THE ASSOCIATION ~~WITH~~ of THE OVERSEAS COUNTRIES WITH THE COMMON MARKET

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Last year a shrewd little book with the very revealing title: "L'Afrique entre en scène" ("Enter Africa") was published by M. Ernest MILCENT, at present correspondent of "Le Monde" in Dakar.

From the point of view of Africa's new rôle, M. Khrushchev's announcement of his coming visit to Africa - in particular to Guinea - is not only a pointer but a confirmation. It has been said that the 19th century was largely the century of the explosion of European nationalisms. It will perhaps be said that, after the atom, the 20th century was the century of the explosion of nationalism in the underdeveloped countries, in the East to begin with (first half of the century), then in Africa (second half).

North Africa, Ghana, Nigeria, Egypt, Kenya, Guinea, Togoland and Cameroon, the Belgian Congo, Nyasaland, Tanganyika, the Somali territories and now Rhodesia and South Africa - the explosions of African nationalism have become almost daily news. Africa is today one of the stakes in world politics, both for the East and for the West.

What, in this competition, is the position of Europe, in particular of that "Europe of the Six" which is the third power in the world from the economic point of view, and the first perhaps by its culture, its civilisation and the "weight of its history"? What is the position of that Europe and its established links with Africa based on culture, on language,

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on economic exchanges? Of that Europe which today approaches Africa afresh as a Community, offering association of the overseas countries with the Common Market - an association which may doubtless be considered as the first global approach to the problems of underdevelopment, since it covers simultaneously institutions and trade, investments and technical assistance.

It must, however, be said that the Treaty of Rome could not claim to settle everything and to foresee everything falling under the four chief headings which I have just indicated.Its authors cannot have imagined, in 1957, that there was any serious possibility of immobilizing the destiny and the conditions of existence of 25 associated overseas countries populated by 55 million people - mostly in Africa - whose political development has, since that day, proceeded at a terrific pace. In fact one of the characteristics of the Treaty of Rome, and one of the chief advantages of the provisions concerning overseas countries, is its great flexibility which, given a minimum of imagination and a great deal of good will, makes the necessary adaptations to this development possible. My purpose here is to demonstrate this, reviewing in turn the four main fields where we take action.

Political development. The adaptation of institutions

The first problem facing those responsible for the European Economic Community, and perhaps the most redoubtable, arose from the observation of a depressing fact: scarcely had the Treaty of Rome been implemented before it was politically out of date overseas.

The association of these countries with the Common Market, decided upon at a time when the French overseas countries under the framework law of 1956, still enjoyed no more than partial autonomy in internal affairs, once again appeared as a status "granted" from above and settled by the metropolitan territory without consulting the principal beneficiaries. It was all the less easy for Africa, with its characteristic passion for equality, to tolerate such a situation as its accession to international sovereignty was to take place two or three years later without further ado. On all sides complaints were heard about relics left over from the old colonial status, the inadequate Africanisation of the staff of the Common Market Executive, the almost total absence of representatives from the associated countries on the Community's institutions. There was great danger that the association might be still-born.

What was to be done, in particular, for these associated countries which were day by day gaining their independence and were turning to the European Community to ask it, with a touching confidence which it was important not to disappoint, in what way and on the basis of what text they could continue their association? Should the reply be that the transition to international sovereignty constituted a radical transformation of the former conditions and that the former associates were from now on to be considered as non-member countries without any links of association with the Community and that long and laborious diplomatic negotiations on the basis of Art. 238 of the Treaty would consequently have to be undertaken?

Should the reply on the contrary be that independence did not necessarily mean breaking off existing association relations, once these were freely confirmed by associated countries which had become sovereign states?

Both attitudes were tenable in legal terms, but considerations of opportuneness finally weighed the balance in favour of the second, which permits more immediate results by avoiding the complications of weighty negotiations in each particular instance, whereas, there must, in any case, be general negotiations for the renewal of the Implementing Convention relating to the Association which is due to expire on 31 December 1962.

