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Working Documents

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Report

drawn up on behalf of the Committee on Development and Cooperation

on

- I. a recommendation from the Commission of the European Communities to the Council (Doc. 1-97/80) for a regulation on the conclusion of the second ACP-EEC Convention of Lomé
- II. a proposal from the Commission of the European Communities to the Council (Doc. 1-700/79) for a decision on the association of the overseas countries and territories with the European Economic Community

Rapporteur: Mr K. WAWRZIK

By letter of 14 April 1980 the Council of the European Communities requested the European Parliament to deliver an opinion on the second Lomé Convention between the EEC and the African, Caribbean and Pacific States, which was signed on 31 October 1979, and on the Internal Agreement on the measures and procedures required for implementation of the Convention.

On 16 April 1980 the President of the European Parliament referred the text of the Lomé II Convention to the Committee on Development and Cooperation as the committee responsible and to the Political Affairs Committee, the Committee on Agriculture and the Committee on External Economic Relations for their opinions.

On 22 April 1980 the Committee on Development and Cooperation appointed Mr K. Wawrzik rapporteur.

By letter of 21 January 1980 the Council of the European Communities requested the European Parliament to deliver an opinion on a decision concerning the association of the overseas countries and territories with the European Economic Community.

The President of the European Parliament referred this text on 11 February 1980 to the Committee on Development and Cooperation as the committee responsible and to the Committee on Agriculture, the Committee on External Economic Relations and the Committee on Economic and Monetary Affairs for their opinions.

The Committee on Agriculture delivered its opinion on 7 March 1980 in the form of a letter. On 12 March 1980 the chairman of the Committee on Economic and Monetary Affairs, Mr Delors, wrote to the chairman of the Committee on Development and Cooperation, Mr Poniatoski, informing the latter that his committee did not intend to deliver an opinion.

At its meeting of 18 March 1980 the committee decided to deal with the association of overseas countries and territories with the European Economic Community and the second Lomé Convention in a single report.

On 24 June 1980 the committee discussed Lomé II. It considered the draft report on 29 September 1980 and adopted the motion for a resolution at its meeting of 27 and 28 October 1980 with one vote against and two abstentions.

Present: Mr Poniatoski, chairman; Mr Bersani and Mr Kühn, vice-chairmen; Mr Wawrzik, rapporteur; Mrs Cassanmagnago Cerretti (deputizing for Mr Michel), Mr Cohen, Mr Enright, Mr Ferrero, Mr Flanagan (deputizing for Mr Clément), Mrs Focke, Mr Irmer (deputizing for Mr Sablé), Mr Jaquet, Mr Kellett-Bowman, Mr Lezzi, Mr Narducci, Mr Pannella, Mr Pearce, Mrs Rabbethge, Mr Vergeer, Sir Frederick Warner and Mr Woltjer (deputizing for Mr Glinne).

The opinions of the Committee on Agriculture and the Committee on External Economic Relations are attached. The Political Affairs Committee and the Committee on Economic and Monetary Affairs decided not to deliver opinions.

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The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on

- I. a recommendation from the Commission of the European Communities to the Council for a regulation on the conclusion of the second ACP-EEC Convention of Lomé
- II. a proposal from the Commission of the European Communities to the Council for a decision on the association of the overseas countries and territories with the European Economic Community

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council for a Decision on the association of the overseas countries and territories with the European Economic Community (COM(79) 555 final),
- having been consulted by the Council (Doc. 1-700/79),
- having regard to the recommendation from the Commission for a regulation on the Convention signed by the EEC and 58 ACP States in Lomé on 31 October 1979 and the Internal Agreement on the measures and procedures required for implementation of the second ACP-EEC Lomé Convention and the Internal Agreement on the financing and administration of Community aid¹,
- having been consulted by the Council (Doc. 1-97/80),
- having regard to the resolution of the European Parliament of 14 December 1978 on the negotiations for the renewal of the Convention of Lomé²,
- having regard to the Final Declaration of the Joint Committee of the ACP-EEC Consultative Assembly of 28 February 1980 on the results of Lomé I at Lomé II³ and the resolution of the ACP-EEC Consultative Assembly of 25 September 1980 on the annual report of the ACP-EEC Council

¹ OJ No. C 93, 16.4.1980, p.8

² OJ No. C 6, 8.1.1979, p. 56

³ CA/CP/134/final

of Ministers and on an analysis of the results obtained under the first Lomé Convention in the light of the forthcoming entry into force of the second Lomé Convention¹,

