXEMBOURG ECONOMIC UNION	99	125
NETHERLANDS	27	91
GERMANY	47	150
ITALY	28	87
E E C AS A WHOLE	587	1,117
OTHER DEVELOPED COUNTRIES	147	339 *(1)*
ALL DEVELOPED COUNTRIES	734	1,456 *(1)*

EXPORTS

	1959	1969
FRANCE	454	667
BELGO-LUXEMBOURG ECONOMIC UNION	208	479
NETHERLANDS	42	122
GERMANY	88	248
ITALY	61	200
E E C AS A WHOLE	853	1,716
OTHER DEVELOPED COUNTRIES	228	487 *(1)*
ALL DEVELOPED COUNTRIES	1,081	2,203 *(1)*

(1) Not including Australia, New Zealand, Finland and South Africa; trade between these and the associated states is traditionally slight

RIGHT OF ESTABLISHMENT, SERVICES, PAYMENTS AND CAPITAL

From the start, the association between the Community and the associated states was based on the principle that the persons and companies of a member state should not be treated differently as regards right of establishment and the supply of services. This principle of non-discrimination has been gradually achieved, so that the second Yaoundé Convention provides only for measures to maintain the existing situation.

All the same, this right of citizens and societies of the member states to be treated equally is in practice modified by the working of the "negative reciprocity": this means that an associated state does not accord the right of establishment for a particular activity for citizens or companies from a member state if that member state refuses to grant the same advantages for the same activity to citizens and companies from the associated state concerned.

There is also a "most favoured nation" clause for member states: if an associated state treats nationals and companies from a non member state better than those from member states, the citizens and societies of member states have the right to the same treatment as the non member country. This clause does not operate if the special treatment is the result of regional agreements, because this clause is not intended to hinder the conclusion of establishment conventions within Africa. Freedom of establishment, as understood in the Yaoundé Convention, means mainly access to non-salaried occupations and their practice, the setting up and management of businesses and companies, and the creation of branch agencies and subsidiaries.

Services covers paid work, in particular industrial, commercial, craft and professional activities, except for salaried activities. During the talks on the second Yaoundé Convention a declaration of intent was adopted by the representatives of the governments of the member states and of the associated states undertaking to facilitate the freedom of establishment and reduce certain administrative formalities.

The signatories undertook to authorise payments for transactions involving trade, services, capital and salaries; and their transfer to the member state or associated state where the creditor lives, in so far as the payment is unrestricted under the terms of the Convention.


MATERNITE DE NGOZI
FINANCEE PAR LE
FONDS EUROPEEN DE DEVELOPPEMENT

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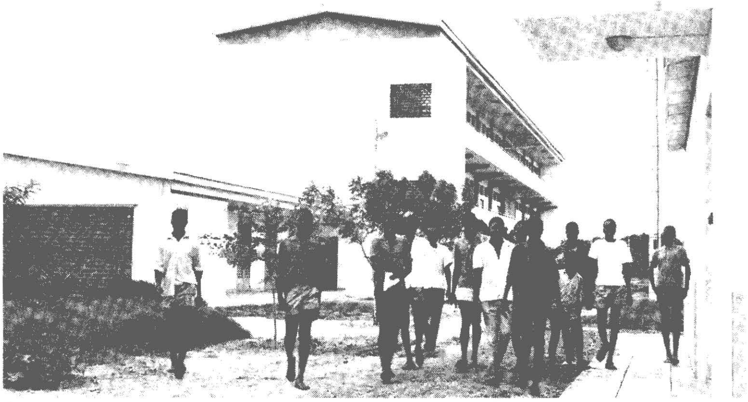

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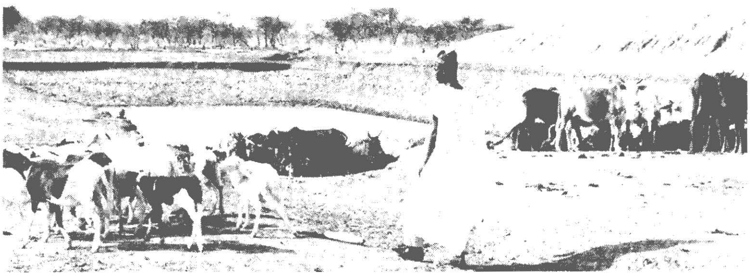

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AID AND TECHNICAL ASSISTANCE

From the start the European Development Fund was the main instrument for carrying out the Community's financial and technical aid policy in the associated states and certain other countries and territories overseas. While the Fund's action has taken different forms through the years, the fundamental principles which underlay its creation have not been modified. Loans from the European Investment Bank have increased and reinforced Community aid.

amount of aid

The European Development Fund is both source and instrument of official Community aid: the six member states contribute from their national budgets in proportion to their wealth. Italy at first made a relatively modest contribution, but its share has twice been increased; this meant a relative reduction in the amount paid by the other countries, particularly Belgium and the Netherlands.