It is too often forgotten that, if the negotiators of the Treaty of Rome did in fact "grant" association to the overseas countries, this was only done under a procedure whose duration was from the very start limited to 5 years. They therefore foresaw in 1957 - and the wisdom of this forecast is evident today - that on the rapidly changing African continent it was prudent to settle things only on a short-term basis, and to leave final decisions to subsequent negotiations between equally sovereign parties.

Pending these negotiations, the Council of Ministers of the European Economic Community has followed the recommendations of the Executive Commission and proposed a pragmatic solution to the problem of newly-independent Togoland which could serve as a precedent for all the associated countries acquiring international sovereignty: in the event of any such country freely expressing the wish to continue its association with EEC in accordance with Part Four of the Treaty of Rome and the details of the Implementing Convention, it is possible to meet its wishes until this Convention is revised and replaced, on 1 January 1963, by a new one. It was therefore admitted that until this date association relationships would be maintained as a factual state of affairs; accession to independence could not interrupt these relations provided the parties were in agreement to continue them; all that is needed, then, is to make arrangements to adjust them provisionally. Togoland has been invited to discuss these arrangements, which will cover procedures for the direct representation of this Republic with the European Economic Community to the extent that the Government in LOME does not wish to be represented by the French Authorities. It is, therefore, most probable that before many months are out the Community will be able to welcome in Brussels, if the local Government requests it, a Togolese chargé d'affaires who will be associated in one way or other with the work of interest to Togoland in certain EEC organs; similar solutions will probably be adopted for other associated countries which, on attaining international

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sovereignty, confirm their desire to continue their association with the Common Market, as they have done in almost every case.

This important decision shows that EEC considers itself as having responsibilities towards its overseas associates which do not disappear - quite the contrary - when these acquire independence, and that it can imagine flexible solutions, uncloyed by too many legal niceities, capable of adapting the association to political developments by giving the associates the chance of making their voice heard in Brussels. This was the crux of the matter, for it was essential, in countries where political considerations at the present time overshadow all else, to settle the political problem first. It nevertheless remains true that independence, even if it sometimes appears to African opinions as a sort of open sesame, did not settle the economic problems at one stroke, and that these problems are still with us; first and foremost among them is how to expand trade.

Expansion of trade

One of the aims of the Treaty of Rome for the overseas territories is to develop trade between the European Member countries and the associated countries by the progressive abolition, through customs and quota disarmament, of all trade discrimination between the Six in the overseas markets, by opening European markets to the tropical products of the associated countries, which will then have the advantage of a certain degree of protection afforded by the common external tariff, and also by furthering trade within Africa, since under the terms of the Treaty this trade must benefit by the system of trade liberalization between Europe and Africa. Let us note in passing that this last measure, the importance of which was perhaps not completely grasped at the time of the negotiations for the Treaty of Rome, is a step in the same direction as the attempts to regroup territories into real "economic areas", which are becoming more common in Africa, so much so that to-day we often hear talk of an "African Common Market".

In theory the associated overseas countries cannot lose by these arrangements. This holds true for their imports, as the increased number of their suppliers and of their sources of supply is likely to exercise on the level of local prices that healthy pressure which can only come from broad competition. It also holds true for their exports, since the problem of outlets for tropical raw materials is crucial for these countries and it is evident that, a priori, free access to an expanding market of 160 million consumers must be to their advantage.

How have these commercial provisions of the Treaty and of the Implementing Convention been working out in practice? It was doubtless impossible to expect substantial changes in the pattern of trade during the first year of customs and quota disarmament. Nevertheless, analysis of the external trade statistics of the Member States with Africa for the year 1959 already yields some interesting facts.

