

COMMISSION OF THE EUROPEAN COMMUNITIES
DIRECTORATE-GENERAL FOR DEVELOPMENT AND COOPERATION
Directorate for Trade and Development

THE EUROPEAN COMMUNITY'S CONTRIBUTION
to the industrialisation of
developing countries

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I. REVIEW OF ACTIVITIES IN THE FIELD OF INDUSTRIAL COOPERATION ON 31.12.1974

The industrialisation of developing countries, more than any other objective of international cooperation for development, necessitates a global approach.

In fact, industrialisation is only one of the aspects or methods of economic development and it is therefore important to have a synoptic view of this field. Industrial action should be proportionate to, and strongly linked with, other activities, themselves closely complementary to action directly benefiting industry : creating appropriate infrastructures, setting up or intensifying activities in the primary production of agriculture, forestry and mining, social investments in the form of medical and school equipment, trade promotion, etc...

Moreover, international cooperation in the industrialisation of developing countries requires the use of a carefully blended set of instruments which, depending on the circumstances, come in the shape of financial cooperation (public or private) in its many different forms (subsidies, loans at adequate terms and conditions, acquired holdings), equally diversified methods of technological cooperation, commercial cooperation (tariff policy, trade promotion) and various complementary and adjustment policies.

Although bilateral activities, whilst being progressively absorbed into the community framework, remain under the province of each of the Member States, the European Community itself has since its creation been carrying out a development cooperation policy within which cooperation in industrial development is of no small importance.

The most significant part of this community action has, until now, been carried out in the framework of the association between the African States, Madagascar and Mauritius (1) and the European Community. However, some activities in the field of industrial cooperation are also envisaged outside this framework, namely with regard to countries with which the Community has concluded other types of agreements, such as agreements on commercial cooperation. Finally, due to the system of generalized tariff preferences, the Community has over the last few years given a world-wide dimension to its cooperation in the industrial development of developing countries.

This text reviews, the various activities of the European Community as such in the field of cooperation in the industrialisation of developing countries from the Community's creation (1958) to 31 december 1974. It does not therefore refer to the Convention concluded 28 February 1975 at Lomé between the European Community and 46 African, Caribbean and Pacific States and which contains a particularly original facet of industrial cooperation which will be briefly outlined in the second part of this document.

A. The Association with the African States, Madagascar and Mauritius

From the first arrangements for association (1958) - by which the six founder Member States of the European Economic Community agreed to associate the overseas territories of four of their Members with the Common Market they had just created - to the Yaoundé Convention I (1963), concluded with 18 newly independent States and the Yaoundé Convention II (1969) it is noticeable that the industrialisation objective became gradually more important to the point of being one of the stated first priority aims of the Association. This was most certainly achieved through pressure from Associated States, who found that their European partners were quick to respond to their concerns which were seen to be well-founded and who agreed

(1) The African and Malagasy States (AASM) associated with the European Economic Community through the Yaoundé Convention II (29.7.1969) are Burundi, Cameroon, Central African Republic, Congo, the Ivory Coast, Dahomey, Gabon, Upper Volta, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Chad, Togo and Zaire. Mauritius joined the initial 18 associated States later on.

to implement a whole series of actions designed to promote the industrialisation of the AASM countries.

It was for this reason that the Yaoundé Convention II - which expired 31 January 1975 - laid down a well equipped arsenal of instruments both financial and commercial, and of technical cooperation, which were capable of responding to many of the problems arising from industrialisation, by either improving the general conditions of this industrialisation, or by contributing to its achievement through specific investments.

1. Financial and technical cooperation

This is ensured simultaneously by the Commission of the European Communities through the European Development Fund (E.D.F.) and by the European Investment Bank (E.I.B.) (1).

a) Principles of intervention and instruments

The spheres of intervention of community cooperation in the industrialisation process are very wide.

At the pre-project stage, the EDF cooperates through general and/or specific preparatory activities (special and regional studies on industrialisation, technical, economic and commercial studies, research and prospecting, help in preparing dossiers on financing, general technical training programmes).

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- (1) The EIB, set up by the Treaty of Rome, is an autonomous institution belonging to the Community and operates on a non-profit-making basis. Members of the Bank are the nine Member States of the Community who have subscribed capital worth 2,025 milliard units of account (as a guide, 1 u.a. = US \$ 1.25496 on the basis of the EIB's new definition of the unit of account and the exchange rates ruling at 30 December 1974). The EIB's main task is to contribute to the balanced development of the Community, and in the main it carries out its activities to this end. However, its statutes (art. 18) lay down that by way of derogation authorised by the Board of Governors, the EIB may grant loans for investment projects to be implemented outside the European territories of the Member States. This measure was applied at the time of the conclusion of association agreements between on one side the EEC and on the other, Greece, Turkey and the AASM countries.

At the execution stage of the project, community cooperation contributes to the financing of directly productive investments (equipment, buildings...) and of infrastructures (energy, transport, industrial estates etc...) which provides industry with the necessary environment. The Community assists in the execution and supervision of the work and for a temporary period, in the setting up, starting and running of the undertaking (in particular by training personnel in charge of using and maintaining equipment).

At the post-project stage, experts may, at the request of associated countries, be sent for a limited period on a specified mission. Market surveys may also be undertaken.

Thus it appears that the spheres of intervention of community financial and technical aid are far reaching, covering all the stages between general measures (studies, basic technical training) and assistance in starting specific projects; they even extend beyond this field of activity in so far as the Community also involves itself in the trade promotion of existing firms.

The Community also has a very large range of financial means at its disposal : subsidies (80 % of resources), loans on special terms (long term and at a very low interest rate) from the EDF, ordinary loans from the EIB (coupled with or without interest rebates) and acquisition or other contributions to the risk capital formation of firms.

The method of financing chosen depends on the one hand on the economic and financial situation of the countries where the investment is being made, and on the other, on the financial features of the projects.

In general, aid which is not reimbursed is usually allocated to infrastructure investments or to training, technical assistance and studies which indirectly contribute, or are more or less closely linked with, industrial achievements.

The EIB, or the Commission (EDF) when it involves non-reimbursable aid, is responsible for directing industrial projects.

In the main, loans are in the first place granted for financing directly productive investments; they may also be granted through a state organisation or a financial institution (usually the Development Bank).

More precisely, ordinary loans from the EIB's own resources, are granted in preference to projects whose profitability is sufficient to assure the servicing of the loans. Interest rate on ordinary loans depends on the terms on which the EIB raises funds on the financial markets. Nevertheless, ordinary loans may be coupled with interest rate subsidies, granted on the EIB's resources. In general, interest rate subsidies vary between 2 and 4 %. The length of ordinary loans depends on the normal length of technical depreciation of the equipment financed, taking the whole financial planning of the project into account. For industrial projects this depreciation period is more often than not between 10 to 12 years; for infrastructures it may be as long as 20 years.

Loans on special terms on the EDF's resources are granted where the capacity of the interested State running into debt and the financial profitability of the projects justify or require more favourable terms. These loans on special terms are granted by the Commission and administered by the EIB in the framework of a "special section" set up in 1963 by its Board of Governors. Their terms are very favourable : their period for depreciation can be up to 40 years with a maximum postponement period of 10 years and their interest rate is in practice between 1 and 3 %.

Contributions to capital risk formation, and in particular the acquisition of share capital in firms, are paid out of the EDF resources in the name and at the risk of the Community and administered by the EIB. They must always remain minority holdings.

Community action has also been very dynamic in the field of industrial research.

