COMMITTEE ON THE REVIEW AND APPRAISAL OF THE IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE THIRD UNITED NATIONS DEVELOPMENT DECADE
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REVIEW AND APPRAISAL OF THE IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY

Elements for the Committee's conclusions

Contribution by the European Economic Community and its Member States

I. Analysis of the Economic Situation

(a) The International Development Strategy for the Third United Nations Development Decade was adopted at a moment when the economic situation was deteriorating and when a marked deceleration in world economic growth inherited from the preceding decade was already visible. The world economic recession which began in 1980 - with the notable effect of lower growth in the developing countries - represented the accentuation of a process of economic slowdown which had begun in 1973 with the exhaustion of growth in the industrialised countries, aggravated by the energy crisis.

(b) In this context the strategy had seemed a salutary reaffirmation of the need for collective action aimed at creating an international environment better designed to sustain national development efforts.

In bringing together, around common goals and objectives, the highly varied community of UN member states the strategy had marked a zenith in the North/South Dialogue. This very positive result had been reached thanks to an awareness of the interdependence which links the various economies today; and to acceptance of the principle that responsibilities and efforts must be shared between all countries while taking account of the specific needs of the developing countries.

THE EEC AND INDUSTRIAL COOPERATION WITH THE DEVELOPING COUNTRIES

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INTRODUCTION

The beginning of the 1980s has been a period of slower growth and to date this trend has not let up; economic nationalism has been more a feature of this period than open trading.

Nevertheless, despite current problems, the need remains to establish an industrial sector in Third World countries.

This is a long-term necessity and a logical consequence of the interdependence of the world economy. By the year 2000, according to the World Bank,[1] the developing countries will comprise 80% of the world's population and 78% of the potential labour force. The Third World also possesses a large proportion of the world's reserves of energy and raw materials: roughly 50% of its hydro-electric potential, 68% of its petroleum, 45% of its natural gas, 78% of its bauxite, 66% of its tungsten, 58% of its copper, etc.[2] It is in the countries of the South that tomorrow's markets and labour force will be found.

It is also a short-term necessity to the extent that industrial cooperation is an area where the commercial and political interests of the developed and developing countries alike merge. In the industrial countries, the technology available is not always fully exploited and represents a dormant asset when it could be catering to demand in the Third World, even though developing countries do not always adequately express or perceive their own needs. Industrial cooperation is in fact a necessary stage in the process of broadening economic relations.

With the second Lomé Convention approaching expiry, it is perhaps not inappropriate to take stock of what has been achieved and of the EEC's aid contribution to the Third World. This study deals in particular with European industrial cooperation as a part of the EEC's overall development cooperation policy. The transfer of financial resources is a vital factor at any time and especially so at the present time. However, what is required most is to improve the quality of aid rather than increase its volume.

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[1] World Development Report 1982,
World Bank, Washington D.C. 1982.

[2] Mineral Facts and Problems. Bureau of Mines.
US Department of the Interior - US Government Printing Office - Washington D.C.

I. THE ACP COUNTRIES

Texts

In Part Four of the Treaty of Rome, the six founding countries agreed that firstly the territories with which they had special relations and secondly their colonies should be associated with the Community under a five-year Convention of Association (1958-63).

As an increasing number of Overseas Countries and Territories (OCT) gained their independence, the need for a new type of legal instrument became apparent and the 17 African States and Madagascar formerly associated with the Community (AASM) signed the Yaoundé Convention (1963-68) with the European Economic Community.

When this first Yaoundé Convention was renewed in July 1969, the preamble in the new text specifically mentioned the encouragement of industrialization in the Associated States.

The United Kingdom's accession to the Treaty of Rome in 1972 necessitated an overhaul of the instruments as they existed, to take account of Britain's wish to see the Commonwealth countries in Africa, the Carribean and the Pacific obtain the same benefits as the AASM and OCT. Thus, in 1975, when the first Lomé Convention replaced the Yaoundé Conventions, the geographical scope was considerably extended. At the same time progress was made in the search for better North-South cooperation. On 31 October 1979 representatives of the 58 ACP States and the nine Member States of the European Communities signed the second Lomé Convention, which governs relations between Europe and the ACP countries until 1985. In this Convention, even clearer emphasis has been placed on industrial cooperation; in its Title V (Article 65) the following provision is made: "The Community and the ACP States, acknowledging the pressing need to promote the industrial development of the ACP States, agree to take all the measures necessary to bring about effective industrial cooperation."

Compared with the first Lomé Convention, the second provides for wider access to Community markets through a range of measures and an increase in the resources made available under the Convention. We shall return to this later on.

Among the measures provided for, the following may be mentioned:

(a) stepping up trade promotion;
(b) increasing the aid given to small and medium-sized enterprises (SME) through the setting-up of adequate structures aimed at appropriate technological transfer, adaptation and innovation, and through the identification of possibilities for sub-contracting, etc. (Lomé II, Title V, Article 69);
(c) further encouraging the ACP States' access to technology (Lomé II, Title V, Article 71).
(d) promoting industrial training in Europe and the ACP States (Lomé II, Title V, Article 68).

In addition, the second Lomé Convention opens up new areas such as cooperation in the field of energy (Title V, Article 76) and working conditions and pay.

In regard to the latter, the new provisions guarantee workers who are nationals of an ACP State residing legally in the territory of a Member State equal treatment as regards pay and social security benefits.[1]

The Lomé Conventions, one of the major planks in the EEC's cooperation policy, amount therefore to special contractual relations with a legal basis which makes them binding. Moreover, these regional agreements are notable for the wide range of operations (financial trade, technical and structural) that are possible under them and by the freedom which the ACP States enjoy to choose their own development model (Lomé I, Title III, Article 38).

Resources and institutions

In order to achieve the objectives laid down in the Lomé Conventions, the European Community has set up institutions and instruments governing industrial cooperation, in particular:

(i) the financial resources of the European Investment Bank (EIB) and the European Development Fund (EDF);
(ii) the Centre for Industrial Development;
(iii) the Committee on Industrial Cooperation (CIC), an ACP-EEC body whose mission is to see to it that industrial cooperation is implemented.

The European Investment Bank (EIB)

One of the features of operations outside the Community is the distinctive roles that the EIB and the Commission of the European Communities play in them, be they in the ACP countries or those of the Mediterranean. This enables Community aid to be organized flexibly, using the various methods of financing offered by the two institutions.

The Commission mainly provides funds for projects involving soft financing in the form of grants or loans on special terms (which are very favourable, especially for basic and social infrastructure).

The EIB's aid is primarily in the form of loans, but there is an overlap in some areas. Originally the Bank's activities were confined to the territory of the Member States but since 1963 its activities have gradually been extended within the framework of association or cooperation agreements providing for Community aid. The EIB has to date lent money to almost all of the Mediterranean countries as well as to the states which signed the two Lomé Conventions.

The various agreements and financial protocols concluded between these countries and the Community usually make it possible for the EIB to make loans not only from its own resources but also, on special terms, from the funds it manages on behalf of the Member States or the Community.

[1] The Courier, No 58, November 1979.

Certain basic principles govern the EIB's operations outside the Community[1]:

(a) the Bank lends within the framework of agreements negotiated between the Community and the countries concerned. The terms of such agreements, as far as they concern the EIB, must be approved by its own Board of Governors;

(b) the agreement of the authorities in countries concerned is necessary before the Bank can accept financing proposals;

(c) the Bank's own staff must examine the probable economic impact of each project submitted to it (e.g., the benefits to the country concerned in terms of value added, balance of payments, revenue generated, jobs created, etc.);

(d) the EIB offers different kinds of financing on a variety of terms;

(e) it can support investment projects promoted by government bodies, para-statals or private firms;

(f) the Bank's normal practice is to finance only part of the fixed assets costs involved, i.e., the funds it provides must form part of an overall financing plan;

(g) EIB finance can be used for supplies or services selected, normally, on the basis of international competition and may cover both foreign currency and local currency expenditure;

(h) adequate security must be assured so as to protect the EIB's standing on the capital markets where it borrows its funds.

The second Lomé Convention, signed on 31 October 1979 by 58 African, Caribbean and Pacific States and the EEC, marked the continuation and extension of the activities entrusted to the EIB since the first Yaoundé Convention in 1963. The second Yaoundé Convention in 1969 and the first Lomé Convention in 1975 had already increased the total amount which the Bank could lend, the types of financing it could offer and the number of countries in which it could operate.

The EIB's operations fall under two main headings:

(i) ordinary operations: these are loans from the Bank's own resources, made on the same terms as in the Community. However, in the ACP, lending rates are brought down by interest subsidies paid from budgetary resources. Subsidies are normally 3% but are automatically adjusted so that borrowers never have to pay a net interest rate of more than 8% or less than 5%. A sum of 175 million ECU has been allocated for this purpose from the resources of the fifth EDF;

(ii) special operations: these are the various types of financing drawn from budgetary funds which the Bank manages on behalf of the Community or the Member States. Such funds are usually lent on very easy terms. This aid is provided in the ACP countries as risk capital, in most cases to launch new industrial ventures.

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[1] "Financing under the second Lomé Convention", EIB, ISBN 92-861-0009-4, May 1980.
"The EIB and economic development in Africa, the Caribbean and the Pacific", EIB-Information, No 25, April 1981.

Loans from budgetary resources are accounted for separately in a special section which the Board of Governors decided to open in 1963 at the time of the first such loans in Turkey.

In bringing the Community to cooperate in the development of virtually all of black Africa plus a number of countries in the Caribbean and Pacific, the first Lomé Convention was hailed as the start of a new era.

The Convention was signed by 46 ACP countries in 1975, joined by 13 others during its duration. In most of these countries, agriculture is and will remain the dominant sector. However the expansion of the industrial sector is also essential if the development process is to flourish.

The EIB's role has been clearly defined as the primary source of finance for industry, mining and tourism, but it can also help to finance investment in energy and other revenue-generating economic infrastructure.

In some cases, the Bank can use risk capital resources to provide quasi-capital assistance to a Government or to a national development institution to enable it to take a stake in a new enterprise without burdening public finance.

In other cases, the EIB takes a holding in an enterprise's capital, on the Community's behalf. Here the objective is to keep the holding only for as long as needed for the venture to be launched and then afterwards to transfer it, normally to nationals or institutions of the ACP country concerned.

Often a country's general economic situation means that, in its own interest, loan obligations should be kept as low as possible and in these circumstances risk capital can be used as:

(a) subordinated loans which are repayable only after certain other priority debts have been reimbursed;

(b) conditional loans, which are repayable only after fulfilment of certain conditions indicating that the project has overcome its teething troubles and has achieved a predetermined level of profitability.

Finally, assistance may be given for financing specific preinvestment studies or as aid to enterprises (technical assistance) during the start-up period of a project.

Nearly 70% of total EIB financing operations in the ACP under Lomé I - some 335 million ECU - went to industrial, agro-industrial and mining investment and 28% - 139 million ECU - to energy schemes, of which the major part will help reduce dependence on oil imports; the remainder - 21 million ECU - was spent on developing tourism and financing studies.

The total financial aid to development under Lomé II comes to some 5 700 million ECU, 2 000 million more than for Lomé I, or an increase of almost 60%.