To begin with, this analysis gives the lie to some often unpleasant criticism of the EEC in certain international organisations where it was accused - a little too hastily - of creating, through the preference granted to the associated overseas countries, veritable distortions of trade at the expense of other, non-associated countries. In this respect it is significant to note that in 1959 trade between the six member countries of EEC and the non-associated African countries showed a clear increase over 1959. In value it went up 10 % with Ethiopia, 23 % with Nigeria, 25 % with Ghana, 33 % with the Federation of the Rhodesias and Nyasaland,

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51 % with the Sudan and 52 % with Liberia.

A superficial examination might then lead to the belief that this increase in trade with non-member countries had occurred at the expense of the African associated countries, whose trade with the European Economic Community fell by $ 184 million or 11 to 12 %. This is, however, not the case, for these figures are expressed in the European Monetary Unit (of the same value as the US dollar) and the essential cause of reduced trade between EEC and the associated countries is the fall in trade between France and the overseas countries of the franc area: this went down by $ 215 million or 20 %, roughly the rate of the devaluation of the franc on 1 January 1959.

On the contrary, it is interesting to note in connection with the marketing of products from the associated countries - a question in which these countries are particularly interested - that Germany increased its imports by 17 %, Italy by 33 %, the Netherlands by 9 % and the Belgo-Luxembourg Economic Union by 19 %. Reasoning purely from the French angle, it could be said without fear of error that France's European partners in the Common Market really have "fulfilled their contract".

Although, the integration of trade between Europe and Africa is managing to maintain some latitude, yet to take a not unsatisfactory course, it may be asked whether the means provided by the Treaty to further these exchanges are really adequate. From this point of view it would appear that two further remedies can and should be applied to correct the extreme economic fragility of the overseas countries: industrialisation on the one hand, on the other stabilization of the incomes of rural producers.

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<u>Industrialisation</u> certainly helps in this direction; it tends to soften the impact of swings in the prices of raw materials because semi-finished or finished products, being more easily kept in stock, are much less sensitive to cyclical fluctuations. In this respect, fears have been expressed in the associated countries that the effort made over the last ten years to industrialise the overseas countries would be brought to nought. Since the Treaty of Rome is an instrument for free trade, there was anxiety lest the traditional cycle of raw materials exchanged against finished products should be revived in the form of a latter-day Six-Power Colonial Pact - the historical corollary of free trade.

Nothing could be further from the truth, and it cannot be too often repeated that this free trade Treaty has provided for an important exception to free trade, precisely for the purpose of protecting the nascent overseas industries against the effects of a competition which would probably prove fatal. It must, in fact, be remembered that Article 133 expressly states that the overseas associated countries and territories "may levy customs duties which correspond to the needs of their development and to the requirements of their industrialisation or which, being of a fiscal nature, have the object of contributing to their budgets". The only requirement imposed by the Treaty is that these customs duties be applied without discrimination to the imports of all six Member States.

<u>The steadying of the incomes of rural producers</u> is to-day becoming fashionable after having long been contested by the economists. I would like to say something about it for, speaking frankly, this problem seems to me fundamental.

In the last 50 years, the 18 most important basic products, representing about 90 % of the production of the tropical countries, have experienced annual average fluctuations of 14 % in prices, 19 % in volume and 23 % in export income. This means that each year producers have seen the price received for the crop from their fields vary by 19 % on the average - and this average does not reflect the seriousness of the phenomenon in psychological terms.

Nothing discourages producers more than erratic ups and downs of prices over which they have no control. And nothing is more disappointing or fruitless than a advisory campaign undertaken at the time when prices are favourable if depression sets in just when the objective is in sight, with the grave consequence that the peasant loses confidence in the advice which had been given him and which he had followed.

To take a particularly striking example, what really happened in 1958? During that year the fall in the prices of raw materials from the tropical countries was around 20 % on the average. Since sales of these products amount to about $ 25.000 million, the poor countries thus lost $ 5.000 million, largely to the advantage of the rich countries.