The first initiative taken by the Commission in this field concerned a study on the industrialisation possibilities in the AASM countries through the substitution of imports. This study, started in 1965, explores one of the ways to industrialisation, that of regionally orientated manufacturing industries (pluri-national) aimed at substituting consumption and consumer product imports with local products. Completed in 1966 and distributed in 1967, it analyses around one hundred industrial projects spread over all the 18 Associated States (1).

These studies were widely distributed and led to many favourable reactions, in particular from the AASM countries.

A provisional review carried out at the end of 1970 showed that from 106 initial projects, 132 were already then at various stages of implementation, from the conception of the project to its final completion, this being due to the multiplicity of purely national ventures. It also appeared that a third of the projects identified by the study, had either been completed or were very soon to be, but that these were all achieved in a purely national framework, they having been carried out either on a smaller capacity than had been foreseen by the experts, or the capacity realised was never fully used. This result obviously contradicted the regional perspective initially adopted to promote cooperation between the Associated States.

After an in-depth preparatory study (2), the Commission, in 1973-74, carried out a second research programme, devoted this time to the possibilities of setting up export industries in the AASM countries. This programme therefore covers a dozen sectors or homogeneous groups of manufactured products :

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- (1) "Industrialisation possibilities in the Associated African and Malagasy States" - 16 volumes + synopsis - Brussels, December 1966
 - (2) "Selection of exporting industries which could be set up in AASM countries" - 1 report volume + 3 annex volumes - Brussels, July 1971

- production and assembly of electrical materials
- production and assembly of electronic materials
- preserves, preparation and drying of tropical fruits
- cigars and cigarillos
- sawing, veneering, surfaced plywood panels
- construction and furnishing elements in wood
- frozen meat, meat remains and by-products, tinned meat
- tanning of leather and skins
- shoes
- leather articles (gloves, marocco, leather clothes, pieces for industry...)
- pre-reduction of iron-ore and electrometallurgy
- ferro-alloys : ferro-manganese, ferro-silicon, ferro-nickel, ferro-chrome.

These studies have also been completed and widely distributed (1).

A study on the textile industrialisation process in the AASM countries (2) was also completed along with these programmes.

The field of industrial information and promotion in the AASM countries was tackled by the publication of an inventory of industrial studies concerning african countries (3), by a compendium of Investment Laws in AASM countries (4) and by a collection of 19 pamphlets on the conditions required for setting up industrial undertakings in these States (5).

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- (1) "Possibilities of creating export industries in the Associated African and Malagasy States" 14 volumes, 6 synoptic reports - Brussels 1974
 - (2) "The industrialisation of textile exports in the Associated African and Malagasy States" 1st and 2nd parts, 2 volumes + synoptic report - Brussels, october 1972; 3rd part - Brussels, march 1973
 - (3) "Inventory of industrial studies on the african developing countries" - 4 volumes - Brussels, december 1972
 - (4) "Investment laws in the Associated African and Malagasy States" - Brussels, september 1974
 - (5) "The conditions of setting up industrial undertakings in the Associated African and Malagasy States" - series of 19 brochures - Brussels, july 1974.

b) Review of financial cooperation 1958-1974

It is not possible to start a thorough evaluation of programmes of technical cooperation, of studies and training directly or indirectly linked to industrialisation, nor to record the indirect contributions this industrialisation has received through the financing of infrastructures and agricultural development. The table below therefore only takes into account the direct financing of industrial projects in the AASM countries.

Table N° 1 - Industrial financing in the AASM countries (1958-1974)

1.000 u.a.

	on the EDF's resources			EIB's resources (ordinary loans)	Total EDF + EIB
	Subsidies	Loans on special terms	Contributions to capital risk formation		
Energy	28.801	9.000	-	7.550	45.351
Extractive industries	584	-	-	52.600	53.184
Agri-industrial complexes and food industry	36.607 ^{a)}	28.153	541	16.420	77.721
Manufacturing industry	1.743 ^{b)}	2.856	990	20.230	25.819
Others c)	3.254	-	972	-	4.226
TOTAL	66.989	40.009	2.503	96.800	206.301

a) 0,32 of which for interest rate subsidies

b) 1,59 of which for interest rate subsidies

c) Industry in general, metallurgic and chemical industry, infrastructures integrated with industrial projects.

With respect to the total financial resources used by the Community, industrial investments represent about 9 % of the total (1 % for the first period of association 1958-62, 13 % for the second period 1963-68, and 11 % for the third period 1969-74).

Given that the choice of method of financing in the Second Convention is in the first place dependent on the financial and sectional features of the project, financing by means of subsidies, administered by the Commission, have been limited to industrial projects carried out in countries with little chance of running into debt.

Such was the case for industrial, agri-industrial or energy projects carried out in Rwanda, Burundi, Niger, Chad, etc...

When receiving subsidies, industrial or commercial firms are obliged to make contributions for financial amortisation to a reinvestment Fund, set up and administered by the appropriate partner State.

Taking all loans and acquired holdings together, the industrial sector is clearly dominant : 63 % of all operations and 74 % of those loans on the EIB's own resources have contributed to the industrial development of Associated States. Within the industrial sector, the mining and extractive industry has received the largest sums; followed by the agri-industrial and food sector and finally by the textile industry, a sector which clearly reflects the diversified activities of the EIB.

Six projects in the textile industry sector have been financed nine times, seven on the EIB's own resources and two on the EDF's. These projects present very different features both from the point of view of the nature and origin of the fibres used, the various stages in the conversion process and the markets to which sales are directed; they concern a whole series of activities from the cotton ginning to the printing and finishing of relatively elaborate products.

Thus in Gabon, with no local production of cotton and with no internal market to justify the immediate setting up of a spinning-weaving factory, the aid received was limited to a printing factory which ensured the finishing of 4,2 million metres of imported cotton material to satisfy local consumption.

In Zaire, an EIB loan was granted for a synthetic textile factory, using imported fibres so that it was possible to substitute imports through on the spot processing.

In Cameroon, the EIB was involved in the whole process of setting up and developing two factories, a spinning-weaving factory in the North, and one involved in bleaching, dyeing and printing in the South. These factories, which employ nearly 1.400 people, use locally grown cotton which is then used at a second stage to start exporting grey fabric for use as sheets to Europe. The initial intention was for this textile complex to be complementary to a spinning-weaving factory and to a supply centre in Chad which had to satisfy about 80 % of local consumption, both factories also benefiting from aid on the EDF's resources.

Finally in the Ivory Coast, the EIB contributed to the setting up of two important textile complexes. The two factories at Dimbokro and Agboville, using locally grown cotton, one of which has received a contribution to risk capital formation out of the EDF's resources, will not only direct their sales to the Ivory Coast's internal market but also towards exporting, mainly to Europe. These two complexes will make nearly 2.300 jobs available.

Several of these projects have resulted in inter-african trade. This type of regional cooperation to a large extent takes place between countries, such as Chad and Cameroon, which have their own textile industries. In general, the intensity of this trading increases in proportion to the importance of having a large market; this is particularly the case for printed material which places a more varied range of designs and colours at the disposal of consumers.

An attempt has been made to estimate the economic benefit of industrial, energy and mining projects financed from the EIB's own resources. These projects will contribute to :

- the total investment of 970 million u.a.
- the creation of 18,500 jobs
- directly increasing the annual industrial added value to around 300 million u.a.
- annual foreign currency earnings of about 200 million u.a.
- realising an annual increase in budgetary income which could reach 160 million u.a. after the initial periods of tax exemption.

The largest number of projects receiving EIB ordinary loans are to be found in import substituting industries. However, industries making use of local resources for exports, where unit investment is generally more important, have nevertheless absorbed 74 % of the total amount loaned. Most projects are realised by firms with joint management where the associated State's participation is often important.

