

from
lomé 1

towards
lomé 2

Katharina Focke

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Katharina Focke

Texts of the report and resolution
adopted on 26 September 1980 by the
ACP-EEC Consultative Assembly

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PREFACE

The fifth annual meeting of the Consultative Assembly of the Convention of Lomé was held in Luxembourg at the end of September 1980, just a few weeks before the new Convention came fully into force. It was the ideal moment to take stock of the situation and determine the guidelines to be followed.

Of the many reports placed on the agenda by delegates from the European Parliament and their African, Caribbean and Pacific counterparts, that submitted by Mrs Katharina Focke on behalf of the Joint Committee deserves particular attention, as it provides a very clear picture of both Lomé I and the guidelines for implementing Lomé II. After considering it, the Consultative Assembly adopted the resolution and recommended that the documents be given wide publicity.

Such publicity is very much to be desired; the public should have better knowledge – and thus better understanding – of the functioning and objectives of this regional cooperation agreement which is a model of collaboration between industrialized and developing countries in the present day.

The remarkable document reproduced in this brochure recapitulates both the strong points and the shortcomings of the First Lomé Convention. It looks to the future too, putting forward criticisms and suggestions that might help to improve the functioning of a development cooperation instrument of which the signatories may justifiably feel proud – even though some of them are being rather slow in ratifying it.

The fact that our Consultative Assembly has made it the subject of such detailed studies and debates provides ample proof of the determination of the delegates from our four continents to cooperate. It is also a tribute to the perseverance and conviction of Mrs Focke and her colleagues, who have succeeded in imparting an enthusiastic political tone to sometimes very technical texts.

Lomé II extends and supplements the measures introduced five years ago. We hope that this brochure will lead to better understanding of them, provide food for thought and promote solidarity in the management of our interdependence.

Simone VEIL
*President of the European
Parliament*

Salomon TANDENG MUNA
*President of the National Assembly
of Cameroon*

Co-Presidents of the ACP-EEC Consultative Assembly

November 1980

INTRODUCTION

A. Purpose and scope of the report

Most commentators hailed the signing, on 31 October 1979, of the Lomé II Convention between the European Economic Community (EEC) and the African, Caribbean and Pacific States (ACP) after long and difficult negotiations, as an important proof of the partners' will to move forward, within the framework of a regional agreement, towards a policy of solidarity between North and South. The President-in-Office of the ACP-EEC Council of Ministers, Mr H. B. St John, stated in this connection: 'We, the ACP States, are confident that through Lomé II we have laid the foundations for lasting cooperation during the 1980s.' In the same spirit, Commissioner Cheysson wrote: 'We are only at the beginning; much still remains to be done. However, the path that we must follow is now clear; the first stage has taught us many lessons and its initial results are promising.'

Your rapporteur fully agrees that the important point is that the experiment of Lomé I has been followed by the signing of a new agreement between the two partners. However, she wishes to leave aside these general considerations in order to look closely at the Convention's past and its future. At its past, by identifying the positive and negative aspects of the provisions of Lomé I and their implementation. At its future, by outlining the improvements in the new Convention and ways in which the implementation procedure should be changed.

It seemed logical to take advantage of the transitional period between the expiry of Lomé I and the forthcoming entry into force of Lomé II. Moreover, the annual report of the ACP-EEC Council of Ministers, submitted to the ACP-EEC Consultative Assembly on 29 July 1980, which constitutes the primary object of our work, contains an assessment of Lomé I.¹

In this connection two preliminary remarks are called for. Firstly, we must pay tribute to the 'progress' made by the ACP-EEC Council, which for the first time was not content simply to submit a formal activity report to the Consultative Assembly but actually undertook a political analysis of Lomé I. In doing this, the ACP-EEC Council was responding to a specific request put forward by the Joint Committee in Paragraph 44 of the final declaration adopted at Arusha on 28 February 1980.

It is none the less regrettable that the Council did not accompany its assessment of Lomé I with an analysis of the new provisions of Lomé II.

In this form the annual report would not only have been more interesting to the reader but would also have helped to clarify for the authors themselves, the faults and deficiencies of the new Convention and thus to identify the areas which will require special attention when it is implemented.

At the time of writing, the most pressing problem is unfortunately not yet the implementation of Lomé II but its ratification. In this connection your rapporteur appeals again to the Member States of the Community to complete the ratification procedures by the appointed time so that Lomé II can enter into force on 1 January 1981. Your rapporteur will have an opportunity to deal with the matter of transitional measures later on.

At the meeting of the Joint Committee in Arusha (25 to 28 February 1980) your rapporteur, in the absence of the ACP-EEC Council's annual report, presented in the form of an introductory report a preliminary assessment of Lomé I and an analysis of Lomé II. The present document was thus drawn up on the basis both of the introductory report, and, in particular, of the ensuing debate which preceded the adoption of a final declaration.

In addition, in order to obtain as much information and documentation as possible, your rapporteur held meetings with the following, both in preparing the introductory report presented in Arusha and in drawing up the present report:

- representatives of the relevant departments of the Commission,
- representatives of the Council of the Communities and of the ACP-EEC Council,
- members of the Committee of Permanent Representatives (COREPER),
- members of the Bureau of the ACP Committee of Ambassadors,
- representatives of the Court of Auditors of the European Communities,
- representatives of the European Investment Bank.

The method of analysis chosen was the logical one of considering in turn the main chapters of the Convention, discussing at the same time the aspects connected with Lomé I and their possible development under Lomé II. It has thus been possible to avoid the repetition which would inevitably have occurred if the implementation of Lomé I and the new provisions of Lomé II were considered separately.

First, however, it will be necessary to state the criteria by which the results of Lomé I should be judged.

B. Criteria for assessing the results of Lomé I

The outstanding feature of Lomé I was that it involved the conclusion of an agreement on the establishment and promotion of cooperation between two equal partners. While recognizing that development problems have to be treated as a whole, the Convention nevertheless laid down certain priorities in its objectives. These priorities were:

- the promotion of trade between the ACP States and the Community,
- the industrialization of the ACP States as an essential aspect of development,
- the development of agriculture in the ACP States,
- the promotion of regional cooperation between the ACP States,
- special aid to the least-favoured ACP States.

Various measures and instruments are laid down in the Convention for the achievement of these objectives. They mainly involve: financial and technical cooperation through the European Development Fund (EDF) in particular, and consequently the European Investment Bank (EIB), trade cooperation through trade promotion; the system for the stabilization of export earnings (Stabex); industrial cooperation through the Centre for Industrial Development; regional policy for which 10% of the European Development Fund has been set aside; and, finally, the training programme.

In evaluating the implementation of Lomé I, the priorities laid down in the Convention should be constantly borne in mind as the criteria for assessment. At the same time, the effectiveness of the measures and instruments adopted to achieve these objectives must also be gauged. In other words, if the Convention sometimes seems to have fallen short of expectations, the causes should not be sought exclusively in the inadequacy of the provisions of Lomé I but equally, if not mainly, in the way in which they were implemented.

Chapter I

Disappointing results of trade cooperation

In analysing the results of trade cooperation and promotion, your rapporteur does not intend to repeat the content of the report submitted by Mr Giama² and adopted by the Consultative Assembly on 12 October 1979.

This report gave a complete picture of the particular problems and difficulties that arose in connection with the implementation of certain provisions concerning the commercial aspects of Lomé I.

As regards the problems connected with the system of generalized preferences, the rum and banana protocols, beef and veal and fruit and vegetables, your rapporteur takes formal note of Mr Giama's report and the resolution adopted by the Consultative Assembly. She will confine herself to consideration of the trade arrangements under Lomé Conventions I and II and the implementation of the provisions governing trade promotion. Finally, a special paragraph will be devoted to recent developments in sugar policy and to the more general problem of international agreements on raw materials.

Section 1

Trade arrangements

(a) Under Lomé I

In accordance with the objective of promoting trade, Lomé Conventions I and II laid emphasis on the principle of free access to the Community market for ACP products (with the exception of agricultural products governed by Community Regulations). The opening of the Community market to ACP products without the principle of reciprocity undoubtedly shows generous intentions on the part of the Community, although the gesture is more spectacular than effective in reality.

The development of the trade balance between 1972 and 1979 is as follows (figures in million European units of account (EUA)):

Community's trade balance with the ACP States	1972	1973	1974	1975	1976	1977	1978	1979
- in m EUA	-854	-1708	-4378	-593	-588	+ 43	+ 800	-3 019

- = in favour of the ACP States.

+ = in favour of the Community.

On their own, these figures for the ACP-Community overall trade balance are not very informative and do not give a clear picture of trade between the two partners. The change of direction observed in 1979 might give rise to over-hasty general conclusions, whereas it is to be feared that the improvement in the ACP trade balance was due rather to variations in the prices of commodities, such as oil, than to a development in the structure of ACP-EEC trade.

This fear is to some extent justified by the table for ACP-EEC trade (pages 29, 30 and 31 of the Annual Report of the ACP-EEC Council of Ministers). It emerges from this that the greatest difference between the trade balance of 1978 and that of 1979 was with regard to trade between the Community and Nigeria. Whilst this country, which is the largest oil exporter of all the ACP countries, had a deficit of 1310 m EUA in 1978, in 1979 its trade balance with the Community showed a surplus of 1784 m EUA.

Classification in decreasing order of EEC imports from ACP States (average for the years 1976-1977-1978)

	Total for each country (in m EUA)	As % of the Community's total imports from the ACP States	Exports to the Community as % of the country's total exports	Average trade balance in '000 EUA
1 Nigeria	3356	28.9		- 842 269
2 Ivory Coast	1 283	11.1	40.0	+ 451 273
3 Zaire	1 032	8.9	48.9	+ 618 054
4 Cameroon	492	4.2	53.1	+ 78 430
5 Gabon	417	3.6	56.7	+ 26 575
...				
...				
...				
49 Lesotho	2.8	0.02		- 1 766
50 Guinea-Bissau	2.4	0.02		- 11 163
51 Jibuti	1.4	0.01		- 43 255
52 Seychelles	0.5	0		- 13 538
53 Cape Verde	0.2	0	100	- 17 017

This table shows that five to six ACP countries account for over 60% of Community imports from the ACP States. At the same time the share of the other

ACP States in Community imports is practically insignificant (32 ACP countries provide less than 1% of total ACP exports to the Community).

Community imports from ACP States – Breakdown by major categories of products
(in m EUA)

	1975		1976		1977		1978	
	Value	%	Value	%	Value	%	Value	%
Foodstuffs	2664	30.6	3476	33.2	5184	41.6	4684	39.5
Raw materials	1372	15.7	1907	18.2	1931	15.5	1894	16.0
Non-ferrous metals	824	9.5	988	9.4	1006	8.1	740	6.2
Energy-generating products	3037	34.9	3362	32.1	3500	28.1	3444	29.0
Manufactured goods	287	3.3	414	4.0	517	4.1	549	4.6
Other	527	6.0	325	3.1	323	2.6	553	4.7
Total	8711	100	10472	100	12461	100	11864	100

Community exports to ACP States – Breakdown by major categories of products
(in m EUA)

	1975		1976		1977		1978	
	Value	%	Value	%	Value	%	Value	%
Foodstuffs	811	10.1	963	9.7	1272	10.2	1427	11.2
Raw materials	62	0.7	116	1.2	85	0.7	86	0.7
Non-ferrous metals	49	0.6	59	0.6	84	0.7	90	0.7
Energy-generating products	172	2.1	261	2.6	389	3.1	555	4.4
Manufactured goods	6634	82.1	8313	84.1	10238	81.9	10065	79.2
Other	351	4.4	171	1.8	435	3.4	484	3.8
Total	8079	100	9883	100	12503	100	12707	100

A similar imbalance to that observed in the classification of exporting ACP countries is found in connection with the products exported by the ACP. Foodstuffs and energy-generating products alone account for 70% of exports. On the other hand the share of manufactured goods has not really improved under Lomé I and is still minimal (3.3% in 1975; 4.6% in 1978).

The figures in the ACP-EEC Council's annual report also show that out of 52 ACP products exported to the Community, the first 14 account for three-quarters of the exports.

To sum up, the structure of ACP-EEC trade reveals an acute imbalance, both among the products exported and among the ACP exporting countries, no appreciable improvement taking place since the Convention entered into force.

Similarly, analysis of the structure of the trade flow between the ACP States and the Community Member States shows that despite the implementation of Lomé I, this structure has changed very little and largely retains the features of the colonial period.

These different factors, for which there is plenty of statistical evidence, clearly show that opening the market is not in itself sufficient to ensure the development of ACP-EEC trade. The rule of free access is meaningless for countries which, at the present stage, because of their production structures, have practically nothing to export to the Community. This rule is therefore only of interest to prospective investors.

It could thus be maintained that in introducing the rule of free access, Lomé I merely established a liberal framework. Before the ACP States can benefit from it, other changes will be necessary. One of these concerns trade promotion, which we will discuss later. The other measures needed to make ACP-EEC trade policy effective concern investment policy, ACP savings and the ability of the ACP States to supply, at competitive prices, products for which there is a market. This market does not necessarily have to be in the Community; on the contrary, emphasis should be laid from the outset on both the internal and intra-ACP markets.

These few brief observations show that trade policy cannot and should not be considered in isolation from the other policies laid down in the Convention. Indeed, the very opposite approach should be taken. ACP trade policy is in fact an aspect of the agricultural, industrial and regional policies, training measures, etc., and therefore of financial and technical cooperation policy. It is important not only to coordinate all these instruments but to take account in each case of the trade aspect.

(b) The provisions of Lomé II

Under the new Convention, 99.3 % of ACP exports are still allowed free access to the Community market. For the remainder, mainly products covered by the Common Agricultural Policy, the preferential system already established under Lomé I is extended, with certain products (tomatoes, carrots, onions, asparagus, arrowroot, mushrooms, juices and preserves from passionfruit and guava) qualifying for new concessions.

However, because of an excessively protectionist attitude, the Community did not feel able to agree to more liberal conditions of entry for processed rice, which is mainly produced by Surinam. Furthermore, the Community refused the request of the ACP States to liberalize access to the Community market for some 50 products.

The concessions granted (in terms of quantities and prices) to exporters of beef and veal are somewhat better in the new Convention. Quantities of up to 30000 tonnes are allowed, an increase of 9% compared with Lomé I.

The new Convention also provides for higher annual increases in zero-duty quotas of rum.

Among all the declarations, joint and separate, annexed to the Convention, two Community declarations are of particular interest.

In a declaration on the supply to the ACP of available agricultural products, the Community undertakes to make efforts to implement the instruments of the Common Agricultural Policy in such a way as to enable agreements on certain essential foodstuffs to be concluded in the context of normal trade structures, under conditions of increasing stability for the ACP's supplies. It must be said, in this connection, that this declaration only partially satisfies the ACP countries' demands. They would like a Community guarantee of a regular supply of a certain quantity and quality of essential foodstuffs at preferential prices and for an agreed length of time.

In fact, here too, as in the exclusion of certain ACP agricultural products from free access to the Community market, we encounter the obstacle of the Common Agricultural Policy. This can only be removed if the Community, entering a new phase in its relations with the developing countries, particularly the associated developing countries:

- finally formulates an agricultural trade policy compatible with its development aid policy;
- and
- immediately makes every effort to:
 - eliminate gradually the administrative and tariff barriers which have a detrimental effect on the developing countries' agricultural exports,
 - guarantee access to the Community market on a priority basis for agricultural and processed agricultural products originating in the poorest associated and non-associated developing countries (see Paragraph 45 and 46 of the Resolution adopted by the European Parliament on hunger in the world).

Another Community declaration attached to Lomé II concerns safeguarding the trade advantages of the ACP States. Conscious of the need to ensure that the ACP States can maintain their competitive capacity, in cases where their trade advantages on the Community market might be adversely affected by measures relating to general trade liberalization, the Community declares its willingness to study appropriate measures on a case-by-case basis.

However, the most important innovation is undoubtedly the improvement in the procedures for implementing the safeguard clause.

In fact, the Community and its Member States undertake 'not to use safeguard measures or other means for protectionist purposes or to hamper structural development' (Article 12 (2)). This is clearly only a declaration of intent but at least it was made. Furthermore, contrary to the system in force under Lomé I, prior ACP-EEC consultations must take place concerning the application of the safeguard clause, except in special circumstances.

However, it is to be hoped that the implementation of this consultation procedure will not simply enable the Community and its Member States to draw up a list of 'sensitive' sectors in which the ACP States should refrain from developing their activities. Instead, the consultations, and the exchanges of information they allow, should provide an opportunity for drawing up measures to meet the needs of each of the two parties. It is only in this spirit that the system will make a positive contribution to relations between the partners.

The first test of the Community's willingness to honour the undertaking contained in Article 12 (2) of Lomé II will be the problem of textile exports from certain ACP countries to the Community.

