

**ACP - EEC  
CONSULTATIVE ASSEMBLY**

# Working Documents

1979 - 1980

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30 March 1979

DOCUMENT ACP-EEC 11/79

## Report

drawn up on behalf of the Joint Committee

**on particular problems and difficulties that have arisen in connection with  
the implementation of certain provisions concerning the commercial  
aspects of the Convention of Lomé**

**Rapporteur: Mr M.O. GIAMA**



At the meeting of the Joint Committee on 9 June 1977 in Luxembourg, the representative of Somalia, Mr Mattan Hashi, **proposed** the appointment of a joint ad hoc committee to consider problems that had arisen or might arise in the implementation of Lomé I.

At the meeting of the Joint Committee of 30 November 1977 in Maseru (Lesotho) the representative of Somalia, Mr M.O. Giama, was appointed rapporteur.

The ad hoc committee considered the draft report at its meetings of 31 May 1978 in Grenada, 22 September 1978 in Luxembourg and 26 January 1979 in Bordeaux.

At the meeting of the Joint Committee of 31 January 1979 in Bordeaux the motion for a resolution and the explanatory statement were unanimously adopted.

Present: Mr Bersani, co-chairman, Mr Ouedraogo (Upper Volta), co-chairman, Mr Giama (Somalia), rapporteur; Mr Andersen, the representatives of Barbados, Benin, Botswana, Burundi, Congo, Ivory Coast, Mr Dewulf, the representative of Djibouti, Mr Fioret, the representative of the Gambia and Ghana, Mr Glinne, the representatives of Guinea-Bissau and Guyana, Mr Hansen, (deputizing for Mr Dondelinger), the representatives of Jamaica and Kenya, Mr Lagorce, the representatives of Lesotho, Liberia, Malawi, Mauritius, Niger, Nigeria and Ruanda, Mr Sandri, the representatives of Senegal, the Seychelles, Sierra Leone, Sudan, Surinam, Chad, Togo, Trinidad and Tobago, Uganda, Mr Verhaegen, (deputizing for Mr Lückner), Mr Wawrzik, and the representatives of Zaire and Zambia.

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The Joint Committee hereby submits to the ACP-EEC Consultative Assembly the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on particular problems and difficulties that have arisen in connection with the implementation of certain provisions relating to the commercial aspects of the Convention of Lomé

The ACP-EEC Consultative Assembly, meeting in Luxembourg from 8 to 12 October 1979,

- having regard to the report of the Joint Committee (Doc. ACP-EEC 11/79),

(a) Generalized preferences

1. Considers it absolutely essential for the Community to provide the ACP States with full and above all prompt information on the preferences system to be applied the following year;
2. Is deeply concerned at the way in which the special tariff advantages granted to the ACP States have hitherto been eroded and therefore calls for a system for conciliation and for assessing the effects of the generalized preferences system, and also for any adverse effects established to be adequately compensated by mutual agreement;
3. Urges the Community, in view of the continuous decline in competitive advantages, to help the ACP States to take corrective measures, in particular by improving trade structures and establishing an effective marketing policy;
4. Calls for the continuation and strengthening of close contacts between the ACP countries and the Community before and during the negotiations in the context of all multilateral trade talks;
5. Takes the view that the Community should ensure that it does not harm the interests of the poorest developing countries in extending the generalized preferences system;
6. Calls for adequate compensation for ACP States which suffer erosion of their tariff advantages granted under the Convention of Lomé;

(b) Beef and veal

7. Considers that the time and quantitative limits on the arrangements under the present system are not in the interests of certain ACP countries because of the importance of their beef and veal exports and therefore calls for a satisfactory long-term arrangement in the new Convention;

(c) Rum

8. Is not satisfied with the implementation of Protocol No.7, particularly as regards the consultations for which it provides, and hopes that the procedure for obtaining the necessary import licences will be improved; considers it necessary for the Community to consult with the ACP States to formulate a precise definition of rum and calls  
for improvements in the areas of standardization of rum import statistics and explanation of the procedure used to determine quotas;
9. Calls on the Community to consult the ACP countries before finally adopting the regulation on the common organization of the market in ethyl alcohol of agricultural origin and recommends that special arrangements be made for the ACP countries in the proposed regulation;

(d) Bananas

10. Deplores the fact that the Community has not yet fulfilled all its obligations arising from the banana protocol and therefore urges the Community to review its position;
11. Considers it important for a kind of 'preliminary agreement' on the common organization of the market in bananas to be concluded between the Community and the ACP States, to ensure that the ACP States, and Somalia in particular, enjoy concessions in the matter of access to their traditional markets and are granted preferential treatment vis-à-vis third countries with respect to bananas;
12. Is convinced that Protocol No.6 implies an obligation to grant investment aid to the banana sector, thus providing the banana-producing ACP countries with additional resources, which could be used not only to aid individual banana-producing countries but also for specific projects in the banana sector of joint interest to the ACP countries;
13. Calls on the Community actively to support the 'common organization' of the Banana producing ACP countries, particularly as regards adaptation of the market and trade promotion, and in this connection regards direct contacts between ACP exporters and EEC importers as essential;

14. Requests that the Community should use those legal remedies available to it for dealing with any cases of unfair competition especially on the part of multinational companies, to safeguard the legitimate rights of the ACP countries;
15. Asks the Community to examine the proposal made by the Ivory Coast's representative at the Joint Committee's meeting in Maseru, that when the new Convention is being negotiated, an arrangement for bananas similar to the protocol on sugar, and in any case giving the ACP States vital guarantees in respect of prices and quantities, should be included;

(e) Sugar

16. Regrets that the sugar protocol has not so far been properly implemented and hopes that future sugar negotiations will take place in a spirit of trust and genuine willingness to cooperate, to the satisfaction of all the partners concerned, particularly since the sugar protocol is a cornerstone of the Lomé Convention;
17. Cannot accept that the Community should consider itself empowered by the protocol to amend price structures unilaterally, to fix a new intervention price and to present, as a kind of fait accompli, the resultant figure to the ACP countries as its final offer of a guaranteed price;
18. Asks that the guaranteed price for ACP sugar should be properly negotiated in future, taking account of all major economic factors in order to ensure economic stability and growth in the ACP countries;
19. Recommends that the cultivation of sugar beet in the Community be kept at a reasonable level;
20. Urges the Community, pursuant to annex 13 to the Lomé Convention, to reconsider its decision on Zambia's application for accession to the sugar protocol;
21. Urges the Community to sign the International Sugar Agreement as soon as possible;

(f) Fruit and vegetables

22. Hopes that the Community will continue to give the ACP States preferential treatment in respect of fruit and vegetables, even after the enlargement of the EEC;
23. Asks that the preferences granted to the ACP for agricultural products should in no case be lower than preferences which will be accorded to third countries or under other agreements;

(g) Trade promotion

24. Draws attention to the fundamental importance of trade promotion as a crucial starting point for the improvement of the economies of the ACP States and insists that the ACP States should be able to take full advantage of the trade facilities provided under the Lomé Convention;
25. Asks the Commission to investigate, before conclusion of the new Convention, to what extent Articles 12 to 15 of the Lomé Convention relating to trade promotion have been implemented;
26. Emphasizes that the objective of financial and trade cooperation should be to improve both production, in terms of quality and quantity, and trade promotion;
27. Regards the creation of a trade promotion centre and marketing offices, an adequate knowledge of markets, and the organization of exhibitions and trade fairs as essential requirements for trade promotion; requests the Commission to make available to the ACP countries in a simplified form all necessary documentation and information on products, markets, pricing, channels of distribution, advertising, etc.
28. Considers it important to make every possible effort to facilitate and promote marketing coordination among the ACP States and to this end requests the Community to assist ACP States in every possible way.
29. Further requests that consideration be given to the active promotion of tourism in ACP States bearing in mind that this 'invisible export' has the same effect as the promotion of product exports;
30. Believes that, bearing in mind the importance of trade promotion and the need for adequate financial resources, the question of a special fund, or some other specific scheme to further these activities should be studied.