The EIB's share of the total aid provided, covering loans from EIB own resources, grant aid for interest subsidies and risk capital, has increased by a larger percentage than the overall rate:

(i) loans from own resources have increased from 400 million ECU to 700 million ECU, i.e. an increase of 75%;

(ii) grant aid for interest subsidies has increased to 175 million ECU, representing a 75% increase;

(iii) risk capital operations now have an allocation of 291 million ECU, almost three times the Lomé I financing.

In addition, a Declaration annexed to the Convention provides for additional operations from the EIB to be financed from its own resources (amounting to 200 million ECU) to be used for mining and energy investments projects which are of mutual interest to the Community and to the ACP State concerned.

These are loans that do not carry interest subsidies, and that have to be authorized case-by-case by the Bank's Board of Governors.

The resources managed by the Bank will in all probability be concentrated on the same sectors, with industry to the fore, although there is now added emphasis on mining and energy projects.

Generally speaking the objective of the Lomé Conventions is to ensure a relatively balanced apportionment of the resources managed by the Commission and those managed by the EIB among the recipient states. No country quotas are mentioned however, merely an overall amount.

Between 1958 and 1983, seven ACP States considered amongst the most advanced, and ready for the development of industrial activities together received more than 61% of the Loans from the EIB's own resources, at interest rates, thanks to subsidies, ranging from 5-8%. In contrast, more than 55% of the risk capital operations, on even softer terms, went during the same period to investments in the least developed ACP States as defined in Article 155 of the second Lomé Convention (see Tables 1, 2 and 3).

The financing of projects to assist SME[1] via approved development banks in the ACP States has risen from 88.06 million ECU under Lomé I to 130.64 million ECU under Lomé II, i.e. an increase of more than 48% (see Table 4).

Operations of this nature bring together the resources of the EIB, as an EEC banking institution with access to international capital markets, and the local operational capacities of financing institutions in the recipient states. These global loans are used to provide smaller loans for local SME, the Bank itself rarely mounting any direct operations for sums below 2 000 000 ECU.

[1] Small and medium-sized enterprises.

TABLE 1

Geographical breakdown of financing[1] provided by the EIB under the first Lomé Convention to assist ACP industrialization

Position at end-1983.

Country	Loans from own resources		Risk capital operations		Total	
	mECU	%	mECU	%	mECU	%
I. Least developed ACP countries[2]	92.6	24.8	56.0	60.5	148.6	31.9
Benin	-	-	0.3	0.3	0.3	0.1
Botswana	6.5	1.7	1.8	1.9	8.3	1.8
Burundi	-	-	0.5	0.5	0.5	0.1
Cape Verde	-	-	3.6	3.9	3.6	0.8
Comoros	-	-	0.1	0.1	0.1	ε
Djibouti	-	-	1.0	1.1	1.0	0.2
Gambia	-	-	2.4	2.6	2.4	0.5
Guinea	4.4	1.2	0.4	0.4	4.8	1.0
Upper Volta	8.0	2.1	7.5	8.2	15.5	3.3
Lesotho	-	-	0.1	0.1	0.1	ε
Malawi	14.0	3.8	1.9	2.1	15.9	3.4
Mali	-	-	3.8	4.1	3.8	0.8
Mauritania	25.0	6.7	-	-	25.0	5.4
Niger	1.5	0.4	0.9	1.0	2.4	0.5
Uganda	-	-	0.4	0.4	0.4	0.1
Rwanda	-	-	3.0	3.2	3.0	0.6
Seychelles	-	-	0.6	0.7	0.6	0.1
Somalia	-	-	0.3	0.3	0.3	0.1
Sudan	-	-	6.5	7.0	6.5	1.4
Swaziland	11.9	3.2	1.0	1.1	12.9	2.8
Tanzania	5.0	1.3	7.8	8.4	12.8	2.8
Tchad	-	-	7.0	7.6	7.0	1.5
Togo	16.3	4.4	5.1	5.5	21.4	4.6
II. Other ACP countries	281.4	75.2	36.4	39.5	317.8	68.1
Cameroon	30.0	8.0	4.8	5.2	34.8	7.5
Congo	-	-	0.2	0.2	0.2	ε
Ivory Coast	44.7	12.0	2.8	3.0	47.5	10.2
Ghana	16.0	4.2	2.3	2.5	18.3	3.9
Kenya	51.5	13.7	1.0	1.1	52.5	11.3
Liberia	7.4	2.0	0.3	0.3	7.7	1.6
Madagascar	-	-	2.3	2.5	2.3	0.5
Mauritius	12.4	3.3	0.1	0.1	12.5	2.7
Nigeria	50.0	13.4	-	-	50.0	10.7
Senegal	12.0	3.2	8.5	9.2	20.5	4.4
Zaïre	-	-	5.6	6.1	5.6	1.2
Zambia	10.5	2.8	3.3	3.6	13.8	2.9
Barbados	6.0	1.6	-	-	6.0	1.3
Guyana	-	-	3.2	3.5	3.2	0.7
St Lucia	-	-	0.2	0.2	0.2	ε
Trinidad & Tobago	9.9	2.7	-	-	9.9	2.1
Fiji	24.0	6.4	0.2	0.2	24.2	5.2
Papua New Guinea	7.0	1.9	1.6	1.8	8.8	1.9
TOTAL ACP	374.0	100.0	92.4	100.0	466.4	100.0

[1] not including two operations of a regional nature
[2] as classified under Article 48

TABLE 2

Geographical breakdown of financing[1] provided by the EIB under the second Lomé Convention to assist ACP industrialization

Position at end-1983

Country	Loans from own resources		Risk capital operations		Total	
	mECU	%	mECU	%	mECU	%
I. Least developed ACP countries[2]	38.0	11.8	51.63	48.9	89.63	20.9
Botswana	19.0	5.9			19.00	4.5
Burundi			5.30	5.0	5.30	1.3
Cape Verde			1.80	1.7	1.80	0.4
Central African Republic			5.10	4.8	5.10	1.2
Comoros			0.16	0.1	0.16	–
Djibouti			2.26	2.1	2.26	0.5
Ethiopia			0.29	0.3	0.29	–
Lesotho			3.00	2.8	3.00	0.7
Malawi			3.00	2.8	3.00	0.7
Niger	10.0	3.1			10.00	2.3
Uganda			10.00	9.5	10.00	2.3
Rwanda			0.70	0.7	0.70	0.2
Seychelles			0.76	0.7	0.76	0.2
Somalia			2.56	2.4	2.56	0.6
Sudan			0.20	0.2	0.20	–
Swaziland	7.0	2.2			7.00	1.7
Tanzania			7.50	7.1	7.50	1.8
Belize	2.0	0.6	0.60	0.6	2.60	0.6
Dominique			1.00	1.0	1.00	0.2
Grenada			2.40	2.3	2.40	0.6
Western Samoa			3.00	2.8	3.00	0.7
Tonga			1.00	1.0	1.00	0.2
Vanuatu			1.00	1.0	1.00	0.2
II. Other ACP countries	284.4	88.2	54.03	51.1	338.43	79.1
Cameroon	35.7	11.1			35.70	8.3
Congo	4.0	1.2	0.48	0.4	4.48	1.1
Ivory Coast	11.6	3.6	2.43	2.3	14.03	3.3
Gabon	22.0	6.8	2.50	2.4	24.50	5.7
Ghana			6.00	5.7	6.00	1.4
Kenya	23.5	7.3	1.55	1.5	25.05	5.8
Liberia			0.70	0.7	0.70	0.2
Madagascar			7.17	6.8	7.17	1.7
Mauritius	3.5	1.1	0.50	0.5	4.00	0.9
Nigeria	40.0	12.4			40.00	9.3
Senegal	21.0	6.5	2.80	2.6	23.80	5.6
Zaire			6.00	5.7	6.00	1.4
Zambia	31.5	9.8	1.50	1.4	33.00	7.7
Zimbabwe	20.0	6.2	5.40	5.1	25.40	5.9
Barbados	3.7	1.1			3.70	0.9
Jamaica			5.00	4.7	5.00	1.2
Trinidad and Tobago	8.0	2.5			8.00	1.9
Fiji	12.0	3.7			12.00	2.8
Papua New Guinea	47.9	14.9	12.00	11.3	59.90	14.0
TOTAL	322.4	100.0	105.66	100.0	428.06	100.0

[1] not including three operations of a regional nature

[2] as classified under Article 155

TABLE 3

Geographical breakdown of financing[1] provided by the EIB under the Lomé Conventions to assist in the industrialization of the ACP States

By per capita income. Position at end-1983.

Country[1] per capita GNP (US$ 1980 value)	Loans from own resources		Risk capital operations		Total	
	mECU	%	mECU	%	mECU	%
Per capita GNP ≤ US$ 410	75.2	10.8	118.4	59.7	193.6	21.6
Benin			0.3	0.1	0.3	-
Burundi			5.8	2.9	5.8	0.7
Cape Verde			5.4	2.7	5.4	0.6
Central African Republic			5.1	2.6	5.1	0.6
Comoros			0.3	0.1	0.3	-
Ethiopia			0.3	0.1	0.3	-
Gambia			2.4	1.2	2.4	0.3
Ghana	16.0	2.3	8.2	4.2	24.2	2.7
Guinea	4.4	0.6	0.4	0.2	4.8	0.5
Upper Volta	8.0	1.2	7.5	3.8	15.5	1.7
Madagascar			9.5	4.8	9.5	1.1
Malawi	14.0	2.0	5.0	2.5	19.0	2.1
Mali			3.8	1.9	3.8	0.4
Niger	11.5	1.7	0.9	0.5	12.4	1.4
Uganda			10.3	5.2	10.3	1.2
Rwanda			3.7	1.9	3.7	0.4
Somalia			2.8	1.4	2.8	0.3
Sudan			6.7	3.4	6.7	0.7
Tanzania	5.0	0.7	15.3	7.7	20.3	2.3
Chad			7.0	3.5	7.0	0.8
Togo	16.3	2.3	5.1	2.6	21.4	2.4
Zaire			11.6	5.9	11.6	1.3
Vanuatu			1.0	0.5	1.0	0.1
Per capita GNP > US$ 410 ≤ US$ 1 100	463.4	66.5	64.9	32.8	528.3	59.1
Botswana	25.5	3.7	1.8	0.9	27.3	3.1
Cameroon	65.7	9.4	5.0	2.5	70.7	7.9
Congo	4.0	0.6	0.7	0.4	4.7	0.5
Djibouti			3.3	1.7	3.3	0.4
Kenya	75.0	10.8	2.5	1.3	77.5	8.7
Lesotho			3.1	1.6	3.1	0.4
Liberia	7.4	1.1	1.0	0.5	8.4	0.9
Mauritania	25.0	3.6			25.0	2.8
Nigeria	90.0	12.9			90.0	10.1
Senegal	33.0	4.7	11.3	5.7	44.3	4.9
Swaziland	18.9	2.7	1.0	0.5	19.9	2.2
Zambia	42.0	6.0	4.8	2.4	46.8	5.2
Zimbabwe	20.0	2.9	5.4	2.7	25.4	2.8
Belize	2.0	0.3	0.6	0.3	2.6	0.3
Dominique			1.0	0.5	1.0	0.1
Grenada			2.4	1.2	2.4	0.3
Guyana			3.2	1.6	3.2	0.4
Saint Lucia			0.2	0.1	0.2	-
Papua New Guinea	54.9	7.8	13.6	6.9	68.5	7.7
Tonga			1.0	0.5	1.0	0.1
Western Samoa			3.0	1.5	3.0	0.3

(continued)

TABLE 3 (continued)

Country[1] per capita GNP (US$ 1980 value)	Loans from own resources		Risk capital operations		Total	
	mECU	%	mECU	%	mECU	%
Per capita GNP >US$ 1 100	157.8	22.7	14.8	7.5	172.6	19.3
Ivory Coast	56.3	8.1	5.2	2.6	61.5	6.9
Gabon	22.0	3.1	2.5	1.3	24.5	2.7
Mauritius	15.9	2.3	0.6	0.3	16.5	1.8
Seychelles			1.3	0.7	1.3	0.1
Barbados	9.7	1.4			9.7	1.1
Jamaica			5.0	2.5	5.0	0.6
Trinidad and Tobago	17.9	2.6			17.9	2.0
Fiji	36.0	5.2	0.2	0.1	36.2	4.1
TOTAL ACP	696.4	100.0	198.1	100.0	894.5	100.0

[1] regional operations not included

[2] classification used by World Bank in its World Development Report, 1983.