- having regard to the report and the resolution on the European Community's contribution to the campaign against hunger in the world²,
 - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Agriculture and the Committee on External Economic Relations (Doc. 1-559/80),
1. Welcomes the renewal of the ACP-EEC Convention, which is based on the same principles and motivated by the same spirit as Lomé I and is an expression of solidarity between the Community and the ACP States; considers it important that particular emphasis be laid on cooperation amongst the ACP States;
 2. Approves the text of the new Convention and the related documents;
 3. Recalls the great difficulties in which the negotiations began and thanks the Commission of the European Communities, the Committee of Ambassadors and the plenipotentiaries of the ACP States for their political determination, which has made the conclusion of the new Convention possible while maintaining reciprocal rights and duties;
 4. Feels that Lomé II contains a number of material innovations and improvements which demonstrate that the EEC is prepared to break new ground in the North-South relationship on the basis of specific and legally-binding agreements;
 5. Regrets that at the 11th Special Session of the United Nations General Assembly it proved impossible to reach agreement on the agenda and procedure for global North-South negotiations and therefore calls on the Community and the ACP States to do all in their power to enable concrete results to be obtained as soon as possible from the North-South dialogue;
 6. Considers it a great advantage that Lomé II contains a major part of the range of development policy instruments; points out that economic and social progress in the ACP States now depends on these instruments and, in particular, the available appropriations being used in such a way as to maximize the economic benefits;

¹ ACP-EEC Consultative Assembly, minutes of the sitting of 26 September 1980, CA/114, p. 7 ff

² Ferrero report, Doc. 1-341/80; resolution of 18 September 1980 in OJ No. C 265, 13.10.1980, p. 37 ff.

7. Regards the Lomé Convention as an international cooperation agreement between partners with equal rights which combines aspects of trade, economic and development policy;
8. Feels that, in the light of the continually changing economic situation, it is no bad thing that the new Convention should also have been concluded for a period of five years and draws attention to the relevant final provisions concerning new negotiations which guarantee the continuity of the Convention in all circumstances;
9. Strongly urges the Member States of the Community, to ratify the Convention as soon as possible so that all its provisions may enter into force as of 1 January 1981;
10. Welcomes ZIMBABWE's desire to accede to the new Convention and urges the Commission and the Council to take the necessary steps to ensure that this country can do so as soon as possible on favourable terms; in particular, considers it necessary for ZIMBABWE to be granted additional quotas for beef and veal and sugar on its accession to the Convention, beyond those provided for in the Lomé II Convention; also advocates the early accession of the remaining states of Southern Africa;
11. Attaches particular importance to a substantial expansion by all the institutions of the European Community of their publicity activities, with particular emphasis on television, as the objectives of the Lomé Convention can be attained only if they are understood and actively supported by all sections of the population, particularly the representatives of the various economic and social groups, all the more so given the prospect of a deteriorating international economic situation;

Cooperation in the field of trade policy

12. Welcomes the fact that Lomé II provides for free access to the Community for 99.5% of ACP exports and endorses the agreements on non-discrimination and most-favoured-nation clause;
13. Attaches importance to the, albeit slight, improvements in rules on origin to promote trade and hopes that the review of rules on origin for fishery products will be completed as soon as possible;
14. Regrets that the trade provisions of Lomé I were insufficient to bring about a substantial increase in ACP exports to the Community and is especially concerned that the export structures of the ACP countries under Lomé I have remained unchanged;

15. Regards it as important, therefore, that the ACP States should be encouraged to produce those types of products which can provide foreign exchange revenue;
16. Hopes that the study of the specific features of ACP-EEC trade decided on in Nairobi will soon be available, so that trade under Lomé II can be carried out under the best possible conditions;
17. Recognizes that the concessions granted in respect of certain ACP agricultural products, particularly rum, beef and veal and tomatoes, have been increased but considers these concessions inadequate, particularly for products which compete with those of European farmers; regrets above all that access to the market for husked rice from Surinam was not improved;
18. Calls on the Community to take in good time the measures necessary to avoid possible negative effects of the enlargement of the Community to the south (Greece, Spain, Portugal) on the ACP States' opportunities for agricultural exports - particularly of fruit and vegetables - since many of the products of the future Community Member States compete directly with those of the ACP;
19. Believes that all remaining non-tariff restrictions on the import of raw and processed tropical products should be removed as quickly as possible; calls on the Community to promote investment in the processing of tropical products in the ACP countries;
20. Calls on the European Community above all:
 - to agree to an international division of labour in agriculture which would take account of the natural advantages of the ACP States in agriculture and guarantee a steady expansion of the ACP States' trade in such products;
 - to avoid possible adverse effects on the economies of the ACP States when applying the instruments of the common agricultural policy;
 - to facilitate the import of agricultural raw materials and agricultural semi-finished and finished products and to promote the setting-up of agro-industries in the ACP States;
 - to remove all existing tariff and non-tariff administrative measures which adversely affect agricultural exports;