The annual report of the ACP-EEC Council describes the difficulties which have arisen in this sector during 1979–1980. Whilst the safeguard clause has not been invoked by the Community during this period, this is only because of the conclusion of self-restraint agreements between the Community and certain ACP States. Thus, for example, in the second half of 1979 the Community officially informed Mauritius that if it did not cut its exports of textiles to the EEC by 50% in 1980, the Community would be obliged to invoke the safeguard clause.

Under Lomé II the repetition of such practices would undeniably be tantamount to repudiation by the Community and the Member States of the undertaking given in Article 12 (2).

Besides, the ACP States are perfectly right in pointing out that their exports of textiles to the Community represent only 1.8% of total Community textile imports!

Finally, apart from the problem of ACP-EEC trade policy, this question raises the important matter of the much-needed restructuring of the economy in the industrialized countries in the context of an international division of labour.

Trade promotion

By including in the *First Lomé Convention* a special chapter on trade promotion, the negotiators recognized that if the well-known formula 'trade not aid' was to be given its full weight, a special instrument would have to be created to assist the ACP States to sell more under the most favourable conditions on the international market. Under Lomé I, measures to promote trade were financed

- by an appropriation of 15 m EUA entered for this purpose under the heading of regional cooperation programmes,
- by the special loans provided for by the ACP States in their indicative programmes.

The mechanisms created for trade promotion were infrequently used and their effectiveness was therefore limited. The statistics show that only 2% of the funds requested by the ACP States was assigned to trade promotion measures. To date, only five of the 58 ACP States have submitted trade projects to be financed by the European Development Fund. Finally, although every year a large number of ACP States state their intention of taking part in trade events selected by the Community, the number who actually participate is unknown. Furthermore, it is questionable whether this kind of event has any real impact on the trade development of the ACP States.

Does all this mean that the ACP States are not interested in trade promotion measures? Such a conclusion would be unjustified. It seems more likely that this situation is the result of unsuitable instruments of trade cooperation combined with the fact that it is practically impossible for the ACP States to extend the scope of their exports at the present time (see Section 1 – Trade arrangements).

Moreover, the negotiators of *Lomé II* appear to have been aware of these difficulties. The new trade cooperation measures show some interesting changes compared with the previous arrangements.

The increase in the special 'trade cooperation' fund within the framework of the regional cooperation programmes, bringing it up to 40 m EUA, is only one of these changes. Its importance must not be underestimated. However, the most radical change is the new approach to the range of trade cooperation. Under Lomé I this was confined to exports to the Community. We have already pointed out the dangers of viewing ACP trade as exclusively orientated towards the Community. The wider definition given to trade cooperation in Lomé II must therefore be welcome. In future this sector will comprise the post-production stages as well as the earlier stages of production and will involve the national and regional market and its organization as well as the external markets as a whole, including the Community market.

In this way, a logical approach to the problem is taken. The organization of an internal market and the establishment of an intra-ACP market are essential if these countries are to export to the Community or other international markets. Furthermore, the inclusion of problems relating to the earlier and post-production stages means that aspects such as marketing channels and policy on prices (which determines production) can be taken into account. It now remains to be seen how these new possibilities will have been exploited when it comes to the planning of the 5th European Development Fund.

Section 3

The problem of sugar and the Community's participation in international agreements on commodities

Since the last session of the Consultative Assembly in September 1979 in Luxembourg there have been certain developments in the controversial sugar situation.

In its declaration on sugar adopted on 28 February 1980³ in Arusha the Joint Committee took up a clear position on these problems. After approving the Commission's proposals on the new Community sugar quotas, the Community requested the ACP-EEC Council and the Community:

- '– to implement the provisions of the sugar protocol concerning *force majeure* and the new quota allocations so that the overall volume of ACP exports is maintained;
- to respect fully the traditional position of ACP sugar on the Community market;
- seriously to consider participation in the very near future in the International Sugar Agreement as a supplementary measure to ensure the stability of world prices of this product;
- to look for ways of further increasing ACP sugar quotas and of encouraging EEC sugarbeet farmers to produce crops which will not compete with ACP production.'

The controversy itself concerns the failure of four ACP States (Kenya, Uganda, Congo and Surinam) to deliver to the Community the amounts of sugar fixed by the protocol and also the interpretation of the notion of *force majeure* which the situation raises.

Since then the ACP-EEC Council decided at its meeting in Nairobi to have recourse to the good offices procedure (Art. 81 (2) of Lomé Convention I) to settle the dispute over the application of *force majeure*. Should this procedure not lead to a settlement within four months (from 9 May 1980) the arbitration procedure (Art. 81 (3)) would be applied.

It should also be mentioned that at the end of June 1980 an agreement on sugar prices for the 1980–1981 marketing year was concluded between exporting ACP countries and the Community. This agreement provides for price increases over the previous year of the same level as those applied within the Community, i. e. 5.16% for cane sugar and 5.3% for raw sugar. The question of the retroactivity of this agreement, given that prices should normally be fixed each year before 1 May, has not yet been settled.

In December 1979 the Commission submitted to the Council of the European Communities a proposal for the fixing of revised sugar quotas for Community sugar producers for the 1980–1985 period.

Although these proposals were approved by the Joint Committee at its meeting in Arusha (and thus by a majority of representatives of the European Parliament) they were rejected by the European Parliament during the debate on farm prices (26 March 1980 sitting). Your rapporteur declines to comment on this change of course between 28 February (Joint Committee's adoption of the declaration on sugar) and 26 March 1980 (European Parliament's adoption of the resolution on farm prices).

Having been rejected by the European Parliament, the proposals did not of course meet with a better fate at the hands of the Council of the European Communities. Your rapporteur is convinced that by acting in this way the Community has merely avoided the problem, which must be tackled afresh, starting with new proposals from the Commission.

On the matter of the Community's accession to the International Sugar Agreement, the Commission asked the Council of the European Communities at the end of July 1980 for a negotiating mandate.

Your rapporteur feels that the Community must beware of a tendency to set expectations too high where exports are concerned, which would only result in the failure of these negotiations. In a communication to the Council of 3 January 1979, entitled 'Lack of proper coordination between the policies of the Community and the Member States – the case of sugar'⁴ the Commission pointed out:

'The Community balance-sheet, taking into account preferential imports (ACP, Overseas Countries and Territories, India), shows that the quantities available for export increased from 1.7 m tonnes in 1967/77 to 2.8 m tonnes in 1977/78. The Community's situation is therefore helping to aggravate the depressed state of the world market and this situation could well continue. Furthermore, the Community is likely to have an increasing impact on the world residual market so long as it is not a member of the International Sugar Agreement (and therefore not bound by certain obligations) and also because the traditional African market will tend to shrink.'

It is also worth mentioning that from 1968/69 to 1976/77 Community sugar production has increased steadily, growing from 6.812 m tonnes to more than 10 m tonnes.

The Community will thus have to negotiate its accession to the International Sugar Agreement on the basis of this overall development and not simply with reference to the last two or three marketing years.

On a more general level your rapporteur is of the opinion that the Community should take part in existing international agreements on raw materials and encourage the conclusion of new ones (e. g. the international agreements on cocoa and cereals).⁵ These agreements are indispensable to the development of production and marketing of commodities in developing countries, in that they help to prevent anarchy where prices and markets are concerned.

*

* *

In this first Chapter we have noted the disappointing results of the opening of the Community market to ACP products. Trade cooperation and promotion are heavily dependent on activities in the other areas of the Lomé Convention. It is the development of their agricultural and industrial production which in turn will enable the ACP States to develop their trade since they can only export what they produce and all trade promotion measures are pointless if the products do not exist.⁶

The operation of the 'Stabex' system under Lomé I

Stabex (the system for the stabilization of export earnings) is a sort of insurance against lean years. It is applied to the States which signed the Lomé Convention and initially covered 29 products under 12 main headings: groundnuts, cocoa, coffee, cotton, coconuts, palm nuts and kernels, hides and skins, wood products, bananas, tea, raw sisal and iron ore. In April 1977, the list was extended to include certain further products: vanilla, cloves, pyrethrum, gum arabic, ylang-ylang, wool and mohair.

Stabex applies to export earnings from those products if they account for more than 7.5% of the total export earnings of the country considered. This is what is known as the 'dependence threshold'. This threshold is lowered to 2.5% in the case of the least-developed, landlocked and island ACP States, designated as such in the Lomé Convention.

There is a second condition to be met: the EEC guarantee is confined to earnings from exports to the Community and is subject to the condition that the products are either consumed or processed in Europe (which rules out re-exports).

However, in the case of 10 ACP States whose level of exports to the Community is so low that they would have derived no benefit from the system, Stabex applies to the full range of the exports of the products in question.

How does the system come into operation? Every year, a 'reference level' is calculated for each ACP State and for each product. This level corresponds to the average of export earnings in the four preceding years. Whenever earnings in any one year fall by a certain percentage (known as the trigger threshold) in relation to the reference level, the country concerned requests the Community to make a financial transfer making up the difference. Provided that all the requirements are met, the Community pays to the country concerned an amount equal to its loss of earnings. The country makes repayment when its export earnings show the opposite trend unless it is one of the least-developed ACP States which are exempt from repayment.

As at 31 August 1977, 40 transfer agreements had been signed under Stabex with 29 ACP States for a total amount of 104 m EUA. 62% of those transfers were made in the form of grants. Out of the total of 104 m, 55% came under the 'unemployment insurance' arrangements and 45% under the 'sickness insurance' arrangements.

Extract from the EEC publication *'Europe and the Third World'*.

Chapter II

Positive results of the system for the stabilization of export earnings (Stabex)

Section 1

Statistical summary

Although no overall assessment of the effects of Stabex has yet been made, its application is nevertheless considered to have been satisfactory by all those concerned. We will not dwell here on the details of this system, which are generally known.

After five years in operation, the results of Stabex are as follows:

- of the 380 m EUA which make up the Stabex fund, 375 m EUA were committed at the end of 1979;
- these 375 m EUA were broken down into about 100 transfers to 37 ACP States;
- twenty-one of the recipient States are included in the list of least-developed, landlocked or island countries. These non-repayable transfers account for some 60% of the total commitments;
- the transfers involved 22 of the 33 products covered⁷ by the system;
- the ratio of transfers made as 'unemployment insurance' (protection against loss of revenue due to a difficult economic situation) to transfers made as 'sickness insurance' (losses due to local circumstances) was roughly 1:2.

Aggregate transfers for the 1975, 1976, 1977, 1978 and 1979 financial years

ACP State	Aggregate amounts (in EUA) from 1975 to 1979	Percentage
1. Senegal	65 106389	17.37
2. Sudan ¹	39 143441	10.44
3. Mauritania ¹	37 000450	9.87
4. Niger ¹	22 653960	6.04
5. Tanzania ¹	20 701 549	5.52
6. Uganda ¹	20 595453	5.49
7. Benin ¹	20 366720	5.43
8. Ivory Coast	15 000 000	4.00
9. Ethiopia ¹	14 420 049	3.85
10. Swaziland ¹	13 224 869	3.53
11. Guinea-Bissau ¹	11 288 257	3.01
12. Mali ¹	9 780 903	2.61
13. Central African Republic	7 829 555	2.09
14. Liberia ¹	7 586 943	2.02
15. Gambia ¹	7 514 754	2.00
16. Congo	7 361 677	1.96
17. Chad ¹	7 336 196	1.96
18. Upper Volta ¹	7 261 902	1.94
19. Gabon	6 703 311	1.79
20. Madagascar	5 747 547	1.53
21. Ghana	5 176 408	1.38
22. Cameroon	4 064 981	1.08
23. Sierra Leone ¹	3 977 274	1.06
24. Togo ¹	3 626 614	0.97
25. Western Samoa ¹	2 837 453	0.76
26. Fiji	2 114 947	0.56
27. Somalia ¹	1 932 145	0.52
28. Burundi ¹	1 485 655	0.40
29. Cape Verde ¹	1 206 564	0.32
30. Tonga ¹	1 207 990	0.32
31. Rwanda ¹	608 802	0.16

¹ACP State listed in Article 48 of the Lomé Convention and not therefore required to refund payments.

This table shows:

- that six ACP States received over 50 % of the total amount of the transfers;
- that 14 of the 31 ACP States concerned received over 80 % of the total amount of the transfers.

Aggregate figures by ACP products

Product	Aggregate amounts (in EUA) from 1975 to 1979	Percentage
1. Groundnuts	71 338 766	19.03
2. Groundnut oil	68 021 513	18.15
3. Iron ore	61 789 536	16.48
4. Cotton	43 359 441	11.57
5. Wood in the rough	38 191 812	10.19
6. Sisal	20 577 410	5.49
7. Oil cakes	16 568 442	4.42
8. Coffee	14 494 289	3.87
9. Raw hides and skins	8 401 983	2.24
10. Tea	8 376 330	2.23
11. Palm-nut and kernel oil	4 940 220	1.32
12. Bananas	2 920 422	0.78
13. Vanilla	2 903 720	0.77
14. Palm oil	2 232 940	0.60
15. Copra	2 163 264	0.58
16. Coconut oil	2 114 974	0.56
17. Cloves	1 139 516	0.30
18. Cocoa	1 057 603	0.28
19. Groundnut oil cakes	1 026 143	0.27
20. Gum arabic	848 489	0.23
21. Sawn wood	696 646	0.19
22. Palm nuts and kernels	626 966	0.17
23. Pyrethrum	608 802	0.16
24. Cocoa paste	463 558	0.12

Of the 33 products eligible for Stabex, six received over 80 % of the transfers. These six products are:

– groundnuts	19.03 %
– groundnut oil	18.15%
– iron ore	16.48%
– cotton	11.57%
– wood in the rough	10.19%
– sisal	5.49%.

Section 2

Assessment

Unfortunately no assessment has yet been made of the impact of Stabex on the development of the economies of the ACP States. It is generally thought to be slight, indeed negligible. This problem is closely linked with the use to which the recipient States put the transfers. An assessment of Stabex would

be particularly interesting in that it would outline the reasons why transfers are repeated every year for the same product and what effects they have had. The Commission should immediately undertake such an analysis.

In some cases Stabex transfers exceeded project aid under the 4th European Development Fund (Mauritania, Senegal and Swaziland).

Most of the reservations expressed since the introduction of the system concern its adverse effects on the development of production structures and the processing industries connected with the eligible products. A third criticism is directed at the failure of Stabex to take account of intra-ACP trade.

As regards the complaint that Stabex hinders the development of production structures, it must first of all be pointed out that the First Lomé Convention left the use of transfers to the discretion of the ACP States. Article 20 stipulates that the recipient ACP State shall decide how the resources will be used, the only condition being that it must submit an annual report to the Commission. If it considers the production sector for which the transfer was intended to be no longer economically viable, it can allocate the resources to another field of activity. Of greater relevance is the fact that Stabex has neither the function nor the material ability, because of its limited resources, to promote the development of production structures. Such development requires considerable time and finance and is therefore the function of other instruments, including the European Development Fund.

The products covered by Stabex are either unprocessed or have undergone first-stage processing. The ACP States have frequently requested that the list of processing operations eligible for Stabex be extended, but without success. The Second Lomé Convention has retained the rule laid down in Lomé I. It could therefore be justifiably argued that the system runs counter to one of the main priorities of ACP development, namely on-the-spot processing of local production. It is important to realize, however, that the ACP countries have far greater incentives for the creation of processing industries than the funds which Stabex can provide for any particular product.

Before concluding this brief assessment, a few words must be said concerning the problem of the use of the statistics needed to implement Stabex. One of the initial difficulties at the time the system entered into force was the existence of different statistics and their lack of compatibility. The Court of Auditors of the European Communities laid considerable emphasis on this point in a special report on Stabex. It is not for your rapporteur, as a member of the ACP-EEC Joint Committee, to express an opinion on the report of the Court of Auditors, which was exclusively intended for the Commission.

She would point out, however, that while difficulties in implementing the system were inevitable, the procedures adopted for resolving them seem to comply with the spirit of the Convention. Stabex could not have operated if flexible, progressive procedures had not been jointly adopted.

The development of Stabex under Lomé II

Both the Stabex system itself and its implementing provisions have been changed and improved in many ways under Lomé II. In both cases the experience of Lomé I was largely taken into account.

(a) The new features of the system

The number of products or by-products covered by Stabex has risen from 34 to 44. Most agricultural commodities (except those covered by the Common Agricultural Policy) which form an important part of the economies of the ACP States are now eligible for Stabex. Pursuant to Article 26, this list may be extended at the request of the ACP States as was the case under Lomé I. In this event, the Council of Ministers shall decide not later than six months after the presentation of the request. Two previous requests concerning raw tobacco and sisal products, which had not been accepted, were re-submitted for inclusion in Lomé II. At its meeting in Nairobi (8 and 9 May 1980), the ACP-EEC Council confined itself to taking note of a declaration, in which the Community consented to technical studies being undertaken in this area with a view to the discussion of this point at the first meeting of the Council after the entry into force of the Second Convention.