TABLE 4

EIB loans from own resources and risk capital operations to assist SME via Development Banks in ACP countries

- Global loans and holdings in development banks' capital

Position at end-1983.

	Name of recipient development bank	Global loans from own resources		Risk capital operations				Total		
		No. of operations	Amount (mECU)	No. of operations		Amount (mECU)		No.	Amount (mECU)	% by convention
				Global loans	Holdings	Global loans	Holdings			
First Lomé Convention										
Africa		13	67,0	3	5	4,00	1,56	21	72,56	82,4
Burundi	Banque Nationale de Développement Economique (BNDE)			1		0,50		1	0,50	0,6
Ivory Coast		2	7,0					2	7,00	8,0
	Crédit de Côte d'Ivoire (CCI)	(1)	(3,5)							
	Compagnie Financière de Côte d'Ivoire (COFINCI)	(1)	(3,5)							
Kenya		3	12,0					3	12,00	13,6
	Development Finance Company of Kenya Ltd (DFCK)	(2)	(2,0 + 5,0)							
	Industrial Development Bank (IDB)	(1)	(5,0)							
Liberia	Liberian Bank for Development and Investment (LBDI)	1	2,50		1		0,29	2	2,79	3,2
Malawi	Investment and Development Bank of Malawi Ltd. (INDEBANK)	2	8,00 (3,0 + 5,0)					2	8,00	9,1
Mauritius	Development Bank of Mauritius (DBM)	1	3,00					1	3,00	3,4
Nigeria	Nigerian Industrial Development Bank (NIDB)	1	25,00					1	25,00	28,4
Seychelles	Development Bank of Seychelles (DBS)				1		0,58	1	0,58	0,6
Swaziland	National Industrial Development Corporation of Swaziland (NIDCS)	1	2,00	1		1,00		2	3,00	3,4
Tanzania	Tanganyika Development Finance Company Ltd (TDFL)	1	5,00	1		2,50		2	7,50	8,5
Zaire	Société Financière de Développement (SOFIDE)				2		0,14 (0,10+0,04)	2	0,14	0,2
Zambia	Development Bank of Zambia (DBZ)	1	2,50		1		0,55	2	3,05	3,4
Caribbean		4	15,50	-	-	-	-	4	15,50	17,6
Barbados	Barbados Development Bank (BDB)	1	2,50					1	2,50	2,8
Trinidad & Tobago	Trinidad and Tobago Development Finance Company Ltd (TTDFC)	2	10,00 (5,0 + 5,0)					2	10,00	11,4
Regional	Caribbean Development Bank (CDB)	1	3,00					1	3,00	3,4
TOTAL ACP		17	82,50	3	5	4,00	1,56	25	88,06	100,0
Second Lomé Convention										
Africa		8	76,50	11	6	22,55	9,69	25	108,74	83,2
Botswana	Botswana Development Corporation (BDC)	1	4,00					1	4,00	3,1
Burundi	Banque Nationale de Développement Economique (BNDE)			1		1,30		1	1,30	1,0
Comoros	Banque de Développement des Comores (BDC)	-			1		0,16	1	0,16	0,1
Congo	Banque Nationale de Développement du Congo (BNDC)	1	4,00					1	4,00	3,1
Ivory Coast	Comp. Finan. de la Côte-d'Ivoire (COFINCI)	1	5,00					1	5,00	3,8
Djibouti	Caisse de Développement de Djibouti (CDD)			1	1	0,05	0,41	2	0,46	0,3
Ethiopia	Agricultural and Industrial Development Bank (AIDB)			1		0,50		1	0,30	0,4
Kenya	Development Finance Company of Kenya (DFCK)	1	8,00					1	8,00	6,1
Lesotho	Lesotho National Development Corporation (LNDC)			1		3,00		1	3,00	2,3
Mauritius	Development Bank of Mauritius (DBM)	1	4,00	1		0,50		2	4,50	3,4
Nigeria	Nigerian Industrial Development Bank (NIDB)	1	40,00					1	40,00	30,6
Uganda	Uganda Development Bank (UDB)			1	1	7,50	2,50	2	10,00	7,7
Rwanda	Banque Rwandaise de Développement (BRD)			1		0,70		1	0,70	0,5
Seychelles	Development Bank of Seychelles (DBS)			1		1,00		1	1,00	0,8
Zaire	Société Financière de Développement (SOFIDE)			1		6,00		1	6,00	4,6
Zambia	Development Bank of Zambia (DBZ)	1	6,50	1		1,50		2	8,00	6,1
Zimbabwe	Zimbabwe Development Bank (ZDB)				2		5,00	2	5,00	3,8
Regional (West Africa)	Banque Ouest Africaine de Développement (BOAD)	1	5,00		1		1,62	2	6,62	5,1
East Africa	East African Development Bank (EADB)			1		0,50		1	0,50	0,4
Caribbean		3	14,00	-	3	-	5,90	6	19,90	15,2
Barbados	Barbados Development Bank (BDB)	1	4,00					1	4,00	3,1
Belize	Belize Development Finance Corporation (BDFC)	1	2,00		1		0,60	2	2,60	2,0
Dominica	Agricultural and Industrial Development Bank (AIDB)				1		0,30	1	0,30	0,2
Jamaica	National Development Bank of Jamaica (NDBJ)				1		5,00	1	5,00	3,8
Trinidad & Tobago	Trinidad and Tobago Development Finance Company (TTDFC)	1	8,00					1	8,00	6,1
Pacific		-	-	2	1	1,50	0,50	3	2,00	1,5
Tonga	Tonga Development Bank (TDB)			1	1	0,50	0,50	2	1,00	0,8
Vanuatu	Vanuatu Development Bank (VDB)			1		1,00		1	1,00	0,7
TOTAL ACP		11	90,50	13	10	24,05	16,09	34	130,64	100,0
TOTAL ACP Overall total (Lomé I & II)		28	173,00	16	15	25,05	17,65	59	218,70	

Concerning the financing of pre-investment studies, the experience of recent years has shown the importance of early EIB intervention, i.e., at the project-preparation stage, when ideas can be examined thoroughly before they are put into practice. For this reason, Lomé II's added possibilities for financing studies are particularly interesting.

In recent years, cofinancing, which may take the form of loans from two or three aid agencies for the same project or, in the case of a major project, its division into its principal components, has become a frequent practice. The Bank has often taken an active role on behalf of its borrowers in seeking to coordinate different sources of finance. In the ACP States, a large number of investment projects have been cofinanced, firstly with the EDF and then with other European sources of financing such as the Caisse Centrale de Coopération Economique (CCCE), the Commonwealth Development Corporation, (CDC), the Kreditanstalt für Wiederaufbau (KfW), the Financierings-Maatschappij voor Ontwikkelingslanden (FMO), or with international institutions such as the World Bank, the Islamic Development Bank or the International Finance Corporation (IFC).

Under Lomé II, cofinancing arrangements have funded 30-odd projects for a total of some 2 300 million ECU, out of which 10% has been provided by the EIB's own resources and the budget funds it handles, the remainder coming from the Member States, Arab funds, the World Bank and other sources (see Table 5).

Financing within the framework of the Lomé Conventions has, it is true, not provided a complete answer to the problem of the industrial development of the ACP States; the EIB's operations do however constitute a unique example of industrial cooperation which produces direct positive effects, particularly on the trade flows between the two groups of countries and on employment (5 000 new jobs in 1981 and 3 600 in 1982, mostly in the agro-industrial sector of the ACP States).

TABLE 5

BANQUE EUROPEENNE D'INVESTISSEMENT — **EUROPEAN INVESTMENT BANK** — **EUROPÄISCHE INVESTITIONSBANK**

COFINANCEMENTS — CONVENTION DE LOME II – Prêts bonifiés sur ressources propres, prêts Article 59 et opérations sur capitaux à risques

COFINANCING — LOME II CONVENTION – Loans on own resources with interest subsidy, loans Art. 59 and risk capital operations

GEMEINSAME FINANZIERUNGEN — ABKOMMEN VON LOME II – Darlehen aus eigenen Mitteln mit Zinsvergütung, Darlehen Art. 59 und Finanzierungen mit haftendem Kapital

31.12.83 (million ECU)

Pays	Projet (signé en:)	Coût estimé du projet	Prêt ord. (bonifiés)	BEI Art. 59	Capitaux à risques	Commiss. (FED)	BIRD/AID	SFI	CCCE	KFW	DEG	CDC	FMO	IFU/DANIDA	Fonds Arab.	Canada	BAD	Banques diverses
Country	Project	Estimated Proj.Cost	Ord.Loans (subsid.)	Art. 59	Risk Capital	Comm. (EDF)	IBRD/IDA	IFC	CCCE	KFW	DEG	CDC	FMO	IFU/DANIDA	Arab Funds	Canada	ADB	Various Banks
Botswana	Morupule (11.82)	253,0	15,0				30,1			9,3		10,0			45,0 1)2)4)5)		22,4	
Burundi	Verreries (06.81)	15,9	-		4.0			3,1										1,7
Centrafrique	UCATEX (10.83)	13,6	-		3.9				5,1									
Cameroun	SONEL II (12.83)	125,0	25.0						14,6									38.8
	Transcamer.(5.81)	51,0	10,0		-				13,6	8.0								
	Socapalm III(4.82)	58,9	3,8		-	2,0	22.8		3,7									
Côte d'Ivoire	Saph II (07.82)	23.2	6.6						1,3		0,8	0.2						0,3
Djibouti	Boulaos (06.81)	5,2	-		1,8				1,7									
Fidji	FEA III (12.81)	54.0	12.0		-							9.4						15,3
Gabon	Poubara (07.81)	70.0	7,0		-				24,0									
	Etude Haut-Ivindo(6.83)	11,3	-		2,5	6.5												
Kenya	Bamburi (12.81)	24,0	6.5		-			4.7				3,0						2,1
	Olkaria	39,0	9.0		-		9,6					9,0						
Libéria	Buto (05.81)	1.2	-		0,7				0.4									
Madagascar	GRES Bitum.II (07.81)	3,8	-		2,2		0.5											
Malawi **	Nossi-Bé (09.83)	11.7	-		5.0			2,7										
Niger	Sonichar (10.81)	82.7	10.0		-				16.0						6.0(3)		8,3	
Pap.Nouv.Guinée	OK TEDI (10.81)	602.5	-	40,0	12,0					83.3								83.3
	Higaturu II(11.82)	25.3	7.9									3,5						
Samoa	Sauniatu (12.81)	7.4	-		3.0	4.1												
Sénégal	SOCOCIM (10.81)	60.1	10.0		-				13,6									
Somalie	Laiterie (06.82)	4.2	-		2.6	1.4												
Swaziland	SEB (09.81)	49.5	7.0				8,3			6,8		6.3					6.8	
**Malawi	ESCOM (12.83)	9,4	-		3,0					5.5								

(1) BADEA 10
(2) KOWEIT FUND 7,5
(3) ABU DHABI FUND
(4) ABU DHABI FUND 7,5
(5) SAUDI FUND 20

Note: This table does not include global loans to or holdings in development banks which also receive financing from other multilateral or bilateral sources (BDFC, Belize, SOCREDO II, French Polynesia).