EXPLANATORY STATEMENTI. Introduction

1. The Convention of Lomé, which was signed on 28 February 1975 and entered into force on 1 April 1976 (the provisions on trade having entered into force in advance on 1 July 1975), is valid for a period of five years up to 1 March 1980. The Convention was originally signed by 46 ACP States, but today 53 ACP countries are party to it, the seven new signatories being Surinam, The Seychelles, The Comoros, Djibouti, Sao Tomé and Príncipe, Cape Verde and Papua-New Guinea.

2. The Convention currently in force (Lomé I) has resulted in various economic and social successes and improvements in the associated countries and all the partners have in general been favourably impressed by the experience gained so far with the Lomé Convention.

It should be particularly emphasized that in the course of implementing the Convention a climate of mutual trust among all the partners has developed. Furthermore, Lomé I is regarded as an agreement that contains important development policy instruments, which are bringing about an improvement in relations between industrialized and developing countries.

3. The Convention contains a provision to the effect that 18 months before it is due to expire, i.e., in September 1978, 'the Contracting Parties shall enter into negotiations in order to examine what provisions shall subsequently govern relations between the Community and the ACP States'. The Commission has already approved a memorandum on the renewal of the Convention of Lomé, which is to be submitted to the EEC Council of Ministers. In view of the time schedule mentioned above, the Council must decide by summer on the guidelines to be followed in the negotiations, since the formal opening of these negotiations is fixed for July 1978. At this time, i.e., against the background of the initiation of negotiations on a new Convention, which we may call Lomé II, it seems particularly opportune to attempt an evaluation of some of the experience gained with Lomé I.

4. For some time past it had been suggested during the debates of the Joint Committee that a special ad hoc committee be set up to deal with a number of practical questions. The representative of Somalia, Mr Mattan Hashi, explaining his country's proposal at the Joint Committee's meeting of 9 June 1977 in Luxembourg, stressed that when the Yaoundé Agreement was in force some of its provisions had not been implemented or at least not fully implemented, with the result that some economic sectors of the associated states had suffered considerable losses. To prevent similar difficulties

arising and similar mistakes being made in implementing the Convention of Lomé, he proposed that a mixed ad hoc committee be set up to study the problems that had occurred or might occur in connection with the implementation of Lomé I. This ad hoc committee would outline solutions and submit a report to the Joint Committee, which could then take practical decisions on the matters in question. Since Article 21(5) of the Rules of Procedure allows the setting up of a consultative ad hoc committee on a basis of parity, the Joint Committee adopted this proposal in principle at its meeting of 9 June, leaving it to the Bureau to decide on the composition of the committee and implementing procedures. The members of the ad hoc committee were appointed at the Joint Committee's meeting in Maseru on 30 November 1977. Mr Lagorce was unanimously elected chairman, while the Somalia's representative was appointed rapporteur.

5. Obviously the ad hoc committee cannot be expected to concern itself with all aspects of the Lomé Convention, on which the Joint Committee's general rapporteur, Mr Guillabert, will be drawing up a detailed report. The task of the ad hoc committee's rapporteur is rather to refer to some of the practical problems that are a source of concern to the ACP States, so that they can then be dealt with by the general rapporteur in the course of his review.

6. The difficulties to be discussed in this document lie mainly in the trade sector. It must be pointed out, however, that solutions have already been found to some of these problems. Thus, for example, the objections raised by the Gambia, Mali, Niger, Nigeria, Senegal and the Sudan to the EEC provisions on the maximum permissible level of aflatoxin in groundnut oil-cakes, which the ACP States felt to constitute a non-tariff trade barrier, have in the meantime been partly met as a result of the Commission's efforts. Hence, in response to the justified concern of the ACP States, it was decided, as announced at the ACP-EEC meeting in Fiji, to finance a research programme to support the efforts being made by the ACP States to eliminate the aflatoxin in groundnut oil-cakes (3,000,000 u.a. of the first tranche of the funds earmarked for regional projects was allocated to the programme on the basis of proposals made by the African Groundnut Council). Nevertheless, there are certain sectors and products about which the ACP States are very worried. These are bananas, rum, sugar, fruit and vegetables, and generalized preferences. The treatment accorded to these and possibly other products is a matter of the gravest importance to the ACP, as the EEC has already introduced or intends to introduce restrictions in the matter of various sensitive products. Reference need only be made to the footwear, steel and textile sectors. When submitting the memorandum on the forthcoming negotiations for Lomé II, Commissioner Cheysson did not, for example, advocate an unlimited period of validity for the new Lomé

Convention, so as to retain the possibility of reviewing certain provisions. It is particularly important, therefore, that difficulties that have already arisen in regard to certain products should be discussed and possible solutions proposed.

II. Some products and provisions which the ACP States feel have given rise to difficulties in implementing the Convention of Lomé

1. Generalized preferences

7. After years of discussion the principle of generalized preferences was finally adopted at the UN Conference on Trade and Development in 1969. This system was to help make it considerably easier for developing countries to have access to the markets of the industrialized countries. The non-reciprocal or non-discriminatory preferences would in particular help the developing countries to achieve an appreciable increase in export earnings, to initiate and develop industrialization and ultimately to expand economic growth. Generalized preferences, which were the expression of a new frame of mind in regard to world trade, were therefore intended as a means of achieving a long-term and fundamental improvement in trade relations between industrialized and developing countries, in order to bring about a more balanced economic relationship between North and South. The European Community, which was the first group of industrialized countries to put the system into force on 1 July 1971, has continually improved it in the meantime and constantly extended its field of application. The Community has also repeatedly stressed that it regards the generalized system of preferences as an integral part of its development policy.

8. Generally speaking, the system of generalized preferences has not produced the results originally hoped for. Preferential tariffs were to be extended to as many as possible of the processed agricultural products coming under headings 1-24 of the Common Customs Tariff as well as to partly and fully processed industrial products under headings 25-99. However, certain exports of importance to the developing countries were, of course, excluded from this arrangement; agricultural products in particular were denied this favourable treatment because of agricultural protectionism in many industrialized countries. Even the European Community introduced restrictions into its system. Thus maximum import levels (ceilings) were laid down, while the importation of 'sensitive' products, i.e. goods that compete with domestic products, is restricted by means of tariff quotas. Furthermore, a maximum import volume was fixed at the theoretical figure of 50% - in practice often only about 20 to 30% - of the total imports of any product given preferential treatment, and no single supplier can supply

more than this figure and still enjoy preferential tariffs. The question is, therefore, whether the words 'generalized' and 'system' should still be used when speaking of this 'system of generalized preferences'.

9. Unfortunately, the truth of the matter is that economically better developed countries benefit far more by the system of preferences than economically backward countries. While the system of preferences was originally intended for the 'Group of 77', countries that have attained a relatively high level of development now also belong to the favoured circle. The weaknesses inherent in the system cannot be denied, when it is realized that five out of the 110 Third World countries enjoy 50% of the European Community's generalized preferences. The European Community should therefore adopt a selective approach in pursuing its trade policy, i.e. developing countries - if indeed they can any longer be so called - which have attained a high level of industrialization and whose products can compete on the world market, should be placed on a par with industrialized countries. In particular, the GSP should no longer apply to products that are manufactured by multinational concerns in the developing countries exclusively for export to the industrialized countries and for the sole purpose of exploiting favourable production factors, but do not help the manufacturing country to further its own development policy. The multinational concerns are at one and the same time importers and exporters, and their goods are merely processed in the country in question so that they can benefit by the GSPs. On the other hand, projects that help development and are important for the national or regional markets of the developing countries, because they help to achieve prosperity, should receive support.

10. Ever since the Convention of Lomé came into being the ACP States have been intensely preoccupied with the effects of generalized preferences on the advantages accorded to them by the terms of the Association Agreement. What is happening is that the special preferences granted to the ACP States in trade with the European Community are being offset by the generalized preferences in favour of the other developing countries in the Third World. This means in plain language that the ACP are making sacrifices to benefit the other members of the 'Group of 77'. This is why the ACP countries have voiced misgivings at meetings of the Joint Committee<sup>1</sup>

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<sup>1</sup> See in particular the minutes of the meetings of 6/7 June 1977 in Luxembourg (CA/CP/19, 5 July 1977) and in Maseru (CA/CP/31, 10 February 1978).

and the ACP-EEC Consultative Assembly<sup>1</sup> and spoken of the 'erosion' of the special preferences granted to them under the terms of the Convention of Lomé vis-à-vis states that are not party to the Convention.