2. Commercial cooperation

a) The system

The principle of the system was initially the gradual establishment of a single free-trade area covering the Community and all the associated overseas countries and territories (O.C.T.).

As at the beginning full or partial free-trading only existed between dependent territories and their respective mother countries, the association now opened up a market with completely - in customs duties and with no quantitative restrictions - free and preferential access, and a market of much greater importance for nearly all the exports of products originating from O.C.T. countries. In fact, the number of exportable products excluded from this system (for instance, certain processed agricultural products covered by the common agricultural policy) is not very great.

Very similar measures were introduced in both the Yaoundé Conventions, negotiated after the larger part of OCT countries had gained independence, the 18 original AASM members and Mauritius which acceded to the second convention. It must however be pointed out that in the framework of the Yaoundé Convention, there is no longer only one, but 19 free trade areas between each of the AASM countries and the six EEC countries. In fact, these independent countries are developing their own trading policy. In effect, being part of the Association in no way precludes developing countries from continuing or setting up customs unions, free trade areas or agreements on economic cooperation amongst themselves. To put it another way, the Convention enables, in a very subtle way, associated States to continue or to re-establish customs duties or quantitative restrictions on their trading with the Community to cater for the needs of their development, their budgets or their balance of payments. This right to protect their young industries against external competition, even when this involves European producers, is obviously indispensable to the industrialisation of associated States.

In brief, the Association's trading arrangements have resulted in the exports of the 19 AASM countries reaching a market of 180 million people in developed countries.

This trading system of free access has resulted in a substantial margin of preference to the advantage of AASM countries. Besides historical and geographical reasons, these preferences are justified by the particularly low level of development of the countries concerned.

It must also be pointed out that the Community had the interests of other developing countries at heart. Even before the efforts made in the field of generalised preferences (see further on), the EEC lowered its customs duties, and consequently the special preferences which it accords to the AASM countries, for products as important as coffee (from 16 to 7 %), cocoa (9 to 4 %), palm-oil (from 9 to 6 %), tropical woods (from 9 to 0 %). The community system of generalised preferences has also been applied semi-finished and manufactured products.

b) Technical assistance in the field of trade promotion and regional integration

The existence of a favourable trading system is not in itself sufficient to guarantee the expansion of exports. It is for this reason that the Yaoundé Convention laid down provisions for technical assistance in the area of trade promotion for the benefit of AASM countries. This assistance includes the setting up or reinforcement of promotion centres for trade and their branches, participation in fairs and international exhibitions and the training of specialists, as well as integrated promotional activities when launching or developing certain types of products.

Finally, besides the international market, one must not forget the possibilities of regional cooperation between developing countries which can widen the market and enable neighbouring states to specialise in their fields. The East African Community has benefited from the EEC's technical assistance in this field.

c) The development of trade

Exports from AASM countries to the EEC (six member states for valid statistical comparisons), calculated on the 57 principal industrial products, have risen from 621,2 million US \$ in 1968 to 913,4 million US \$ in 1973, an increase of 47 %.

Certain areas, which were non-existent or negligible in 1968, have become important, notably in the textile sector. The biggest increases concern products from wood processing (+ 222 % for sheets of at least 5 mm, + 112 % for plywood and + 143 % for timber), phosphate fertilizer (+ 135 %), tinned fruit (+ 133 %) and tinned fish (+ 65 %), oil-cakes (+ 83 %), concentrated manganese (+ 74 %), copper (+ 62 %).

A second characteristic feature of the trade pattern is a clear geographical diversification concerning both exports and imports. The

former mother countries no longer have a dominant position, since the six original Member States of the EEC were put on an equal footing with regard to the trading arrangements with the AASM countries, the latter having now benefited from their free access to new markets.

B. The Association with Turkey

The Association agreement between the European Economic Community and Turkey was signed 12 September 1963 and came into force at the end of 1964.

1. Financial cooperation

a) The financial instrument

An essential element of the Association is incorporated in the Community's financial aid to Turkey in the form of loans granted by the EIB.

In accordance with the first financial protocol annexed to the Association Agreement, the EIB has granted 36 loans, on favourable terms, equivalent to 175 million u.a.

A second financial protocol, signed on 30th November 1970, came into force on 1 January 1973. This gives the EIB the possibility of granting to Turkey up to May 1976 :

- loans on favourable terms up to the amount of 242 million u.a. (1)
- loans at market conditions up to a possible 25 million u.a.

Loans on favourable terms are granted on authorisation by Member States, and are taken from resources provided by the latter. The EIB records these separately through its "special section". The loans at market conditions are granted from the Bank's own resources.

(1) The initial amount was of 195 million u.a. ; it has increased to 242 million u.a. through the complementary Protocol signed after the enlargement of the Community, the 30 June 1973, and the procedures of ratification of which are on the way.

In keeping with the financial Protocols, investment projects eligible for financing are those which contribute to an increase in the productivity of the Turkish economy, which help to achieve the aims set out in the Association Agreement and which come under Turkish development plans. Projects which are likely to contribute to an improvement in the Turkish balance of payments are given special attention.

Loans on favourable terms are granted for either financing investment projects with diffuse or distant profitability (infrastructure) or investment projects with normal profitability (industry, tourism) to be implemented by the Turkish state, territorial organisations or public or private firms. These loans granted to the Turkish state have, as a general rule, a potential length of 30 years of which 8 years at the most are with duty exemptions, and a rate of interest not less than 2,5 % for projects with diffuse or distant profitability and not less than 4,5 % for projects with normal profitability.

The Turkish state puts loans granted for infrastructure projects at the disposal of operational departments or loans them out again to state firms. Industrial projects are also financed at two levels. EIB loans granted to the State are either directly lent to promoters, public or private firms or through the intermediary of a Turkish financial institution. The conditions to which promoters are subject are fixed in agreement with the EIB; the rates of interest are determined by taking account of the Turkish rulings relating to long term bank credits; the conditions concerning the length of the loan are decided according to the economic features of the projects.

Loans at market conditions on the EIB's resources are exclusively for projects of normal profitability implemented by private firms. They are also granted to the State which in turn loans them out to the ultimate recipients through a Turkish financial institution. The length is fixed in agreement with the EIB, taking account of the economic features of each project financed (8 to 12 years in practice with a deferred repayment period of

2 to 3 years). The rate of interest applied to the State is the same as that used by the EIB in its normal operations, whereas the intermediary institution gives loans to the final recipient at the rate of interest for long term loans in force in Turkey.

It should be mentioned that that EIB loans to the private industrial sector are carried out by the intermediary of the Turkish Industrial Development Bank (TSKB); however, a second intermediary institution, the Industrial Credit and Investment Bank (SYKB) also recently received an EIB loan. In order to contribute to the financing of small and medium-sized initiatives in the industrial sector in a more flexible way, part of the credits have been given to intermediary institutions in the form of "global loans" which can be split up and directed to a large number of operations following the EIB's approval after a simplified enquiry.

b) Review of financial cooperation

The EIB granted 52 loans for a total amount of 348 million u.a. between 1965 and December 1974; of this total, 323 million u.a. are at special conditions on the budgetary resources of the Member States. These loans contributed to the financing of investments totalling 2.422 million u.a. and to the direct creation of 17.700 jobs.

These loans represent about 11 % of the total public financial aid, both bilateral and multilateral, from which Turkey benefited during this same period and 20 % of aid assigned to specific projects. 60,5 % of the total - 210 million u.a. - was for infrastructure projects, of which the energy sector takes the biggest share followed by transport and agricultural preparations.

The measures concerning intervention by the Turkish Bank lay down that at least 30 % of the aid must finance projects of normal profitability, which in practice means projects in the industrial sector. EIB loans for

this sector have reached 135 million u.a., that is 39 % of the total financing; the industrial share would be 71 % of one included generating station projects (110 million u.a.).