The same Community principle holds for the supplies and work financed by the Fund. Contracts are open to competition from any firms in the Community and the associated countries. At first France dominated the market because French firms were already present and had more experience, but subsequently the trend was corrected, almost reaching a satisfactory balance with the second Fund.

2 : Health
4 : Education
6 : Rural modernisation
7 : Infrastructure
(Afrique-Photo)

The Community's collective effort makes it one of the world's principal donors of official aid. It grew noticeably during the first and second Yaoundé Conventions. The effort has even more weight because it is concentrated in a limited area which has a low population density. This annual aid per head ($ 8.0) is twice as much as overall world official aid ($ 4 a head). The difference is justified because the countries associated with the Community are among the least advanced economically of the developing countries.

Of all the aid received by the 18 associated states, the total aid from the Six (i.e. including direct aid from the member states) amounts to about 80% and direct Community aid to about 20%. The rest is bilateral aid from non-member countries or other multilateral aid from international organizations such as the United Nations.

AID TO THE ASSOCIATED STATES BY THE EEC *in $ million*

	1962	1964	1966	1968
BILATERAL AID	485.5	450.3	421.5	412.1
of which : GERMANY ...	6.5	18.9	26.2	17.6
BELGIUM ...	53.4	66.1	59.7	60.6
FRANCE	288.1	277	241.8	269
ITALY	10.8	8.6	6.8	11
E E C as a whole ..	358.8	370.6	334.5	358.2
USA	94	71	72	43
MULTILATERAL AID ..	96.4	95	111.7	135.6
of which E E C	50.7	76	100	101.3
U.N.O.	15.3	32.1	22.5	25.3
OTHERS	30.4	- 13.1	- 10.8	9
TOTAL AID	581.9	545.3	533.2	547.7
of which E E C	409.5	446.6	434.5	459.5

CONTRIBUTIONS TO THE THREE EUROPEAN DEVELOPMENT FUNDS

1 unit of account = 1 dollar

in millions of units of account	ROME TREATY		YAOUNDE I		YAOUNDE II	
BELGIUM	70	12.04 %	69	9.45 %	80	8.89 %
GERMANY	200	34.41 %	246.5	33.77 %	298.5	33.16 %
FRANCE	200	34.41 %	246.5	33.77 %	298.5	33.16 %
ITALY	40	6.88 %	100	13.70 %	140.6	15.62 %
LUXEMBOURG	1.25	0.22 %	2	0.27 %	2.4	0.28 %
NETHERLANDS	70	12.04 %	66	9.04 %	80	8.89 %
TOTAL EUROPEAN DEVELOPMENT FUND	581.25	100	730	100	900	100
EUROPEAN INVESTMENT BANK	—		70		100	
TOTAL	581.25		800		1,000	

financing methods

The Rome Treaty imposed a certain rigidity on the E D F ; strict rules regulated the distribution of funds. Aid had to be in the form of straight grants and had to be devoted mainly to infrastructure projects.

It soon emerged that the effectiveness which had been the main concern of the founders of the Association required greater pragmatism and flexibility. This trend, already noticeable during the functioning of the first E D F , became clearer during the first Yaoundé Convention and was confirmed by the second. It resulted in great liberty and diversity about methods of financing. The Fund set out to profit from the experiences of the various international organisations, without losing its originality. The same concern is reflected in the close relations which the E D F has with the different aid organisations, national or international, so that there is never overlapping of aid programmes. Instead the Fund's activities complement theirs, sometimes in the framework of vast concerted operations which may involve countries that are not members of the association.

The financing machinery has been made more flexible and diversified. The Fund is not bound by an annual budget and can therefore spread its aid over several years, this means that the associated states can integrate this aid more easily into their development programmes.

To meet the needs of these countries, which are little developed and therefore unable to afford interest charges for loans even at reduced rates, the main part of the E D F credits (more than 80%) is in the form of non-reimbursable aid. The spreading of aid over a number of years and the formula of grants make it possible to carry out important long-term projects without burdening the finances of the benefiting states.