11. It is a serious matter for the ACP that their special preferences are being eroded and whittled away by the generalized preferences. For historical reasons they are largely dependent on the EEC market for their trade. In fact, their trade with the EEC accounts for about 40% of the total, whereas the corresponding figure for the other developing countries is about 20%. In addition, most of the world's least developed countries belong to the ACP. The ACP countries have therefore intimated to the Community that their economies are totally unable to withstand a continuous undermining of their competitive advantages and that the Community must therefore do its utmost to protect the legitimate interests of the associated countries. In this connection it should be pointed out that at the Seventh Special Session of the United Nations General Assembly and the Fourth World Trade Conference in Nairobi all the countries represented stressed that the preferences already enjoyed by the ACP must be retained.

12. It should be particularly stressed at this point that despite their own difficulties the ACP States have never questioned the system of generalized preferences and even welcome it as an important component of general development policy. At the meeting of the Council of Ministers in Fiji, however, they pointed to the specific character of the ACP States, which include most of the least developed countries, and called for closer cooperation in this matter, so that the effects of this system on the most important goods produced by ACP States might be established and the necessary aid measures taken. When granting generalized preferences the Community should feel it is its natural duty to ensure that the legitimate interests of the ACP countries are taken into account and that the concessions they enjoyed under the Lomé Convention are not reduced but retained.

13. It must be admitted that when the Lomé Convention was first being implemented, the consultation machinery between the EEC and the ACP on this point did not function very well. The ACP therefore requested consultations with the Community for the purpose of setting up a system whereby they would jointly and continuously monitor certain 'sensitive key export products' so as to determine the harmful effects the EEC's system of generalized preferences was having on the trade of the ACP countries and to allow any corrective measures to be taken to protect their interests.

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<sup>1</sup> See in particular paragraph 15 of the motion for a resolution contained in Lord Reay's report on the annual report of the ACP-EEC Council of Ministers (Doc. ACP/EEC 5/77) and on current problems in connection with the Convention of Lomé (CA 10 final), p.7.

14. The Community agreed to the proposal made by the ACP States on condition that the joint working party to discuss the effects of generalized preferences on ACP exports should be set up under the auspices of the ACP-EEC subcommittee on trade cooperation. At its meeting on 23 November 1977 the Committee of Ambassadors agreed to the title 'ACP-EEC Working Party on the Effects of the EEC's System of Generalized Preferences', as well as to the mandate and membership of this working party, which held its constituent meeting on 17 January 1978. At this meeting the working party decided on its working methods, particularly with regard to communication of the statistics it would need to carry out its mandate, and enumerated the products, exports of which would be particularly monitored (timber, especially plywood, fruit and vegetables, especially tinned pineapples and other products that compete with Mediterranean products). In accordance with Article 11 of the Lomé Convention the Community informed the ACP States of its intentions with regard to the system of generalized preferences for 1978. At the meeting of the Committee of Ambassadors of 23 November 1977 the Community provided information on the progress made by the Community bodies working on the system for 1978 and particularly on the amendments made to the Commission's proposal to take account of the arguments put forward by the ACP States. On this occasion the ACP States said that by comparison with previous years consultation in 1977 had been more thorough and also more prompt, but they did refer to the cumulative effect that the annual improvements in the Community system could have on ACP exports. At the meeting of the ACP Council of Ministers held in Lusaka in December 1977 tribute was also paid to the improved manner in which the procedure for EEC-ACP consultations on 1978 preferences had worked, and the steps taken by the ACP-EEC Committee of Ambassadors to set up the joint working party were endorsed. The ACP Ministers stressed, however, that they expected a reply from the Community to their general proposals as speedily as possible, because their countries' economies must at all costs be safeguarded against any further extension of the system of generalized preferences. At the same meeting the ACP Ministers pointed out that the Community had committed itself to taking all the steps needed to safeguard the position of the ACP States, including, if necessary, the withdrawal of specific GSP concessions.

15. The views and demands of the ACP States may be summed up as follows:

- They have signed an Association Agreement with the Community, which entails rights and obligations for both sides; they therefore consider it to be only proper and in accordance with the terms of the Agreement that each year the Community should inform them in detail and above all in good time of the system of preferences for the coming year, so that

any difficulties that may arise for particular countries and products can be discussed (in this connection it should be pointed out that the record concerning the Council decision of 6 November 1975 on the adoption of the system of preferences for 1976 included a declaration that these questions could be discussed at the request of the ACP States within the framework of the bodies established by the Lomé Convention);

- They regard a joint system for monitoring and assessing the effects of generalized preferences as very important;
- They are deeply concerned about the erosion of their special preferences that has taken place up to now and about the cumulative effect of annual improvements in the Community's system of generalized preferences; they are convinced that the progressive erosion of their special preferences could also jeopardize other measures designed to further the economic development of the ACP States;
- They are convinced that their precarious economic position will not stand up to the increasing strains to which it is being subjected and, in view of the continuous diminution of the advantages they enjoy in relation to their competitors, call on the Community to take corrective measures, in particular by improving the trade structures and establishing an effective marketing policy;
- They stress that their special preferences are being undermined not only by the generalized preferences but also by other measures, such as the concessions made by the Community under the terms of the Tokyo Round; the ACP countries therefore urge that close contact should be maintained between themselves and the EEC throughout the multilateral trade negotiations;
- In general the ACP countries want to be consulted in future customs and tariff negotiations between the EEC and third countries, as a greater degree of agreement is necessary if the preferential position of the ACP countries, as enshrined in the ACP/EEC agreement, is to be safeguarded; since the position of the ACP has been undermined in the past by agreements between the Community and Third World countries not party to the Convention, care must be taken in all new agreements to ensure that ACP exports to the European Community are not affected;
- They emphasize that six of the twelve agricultural products for which tariff reductions are planned under the Community's 1978 system of generalized preferences, are of vital importance for the export situation of a number of ACP countries and that the other countries that will also benefit by these preferences are far more competitive;

- They feel that the Community should not extend the system of generalized preferences without restriction, but should be guided by the actual needs of the poorest developing countries, with account always taken of its special obligations to the ACP States;
- If the process of erosion continues at its present rate, the ACP feel that special assurances or concessions under the terms of the generalized preferences should be revoked.

## 2. Beef and veal

16. The preferential system governing imports of beef and veal from the four ACP countries, Botswana, Kenya, Swaziland and Madagascar, applies until the end of 1978. On 21 November 1977 the Council of the European Communities agreed, as in previous years, to extend for one year the special arrangement for beef and veal, which is mainly intended for the United Kingdom. This arrangement provides for a 90% reduction in import charges, provided the exporting country applies an export tax of a corresponding amount. Thus 27,532 tonnes of beef and veal are imported annually from the above-mentioned countries into the Community, the largest amount, 17,000 tonnes, supplied by Botswana.

17. The ACP countries that export beef and veal have repeatedly stressed the importance of exports of these products for their economies. This is particularly true of Botswana, where over 80% of the population is employed in beef and veal production. For this reason the ACP countries concerned are not happy with the time limit on the arrangement, which runs for one year at a time, and call for a solution that provides for a longer period of validity.

18. The ACP States feel that the concession granted by the Council in November remains in force only until December 1978 and, as far as the 90% reduction of import charges is concerned, does not allow for the increase in the amounts affected which in the opinion of the ACP States is envisaged under the terms of the Convention. The ACP take the view that a long longer-term solution is needed, continuing until the expiry of Lomé I

As regards the negotiation of

Lomé II, thought should also be given as soon as possible to the question of introducing a permanent arrangement for imports of ACP beef and veal into the Community.