TABLE 5 (continued)

BANQUE EUROPEENNE D'INVESTISSEMENT — EUROPEAN INVESTMENT BANK — EUROPÄISCHE INVESTITIONSBANK

COFINANCEMENTS — CONVENTION DE LOME II - Prêts bonifiés sur ressources propres, prêts Article 59 et opérations sur capitaux à risques

COFINANCING — LOME II CONVENTION - Loans on own resources with interest subsidy, loans Art. 59 and risk capital operations

GEMEINSAME FINANZIERUNGEN — ABKOMMEN VON LOME II - Darlehen aus eigenen Mitteln mit Zinsvergütung, Darlehen Art. 59 und Finanzierungen mit haftendem Kapital

(million ECU)

Pays	Projet (signé en:)	Coût estimé du projet	Prêt ord. (bonifiés)	BEI Art. 59	Capitaux à risques	Commiss. (FED)	BIRD/AID	SFI	CCCE	KFW	DEG	CDC	FMO	IFU/DANIDA	Fonds Arab.	Canada	BAD	Banques diverses
Country	Project	Estimated Proj.Cost	Ord.Loans (subsid.)	Art. 59	Risk Capital	Comm. (EDF)	IBRD/IDA	IFC	CCCE	KFW	DEG	CDC	FMO	IFU/DANIDA	Arab Funds	Canada	ADB	Various Banks
Tanzanie	SONGO SONGO II (12.81)	41.1	-	-	7.5	-	18.5	-	-	-	-	-	-	-	11.1(1)	-	-	-
Togo	Port de Lomé (09.81)	33.1	4.4	-	-	-	-	-	-	19.7	-	-	-	-	7.2(2)	-	-	-
Zambie	NCCM (12.81)	226.4	25.0	-	-	-	-	28.5	-	-	-	27.5	-	-	-	-	-	42.7
Zimbabwe	WANKIE (12.82)	340.0	20.0	-	-	-	90.3	-	-	-	-	-	-	-	-	-	-	-
Régional Côte d'Ivoire/	CIMAO III (06.83)	60.0	-	-	2.43	-	-	-	3.64	-	-	-	-	-	-	-	-	-
	TOTAL 1981/83:	2 301.9	179.2	40.0	50.6	14.0	180.1	39.0	102.6	132.6	0.8	68.9	-	-	69.3	-	37.5	184.2
		%	7.8	1.7	2.2	0.6	7.8	1.7	4.5	5.8	0.03	3.0	-	-	3.0	-	1.6	8.0

(1) OPEC-FUND
(2) SAUDI-FUND

Note: This table does not include global loans to or holdings in development banks which also receive financing from other bilateral or multilateral sources (Caisse de Dével., Djibouti; BDS, Seychelles; UDB, Uganda; VBD, Vanuatu; DBM II, Mauritius; BNDE II, Burundi; DFCK III, Kenya; NBD, Jamaica; OBNA, Ant. Néerl.; COFINCI III, Ivory Coast; TTDFC III, Trinidad & Tobago; EADB, West Africa: NIDB II, Nigeria; BdD.)

It is in the last five years that the Bank has seen the most rapid growth in its operations - not in a period of abundance but at a time when the Community itself is facing serious economic problems. This is proof of the priority which the Member States attach to increasing the aid which the European Investment Bank can offer to industrial development in the Third World, particularly the ACP States.

TABLE 6

Lomé Conventions: breakdown according to forms of development finance (1)

million ECUs

	Managed by the EIB			Managed by the Commission			
		Financed from budgetary resources					
	Loans from EIB own resources	Risk capital operations	Grant aid for interest subsidies on EIB loans	Other grant aid	Loans on special conditions	Stabilisation of export earnings (STABEX)	Special finance facility for minerals (SYSMIN)
Lomé 1	400	101	100	2 085	474	400	
Lomé 2 (2)	700 + 200 (3)	291	175	2 862	545	566	282

(1) The sums include the financing provisions, under the relevant decisions of the Council of the European Communities, for Overseas Countries and Territories (OCT)
(2) This line does not include the cost of Community delegations in ACP countries, financed from budgetary resources
(3) Provision under declaration annexed to the Convention foreseeing the possibility for the EIB to lend up to 200 million ECUs from its own resources for mining and energy investments of joint interest to the ACP and the Community

Source: David White, "European Investment Bank - 25 years 1958-1983", EIB, Brussels 1983.

The Centre for Industrial Development (CID)

Set up in Brussels in 1977, the CID is responsible both to the European Economic Community and to the ACP States. Its highest authority is the ACP-EEC Council of Ministers, which is represented by the ACP-EEC Committee of Ambassadors acting via the Committee on Industrial Cooperation (CIC). The CID is also aided by the CID Advisory Council, a joint body made up of people with industrial experience, chosen because of their personal qualifications. Its responsibility is to advise the CID's Director on the general programme of work and the budget, and more generally, on the Centre's contacts with industry.

Article 36 of the Lomé Convention, under which it was set up, assigned the following functions to the CID:

(i) information - in order to improve the dissemination of relevant information on the conditions and opportunities for industrial cooperation in the Community and ACP countries;

(ii) contact - whereby the Centre would organize and promote meetings between industrial policy-makers, look for industrial partners in the EEC and the ACP countries and establish contacts with regional ACP bodies such as CARICOM, SPEC and the Economic Community of West African States (ECOWAS);

(iii) industrial promotion - by providing specific industrial information, by carrying out studies, by advising promoters on sources of finance and finally by helping to identify the opportunities for industrial training and applied research in the Community and the ACP States.

With the current number of offers of investment being made by promoters in the 10 Member States and in the ACP countries, the CID's contribution must often be limited, given that its available resources have to cover 64 countries.

The CID only contributes 30-40% of the cost of studies, for example, with the average contribution amounting to less than 12 000 ECU; where technical assistance is concerned, the average spent on a project by the CID is 14 000 ECU[1]. The total number of projects which have received CID assistance either in the form of funding or in some other major form of assistance was 45 in 1980, 103 in 1981 and 228 in 1982. Enterprises which are now at the operational stage and which have benefited from CID support in one form or another since the start of the Lomé Convention number 17 (see Table 7). The Centre does not participate directly in investments and its assistance in this area is limited to bringing together EEC and ACP partners, technical training, feasibility studies for new projects and the extension or rehabilitation of existing enterprises. Looking at the Centre's achievements compared with the efforts it deploys, it might not be untoward to try and find out what obstacles are hindering its activities. Among these are, without doubt, the dissipation of energy in too many different directions, the time it takes for joint venture projects to come to fruition (three years minimum) and the internal impediments to industrial take-off and cooperation between enterprises in the ACP States themselves.

There are other perhaps less well-known causes associated with the difficulties ACP countries encounter in designing viable industrial projects. Quite clearly, projects that are clearly defined and convincing when viewed as investment prospects will facilitate the search for European industrial partners. However, in most ACP countries the foundations of the economy are built on small and medium-sized enterprises, run by people who are in most cases lacking in training and unfamiliar with international negotiations and business dealings. Their financial power is, moreover, limited.

Table 8 gives an overview of the ways in which the operations of the various instruments for industrial cooperation are coordinated at different stages of a project.

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[1] Annual Report 82, CID, Brussels 1983.

TABLE 7

CID-assisted projects that have reached the production stage between 1978 and 1982

Year	Country	Project	Nature of CID assistance
1980	Kenya	Paper, cardboard (Highlands Paper Mill)	Located technology and provided in-plant training for factory technicians.
1980	Mauritius	Woven leather fabrics (Tilac)	Located ACP/EEC partners; feasibility studies; in-plant training for workers
1980	Sierra Leone	Integrated Fish Meal Co	Evaluation of used plant and equipment.
1980	Zaïre	Yeast manufacture from molasses (Leza)	Export market study for yeast; management assistance and training of salesman
1980	Fiji	Silvering of mirrors	Located technology and equipment.
1981	Kenya	Tiles, sanitary ware, tableware (Ceramic Industries of East Africa Ltd)	Undertook pre-feasibility study, located sources of equipment, technical training and management.
1981	Cameroon	Plastic packaging (Helapac)	Located EEC joint venture partner.
1981	Senegal	Agricultural implements (Sismar)	Located EEC partner and financed implementation and training.
1981	Nigeria	Furniture manufacture (Summit)	Assisted EEC partners to negotiate agreements in respect of technical assistance and financing.
1982	Burundi	Cement-based tiles (Granito)	Located EEC technology; trained technician and provided implementation assistance.
1982	Congo	Cement-based tiles (Socoderg)	Located EEC technology, and provided implementation assistance.
1982	Nigeria	Cement-based tiles (Pyramid)	Located EEC technology, and provided implementation assistance.
1982	Seychelles	Poultry	Financed feasibility study.
1982	Sudan	Sorghum flour mill (SMS)	Located EEC partner and source of financing.
1982	Rwanda	Agricultural waste briquettes	Located EEC technology and financed study.
1982	Madagascar	Paper mill expansion (Papmad)	Expansion study undertaken in 1978, plant commissioned in 1980 with financial assistance from France.
1982	Mauritania	Blanket factory	Rehabilitation study.

Source: Annual Report 82, CID, Brussels, 1983.

TABLE 8

CID-EEC-EIB Coordination

Stages in industrial cooperation	Operations		
	CID	Commission	EIB
1. Information, industrial promotion	Lomé Art. 80 (1) (a) (case by case, by project)	Lomé Art. 77 (case by case, according to indicative programme)	
2. General studies (inventories and industrial statistics, structural, political, global or sectoral analyses, etc.)		Lomé Art. 77 (d)	
3. Specific studies (pre-feasibility, market surveys, etc.)		Lomé Art. 77 (d)	
4. Feasibility studies	Lomé Art. 80 (1) (b)	Lomé Art. 70 (2)	Lomé Art. 105 (2) (b)
5. Industrial training	Lomé Art. 80 (1) (c) (identify and evaluate opportunities for industrial training and where appropriate, assist in implementation)	Lomé Art. 68	
6. SME		Lomé Art. 69 and 144	Lomé Art. 69 and 144
7. Transfer of technology	Lomé Art. 80 (1) (d) (identify, evaluate, supply information and advice)	Lomé Art. 71	
8. Industrial infrastructure		Lomé Art. 72	
9. Industrial project implementation	Lomé Art. 80 (1) (c) (identify, inform on sources of financing)	Lomé Art. 93 (2) Lomé Art. 105 (risk capital)	Lomé Art. 101 (2)
10. Trade promotion schemes for industrial products		Lomé Art. 74	

Summary, with figures and comments

Following on from the first Lomé Convention, Lomé II in its Title V, gives a prominent place to industrial cooperation. In order to meet their objectives, the two Conventions make provision for:

(i) the use of part of the resources allocated to financial and technical cooperation (3 400 million ECU under Lomé I and 5 700 million ECU under Lomé II), these resources being managed by the Commission or the EIB;

(ii) the establishment of a Committee for Industrial Cooperation (CIC) and a Centre for Industrial Development (CID).