The ACP States may now base their applications for transfers on loss of earnings in respect of either a group of related products or one individual product.

Pursuant to Article 27, the Council of Ministers may decide, after consideration of each individual case, to apply the Stabex system to intra-ACP trade. This is one of the innovations already mentioned in connection with trade promotion, whereby intra-ACP trade and its promotion are taken into account.

The conditions for applying the mechanism have been improved by lowering the dependence and operational thresholds. These have been brought down from 7.5% to 6.5%. For the least-developed, landlocked and island ACP States, the thresholds have been reduced from 2.5% to 2%.

The system's financial resources have been raised from 380 to 550 m EUA, an increase of 45%. This increase is due in part to the more favourable conditions set out above. Since the system will be in operation for a longer period than under Lomé I, one might well wonder whether these funds will be adequate, although the experience of Lomé I has not given any ground for such a fear.

One of the main ACP demands rejected concerned the calculation of transfers in real terms. The Community considered that Stabex could not resolve the problem of inflation in specific geographical areas.

(b) Innovations in the implementing provisions

The first innovation is that the objectives of the system are more clearly defined and are related to the use of the transfers. The objectives include support for the development efforts of the ACP States, economic and social progress for their peoples and the safeguard of their purchasing power. In order to attain these objectives, transfers must be devoted to maintaining financial flows in the sector in question or, for the purpose of promoting diversification, they must be directed towards other appropriate sectors and used for economic and social development.

The new rule is a step forward from all points of view. Without infringing on the freedom of action or the responsibilities of the ACP States, it nevertheless removes all ambiguity by clearly defining the framework within which the transfers are to be used.

A second innovation in the implementing provisions concerns cases where a request for transfer shall be inadmissible. Article 38 (2) clearly stipulates (unlike Lomé I where it was left to the Commission to decide) that requests for transfers may be declared inadmissible if it emerges that the requesting ACP State has recorded earnings from its exports *to all destinations* during the year of application in excess of the average in the four years preceding the year of application for the product in question. This provision has the advantage of removing the possibility of dispute in such cases.

Section 4

Utilization of unexpended balances and possible repayments

In paragraph 12 of the final declaration⁸ adopted in Arusha, the Joint Committee requested the ACP-EEC Council of Ministers 'to transfer the unexpended balances of the Lomé I Stabex fund to the Lomé II Stabex fund and to convert into grants the transfers made under Lomé I and due to be replenished, taking into consideration, case by case, the particular situation of the countries concerned as provided in Article 44 of the Lomé II Convention'.

At its fifth meeting on 8 and 9 May in Nairobi the ACP-EEC Council of Ministers decided to allocate the balance remaining from the Lomé I Stabex fund to the Stabex appropriation of the new Convention.

On the other hand, as regards the reconstitution obligations under Article 21 of the First Convention, the Council stated that this matter could be submitted to it in or after 1981, i.e. on the expiry of the first five-year period (counted from the transfers allocated in 1976 on the basis of the 1975 financial year). This examination will be carried out each successive year for each financial year following 1976.

This means therefore that the Council did not unfortunately think it necessary to take an overall political decision as the Joint Committee had requested, and chose to apply strictly Article 21 (2)⁹ of Lomé I.

Section 5

System for mineral products (Sysmin)

Whilst the Lomé I Stabex guaranteed more stable resources to countries producing agricultural raw materials, and thus increased security both for their economy and their producers, the economy of countries producing minerals (apart from iron ore which comes under Stabex) remained at the mercy of sudden drops in production prices.

The new Convention adjusts this imbalance, especially in production; the ACP countries feel its effect all the more because the international negotiations aimed at stabilizing the prices of raw materials – such as copper – have up till now produced only meagre results.

As the problem of price fluctuation could not be solved at interregional level in the context of Lomé II, the negotiators looked for ways of at least limiting the harmful effects and, in general, of safeguarding the mining potential of ACP States. The aims of the system adopted are similar to those of the Stabex system, although the means employed are somewhat different because of the nature of the production and marketing of minerals.

The system, known as Sysmin (system for mineral products) is allocated a fund of 280 m EUA. The major minerals exported by the ACP countries are covered by Sysmin, namely: copper, cobalt, phosphates, manganese, bauxite, alumina, tin, iron ore and roasted iron pyrites. Under Article 50 (2) this list can be added to during the lifetime of the Convention by decision of the ACP-EEC Council of Ministers if it is found that other economically important products are affected by serious disturbance.

Sysmin has a dependence threshold (15%) and a trigger threshold (10%) as follows.

The risk which is to be covered is that of an ACP country's being able to renew at a normal rate or maintain its production plant or its export capacity (owing to circumstances beyond its control and where the line of production is otherwise viable and economic). There must be an 'accident' resulting either from local circumstances (e. g. catastrophes) or economic causes (e. g. fall in prices). However, the damage must be significant, i. e. it must entail a fall of at least 10% in production or export capacity. If these conditions are fulfilled (and established by common accord between the Community and the ACP State) the producer has the right to compensation. This is not provided in the form of a budgetary transfer but by financing of projects or programmes

proposed by the ACP State aimed at remedying the harmful effects of the disturbances recorded in the mining sector on the economy of the country.

These projects or programmes are financed by special loans with the possibility of advances by way of pre-financing.

The introduction of Sysmin represents one of the important innovations of Lomé II in that the legitimate interests of ACP States which produce minerals are at last taken into account. The aim of supporting and developing the ACP States' mineral wealth can only be achieved if immediate steps are taken towards the implementation of Sysmin, particularly by the Commission of the European Communities and the ACP-EEC Council. At its meeting in Nairobi the Council requested the Committee of Ambassadors to look at the problems connected with the implementation of Sysmin. It took note of a Community declaration on steps which can be taken forthwith to implement Sysmin.

* *

The achievements under Lomé I and the improvements in the new Convention show that the Stabex system has been satisfactory in the past and holds out promise for the future. The success of Sysmin will depend to a great extent on how well its implementation is prepared.

Chapter III

Problems connected with industrial cooperation

Section 1

The experience of Lomé I

Lomé Convention I set out some extremely ambitious objectives for industrial cooperation (see Article 26). It was designed to promote the development and diversification of industry in the ACP States, promote relations with the Community, increase the links between industry and the other sectors of the economy, including agriculture, facilitate the transfer of technology to the ACP States, promote the marketing of industrial products and encourage small and medium-sized firms and Community firms to participate in the industrial development of the ACP States.

These objectives were one of the outstanding features of the Convention. As the Commission commented, probably no other agreement has defined, in such detail, ways in which the developed and developing countries can cooperate in the field of industry. The Convention also specified the instruments to be used in implementing this policy. They are the Committee on Industrial Cooperation and the Centre for Industrial Development. Funds from the European Development Fund and the European Investment Bank as well as aid in the form of co-financing, could be requested for the financing of industrial products.

It is outside the scope of this report to draw up a list of the industrial cooperation activities carried out under Lomé I. Although there have been worthwhile achievements, both the Community and the ACP States agree (in the Council's annual report) that to date industrial cooperation has fallen short of expectations and indeed, is not yet functioning properly. This failure has been attributed to many different causes. They include an incorrect approach to the problem and the many obstacles encountered in implementing the policy.

Lomé Convention I undoubtedly performed a useful function in laying down objectives and specifying the means of achieving them. However, it did not lay sufficient emphasis on one of the essential conditions for ACP industrial development, namely the existence at the outset of an industrial promotion policy in the States concerned. Indeed, this is a defect of practically all policies

on aid for the industrial development of the developing countries. The endless studies on industrialization policy in the developing countries have, for the most part, never been followed up.

A second point, related to the previous one, concerns the difficulties encountered by the ACP States in drawing up operational industrial projects.

In theory the Lomé I Convention provided the necessary instruments, such as the European Development Fund and the Centre for Industrial Development. These instruments have, however, proved inadequate as far as the goals set by the Convention are concerned. This situation is aggravated by the lack of financial resources for putting into effect projects which have been or should have been worked out. According to the Council's annual report, at the end of 1979 the funds allocated to the development of industrial production amounted to 318.9 m EUA out of the resources of the European Development Fund, in the form of non-refundable aid, special loans and risk capital. But even if the contributions from the European Investment Bank and the multiplier effect of these loans because of co-financing are taken into account, it is clear that the finances made available for industrial cooperation do not meet the needs of the ACP countries nor the goals set by the Convention. Your rapporteur will come back to this problem later.

The provision of different instruments for implementing industrial cooperation policy is not a fault in itself; on the contrary. However, the existence of different instruments such as the Committee on Industrial Cooperation, the Centre for Industrial Development, the European Development Fund and the European Investment Bank means that no one body has an overall view of the situation and its development. It also follows quite naturally that measures are not properly coordinated. This difficulty is brought out in the Council's annual report, which points out that the ACP States have declared that the Committee on Industrial Cooperation must widen its activities so that they cover the programmes of all the institutions involved in industrial cooperation. The Community and the ACP States agree that the Committee must widen its view of its own role and that, in future, ways of examining the overall programme for industrial cooperation should be established.

In addition to these structural difficulties there were the inevitable problems involved in the introduction and adaptation of a new policy. Thus, the Centre for Industrial Development first had to be set up; it then had to find its direction and define its role and scope in greater detail. This explains why, in the beginning, the Centre branched out in too many directions to the detriment of efficiency. Under these conditions, the role of the Centre was limited in the first years of implementation of the first Lomé Convention. The Council's annual report, which makes a lengthy assessment of the Centre for Industrial Development, shows that the latter co-financed 125 studies and evaluations of projects and gave aid in various forms to 175 other projects. Unfortunately, your rapporteur has no precise information on how many of these projects have been put into practice in the ACP's industrial sector.

The Joint Committee and the Consultative Assembly must insist that a check be made on this information provided by the Centre for Industrial Development. It is, moreover, to be regretted that the annual report of the ACP-EEC Council has done no more than to reproduce the Centre's activity report without comment.

Finally, the failure of Lomé I to take account of the problem of investments, together with the unfavourable economic climate during the period concerned, caused a certain reluctance on the part of investors to play their role in the developing countries and consequently in the ACP States. The results of a study by the German Development Organization serve as an illustration of this. They show that whereas in 1976, 38% of total German foreign investment went to the developing countries, in 1979 this proportion had declined to less than 20%.

Section 2

Need to improve industrial cooperation under Lomé II

The negotiators appear to have clearly recognized this need. The new Convention extends the field of industrial cooperation and increases and diversifies the means to be made available.

(a) Extension of scope and development of potential in the mining and energy sectors

We have already talked about the introduction of the System for mineral products under Lomé II. These measures for project and programme aid are supplemented by the implementation of mechanisms to *promote development of mining and energy* in ACP countries. Essentially these mechanisms involve increasing external contributions both of technology and of capital.

To achieve this goal Lomé II provides for:

- the stepping up of technical and financial aid in the geological and mining field;
- financing by means of risk capital and interest-rate subsidies for European Investment Bank loans;
- the special commitment of up to 200 m EUA by the European Investment Bank to finance projects of mutual interest in the energy and mining sectors;
- the possibility of concluding specific agreements between the Community and its Member States on the one hand and the ACP country concerned on the other, to safeguard and promote investment projects for mining and energy.

Cooperation in the energy sector

Lomé I did not specifically tackle the problem of cooperation in the field of energy although its application to other areas led to energy projects being financed.¹⁰ Lomé II on the other hand outlines in Article 76 the goal of cooperation on energy which is to work towards self-sufficiency in energy for ACP States by developing conventional and non-conventional sources.

All activities in the energy sector are involved – inventories, research, exploration, studies, investment, technology transfers, training, etc. Here, as in the mining sector, the whole gamut of financing methods can be used, from subsidies to loans without interest rate, subsidies where the project is one of mutual interest for the ACP and the Community.

Your rapporteur feels bound to emphasize here the paramount importance of the energy sector for the immediate future of the ACP countries. A few facts suffice to bring this home:

- in the ACP group the *per capita* consumption of energy is less than 100 kg oil equivalent, i.e. four times less than the average for developing countries and forty times less than that in Europe;
- they depend on oil for more than 80% of their energy;
- between 1972 and 1978 the ACP oil bill increased six-fold.

It is therefore imperative that this problem be given proper attention under Lomé II. Cooperation in this sector should enable an energy inventory for each ACP country to be drawn up, providing an overall picture of the existing situation and potential. In addition, we should go beyond traditional sources of energy and begin to make use of new, renewable energy sources. All projects should take account of the energy factor, with emphasis being laid on local supplies in order to ensure that, as far as possible, the project is independent of outside sources.

Sea-fishing and shipping

Two joint declarations on *sea-fishing* and *shipping* widen the scope of industrial cooperation, if only to a small extent. It should also be noted that the report of the previous rapporteur, Mr Guillabert, specifically requested that the new Convention should cover these sectors.

On the question of sea-fishing, two fishery agreements have been concluded in the spirit of Paragraph 2 of the joint declaration, between the Community and Senegal and Guinea-Bissau, respectively. It would be interesting in this connection to learn the initial results of these agreements, particularly any developments in the fishing industries of the two ACP countries due to the payment of compensation (cf. Paragraph 4).

(b) Increase in resources

Any increase in the resources available for industrial cooperation must rely primarily on improvements in methods of *financing*. In his speech to the Joint Committee at Arusha, Commissioner Cheysson said that the major criticism was our failure to get to grips with the basic problems of industrialization. And he emphasized that if we did not talk about the financing of industrialization, we had not done much.

Under Lomé II the increase in the resources available for industrial cooperation is mainly the result of an increase in the European Development Fund budget. We have already mentioned that within this appropriation 280 m EUA were entered in the form of special loans to be allocated to the mining sector, in addition to 280 m EUA as 'risk capital'.

Furthermore, as we have already mentioned, the European Investment Bank has the possibility, apart from ordinary loans (whose ceiling has been fixed at 685 m EUA), of committing its own resources, up to 200 m EUA, in the form of loans without interest rate, subsidies for projects of mutual interest in the mining and energy sectors.

The increase in aid provided for by Lomé II is a result of both the stress laid on the value of co-financing and the mobilization of private capital.

Under Lomé I *co-financing* has already developed satisfactorily, at least quantitatively. Thus about forty projects benefited from co-financing, representing a total investment of 3000 m EUA, which included the following:

- 484 m EUA provided by the European Development Fund and the European Investment Bank,
- 458 m EUA provided by the Member States,
- 582 m EUA provided by the Arab Funds,¹¹
- 364 m EUA provided by the World Bank.

Lomé II devotes no less than five Articles (Articles 96 to 100) to co-financing, which demonstrates the negotiators' interest in this instrument. This interest is due largely to the fact that only co-financing enables large-scale projects, requiring a high level of investment, to be implemented. Co-financing, applied in the framework of Lomé, combines the advantages of increased financial resources with the tried and tested procedures of the European Development Fund and administrative and technical infrastructures such as delegations.

However, the judicious development and use of co-financing requires that all parties concerned be aware of the risks inherent in the system. The first is that inherent in any large-scale project, i.e. the risk, when all is said and done, of there being no correlation between the level of investment and the direct or indirect results achieved through the project. The second risk lies in the complexity of the operations for setting up and carrying out co-financing, which can mean a lack of flexibility with negative repercussions on the project.

However, as long as these two hazards are avoided co-financing can play a very positive role in industrial development in ACP countries. We can therefore derive satisfaction from the recent meeting between the Commission and representatives of the Arab Funds (mid-June 1980 in Brussels) aimed at increasing cooperation, notably by keeping both sides better informed.

The Second Lomé Convention is also innovatory in promoting *private investment* in ACP countries.

We have already mentioned the joint declaration annexed to Lomé II on the encouragement of mining investment.

Beyond this specific framework, a joint declaration (Annex IX) based on the provisions of Article 64 of Lomé II concerns the promotion of investment, in particular by means of a commitment given by those ACP countries which have entered into an investment agreement with a Member State to treat investments by all Member States in the same way.

Finally, a joint declaration on complementary financing of industrial cooperation (Annex X) recognizes the need to tap additional financial resources that would make available substantial capital resources for industrial development. In accordance with the provisions of Annex X, the Committee of Ambassadors has set up a group of high-calibre experts to undertake a detailed analysis of the possibilities for complementary financing, to be submitted to the ACP-EEC Council within the nine months following the signature of the Convention.

Thus, whilst Lomé I was reticent on the problem of investment, the new Convention has plenty to say on the subject—a special section on 'Investment' and no less than three joint declarations. It remains to be seen what the effects of these provisions will be. In view of the many restrictions they contain we cannot help but be sceptical.

As regards the mining sector, Annex VIII does make it possible to create legal instruments for the promotion and treatment of investments, but it offers no financial guarantee against non-commercial risks; there is admittedly no such guarantee even in the Member States.