### 3. Rum

19. In general, the ACP countries are not satisfied with the implementation of Protocol No. 7 on rum, i.e. the commodities listed under heading No. 22.09 of the Common Customs Tariff (rum, arrack, tafia). The ACP's main criticism of the implementation of the protocol on rum was voiced at the meeting of the ACP-EEC Council of Ministers held in Fiji in April 1977. In Fiji, and even earlier, at the meeting of the Council Presidents on 20 October 1976, the ACP referred to difficulties being encountered by certain importers in the Member States in acquiring the necessary import licences for rum from the ACP States. Since the authorities of the Member States are responsible for issuing licences, a technical meeting of the bodies in question should be convened, so that any technical difficulties may be overcome as quickly as possible, particularly if it is true that the issue of licences is being made dependent on certain conditions. Discrepancies in the statistical information on rum imports should also be eliminated as soon as possible, as the ACP partners have repeatedly pointed out that there are sometimes considerable differences between their export statistics and the import statistics provided by the Community. With regard to the Council regulations on the opening, allocation and administration of the Community tariff quota for rum originating in the ACP States, the latter have repeatedly complained that the consultations provided for in Protocol No. 7 are worthless, because they do not normally take place until after the Community has already worked out the regulations. The ACP countries would also welcome a detailed explanation by the Community of the procedure used to determine the quotas for the Member States.

20. With regard to the difficulties encountered by certain ACP countries in selling their rum on the Community market, discussions should be held between the partners concerned to determine the reasons for these difficulties and to work out a solution that is acceptable to all parties and takes account of their legitimate interests. For this reason it would also be a good thing if the new Lomé Convention were to provide for a permanent joint group on rum, in which any problems that might arise could be thoroughly discussed before any decision was taken. Consideration should also be given to increasing existing quotas, so that the ACP countries can expand their rum sales in non-traditional markets.

21. The ACP are well aware that it will not be easy to overcome all the present difficulties, as supply far exceeds demand on the alcohol market. In addition, consumption is not merely stagnating, but is, in fact, falling. Furthermore, many products are offered as rum, whereas all that they have in common with rum is the name. The Commission should therefore draw up proposals containing a precise definition of rum.

22. The ACP countries are also exceptionally worried about the problems that could arise as a result of the Commission's proposals for a regulation establishing a common organization of the market in ethyl alcohol of agricultural origin. They have already voiced their concern on this matter in the subcommittee on trade cooperation and in the Committee of Ambassadors, because they fear that these proposals will make it even more difficult for them to sell their rum. They would therefore like the Community to consult the ACP States before it takes a final decision. They also feel that when the planned regulation is being adopted a special arrangement should be made for the ACP countries.

#### 4. Bananas

23. Protocol No. 6 on bananas contains three important provisions:
- As regards its exports of bananas to the EEC, no ACP State shall be placed, as regards access to the markets and market advantages, in a less favourable situation than in the past or at present;
  - A joint endeavour will be undertaken by the ACP States and the Community to devise and implement appropriate measures particularly with respect to investment encompassing all stages from production to consumption in order to enable the ACP States, particularly Somalia, to increase their banana exports to their traditional Community markets;
  - Comparable endeavours will also be undertaken to enable the ACP States to gain a foothold in new Community markets and to extend their banana exports to those markets.

With a view to implementing the objectives of Protocol No. 6 a Permanent Joint Group on Bananas was set up, which has so far met four times.

24. The ACP countries are not satisfied with the way the Protocol on bananas has been implemented so far, because they feel that it has not had any success. Trade in bananas at the present time continues to be based on traditional relationships, and the great change that was to have been achieved with the Protocol on bananas has not occurred. In spite of joint endeavours the ACP have not yet succeeded in opening up new markets in Community countries or in increasing their banana exports to any significant degree. Indeed, the question is what the ad hoc committee on bananas can hope to achieve with its modest resources against the giant multinational companies. A tariff of 20% is imposed on imports of Latin American bananas into the Community, while ACP bananas are imported duty-free; nevertheless, the Latin American bananas are overcoming

this 20% tariff barrier without any difficulty. At any rate their share of the European market has been continually increased. At the moment it is about 60%, and the fears expressed in 1975 by the main banana-exporting South American countries - Ecuador, Honduras, Guatemala, Colombia, Panama, Costa Rica - seem to have been unfounded. The only conclusion that remains to be drawn, therefore, is that the implementation of the Protocol on bananas has not put South American exports at any disadvantage, and it has not brought any advantages for ACP exports.

25. The ACP partners have repeatedly pointed to the considerable differences in the interpretation of Protocol No. 6. While the Community takes the view that it can exercise only a very limited influence on the banana market, since it forms part of the private sector, which is governed by the law of supply and demand, the ACP countries feel that the Protocol provides the Community with all the means it needs to help to increase ACP banana exports. At the last meeting of the Joint Committee in Maseru Commissioner Cheysson stressed the private nature of the Community's banana market, but promised the ACP countries every support in improving the marketing of this product and protecting it against certain marketing methods adopted by the multinationals.

26. From the very beginning of the Lomé Convention the ACP States have been intensely preoccupied with the Protocol on bananas. At one meeting after another of the Joint Committee proposals have been discussed that might help to solve the banana problem. In March 1977 the ACP States forwarded a first memorandum to the Community, in which they formulated their views on the implementation of Protocol No. 6. From 9 to 17 July 1977 the Ministers of the banana-exporting ACP States met in Douala (Cameroon). Following this meeting the ACP States submitted a memorandum to the Community on 24 November 1977, explaining their point of view on the implementation of Protocol No. 6. On 24 January 1978 the Community made its views known on this memorandum through the Permanent Joint Group on Bananas, as it had done with the previous memorandum. Meanwhile, however, the ACP countries had submitted to the Community a memorandum adopted by the Ministers of the banana-producing ACP countries at their meeting in Douala, containing their answer to the Community's opinion of June 1977. At its 14th meeting in Lusaka in December 1977 the ACP Council of Ministers dealt comprehensively with the decisions of Douala and adopted Resolution No. 21/1977/ACP, in which the Community and the Member States are urged to take measures as soon as possible in line with the provisions of Protocol No. 6. The ACP Council also supports the recommendation

adopted by the Ministers at their meeting in Douala that a 'common organization' be set up to promote the sales of their bananas and to protect their interests. At the last meeting of the ACP-EEC Council of Ministers in Brussels in March 1978 the ACP countries again put forward their views on the banana problem.

27. The ACP countries are mainly critical of the following:

- First of all, they feel that the Community has not met its obligations under the Protocol on bananas, because it still refuses to take the measures necessary for the satisfactory implementation of this Protocol;
- They are not satisfied with the fact that their share of the market is barely 20%. They point out that three quarters of all European Community imports come from non-ACP countries and that six Community countries, which import 800,000 tonnes annually, i.e. 44% of all Community imports, do not buy any bananas from ACP countries. (The Community, on the other hand, holds that the ACP share of its market is about 25% and amounts to 116,000 tonnes annually, if imports from the Windward and Leeward Islands are included);
- So far it has been possible to increase supplies only to the traditional markets of France, and the United Kingdom, while Somalia is still critical of the fact that a kind of excise duty is imposed on bananas in Italy and no adequate measures have been taken to enable Somalia regain its traditional share of the Italian market. Further, banana exports of the French overseas departments have been diverted from the French market into the Italian market;
- They are worried that they are about to suffer losses even in their traditional markets and maintain that they are being put at a disadvantage in new markets by unfair competitive practices.

28. With a view to improving their situation, therefore, the ACP States call for the following:

- The Community should first of all meet its obligations under the Protocol on bananas, i.e. take appropriate measures to bring about an improvement in the banana situation;
- A kind of 'preliminary agreement' on the common organization of the market in bananas should be concluded between the Community and the ACP States to ensure that the ACP States, and in particular Somalia, enjoy concessions in the matter of access to their traditional markets and are granted preferential treatment vis-à-vis all other imported bananas;

- Under a 'preliminary agreement' of this kind firm agreements should be concluded to assure the banana-exporting ACP countries of a fixed share of new Community markets at favourable economic conditions for the supplying countries;
- An ACP-EEC group of experts on bananas should be set up to supervise the implementation of the agreements concluded;
- They feel that Protocol No. 6, in which the Community undertakes to take 'appropriate measures, particularly with regard to investment', implies an obligation for the Community to grant investment aid to the banana sector; aid of this kind should provide the banana-producing ACP countries with further resources over and above those envisaged in other provisions of the Convention, and these resources should be used not merely to aid individual banana-producing countries but also for specific projects in the banana sector of joint interest to the ACP countries;
- They are convinced that improved marketing is the basic precondition for developing ACP banana exports and therefore urge the Community to support any measures that favour adaptation of markets and sales promotion; in particular they call on the Community to lend dynamic support to the ACP's 'common organization' as a means of increasing banana exports and protecting ACP interests;
- They consider it extremely important that to this end discussions should take place between the ACP exporters and importers in the Member States of the Community;
- The Commission of the European Communities should watch the European market carefully for any unfair competitive practices on the part of the multinational concerns;
- They are convinced that the Community is adequately endowed with legal means of proceeding against any dumping practices and that it should do its utmost to protect the legal rights of the associated States.

