European Communities
Commission
Background Report

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PREPARING FOR LOMÉ II

Summary

The Lomé Convention came into force on April 1, 1976, and is due to expire on March 1, 1980. Preliminary negotiations for Lomé II start on July 24 and, in June, the Council of Ministers agreed the general guidelines the Community should adopt in the discussions.

In 1976 there were 46 signatories to the Convention. Since then seven countries have joined. These are Surinam, Seychelles, Comoros, Djibouti, Sao Tomé and Principe, Cape Verde, and Papua New Guinea.

New Issues

Though in force only a short time, the Lomé Convention has already proved its worth to the participating ACP states (i.e. from Africa, the Caribbean and the Pacific). Of the £2,000m allotted to them by the Community under the Convention, nearly £750m had been committed by January 30, 1978. The value of Community imports from ACP countries also rose - by 14 per cent between 1975 and 1976, and by 26 per cent in the first eight months of 1977 compared with the corresponding period in 1976.

The Council agreed last month that the main objective of the new negotiations was to consolidate the work of the Convention but that, in the light of experience and economic circumstances, some innovations were necessary under Lomé II.

The most important of these concern a mechanism to ensure consultation between the Community and its ACP partners over sensitive industrial development, and the protection of foreign investment in ACP countries. While the Council discussed the question of linking human rights to aid under Lomé II it did not decide a formal position on this.

Consultation

In its submission (1) to the Council the Commission pointed out that the effects of free access to the Community market were beginning to show up in the statistics, and that imports from the ACP states was growing more rapidly than from other developing countries.

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(1) Summarised in P-18, February 1978

If this free access is to be consolidated, it must take account in advance of the Community's own developing programme. This requires improved arrangements for consultation and coordination in industries offering the best opportunities for the ACP partners or the greatest difficulty for the Community. The Commission proposes that this form of consultation, involving employers and trade unions, should be written into the agreement for certain industries, although the ACP countries would, of course, be free to act as they wished on the outcome of the consultations.

Protection of investment

If industrial cooperation is to mean anything it requires investment in the developing countries. But, since 1961, there has been a serious deterioration in foreign investment in the Third World, particularly in the mining exploration sector. In 1961 this sector represented 57 per cent of total investment in mining exploration; between 1973-5 only 13.5 per cent.

While this reluctance to invest in mineral production hinders Third World development, it also poses a danger for the Community and the Western industrial world. It is estimated that by 1985 the Western world will depend on the developing countries for between 50 - 100 per cent of such vital minerals to industry as cobalt, tin, phosphates, tungsten and copper. Without investment and exploration now the minerals will not be available.

The main reason for the fall in investment lies in the political and other risks involved in the financing of long-term projects. The Commission points out (2) that when countries became independent about 25 years ago the main fears of investors were essentially restricted to the direct risks of expropriation or serious public disorder. Since then the problems have become more varied and diffuse, and consist mainly of creeping appropriation, the imposition of unexpected additional charges, obstacles to a freely determined export policy and interference in management.

The Commission, therefore, proposes certain safeguards for investors to be incorporated into the revised Convention, which would set out the norms of good conduct both for host countries and investors and provide for non-discrimination in the treatment of investment, equitable treatment of the investor's property, and freedom of transfer of income and capital provided investors complied with the laws of the host country and with the spirit of its development programme.

Human Rights

Though the human rights issue will not now be pushed, the Council considered the possibility of linking aid under Lomé with the human rights position in recipient countries. At a press conference in early June, M. Claude Cheysson, the Commissioner responsible for relations with developing countries, pointed out

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(2) COM (78) Final/2, February 1978, and BR, ISEC/B20/78

that it was impossible to ignore European public opinion on the issue, but the Community concern here was with the dignity of man and not forms of government.

It was clear, however, that such an innovation would not be acceptable to the ACP countries. In any case it would be difficult to apply and was likely to lead to dissension.

The Council finally agreed that at the opening of the negotiations the President of the Council would reaffirm the importance Community members attached to the human rights issue, and urge discussion on it. It would be easier to decide whether to progress further after discussion had taken place.

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