There are so many conditions attached to the application of the provisions in Annex IX that the whole thing becomes purely notional. If these provisions are to function, there must be an agreement between an ACP State and a Community Member State to begin with. But even then the new agreement between the ACP State in question and one or several Member States does not come in to effect automatically but only at the initiative of the ACP State. In fact the political scope of these provisions is negligible as far as triggering off and encouraging investment is concerned.

Thus in reality Lomé II has dealt with the problem of investment only to a limited extent and with numerous qualifications. There is no doubt that this is one of the weaknesses of Lomé II. The ACP's need for financial resources, par-

ticularly for their industrial development, is so great that public aid alone cannot cover it. Such aid must be accompanied and augmented by contributions of private capital, which in turn can be obtained only under certain conditions. Whilst these conditions are not automatically covered by Lomé II, it is to be hoped that they will be shaped and developed by a sense of reality on the part of the individual partners.

The combination of co-financing operations with the contribution of private capital, support for the activities of regional development banks by means of loans from the European Development Fund or the European Investment Bank on favourable terms, the activity of the Centre for Industrial Development, all this should, in conjunction with other factors, encourage the flow of capital towards the ACP countries. The rapporteur would like to emphasize here the role as a catalyst which the European Investment Bank can and must play in this area.

Your rapporteur would also like to emphasize the need to encourage the development of small and medium-sized undertakings in ACP countries and the European Investment Bank's opportunities for action in this area. The annual report of the ACP-EEC Council brings this out in saying (Paragraph 111) that the European Investment Bank's financing of small and medium-sized undertakings through development banks is particularly noteworthy. This area should receive greater attention under Lomé II as small and medium-sized undertakings are an indispensable basis both for development in the industrial sector and in agriculture and trade. Besides, these undertakings are particularly suited for training programmes and technology transfers.

Still on the subject of increasing the resources available for industrial cooperation policy, it is interesting that the negotiators of Lomé II wished to stress that industrial cooperation should be viewed in terms of interdependence. It is not enough to promote industrial development in the ACP States; their needs must also be taken into account when adapting the Community's industrial structures to the changes occurring at world level. With this in mind, the Convention provides for the very wide and flexible mechanism of *industrial consultations*. Since the Community has to date never followed a policy of industrial restructuring which took account of the interests of the developing countries, it is difficult to assess what will happen in future.¹² We must insist that the Community will honour its commitment to take account of the needs of the ACP economies in its industrial restructuring measures. These consultations must not merely induce the ACP States to gear their industrialization to the industrial interests of the Community. It will be up to the Joint Committee and the Consultative Assembly in any case to make sure that this does not happen.

Finally, the new Convention outlines the function of the Centre for Industrial Development, laying special emphasis on contacts between economic operators, in particular between small and medium-sized undertakings in the ACP and EEC. The Centre is given a budget of 25 m EUA taken from the re-

sources earmarked for regional cooperation. It is questionable whether this allocation will be sufficient to answer the criticism voiced clearly by the ACP in the Council's annual report, that under Lomé I the Centre did not have at its disposal all the facilities needed to promote investments and joint undertakings, nor the means to effectively ensure the acquisition of industrial techniques and techniques for the transfer and development of technology.

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The adjustments and improvements contained in Lomé II prove the existence of a will to give a fresh start to industrial cooperation. The question is whether the new provisions will be sufficient to make industrial cooperation a reality. As we noted at the beginning of this chapter, one of the main problems lies outside the field of financial resources and aid. This obstacle can only be overcome through technical aid which would enable the ACP States, after the resources and needs have been identified, to draw up a genuine industrial development strategy and, consequently, to define appropriate projects. The industrial consultations should be used to reconcile the industrial goals of the ACP, those of the Community and the development of the situation at world level.

Another condition to be fulfilled is the provision of the necessary financial resources for the ACP. This can only be done if additional resources are made available by means of co-financing and private investments, over and above loans from the European Development Fund and the European Investment Bank.

Finally, within the framework of the ACP's industrial strategy it will be essential to ensure close coordination between the different instruments and mechanisms of industrial cooperation, in particular to promote the development of small and medium-sized undertakings. The activities of the Centre for Industrial Development must also form part of this overall framework if the Centre is to make an effective contribution to the industrialization of the ACP States.

Chapter IV

Regional cooperation: scope too limited

The provisions of Article 47 governing regional and interregional cooperation are one of the original features of Lomé I compared with previous conventions. For the first time, the Community gave practical expression to its intention of fostering and encouraging the efforts of the ACP States in the field of regional cooperation by setting aside special funds. The aim of this cooperation instrument was to encourage the ACP States to improve the integration of their economies.

The funds allocated to this policy by the Convention were of the order of 10% of the total financial resources. For this purpose, the Commission set aside a sum of 300 m EUA from the European Development Fund resources, to which is added the regional aid from the European Investment Bank.

According to the information supplied by the Commission, the breakdown by sector of regional cooperation activities is as follows (situation as at 31 January 1980):

Economic sector	m EUA	% of total
Rural sector	39.5	13.2
Industry, energy	25.9	8.6
Transport	144.1	42.0
Telecommunications	13.3	4.4
Technical training and assistance	33.3	11.1
Research	6.2	2.1
General activities and activities not broken down by sector ¹	37.7	12.4
Total	300.0	100

¹ Including trade promotion, the of the Centre for Industrial Development, the publication 'Courrier ACP-EEC' and other activities.

On 31 January 1980, 181.6 m EUA were committed, the corresponding payments being of the order of 57.4 m EUA. On the same date the European Investment Bank commitments amounted to some 33 m EUA.

We have already emphasized, in connection with the development of ACP trade, the important role which regional cooperation can play in the development process of the ACP States. The information contained in this table can thus be interpreted at two levels. Firstly, the fact that the allocation of 300 m EUA was used in full appears to be a positive factor and would lead to the conclusion that the provisions governing regional cooperation were implemented. However, it can also be pointed out that infrastructure projects, including transport, represent a very large proportion of the measures undertaken. The construction of roads and other means of communication is undoubtedly essential, particularly in the case of landlocked States, to the establishment of intra-ACP economic and trade relations. However, although essential, it is not in itself sufficient to ensure the implementation of a genuine regional cooperation policy. The absence of any industrial¹³ or trade projects involving several ACP States within one region is therefore surprising. Yet these are the very measures which would make it possible to lay the foundations for regional integration which, in turn, would give new impetus to economic development.

The planning of production within an ACP region, the definition of the conditions necessary for the establishment of a regional market, and the promotion of trade within this framework are the essential requirements of a genuine regional cooperation policy. The new Convention holds out some hope in this direction. As we have already pointed out, under Lomé II trade cooperation and promotion will take greater account of the regional aspect. Furthermore, the funds provided for this policy have been increased from 300 to 600 m EUA to which will be added the financial aid from the European Investment Bank. Within this 600 m EUA, 40 m EUA is earmarked for the financing of regional trade promotion operations. With these increased funds at its disposal regional cooperation should in future be able to extend and intensify considerably its field of activity:

- by participating technically and financially, from the planning to the implementation stage, in industrial and trade projects of a regional nature;
- by ensuring that agricultural development takes account of regional problems such as measures to combat land pollution, irrigation, and measures to combat human, animal and plant diseases;
- by granting financial aid to existing regional institutions or bodies for exploratory studies, and providing regular technical assistance for these bodies or for States and organizations that wish to create new ones;¹⁴
- by aiming at co-financing of large-scale regional projects.

In this context there is a need for greater readiness on the part of neighbouring ACP States with problems in common to draw up joint projects, as well as for more imagination on the part of the European Community in providing an impetus in this area.

Chapter V

Action to help the least-developed, landlocked and island countries

Article 48 provides that 'in the implementation of financial and technical cooperation, special attention shall be paid to the needs of the least-developed ACP States so as to reduce the specific obstacles which impede their development and prevent them from taking full advantage of the opportunities offered by financial and technical cooperation'. A list of the 24 ACP States classified as least-developed, landlocked and island countries (of which there are 43 under Lomé II) follows. Under Lomé I these provisions were supplemented by special, i. e. more favourable, conditions for the application of Stabex and for financial and technical cooperation.

To facilitate an evaluation of the extent to which the least-developed, landlocked and island countries have really benefited from 'special attention', your rapporteur can do no more than provide an overall financial assessment drawn up by the Commission.

Lomé I

The position of the least-developed ACP States (Art. 48) in terms of Community aid (situation as at 31 1 1980)

	Unit	Least-developed ACP countries	ACP total	As % of ACP total
1. General factors				
1.1 Population ¹	m of inhabitants	137.3	322.7	42.5
1.2 GNP/head (average)	USD	176	296	
2. Aid within the framework of Lomé				
2.1 Programmed amounts ²	m EUA	1241.3	1935.2	64.1
2.2 Commitments under IP ³	m EUA	929.6	1509.1	61.6
breakdown: subsidies	m EUA	831.7	1215.7	68.4
special loans	m EUA	97.9	293.4	33.4
2.3 Regional cooperation (programmed) ^{3 4}	m EUA	180.0	300.0	60.0

	Unit	Least-developed ACP countries	ACP total	As % of ACP total
2.4 Risk capital (commitments)	m EUA	39.9	59.9	66.6
– number of ACP countries affected	number	14	25	—
2.5 Exceptional aid (Art. 59)	m EUA	50.2	101.6	49.4
– number of ACP countries affected	number	24	35	—
2.6 Stabex (transfers)	m EUA	185	305.0	60.7
– number of ACP countries affected	number	26	36	—
2.7 European Investment Bank own resources (commitments at 31 12 1979)	m EUA	63.8	294.7	21.6
3. <i>Aid outside framework of Lomé</i>				
3.1 Direct food aid (1976–1979 programme) ⁵	m EUA	104.4	146.6	71.2
incl.: cereals	1 000 tonnes	330	511	64.6
milk powder	1 000 tonnes	56	85	65.9
butter-oil	1 000 tonnes	18	22	81.8
3.2 Conference on International Economic Cooperation – special action (commitments)	m USD	105.8	171.8	61.6
– number of ACP countries affected	number	24	34	—
3.3 non-governmental organizations programmes (commitments 1976–1979)	m EUA	8.9	15.7	56.7
– number of ACP countries affected	number	27	45	—

¹ Mid-1978 estimate based on *World Bank Atlas 1979*.

² IP amounts for ACP States, not including administrative expenses.

³ Situation as at 24 4 1980 – IP = indicative programmes.

⁴ Estimate of resources administered by the Commission.

⁵ Estimated values at world prices.

This analysis shows clearly that the least-developed, landlocked and island ACP States received a larger share of resources than their population warrants. There is only one, very significant, exception to this general picture: these ACP States received only 21.6% of the European Investment Bank's own resources.

Under Lomé II the references to the treatment of the least-developed, landlocked and island States have been extended to almost all sectors of cooperation, in addition to those already covered in the first Convention. The preferential treatment and special attention which these countries must receive is mentioned in connection with trade arrangements, aid for mining projects and programmes and industrial, agricultural, financial and technical cooperation, in short in connection with all aspects.

Similarly, the ACP-EEC Council of Ministers decided at their recent meeting in Nairobi that the Joint Expert Working Party on the Least-Developed, Landlocked and Island States should study the additional measures which should be adopted in order to attract investments to these countries. On the question of Zaire, the Commission stated in Nairobi that, in application of the joint declaration on the special situation of Zaire, this country would benefit from treatment which would, in fact, resemble closely that which is expressly provided for in the Convention for the least-developed, island and landlocked States.

Information obtained by the rapporteur indicates that under the programming of the 5th European Development Fund, as under Lomé I, approximately two-thirds of programmable resources are being allocated to the least-developed, landlocked and island countries. In relation to all the financial instruments under Lomé II this proportion falls to about 50 %. This situation is the result of the fact that the new, non-programmable instruments introduced under Lomé II make it more difficult to share resources out according to need. However, the Commission hopes that the introduction of upper and lower limits in the programming (the lower limit being guaranteed by the European Development Fund) will make it possible to remedy the effects of non-programmable aid, from the European Investment Bank in particular, and thus achieve the goal of an allocation of resources which takes into account the economic situation of the ACP countries.

It should be emphasized that Lomé II specifies that technical aid for the formulation of projects will be accorded on a priority basis to the least-developed, landlocked and island ACP countries (Article 139 (4)).

All the Sahel countries except Senegal are covered by the provisions of the Convention concerning the least-developed, landlocked and island countries. In 1976 these countries set up the Permanent Inter-State Committee for Drought Control in the Sahel (ICDCS) whose essential aim is self-sufficiency in foodstuffs. To this end a number of studies have been carried out¹⁵ to enable plans to be drawn up for the agricultural revitalization of the Sahel. Your rapporteur urges that, within the framework of activities to support the economies of the most disadvantaged developing countries, Lomé II will devote very special attention to the gravity of problems in the Sahel countries. The alarming development of the situation since the meeting of the Joint Committee makes the need for special measures even clearer than it appeared at the time of the Arusha declaration.

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Like the first Convention, Lomé II does not provide for the setting up of a special fund for the least-developed, landlocked and island countries, nor for the automatic allocation to them of a certain percentage of the financial resources available. What it does do is make the institutions and organs of the Conven-

tion more aware of the specific problems of these countries, and encourage the implementation of all possible measures to remedy them.

Whether this approach will prove adequate is doubtful. Just as on a world-wide scale special and coherent measures are needed in favour of the least-developed countries, as called for by the Brandt Commission, so under Lomé II efforts along these lines are essential, backed up by additional resources if necessary.

Chapter VI

The role of the non-governmental organizations (NGOs)

Since 1976 the European Community has financed projects being carried out by non-governmental organizations both in associated and non-associated developing countries. Whilst this is not specifically an instrument of ACP-EEC cooperation, it nevertheless merits some attention in this report.

The resources entered in Article 945 of the Community budget rose from 2.5 m EUA in 1976 to 15 m EUA in 1980.

A review of the utilization of resources from 1976 to 1979 reveals that they were divided more or less equally between projects in ACP countries and projects in non-associated countries. Of the ACP countries it was largely the poorest countries and the countries of the Sahel region which benefited.

An interesting assessment has been made of these first years, which represent a kind of introductory phase. On the basis of assessment and of information obtained verbally from the Commission and the non-governmental organizations involved it is found that:

- the number of non-governmental organizations having relations with the Community has risen to around 250;
- at the end of 1979 over 500 projects were financed in 85 countries at a cost of approximately 100 m EUA (approximately one-third Community-financed and two-thirds financed by non-governmental organizations); these took the form of multi-annual projects as well as microprojects costing as little as 10000 EUA, with an upper limit of 100000 EUA per project per year;
- approximately 35 % of these projects were undertaken in the agricultural sector, 25 % concerned vocational training and 25 % health care;
- the participation of the local population in the framing and implementation of the projects is very important, as is cooperation with non-governmental-organizations from developing countries;
- the committee for liaison with the non-governmental organizations set up under this budget article is promoting the exchange of information and cooperation between the European non-governmental organizations, and thus provides a starting point for practical cooperation on projects and is to some extent building closer links between African partners.

All in all it can be said that cooperation with non-governmental organizations is increasing the part played by the population affected by a project in ACP

countries and is focusing greater attention on areas such as rural development and training, which are a major concern of the Conventions of Lomé and of the ACP-EEC Consultative Assembly.

Chapter VII

Importance of training

Section 1

Training under Lomé I

Training was supported in three ways:

- (a) by multiannual training programmes, the aid amounting to nearly 90 m EUA spread over 49 ACP countries at the end of 1979. Between 1976 and 1978, 44 multiannual training programmes and five special projects were approved. These involved the secondment of teachers and instructors, the provision of teaching materials and study and training grants;
- (b) by training programmes in conjunction with European Development Fund projects;
- (c) by symposia and training courses, such as continuation courses for civil servants and managerial staff.

An encouraging trend has been observed as regards both the programmes and the commitment of appropriations. Whereas under the third European Development Fund only about 5% of the appropriations committed were allocated to training, this figure had risen to 12.5% at the end of 1979 under the fourth European Development Fund (although it should be added that nearly half of the funds were assigned to school buildings and infrastructure).

However, even more important than the utilization of appropriations is the quality and effect of the measures in a sector which has a greater bearing on the success of all other projects than virtually any other, and which is vital for independent development.

For example, despite the efforts made in the training sector, the ACP States still require more and more technical assistance. The need to bring in European technical assistance to make up for the local shortage of qualified personnel not only holds back the process of independent development but also costs a great deal of money, money which might have been spent on other things. A European expert costs at least 60 000 EUA a year, sometimes twice as much; such a sum could be used to pay for a year's training for 20 to 40 students in their ACP home countries.

This does not of course mean that we should stop giving technical assistance and concentrate solely on training local personnel. On the contrary, such assistance will be essential for a long time to come. It is, however, doubtful whether it has in the past made an adequate contribution to training in the ACP countries. Indeed, it is possible that it may in some cases have had a detrimental effect on the motivation of local management potential.