The Community has left scope for loans — normal ones from the European Investment Bank and special ("soft") ones from the Fund itself — to the extent that they are better adapted to financing projects likely to prove profit-making.

This second Yaoundé Convention has reinforced earlier efforts to adapt the financial techniques. It has improved the system of rebate on interest which was already in force during the first Convention; the rebates now take account of market rates so as to avoid possible effects of a rise. These rebates make it possible to lower appreciably (up to 3%) the rate of interest on E I B loans, which are granted for a maximum of 25 years. The E D F itself can also make special loans at a very low rate of interest (2%) for up to 40 years with repayment deferred for ten years.

The third European Development Fund (which operates concurrently with the second Yaoundé Convention) can also grant "two-stage" loans: credit is given at very low interest to the states, which then lend the money to organisations or undertakings at a higher rate, related to the financial return expected

BREAKDOWN BY GROUPS BENEFITTING AND TYPES OF FINANCE (1)

(in units of account)	ASSOCIATED STATES		OVERSEAS COUNTRIES AND TERRITORIES AND OVERSEAS DEPARTMENTS		TOTAL	
	YAOUNDE I	YAOUNDE II	YAOUNDE I	YAOUNDE II	YAOUNDE I	YAOUNDE II
EDF grants	620	748	60	62	680	810
special loans	46	80	4	10	50	90
TOTAL	666	828	64	72	730	900
EIB normal loans	64	90	6	10	70	100
TOTAL	730	918	70	82	800	1,000

(1) The period covered by the first E D F is not given as the financing consisted entirely of grants.

from the projects. This technique while it is an exception, does allow for operations in the associated countries which are least developed and can hardly afford to become indebted.

Finally the E D F can acquire shares in the risk capital of firms and can use local development banks to finance projects, especially by medium and small industries.

aid mechanisms

On the donor side Community aid is essentially multinational but the mechanisms for carrying it out are governed by the principle of equality which underlies the association.

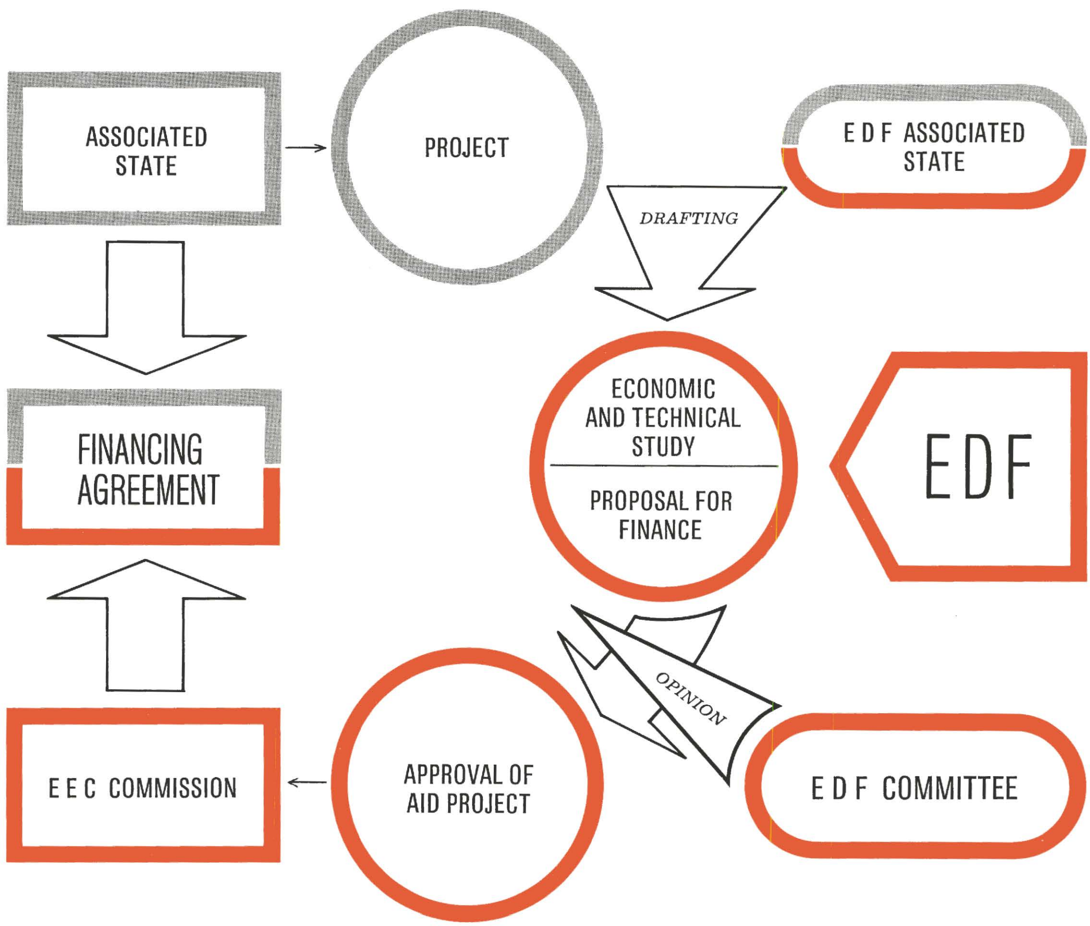
The rule is that all projects suitable for E D F aid must be proposed by the associated states; only the governments of the Eighteen are authorized to present them to the Fund. The intention is that the projects fit into the overall planning of each state and that the beneficiaries assume the responsibility of planning development projects, before taking over their execution.