The number of operations contributing to the industrialization process (energy and mining included) where Community financing has played a part (and incorporating individual loans made from global lines of credit) is as follows:

(i) conducted by the Commission: 151 under Lomé I and 128 under Lomé II (first 30 months);

(ii) conducted by the EIB: 265 under Lomé I and 113 under Lomé II (first 30 months).

Approximately 27.4% of Lomé I commitments (see Table 9) and 34.3% of Lomé II commitments (see Table 10) have gone to industrial projects (in the broad sense).

A breakdown of projects by sector of activity shows that, leaving aside the dominant energy and mining sectors, it is in agro-industry that the largest number of operations and the biggest volume of expenditure is concentrated.

A geographical breakdown reflects, in the case of programmed aid, no more than the outcome of the negotiations and the very broad priorities of the Lomé Conventions; in the case of EIB loans, on the other hand, it reflects the dynamic approach adopted by certain ACP States. For example, under Lomé I, four countries alone (Cameroon, Ivory Coast, Kenya and Nigeria) were the recipients of almost 40% of all the funds managed by the Bank, with a further 15% going to three others (Fiji, Mauritania and Togo). Under Lomé II, to date, there are again four countries (Cameroon, Nigeria, Papua New Guinea and Zambia) which have taken up 40% of the resources handled by the Bank, with three others (Gabon, Senegal and Zimbabwe) accounting for another 18%.

Looking at the results of the Lomé Conventions overall, some encouraging aspects emerge.

1. An assessment of the effect of industrial operations financed by the EEC under the Lomé Conventions and involving the EIB (up to 30 June 1983, excluding projects financed through development banks) reveals the following:

TABLE 9

LOME I

BREAKDOWN OF COMMISSION AND EIB FINANCING FOR ACP INDUSTRIALIZATION BY SECTOR

(situation at 31.12.1983)

	COMMISSION						E.I.B.									TOTALS			
	GRANTS		SPECIAL LOANS		TOTAL		SUBSIDIZED LOANS			NON-SUBS LOANS		RISK CAPITAL		TOTAL (EXCL INT SUBSIDIES)		EDF	COMMUNITY TOTAL (A+D)		
SECTORS	No	Amount	No	Amount	No	Amount A	No	Amount	Subsidy B	No	Amount	No	Amount C	No	Amount D	Amount (A+B+C)	No	Amount	%
AGRO INDUSTRY	17	6.4	5	14.9	22	21.3	49	83.7	(13.4)			17	29.9	66	113.6	64.6	88	134.9	18.0
MINING+QUARRYING	13	5.3	1	3.6	14	8.9	8	35.5	(5.7)			11	11.3	19	46.8	25.9	33	55.7	7.4
CONSTRUCTION	3	0.4	-	-	3	0.4	12	29.7	(4.1)			9	10.8	21	40.5	15.3	24	40.9	5.5
CHEMICAL IND.	6	1.5	2	8.4	8	9.9	13	28.9	(4.6)			8	9.8	21	38.7	24.3	29	48.6	6.5
METALL.METAL+MECH	-	-	1	3.5	1	3.5	31	29.6	(4.4)			6	6.5	37	36.1	14.4	38	39.6	5.3
TEXTILES+LEATHER	4	11.0	3	44.4	7	55.4	15	9.4	(1.4)			6	13.6	21	23.0	70.4	28	78.4	10.5
OTHER MANUF	12	2.9	3	16.9	15	19.8	41	18.9	(2.6)			9	5.3	50	24.2	27.7	65	44.0	5.9
ENERGY	49	83.0	3	48.8	52	131.8	16	132.1	(24.6)			7	2.8	23	134.9	159.2	75	266.7	35.[illegible]
GENERAL	25	22.1 (a)	4	6.0	29	28.1	(b)	9.2	(1.4)			7 (c)	2.6	7	11.8	32.1	36	39.9	5.3
TOTALS	129	132.6	22	146.5	151	279.1	185	377.0	(62.2)			80	92.6	265	469.6	433.9	416	748.7	100
%	31	17.7	5.3	19.6	36.3	37.3	44.5	50.3	-			19.2	12.4	63.7	62.7	57.9	100	100	-
TOTAL (d) COMMITMENT	-	1822.7	-	418.0	-	2240.7	-	390	(63.7)	-	-	-	99.0	-	489.0	-	-	2729.7	-
AID TO INDUSTRY %	-	7.3	-	35.0	-	12.5	-	96.7	(97.6)	-	-	-	93.5	-	96.0	-	-	27.4	-

a) Studies, technical Assistance CID budget
b) Sums not yet assigned to 17 global loans
c) 5 acquisitions of holdings in development banks capital and 2 for development banks plus sums not yet assigned to 3 global loans and 3 global authorizations for studies
d) Excluding Stabex, special aid, delegation and administrative costs and interest rate subsidies.

TABLE 10

LOME II

BREAKDOWN OF COMMISSION AND EIB FINANCING FOR ACP INDUSTRIALIZATION BY SECTOR

(situation at 31.12.1983)

	COMMISSION						E.I.B.											TOTALS		
	GRANTS		SPECIAL LOANS		TOTAL		SUBSIDIZED LOANS			NON-SUBS LOANS		RISK CAPITAL		TOTAL (EXCL INT SUBSIDIES)		EDF TOTAL	COMMUNITY TOTAL (A+D)		
SECTORS	No	Amount	No	Amount	No	Amount A	No	Amount	Subsidy B	No	Amount	No	Amount C	No	Amount D	(A+B+C)	No	Amount	%
AGRO INDUSTRY (a)	8	3.9	2	7.1	10	11.0	15	30.0	(6.6)	-	-	10	15.1	25	45.1	32.7	35	56.1	7.6
MINING+QUARRYING	24	15.2	2	95.0	26	110.2	2	26.0	(7.0)	1	40.0	8	24.3	11	90.3	141.5	37	200.5	27.2
CONSTRUCTION	-	-	-	-	-	-	2	16.5	(4.5)	-	-	1	2.4	3	18.9	6.9	3	18.9	2.5
CHEMICAL IND	1	7.2	1	10.0	2	17.2	3	13.0	(3.0)	-	-	2	3.8	5	16.8	24.0	7	34.0	4.6
METALL.METAL+MECH	-	-	-	-	-	-	4	1.7	(0.3)	-	-	6	1.7	10	3.4	2.0	10	3.4	0.5
TEXTILES+LEATHER	3	0.3	1	2.5	4	2.8	7	3.2	(0.5)	-	-	6	5.5	13	8.7	8.8	17	11.5	1.6
OTHER MANUF	1	0.1	-	-	1	0.1	4	1.6	(0.3)	-	-	15	10.7	19	12.3	11.1	20	12.4	1.7
ENERGY	46	66.0	5	50.4	51	116.4	10	121.0	(31.0)	-	-	7	19.7	17	140.7	167.1	68	257.1	34.9
GENERAL	32	(b) 34.2	3	8.1	35	42.3	(c)	73.4	(12.2)	-	-	10 (d)	27.0	10	100.4	81.5	45	142.7	19.4
TOTALS	115	126.9	14	173.1	129	300.0	47	286.4	65.4	1	40.0	65	110.2	113	436.6	475.6	242	736.6	100
%	47	17.2	6	23.5	53	40.7	14.5	38.9	-	0.5	5.4	27	15.0	47	59.3	-	100	100	-
TOTAL COMMITMENT (e)	-	1301.9	-	350.4	-	1652.3	-	367.6	76.0	-	40.0	-	127.7	-	495.3	-	-	2147.6	-
AID TO INDUSTRY %	-	9.7	-	49.4	-	18.1	-	77.9	86.1	-	100	-	86.3	-	88.2	-	-	34.3	-

a) Including SYSMIN
b) Studies, technical Assistance, CID budget
c) Sums not yet assigned to global loans
d) 10 Acquisitions of holdings in development banks capital plus sums not yet assigned to 13 global loans and 1 global authorization for studies
e) Excluding Stabex, special aid, delegation and administrative costs and interest rate subsidies.

(i) the average direct value added created in the ACP industrial sector (energy excepted) is 880 million ECU (1982 value) per year, out of a total of 17 000 million ECU;

(ii) the net effect of these projects on the ACP balance-of-payments situation is a gain of 607 million ECU (1982 value) per year;

(iii) energy projects have led to savings of some 440 million ECU per year, equivalent to 6% of the cost of ACP oil imports;

(iv) major projects, which make up about three-fifths of industrial cooperation commitments, have been supported by means of co-financing, in which the Community's share represents more than 15% of the total investment.

2. Under Lomé II, there has been an increase in the resources allocated to the CID, set up to "help strengthen industrial undertakings in the ACP States ..." particularly by placing "... special emphasis ... on the identification and exploitation of the possibilities of joint ventures ..." (Article 79). Details of the CID's activities are given in Table 7.

3. EIB operations to assist small and medium-sized businesses or industries via ACP development banks under the two Lomé Conventions have led to the creation of 17 386 new jobs, 44% of them in agro-industry, 26% in other manufacturing industries, 11% in textiles and leather and 8.6% in metallurgy, metal-working and mechanical industries (see Table 8). The average cost per job created works out at 23 125 ECU. This form of investment supplements other EIB operations which generally concentrate on projects requiring substantial levels of investment. Such small operations help to build up a network of SME catering to limited and specific needs, for example maintenance, repairs or the training of a skilled local labour force.