According to the Commission's report on technical and financial cooperation in 1978, only 11 countries applied for projects for training technical instructors (referred to as social projects). Admittedly, by the end of 1979 the appropriations committed for such projects had doubled, an indication that greater emphasis is gradually being placed on this area. Unfortunately, it is impossible to tell from the statistics to what extent women are involved in these training schemes, but it may be assumed that the situation in the context of the European Development Fund is not very different from that with other, bilateral and multilateral, cooperation: training schemes benefit mainly the male population. The 1975 World Conference on Women called attention to this problem, but only very slow progress has been made since then. This situation has a particularly adverse effect on rural development.

Training – at any rate when given in conjunction with projects – should by no means be restricted to technicians, experts or managers in public service. If people are to be motivated and the projects are to be made viable, it is essential to offer everyone concerned advice, short practical training courses and follow-up training.

In short, the main problems are the following:

- Training measures are not adequately linked with other development measures; regrettably, we have not yet reached the stage where they inevitably form part of every technical assistance project.
- They are allocated too modest a proportion of the funds for specific projects.

Steps will have to be taken to remedy these shortcomings.

Section 2

Will Lomé II make any improvements?

Lomé II places emphasis on training linked to projects, which is gradually to replace technical assistance. Moreover, Article 141 opens up the opportunity of closer cooperation between training and research establishments and universities.

The most urgent objectives in connection with the implementation of Lomé II are:

- (a) at the project planning stage it is essential that the training requirements at all levels, covering also the period after commissioning, be established;
- (b) a paragraph should be incorporated in the Financing Agreement spelling out the role of training in European Development Fund and European Investment Bank projects.

Chapter VIII

Agricultural development and security of food supplies

It is possible to assess the results obtained with Lomé I in two different ways. The effect of the Convention on rural development may be judged by looking at European Development Fund aid, the increase in its scope by comparison with previous conventions and the degree of priority given to it in relation to aid in other sectors. The impact of Lomé I may also be assessed in terms of the degree of security of food supplies achieved in the countries concerned.

Section 1

Development of the rural sector under Lomé I

In the implementation of Lomé I great efforts have been made to promote the development of the rural sector, which from the outset became one of the priority objectives of cooperation between the Community and the ACP. Whilst the first three European Development Funds allocated only 27% (around 560 m EUA) of total commitments to rural development, programme aid under the fourth European Development Fund amounted to 690 m EUA, corresponding to 36% of programmable aid.

Taking agricultural projects alone, which represent only a part of rural development activity, we find the following:

- 168 programmed projects at a cost of 568.4 m EUA, corresponding to 29% of programmed activities;
- on 30 June 1980 it was decided to finance 147 of these projects at a total cost of 466.2 m EUA.

These figures underline the much greater importance accorded to agricultural development under Lomé I than in the context of bilateral aid arrangements and demonstrate that multilateral cooperation produces a better approach to development problems. Although the effect of industrial and commercial development is undeniably important, the fact remains that these sectors depend on a sound agriculture.

The increase in the scale of agricultural measures under Lomé I has been accompanied by a qualitative improvement in the projects financed. Whilst the first European Development Fund concentrated on infrastructure projects and

the second on cash crops, the third European Development Fund and, to an even greater extent, Lomé I, gave priority to increasing food production. Moreover, under Lomé I emphasis has been placed on integrated rural development projects, the main objectives of which are to achieve balanced rural development with a view in the medium term to a lasting improvement in the living and working conditions and income of the population of a given region. Such projects involve the implementation of a whole series of measures simultaneously. They often form part of medium and long-term development programmes drawn up for an entire region within a particular ACP State.

It is expected that 40 % of the funds allocated to agricultural development under Lomé I will be used for this category of projects, by comparison with 8 % under the first three European Development Funds. It is also interesting to note that under Lomé I between 60 and 65 % of the resources earmarked for agricultural projects were used to promote rural production proper and only 35 to 40 % went for the development of industrial and exportable crops.

Furthermore, one of the innovations under Lomé I was the introduction, notably in the agricultural sector, of the concept of microprojects. These are small basic development projects which provide an economic and social impact on the life of local populations and communities in the ACP States. Such small projects range from the construction of a well to the establishment of social centres, and embrace a variety of projects benefiting the rural environment.

To qualify for financial assistance a microproject must:

- meet a real priority need at local level,
- be based on an initiative by the local community which is to benefit from it,
- be executed with the active participation of the local population,
- be financed jointly by the European Development Fund, the ACP State concerned, and the local community.

The stipulation of local initiative and participation by the community in question is a positive feature since it provides a foundation on which successful projects are likely to be built.

Section 2

Implementation of agricultural projects

Experience acquired with the implementation of agricultural projects, in particular under Lomé I, shows that unless a number of factors are taken into account, the project may be less effective or even end in failure.

In the first place, every project must be preceded by a full, in-depth study covering all aspects relating to the economic, social and cultural environment of the project.

It has been found that failure to undertake adequate studies leads to additional difficulties in the implementation of the project and to cost overruns. For example, neglect of social and human aspects in the preparation of an agricultural project has led to hostility on the part of the local population to the new techniques or crops introduced.

Similarly, the local population is bound to be opposed to projects that directly or indirectly reduce employment on the land unless corrective measures are taken.

Experience has also shown that the technical means used in the implementation of a project are frequently unsuitable, either because they are not appropriate to local conditions or because they are too sophisticated. In future greater use must be made of local techniques, materials and know-how, which would have the additional advantage of getting the local population more involved in the implementation of the project.

It is important that these and other factors be taken into account if agricultural projects are to succeed. However, your rapporteur would like to draw special attention to two aspects which appear to her to be fundamental. The first is the decisive influence of the price policy pursued in the countries in question on the chances of developing agricultural production. A policy of non-remunerative prices may act as a break on production, whereas what is needed are incentives. Such a policy may also result in the creation of black markets, thus reducing the possibilities of establishing genuine commercial channels, in particular between the land and the towns. The second point is of a more general nature in that it applies not only to agricultural projects but also to all other cooperation sectors. It concerns the importance of the role of Community delegates and of technical assistants. The sound preparation and implementation of an agricultural project depend to a large degree on their calibre and their powers.

Section 3

The security of food supplies

In most of the ACP countries food supplies remain below internationally-accepted levels. The problem is more serious than in other regions of the world and in the least-developed ACP countries in particular the situation is if anything getting worse. It is estimated that at present one-quarter of the African population does not receive the minimum calorie intake and that undernourishment will be widespread if agricultural production is not increased at the rate of at least 3.5 to 4% per annum.

In the ACP countries as a whole the results obtained in the rural development sector are far from satisfactory. In all, only nine ACP countries (with about 8% of the ACP population) have achieved an agricultural production growth rate

higher than their population growth rate. In most ACP countries (69% of the ACP population) *per capita* agricultural production has declined.

Furthermore, in most cases increases in production are achieved by extending the areas under cultivation.

Even in cases where an analysis of production figures and rise in the area under cultivation suggests that the yields have increased, closer examination shows that this is due above all to the replacement of food crops giving a poor yield by cash crops giving higher yields.

As regards the ACP cereals deficit an extrapolation of production and consumption trends indicates that by 1986 it is likely to be twice as high as in 1977. It would then be at a level of 12 m tonnes per annum.

It is clear from the above that, notwithstanding the progress achieved through agricultural cooperation, the security of food supplies of African countries presents an urgent and crucial problem. This problem must be constantly borne in mind when the agricultural development measures to be taken under Lomé II are worked out.

Section 4

Fisheries

Under Lomé I fisheries did not make any great contribution to the food supply of the ACP countries. According to the 1979 Commission report to the ACP-EEC Council of Ministers, expenditure on fisheries totalling 4 m EUA was approved in 1979. Special reference is made to a regional study of the Gulf of Guinea for five States, as well as one under preparation at the request of certain Indian Ocean States.

The first should be viewed in the context of the two fishery agreements which the Community concluded with Senegal and Guinea-Bissau. Although the main purpose of these agreements was probably to ensure that the seas in this region were fished competently and that the French and Italians retained access to their traditional fishing grounds, they do offer an opportunity. They provide that the Community pays financial compensation to the countries concerned for fisheries projects and services and that the Community contributes to the development of fisheries in the ACP States by means of grants and aid for training. There is as yet no information on the results of this in practice. However, there is undeniably a danger that the fish caught will benefit trade and the flow of currency rather than helping to feed the indigenous population. In view of the worsening food situation, particularly in the African States, the development of sea or freshwater fishing to feed the local population must be made a top priority in ACP-EEC cooperation.

A joint declaration annexed to Lomé II (Annex XVIII) marks a step in the right direction. It is more specific about the use made of compensation payments and emphasizes the need for regional cooperation. However the provision of more technical and financial aid from the 5th and, as far as possible, from the 4th European Development Fund is of paramount importance. The Giama report with its resolution for the Consultative Assembly takes the same view, as does the Brandt report in its opening sentence: 'Increased consumption of fish could also help to reduce hunger and malnutrition.'

Section 5

Rural development under Lomé II

The Lomé Convention II has introduced some improvements by comparison with earlier provisions. The fact that the two sides devoted a special chapter to agricultural cooperation underlines the supreme importance which they attach to the promotion of the rural environment as part of the development process.

Apart from setting out the objectives of EEC-ACP cooperation in this field and the measures which will have to be taken to achieve them, this chapter provides for the strengthening of the technical assistance instruments needed to allow the authorities in the ACP States to work out projects better adapted to their needs.

Of particular interest in this connection is the possibility offered to the ACP countries of calling on individual experts or teams of consultants. Moreover, a Technical Centre for Agricultural and Rural Cooperation has been set up, whose main function will be to provide better access to information, research and training, as well as to the latest developments in this sector.

Finally, the experience gained under Lomé I in the financing of microprojects will be built on and expanded.

A subcommittee of the Committee of Ambassadors will be set up to help implement these aims and action programmes. At the meeting of the ACP-EEC Council of Ministers in Nairobi, the Committee of Ambassadors was instructed to establish forthwith the ACP-EEC Subcommittee for Cooperation on Agricultural and Rural Development and to draw up the administrative and legal texts needed to enable the ACP-EEC Technical Centre for Agricultural and Rural Cooperation to be set up without delay. In this context the Community put forward a number of draft texts.

An analysis of the initial results of the programming of Lomé II's financial resources confirms the growing importance of the agricultural sector for the ACP countries. In the 41 indicative programmes set up at the end of June 1980 39.9% of the European Development Fund's programmable resources will be devoted to rural development.

In their indicative programmes most of the ACP States visited by Commission planning experts have already clearly opted for improvements in agricultural production at the level of the farmers, for research into self-sufficiency in food, for the protection, preservation and storage of the harvests and for the increase in the income of small farmers. On the other hand, the promotion of productivity and of the diversification of exportable production are a lesser factor in the general aims, which confirms the trend observed under Lomé I.

These trends emerge clearly when one compares the proportions set aside for development in the indicative programmes under Lomé I and Lomé II.

The relative importance of rural development operations in the indicative programmes under Lomé I and Lomé II

	Lomé I	Lomé II
Ethiopia*	38 %	50 %
Gabon	20 %	58 %
Ghana	33 %	45 %
Guinea*	25 %	37 %
Ivory Coast	37 %	66 %
Madagascar	30 %	45 %
Mauritania*	22 %	51 %
Rwanda*	6 %	38 %
Somalia*	24 %	57 %
Tanzania*	18 %	38 %
Upper Volta*	25 %	38 %

* The least-developed ACP countries are marked with an asterisk.

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Both the provisions of Lomé II and the initial results of the indicative programmes are encouraging.

At its session from 15 to 19 September 1980 the European Parliament examined a resolution drawn up by Committee on Development and Cooperation on 'Hunger in the world'.¹⁶ Your rapporteur cannot reiterate here all the aspects covered and all the proposals contained in this report. She would therefore ask her colleagues to refer to this document, and in particular to Paragraphs 15 to 30 of the resolution on the agricultural and rural development of the developing countries.

To sum up, your rapporteur considers it essential that under Lomé II:

- rural development projects have top priority, both with respect to the allocation of funds and the use of all the resources of technical cooperation;

- the quality and effectiveness of projects be improved;
- particular attention be paid to agricultural projects which aim to secure food supplies, particularly in the most vulnerable countries;
- ACP States receive adequate help in the drawing up of strategies relating to the security of food supplies;
- Community food aid should be more often and more closely linked to rural development projects;
- agricultural research projects be financed by the European Development Fund;
- the fact that the rural sector, the activity of the small and medium-sized undertakings and trade complement each other be taken into account when projects are being drawn up.

Chapter IX

The primary role of financial and technical cooperation and the importance of the procedure

In the Lomé Conventions, the little 'financial and technical cooperation' covers, with the obvious exception of Stabex all the financing procedures for the different kinds of cooperation, together with the methods of selecting and implementing the projects. Whether regional, agricultural, industrial or trade cooperation is involved, implementation is governed by the provisions for financial and technical cooperation. This shows the importance of the role played by the procedures and methods for use of the funds provided under this heading in achieving the objectives of the Convention.

Section 1

Allocation of the financial resources available under Lomé I and Lomé II

It should be noted that under Lomé II the cost of administering aid, which mostly involves the expenses of the Commission delegations to the ACP States, is no longer borne by the European Development Fund but is directly covered by the Community budget. Under Lomé II, the total amount of these expenses is estimated to be 180 m EUA. These new provisions comply with a wish frequently expressed by the ACP States and supported by both the Consultative Assembly and the European Parliament. Another innovation is the provision outside the Convention of a sum of 200 m EUA which may be committed by the European Investment Bank in the mining and energy sector in the form of ordinary loans, i. e. without interest-rate subsidies, as has already been pointed out.

	Lomé Convention II		Lomé Convention I	
	m EUA	m USS	m EUA	m USS
Grants	2928	3894	2155	2692
Special loans ¹	504	670	444	555
Risk capital	280	346	94	177
Stabex ²	550	731	382	477
Ore ³	280	372	—	—
European Development Fund total	4542	6013	3075	3841
European Investment Bank				
— ordinary loans: with interest rate subsidies ⁴	685	911	390	487
— loans outside the Convention mining projects	200	266	—	—
Convention total	5227	6924		
General total	5427	7190	3466	4329

¹ The conditions for reimbursement of special loans have been made uniform: repayment in 40 years with a grace period of 10 years. The 1 % interest rate has been reduced to 0.75 % for the least-developed States.

² Stabex transfers consist of grants for the least-developed countries and loans without interest for the other countries.

³ Same conditions as for special loans.

⁴ The interest-rate subsidies are now standard and automatic and make it possible to reduce by 3 % the interest rate borne by the borrower.

The financial resources provided by the Community under Lomé II must be assessed in the light of money erosion, the length of the Convention (five years instead of four as under Lomé I) and the larger number of ACP partner States. It is to be regretted that the Community was unable to go further, particularly in view of the crisis in the position of the developing countries overall, to which your rapporteur will refer again in the conclusions.

Section 2

The problem of delays in implementing financial and technical cooperation

On 30 June 1980, the fourth European Development Fund had been used as follows:

- commitments amounted to a total of 2389 m EUA¹⁷ out of the 3466 earmarked for the Fund;
- on 1 March (latest statistics available to the rapporteur) payments amounted to 43.3% total appropriations.

This means that at the time of the expiry of Lomé Convention I, one-third of the appropriations had not yet been committed while almost four-sevenths had not been paid.

This slowness in implementing financial and technical cooperation has often been criticized. The blame has usually been laid on the red tape of the Commission's departments. Without wishing to underestimate the seriousness of this situation which could, in the long run, lead to scepticism concerning ACP-EEC cooperation, this judgement should nevertheless be qualified.

It should first of all be pointed out that the long pipeline between presentation of a project and its implementation is not a phenomenon peculiar to Lomé I but, on the contrary, is common to all bodies involved in development and to the administrations of the developing countries. One cause is the difficulty in drawing up operational projects. In the particular instance of Lomé I, the situation was aggravated by the inexperience of the new partners to the Convention with regard to the complex procedures of the European Development Fund. In addition to this inexperience, the projects of most of these States had not reached a sufficiently advanced stage of planning to allow rapid implementation. Thus, as at 30 September 1979, the commitments and payments among the former members of the Yaoundé Convention and the new ACP States were as follows:

(m EUA)

	Commitments at 31 8 1979	Payments at 31 8 1979	%
Former Associated African States and Madagascar	657	198	30.1
New ACP States	761	128	16.8
	1418	326	23

Rather than become immersed in the statistics for use of the European Development Fund, it seems more important to ascertain whether the procedures in force make it possible to ensure the quality of the projects financed. It is not only a matter of spending quickly but also of using the funds judiciously. In this respect there is a risk of conflict between the length of the pipeline and the quality of the projects. In order to reduce this as much as possible, efforts must be concentrated in two directions:

- to improve the procedures, thus making them more effective,
- and to improve the system to allow the selection of worthwhile projects.