The same applies to the implementation of projects. The E D F studies closely the files which are presented, and can call in experts or research specialists, and it keeps a tight check on operations which it finances.

It tries to involve the recipient countries closely in the execution of each of their projects, and they bear the administrative costs or the maintenance costs of investment projects.

The second Yaoundé Convention stressed this aspect by calling on the associated states to plan their development more thoroughly and to maintain properly the projects accomplished with Community aid. At the same time, the second Yaoundé Convention, although maintaining the fundamental rule of open tendering (among the Six and the

HOW THE E D F FINANCES A NON-REPAYABLE AID PROJECT



The associated state presents the "project" to the EDF. After the necessary drafting it is studied on the technical, economic and financial levels by the Fund's experts and then submitted to the Committee of the EDF which is made up of technicians from the member states and presided over by the Commission. If their opinion is favourable, the Commission allocates the amount of aid and signs a financing agreement with the associated state. This sets in motion the procedure of asking for tenders and granting of contracts.

Eighteen) for Community-financed projects, included measures to favour to a certain extent firms from associated states.

These measures, written into the financial rules of the E D F , stipulate that operations costing relatively little (less than $ 500,000) may be put up for tender locally or regionally; also, for material made in the country concerned or in a neighbouring associated country the Fund may give in international tenders a price bonus of a maximum of 15 % to local industries.

trends in aid

While the E D F was making its aid mechanisms more flexible, it was modifying and extending the field of application. Originally, the accent had been mainly on infrastructure projects (roads, ports, railways, building and telecommunications), which are considered the basis of general economic development. For the rest, the work was mainly on the social aspects of development (health and education).

This stress was maintained in the first and second Conventions. But to encourage a real economic "take-off" it became evident that it was necessary to act more directly to develop the productive sectors: first agriculture, then industry.

Thus in the second E D F rural modernisation overtook basic economic investment, its share in the total sums allotted rising from less than 20 % to more than 40 %, while that of infrastructure fell from nearly half to less than a third.

Agriculture continues to occupy the first place by far in the economies of the associated states and it is in this sector that priority is given to raising the standard of living of the mass of the population. The water supplies of the villages must be developed, methods of cultivation and breeding improved, and marketing made more efficient. There must also be an attempt to diversify crops as much as possible. This would lessen the dependence of too many one-crop countries on world markets, where prices are often abnormally subsidised on home markets. It is because world market prices are constantly distorted in this way, and because the terms of trade continue to work against developing countries (in spite of all the controversy which this issue periodically arouses), that efforts made in the agricultural sector cannot be enough on their own.

That is why the third E D F strongly reinforces the trend — already hinted at in the first Yaoundé Convention — towards promoting the industrialisation of the associated states. This can be done either by getting full value from agricultural products through processing them or by laying the basis for real industrial activity. The new trade system, as has been noted above, was conceived with this in mind; the same is true for financing schemes involving normal or special loans, and for the grants.

Lastly, whether in modernising agriculture or in launching industrialisation, the European Community's aid policy emphasises technical cooperation. This takes the form of studies by experts and of training at all levels (intermediate, technical and higher) through study grants and the award of traineeships in the services of the Community.

All these measures confirm the pragmatism which the Community has learned from experience gained in the framework of the association. Here the E D F has turned out to be the driving force and its effectiveness is recognised throughout the world.