29. The Community, which has repeatedly urged the ACP States to pursue a more dynamic and aggressive trade policy in the banana sector, has in the meantime promised its full support for all measures and endeavours of the 'common organization' of ACP banana producers, and this has been warmly welcomed by the ACP. The EEC has declared its willingness to take action against multinational concerns when they fail to respect Community rules on competition; it is also prepared through the 'common organization' to make financial aid available for

the production and above all the marketing of bananas. At the last meeting of the ACP-EEC Council of Ministers in March 1978 these statements by the Community were welcomed by the ACP.

30. At the Joint Committee meeting in Maseru from 28 November to 1 December 1977 the representative of the Ivory Coast, Mr Ebagnitchie, submitted a proposal for the solution of the banana problem, which should be mentioned at this point. As there had been general dissatisfaction with the way the Protocol on bananas had hitherto operated, he suggested that when Lomé II was being negotiated an arrangement for bananas similar to the Protocol on sugar should be included. How far this proposal is realistic and what chance it has of being implemented is something that cannot be discussed any further in this document. However, at the same Joint Committee meeting Commissioner Cheysson said that a protocol on bananas along the lines of the Protocol on sugar, i.e. with guaranteed prices, was hardly conceivable.

## 5. Sugar

31. Protocol No. 3 on sugar is one of the essential features of the Lomé Convention and is of fundamental economic importance for the sugar-producing **ACP countries**. Furthermore, this protocol is a unique agreement, of a kind which so far exists only under the Convention of Lomé. Nevertheless, or perhaps precisely because of this, the Protocol on sugar has constantly led to difficulties. Its application has been repeatedly and severely criticized by the ACP at meetings of the ACP Council of Ministers, the ACP-EEC Council of Ministers, the Consultative Assembly and the Joint Committee. Even the negotiations on the drafting of the text of the Lomé Convention turned out to be extremely difficult precisely because of the sugar protocol. At the last meeting of the ACP Council of Ministers in Lusaka a resolution on this matter (No. 19, 1977, ACP) was adopted, in which the views of the ACP countries on sugar policy were accurately defined.

32. The representatives of the ACP countries point out that the cultivation of sugar in the ACP countries is a European legacy dating from the earliest colonial times. Cheap labour and favourable climatic conditions had made the cultivation of sugar extremely lucrative for the Europeans, and this had even resulted in the neglect of the basic foodstuffs that had been cultivated up to that time so that today they had to be imported.

33. The inclusion of the sugar protocol in the Lomé Convention is a result of the United Kingdom's accession to the Common Market. In Protocol No.22 to the Treaty of Accession to the EEC the Community undertook to safeguard the interests of those countries whose economies depended to a considerable extent on the export of primary products, particularly of sugar. One of the United Kingdom's conditions for accession, in fact, had been that Commonwealth exporters should be granted the same advantages by the Community for their sugar as they had previously enjoyed under the Commonwealth Sugar Agreement. After lengthy negotiations the Community finally agreed to buy and import from the ACP countries for an indefinite period a total volume of 1,321,500 tonnes a year (and not 1,400,000 tonnes as requested by the ACP). The ACP consequently regard the recriminations of European sugar producers as unfair, particularly since they hold that Community producers have suffered no loss as a result of the export quotas allocated to the ACP countries. On the contrary, they maintain that the accession of the United Kingdom has given Community producers an additional market for 500,000 tonnes, since Commonwealth exports to the United Kingdom amounted to 1,800,000 tonnes, while exports to the Community amounted to only about 1.3 million tonnes.

34. Because of the sugar surplus on the world market the ACP are very anxious to see the cultivation of sugar beet in the Community kept at a reasonable level. Unrestricted expansion of beet cultivation in the EEC would also have an adverse affect on the operation of the Protocol, as far as the price of ACP sugar is concerned. This is also clear from the Commission's answer to a written question put by Mr Vredeling, in which it says: 'In view of the surplus sugar production in the Community the Commission considers that it is still worth trying to reduce the total area under sugar beet. Any major increase in this area would undoubtedly affect the price policy for sugar beet which the Commission will have to propose to the Council'.<sup>1</sup>

The ACP thus criticize the Community for the fact that despite the world sugar surplus, beet production in the EEC increased from 8.6 million tonnes in 1974/75 to 10 million tonnes in 1976/77, while 1977/78 production is estimated at over 11 million tonnes. In addition, sugar consumption in the Community over the same period showed a downward trend (from 9.6 million tonnes in 1974/75 to 8.9 million tonnes in 1976/77). In contrast, the ACP have been granted guaranteed access to the European market for only 60% of their production, although their population has increased by 3% in the last three years and export earnings from the sale of sugar are on the decline. This is a matter of the gravest concern to the ACP, because earnings from the sale of sugar are the only source of revenue in some sugar-producing ACP countries and thus determine the size of their gross national product. For many families sugar is the only source of income and consequently the main source of employment. Furthermore, there is scarcely any alternative type of production in the sugar-producing ACP countries, and at best the alternative would take years to develop. Diversification in the ACP can only mean supplementing and never substituting sugar cultivation, while genuine alternatives are available to European sugar beet growers. The Commission has promised to do all in its power and has also pointed out that there has been a sharper increase in sugar production outside the ACP and the Community. But the ACP, who feel that the EEC is partly responsible for the worldwide sugar surpluses, demand concrete measures to improve or stabilize the economic position of the sugar-producing ACP countries.

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<sup>1</sup> Written Question No. 47/71, OJ No. C 62, 22.6.1971, pp.8-9



35. Together with guaranteed access to markets, guaranteed prices are for the ACP the most important part of the Protocol on sugar. The most serious differences of opinion between the EEC and the ACP have arisen during the negotiation and fixing of the guaranteed sugar price, and the ACP are deeply concerned at the various problems encountered during the sugar price negotiations.

36. Pursuant to Article 5 of Protocol No. 3 the guaranteed prices are negotiated annually on the basis of prices obtaining in the Community and with account taken of all the important economic factors, and are fixed at the latest by 1 May immediately preceding the delivery period to which they will apply. The prices expressed in units of account refer to unpacked sugar, cif European ports. The guarantee runs for a period of twelve months, i.e. from 1 July to 30 June. This guarantee applies basically to sugar which cannot be sold on satisfactory terms at prices freely negotiated between buyers and sellers. The Community does not intervene where a Member State allows selling prices within its borders to exceed the Community threshold price. The EEC's intervention agencies buy from the ACP countries only the amount of sugar that cannot be sold on the free market, subject to the agreed upper limit. From the point of view of price policy, the price guaranteed to the ACP countries is linked to EEC internal prices, which are revised annually in the light of the prevailing economic conditions. From a trade policy point of view, the Community's guarantee of market access and sales for ACP sugar is intended to assure the ACP countries of the foreign currency earnings they need to carry out their development projects. In return the Community has guaranteed supplies without prejudice to the free sale of sugar on its markets.

37. The ACP feel that in the case of sugar the objectives of the STABEX system have not been achieved, since earnings have fallen steadily. Furthermore, the guaranteed prices of recent years have not been sufficient to ensure profitability, stability and growth in the ACP countries concerned. For example, the current price of ACP raw sugar is 27.25 u.a. per 100 kg, which is an increase of 6.7% against 1975/76, while the current intervention price for Community raw sugar has risen by 11.7% since 1975/76. The ACP claim that the guaranteed sugar price in these last two years was far below the level that could have been reached if the Protocol had been properly interpreted. In the first case legal proceedings could even have been taken, because the figure fell below the lowest price in the Community price range. Under the terms of the sugar protocol the Community is required to take account of 'all relevant economic factors' in fixing the ACP sugar price. Although the ACP had pointed out that their sugar production costs had risen by 33% in the first marketing year and 16% in the second, this was not taken into account when the guaranteed price was fixed.