The procedures for financial and technical cooperation

We have already stressed the primary role of financial and technical cooperation, and consequently of its procedures, in implementing all the policies provided for in Lomé I or Lomé II. Indeed, it is the principles and procedures laid down at the different stages of financial and technical cooperation (namely the programming of aid, project preparation and appraisal, financing decision, implementation and evaluation) which determine the effectiveness of any particular ACP development aid policy.

For the purposes of this report, we shall single out two main phases: programming, and project preparation and implementation.

(a) Programming

The programming phase of Lomé II is already well on its way, because, as has already been said, on 3 July 1980 41 indicative programmes were already available, accounting for 71 % of total programmable funds.

In these 41 indicative programmes, programmed funds were distributed among the various sectors as follows:

– Rural development	39.9%
– Energy and mining	7.3%
– Transport and communications	18.5%
– Housing and town planning, including sanitation and water supply	8.5%
– Social sector (education, training, health)	10.0%
– Technical cooperation	2.8%
– Specific instruments (microprojects, small and medium-sized undertakings, trade and industrial cooperation)	4.8%
– Reserve	8.2%
	Total 100.0%

It is difficult to assess the results of programming on the basis of this table alone. The most that can be said is that rural development is doing well, although, of course, the standard of the projects remains to be verified. It also seems that the proportion of programmable appropriations allocated to energy and mining is negligible, even allowing for the fact that Lomé II provides for non-programmed financing for these sectors. Finally this table tells us nothing about the proportion of the appropriations set aside for regional and industrial cooperation.

To conclude this brief comment, your rapporteur requests that more precise information on the content of the programming for Lomé II be provided for the next meeting of the Joint Committee.

While acknowledging that the fact that two-thirds of the indicative programmes are already drawn up only eight months after the signature of Lomé II reveals dynamism on the part of the Commission and the ACP States, one may well wonder whether this sort of speed does not smack of over-hastiness. Of course, the programming system is sufficiently flexible to allow subsequent adaptations or improvements. However, it is rather the very principles due to guide the programming which are at issue.

In your rapporteur's view, the following are essential preconditions for proper programming:

- discussion and agreement between the partners (ACP States and Community) concerning the priorities for development measures to be implemented during the term of the Convention;
- genuine coordination by the Community and the Member States of their development cooperation policies.

The definition of this strategy must be based on the results of the evaluation of the measures implemented under Lomé I. At the present stage of evaluation, these results point to the following:

- the need for the ACP States to draw up, possibly with the technical assistance of the Community, a development programme setting out the resources available and specifying the kind of aid desirable;
- the need to take account of the possibilities for self-development inherent in the development projects and of the secondary effects;
- the mistake too often made, on the pretext of committing a large number of appropriations quickly, of granting priority to large projects with direct effects but few possibilities for self-development;
- vocational training should accompany implementation of the project. More generally, the cost of training and later maintenance must be taken into account when the projects are being drawn up, and included in the financing plan;
- the state of maintenance and operation of the projects implemented should be ascertained before new projects are adopted;
- provision should be made for the setting up of bodies to be responsible for the preparation, administration, maintenance, etc., of the projects.

(b) The preparation and implementation of the projects

Here again, we are dealing with the problem of the length of the pipeline. It must be pointed out in this connection that procedures ensuring participation in the implementation of financial and technical cooperation by the two partners to the Convention are of necessity longer and more difficult to manage. This system of 'co-administration' is, however, an essential principle of the Convention, which under no circumstances must be called in question on the pretext of streamlining procedures.

A comparison of the rates of commitment and payment clearly shows where the problem lies. Everything proceeds as if for those responsible for management of the European Development Fund, a project is completed once the financing decision has been taken, namely once the necessary funds can be committed. Such an attitude would explain why payments from the fourth European Development Fund represent only 43% of the funds available. The implementation of the projects thus tends to be shelved and forgotten about. Yet it is perfectly clear that what most interests the ACP State or the region concerned is the implementation of the project and consequently the payment phase. This is the area where efforts need to be concentrated.

All those concerned and those involved in the procedures should therefore be made aware of the need to reduce delays to a minimum. It would therefore be desirable to confer more powers on the Chief Authorizing Officers (ACP) and more responsibilities on the Commission's delegates who play a key role in the implementation of financial and technical cooperation.

As regards technical cooperation in particular, it is important under Lomé II to try to keep the cost of advisers and technical assistants (paid out of European Development Fund resources) with reasonable limits, taking local circumstances into account when fixing their remuneration. Similarly, the Commission must learn in future to curb its tendency to seek perfection in drawing up and implementing technical assistance programmes. We must point out again that the best is often achieved at the expense of the good and that there is no need to transplant into the ACP countries the systems and methods used in this field in the Community.

It has often been maintained that the appraisal of the projects by the Committee of the European Development Fund, composed of representatives of the Community Member States and responsible for expressing an opinion on all draft financing decisions, is an additional obstacle to the smooth running of procedures. Investigations have shown that this contribution by the Fund Committee does not, in most cases, cause undue delay. However, there have been some instances where consultation of the Committee considerably delayed the implementation of projects, which always has disastrous effect on project impact, particularly when industrial projects are involved. It also emerges that the Committee of the European Investment Bank, composed of representatives of the Member States and responsible for expressing an opinion on bank intervention projects, operates more efficiently. It must also be pointed out that to ensure a certain minimum coordination between the projects dependent on European Development Fund or European Investment Bank finance, a representative of the Committee of the European Development Fund takes part in the meetings of the Committee of the European Investment Bank and vice versa.

More generally, it should be noted that the existence of the two Committees makes it possible to check, at the level of the individual projects, the complementarity of Community and national policies which was established in

principle at the time of programming. It must be stressed that the greater the genuine complementarity at the programming stage, the fewer will be the difficulties when the projects are being examined by the Committee of the European Development Fund.

The provisions of the rules of procedure governing the financing of Community aid adopted on 6 December 1979 by the Council are an illustration of the possible conflict between more 'co-administration' and the effectiveness of cooperation through speedy implementation. These provisions stipulate that if the Commission wishes to depart from the opinion expressed by the Committee of the European Development Fund, or if the latter's opinion is unfavourable, it must either withdraw its financing proposal or refer the matter to the Council as soon as possible. However, the ACP State concerned can, in this case, forward to the Council all details needed to complete its information. Similarly, if the Committee of the European Development Fund requests substantial amendments to the financing proposal, or if it has delivered an unfavourable opinion, the Commission consults representatives of the ACP countries concerned.

The financing proposal, revised or added to, is again submitted to the Committee of the European Development Fund, and if it again refuses to deliver a favourable opinion, the Commission once more consults the representative of the ACP State concerned. It is to be feared that this procedure unduly prolongs the time required for appraisal of projects.

However, in addition to these negative aspects, the new Convention contains some features which will make it possible to improve procedures. Thus, Lomé II provides for a simplified procedure of competitive tendering for the implementation of projects whose cost is less than 3.5 m EUA. Similarly, projects of less than 1 m EUA are appraised by the Committee of the European Development Fund by written procedure. Finally, Article 108 (6) of Lomé Convention II provides for the setting up, within the Council of Ministers, of an ACP-EEC Committee responsible for studying in general terms and on the basis of specific examples, suitable measures to improve the implementation of financial and technical cooperation, notably the accelerating and streamlining procedures. This Joint Committee, composed on a basis of parity of national experts, shall meet every quarter and at least once a year at ministerial level.

Pending the suggestions of this Committee, the fact that the negotiators were aware of the need to improve procedures in the interests of efficiency may be considered a positive aspect.

Before concluding this chapter, attention must be drawn to one particular reason for the difficulties in implementing financial and technical cooperation. Particular, because it exclusively concerns Community policy. This is the chronic shortage of staff to carry out the Commission's tasks. It is time the

Community turned words into deeds by giving the Commission sufficient staff to ensure the implementation of the Convention.

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There are two distinct schools of thought in the longstanding debate on the various development aid procedures. The first defends the principle of project aid, however cumbersome the procedures, in the belief that this method alone makes genuine cooperation between the two partners possible. The other camp comprises the supporters of programme aid, who claim that aid will only be really effective in the absence of all instructions, preparations and procedures attending their implementation.

Your rapporteur considers that these are not genuine alternatives in that there is a third solution which aims to support both programmes and the projects embodied in them. This solution would combine the elimination of the cumbersome procedures with the maintenance of the rules of sound management for cooperation. Steps should be taken in this direction under Lomé II and a new model might thus be developed.

Chapter X

Decisions of the ACP-EEC Council of Ministers (Nairobi, 8 and 9 May 1980)

Until now we have only referred to the decisions of the last ACP-EEC Council of Ministers as and when they were relevant to the subjects dealt with in the various chapters of our analysis. A number of important viewpoints which your rapporteur cannot allow to pass unnoticed have thus not been mentioned.

Section 1

The application for accession to the Second Lomé Convention submitted by Zimbabwe

First of all mention should be made of the decision of the ACP-EEC Council to agree to the application for accession to the Second Lomé Convention submitted by Zimbabwe.

The Joint Committee and the Consultative Assembly were particularly happy about this first enlargement of Lomé II to include a country which has acceded to independence after a long struggle and following free and democratic elections.

At the end of July 1980 it was learnt that there was as yet no consensus on the conditions of Zimbabwe's accession to Lomé II, and that the problems relating particularly to sugar, to beef and veal and to the bilateral agreements with South Africa had still to be resolved. The Council of the European Communities has however undertaken, in view of the political importance of Zimbabwe's accession to the Convention, to adopt a position on these problems so as to enable the Commission to conclude negotiations before the end of September 1980. We can only emphasize here the need for rapid action.

Whilst negotiations on the terms of accession are in progress, the Community and the Member States must make special efforts to provide aid for Zimbabwe (within the framework of development aid policy for non-associated developing countries) so that it can rebuild its economy rapidly. The Community has indeed already made moves in this direction.

Section 2

Transitional measures

In its final declaration, adopted on 28 February 1980 in Arusha, the Joint Committee requested that 'to attenuate the effects of the solution of continuity between the two Conventions, the transitional measures should include all the provisions of Lomé II with no financial implications dependent on the ratification of the Convention, in particular the consultation procedures prior to application of the safeguard clause and the new system of rules of origin'.¹⁸

In Nairobi the Community made a declaration to the effect that it was prepared to apply in advance the safeguard measures and consultation mechanisms as soon as the text of the Implementing Regulations had been formally adopted and published in the Community. Since then the Regulations have been published in Official Journal L 147 of 13 June 1980.

On the other hand no decision has yet been reached which would modify that taken on 18 January 1980¹⁹ on transitional measures to be applied from 1 March 1980 extending the provisions of Lomé I on rules of origin.

It is also worthy of note that in Nairobi the ACP-EEC Council confirmed the setting up of an ACP-EEC working party of experts to study the implementation of rules on the origin of fishery products.

Section 3

Implications of the accession of Greece to the EEC for the Second Lomé Convention

The ACP countries have repeatedly, and notably in Nairobi, expressed their concern about the effect of Greece's accession on their trade relations with the Community.

At the ACP-EEC Council's meeting of 8 and 9 May, the Community therefore proposed that the Committee of Ambassadors should at an early date enter into negotiations for an adaptation and transition protocol to Lomé II to take account of the accession of Greece.

Subsequently the Commission forwarded a communication on this subject to the Council.²⁰ The Commission was of the opinion that the enlargement of the Community to include Greece ought to have only a marginal effect, and generally speaking a positive one, on the ACP countries.

Your rapporteur is not in a position to comment on this issue in view of the incomplete information available to her. Within the framework of this report she

can only regret that this problem is being dealt with so late in the day, given that the facts have been known to the Commission for a long time. To force the Committee of Ambassadors to find solutions in a hurry is high-handed and is certainly not the best method of reaching a consensus between the parties concerned.

CONCLUSIONS

It would be difficult at the end of this very lengthy analysis of Lomé Conventions I and II to draw any significant conclusions amounting to more than mere general remarks, without reviewing the various aspects of ACP-EEC cooperation point by point.

One might of course take the view, as does the ACP-EEC Council in the conclusions to its annual report, that not only does an agreement like Lomé I represent a remarkable innovation in relations between industrialized and developing countries, but that also all of its provisions have been complied with and have thus achieved generally satisfactory results.

Although your rapporteur cannot express unqualified satisfaction with the results of Lomé I, one cannot but welcome the fact that the agreement has been renewed for a further five years with improved and more wide-ranging provisions.

Rather than weighing the arguments in this way, it would be more useful to look at the Convention of Lomé in the general context of problems relating to development.

What are 7 100 m dollar's worth of aid, spread over five years (total expenditure envisaged under Lomé II) set against the vast needs of the developing countries, and hence of the ACP countries, and also in the light of the Brandt Commission's point that the annual transfer of resources to developing countries must be of the order of US \$ 30 000 m over and above existing aid if the target of 0.7 % by 1985 is to be achieved? How can these US \$ 7 100 m over five years make any real impact on the ACP economy, given that:

- the public debt of the African ACP countries alone amounts to US \$ 33 000 m in 1980 (compared with US \$ 12 500 m in 1973),
- the deficit in 1980, in the wake of the recent oil price rises, is set at US \$ 3 700 m for the 38 poorest developing countries alone (*per capita* income of less than US \$ 300 per annum),
- the estimated cost of food imports in 1980 is set at:
 - US \$ 700 m for low-income developing countries,
 - US \$ 36 000 m for middle-income developing countries (see 1980 report of the World Bank, p. 23).

One could quote numerous other examples which underline the disparity between the limited financial resources made available by Lomé I and II and the scale of the problems to be solved. The important point is that even though the Conventions of Lomé are exemplary in many ways, they provide in the final analysis only a fraction of what is really needed. And a drop in the ocean, however exemplary, never had any effect on that ocean.

It is not mere pessimism that has made your rapporteur take such pains to bring out the disparity between the resources made available by Lomé I and II and the overall problems of development. It is quite simply to emphasize the need for ACP-EEC cooperation to form a part of the wider framework of North-South relations. It is at this level that the Community must act and encourage others to act in an effort to find an overall and coherent solution to the problem of underdevelopment, a solution which must and will have a positive effect on regional cooperation under Lomé.

The recent summit of industrialized countries (Venice, 22 and 23 June 1980) put forward a number of courses of action, such as:

- promotion of measures to recycle petrodollars,
- extension of the activities of the World Bank to include the financing of structural adjustment programmes in the developing countries,
- increases in the International Monetary Fund quotas and replenishment of the resources of the International Development Agency,
- increased use of International Monetary Fund resources in a manner compatible with the particular problems of the developing countries.

The Brandt Commission report drew up, on a more general level, four main points for an emergency programme to combat underdevelopment:

- a large-scale transfer of resources to developing countries,
- elaboration of an international energy strategy,
- setting up of a global food programme,
- a start on some major reforms in the international economic system.

All these proposals are in fact the subject of the North-South Dialogue, which is being reactivated by the 11th Special Session of the General Assembly of the United Nations devoted to development problems (from 25 August to 5 September 1980). Your rapporteur cannot of course judge, at the time of writing, what the results of this Special Session will be.

It can only be hoped that the North-South Dialogue will come up with some concrete commitments before long. For this to happen there must first be agreement on procedural problems. The Community must do all it can, in view of its responsibilities and interest in the matter, to reach such an agreement and to see that the fundamental problems are finally dealt with. In fact the Community will only be able to pursue a coherent and viable development aid policy if its special contractual relations with certain developing countries, including the ACP countries, are placed in the context of a world-wide system of economic relations between North and South.

In other words it is imperative that Lomé II be complemented by substantial progress in the North-South Dialogue, involving essential commitments to provide immediate aid in the areas of energy, food supplies and balance of payments problems, so that the ACP States, too, meet with a response in keeping with the magnitude of the problem.

Completion of drafting – August 1980.

RESOLUTION

on the annual report of the ACP-EEC Council of Ministers and on an analysis of the results obtained under the First Lomé Convention in the light of the forthcoming entry into force of the Second Lomé Convention.