Now, according to the calculations of Mr. Paul Hoffman, Managing Director of the United Nations Special Fund, the world total of government and private aid to the development countries did not exceed $ 4.000 million for 1957 - 58. What is the point of investing if the practical effect of the investments is to be cancelled out by the instability of prices for basic products?

It is therefore more urgent than ever to find the elements for the solution of this very problem. This can be done on two different levels: on the world level first, as the state of certain markets (like that for coffee, where stocks are equal to two years' supply) has reached such a point

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that only sweeping measures can be of any use, but also, for many other products, on a purely regional plane, by lending a "helping hand" to regulatory agencies, such as the British Marketing Boards or the Stabilisation Funds for the French Overseas Countries, which have proved their worth. On this level the EEC Commission has already submitted certain suggestions which are being studied and discussed by the national experts of the six member countries. The fact that the European Economic Community is at present the leading world importer of raw materials (with about one-third of the trade in basic products) more than justifies it in taking the initiative in connection with certain matters which would have particularly noticeable effects in view of the Community's position on the market.

The solution of this difficult problem will probably turn out to be a mainspring of progress. As we have seen investments, which constitutê the second factor in this development and to which the EEC makes a very positive contribution, are illusory without it.

Capital investments

The Treaty of Rome has laid down as the principal purpose of the association of the overseas countries: "to further the interest and prosperity of the inhabitants of these countries in such a manner as to lead them to the economic, social and cultural development which they expect". Among the means used to attain this objective perhaps the most concrete and, in any case, the one best known to-day to the beneficiaries is represented by the contributions of the European Economic Community as such to the investments required for the development of these countries.

These contributions are made available by the European Development Fund, a organ managed by the Institutions of the Community, whose action

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is complementary to that of the Member States. For the five-year period 1958 - 62 this Fund is endowed with more than $ 580 million, or about 2,900 million new francs. The progressive character of the volume of credits available annually should be underlined, and in particular the fact that the last annuity (1962) is about $ 224 million or approximately 1,100 million new francs.

The two chief contributors in absolute figures are Germany and France, each of which will pay a total of $ 200 million. Then come Belgium and the Netherlands (each 70 millions), Italy,(40 millions) and Luxembourg (a little more than 1 million).

Among the countries benefiting, by far the lion's share goes to those overseas countries with which France maintains special relations. With 88 % of the total credits available these countries will receive in all $ 511 million, or nearly 2,600 million new francs. Account has been taken in this distribution both of the French bilateral effort, which has been and remains considerable, and of the importance of the concessions made by France in opening to the trade and competition of its partners the overseas markets which it had previously reserved for itself.

The Fund can only act on projects submitted by the Governments of the countries benefiting, for the golden rule of EEC in its work overseas is that these Governments retain full mastery of the shaping of their own development. Subject to this basic proviso, these activities may concern the financing, exclusively by non-repayable grants, of:

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- "certain social institutions, in particular, hospitals, teaching or technical research establishments and institutions for vocational training and for the promotion of professional activities among the populations;

- economic investments of general interest directly connected with the implementation of a programme including productive and specific development projects".

Between these two great sectors, which are defined by the Implementing Convention itself, the distribution of aid is fixed annually by
70 the Council of Ministers. At present it is 70 % for the economic sector and 30 % for the social sector.

Finally, from the point of view of execution, the projects approved are carried out by means of tenders open to enterprises in the six member countries and in the associated countries. Supervision on the spot is the responsibility of "technical controllers" appointed by the Commission.

Such is the procedure. It is important to know where we stand as regards concrete achievements. In this connection there can be no denying that the Fund got away to a slow start. In fact nothing more could be done in 1958 than instal the Institutions of the Community itself, finalize and approve the regulations for the Fund, and recruit the necessary specialists - in short, the running-in of a machine made up of parts drawn from six different countries, where traditions and habits of mind are extremely varied.