This makes one wonder what significance is to be attached to the text of the Protocol, according to which 'all relevant economic factors' must be taken into account. The ACP are only asking for a fair guarantee price; they are not asking for the threshold price, but for a price somewhere in the middle of the Community range, rather than at the lower end of the scale.

38. A particular difficulty in implementing the sugar protocol stems from the fact that negotiations with the ACP countries can begin only when the Community has fixed its own internal agricultural prices for the current marketing year. This year the Council will not take a decision before the second half of April, and if the ACP sugar price is to be negotiated by 1 May, this leaves very little time. In addition, the negotiated sugar price should be applied retroactively, if important aspects of the guaranteed price are not to be eroded or even lost altogether.

39. The ACP countries are particularly disappointed at the spirit in which the sugar negotiations have been conducted up to now. In particular, it must be admitted that the consultation procedure of recent years has been completely inadequate, since the Community has amended the price structures and the intervention price unilaterally and put the result to the ACP countries as a final offer. Indeed, when the negotiations on the sugar protocol had been completed, it was trumpeted as an unprecedented pioneering move that the Commission had to consult the ACP sugar-exporting countries before it submitted proposals for Community prices. We must hope, therefore, that there will be a change in these methods, so that the forthcoming negotiations can be conducted under more auspicious conditions.

40. Article 7 of the sugar protocol contains provisions on the measures to be taken when during a particular delivery period sugar-exporting ACP States fail to deliver in full the quantities agreed in the Protocol. These measures vary depending on whether the agreed quantities are not delivered because of 'force majeure' or for other reasons. A case of the latter kind arose in the 1975/76 marketing year when four ACP countries - Kenya; Uganda, The People's Republic of the Congo and Surinam - could not meet their obligations. The ACP countries welcome the approach adopted by the Community at the Ministerial meeting in Fiji in April 1977, when it agreed to restore the sugar quotas of the four ACP countries in question. The Community did stress, however, that this concession was an independent political gesture, did not apply retroactively and was not to be taken as a precedent. Nevertheless, by taking this decision the Community did acknowledge the serious economic consequences of these measures for the countries concerned. The agreement reached between the Community and the ACP States at the meeting of the Committee of Ambassadors on 23 November 1977 on a definition of the concept 'force majeure' and a consultation procedure in connection with this concept is of particular importance. The

reason why a definition of the criteria for establishing the existence of 'force majeure' is so vital is that it will enable future difficulties in implementing Article 7 of Protocol No. 3 to be avoided. Divergent interpretations of these provisions might do considerable political harm.

41. The matters of concern to the ACP States as regards the implementation of the sugar protocol can be summarized as follows:

- They hope that the forthcoming negotiations to fix the guaranteed price will be conducted in a spirit of mutual trust and sincere willingness to cooperate;
- They consider it absolutely essential that the guaranteed price negotiated ensures stability, profitability and economic growth in the sugar-exporting ACP States, i.e. it must also take account of the rate of inflation; for this reason they want the guaranteed price to be fixed somewhere around the middle of the Community price range;
- They confirm that the guaranteed prices for ACP sugar must be negotiated by reference to the prices obtaining in the Community, but insist that these guaranteed prices be applied retroactively, so that the advantages they create are not eroded;
- They reject any application to ACP sugar of the storage charge agreed by the Community and feel that the freight rate should also be taken into consideration in the negotiations, since the ACP sugar price is reduced by freight costs;
- They cannot accept the idea that the Community should feel that the Protocol empowers it to amend price structures unilaterally, to fix a new intervention price, to deduct any charges as it thinks fit and to present the resulting figure to the ACP countries as its final offer of a guaranteed price;
- They are convinced that the text of the Protocol on sugar does not permit of this interpretation and feel that the guaranteed price for ACP sugar must be fixed jointly in the course of annual negotiations.

42. Despite all their criticisms the ACP countries regard the Protocol on sugar as a solid basis for cooperation, particularly as regards their economic planning, their production and their export earnings. But they are not happy with the way the sugar protocol has been applied up to the present time. In Lomé II, therefore, certain provisions should be more clearly formulated. They are concerned at the fact that basically no genuine negotiations have ever taken place and that they have always been presented with a fait accompli. All they ask is that an attempt should be made to understand their concern and to apply the Protocol in accordance with both the spirit and the letter. Adequate and fair prices must be worked out for their sugar production. If properly applied, the sugar protocol is

not only a cornerstone of the Lomé Association but can, in the light of the present problems in regard to raw materials, become a model for cooperation between industrialized countries and developing countries, which often have nothing to export but their raw materials.

43. The ACP and the EEC differ substantially on the question of Zambia's application for accession to the sugar protocol (when the Protocol was negotiated Zambia was not a sugar-producing country). The EEC points out that Protocol No.3 lays down precise quantities; unless the other sugar-producing ACP countries are prepared to surrender part of their own quotas to Zambia (the amount in question is 15,000 tonnes), it may not at present accede to the Protocol. Zambia cannot be included in the list of sugar-producing countries contained in the sugar protocol until a new protocol is negotiated (Protocol No.3 is valid for one year longer than the Lomé Convention. The Commission feels that there are legal difficulties in this matter, as the sugar protocol does not allow for a later increase in the number of countries party to it. The ACP States, on the other hand, refer to the joint declaration contained in Annex XIII to the Lomé Convention and reject the Community's legal arguments. In the resolution on sugar adopted by the ACP Council of Ministers in Lusaka the Community is therefore 'urged to accelerate its consideration of the application by Zambia for a quota under the sugar protocol'.

44. The EEC is not a party to the new agreement on sugar which was concluded in Geneva on 7 October 1977 at the UN Sugar Conference attended by 70 countries. This agreement is valid for a period of 5 years and to all intents and purposes has been in force since the beginning of this year. The Community has kept the question of its participation in the agreement open and has managed to have a provision included whereby it can become a party to the agreement at a later date under special conditions which have yet to be negotiated. The reason it is not yet party to the agreement is the quota arrangement, the Community regarding the export quotas allotted to it as being too small. After all, it is second only to Cuba among the world's exporters: in the current marketing year it will have to sell about 1.7 million tonnes of sugar on the world market from its own production or surplus production. Two compromises offered by the Community have not been accepted, and it was pointed out that the Community was not a traditional sugar exporter and should leave sugar-exporting to the developing countries and cut back its production.

45. Should the Community not become a party to the international sugar agreement, disadvantages could arise for the sugar-exporting ACP countries and their sales on world markets, and also for the Community itself. The ACP countries therefore hope that in the interest of both partners the

Community will soon sign the sugar agreement. Resolution No.19/77/ACP adopted by the ACP Council of Ministers in Lusaka echoes these sentiments.

#### 6. Fruit and vegetables

46. The ACP regard it as extremely important for their economic development that, as regards trade in fruit and vegetables, they should retain their advantageous position vis-à-vis other countries in the Mediterranean area with which the European Community has established special relations. They stress that the Lomé Convention and the agreements concluded with the Maghreb and ~~Mashreq~~ countries are based on different premisses. They in no way question the political significance of the Mediterranean agreements, but they feel that greater importance must be attached to the trade questions governed by the Convention of Lomé. Most of the world's poorest countries belong to this Association, countries which often have nothing to export except one or more agricultural products. In this connection, they emphasize that certain agricultural products from Spain, Greece and the ~~Maghreb~~ countries are accorded more favourable treatment than products from their own countries.

47. At the Fiji meeting of the Council of Ministers the ACP States mentioned tomatoes and melons as examples and requested that, in accordance with the terms of the Lomé Convention these ACP products should not be treated less favourably than products from third countries. Any discrimination of this kind was in clear conflict with the provisions of the Convention and the declaration on agricultural products. Furthermore, the ACP felt that the possibility of new agricultural products and agricultural exports arising made it necessary to have consultations in each individual case to prevent difficulties in trade in agricultural products, pursuant to Article 2(2) of the Convention. This is an argument to which the Commission has no objection.