66 million u.a. were granted for the implementation of 6 projects in the public sector and 45 million u.a. for 48 industrial investments in the private sector (1). The distribution by sector of the amount loaned for industrial projects shows a predominance of basic industries (paper-pulp, paper, chemistry) and of consumer durables.

Finally, a global loan of 2 million u.a. was granted for preinvestment studies to be carried out in the public sector.

2. Commercial cooperation

a) The trade system

The additional protocol which came into force 1 January 1973 lays down that Turkish industrial products can be imported without quantitative restrictions and with exemption from customs duties except for a few exceptional products which are subject to tariff quotas (refined petroleum products) or for which the tariff reductions is spread out over a period of 12 years (certain textile products).

Further, the Association Council is also entitled to study all measures capable of increasing the cooperation between the two Parties and to take decisions in this field.

b) Review of commercial cooperation

The development of imports of Turkish industrial products in the EIEC shows how important the results of the Association, and in particular the trade aspect, have been for the industrialisation of the Turkish economy.

(1) 25 million u.a. granted in the form of global loans to intermediary institutions are still being allocated

Table N° 2 - EEC imports of industrial products coming from Turkey

1.000 US \$

1961	37.754	1967	104.706
1962	36.152	1968	112.174
1963	34.445	1969	114.783
1964	96.170	1970	148.947
1965	92.902	1971	170.377
1966	119.588	1972	196.948

C. The Association with Greece

Annexed to the Agreement of Association between the Community and Greece, which entered into force at the end of 1962, is a Protocol providing for Community financial assistance in the form of EIB loans for the financing of investment projects in Greece.

The total amount of the loans from the Bank, initially fixed at US \$ 50 million, was subsequently increased to \$ 125 million. Pursuant to a Community internal agreement for the implementation of the Financial Protocol, the EIB issues credit on the authority of the Member States, which act as guarantors for the Bank in respect of the commitments resulting from the loan contracts concluded under this authority.

The EIB loans are made out of the Bank's own resources on its ordinary terms. However, the possibility of granting interest rate subsidies was allowed in respect of certain projects in priority sectors on which the return would be indirect or long-term. However, these subsidies, which are at the rate of 3 % per annum and are financed by the Member States, may cover not more than two-thirds of the total amount of the financial aid.

These EIB activities, which were suspended from October 1967 when relations between the Community and Greece were frozen, were resumed at the end of 1974 at the request of the Community authorities up to the amount of \$ 56 million, representing the uncommitted balance of the \$ 125 million provided for in the Financial Protocol. The negotiation of a new Protocol also providing for financing operations by the EIB in Greece is proposed.

Between 1963 and 1967, the Bank signed 15 loan contracts for a total amount of \$ 69.2 million in respect of projects in Greece.

Eight of these loans - totalling \$ 53.3 million - were for public infrastructure projects, which accordingly qualified for interest rate subsidies paid by the Member States. These eight can be broken down as follows : agriculture \$ 30.3 million, transport \$ 17 million and energy \$ 6 million. The remaining seven, totalling \$ 15.9 million, were for industrial projects in the private sector (aluminium, cement, fertilizers, plywood, textiles).

Table N° 3 - EEC imports of industrial products coming from Greece

1,000 u.s.a.

1961	15.686	1967	76.858
1962	11.124	1968	111.847
1963	18.718	1969	131.786
1964	22.470	1970	161.073
1965	30.518	1971	190.721
1966	47.042	1972	275.048

D. Preferential Agreements with no financial content

1. The Arusha Agreement

This agreement which came into force 1 January 1971 lays down that the three East African States of Kenya, Uganda and Tanzania, can enjoy very similar conditions to those of the AASM countries with regard to their exports to the EEC (six Member States). Therefore, nearly all their exports enter the Community market without having customs duties levied on them.

From 1968 to 1973, the 9 main industrial products exported to the EEC (six Member States) by the three African States increased in volume by 405 %, that is from 5.655.000 to 28.577.000 US \$ notably following advances in refined copper (from 454.000 to 15.360.000 US \$), in leather and skins (from 268.000 to 4.279.000 US \$) and in string and rope (from 78.000 to 722.000 US \$).

2. Malta and Cyprus

The Community has Association Agreements with Malta and Cyprus, which came into force 1 April 1971 and 1 June 1973 respectively.

In the trade area, these agreements allow duty-free entry into the Community of industrial products originating from these two countries.

It is worth adding that the Community, in September 1974, entered into new negotiations which should, in particular, lead to the inclusion of a provision for cooperation and financial and technical assistance, which should strengthen the effects of the Agreements on the economic development of the two countries in question.

These agreements are still too recent for it to be possible to measure their effect on trade development in general and industrial exchanges in particular, between the countries concerned and the Community.

3. Morocco and Tunisia

In line with the Member States Governments' Declaration of Intent expressed at the time of the signing of the Treaty of Rome, in 1969 the Community concluded Association Agreements with Tunisia and Morocco.

These agreements are provisional and basically limited to defining the trading arrangements to be applied between these two countries and the Community. They include, besides substantial concessions on the main moroccan and tunisian agricultural and agri-industrial products, free entry into the community market of industrial products from the two countries, with the exception of E.C.S.C. products and cork products. Furthermore, although optional and never used, ceilings were laid down on imports of moroccan and tunisian refined petroleum products.

Taking into account the absence of any community measures to promote directly industrial development in these two countries, the record for the first three years of these agreements shows a substantial improvement in exports of their manufactured products to the Community, a much greater improvement than that of their exports in toto.

Table N° 4 - Community (9) imports from Morocco and Tunisia

1.000 u.a. (1 \$ US =
0,92 u.a.)

	MOROCCO				TUNISIA			
	1970	1971	1972	%	1970	1971	1972	%
Total imports	407.660	399.756	445.010	100	120.943	140.469	198.387	100
Agricultural products Ann. II	237.617	237.367	262.259	58,1	38.610	45.434	68.149	33,1
Industrial products	164.946	167.190	177.288	40,7	81.180	93.248	128.601	65,9
- of which manufactured products	32.996	44.418	51.251	10,3	20.345	24.965	37.169	17,9

Table N° 5 - Community (9) imports from Morocco and Tunisia

index = 1970 = 100

	MOROCCO			TUNISIA		
	1970	1971	1972	1970	1971	1972
Total imports	100	98	109	100	116	164
Agricultural products Ann. II	100	96	110	100	118	177
Industrial products	100	101	107	100	115	158
- of which manufactured products	100	135	155	100	123	183

These agreements, concluded for a period of 5 years, have now expired and will be immediately replaced by new agreements of an unlimited period, which will be concluded on an enlarged basis and which in particular will include provisions for economic, technical and industrial cooperation as well as various financial means for a period of 5 years, aimed at supporting some of these activities on cooperation. The new agreements will also include measures benefiting nationals of Maghreb countries who emigrate to Community countries.

E. Non-preferential agreements

The Community signed non-preferential agreements with a certain number of countries who had asked for it. These are, in Latin America : Argentina, Uruguay and Brasil; in Asia : India, and in Europe : Yugoslavia.

1. Argentina - Uruguay - Brasil

The basic objective of these agreements is the development, in an institutional framework, of trade and economic relations between the signatory parties. In the case of Latin America countries, alongside clauses of a

general nature on commercial matters, such as the most-favoured-nation treatment or non-discrimination in questions of liberalisation, the agreements also include more specific arrangements aimed at facilitating Community imports of beef and veal, as well as cocoa butter and, in Brasil's case, soluble coffee. The agreements also provide for cooperation between the parties in the agricultural field and in the marketing of products which are subject to concessions. They will be administered by a joint committee one of whose tasks is to seek methods and means of promoting the development of economic cooperation between the Community and the signatory countries.