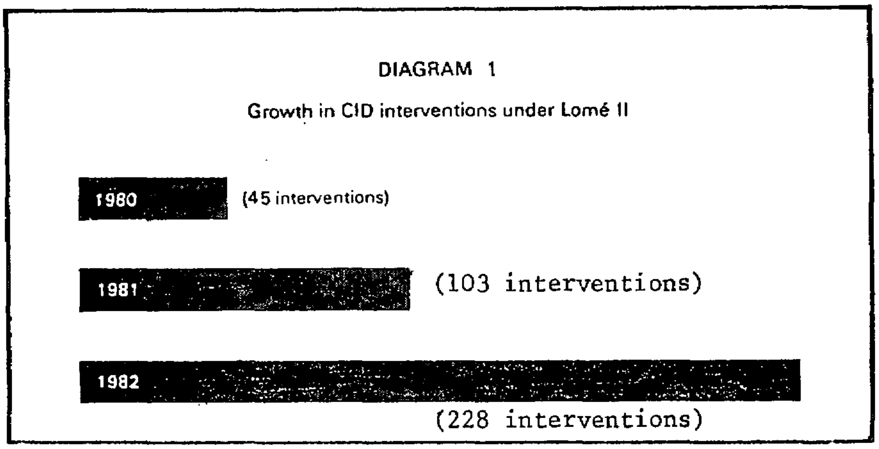
Turning to the heart of the problem and the real possibilities that exist for industrialization in the ACP States, we can group the 64 States into three categories:

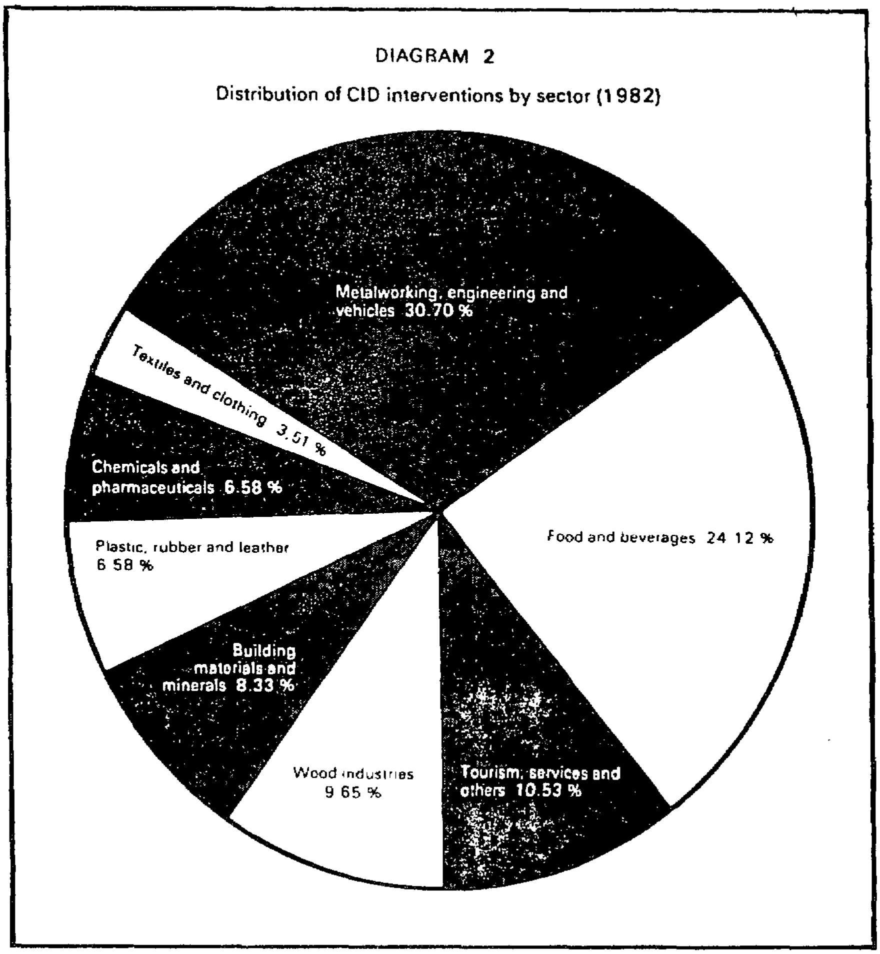
(a) 20 island states with less than 500 000 inhabitants, which survive on tourism and a few cash crops;

(b) 11 extremely small countries, with tiny domestic markets;

(c) 33 ACP countries with more than a million inhabitants, in which 97% of the total ACP population is concentrated. This large group is also fairly representative of the ACP countries as a whole, with poorly developed health and education infrastructure, a large sector of the population at subsistence level, a dominant agricultural sector and an economy in which foreign transactions represent nearly 80% of the GNP.

CHART 1





Source: Annual Report 82, CID, Brussels 1983.

Apart from a few special exceptions such as Kenya, Senegal and Zimbabwe, the part played by the manufacturing sector ranges from some 8 % in the low-income countries to 11% in the middle-income countries.

The causes of the non-industrialization of the ACP States must be sought in their general social and economic background: small markets, inadequate infrastructure, economic, financial, monetary and political instability, the institutional environment, etc.

In their industrial development policy, the ACP countries have generally placed the emphasis on excessively large projects, import substitution, wholesale importation of Western technology, excessive protectionism and/or direct or indirect subsidies which hamper management, productivity and competitiveness. The SME have rarely been given any consideration by policy-makers and have run up against commercial, customs, tax and investment policies implemented with larger undertakings in mind.

This form of industrialization does not generate much value added nor does it lead to job creation. It has a harmful effect on the competitiveness of the whole productive system, brings in little by way of taxes and increases financial, technical and trade dependence. The terms of trade established between urban centres and the countryside work systematically to the detriment of the latter.

The outlook, broadly speaking, for new and viable investments in the ACP States' manufacturing industry is extremely poor. A number of observers have agreed that priority must be given to the rehabilitation of existing installations which are run down and no longer operating at capacity, to restructuring the state-owned industrial sectors and to maintenance.

In some of the countries in the third group we have mentioned, which already have a significant industrial base, this could be strengthened by developing closer links between the various sectors. Here again, however, there are many cases where rehabilitation must be the order of the day.

TABLE 11

EIB operations via development banks in ACP countries to assist SME, under the first and second Lomé Conventions

Financing from global loans, broken down by country and by sector contributing to industrialization

Position at end-1983.

Country / Sector	Financing[1] No	Financing[1] Amount in mECU	Financing[1] %	Investment[2] mECU	Investment[2] %	Jobs created	Average cost per job created (ECU)
Africa							
.Burundi	4	0.8	0.8	23.0	3.4	385	60 700
(other manuf. indust.)	(4)	(0.8)		(23.0)		299	
.Ivory Coast	12	4.8	4.8	18.5	4.3	390	47 400
(agro-indust.)	(8)	(3.2)		(14.4)		(252)	
(metall. metal-work. mech. eng.)	(2)	(1.2)		(3.4)		(100)	
(other manuf. indust.)	(2)	(0.4)		(0.7)		(38)	
.Ethiopia	2	0.2	0.2	0.2	-	-	-
(other manuf. indust.)	(2)	(0.2)		(0.2)		(-)	
.Kenya	23	11.3	11.4	58.0	13.5	2 703	21 500
(agro-indust.)	(5)	(2.4)		(5.2)		(266)	
(chem. indust.)	(5)	(2.3)		(13.2)		(796)	
(metall. metal-work. mech. eng.)	(5)	(3.1)		(8.2)		(441)	
(textiles and leather)	(1)	(0.2)		(6.8)		(300)	
(other manuf. indust.)	(7)	(3.3)		(24.6)		(900)	
.Lesotho	6	1.5	1.5	12.3	2.9	357	34 400
(agro-indust.)	(2)	(0.7)		(10.9)		(165)	
(metall. metal-work. mech. eng.)	(2)	(0.6)		(1.1)		(122)	
(textiles and leather)	(2)	(0.2)		(0.3)		(70)	
.Liberia	9	2.5	2.5	13.4	3.1	209	64 100
(agro-indust.)	(4)	(1.2)		(7.1)		(37)	
(constr. materials)	(1)	(0.1)		(0.1)		(60)	
(metall. metal-work. mech. eng.)	(1)	(0.3)		(0.5)		(43)	
(other manuf. indust.)	(3)	(0.9)		(5.7)		(69)	
.Malawi	10	4.8	4.8	28.0	6.5	2 069	13 500
(agro-industr.)	(3)	(1.1)		(5.2)		(607)	
(constr. materials)	(1)	(0.5)		(2.2)		(-)	
(chem. indust.)	(1)	(1.4)		(6.1)		(35)	
(textiles and leather)	(3)	(1.3)		(11.7)		(357)	
(other manuf. indust.)	(2)	(0.5)		(2.8)		(1 070)	
.Mauritius	16	3.1	3.1	7.2	1.7	426	16 900
(agro-indust.)	(6)	(1.5)		(3.0)		(79)	
(extract. indust.)	(1)	(0.2)		(0.6)		(10)	
(metall. metal-work. mech. eng.)	(3)	(0.5)		(1.6)		(53)	
(textiles and leather)	(4)	(0.7)		(1.7)		(205)	
(other manuf. indust.)	(2)	(0.2)		(0.3)		(79)	
.Nigeria	26	24.5	24.6	97.0	22.6	1 942	30 000
(agro-indust.)	(6)	(6.7)		(26.5)		(406)	
(constr. materials)	(2)	(1.7)		(16.7)		(192)	
(chem. indust.)	(2)	(1.8)		(2.6)		(63)	
(metall. metal-work. chem. eng.)	(7)	(3.1)		(10.4)		(393)	
(textiles and leather)	(3)	(2.8)		(5.6)		(213)	
(other manuf. indust.)	(6)	(8.4)		(35.2)		(675)	

(continued)

TABLE 11 (continued)

EIB operations via development banks in ACP countries to assist SME, under the first and second Lomé Conventions

Financing from global loans, broken down by country and by sector contributing to industrialization

Position at end-1983.

Country / Sector	Financing[1] No	Financing[1] Amount in mECU	Financing[1] %	Investment[2] mECU	Investment[2] %	Jobs created	Average cost per job created (ECU)
.Uganda	5	6.2		35.5		5 470	4 300
(agro-indust.)	(3)	(4.0)		(25.0)	.	(5 246)	
(other manuf. indust.)	(2)	(2.2)		(10.5)		(224)	
.Seychelles	2	0.4	0.4	1.2	0.3	-	-
(other manuf. indust.)	(2)	(0.4)		(1.2)		(-)	
.Swaziland	3	0.4	0.4	0.5	-	-	-
(other manuf. indust.)	(3)	(0.4)		(0.5)		(-)	
.Tanzania	11	4.6	4.6	14.8	3.4	651	22 700
(agro-indust.)	(2)	(0.4)		(4.7)		(165)	
(chem. indust.)	(1)	(0.9)		(1.6)		(22)	
(metall. metal-work. mech. eng.)	(1)	(0.4)		(2.0)		(69)	
(textiles and leather)	(3)	(1.3)		(2.0)		(176)	
(other manuf. indust.)	(4)	(1.6)		(4.5)		(219)	
.Zaire	6	5.2	5.2	9.1	2.1	255	35 700
(agro-indust.)	(1)	(1.4)		(2.8)		(102)	
(other manuf. indust.)	(5)	(3.8)		(6.3)		(153)	
.Zambia	18	7.8	7.8	38.0	8.8	1 126	33 700
(agro-indust.)	(4)	(1.8)		(3.6)		(137)	
(metall. metal-work. mech. eng.)	(2)	(0.6)		(2.5)		(103)	
(textiles and leather)	(4)	(1.7)		(14.1)		(468)	
(other manuf. indust.)	(8)	(3.7)		(12.8)		(418)	
.Africa (regional)	3	3.0	3.0	10.7	2.5	97	110 300
(chem. indust.)	(1)	(1.0)		(3.9)		(44)	
(textiles and leather)	(1)	(1.0)		(3.7)		(30)	
(energy)	(1)	(1.0)		(3.1)		(3)	
TOTAL AFRICA	156	81.1	81.3	367.4	85.4	15 980	23 000
(agro-indust.)	(44)	(24.4)		(113.4)		(7 462)	
(extract. indust.)	(1)	(0.2)		(0.6)		(10)	
(constr. materials)	(4)	(2.2)		(19.0)		(252)	
(chem. indust.)	(10)	(7.4)		(27.3)		(960)	
(metall. metal-work. mech. eng.)	(23)	(9.8)		(29.7)		(1 324)	
(textiles and leather)	(21)	(9.1)		(45.8)		(1 839)	
(other manuf. indust.)	(52)	(27.0)		(128.5)		(4 130)	
(energy)	(1)	(1.0)		(3.1)		(3)	

(continued)

TABLE 11 (continued)

EIB operations via development banks in ACP countries to assist SME, under the first and second Lomé Conventions

Financing from global loans, broken down by country and by sector contributing to industrialization

Position at end-1983.