- to introduce reforms of its agricultural policy to control production levels;

21. Emphasizes the special nature of the undertakings entered into in the sugar protocol and urges that it be strictly applied in accordance with the spirit and the letter of the text, since guaranteed access for sugar to the Community market is of fundamental importance to the economies of the ACP countries concerned;
22. Notes with regret that the proposals from the Commission concerning the revised quotas for EEC sugar producers for the period 1980-1985 were not approved and advocates a reduction in sugar-beet production in the Community;
23. Notes the decision of the ACP Council of Ministers to institute the good offices procedure in order to resolve the dispute concerning the application of the concept of 'force majeure' and hopes that the use of this procedure will play a part in overcoming difficulties which have occurred in the past;
24. Wishes the Community to accede to the International Sugar Agreement as soon as possible;
25. Notes that the ACP States are dissatisfied with the way the banana protocol has been applied so far and calls on the Community to give its wholehearted support to the measures taken by the joint organization of ACP banana producers and, in particular, to make available financial assistance for production, improvement in quality and marketing; is also of the opinion, however, that the ACP banana producers must pursue a more aggressive trading policy;
26. Draws attention to the vital importance of sales promotion to the improvement of the economies of the ACP States and welcomes the fact that the corresponding appropriations and provisions have been increased or improved in Lomé II; attaches particular importance to sales promotion at the pre- and post-production stages;
27. Feels that sales promotion activities must be directed across the whole range of ACP exports, i.e. to the Community market, other countries, and also among the ACP countries themselves;

28. Considers trade promotion centres, marketing offices, adequate knowledge of markets, organization of exhibitions and trade fairs and contacts with European chambers of commerce and importers as an essential prerequisite for sales promotion, regards it as essential for the information available to the ACP countries concerning products, markets, pricing, channels of distribution, advertising, etc., to be greatly improved;
29. Believes that the use of the safeguard clause runs counter to the general policy and aims of the Convention and therefore calls on the Community and its Member States to apply the consultation procedure as far as possible; in this context regards ACP exports of textiles, which provide a typical example of the great difficulties of the ACP States in stepping up the process of industrialization, as a test case for the willingness of the Community to fulfil its commitments in this area;
30. Is particularly concerned at the fact that the new safeguard clause arrangements provide for measures to restrict exports even where the market has been disrupted by third countries and, consequently, sees an urgent need for account to be taken of the real exporting capacity of the ACP country concerned;
31. Regrets that the new convention says nothing specific about access for the ACP to certain agricultural products despite the precarious food supply situation in many African ACP States; consequently believes that the EEC should urgently devise a genuine Community policy on the export of agricultural products (provision of storage facilities for exports, introduction of a credit policy, possibility of negotiating multi-annual delivery contracts and distribution of these supplies to specific projects for agricultural and rural development);
32. Considers the Community's unilateral declaration on liberalizing trade as very important, particularly with regard to the general system of preferences (see Annex XXV of the Final Act);
33. Feels that the machinery for consultations between the Community and the ACP with regard to the generalized preferences must operate smoothly;
34. Emphasizes the special problems of the French overseas departments, which are an integral part of the EEC but lie geographically near the ACP countries; draws the Commission's attention to the need for these departments to be able to obtain supplies of some agricultural products from ACP countries without the price-adjustment levy being applied; in

this respect, calls on the Commission by way of example to take specific measures to enable the overseas departments to import maize for animal feeds at reasonable prices.