THE EDF'S ACTIVITIES

The EDF's activities cover a very large field and can take many forms:

- *making immediately productive investments,*
- *developing the rural economy,*
- *investing in the economic and social infrastructure,*
- *technical assistance before, during and after investment,*
- *training workers and managers,*
- *sending experts and technicians,*
- *studying development prospects,*
- *helping to overcome serious difficulties resulting from a drop in prices on world markets or from natural disasters,*
- *making advances to stabilisation funds to compensate for temporary fluctuations in world prices,*
- *helping to improve marketing and sales promotion.*

INFRASTRUCTURE

	FIRST EDF	SECOND EDF
ROADS AND BRIDGES	2,683 km, of tarred roads *of which 416 km were jointly financed by the International Development Association (I.D.A.)* 3,226 km of non-tarred roads 23 large bridges (30-450 metres) 604 bridges and culverts	3,315 km of tarred roads 208 km of non-tarred roads 10 large bridges (30-140 m)
RAILWAYS	377 km of railways 33 metal bridges 135 purchases of carriages 2 rail - road bridges modernisation work	443 km of railways
HARBOURS *modernisation work, dredging, construction of quays, storage space, access roads*	in 18 harbours	in 15 harbours
TOWNS *drainage, mains water, development of building land, electrification, putting down asphalt*	in 37 towns	in 19 towns
Building of markets	in 1 town	in 1 town
Airports	in 2 towns	in 3 towns
TELECOMMUNICATIONS	2 connections	1 connection
ENERGY	1 electric power station	5 electric power stations
TOTAL	255,986,000 U.A.	256,565,000 U.A.

TOTAL CONTRIBUTION TO INFRASTRUCTURE BY FIRST AND SECOND EDF : 512,551,000 U.A.

RURAL MODERNISATION

	FIRST EDF	SECOND EDF
IMPROVEMENT AND DIVERSIFICATION OF PRODUCTION	30,000 hectares of plantations	150,000 hectares of plantations
RURAL DEVELOPMENT	experimental plantations and installations 7 processing factories 18 karite presses storage barns 28 centres of rural expansion 12 farm training camps	development of agricultural regions and storage of harvests 6 processing factories 23 silos 3 training centres research programmes
AGRICULTURAL IRRIGATION	irrigation of 199,000 hectares construction of 54 dams	irrigation of 50,000 hectares 9 dams
WELLS FOR VILLAGE WATER SUPPLIES DRINKING AND CATTLE	2,227 wells 383 springs	1,480 wells 65 pumps
BREEDING	development of breeding techniques purchase of 5,210 head of cattle 13 veterinary centres vaccination centres fight against cattle disease 1 ranch 1 refrigerated abattoir	development of breeding techniques purchase of 2,400 head of cattle 2 ranches cattle markets setting up of 2 farms (22,000 hectares) fight against cattle, disease 4 abattoirs 1 nursing school
VARIOUS	development of fishing	400 apiaries construction of 64 cooperatives and the development of their activities 1 poultry farm
TECHNICAL ASSISTANCE		sending of experts to stimulate rural activity
AID TO PRODUCERS		price support and structural improvements (advice, material, fertiliser etc.)
TOTAL	143,797,000 U.A.	312,995,000 U.A.

TOTAL CONTRIBUTION TO RURAL MODERNISATION BY FIRST AND SECOND EDF : 456,792,000 U.A.

SOCIAL DEVELOPMENT

TEACHING

	FIRST EDF		SECOND EDF
PRIMARY	2,750 classes accommodation for 1,770 teachers	PRIMARY	525 classes, accommodation for 66 teachers
SECONDARY	30 schools and colleges for 15,000 pupils *of which 4,500 are boarders* 32 continuation classes with boarders	SECONDARY	10 schools and colleges for 3,500 pupils, *of which 720 are boarders.* 5 continuation classes
HIGHER	7 colleges of education 4 schools of higher education	HIGHER	6 colleges of education 2 schools of higher education enlargement of one faculty
TECHNICAL AND AGRICULTURAL	40 colleges for education in the professions and technical colleges 100 agricultural training centres 104 seasonal agricultural schools	TECHNICAL AND AGRICULTURAL	10 colleges for education in the professions and technical colleges, technical assistance
TOTAL	115,253,000 U.A.	TOTAL	70,914,000 U.A.