Country / Sector	Financing[1] No	Financing[1] Amount in mECU	Financing[1] %	Investment[2] mECU	Investment[2] %	Jobs created	Average cost per job created (ECU)
Caribbean and Pacific							
.Barbados	14	2.2	2.2	5.4	1.3	349	15 500
(agro-indust.)	(3)	(0.3)		(1.2)		(17)	
(constr. materials)	(1)	(0.1)		(0.2)		(4)	
(metall. metal-work. mech. eng.)	(1)	(0.2)		(0.3)		(5)	
(textiles and leather)	(2)	(0.5)		(1.2)		(149)	
(other manuf. indust.)	(7)	(1.1)		(2.5)		(174)	
.Trinidad and Tobago	30	13.3	13.3	32.3	7.5	862	37 500
(agro-indust.)	(7)	(2.7)		(6.4)		(136)	
(extract. indust.)	(6)	(3.3)		(10.4)		(201)	
(constr. materials)	(2)	(1.1)		(2.4)		(202)	
(metall. metal-work. mech. eng.)	(9)	(3.7)		(7.4)		(167)	
(textiles and leather)	(2)	(0.3)		(0.5)		(52)	
(other manuf. indust.)	(4)	(2.2)		(5.2)		(104)	
.Caribbean (regional)	5	2.7	2.7	22.7	5.3	114	199 100
(agro-indust.)	(1)	(0.3)		(0.5)		(11)	
(constr. materials)	(1)	(0.6)		(2.3)		(31)	
(other manuf. indust.)	(1)	(0.6)		(3.0)		(72)	
(energy)	(2)	(1.2)		(16.9)		(-)	
.Tonga	1	0.1	0.1	0.2	-	20	10 000
(other manuf. indust.)	(1)	(0.1)		(0.2)		(20)	
.Vanuatu	3	0.4	0.4	2.0	0.5	61	32 800
(constr. materials)	(1)	(0.1)		(1.0)		(41)	
(other manuf. indust.)	(1)	(0.1)		(0.2)		(20)	
(energy)	(1)	(0.2)		(0.8)		(-)	
TOTAL CARIBBEAN AND PACIFIC	53	18.7	18.7	62.6	14.6	1 406	44 500
(agro-indust.)	(11)	(3.3)		(8.1)		(164)	
(extract. indust.)	(6)	(3.3)		(10.4)		(201)	
(constr. materials)	(5)	(1.9)		(5.9)		(278)	
(metall. metal-work. mech. eng.)	(10)	(3.9)		(7.7)		(172)	
(textiles and leather)	(4)	(0.8)		(1.7)		(201)	
(other manuf. indust.)	(14)	(4.1)		(11.1)		(390)	
(energy)	(3)	(1.4)		(17.7)		(-)	
TOTAL ACP COUNTRIES	209	99.8	100.0	430.0	100.0	17 386	24 700
(agro-indust.)	(55)	(27.7)	(27.8)	(121.5)	(28.3)	(7 626)	
(extract. indust.)	(7)	(3.5)	(3.5)	(11.0)	(2.6)	(211)	
(constr. materials)	(9)	(4.1)	(4.1)	(24.9)	(5.8)	(530)	
(chem. indust.)	(10)	(7.4)	(7.4)	(27.3)	(6.3)	(960)	
(metall. metal-work. mech. eng.)	(33)	(13.7)	(13.7)	(37.4)	(8.7)	(1 496)	
(textiles and leather)	(25)	(9.9)	(9.9)	(47.5)	(11.1)	(2 040)	
(other manuf. indust.)	(66)	(31.1)	(31.2)	(139.6)	(32.4)	(4 520)	
(energy)	(4)	(2.4)	(2.4)	(20.8)	(4.8)	(3)	

[1] Case-by-case financing from global loans, of projects put forward by development banks.
[2] Total investment involved in projects put forward by development banks.

II. MAGHREB-MASHREQ-ISRAEL (MMI)

In step with the development of common policies, in particular the commercial policy, the Community has gradually taken over the role of the Member States where trading relations with the non-member Mediterranean countries are concerned. The Community's agreements with the countries of this region, negotiated successively during the 1960s, were remodelled during the 1970s within the framework of an overall Community policy. Cooperation agreements were accordingly concluded with Israel in 1975, with the Maghreb countries (Morocco, Algeria and Tunisia) in 1976 and with various Mashreq countries (Egypt, Syria, Lebanon and Jordan) in 1977. Agreements in addition to those already existing were signed with Malta and Cyprus. Simultaneously, accession negotiations were in progress with Greece as well as negotiations with Spain and Portugal. More recently, an economic and cooperation agreement between the EEC and Yugoslavia was negotiated.

The Community's agreements with the Mediterranean countries provide them with duty-free access to the Community market for their industrial products, various customs concessions on agricultural products and financial aid in the form of EIB grants and loans. The Community's current Mediterranean policy represents a transition from the previous set of stage-by-stage agreements to a more harmonized policy based on a so-called overall approach to the region. It shows a definite willingness on the part of the Community to help the countries concerned in their efforts to achieve structural diversification through industrial development aid, investments, etc. From the economic point of view, the importance of the Mediterranean area for the Community has steadily increased over the years. The population of the Mediterranean countries is equivalent to that of the Ten. Furthermore, the Community represents for the Mediterranean countries a very important trading partner. Trade with the EEC, in terms of both exports and imports, generally accounts for between 30% and 70% of the total external trade of the majority of the Mediterranean countries.

The Mediterranean countries almost constantly run a fairly large trade deficit with the EEC. They account for on average roughly 10% of the EEC's exports.

The Mediterranean region is an important transit zone for energy and raw material supplies. It has a vital role to play in the context of the EEC's relations with the Arab world and Europe's special relations with Black Africa.

The development of particularly close relations with the MMI is therefore likely to substantially enhance Europe's world presence.

To date, despite its efforts, the Community seems to have made only a very small contribution towards the industrial development of the MMI. Most of the countries concerned have in recent years recorded a very low *per capita* GNP growth (approximately 2% except for Israel and Tunisia). In some countries, such as Morocco and Egypt, *per capita* GNP is still substantially lower than in other countries of the region.

The rate of growth of manufacturing industry has been uneven; some countries, such as Algeria, have even experienced a marked decline in this sphere.

With the exception of Israel, the balance-of-payments deficits of the countries concerned have taken a serious turn for the worse over the last few years.

With regard to the trade balance, the trend has been mainly to the disadvantage of the Mediterranean countries, which have seen a clear deterioration in the balance of their trade with the Community. One explanation may be that greater dynamism has gone into EEC exports than into MMI products imported by the Community.

TABLE 12

Some economic indicators in respect of EEC-MMI trade

Country or group of countries	Population (million)	EEC share (in %) of exports (average 78-80)	EEC share (in %) of imports (average 78-80)	Industrial exports to the EEC: Sector	Industrial exports to the EEC: (% total)
MAGHREB					
Algeria	18.8	38	62	Petroleum	(85)
Tunisia	6.4	71	65	Petroleum Clothing	(50) (23)
Morocco	20.1	58	47	Phosphates	(40)
MASHREQ					
Egypt	42.3	45	40	Petroleum Cotton Textiles	(80) (8) (6)
Jordan	3.2	5	38	-	-
Syria	7.0	8	39	-	-
ISRAEL	3.9	38	38	Chemicals Clothing Diamonds Textiles	(40) (12) (27) (8)

Source: Chronique européenne

Bulletin de la Société Générale de Banque
No 233 - Brussels - June 1983.

In addition, the southern Mediterranean countries are concerned at the prospects for their traditional agro-food exports in view of Greece's accession to the Community and the future accession of Spain and Portugal. All in all, the economies of the MMI show no evidence of current growth nor of being planned with a view to those countries achieving their goals and fulfilling their needs. The mere fact that they have had preferential access to the Community market has not been sufficient to trigger a significant degree of industrial development in the region.

With the exception of a few isolated and random initiatives, industrial cooperation has not yet solved the problem of how the MMI can achieve rapid industrialization in a way that is both harmonious and compatible with the pattern of industry in the Community, itself in a state of flux and suffering from over-production in many sectors. For example, in the sphere of trade promotion, nothing has been done to improve the distribution of MMI manufactures intended for Community markets. The intent expressed in the programmes of the various agreements has often remained a dead letter due to inadequate financial resources and lack of political will. The results of the Community's industrial cooperation with the Mediterranean countries in general would appear to be much less significant than in the case of its industrial cooperation with the ACP States and the prospects also would seem less bright. Moreover, Member States still tend to deal bilaterally with the Mediterranean countries. The second enlargement of the EEC will most probably result in a southward shift of the Community's centre of gravity. The time is possibly right to re-examine the medium and long-term nature of relations between the EEC and the MMI on a totally new basis with a view to giving substance to industrial cooperation objectives.

III. NON-ASSOCIATED COUNTRIES

Generally speaking, the Community's cooperation policy with the non-associated developing countries consists of:

(i) trade arrangements (the GSP and/or bilateral agreements);

(ii) financial and technical assistance;

(iii) an emergency aid fund;

(iv) food aid;

(v) incipient cooperation with regional groupings.

The EEC also participates in global negotiations, particularly in the United Nations. It is worth noting that Community financial and technical assistance aimed at financing agricultural and other projects in poor Latin American and Asian countries has been substantially increased in recent years, from 20 million ECU in 1976 to over 250 million ECU in 1982.

African non-associated countries

Angola and Mozambique are the only two developing countries in Africa which have no formal association with the EEC. Namibia is a special case and the subject of a United Nations development plan.

Asian non-associated countries

In March 1980 the Community concluded a cooperation agreement with the ASEAN countries (Indonesia, Philippines, Thailand, Singapore and Malaysia).

Despite the low level of EEC-ASEAN trade (approximately 3.5% of the Community's external trade), ASEAN offers very encouraging prospects by virtue of its current state of development and its rich raw material resources. Furthermore, the ASEAN countries have shown a keen interest in attracting Community investment, principally for industrialization projects relevant to the whole region.

The Community's relations with Hong Kong, considered by the EEC as a dependent territory, are increasingly influenced by EEC-China relations.

South Korea and Taiwan: Community relations with these countries are largely determined by their special links with China and Japan.

In the case of Pakistan, Bangladesh and Sri Lanka, the EEC has concluded similar commercial cooperation agreements with each of those countries.

India, which is a potential market of over 680 million people, signed a commercial and economic cooperation agreement on 31 December 1981, replacing the existing bilateral commercial cooperation agreement.

Latin American non-associated countries

The Community's total exports to these countries, which stood at 3 800 million ECU in 1970, had risen to 13 000 million ECU by 1981, though Community imports from the region fell from some 11% in 1958 to 5% in 1980.

An agreement, similar to that concluded in March 1980 with the ASEAN countries, was signed on 17 December 1983 at Carthagena (Colombia), linking the EEC with the Andean Pact countries (Bolivia, Colombia, Ecuador, Peru and Venezuela).

After the United States, the EEC is the principal trading partner of the Andean Pact countries which, in the main, are major suppliers of raw materials such as tin, copper, zinc, lead, tungsten and petroleum.