2. The agreement on commercial cooperation with India (1)

The agreement contains several clauses on cooperation which when implemented by the contracting parties could make a considerable impact on India's industrialisation.

It is laid down, in particular, that this cooperation is guided on the principle of comparative advantages for the Community and for India, working for their mutual benefit and taking into account the evolution of the economic and industrial policies of the contracting parties. Furthermore, the aim of the cooperation between India and the Community is not only to develop trade between the parties, but also concerns trading between each of the parties and the third world. This measure implicitly has eventual subcontracting and triangular arrangements in view.

Another original feature of this agreement, whose main object is to provide a framework for the joint committee's initiatives, is to link these initiatives to the long term economic objectives of the parties (including, consequently, their objectives in the industrialisation sphere).

(1) Negotiation agreements of a similar nature are in progress with Pakistan, Sri Lanka and Bangladesh.

3. Agreements by sector (India, Pakistan, Thailand, Bangladesh)

These agreements concern the following sectors :

- a) trade in jute products : India, Bangladesh + (in the process of negotiation) Thailand
- b) trade in coir products : India + (in the process of negotiation) Sri Lanka
- c) arrangements for handlooms (India, Pakistan, Thailand, Bangladesh) and handicrafts (India, Pakistan, Thailand, Indonesia, the Philippines, Iran, Sri Lanka and Uruguay).

In this connection, one should mention the provisional maintenance of these advantages arising from the bilateral agreements concluded in the framework of article 4 of the long term Agreement on international trade of cotton textiles (which expired 30 September 1973) in favour of :

- countries which have concluded similar agreements with the Community or its Member States;
- those countries which have undertaken, with respect to the Community, to carry out similar measures to those agreed with signatory countries of the long term Agreement.

F. The system of generalized tariff preferences

The system of generalized tariff preferences, which was introduced by the Community (Germany, Belgium, France, Italy, Luxembourg and the Netherlands) (1) from 1 July 1971, following Resolution 21 of the Second UNCTAD, should be regarded as a real act of development cooperation. In fact, even if in practice it is to be found in measures applied in the commercial policy field, the system aims in particular to achieve the following objectives :

(1) From 1 January 1974, the United Kingdom, Denmark and Ireland apply the Community system

- to maintain and develop the exports of manufactured industrial and agricultural products already being exported by the developing countries, thus consolidating the existing industrial structures and maintaining and increasing the foreign currency earnings of these countries as a result of exporting the said products;
- to promote the introduction of new industrial activities in the developing countries, ones which under normal conditions would not have developed, taking into account, on the one hand, the limited market of the beneficiary producer countries, and on the other the difficulties these countries would have encountered in exporting manufactured products to the Community markets where they would have faced competition from other industrialised countries on an equal footing. In this context, the system acts as a driving force in diversifying the economies of the beneficiary countries and also encourages foreign investment in these countries.

1. The system

The Community's generalized tariff preferences system is applicable for all the industrial manufactured and semi-finished products referred to in Chapters 25-99 of the Brussels Customs Nomenclature and to certain processed agricultural products in Chapters 1-24 of the BCN. It is to last ten years, but the regulations on its application are put into force on an annual basis. This preferential system applies to all developing countries on the Group of "77" list and to Roumania (with specific terms and conditions).

a) Processed agricultural products

The preferential system for these products provides for a reduction in the rate laid down in the BCN which is usually between 20 and 40 %. However, several imported products benefit from total exemption.

Further, preserved pineapple, soluble coffee, cocoa butter, and a certain type of tobacco, will benefit from tariff quotas at reduced rates.

The volume of these quotas has in general been calculated by taking into account the traditional flow of exports to the Community from the beneficiary countries.

Except for these four products, there is no quantitative limit on processed agricultural imports benefiting from the preferential system. Nevertheless the system includes a safeguard clause for each product concerned, based on measures in Article 19 of GATT, to avoid market disturbances.

b) Manufactured and semi-finished industrial products

In general, the Community's generalized tariff preferences system provides for exemption from duty on entry of all these products. This exemption from duty, however, works within the limit of the "ceilings" whose volume corresponds to the beneficiary countries exports to the Community. These ceilings are calculated on the basis of a "basic amount" which corresponds to the exports of the beneficiary countries on a given reference year, plus an "additional amount" which is equal to 5 % of the volume of exports to the Community from non-beneficiary countries. This "additional amount" is also calculated against a reference year fixed at the most recent year for which statistics are available. This additional amount opens up the possibility of increased expansion for beneficiary countries, taking into account the dynamism of other industrialised countries' exports to the Community.

A limit ("cut-off") has been fixed within these ceilings for each country in order to allow each beneficiary country to profit from the preferential system in a equilibrated manner and to avoid these benefits being taken advantage of only by developing countries who have reached a more advanced stage of industrialisation. This cut off is as a general rule equal to 50 % of the volume of the ceiling. However, for certain products exported by a fairly large number of beneficiary countries, the cut-off levels are fixed at 20 or 30 %.

In consideration of the difficult economic situation of certain sections of industry in the Community, the system provides for the application of duty free tariff quotas for a limited number of products which concern industrial sectors to which the Community is particularly sensitive. These tariff quotas are shared out between the Member States in national quotas and are nationally administered by these states. It should be underlined that the quantitative limits for industrial products only concern exports under the preferential system. In fact, as soon as the "ceilings" or "cut-offs" have been completely used up, the Community again levies duty as laid down in the BCN and the beneficiary countries can continue to export their products to the Community paying this duty. Further, in view of the practical difficulties in following in a systematic way all the imports coming under the GPS for just a limited number of products in addition to those for which tariff quotas have been fixed, the BCN duty can be rapidly reestablished. For the greater part of the other products, the beneficiary countries' exports can in practice exceed even substantially, the "ceiling" and "cut-off" limits.

A special rule is laid down for textile and in particular cotton textile products : as regards cotton textiles, the GPS only applies to those countries who were members of the long term agreement on cotton textiles or for those countries who are independently prepared to enter contracts equivalent to those laid down for the members of this agreement; for textile products, including cotton textiles, the quotas and ceilings are in general calculated by volume.

c) The rules of origin

The benefits arising from this system are granted on the basis of a specific ruling on "origin" in order to ensure that it is strictly the beneficiary developing countries who benefit from the preferential system.

As a general rule, products considered as "originating from the country of origin" are either those coming entirely from the exporting beneficiary country, or those which have, in the country concerned, undergone sufficient industrial processing to be considered as originating from that country. The principal criterion used for defining this "sufficient processing" is the change of tariff heading. Nevertheless special rules have been made for the case where this change of heading is not enough to justify a "sufficient processing".

Beneficiary countries are directed, in the framework of the ruling, to present the customs authorities with a certificate of origin which conforms with the criteria laid down by the Community regulation.

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Improvements to the system

The Community put its system of generalized tariff preferences which notably included conclusions reached in the framework of the UNCTAD into force on 1 July 1971. The Community, however, left open the possibility of taking account of the experience acquired, and requests from the beneficiary countries to modify and, if need be, to improve the methods of implementation. Thus the Community has appreciably improved its system in the framework of the annual implementation of regulations relating to the system, taking into account the political will expressed by the heads of government during the Paris Summit meeting of December 1972 and the remarks expressed in the framework of the UNCTAD. The improvements relate in particular to :

- the inclusion of new products to the list of processed agricultural products which benefit from the preferential system
- the increase in the preferential margin for these products
- the reduction in the number of industrial products subject to tariff quotas

- increasing the flexibility of the terms and conditions used for calculating the cut-offs and ceilings
- taking more recent statistics into account when calculating the "basic amounts" and the "additional amounts" concerning industrial products
- the relaxation of rules relating to origin
- defining its offer for jute and coir products
- including new countries on the list of beneficiary countries.