EDUCATION	since 1958, 14,000 grants have been awarded, to people in the following fields :
TECHNICAL	mechanics, public buildings, woodwork, electricity, water supplies
AGRICULTURAL	science and techniques of agriculture, breeding, water conservation, forestry, fishing, veterinary medicine
ECONOMICS	science and technique of economics, financial and marketing economics, development statistics, of economic planning
at three levels :	**higher :** university and postgraduate **lower :** craftsmen and apprentices, skilled workmen **intermediate :** engineer-technicians

HEALTH

FIRST EDF	SECOND EDF
37 hospitals 105 wards 55 maternity hospitals } in all 8,500 beds 129 dispensaries 20 isolation hospitals 18 mobile X-ray units 5 nursing schools 1 research institute 1 teaching school 1 blood transfusion centre 2 pharmacies	5 hospitals 47 wards 21 maternity hospitals } in all 2,125 beds 16 X-ray units 1 nursing school 2 research institutes 1 teaching school 3 pharmacies treament of onchocercocis technical assistance
TOTAL 51,241,000 U.A.	TOTAL 28,929,000 U.A.

TOTAL CONTRIBUTION OF THE EDF TO SOCIAL DEVELOPMENT : 266,337,000 U.A.

MONEY SPENT BY THE E D F

(december 1970)

BY TYPE OF PROJECT

(in units of account)	FIRST E D F		SECOND E D F	
Rural modernisation	143,797,000	24.8 %	312,995,000	44.2 %
Infrastructure	255,986,000	44.0 %	256,565,000	36.2 %
Education and training	115,253,000	19.9 %	70,914,000	10.0 %
Health	51,241,000	8.8 %	28,929,000	4.1 %
Energy	348,000	–	18,692,000	2.6 %
Other	14,625,000	2.5 %	20,770,000	2.9 %
TOTAL	581,250,000	100.0 %	708,865,000	100.0 %

BY COUNTRY

(in thousands of units of account)

Associated state	1st EDF	2nd EDF
Burundi	4,926	20,514
Cameroun	52,798	53,840
Central Africa	18,196	25,870
Chad	27,713	33,637
Congo (Brazzaville)	25,036	20,171
Congo (Kinshasa)	19,593	74,394
Dahomey	20,778	23,455
Gabon	17,761	20,414
Ivory Coast	39,644	58,373
Madagascar	56,265	70,025
Mali	42,023	33,280
Mauritania	15,377	18,444
Niger	31,291	30,625
Rwanda	4,942	18,651
Senegal	43,831	55,943
Somalia	10,089	27,793
Togo	15,936	19,454
Upper Volta	28,351	30,374
TOTAL for the associated states	474,550	635,257

OVERSEAS COUNTRIES, TERRITORIES AND DEPARTMENTS	1st EDF	2nd EDF
Dutch Antilles	13,083	17,164
French territory of the Afars and the Issas	3,077	1,854
The Comoro Islands	4,490	2,605
Guadeloupe	1,863	2,905
Guyana	6,720	2,784
Martinique	2,167	3,700
New Caledonia	4,261	4,212
French Polynesia	8,860	951
Réunion	3,545	8,283
St-Pierre-et-Miquelon	1,199	527
Surinam	16,792	14,242
Wallis and Futuna	–	618
TOTAL for the overseas countries, territories and departments	66,057	59,845
Algeria	25,320	–
New Guinea	4,490	–
Others	10,833	13,763
Still to be undertaken	–	21,135

OVERALL TOTAL FOR THE FIRST EDF : 581,250,000 U.A. - FOR THE SECOND EDF : 730,000,000 U.A.

THE E E C - EAST AFRICAN ASSOCIATION

THE ARUSHA CONVENTION

In 1963 the Community began preliminary talks with the three East African states of Kenya, Uganda and Tanzania, to establish the basis of an agreement.

The final negotiations ended in an agreement which was signed at Arusha on 26 July 1968, but which never came into force because it was not ratified in time by all the countries. At the request of the East African States, new negotiations took place in Brussels from 30 June to 9 July 1969. They led to the conclusion of a second agreement, also signed at Arusha, on 24 September 1969, which will expire on 31 January 1975, the same date as the second Yaoundé Convention.