48. There were long discussions about the importation of tomatoes from Senegal into the Community, this being a new export product for Senegal. When the Senegalese representative stressed at the last Joint Committee meeting in Maseru the importance of this product for his country's export trade, Commissioner Cheysson promised that a satisfactory solution would be found by the end of 1977. A solution has been devised in the meantime, but whether it is satisfactory is another question. On the basis of the Commission proposal of 20 December 1977 the Community decided to import as from 1 March of this year tomatoes originating in the ACP countries under a Community tariff quota of 1,000 tonnes (at a minimum levy of 2 u.a. per 100 kg for the period from 15 November to 15 April) subject to customs duties equal to 40% of the Common Customs Tariff rates. The quota of 1,000 tonnes is not large, and the reduction of the customs duty by 40% does

not meet the wishes of Senegal, which had expected a 60% reduction. It must be admitted that in this particular instance the Community has acted in an extremely petty fashion, since it can safely be assumed that the import of 1,000 tonnes of tomatoes will not have an adverse effect on agricultural producer prices in the Community. Moreover, fruit and vegetables imported from the ACP countries are normally items that are not in season in Europe and thus come on to the European market at a time when they are not available fresh in Europe or can only be produced in greenhouses. In connection with the import of tomatoes from Senegal the Commission has pointed out that the Lomé Convention does not offer the ACP countries a guarantee with regard to the quantities to be accorded preferential treatment, unlike preferences granted under other agreements. The ACP insist, however, that the preferences they are granted should in no case be lower than preferential rates accorded to third countries or under other agreements.

#### 7. Trade promotion

49. 'Trade, not aid' is the most effective way of improving the economic situation of the developing countries. Their own efforts are more important than any financial assistance. Improved international trade rather than self-sufficiency and import substitutes, is the answer.

50. For the developing countries in general and most of the ACP States, whose industry, unlike that of the western industrialized countries with their market economies, is, with a few rare exceptions, relatively undeveloped and mostly very consumer-oriented, exporting is virtually the only way they can obtain the funds to buy the industrial products and equipment they need to build up their own industry. In this respect, the developing countries are far more dependent on external trade than the industrialized countries. But it is precisely from the point of view of external trade that the Third World is underprivileged in that the goods it has to offer are limited in number and quantity and thus hardly in line with the requirements of today's world market. The market for traditional export goods from the developing countries can, it is true, still be expanded to some extent but not on a scale which would compensate for their growing payment commitments and keep pace with the growth of international trade. Hence the ACP countries must sell the products of their new industries on the EEC market, and they therefore need, if the development aid outlined in the Lomé Convention is to have any point at all, the support of the European Community.

51. The unsatisfactory development of exports from developing countries is principally due to the disadvantageous nature of their supply structure inherent in the range of goods they have to offer. Apart from petroleum, which for various reasons is not representative of the goods produced by this group of countries, agricultural products and raw materials account for the

bulk of Third World exports. The limited success achieved with exports of finished products from the developing countries is often attributable to a lack of know-how with regard to export products. An inadequate knowledge of consumer habits, needs and requirements resulting from a lack of market research means that manufacturers offer goods on the market which are badly designed or not of the required quality. Nor are the marketing channels and sales promotion methods used always the most appropriate, or the price policy is at fault. As a result, such products are rejected by traders and consumers.

52. At the meeting of the Council of Ministers in Fiji the ACP countries stressed that considerable efforts, going beyond the narrow confines of trade events and fairs, would have to be made in the field of trade promotion under the Lomé Convention, since the ACP exports still consisted for the most part of primary products and the range of goods was too one-sided. All the partners are aware of this problem.

53. For this reason representatives of the Commission and the ACP States discussed the promotion of trade between the Community and the ACP countries at a seminar in Brussels on 6 and 7 February 1978. Commissioner Cheysson pointed out that the ACP States had been able to step up their exports to the Community in the first eight months of 1977 by 28% compared with the corresponding period the previous year. The ACP countries thus had an advantage over the other non-oil-exporting developing countries, whose exports in the same period had increased by only 23%. Indications that this 5% would be achieved had been seen in 1976, when ACP exports increased by 18% and non-ACP exports by 13% by comparison with the previous year. The Commissioner responsible for development explained at the seminar that the ACP countries must aim to increase this lead by skilful marketing and by building up and improving their production and gearing it to the export market. This would, of course, be possible only if a larger proportion of the financial resources provided for under the ACP Convention were used for this purpose. In most countries this has already been done, about 50% of financial aid being used for trade promotion. According to the Commission, Kenya, the Ivory Coast, Jamaica, Cameroon and Togo in particular have made marked improvements to their export structure.

54. These improvements should not, however, be allowed to obscure the fact that considerable efforts are still needed in the field of trade promotion. Articles 12 to 15 of the Lomé Convention state very precisely what means and methods are to be employed for the improvement of trade promotion. At the beginning of the negotiations on the renewal of the Lomé Convention it must be carefully considered, therefore, to what extent the existing provisions have been implemented and whether they are adequate. In any case it is certain that for various reasons (lack of planning in certain countries, insufficient knowledge of requirements, lack of qualified staff) it has not yet

been possible to take full advantage of all the opportunities afforded by the Lomé Convention.

55. Active trade promotion under the Convention is so important because approximately 50% of ACP exports go to the Community. The new Convention will therefore have to be geared to ensuring that the ACP countries can make use of the advantages provided for in the Convention, since in the next few years they will depend above all on European Community support for the sale of their products. The technical and financial aid of recent years must be extended beyond the purely technical field to cover the commercial aspects in particular. A hundred years ago it was said that the flag followed trade; the modern version could be that it follows the marketing expert. There is no doubt that exports can be considerably increased by the establishment of trade promotion centres, marketing offices, production agreements and improved coordination. Above all the ACP must ensure that they choose the right products for the market. They must improve and expand their natural and traditional products or production sectors. Ambitious goals or the development of industries whose counterparts in the Community are in difficulties (textiles, shoes, steel) would only lead to complications and place an unnecessary burden on relations between the Community and the ACP countries. Foreign trade research shows clearly that the most successful undertakings are those which are aware of market trends and adapt themselves to changing habits of consumption and utilization.

56. An adequate knowledge of the markets, organization of exhibitions and trade fairs and advertizing campaigns is vital. It is therefore necessary to proceed from the theoretical principles of marketing research to provide a solid basis for the practical considerations. And this must be done in such a way that economic operators in the ACP country concerned are provided with a ready-made tool. Product, price and advertizing research are important. Of particular importance is research into the retail trade since this is the area with which market researchers in the developing countries must principally contend. Other important aspects are accounting methods, instructions as to how a report should be prepared, written and submitted, and finally the setting up and organization of market research departments in undertakings. We are not concerned here with mere academic exercises but what market researchers in the developing countries need : simple accounting procedures, the preparation of questionnaires and a usable terminology. The most effective development aid that can be given is for the economically developed countries to pass on their experience and know-how. There is therefore little sense in the EEC constantly referring to the importance of marketing in the ACP countries; it would be more to the point to prepare a handbook, a kind of 'marketing code', covering the most important aspects. For in a society in which the consumer has freedom of choice, systematic marketing is an essential requirement for trade promotion.



57. How can demand on the markets be increased? Or, in more practical terms, what steps can be taken to stimulate and increase the interest of the European import trade (importers, trade, industry) in goods from the ACP countries? And how can the suppliers in ACP countries open up the European market? These are questions to which a practical answer must be found in the context of trade cooperation.

There are, however, other aspects to be considered, for example specialists in export credit or export insurance matters, trade schools, training establishments for exporters, etc. The promotion of tourism might also be mentioned here, since travel to the developing countries has for them the effect of an 'invisible export', as it frequently used to be known. The promotion of tourism is, in a way, also export promotion; in any case, the objectives are the same.

58. The promotion of trade in the ACP countries covers all exports from these countries, i.e. exports to the EEC and to third countries and exports among the ACP countries themselves, for the importance of the EEC market should not allow the ACP countries to forget that the other developing countries also represent a market, which for certain goods is even more suitable than the Community market. The ACP States are still astonishingly ignorant about their own markets, and the tendency to introverted development that has been observed in the past must be eliminated. If the trade promotion policy is to be successful, the right conditions must at the same time be created for more favourable market concentrations among the ACP partners.