The ACP-EEC Consultative Assembly

- meeting in Luxembourg from 24 to 26 September 1980,
 - 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 regard to the report of the ACP-EEC Council of Ministers drawn up pursuant to Articles 74 and 80 of the First Lomé Convention,
 - having regard to the report of its Joint Committee (Doc. ACP-EEC/19/80),
 - welcoming the accession of the Republic of Kiribati and St Vincent-and-the-Grenadines to the First Lomé Convention,
 - stressing the particular value and the great political significance of the first, imminent enlargement of the Second Lomé Convention to include the Republic of Zimbabwe, and hoping that this will come into effect as soon as possible;
1. Welcomes the conclusion of a new Convention between the ACP States and the Community, and stresses the political significance of this new international cooperation contract between equal partners, which is vital for the economic and social development of the ACP countries and is consistent with the situation of economic interdependence between the developing countries and the industrialized countries;
 2. Calls on the Member States of the Community to ratify the new Convention as soon as possible; requests that to attenuate the effects of the break in continuity between the two Conventions, the transitional measures should include all the provisions of Lomé II with no financial implications dependent on the ratification of the Convention;
 3. Stresses that in the implementation of the new Convention the lessons learnt under Lomé I should be taken into account so as to avoid repeating negative experiences and to preserve achievements so far;

(a) Trade cooperation and promotion

4. Stresses that the opening of the Community market is not sufficient in itself to ensure the development of ACP exports to the Community;

5. Requests that under Lomé II trade cooperation and promotion should be integrated more fully into the various cooperation policies, and expects, in accordance with the spirit and provisions of Lomé, the obstacles (quantitative, administrative and other restrictions) to ACP exports to the Community, especially textiles and milled rice, to be lifted;
6. Notes the individual improvements to the trade arrangements in Lomé II;
7. Considers that the results of trade promotion prove that the resources and methods deployed were not adapted to the requirements of the ACP States;
8. Emphasizes the advantages of the new approach under Lomé II to trade promotion, which will henceforth be extended to the various stages of production and to all markets; stresses the need for practical promotion schemes such as the holding of specialized fairs and the training of marketing experts;
9. Requests the Community and its Member States to refrain from having recourse to the safeguard clause by making the best possible use of the consultation procedures; considers that the case of ACP textile exports which is illustrative of the enormous difficulties of ACP States in embarking upon the industrialization process and taking advantage of the free access rule, provide a test of the readiness of the Community and its Member States to honour their commitments in this area;
10. Warns the Community and the Member States against protectionist practices and tendencies, the adoption of which have disastrous effects not only for the ACP countries but also for the Community itself;

(b) Sugar

11. Remains convinced of the great and continuing importance to the economies of the ACP countries concerned of guaranteed access for their sugar to the EEC market under the terms and conditions set out in the Sugar Protocol annexed to the Lomé Convention;
12. Deplores the fact that the Commission proposals on revised quotas for EEC sugar producers for the 1980–85 period have received neither the consent of the European Parliament nor the approval of the Council of the European Communities;
13. Is persuaded that, in so doing, the Community has merely avoided the problem, which must again be put before the European Parliament and the Council of the European Communities by the Commission; considers in fact that, despite the economic fluctuations in the world sugar market, the reduction of surpluses of beet sugar in the EEC is essential in view of the Community's historical obligations towards the ACP countries;

14. Affirms that the quantity of ACP sugar supplied to Member States of the Community has not increased over the last 15 years and hence has in no way contributed to the sugar surpluses to be exported from the EEC;
15. Notes the decision of the ACP-EEC Council of Ministers to invoke the good offices procedure to settle the dispute over the application of the notion of *force majeure*, and expresses the hope that the use of that procedure will strengthen the affirmation of the Community's resolve, as set out in Protocol 22 of the Treaty of Accession, to safeguard the interests of all the countries referred to in that Protocol whose economies depend to a considerable extent on the export of commodities, and particularly sugar;
16. Emphasizes the irrevocable nature of the undertakings made in the context of the Sugar Protocol;
17. Requests the ACP-EEC Council of Ministers and the Community:
 - to respect fully the traditional position of ACP sugar on the Community market,
 - to participate immediately in the International Sugar Agreement as a supplementary measure to ensure the stability of world prices of this product,
 - to look for ways of further increasing ACP sugar quotas and encouraging EEC sugarbeet farmers to produce crops which will not compete with ACP production;

(c) Stabex and Sysmin

18. While recognizing the existence of certain difficulties related, in particular, to transfers, considers that as a whole Stabex has been applied satisfactorily;
19. Welcomes the decision of the ACP-EEC Council of Ministers to allocate to the Stabex appropriation under the Second Convention the balance remaining from the Lomé I Stabex fund;
20. Requests the ACP-EEC Council of Ministers to convert into grants the transfers made under Lomé I and due to be replenished, taking into consideration, case by case, the particular situation of the countries concerned as provided in Article 44 of the Second Lomé Convention;
21. Notes the new features of Stabex, including the list of products, the conditions of intervention and the increase in the appropriations allocated to the system, and notes with satisfaction that henceforth the ACP-EEC Council of Ministers will be able, on a case-by-case basis, to extend the benefits of Stabex to inter-ACP trade, a measure which is likely to promote inter-ACP trade cooperation;
22. Requests the ACP-EEC Council to examine, case by case, requests to extend the list of Stabex products, particularly those relating to raw tobacco and sisal products;

23. Requests the Commission to present a report assessing the impact of Stabex on the development of the economies of the ACP countries and, given the importance of this assessment, urges that this detailed study should be carried out by external consultants selected with the approval of the ACP countries;
24. Emphasizes the value of the System for Mineral Products (Sysmin), the implementation of which may help to maintain and develop the mining industry in the ACP States; stresses that it will not be possible to achieve this objective unless suitable preparatory measures are taken immediately, in particular by the Commission of the European Communities;

(d) Industrial cooperation

25. Deplores the fact that under Lomé I industrial cooperation produced only limited results;
26. Notes that the negotiators of the new Convention have acknowledged the need to intensify industrial cooperation, in particular by extending its scope to the mining and energy sectors and by laying down non-discriminatory rules regarding investments in ACP countries from Member States;
27. Welcomes the particular stress laid on energy in Lomé II and reaffirms that the availability of energy resources at reasonable prices constitutes a condition for the development of the ACP countries; requests that the ACP States should receive aid to develop other energy sources so as to attenuate the effects of the increase in the prices of petroleum products and their harmful repercussions on the development effort of these countries and places special importance on the urgent need for the Community to finance surveys for oil and extensive exploration drilling.
28. Stresses that covering the developing countries energy deficit (US \$ 20 000 m for development aid in 1979, US \$ 50 000 m for energy supplies) is one of the most important tasks of development policy; the Community, the oil-producing countries and the Eastern bloc must assume their collective responsibility in this respect;
29. Hopes that the procedures in the industrial sphere set up by Lomé II will induce the Community, after consulting the economic and social groups, to take greater account of the needs of the ACP economies in determining its internal restructuring measures;
30. Stresses the value of the new provisions of Lomé II on co-financing, a system which has already produced appreciable results under Lomé I;
31. Expresses its interest, given the inadequacy of public aid, in the provisions of Lomé II designed to encourage the inflow of private capital in the

industrial development process of the ACP countries, particularly in respect of small and medium-sized undertakings;

32. Stresses the need to encourage the establishment and promotion of small and medium-sized undertakings in ACP countries as they are the basic and indispensable means of developing both the industrial sector and agriculture and trade; considers that small and medium-sized undertakings constitute an appropriate framework for training programmes and transfers of technology;
33. Considers that one of the preconditions of any industrial cooperation must be to assist the ACP States in the definition of an industrial development strategy capable of producing suitable projects;
34. Calls in particular for the establishment of a Business Management College for the Lomé Convention, funded by the Community, to train large numbers of competent managers from the ACP States in techniques and technologies appropriate to their economic environments.
35. Recognizes the gap in the flow of requisite financial resources for the industrial development of the ACP States and the urgent need for complementary financing for the implementation of industrial programmes under Lomé II in order to achieve more positive results than obtained under Lomé I;

(e) Regional cooperation

36. Stresses the fundamental role of regional cooperation in the development process of the developing countries, and hence the ACP countries, and regrets that the opportunities offered by Lomé I have not been more fully exploited;
37. Urges that the implementation of Lomé II be used to lay the foundations of real regional cooperation, thanks in particular to increased financial resources and a better identification of objectives;
38. Urges that the support and aid schemes for specific bodies and projects implemented by ACP countries within a regional or sub-regional framework, particularly in the field of infrastructures, should be reinforced;
39. Takes note in the same context of the Lagos Action Plan; strongly urges the Community to provide the appropriate political support for this Plan and to take account of the implications of its implementation in formulating its cooperation and development aid policy; lays particular stress on the need for and advisability of an increase in and concentration of the Community's financial and technical aid on strengthening or creating

structures for sectoral or sub-regional cooperation, especially the construction of dams, schemes to combat the encroachment of the desert, communications, etc.;

(f) Agricultural cooperation

40. Notes that under Lomé I more than one-third of the European Development Fund appropriations was allocated to the development of the rural sector, and in particular to integrated projects, but notes that, far from moving towards self-sufficiency, the food situation of the majority of ACP countries, especially the African countries, has deteriorated;
41. Considers that in order to cope with the situation in the future in the countries concerned
 - Lomé II should be implemented in such a way as to enable the ACP States concerned to develop a food strategy,
 - an ever greater proportion of European Development Fund resources should be set aside for agricultural projects,
 - food aid should be integrated into development programmes for the rural sector and food-for-work schemes should be experimented;
42. Stresses the value of developing fisheries, which may help to improve the security of ACP food supplies;
43. Asks the Community, in line with previous ACP requests, to investigate rapidly with the ACP States ways in which it might contribute, on special terms, to the food security of the developing countries by providing itself with appropriate resources under the Common Agricultural Policy;
44. Considers that, in the longer term, an adequate solution to this problem and to all the anomalies in the agricultural trade relations between the Community and the developing countries can be found only if:
 - the Community finally adopts an agricultural trade policy compatible with its development aid policy;
 - and at the same time guarantees priority access to the Community market for agricultural products and processed agricultural products from the poorest associated and non-associated developing countries;
 - the Community reduces its current structural surpluses of certain agricultural products;
45. Requests that special attention and increased assistance be granted to ACP countries hit by drought, particularly those in the Sahel and the Horn of Africa which are threatened, and urges the introduction as a matter of urgency of a special action programme to enable the stricken countries to curb, by means of water control, the harmful effects of drought;
46. Notes with satisfaction the prompt action taken by the Community to furnish financial and other assistance to countries which have recently suffered serious loss of life and property as a result of hurricanes; and urges

the introduction by the Community of a continuing programme of assistance aimed at enabling the people of those countries to prepare themselves against, and to alleviate the effects of, the perennial hazards to which they are exposed by the occurrence of such hurricanes;

47. Requests the Commission to enter in the Community's 1981 budget a special supplementary appropriation of 250 m EUA and an appropriation for the purchase of 2 m tonnes of cereals for war refugees or those made homeless by natural disasters in the ACP countries; calls, in particular, on the Commission and the Council to draw up, as soon as possible, an emergency food aid and technical assistance programme for refugees in the ACP countries who are facing death;
48. Hopes that the setting up of the Technical Centre for Agricultural and Rural Cooperation will meet the needs of the ACP countries; requests that the preparatory measures necessary for its establishment be taken rapidly and that adequate resources be placed at its disposal;
49. Condemns any attempt to use food as a weapon against any country on any pretext whatever;

(g) Financial and technical cooperation

50. Notes that, on the expiry of the First Lomé Convention, one-quarter of the programmable funds had still not been committed and that payments amounted to 43 % of total European Development Fund commitments, 28 % of which were for indicative programmes;
51. Warns against prolonging this situation, which might weaken confidence in ACP-EEC cooperation; once the quality and value of projects has been recognized, funds must be utilized speedily;
52. Considers it essential therefore that the experience acquired from the application of Lomé I should be fully exploited in the implementation of Lomé II and in particular that
 - development programmes for the ACP countries should be drawn up, specifying the type of aid desirable,
 - the self-development capacities of projects should be taken into account,
 - sufficient vocational training for each project should accompany its implementation, and more generally that the cost thereof, and also the cost of the subsequent maintenance of projects should be included in the financing plan,
 - the maintenance and operation of the installations should be ensured;
53. Recognizes the very great value of the work of the non-governmental organizations concerned with development and emphasizes the role these organizations might play in connection with microprojects in the ACP countries;

54. Calls upon Community institutions to give higher priority to the encouragement of non-governmental financial institutions to invest in capital projects, and to do so by underwriting such investment in whole or in part;
55. Considers that voluntary aid to development should be encouraged and requests the Commission of the European Communities to make relevant proposals with a view to adopting a European statute for technical cooperation assistants;
56. Stresses the need to make all those concerned aware of the advantages of reducing to a minimum the period between the appraisal and the implementation of a project;
57. Emphasizing the very real problems encountered by the Commission of the European Communities, demands that it should at last be provided with the staff necessary to implement the Convention of Lomé;

(h) Least-developed, landlocked and island countries

58. Requests that, on the basis of the provisions of Lomé II, solutions be found to the problems encountered by the least-developed, landlocked and island ACP States in the fields of investment, transport and communications and as regards the application of the rules of origin;
59. Urges that special measures be taken to mobilize more resources for agricultural and rural development in the least-developed, landlocked and island ACP States in order to raise agricultural production substantially;
60. Requests that the provisions of the joint declaration on the special situation of Zaire be implemented;
61. Calls upon the EEC countries to take all necessary measures to ensure the success of the United Nations Conference on the Least-Developed Countries scheduled for 1981;

(i) Institutional provisions

62. Requests the ACP-EEC Council of Ministers carefully to ensure that the economic and social groups are involved in the life of the new Convention, pursuant to Article 168 (6), and to begin the essential consultations concerning trade and industrial cooperation and the full application of the joint declaration on migrant workers contained in Annex XV to the Convention;
63. Regrets that the negotiations for an adaptation and transition protocol for Lomé II, following the enlargement of the Community to include Greece from 1 January 1981, have opened so late in the day;

64. Notes the concern shown by many ACP States at the prospect of a possible enlargement of the EEC to include three new countries and requests that the ACP States be duly notified;
65. Notes the improvement in Lomé II as regards institutional provisions and hopes that as a result of these provisions the institutions will be better equipped to achieve the aims of the Convention;
66. Stresses the need to attain as soon as possible the aim of allocating 0.7 % of the GNP of the developed countries to public development aid; urges that developed countries which have not yet reached this target of 0.7 % of GNP in public development aid in 1981 should make their best efforts to reach it by 1985, and in any case not later than in the second half of the decade; the target of 1 % should be reached as soon as possible thereafter;
67. Requests, in the light of the very serious implications of the burden of foreign debt for the economies of the developing countries, the adoption of measures to provide immediate assistance, relief or the writing off of the debts of those developing countries which are experiencing particular difficulties – as is the case for most ACP countries;
68. Also stresses that serious progress towards disarmament would release substantial funds for development;
69. Points out that, while in other respects the Lomé Conventions are exemplary, they can become fully effective only if they form part of a world-wide system of North-South relations., regrets that it was not possible to decide on the agenda and procedures for global negotiations at the XIth United Nations Extraordinary General Assembly in New York; urges the Community and the ACP States to make every effort to ensure that the North-South Dialogue achieves some concrete results; hopes that the Community and the ACP States will endeavour to achieve real results and attaches particular importance to the establishment of a world-wide system to assist the least-developed countries;
70. Instructs its Presidents to forward this resolution and the report of the Joint Committee to the ACP-EEC Council of Ministers, to the ACP-EEC Committee of Ambassadors and to the Council of Ministers and Commission of the European Communities, and also asks that steps be taken to give the report and the resolution wide publicity.

ANNEX

Signatory States to the Lomé Convention¹

A. Community Member States

Country	Capital	Area (km ²)	Population (1978)	GNP in US \$ <i>per capita</i> – 1978
Belgium	Brussels	30 513	9 870 000	9 070
Denmark	Copenhagen	43 075	5 084 000	9 920
Federal Republic of Germany	Bonn	248 630	61 212 000	9 600
France	Paris	543 998	53 182 000	8 270
Ireland	Dublin	68 893	3 234 000	3 470
Italy	Rome	301 245	56 800 000	3 840
Grand Duchy of Luxembourg	Luxembourg	2 586	358 000	10 410
Netherlands	The Hague	33 811.23	13 971 000	8 390
United Kingdom	London	230 609	55 918 000	5 030
Total		1 503 360.23	259 629 000	Average <i>per capita</i> (following conversion): 5 979 EUA

¹ Sources: World Bank Atlas 1979.
The Statesman's Yearbook 1979/1980.
Eurostat.