STABEX procedure

35. Takes the view that the STABEX system introduced under Lomé I imposes much greater obligations upon the EEC than existing raw materials' agreements and regards it as a practical first step towards improving relations between raw materials producers and consumers; welcomes the fact that experience so far with STABEX has been largely positive for the ACP and that, in contrast to the generalized system of preferences in particular, the least developed countries have benefited most from the system;
36. Feels that the Commission could usefully prepare a study showing the specific economic consequences for the various ACP countries;
37. Notes with satisfaction that the effectiveness of STABEX, the financial resources available and the range of products covered have been substantially increased under Lomé II; welcomes in particular the fact that the ACP-EEC Council of Ministers can in future, according to the circumstances, apply STABEX to internal ACP trade, which will have a favourable effect on trade cooperation between the ACP States;
38. Is of the opinion that, if STABEX is to become an even more effective instrument of Community development policy:
 - the system should be based on real values instead of nominal values as no account is taken at present of losses of purchasing power resulting from the constantly changing terms of trade and inflation;
 - STABEX must be extended to a wider range of processed products, thus providing greater incentives for the establishment of processing industries so that the profits of the latter can be earned in the developing countries themselves;
 - the system must be extended so as to complement most effectively the range of EDF instruments;
 - the difficulties which have occurred in the past concerning transfer payments must be overcome;

Financial and technical cooperation

39. Notes the increase in appropriations from 3,466 m EUA to 5,607 m EUA, a substantial total given the critical economic situation in many branches of industry and the unemployment level in the Community

this amount is however insufficient for the work which must be done by the Community in this area;

40. Is nevertheless of the opinion that in view of the fact that most of the Member States are still a long way from making available 0.7% of their GNP for development aid, and that the situation in many ACP countries, particularly those in the Sahel region, has deteriorated markedly, additional finance is urgently required;
41. Is convinced that the existing financial problems must also be solved in the framework of the North-South Dialogue and emphasizes in this connection that, in particular;
 - the functions and the structure of the IMF must be broadened and cooperation with the World Bank increased;
 - measures for the recycling of surpluses from the oil industry must be supported;
 - the major industrialized countries must contribute immediately to the increase in IMF quotas which has already been agreed and to the refunding of the International Development Association (IDA);
 - the resources of the IMF must be applied to a greater extent on terms which take account of the particular problems of the developing countries;
42. Believes it is important to step up efforts to increase existing funds by means of co-financing and welcomes the fact that the new Convention has paid particular attention to this form of funding;
43. Regrets that its proposal to budgetize EDF appropriations, which was supported by the Commission, was disregarded by the Council and demands that these appropriations be included in the 1981 Community budget;
44. Points out that contracts financed from the Fourth EDF were very unevenly distributed among the various Community Member States and therefore calls on the Commission to improve the system of information as soon as possible;
45. Welcomes the fact that the ACP States are to be more closely involved in all stages, from planning right up to project design and implementation, and that the specific objectives have been more clearly defined;

46. Feels that it is necessary for the planning-to-programme-completion stage to be implemented more rapidly and effectively under Lomé II and to this end
- recommends that the ACP States, in their relations with the Commission should define their development policy priorities as clearly and definitively as possible from the outset;
 - asks the Commission to pay more attention than hitherto to the implementation-stage following the financing decision i.e. once the appropriations have been committed;
 - welcomes Article 108 of Lomé II which provides for continual revision and improvement of the procedure;
47. Emphasizes the particular importance of regional cooperation and therefore welcomes the fact that the objectives and methods have been redefined and the funds available increased to 600 million EUA; feels that under Lomé II special attention should be paid to the creation of regional ACP markets, cooperation on trade policy, sales promotion and regional production structures;
48. Stresses the importance of emergency aid, the procedures for which must be implemented as rapidly and as flexibly as possible;

Industrial cooperation

49. Regrets that, for a variety of reasons, the achievements in the industrial sector under Lomé I were very inadequate and considers the establishment of basic principles for a policy of industrialization in the ACP States to be an essential first step;
50. Calls on the Commission to ensure that planning, the formulation of projects and coordination between the Committee for Industrial Cooperation, the Centre for Industrial Development, the EDF and the EIB are substantially improved and intensified under the new Convention and feels in particular that the effectiveness of the activities of the Centre for Industrial Development must be greatly increased;
51. Welcomes the various innovatory aspects of Lomé II in the field of industrialization, and particularly the fact that the mining and energy sectors are now covered;
52. Is convinced that industrial cooperation with the ACP States will be more successful if