There has been an economic and commercial cooperation agreement between the EEC and Mexico since 1975 and in September 1980 a similar agreement was concluded with Brazil, replacing the trade agreement of 1974.

Since 1974, the Community's relations with Uruguay have been governed by an EEC-Uruguay commercial agreement.

However, no cooperation agreement has been concluded with Argentina since the expiry of the EEC-Argentina commercial agreement in December 1980.

As far as the other Latin American countries are concerned, they are either covered by the GSP or participate in agreements on specific products or both. This is the case for:

(i) the five members of the Central American Common Market: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua;

(ii) Belize, the Dominican Republic, Haiti and Panama in Central America;

(iii) Chile and Paraguay in South America.

* * *

A political movement called the Non-Aligned Movement, which held its first conference in 1961 in Belgrade, now comprises 101 developing countries. At their seventh conference held in New Delhi in March 1983, these countries reaffirmed their intermediate status between an old order based on domination and a new order based on cooperation between nations and founded on the principles of liberty, equality and social justice for the promotion of prosperity. They also sought to devise a more precise economic strategy with a view to future negotiations with the developed countries. The Latin American countries were late to join the Non-Aligned Movement, ten having joined since the sixth Summit.

Created in 1963 by the non-aligned countries, the so-called Group of 77, which currently comprises 125 developing countries representing over 1 700 million inhabitants, is the mouthpiece of the non-aligned countries in international forums. The Group is capable of making its weight felt in encounters with the rich countries. The approach proposed by the non-aligned countries for establishing a New International Economic Order (NIEO) endeavours to be realistic: a new two-stage approach aimed at getting global negotiations underway and stepping up South-South cooperation.

For the present, the non-aligned countries have requested an improvement of existing aid arrangements as well as measures to restructure the developing countries' debt and appropriate measures to promote Third World exports to the developed countries. In the longer term, they seek a reform of the international monetary and financial system. With regard to South-South cooperation, the Non-Aligned Movement has organized working parties to concentrate on twenty or so issues, the results of which should provide material for studies undertaken by the UN bodies working towards the establishment of an NIEO. As independent states, the non-aligned countries seek to be masters of their own resources, organize their development and engage in cooperation on the basis of equality and reciprocal interests. Regional groupings, such as ASEAN and the Andean Pact, make it possible to pool resources and plan more ambitious programmes.

As far as Europe is concerned, the Latin American and Asian countries accuse the EEC of discriminating against them with regard to trade and aid. The development of cooperation with these countries will, in all probability, prove to be one of the more challenging tasks which the Community will have to face.

It has implications, not fully grasped as yet, in two areas, namely trade and investment:

(i) trade: what policies are needed to adapt those sectors in the EEC which are or will be affected by the recession in the light of the massive penetration of products coming from Asian and Latin American developing countries? In other words, the problem of finding markets for those products. For example: Singapore, a dynamic exporter of manufactures, will undoubtedly be followed quickly by other ASEAN countries which can already offer low-cost and therefore highly competitive products (e.g. textiles, electronics, etc.), while Brazil and Mexico, also exporters of manufactured products, intend to consolidate their role as exporters in the years to come.

(ii) investment: European firms are interested in the opportunities offered by the Latin American and Asian countries, because it is they which offer the most encouraging prospects for a new international division of labour. Clearly there are matching interests in substantial areas. Access to the raw materials produced by these countries would give the Community greater security and diversity of supply. However, there are many obstacles to increasing European investment in these regions, in particular the problem of investment guarantees and security, and competition from other investors, especially Japan.

Experiments in regional integration are very important and it is all to the good that the EEC has made a contribution in this sphere. The Andean Pact and ASEAN are supranational entities which represent sizeable potential markets of fundamental strategic and economic importance.

The EEC-ASEAN agreement should be a model for improving the Community's industrial cooperation with other non-associated developing countries, in an attempt to create a better balance in the Community's external economic relations, until now heavily biassed in favour of the Mediterranean and ACP countries.

CONCLUSIONS

The Third World arouses contradictory reactions - pity for the victims of extreme poverty, concern over the multitude of new competitors, and hope for world economic recovery.

Among the developing countries as a whole a number of industrial powers are emerging and demonstrating increasing competitiveness and dynamism amidst the technological changes currently taking place. The worldwide activity of American, European or Japanese multinational firms only partially explains the scale of this phenomenon.

Unlike aid, which is dependent on the goodwill of the donor, industrial cooperation corresponds to the demands of the Third World and is becoming the object of international competition. The Third World countries are major purchasers and are insisting more and more that they must acquire real industrial capability.

This entails not only the sale of machinery and the supply of services, but also the communication of scientific and technological information, the transfer of knowhow, etc. - in short the whole wealth of accumulated industrial experience and the efficiency that goes with it. The developing countries are beginning to think in terms of industrial structure, that is to say, an efficient linkage between the use to which equipment is put and the effectiveness of training.

The industrialized countries have realized that industrial cooperation can trigger new trade flows in goods and services as well as maintain or increase traditional flows.

However, industrial cooperation causes concern and arouses scepticism in some quarters because, according to European manufacturers, it poses a threat to certain developed-country industries at a time of high unemployment. It is indeed likely that Third World competition on external markets will increase in the 1980s as the developing countries industrialize further which they are expected to do. But only a dynamic and systematic European industrial policy can safeguard and strengthen jobs. A protectionist and inward-looking policy would at best merely protect those jobs - ultimately very limited in number - associated with import substitutes and would do nothing to remedy any weakness in export-oriented sectors.

In short, industrial cooperation is a necessary component not only of development cooperation policy in general but also of European industrial policy. The Community's industrial policy with the developing countries should accordingly lay emphasis on the following aspects.

1) Strategies which give the developing countries more choice as to how to industrialize. Countries which have only a limited mastery of technology have in fact very little choice in the matter. Countries in which scientific discovery and technical innovation are concentrated have such a big advantage that the others can scarcely hope to catch up. Observers agree that the Third World's technological gap is one of the main causes of under-development.

   The developing countries are increasingly asking for technological transfers in the form of a complete vertical package, i.e. starting from the product planning stage and going through to the experimental stage.

2) Training, since industrial cooperation is primarily concerned with human resources, and is the end result of a long process in which relations between potential partners mature. Training thus represents a basic requirement and at the same time a very heavy burden, firstly, because it does not fall within the normal sphere of research and, secondly, because the true cost of training can rarely be passed on in the price of services. Under the impact of industrial cooperation, the stress has shifted from the machinery of major capital goods contracts to the organization and transmission of the intangible substructure of industrial activity. The heart of this problem concerns individual firms. New methods of working have to be learnt, staff have to be trained for this task and organizational changes will be required. Willingly or unwillingly, competition forces them to learn not only to produce and sell but also to transmit their knowhow, to learn how to train, and so forth.

   Industrial cooperation compels firms to innovate. Moreover, in the developing countries, local partners either only exist at State level or have to follow the Government's wishes. Hence, there is a need to help individuals or enterprises in developing countries to acquire specific manufacturing capability.

3) The need to establish systems that can provide and circulate information on supply and demand. To date, only very incomplete information is available about existing needs and opportunities, although these are numerous and varied.

   Firms in developed and developing countries alike should be able as quickly as possible to form an accurate picture - in quantity and quality terms - of the whole range of industrial cooperation opportunities.

4) Preliminary and concomitant measures for project and pilot-scheme identification. This entails effective coordination standards at regional levels.

Between 1967 and 1980, Algeria invested a total of 265 700 million dinars; industry, in particular oil and gas, received the lion's share with 56% on average of the total. In the Ivory Coast, manufacturing industry developed rapidly, growing at a rate of approximately 15% between 1960 and 1975. In 1982, South Korea's exports increased 8% in volume, while the volume of world trade fell 2%. These examples demonstrate that there are needs, a sense of purpose and potential technical skills which can only increase, despite short-term economic setbacks. In 1983 international trade was most buoyant in the developing countries and particularly in the non-oil-exporting developing countries (see Table 13).

The furtherance of industrial development in the Third World entails, first of all, programmes capable of mobilizing technological innovation for the development of the Third World, the establishment of joint EEC-Third World research teams and, lastly, the encouragement of direct private investment in the developing countries by mobilizing the potential of small and medium-sized enterprises.

TABLE 13

World Trade Summary - 1963-1983[1]

(percentage changes)

	Average 1963–72[2]	Change from Preceding Year 1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983[3]
World trade[4]												
Volume	8.5	12.0	4.5	−3.5	11.0	5.0	5.5	6.5	2.0	0.5	−2.5	1.0
Unit value (in U.S. dollar terms)	3.0	23.5	40.0	9.5	1.5	8.5	10.0	18.5	20.0	−1.0	−4.0	—
(in SDR terms)[5]	2.0	12.5	39.0	8.5	7.0	7.5	2.5	14.5	19.0	9.0	2.5	2.0
Volume of trade												
Exports												
Industrial countries	9.0	13.2	7.0	−4.2	10.6	5.2	6.0	6.7	4.8	2.5	−2.5	0.5
Developing countries												
Oil exporting countries	9.1	14.2	−1.6	−11.7	14.3	0.4	−4.3	2.8	−12.3	−16.0	−19.1	−4.0
Non-oil developing countries	6.7	9.3	−0.1	−0.3	11.3	4.9	8.7	9.6	9.0	6.3	0.8	4.5
Imports												
Industrial countries	9.0	11.5	1.4	−8.1	13.3	4.5	5.1	8.5	−1.5	−2.4	−0.5	2.0
Developing countries												
Oil exporting countries	8.3	20.6	38.5	41.4	20.6	16.0	4.8	−12.3	15.3	19.9	5.1	−8.0
Non-oil developing countries	6.2	11.5	7.6	−4.1	4.5	7.2	8.5	10.3	4.7	2.6	−7.7	2.5
Unit value of trade (in SDR terms)[5]												
Exports												
Industrial countries	2.1	10.1	23.8	10.8	5.6	6.5	5.7	11.9	11.9	6.3	3.3	3.0
Developing countries												
Oil exporting countries	2.6	27.5	204.4	4.3	11.8	8.6	−6.0	42.6	57.3	20.8	1.8	−10.5
Non-oil developing countries	1.2	20.0	37.0	−1.2	12.3	12.7	−1.6	14.0	15.1	9.3	1.5	3.5
Imports												
Industrial countries	1.8	12.0	39.6	8.1	6.6	7.7	2.6	14.9	21.4	7.2	0.9	1.5
Developing countries												
Oil exporting countries	2.1	12.5	26.9	9.9	5.7	7.7	4.9	10.5	11.2	8.7	3.1	4.5
Non-oil developing countries	1.1	14.0	45.6	8.0	6.0	6.5	2.2	14.3	22.7	13.7	4.3	2.5

[1] Excludes data for the People's Republic of China prior to 1978.
[2] Compound annual rates of change.
[3] Figures are rounded to the nearest 0.5 per cent.
[4] Averages based on data for the three groups of countries shown separately below and on partly estimated data for other countries (mainly, the U.S.S.R. and other non-member countries of Eastern Europe and, for years prior to 1978, the People's Republic of China). Figures are rounded to the nearest 0.5 per cent.
For years prior to 1970, an imputed value of US$ 1.00 has been assigned to the SDR.

Source: World Economic Outlook
A survey by the staff of the IMF
Washington DC, 1983.