The second Arusha agreement came into effect on 1 January 1971, and essentially confirms the terms of the first, with some amendments in the light of the economic situation of the three East African states and the principles established in the framework of the Community's negotiations with the associated states.

trading system

The general rule is that exports from the East African states to the Six are exempted, like those of the associated states under the Yaoundé Convention, from customs duties and taxes with equivalent effect on entering the Community. Duty-free imports of coffee, cloves and tinned pineapple are subject to a ceiling agreed by the two parties (coffee 56,000 metric tons, cloves 120 metric tons, pineapple 860 metric tons).

For amounts over and above these figures the Community can take steps to avoid serious disturbances of its traditional markets.

For agricultural products similar to and competing with Community products and for processed foodstuffs, the Community has undertaken to consider the interests of the East African countries within the framework of its Common Agricultural Policy. Examining each case separately after consultation in the Council of association, and as an exception to the general system in force for non-member countries, the Community works out rules for the relevant products originating in the East African states (if these states have an economic interest in exporting them) that are more favourable than those applicable to the same products from non-member countries.

East African countries have removed customs duties on goods from the Six except where the duties are necessary for their development or for revenue purposes. Compared to non-member countries, the Six benefit from tariff advantages amounting to between 2% and 9% on about 60 products. These advantages can be modified, on condition that the total volume of concessions and their distribution between the member states is maintained.

On the basis of 1968 trade figures the preferences for the Community cover only 7% of total East African imports and 11% of their imports coming from the Community.

In theory the East African states do not apply any quotas on imports from member states, except where justified by the needs of their development or by balance of payments difficulties. Exceptionally, and rarely, these restrictions may take the form of a ban on imports, if conditions justify them and after prior consultation.

regional cooperation and institutions

Like the second Yaoundé Convention, the Arusha agreement contains clauses designed to favour regional cooperation. The contracting parties decided that the agreement should not hinder the realisation of a general system of preferences on a world level for manufactures of developing countries, and in particular should not hinder the East African states from participating in such a system.

The agreement recognises the need to establish a definition of the concept of origin of goods which should correspond as far as possible to that established by the Yaoundé Convention.

It also has clauses providing for freedom of establishment and provision of services, and for free movement of payments and capital.

The association has its own institutions, notably an Association Council which can implement and control the application of the clauses in the agreement, a parliamentary committee in which the Six and the three East African states have equal representation and an Arbitration Court. A clause provides for examination 18 months before the Convention expires of the terms on which the agreement with the East African countries can be renewed.

WORLD TRADE OF THE EAST AFRICAN STATES

(in $ 000)

IMPORTS

	1965	1968
FRANCE	15,304	25,243
BELGO-LUXEMBOURG ECONOMIC UNION	9,497	10,640
NETHERLANDS	15,495	23,535
GERMANY	39,466	53,926
ITALY	21,731	34,691
E E C TOTAL	101,493	148,035
COMMONWEALTH	212,413	266,891
WORLD TOTAL	503,869	658,450

WORLD TRADE OF THE EAST AFRICAN STATES

(in $ 000)

EXPORTS

	1965	1968
FRANCE	6,692	6,371
BELGO-LUXEMBOURG ECONOMIC UNION	27,114	6,682
NETHERLANDS	16,897	21,662
GERMANY	39,461	34,290
ITALY	9,194	10,951
TOTAL E E C	99,358	79,956
COMMONWEALTH	202,912	257,263
WORLD TOTAL	483,460	567,103

EXPORTS FROM EAST AFRICAN COUNTRIES TO THE EEC IN 1968

(in $ 000)

COFFEE	28,383	35.5 %
COTTON	12,514	15.7 %
SISAL	9,461	11.8 %
MAIZE	5,548	6.9 %
RAW HIDES	4,146	5.2 %
TEA	2,316	2.9 %
BEANS	2,045	2.6 %
OIL CAKE	1,698	2.1 %
OTHER PRODUCTS	13,845	17.3 %
TOTAL	79,956	100 %

THE AFRICAN ASSOCIATED STATES AND MADAGASCAR

BURUNDI
Capital : Bujumbura - *Area* : 27,834 sq. km
Population : 3,340,000 - *Population per sq. km* : 120
Economy based on : coffee, cotton, tea, scope for tourism

FEDERAL REPUBLIC OF CAMEROUN
Capital : Yaoundé - *Area* : 475,442 sq. km
Population : 5,470,000 - *Population per sq. km* : 12
Economy based on : cocoa, coffee, cotton, tropical wood, aluminium, diversified manufacturing, tourism

CENTRAL AFRICAN REPUBLIC
Capital : Bangui - *Area* : 622,984 sq. km
Population : 1,459,000 - *Population per sq. km* : 2
Economy based on : diamonds, tropical wood, cotton, textile industry