In doing this, the Community has shown the political importance it attaches to the generalised tariff preferences system being used as a dynamic and pragmatic instrument which enables it to reach the systems' principal objective under the best conditions. This objective is to implement a real act of development cooperation to promote the diversification of the economies of beneficiary countries by developing the production and export of industrial products.

2. Review

At present it is very difficult to give an accurate statistical review of the impact of the generalised tariff preferences system on the developing countries' exports to the Community. In fact, an exact record of imports benefiting from the system requires a special administrative structure to distinguish between the imports covered by preferences and those which pay customs duties. This structure is in the process of being established in the Community and should be ready to start functioning in 1975. The first statistical analysis of imports coming under GPS was drawn up for the year 1972 for the Community as originally constituted. According to these records, the use of the Community's preferences system in 1972 resulted in imports covered by the preferential system of :

- 65.089.000 u.a. processed agricultural products
- 319.852.000 u.a. industrial manufactured products other than textiles
- 64.786.000 u.a. textile products,

a total of 449.727.000 u.a. for all the products which benefit from the system of preferences.

These figures, which relate to the Community as originally constituted, show that in 1972 in relation to the importing possibilities open, the generalized preferences system was not fully utilised. In effect, in relation to these possibilities, only 41 % of the tariff quotas and ceilings open to industrial products other than textiles were utilised, and only 45 % of tariff quotas and ceilings open to textile products. It should be mentioned that 1972 was the first full year in which the GPS system had been applied; also, at that time, of 91 countries on the list of independent beneficiaries on 31 december 1972 only 37 countries had been able to satisfy the administrative regulations relating to origin.

Nevertheless, it is possible to give an appreciation of the importance of the generalized preferences system on the basis of the possibilities opened up by the preferential system and their evolution during the years when it was being applied up to 1975. For this purpose several indications can be given, using different parameters.

a) Coverage of the preferential system by product (in value and quantity)

Based on import figures for 1971, import possibilities under the preferential system were :

Processed agricultural products

1971)	45 million u.a.		
1972		(1)	45	" "
1973)	45	" "
1974)	400	" "	
1975		(2)	600	" "

(1) The Community as originally constituted

(2) The Community of Nine

Manufactured and semi-finished industrial products, other than textiles

1971	}		340 million u.a.
1972	}	(1)	780 " "
1973	}		900 " "
1974	}	(2)	2 milliard u.a.
1975	}		2,3 " "

Textile products

1971	}		19.429 tons
1972	}	(1)	39.444 "
1973	}		42.631 "
1974	}	(2)	68.205 "
1975	}		71.000 "

b) Number of product under headings covering processed agricultural products

1971	}		147 Tariff headings
1972	}	(1)	147 " "
1973	}		147 " "
1974	}	(2)	187 " "
1975	}		220 " "

c) Number of products subject to the tariff quotas systemManufactured and semi-finished industrial products, other than textiles

1971	}		53
1972	}	(1)	58
1973	}		60
1974	}	(2)	51
1975	}		13

(1) The Community as originally constituted

(2) The Community of Nine

Textile products

1971	}		35
1972	}	(1)	34
1973	}		33
1974	}		30
1975	}	(2)	30

d) Number of countries who complied with the rules of origin

(from 143 independent and dependent countries included on the list of beneficiaries)

1971	}		23	independent countries	+	3	dependent countries
1972	}	(1)	37	"	"	+ 10	" "
1973	}		50	"	"	+ 14	" "
1974)	(2)	67	"	"	+ 19	" "

These figures show the evolution of the generalized preferences system as far as it concerns the possibilities open to the exports of the beneficiary countries and the numbers of countries covered by it. They reveal the improvements to the system, brought about in particular to take account of the enlargement of the Community, the decisions made at the Paris Summit and the implementation of the joint Declaration of intent relating to certain Asian countries.

It should be underlined that the developing beneficiary countries have not yet made full use of the opportunities open to them to take advantage of the preferential system. The reasons for this are that on the one hand a large number of these countries have not met the conditions of the regulation on "origin", and on the other, the economic sector in the beneficiary countries does not always seem to have fully understood the system's administrative procedures. The Community appreciates these difficulties and special efforts are being made to make the beneficiary countries aware of the advantages available to them through applying the preferential system in full. In fact, as part of this information programme on making better use of the advantages

(1) Community as originally constituted

(2) Community of Nine

offered by the system, the Community has organised several seminars for the appropriate administrations and economic sectors of these countries. Thus in 1972 seminars were organised in Brasil, Peru (Andean group), Argentina, Uruguay and Mexico; in 1973 in Thailand, Malaysia, Singapore, Indonesia, the Philippines; in 1974 in Uruguay (part of LAFTA), Columbia (Andean group), Salvador (central american Common Market), Haiti, Sri Lanka and Bangladesh.

The Community also participated in seminars on generalized preferences in Latin America, Africa and Asia, which were organised in the framework of the UNDP/UNCTAD programme.

The development of the Community's generalized preferences system shows two of the system's fundamental features which are : pragmatism and progressiveness. By following these two fundamental notions, the system has always adapted itself to the needs of the beneficiary developing countries. However, account is always taken of the necessity to balance the need to promote the exports of manufactured products of developing countries against the obligation to respect the agreements entered into with countries associated with the Community, as well as having to legitimately protect the sensitive sectors of the Community's industries.

G. Other types of commercial and industrial cooperation

During its sessions of 30 April and 16 July 1974, the Council adopted, in the framework of applying a community policy on development, a certain number of resolutions two of which are particularly worth mentioning in relation to aid for the industrialisation of developing countries.

They are a resolution on the "promotion of exports from developing countries" and one on "regional integration between developing countries". As far as the first is concerned, the Council adopted a series of measures which can be followed up by the Community to contribute to the promotion

of exports. In particular, one of these stipulates specific and complementary measures for technical assistance to help promote the exports of developing countries, financed by appropriations entered in the Community budget. The other aims mainly at giving a favourable reply to the requests for aid from developing countries which have begun the process of regional integration.

The Community will now have to define ways of implementing these two resolutions; certain actions have already been taken in this field.

1. The Andean Group

The Commission has since 1970 had close working relations with the Junta of the Andean group and follows with close interest the efforts undertaken in the industrial sphere by this organization.

Thus in February 1973 in the context of the engineering and metal-processing industries development programme set up by the countries in the Cartagena Agreement, the Commission organised a meeting in Brussels between a delegation from the Junta and European industrialists; this direct contact seems to have been particularly fruitful and with lasting results.

Likewise, the Commission places much importance on the "Petrochemical" and "Automobile" sector programmes which are at present being elaborated by the Andean Group and which the industries of the Nine could certainly usefully help in implementing.

2. Commercial and Industrial cooperation (ASEAN)

In the realisation that increasing cooperation could be expected between the Community and the Association of South East Asian Nations (ASEAN) and that this could eventually contribute to rapid industrial progress in the ASEAN countries, particularly in the field of aid for regional integration,

the Commission and the ASEAN decided to set up a joint group to study the possibilities in this field. With this in mind, the Commission is currently preparing an economic information brochure on the ASEAN region for interested business circles.