B. ACP States¹

Country		Capital	Area (km ²)	Population (1978)	GNP in US \$ per capita - 1978
Bahamas	(C)	Nassau	13864	218 000	2620
Barbados	(C)	Bridgetown	430	250 000	1940
Benin	(A)	Porto-Novo	112 622	3 326 000	230
Botswana	(A)	Gaborone	575 000	747 000	620
Burundi	(A)	Bujumbura	27 834	4 271 000	140
Cameroon	(A)	Yaoundé	474 000	8 065 000	460
Cape Verde	(A)	Praia	4 033	319 000	160
Central African Republic	(A)	Bangui	625 000	1 909 000	250
Comoros	(A)	Moroni	2 236	390 000	180
Congo	(A)	Brazzaville	342 000	1 460 000	540
Ivory Coast	(A)	Abidjan	322 463	7 836 000	840
Jibuti	(A)	Jibuti	23 800	320 000	450
Dominican Republic	(C)	Roseau	728	77 000	440
Ethiopia	(A)	Addis Ababa	1 221 900	31 011 000	120
Fiji	(P)	Suva	18 272	599 000	1 440
Gabon	(A)	Libreville	267 667	539 000	3 580
Gambia	(A)	Banjul	10 688	570 000	230
Ghana	(A)	Accra	238 305	10 972 000	390
Grenada	(C)	St George's	344	106 000	530
Guinea	(A)	Conakry	245 857	5 133 000	210
Guinea-Bissau	(A)	Bissau	36 125	762 000	200
Equatorial Guinea	(A)	Malabo	28 051	346 000	310
Guyana	(C)	Georgetown	210 000	836 000	550
Upper Volta	(A)	Ouagadougou	274 200	5 553 000	160
Jamaica	(C)	Kingstown	10 991	2 131 000	1 110
Kiribati	(P)	Tarawa	5 200	56 000	690
Kenya	(A)	Nairobi	582 600	15 187 000	320
Lesotho	(A)	Maseru	30 340	1 279 000	280
Liberia	(A)	Monrovia	112 600	1 742 000	460
Madagascar	(A)	Antananarivo	594 180	8 298 000	250
Malawi	(A)	Lilongwe	118 484	5 780 000	180
Mali	(A)	Bamako	1 204 021	6 297 000	120
Mauritius	(A)	Port-Louis	1 865	918 000	830
Mauritania	(A)	Nouakchott	1 030 700	1 545 000	270
Niger	(A)	Niamey	1 187 000	5 005 000	220
Nigeria	(A)	Lagos	923 773	81 039 000	560
Uganda	(A)	Kampala	239 640	12 421 000	250
Papua New Guinea	(P)	Port Moresby	462 840	2 930 000	560
Rwanda	(A)	Kigali	26 330	4 514 000	180
Saint-Vincent and the Grenadines	(C)	Kingstown	389	105 000	380
Saint Lucia	(C)	Castries	616	113 000	540
				(1979)	(1976)
Western Samoa	(P)	Apia	2 842	157 000	350

Country	Capital	Area (km ²)	Population (1978)	GNP in US \$ <i>per capita</i> - 1978
Sao Tomé and Príncipe	(A) Sao Tomé	964	85 000	490
Senegal	(A) Dakar	197 722	5 377 000	340
Seychelles	(A) Port Victoria	404	63 000	1 060
Sierra Leone	(A) Freetown	73 326	3 296 000	210
Solomon Islands	(P) Honiara	29 785	213 000	430
Somalia	(A) Mogadiscio	630 000	3 743 000	130
Sudan	(A) Khartoum	2 502 000	17 390 000	320
Surinam	(C) Paramaribo	163 265	389 000	2 110
Swaziland	(A) Mbabane	17 400	526 000	590
Tanzania	(A) Dar es Salaam	939 703	16 871 000	230
Chad	(A) Ndjamena	1 284 000	4 320 000	140
Togo	(A) Lomé	56 000	2 350 000	320
Tonga	(P) Nuku'alofa	700	93 000	430
Trinidad and Tobago	(C) Port-of-Spain	5 100	1 137 000	2 910
Tuvalu	(P) Funafuti	26	10 000	—
Zaire	(A) Kinshasa	2 345 409	26 410 000	210
Zambia	(A) Lusaka	752 500	5 295 000	480
Zimbabwe	(A) Salisbury	390 622	6 930 000	480
Total		53 655 381	329 630 000	

¹ Sources: World Bank Atlas 1979.
The Statesman's Yearbook 1979/1980.

Geographic distribution of known and estimated reserves (1977)

Raw materials	Percentage of 3 biggest produc.	Percentage of 5 biggest produc.	Share of certain countries in %
Iron	59.4	76.7	USSR (30.2), Brazil (17.5), Canada (11.7), Australia (11.5), India (5.8)
Copper	44.9	58.7	USA (18.5), Chile (18.5), USSR (7.9), Peru (7), Canada (6.8), Zambia (6.4)
Lead	47.8	61.4	USA (20.8), Australia (13.8), USSR (13.2), Canada (9.5), RSA (4.1)
Tin	50.2	68.1	Indonesia (23.6), China (14.8), Thailand (11.8), Bolivia (9.7), Malaysia (8.2), USSR (6.1), Brazil (5.9)
Zinc	45.8	58.6	Canada (18.7), USA (14.5), Australia (12.6), USSR (7.3), Ireland (5.5)
Aluminium	62.8	58.6	Guinea (33.9), Australia (18.6), Brazil (10.3), Jamaica (6.2), India (5.8), Guyana (4.1), Cameroon (4.1)
Titanium	58.2	81.8	Brazil (23.2), Canada (18.7), India (16.3), Norway (15.2), Australia (8.4), USA (7.4)
Chromium	96.9	97.9	RSA (74.1), Rhodesia (22.2), USSR (0.6), Finland (0.6), India (0.4), Brazil (0.3), Madagascar (0.3)
Cobalt	63.0	83.5	Zaire (30.3), New Caledonia (18.8), USSR (13.9), Philippines (12.8), Zambia (7.7), Cuba (7.3)
Colombium	88.5	95.3	Brazil (76.6), USSR (6.4), Canada (5.5), Zaire (3.8), Uganda (3.0), Niger (3.0)
Manganese	90.5	97.7	RSA (45.0), USSR (37.5), Australia (8.0), Gabon (5.0), Brazil (2.2)
Molybdenum	74.3	86.9	USA (38.4), Chile (27.8), Canada (8.1), USSR (6.6), China (6.0)
Nickel	48.8	70.6	New Caledonia (18.8), Cuba (17.8), Canada (12.8), USSR (11.0), Indonesia (10.8)
Tungsten	69.6	80.6	China (46.9), Canada (12.1), USSR (10.6), North Korea (5.6), USA (5.4), Australia (2.7)
Vanadium	94.9	97.2	USSR (74.8), RSA (18.7), Chile (1.4), Australia (1.4), Venezuela (0.9), India (0.9)
Bismuth	47.9	60.9	Australia (20.7), Bolivia (16.3), USA (10.9), Canada (6.5), Mexico (6.5), Peru (5.4)
Silver	54.9	76.5	USSR (26.2), USA (24.8), Mexico (13.9), Canada (11.6), Peru (10.0)
Mercury	65.2	78.3	Spain (38.4), USSR (18.2), Yugoslavia (8.6), China (4.5), Mexico (4.5), Turkey (4.5)

Raw materials	Percentage of 3 biggest produc.	Percentage of 5 biggest produc.	Share of certain countries in %
Platinum	99.5	99.9	RSA (82.3), USSR (15.6), Canada (1.6), Colombia (0.3), USA (0.1)
Asbestos	81.3	91.8	Canada (42.7), USSR (32.3), RSA (6.3), Rhodesia (6.3), USA (4.2)

Source: EEC Commission: Prospects for structural change between now and 1990: raw materials. Working Document of 16 February 1979.

**Relative importance of three primary products in developing countries exports,
(1974–1976 average)**

Countries	The most important products	1 product	3 products
<i>America:</i>			
Belize	sugar 69, tropical timber 6, hides/skins 1	69	76
Bolivia	tin 40, petroleum 23, zinc 7	40	70
Chile	copper 59, iron ores 7, fish meal 2	59	68
Colombia	coffee 49, cotton 4, rice 3	49	56
Costa Rica	bananas 26, coffee 25, beef 7	26	58
Dominican Rep.	sugar 51, coffee 8, tobacco 5	51	64
Ecuador	petroleum 56, coffee 11, cocoa 6	56	73
El Salvador	coffee 43, cotton 11, sugar 10	43	64
Guadeloupe	bananas 38, sugar 34	38	72
Guatemala	coffee 27, sugar 14, cotton 12	27	53
Guyana	sugar 44, bauxite 26, rice 10	44	80
Haiti	coffee 34, bauxite 13, sugar 13	34	52
Honduras	bananas 23, coffee 23, tropical timber 14	23	60
Nicaragua	cotton 28, coffee 17, sugar 8	28	53
Peru	copper 18, fish meal 13, sugar 12	18	43
Uruguay	beef 24, wool 13, rice 7	24	44
Venezuela	petroleum 64, iron ores 3, coffee 0.3	64	67
<i>Africa:</i>			
Angola	petroleum 40, coffee 18, iron ores 3	40	61
Benin	cotton 28, cocoa 10, palm oil 7	28	45
Burundi	coffee 89, cotton 4, tea 2	89	96
Cameroon	coffee 26, cocoa 23, tropical timber 9	26	58
Cent. Afric. Rep.	coffee 28, tropical timber 27, cotton 16	28	71
Chad	cotton 60, beef 6, hides/skins 2	60	68
Congo	petroleum 66, tropical timber 10, sugar 3	66	79
Egypt	cotton 35, petroleum 9, rice 5	35	49
Eq. Guinea	cocoa 32, coffee 30, palm oil 3	32	65
Ethiopia	coffee 38, hides/skins 10, cotton 3	38	51
Gabon	petroleum 78, tropical timber 10, manganese 8	78	96
Gambia	groundnuts 50, groundnut oil 30, hides/skins 0.2	50	80
Ghana	cocoa 64, tropical timber 12, manganese 2	64	78
Guinea	bauxite 70, coffee 3, tropical timber 3	70	76
Guinea-Bissau	groundnuts 63, tropical timber 2, rice 1	63	66
Ivory Coast	coffee 28, cocoa 19, tropical timber 19	28	66
Kenya	coffee 26, tea 12, sisal 5	26	43
Liberia	iron ores 70, rubber 13, hides/skins 4	70	87
Libya	petroleum 93	93	
Malawi	coffee 33, sugar 5, beef 4	33	42
Mali	cotton 44, groundnuts 9, groundnut oil 3	44	56
Mauritania	iron ores 80, copper 9, fish meal 1	80	90
Morocco	phosphates 52, lead 2, iron ores 1	52	55
Namibia	copper 77, lead 16, zinc 4	77	90

Countries	The most important products	1 product	3 products
Nigeria	petroleum 93, cocoa 3, tin 0.3	93	97
Reunion	<i>sugar 82</i>	82	
Rwanda	<i>coffee 70, tea 7, tin 4</i>	70	81
Senegal	groundnut oil 31, phosphates 20, groundnuts 5	31	56
Sudan	cotton 47, groundnuts 19, hides/skins 3	47	69
Swaziland	<i>sugar 53, iron ores 12, tropical timber 5</i>	53	70
Tanzania	coffee 23, cotton 16, sisal 11	23	50
Togo	<i>phosphates 66, cocoa 19, coffee 7</i>	66	92
Tunisia	petroleum 39, phosphates 10, sugar 1	39	50
Uganda	<i>coffee 78, cotton 9, tea 5</i>	78	92
Zaire	<i>copper 59, coffee 8, zinc 4</i>	59	71
Zambia	<i>copper 92, zinc 4, lead 1</i>	92	98
<i>Asia:</i>			
Brunei	petroleum 87	87	
Burma	<i>rice 50, tropical timber 22, tin 7</i>	50	79
Indonesia	petroleum 66, tropical timber 9, rubber 6	66	81
Iran	petroleum 85	85	
Iraq	petroleum 98	98	
Kuwait	petroleum 80	80	
Malaysia	rubber 23, tropical timber 15, tin 12	23	50
Philippines	sugar 23, coconut oil 12, copper 11	23	46
Saudi Arabia	petroleum 91	91	
Sri Lanka	tea 44, rubber 19, coconut oil 4	44	67
Syria	petroleum 64, cotton 17	64	81
Thailand	rice 15, maize 11, sugar 10	15	36
Yemen Arab. Rep.	cotton 58, coffee 18	58	76
<i>Oceania:</i>			
Solomon Island	<i>copra 58, tropical timber 41</i>	58	99
Fiji	<i>sugar 64, coconut oil 6, tropical timber 1</i>	64	71
Gilbert Island	<i>phosphates 98, copra 2</i>	98	100
New Hebrides	<i>copra 53, manganese 8, tropical timber 1</i>	53	62
Papua-New Guinea	copper 45, coffee 8, cocoa 7	45	60

Source: World Bank – Commodity Trade and Price Trends (1978 Edition).

Evolution of EC trade balance with Maghreb, Mashreq and ACP States – in m EUA

	1975	1976	1977	1978
<i>EC exports</i>				
Maghreb and Mashreq				
of which – Algeria	2824	2759	3673	3635
– Tunisia	711	837	977	1120
– Morocco	1047	1317	1528	1343
– Egypt	1352	1519	1681	1821
– Jordan	—	408	371	387
– Lebanon	—	148	594	608
– Syria	584	1032	857	789
Total	6518	8020	9681	9713
ACP States (with Nigeria)	7977	9731	12460	12707
ACP States (without Nigeria)	5572	6411	7857	8035
– Nigeria	2405	3320	4603	4672
<i>EC imports</i>				
Maghreb and Mashreq				
of which – Algeria	2048	2153	2098	2205
– Tunisia	357	412	559	569
– Morocco	808	840	836	845
– Egypt	319	678	703	945
– Jordan	—	13	10	16
– Lebanon	—	40	33	28
– Syria	465	650	602	509
Total	4357	4786	4841	4917
ACP States (with Nigeria)	8463	10184	12466	11863
ACP States (without Nigeria)	5623	6955	8984	8499
– Nigeria	2840	3229	3482	3364
Balance Maghreb and Mashreq	+ 2161	+ 3234	+ 4840	+ 4796
Balance ACP (with Nigeria)	– 486	– 453	– 6	+ 844
Balance ACP (without Nigeria)	– 51	– 544	+ 1127	– 464
Balance Nigeria	– 435	+ 91	+ 1121	+ 1308

Source: Eurostat – EC Trade with the ACP States and the South Mediterranean States – No 3/1979.

NOTES

- ¹ See Articles 74 and 80 of the First Lomé Convention and Article 19 of the Rules of Procedure of the Consultative Assembly.
- ² Doc. CA/CP/43 fin. – OJ C 323 of 27 December 1979.
- ³ CA/CP/142/fin.
- ⁴ COM(78) 623 final.
- ⁵ See Paragraph 48 of the Resolution by the European Parliament on hunger in the world: '...considers that the Community should actively help to stabilize and improve the organization of the major international markets, in particular in agricultural products;'
- ⁶ Statement to the Club of Dakar on the transfer of trade technology: J. E. David.
- ⁷ At the meeting of 8 and 9 May 1980 in Nairobi the ACP-EEC Council of Ministers decided that sesame seeds, which had been included in the system since 1979, should be included retroactively from 1978. This is a particularly interesting product for Ethiopia and the Community has undertaken, when working out the transfers, to take into account the exceptional circumstances which caused production to fall.
- ⁸ Doc. C/CP/134/fin.
- ⁹ Article 21 (2) – 'The ACP States which have received transfers shall contribute, in the five years following the allocation of each transfer, towards the reconstitution of the resources made available for the system by the Community.'
- ¹⁰ Total financing: 190 m EUA to enable projects to be put into effect, rising to 910 m EUA through co-financing.
Breakdown of Community financing by sector:
 - hydroelectric power: 74 %
 - thermal energy: 5 %
 - transport of energy: 14 %
 - new sources of energy: 7 %
- ¹¹ From 1977 to 1978 the share contributed by the Arab Funds increased from 14 % to 20 %.
- ¹² In his speech to the Joint Committee on 26 February 1980 in Arusha, Commissioner Cheysson expressed the opinion that all genuine aid to industrialization in the Third World is directly linked with the industrial restructuring of our markets. At present, he maintained, efforts to increase imports from the Third World do not figure in our industrial restructuring policy as it concerns us from day to day at Community level. In his view this is not right. If Lomé is to serve as a model, the European countries, the Community and the Commission must play a committed and responsible role in our industrial cooperation.
- ¹³ With the exception of the West African Cement Factories project.
- ¹⁴ Cf. Paragraph 55 of the Resolution on 'Hunger in the World' submitted to the European Parliament at its September 1980 session: '...takes the view that the Community should support any initiative (for example economic and regional groupings of

developing countries) designed to strengthen the developing countries' negotiating capacity and their collective autonomy.'

¹⁵ Cf. in particular 'La politique céréalière dans les pays du Sahel', proceedings of the Nouakchott symposium, 2–6 July 1979, Inter-State Committee for Drought Control in the Sahel.

¹⁶ Doc. 1-341/80.

¹⁷ As at 31 December 1979 the sum was 2191 m EUA.

¹⁸ See CA/CP/134/fin., para. 2.

¹⁹ See Annex I to the annual report of the ACP-EEC Council.

²⁰ COM (80) 376 final of 2 July 1980.



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