PEOPLE'S REPUBLIC OF THE CONGO
Capital : Brazzaville - *Area* : 342,000 sq. km
Population : 860,000 - *Population per sq. km* : 3
Economy based on : tropical wood, potassium, sugar industry, various manufacturing industries

DEMOCRATIC REPUBLIC OF THE CONGO
Capital : Kinshasa - *Area* : 2,345,409 sq. km
Population : 16,354,000 - *Population per sq. km* : 7
Economy based on : copper, diamonds, other non-ferrous metals, palmoil and palmnut kernels, coffee, rubber, tropical wood, various important manufacturing industries

IVORY COAST
Capital : Abidjan - *Area* : 322,463 sq. km
Population : 4,010,000 - *Population per sq. km* : 12
Economy based on : coffee, cocoa, tropical wood, bananas, pineapple, diamonds, manganese ore, various manufacturing industries, tourism

DAHOMEY
Capital : Porto-Novo - *Area* : 112,622 sq. km
Population : 2,505,000 - *Population per sq.km* : 22
Economy based on : palmoil, palmnut kernels, fishing

REPUBLIC OF GABON
Capital : Libreville - *Area* : 267,667 sq. km
Population : 473,000 - *Population per sq. km* : 2
Economy based on : tropical wood, manganese ore, oil, uranium

UPPER VOLTA
Capital : Ouagadougou - *Area* : 274,200 sq. km
Population : 5,054,000 - *Population per sq. km* : 18
Economy based on : livestock, cotton, groundnuts

REPUBLIC OF MADAGASCAR
Capital : Tananarive - *Area* : 587,041 sq. km
Population : 6,350,000 - *Population per sq. km* : 11
Economy based on : livestock, coffee, rice, bananas, spices, sugar industry, various manufacturing industries

MALI
Capital : Bamako - *Area* : 1,240,000 sq. km
Population : 4,697,000 - *Population per sq. km* : 4
Economy based on : groundnuts, rice, cotton, livestock, fishing, various manufacturing industries

SENEGAL
Capital : Dakar - *Area* : 196,192 sq. km
Population : 3,670,000 - *Population per sq. km* : 19
Economy based on : groundnuts, livestock, fishing, phosphates, various manufacturing industries

ISLAMIC REPUBLIC OF MAURITANIA
Capital : Nouakchott - *Area* : 1,030,700 sq. km
Population : 1,100,000 - *Population per sq. km* : 1
Economy based on : iron ore, copper, livestock

SOMALIA
Capital : Mogadiscio - *Area* : 637,657 sq. km
Population : 2,660,000 - *Population per sq. km* : 4
Economy based on : bananas, livestock, fishing, sugar industry

NIGER
Capital : Niamey - *Area* : 1,267,000 sq. km
Population : 3,546,000 - *Population per sq. km* : 3
Economy based on : uranium (production about to begin), groundnuts, livestock

CHAD
Capital : Fort-Lamy - *Area* : 1,284,000 sq. km
Population : 3,410,000 - *Population per sq. km* : 3
Economy based on : cotton, livestock, fishing

RWANDA
Capital : Kigali - *Area* : 26,338 sq. km
Population : 3,306,000 - *Population per sq. km* : 126
Economy based on : coffee, tea, tin ore, scope for tourism

TOGO
Capital : Lomé - *Area* : 56,000 sq. km
Population : 1,724,000 - *Population per sq. km* : 31
Economy based on : phosphates, coffee, cocoa, cotton, palmoil and palmnut kernels

EAST AFRICAN ASSOCIATED STATES

KENYA
Capital : Nairobi
Area : 582,644 sq. km
Population : 9,928,000
Population per sq. km : 17
Economy based on : coffee, tea, sisal, livestock, various important manufacturing industries, tourism

UGANDA
Capital : Kampala
Area : 236,036 sq. km
Population : 7,934,000
Population per sq. km : 34
Economy based on : coffee, tea, cotton, livestock, sugar industry, various manufacturing industries, tourism

UNITED REPUBLIC OF TANZANIA (TANGANYIKA AND ZANZIBAR)
Capital : Dar-es-Salaam
Area : 939,702 sq. km
Population : 12,173,000
Population per sq. km : 13
Economy based on : sisal, cotton, coffee, cashew nuts, spices, fishing, diamonds, various mining products, various manufacturing industries, tourism

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