In November 1974, the Commission also organised a seminar, as part of the community action programme, to promote exports from developing countries. The seminar, lasting three weeks, was on techniques of commercialisation in different sectors of industry (notably food, chemical and pharmaceutical products, clothes, shipping equipment) and for the benefit of the management side of firms from the nine asian countries. The seminar's activities were complemented by visits to firms and fairs and exhibitions.

As the means of action required by the two resolutions above are defined, they will be progressively implemented by the Community to meet, in the most appropriate way, the requests for technical assistance which will be put forward by the developing countries and which could in particular concern certain aspects of industrial and technological development.

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Conclusion

Taken as a whole, the European Community's industrial cooperation plays a fairly important part in development cooperation activities. More than that, the importance of industrial cooperation is continually increasing both in the framework of financial and technical cooperation through the EIB or the EDF and in that of the Community's commercial policy through its generalised preferences system.

The prospects for the Community's industrial cooperation are even better for the future. The EEC-ACP Lomé Convention reserves a separate

chapter for it, providing for the implementation of an even larger series of very diversified means of action. The current negotiations with the Maghreb countries also involve appropriate types of industrial cooperation. The generalized preferences system will continue to be expanded and improved. In the future, greater importance will be attached to research and development and to the transference of technology. All this action in industrial cooperation will take place in the framework of the Community's global policy on development cooperation which will be geographically enlarged and which will have at its disposal more diversified means and ones better adapted to the many different situations in the developing countries in general and to the special characteristics of industrialisation in particular.

Internally, the Community, already contributing to the industrialisation of developing countries and intending to involve itself even more, is obviously aware that its development cooperation policy in general and its industrial cooperation policy in particular, where the priority lies in the progressive opening of its market to the manufactured exports of developing countries, will have repercussions on its own industrial structures. It is therefore preparing to meet these repercussions by ensuring that there is coherence between its internal structural policies and its cooperation policy.

II. INDUSTRIAL COOPERATION IN THE ACP-EEC LOMÉ CONVENTION

On 28 February 1975, 46 African, Caribbean and Pacific States (ACP) concluded a Convention with the European Economic Community (EEC) at Lomé (Togo), which lays down a whole series of instruments for cooperation, from trade cooperation to very diversified financial and technical cooperation, and including machinery to stabilize export earnings. One of the Lomé Conventions most striking innovations is the importance attached to the theme of industrial cooperation. A special chapter of the Convention is devoted to this theme which is now a separate facet of cooperation policy.

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The place now assumed by industrial cooperation among the facets of cooperation can be seen firstly as reflecting, on the plane of EEC-ACP cooperation, the changes now affecting economic international relations, and which tend to give the developing countries an increasing role in industrial production and in the international trading of processed products. This is one of the fundamental elements of this "new pattern of relations between industrialised and developing countries" which in accordance with the preamble to the Convention, the contracting parties have resolved to establish.

While industrialisation concerns all the ACP States, in different ways and with varying intensity, there are a few among them who have given priority to community aid in this field. These are especially those countries which, owing to the increased value of certain basic resources, will henceforth have considerable financial resources of their own and for whom the time honoured form of financial cooperation will wane in importance.

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The Title "Industrial Cooperation" is not strictly speaking on the same plane as the other Titles in the Convention. In effect, the latter follow, first and foremost, an "instrumental" approach : development and cooperation with the help of financial and commercial instruments, through technical assistance, training etc. On the other hand, industrial cooperation aims at the development of one sector of the economy of the ACP countries. Industrial cooperation therefore requires the use of a whole series of cooperation instruments as laid down in different parts of the Convention and, which need to be adapted to the peculiar characteristics of the relevant sector.

The trade aspect should be mentioned in this context : it in particular stipulates free access, without restrictions, to the Community market for products originating in the ACP States, as well as complementary measures in the field of trade promotion. The link with industrial development is evident and is even more so under the Title "Financial and technical cooperation" which contains a whole series of measures which may benefit the industrialisation process.

To get a complete picture, therefore, one would have to study the whole Convention so as to locate the many measures which directly or indirectly concern the industrial development of the ACP countries. Nevertheless, we will confine ourselves in this section to the Title "Industrial Cooperation" (cf. Text annexed).

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Art. 26-34

After defining in an introductory article the objectives given to industrial cooperation by the contracting parties, the industrial chapter proceeds to tackle the different areas and types of cooperation in this sector. The provisions in fact cover all the areas which spring to mind : development of infrastructures linked to industrialisation (transport, energy, research, training ...); help with the setting up of manufacturing companies

and in particular, ones using raw materials; facilities for industrial training in Europe and the ACP States; concrete action concerning access to and the adaptation of technology; special efforts to encourage small and medium-sized firms; action in the field of industrial information, research and promotion drives; complementary measures concerning trade promotion.

Each of these themes merit some comment. However, one might well refer to the text of the Convention which is fairly explicit on the new themes of industrial cooperation.

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Although the Convention does not provide for any specific amount to finance industrialization projects, certain financing techniques and methods, which are very well tailored to the idiosyncrasies of operations in this sector are covered in the Title "Financial and technical cooperation".

Thus, the financing of productive investment projects in the industrial sector is given priority and ensured by loans from the European Investment Bank (which will generally carry an interest rate subsidy) and by what is called "risk capital" and in particular the new types of aid in the form of quasi-capital financed by the European Development Fund. Another example concerns the specific measures laid down to encourage small and medium-sized firms; from now on, the Community will as a general rule finance projects benefiting such firms through the financial institutions of the ACP countries to which the former will open a credit line.

Art. 37

Where the implementation of industrial cooperation involves Community financing, it will follow the rules and procedures as laid down in the sphere

of financial and technical cooperation. This also means that, in short, the sum assigned to industrial development will in the main depend on the priority attached to this sector by the different ACP States themselves, in the framework of the financial and technical cooperation programme.

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The Title "Industrial Cooperation" is also noteworthy, in that it sets up special structures to vitalize industrial cooperation.

Art. 35 Anticipating the possibility open to the EEC-ACP Council of Ministers of creating committees and groups on particular topics, the Convention has even set up a Committee on Industrial Cooperation which will see to the implementation of the Title "Industrial Cooperation", identify the problems which may arise, suggest solutions, and report to the Committee of Ambassadors. The role played by this Committee on Industrial Cooperation could provide a determinant impetus.

Art. 36 Its task will also be to guide and superintend the Industrial Development Centre, a completely new and operational resource, to be run jointly by the ACP States and the Community and to be primarily responsible for industrial guidance liaison and for creating contacts and other industrial promotion activities. In particular it is through the Centre's activities that it is envisaged raising the interest of Community firms and entrepreneurs in industrial cooperation with the ACP countries and to involve them in this in a concrete way.

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The Convention has created a framework for industrial cooperation which points the way to view and exciting developments. Much will later depend on how the partners succeed in integrating firms and entrepreneurs;

for, in the last analysis it is they who carry out industrial projects, assure the transfer of technical and managerial know-how and underwrite the marketing of products. Hence the desire to create a favourable "climate" for european "professionals" to participate in industrial cooperation.

It is naturally not a question of interfering in the basic choice of ACP countries; the Community is aware that in the industrial sector, even more than in other areas, it is more a question of helping ACP States to implement their own options and not to persuade them to accept the european models. Having clearly stated this, the Community pointed out to those partners who wished to call on the help of firms and entrepreneurs, the benefit of their creating a favourable climate for this participation, with the understanding that this must be carried out in strict accordance with the development priorities of the host country.

Art. 38

With regard to this, the agreement of the negotiators was achieved through an article which lays down, among other things, that the ACP States will take such steps as are necessary to promote effective cooperation with firms or nationals of Member States who comply with the development programmes and priorities of the host country. It is evident that, under the circumstances, the granting of initial, or even substantial advantages to firms and entrepreneurs by the host countries is less important in determining the involvement of the former than the stability and security of working conditions.