It is not surprising therefore that no important financing operations took place during the first year (1958). The first convention with an associated overseas country (Ruanda Urundi) was signed only on 7 April 1959,

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and it is indeed 1959 which can be considered as the first year of real activity on the part of the Fund: 69 projects were approved for a total expenditure of some $ 50 million.

Later, the rate of approval of investment projects was considerably speeded up, and 1960 appears as a year of normal activity. On 30 June 1960 the volume of projects launched was already twice that at the end of 1959: 105 projects have been approved and their total amount in commitment authorizations is nearly $ 99 million. It is foreseen that by the end of 1960 the Fund will have committed more than $ 150 million in respect of 180 projects. The machine is now on the rails.

It is not without interest to widen the discussion a little and place the European Economic Community's effort in the setting of the overall endeavours of the free world to provide financial help for the development countries as a whole.

As we have seen, Mr. Paul Hoffman, Managing Director of the United Nations Special Fund, puts the amount of financial aid to the free world for 1957/58 at $ 4,000 million, a figure which seems unlikely to change appreciably in 1960. Of this total, government aid accounts for $ 2,400 million (86% bilateral and 14% multilateral) to which must be added $ 1,600 million to allow for the flow of private capital to the development countries.

The chief contributors are the UN and IBRD ($ 350 million annually), the United States ($ 1,500 million), Great Britain ($ 600 million) and France ($ 1,200 million or 6,000 million new francs). In relation to the national income, it is known that France bears the heaviest burden: the

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$ 1,200 million which it devotes annually to development aid represents more than 2 % of the French national income.

According to Mr. Hoffman, the $ 4,000 million per year contributed by the free world does not mean more than $ 3.2 per head, since it is shared out - very unequally - among 1,250,000,000 people. Considered in relation to this mass of humanity, the additional public aid afforded by the EEC Development Fund (on the average $ 116 million yearly) would therefore in theory represent no more than a minute addition to the effort of the free world: less than 10 cents per head.

In fact, this additional aid is applied specifically to 55 million people living in the overseas countries associated with EEC. It thus represents for them a supplementary public contribution of $ 2.1 per head added to the bilateral efforts made by the six member countries, to which the European Community's aid is by definition complementary, and also to the investments of private capital which cannot fail to follow the public investments. If a more specific example is desired, the public aid of EEC to the overseas countries maintaining special relations with France ($ 100 million annually on the average) should be compared with the bilateral public aid which France grants these same countries ($ 200 million annually on the average). As France has not relaxed its own efforts - quite the reverse - it may be seen that the EEC's intervention means in fact that public investment shows a net increase of 50 % in the associated overseas countries of the franc area. This is a considerable contribution.

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Technical assistance to countries in course of development

Technical assistance or, better, technical co-operation, since this name is now tending to be used in place of the old one, could have been examined before investments, for international organizations generally consider technical co-operation as a "pre-investment" activity preparing the way for financial aid and more often than not determining its practical value. In fact technical co-operation, which covers all forms of aid involving the communication of knowledge, is necessary both before and during the investments.

What must be remembered is the enormous and unsatisfied demand from the non-committed countries for supervisory personnel and technicians and, above all, the gap still existing between these unsatisfied requirements and the means at present being made available to the development countries, whatever the scale of these means may be.

The multiplicity of the agencies - multilateral, regional, bilateral, private - interested in technical co-operation is such that it is a delicate undertaking nowadays to obtain an overall view of the results achieved. The EEC Commission, wishing to have a clear picture before laying down a general policy towards the development countries, has had such a composite picture prepared; as far as I know this had never been done before.

This study shows that the present volume of technical co-operation activities financed from public funds in the whole world amounts to $ 500 million yearly or a little more than one-fifth of total public aid to all underdeveloped countries. This technical aid, of which nearly half is financed by the six member countries of EEC alone - in particular under bilateral agreements - already represents an important response to the demand for technicians and occupational training media. In the world as a whole to-day, it may be estimated that a total of 25,000 scholarships for students and trainees are made available to the underdevolped countries each year and 52,000 experts, supervisory personnel and technicians brought in from outside.