59. A word should also be said about the proposed establishment of a European agency for trade cooperation with the developing countries. The effects that this agency would have on ACP-EEC relations are difficult to foresee. At all events every possible effort must be made from the outset to ensure that the ACP States do not suffer any disadvantages. This has already been stressed by the ACP States at the meeting of the Council of Ministers in Fiji. It is true that the functions and responsibilities of this agency coincide with and overlap those of the Centre for Industrial Development provided for in the Lomé Convention. Since Article 34 of the Convention provides for special trade promotion schemes to improve sales of ACP products on the Community market, the setting up of such an agency would mean the existence of two institutions in the Community collecting practically the same information but competing with one another : the Centre for Industrial Development for the ACP countries and the trade cooperation agency for the other developing countries. The creation of two institutions with similar functions, responsibilities and powers would ultimately lead to the institutionalization of two separate development and trade policies in the Community.

### III. Conclusions

60. Having gained political independence, the developing countries are now struggling to achieve economic independence. Although it is true that not only the industrial countries benefitted by the economic order of the post-war period in terms of expansion of trade and production, it is equally true that despite valiant efforts the gross national product per capita has risen much faster in the industrialized countries than in the developing countries, which is a source of growing concern to the latter. The present economic system is based on an international division of labour and is aimed at the liberalization of world trade. The fact that the present system, or rather the state it is in, is not ideal is mainly due to the fact that its basic principles have not been consistently applied. The Swedish economist, Gunnar Myrdal, has shown very clearly how the developed areas of the world are favoured<sup>1</sup>. This should come as no surprise, as it is an economic law that capital and labour collect where the greatest profits are to be made. This fact, which has been the subject of frequent and severe criticism, has nonetheless led to an enormous expansion of world trade and the creation of major economic areas, in which, however, the developing countries have been able to participate only to a limited degree.

61. At the top of the list of demands being made by the developing countries is therefore the establishment of a new world economic order. This idea of a 'new world economic order' was the central theme of the Sixth and Seventh Special Sessions of the United Nations, the Fourth UNCTAD Conference in Nairobi and the Conference on International Economic Cooperation in Paris (North-South Dialogue). The way in which 'new world economic order' has become a cliché is nothing less than astonishing, as the proposals and demands made up to this time have not yet been fused into a single system.

62. The industrialized and developing countries must agree on a new 'world order bargain', and this will call for extensive restructuring as the final product of carefully planned reforms. Exaggerated demands on the one hand and a rigid status quo approach on the other will not produce a solution; cooperation, not confrontation, must be the goal. The industrial countries must therefore cooperate in establishing a new world order which includes all countries and also takes account of problems of interdependence as well as actual economic problems. However, the industrial countries will be able to offer acceptable ideas on the development of a Third World country only when they themselves have worked out a new relationship with Third World countries in general. The developing countries must be enabled to produce, as part of a world economy organized on the principle of optimal use of resources, for the standard of living of their populations to be constantly improved and for a self-perpetuating development process to be set in motion. The industrial and developing countries must therefore concentrate on practical development problems, which, although characteristic, may vary from country to country.

<sup>1</sup> Gunnar Myrdal, 'Economic Theory and Underdeveloped Regions, 1974

63. Forms of cooperation must be devised or developed that will make for a suitable and permanent balance between the interests of underdeveloped and developed countries and enable the developing countries to meet their basic needs. It is not a question of working out a theoretical new world economic order; it is far more important and more efficient to integrate the developing countries straight away as equal partners into the world economic process. If this is done, the new economic order will come about of its own accord. The economic dependence of the developing countries must be overcome, or, in other words, unilateral dependence must be replaced by mutual dependence. The goal must be an identity of interests that will transform the peripheral role of the developing countries into genuine partnership. If this is to be achieved, we must start by granting the weaker partner special rights and privileges. If we overcome the barriers to development by means of a conscientious development policy, we shall also have solved the problems of raw material prices and terms of trade by attacking them at their very roots. The developing countries can then proceed to diversify their production and break into the processing sector. Supplies of raw materials would increase more slowly, with the result that prices would tend to rise and the terms of trade would improve.

64. If the goal has not yet been reached, this does not mean that the course steered has been the wrong one entirely. It is just that it was not consistently followed. The industrial countries have often made mistakes because of short-sighted egoism or inexperience. Above all, however, they have simply not tried hard enough so far. The criticisms voiced in the Pearson Report of 1969 are still true of the situation today, but sufficient attention has not been paid to them. In fairness it must also be said that the developing countries have made basic mistakes in their development planning, and all the blame for the present malaise cannot be laid at the door of the existing world economic order.

65. The industrial countries must help the developing countries more than heretofore by providing capital, advice and training and above all by opening their markets to the products of the developing countries. It is obvious to anyone who knows the situation of the developing countries that trade policy measures, particularly in the area of import liberalization, are often much more important for the development process than direct aid, however generous. The industrial countries must therefore orientate their structural policies in such a way that the opening of their markets does not come up against insurmountable domestic policy obstacles.

66. While acknowledging the merits of the Lomé Convention, care must be taken in future, particularly with regard to Lomé II, to promote more vigorously than heretofore the ACP countries' trade opportunities because this is one of the most important points of departure for an improvement in their economic position. The emphasis should be placed mainly on the following aspects:

- non-tariff barriers to trade, a serious obstacle to trade, must be eliminated;
- excise duties on tropical products should be removed;
- special efforts are needed to facilitate access to Community markets for the agricultural products from its partner countries;
- generous solutions should also be worked out even for sensitive products that compete with EEC products.

67. The ACP countries should be given every possible help to enable them to make better use of the opportunities to promote sales afforded by the Lomé Convention, since Community markets are of vital importance for the development of the ACP countries. It is not sufficient merely to throw open the markets. The example of the banana sector makes it abundantly clear how market opportunities are exploited mainly by the countries with the best export structures. Side by side with actual trade measures systematic steps must therefore be taken to improve the export structures of the ACP countries. It is important that the Community's partners improve their distribution networks, so as to facilitate access for their products to the Community market. In addition to the actual marketing measures, care must be taken when negotiating Lomé II to find the most advantageous solution for certain trade sectors. In view of the difficulties encountered by certain products, which have been described in detail in this report, thought should also be given to the question of what new provisions might be enacted in the form of protocols on given products. With a view to improving sales of certain specific products it might also be advisable to conclude ad hoc agreements. In any case, such agreements as are concluded must be useful and not merely a means of salving the consciences of some of those party to them.

68. When the new Association Agreement is negotiated, it must be ensured from the very outset that the ACP are accorded sales guarantees for certain products, as no amount of technical and financial aid and no account of improvement in infrastructures and agricultural structures will be of any avail, if every time an economic difficulty occurs, the Community market is walled off for certain products. It was a serious blow to many developing countries when restrictions were last year placed on textile imports into the Community. In times of stagnation or recession adjustment problems are certainly greater, especially where sensitive products are concerned, but no matter what measures are taken, the legitimate interests of the associated partners must never be overlooked. The Community should once and for all initiate a consistent policy of restructuring measures, so that the production of goods that enjoy advantages in the ACP countries as regards location and production costs can be expanded. In this context, for example, the expansion of sugar production in the EEC must be seen as completely illogical. The Community should therefore cut back its sugarbeet cultivation and leave sugar-exporting to the developing countries. If exports of cane sugar are already giving rise to difficulties, what obstacles will have to be overcome when the ACP step up exports of their industrial products? An important element in any sound development policy is to devise new forms of division of labour between industrialized and developing countries. Can the European Community's sugar policy be regarded as a constructive contribution to a new international division of labour?

69. Lomé II should also provide for some machinery whereby there can be consultation between the EEC and the ACP, to determine what products give the ACP the best long-term chance on the Community market. In this system there is supposed to be no recourse to safeguard clauses, but the planned 'obligatory and periodic consultations' on the production plans of the ACP and the structural problems of the EEC could also involve or result in a kind of disguised protectionism. It would seem wise, therefore, for the utmost care to be exercised at the forthcoming negotiations, as there is a danger that the ACP countries will be persuaded not to undertake further investments and further expansion of production in those areas in which they are just now beginning to attain a competitive position. How machinery of this kind might be reconciled with a liberal trade system is a question that must remain open. At any rate, it must not be allowed to come to a situation in which the ACP produce only such goods as suit the European Community's economic and structural policy.

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