For its part, the Community shall, according to the same article, endeavour to urge firms and nationals to participate in the industrial development efforts of the ACP States.

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We know of no other agreement which tackles the theme of industrial cooperation in such a complete - both global and with such distinguishable features - and workable manner as does the Lomé Convention. This in no way represents a single model of industrial cooperation. On the contrary, each of the ACP States can find in it the types of industrial aid which are best adapted to its specific needs and to its fundamental political options.

Extract from the ECP-EEC LOME Convention

TITLE III

Industrial Co-operation

Article 26

The Community and the ACP States, acknowledging the pressing need for the industrial development of the latter, agree to take all measures necessary to bring about effective industrial co-operation.

Industrial co-operation between the Community and the ACP States shall have the following objectives :

- a) to promote the development and diversification of industry in the ACP States and to help bring about a better distribution of industry both within those States and between them;
- b) to promote new relations in the industrial field between the Community, the Member States and the ACP States, in particular the establishment of new industrial and trade links between the industries of the Member States and those of the ACP States;
- c) to increase the links between industry and the other sectors of the economy, in particular agriculture;
- d) to facilitate the transfer of technology to the ACP States and to promote the adaptation of such technology to their specific conditions and needs, for example by expanding the capacity of the ACP States for research, for adaptation of technology and for training in industrial skills at all levels in these States;
- e) to promote the marketing of industrial products of the ACP States in foreign markets in order to increase their share of international trade in those products;

- f) to encourage the participation of nationals of ACP States, in particular that of small and medium-sized industrial firms, in the industrial development of those States;
- g) to encourage Community firms to participate in the industrial development of the ACP States, where those States so desire and in accordance with their economic and social objectives.

Article 27

In order to attain the objectives set out in Article 26, the Community shall help to carry out, by all the means provided for in this Convention, programmes, projects and schemes submitted to it on the initiative or with the agreement of the ACP States in the fields of industrial infrastructures and ventures, training, technology and research, small and medium-sized firms, industrial information and promotion, and trade co-operation.

Article 28

The Community shall contribute to the setting up and the extension of the infrastructure necessary for industrial development, particularly in the fields of transport and communications, energy and industrial research and training.

Article 29

The Community shall contribute to the setting up and the extension in the ACP States of industries processing raw materials and industries manufacturing finished and semi-finished products.

Article 30

At the request of the ACP States and on the basis of the programmes submitted by the latter, the Community shall contribute to the organization and financing of the training, at all levels, of personnel of the ACP States in industries and institutions within the Community.

In addition, the Community shall contribute to the establishment and expansion of industrial training facilities in the ACP States.

Article 31

With a view to helping the ACP States to overcome obstacles encountered by them in matters of access to and adaptation of technology, the Community is prepared in particular to :

- a) keep the ACP States better informed on technological matters and assist them in selecting the technology best adapted to their needs;
- b) facilitate their contacts and relations with firms and institutions in possession of the appropriate technological know-how;
- c) facilitate the acquisition, on favourable terms and conditions, of patents and other industrial property, in particular through financing and/or through other suitable arrangements with firms and institutions within the Community;
- d) contribute to the establishment and expansion of industrial research facilities in the ACP States with particular reference to the adaptation of available technology to the conditions and needs of those States.

Article 32

The Community shall contribute to the establishment and development of small and medium-sized industrial firms in the ACP States through financial and technical co-operation schemes adapted to the specific needs of such firms and covering inter alia :

- a) the financing of firms
- b) the creation of appropriate infrastructure and industrial estates
- c) vocational and advanced training
- d) the setting up of specialized advisory services and credit facilities.

The development of these firms shall, as far as possible, be conducive to the strengthening of the complementary relationship between small and medium-sized industrial firms and of their links with large industrial firms.

Article 33

Industrial information and promotion schemes shall be carried out in order to secure and intensify regular information exchanges and the necessary contacts in the industrial field between the Community and the ACP States.

These schemes could have the following aims :

- a) to gather and disseminate all relevant information on the trends in industry and trade in the Community and on the conditions of and possibilities for industrial development in the ACP States;
- b) to organize and facilitate contacts and meetings of all kinds between Community and ACP States' industrial policy-makers, promoters and firms;

- c) to carry out studies and appraisals aimed at pinpointing the practical opportunities for industrial co-operation with the Community in order to promote the industrial development of the ACP States;
- d) to contribute, through appropriate technical co-operation schemes, to the setting up, launching and running of the ACP States' industrial promotion bodies.

Article 34

In order to enable the ACP States to obtain full benefit from trade and other arrangements provided for in this Convention, trade promotion schemes shall be carried out to encourage the marketing of industrial products of ACP States both in the Community as well as in other external markets. Furthermore, programmes shall be drawn up jointly between the Community and the ACP States in order to stimulate and develop the trade of industrial products among the said States.

Article 35

1. A Committee on Industrial Co-operation shall be established. It shall be supervised by the Committee of Ambassadors.
2. The Committee on Industrial Co-operation shall :
 - a) see to the implementation of this Title;
 - b) examine the problems in the field of industrial co-operation submitted to it by the ACP States and/or by the Community, and suggest appropriate solutions;
 - c) guide, supervise and control the activities of the Centre for Industrial Development referred to in Article 36 and report to the Committee of Ambassadors and, through it, to the Council of Ministers;

- d) submit from time to time reports and recommendations which it considers appropriate to the Committee of Ambassadors;
- e) perform such other functions as may be assigned to it by the Committee of Ambassadors.

3. The composition of the Committee on Industrial Co-operation and the details for its operation shall be determined by the Council of Ministers.

Article 36

A Centre for Industrial Development shall be set up. It shall have the following functions :

- a) to gather and disseminate in the Community and the ACP States all relevant information on the conditions of and opportunities for industrial co-operation;
- b) to have, at the request of the Community and the ACP States, studies carried out on the possibilities and potential for industrial development of the ACP States, bearing in mind the necessity for adaptation of technology to their needs and requirements, and to ensure their follow-up;
- c) to organize and facilitate contacts and meetings of all kinds between Community and ACP States' industrial policy-makers, promoters, and firms and financial institutions;
- d) to provide specific industrial information and support services;
- e) to help to identify, on the basis of needs indicated by ACP States, the opportunities for industrial training and applied research in the Community and in the ACP States, and to provide relevant information and recommendations.

The Centre's Statutes and rules of operation shall be adopted by the Council of Ministers on a proposal from the Committee of Ambassadors upon the entry into force of this Convention.

Article 37

Programmes, projects or schemes undertaken in the field of industrial co-operation and involving Community financing shall be implemented in accordance with Title IV, taking into account the particular characteristics of interventions in the industrial sector.

Article 38

1. Each ACP State shall endeavour to give as clear an indication as possible of its priority areas for industrial co-operation and the form it would like such co-operation to take. It will also take such steps as are necessary to promote effective co-operation within the framework of this Title with the Community and the Member States or with firms or nationals of Member States who comply with the development programmes and priorities of the host ACP State.

2. The Community and the Member States, for their part, shall endeavour to set up measures to attract the participation of their firms and nationals in the industrial development efforts of the ACP States concerned, and shall encourage such firms and nationals to adhere to the aspirations and development objectives of those ACP States.

Article 39

This Title shall not prevent any ACP State or group of ACP States from entering into specific arrangements for the development in ACP States of agricultural, mineral, energy and other specific resources with a Member State or States of the Community, provided that these arrangements are compatible with this Convention. Such arrangements must be complementary to the efforts on industrialization and must not operate to the detriment of this Title.