However impressive these figures may appear, they are tragically inadequate. Mr. Paul Hoffman estimates that 1 million experts, supervisors and trained technicians would be necessary to undertake large-scale development in the 100 backward countries populated by 1,250 million people. In the face of these requirements, it is evident that the 25,000 odd scholarship holders and the 52,000 experts in technical collaboration can do no more than plug up the worst holes.

The European Economic Community therefore wishes to assume its share of the burden in this field too. From the resources of its budget or those of its Development Fund, the Community is already engaging in certain technical co-operation activities for the benefit of the overseas countries associated with it. It welcomes in its services young African and Malagasy civil servants who are enabled to complete their professional training and acquire knowledge of European problems, while inevitably bringing to the Brussels services their invaluable experience as born Africans. The Commission finances planning studies, research for the evaluation of natural resources (mineral and agricultural in particular), demographic studies, institutions for technical or occupational training.

The Commission is specially concerned to make better use of technical potential at present existing in the six member countries in the form of outstanding research institutes which have long specialised in tropical problems and which are not employed to full advantage. The first emergency measure has just been decided upon: a special programme of

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100 scholarships, financed by the Commission's budget, will be applied from the beginning of the next university year for nationals of the associated overseas countries to be given post-graduate specialist training at the institutes of the six member countries.

Finally, the Commission wishes to enlarge its technical co-operation activities by going beyond the associated countries to make its own contribution to the vast effort of co-ordinated aid to development countries at present being undertaken in the West through the newly established Development Assistance Group: this Group has already held two meetings in Washington and Bonn and in September will hold a third meeting in Washington, with technical co-operation high up on the agenda. The EEC Commission has therefore submitted for discussion to the national experts of the six member countries a general plan for large-scale action in this essential field. This plan is based on two concrete proposals:

a) The creation of a European Development Institute managed on an equal footing by the giving and receiving countries; this Institute would work for the benefit of all development countries, on a double task of technical co-operation: on the one hand, occupational training and research, on the other, the dispatch to the underdeveloped countries concerned, and at their request, of field teams consisting of experts in various aspects of technical co-operation with specific missions, in particular the evaluation of natural resources and planning. This Institute, which would make possible an additional effort of technical co-operation on a Community basis, would work in close liaison with a number of institutes and research and training centres which it would recognize as acting for it in the participating countries and in the development countries themselves.

b) The organization, also an equal footing with the receiving countries, of a Regional Technical Co-operation Plan covering the African Continent as a whole. The purpose of this Regional Plan, which would

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be to some extent modelled on the methods used in the Colombo Plan for South and South-East Asia, would be the co-ordination, without too much red tape, of bilateral co-operation policies. It is important to note that according to the Commission's idea this plan would be very open, both at the receiving end, since it could include non-associated African countries which expressed the desire to participate, and at the giving end, since it would appeal to other European countries outside the Six with responsibilities in Africa and also to the United States, which is already providing substantial support for the Colombo Plan in Asia.

The key-word: co-operation

The conception of the plan which I have just outlined itself brings me to the close of this study. We cannot stress too much the idea behind what we are doing for development countries. This idea is the sharing of management on an equal footing between the countries contributing and those benefiting, for the key-word of policy today in the non-committed countries is co-operation.

It is surprising how many technically perfect plans, inspired moreover by the best intentions, have encountered indifference, suspicion, or downright hostility and finally failed, purely and simply because the need for co-operation, and the fact that the development countries have not only their dignity but also rich experience to contribute, were not understood.

This is true in particular of relations between Africa and Europe, whether in the framework of the association with the Community of the Six or in a larger setting. For, to quote from the writings of Gabriel d'Arboussier, the former President of the Grand Council of Dakar, whose words should be meditated by both Europeans and Africans:

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