- more scope is given to the managers and economists in the field and European business and social groups become directly involved in the process of industrialization;
- investment conditions are clarified, as the setting up of new industries requires guarantees of security;
- credit terms for small and medium-sized businesses are revised, as they are often unable to provide the required share of the funding;
- more emphasis is put on the role of non-governmental organizations and private initiatives in the development of the ACP States, especially in the field of capital goods;
- greater efforts are made to promote self-help and self-confidence on the part of the ACP States, as additional finance from the EEC combined with the pursuit of existing ideas are not in themselves likely to produce positive results; calls on the Commission and the Council, with the aid of the appropriate instruments for financial and technical cooperation, to promote the economic independence of the developing countries, in particular by contributing to the establishment of independent economic structures for production, processing and marketing in the developing countries;
- the ACP States are allowed to benefit more from the financing possibilities created by the oil industry, given that finance is the major difficulty involved in industrialization; emphasizes the importance of the new provisions of Lomé II relating to co-financing, which produced significant results under Lomé I;
- both sides of industry in the Community, employers and trade unions alike, are more closely involved than hitherto in the process of industrial cooperation since without their close collaboration and support many measures would fail, e.g. any decisions which might be required on restructuring in the Community (in this connection it is regrettable that employers and trade unions were not consulted when the Lomé text was being drawn up); is convinced that industrialization is only possible with the close cooperation of business and social groups on both sides;
- priority is given to those businesses which are labour-intensive and high foreign exchange earners;

53. Points to the importance of the joint declaration of the Community and the ACP to the effect that they will make available additional funds for industrial cooperation and present a study on this question nine months after the signing of the Convention; calls upon the Committee on Development and Cooperation to follow this matter closely;

Training

54. Believes that an adequate level of training in the ACP States is essential if progress is to be made in the fields of industrialization, expansion of trade, agricultural production and, indeed, all areas of development policy;
55. Calls for increased financial assistance under Lomé II to be given also to educational projects at regional level;
56. Welcomes the fact that the new Convention provides for **greater** encouragement for project-related training, which gave encouraging results, inter alia as regards costs, under Lomé I;

Least-developed countries

57. Feels that it is both right and important that the new Convention should contain a stronger commitment to help the least-developed, landlocked and island states by means of specific and appropriate measures; calls in particular for appropriate solutions to be sought in the fields of investment, transport and communications and in the application of the rules of origin;
58. Asks the Commission to step up its efforts outside the scope of the Convention to help the poorest countries, particularly in the allocation of food aid, rural development and projects carried out jointly with non-governmental organizations; calls on the EEC countries to take all necessary measures to **enable** them to play an active part in achieving success at the UN Conference on the least-developed countries due to be held in 1981;

Institutional aspects

59. Approves the institutions provided for in the new Convention, which have already shown their ability to cooperate effectively under Lomé I;

60. Considers the ACP-EEC Consultative Assembly and its preparatory body, the Joint Committee, which is explicitly mentioned in the new Convention, as particularly important since they regularly bring together the political forces of the EEC and the ACP for discussions on implementation of the Convention; consequently welcomes the enlargement of the functions of the Assembly;
61. Welcomes the sending of more members of parliament as representatives of the ACP States to the Consultative Assembly and Joint Committee meetings;
62. Welcomes the changes to the institutional provisions designed to make them more effective and improve relations between the various bodies; draws particular attention to the fact that the practice of maintaining contacts with economic and social forces established by the Consultative Assembly under Lomé I has been taken into account and that specific provision has been made on this point;

Some innovatory features of the second Convention

63. Welcomes the introduction in the new Convention of a system for mineral raw materials analogous to the STABEX procedure for agricultural products; points out that the support system for mining products (Sysmin) has two objectives: maintenance of a viable mining capacity and development of mining potential;
64. Hopes that this system, which has advantages for both the ACP and the EEC, will promote investment in mining in the ACP States;
65. Demands that greater efforts be made when implementing the second Lomé Convention to discover and develop energy resources, particularly in view of the deterioration in the balance of payments on current account of many ACP States, and welcomes the explicit reference to this in the Convention;
66. Regards the investment provisions of the new Convention as an improvement on those of Lomé I but regrets that it was not possible to include a general mechanism to promote private investment;
67. Welcomes the fact that the new Convention contains a separate chapter on agricultural cooperation and strongly emphasizes the importance of agriculture; calls on the Commission to act immediately to ensure that the planned Technical Centre for Agricultural Cooperation can start work as soon as possible and is more successful than the Centre for Industrial Development provided for in Lomé I;

68. Feels that an improvement in the food supply situation of the ACP States is urgently required and that without this any further economic development is bound to fail; calls on the Commission and the Council to ensure in close cooperation with the ACP States that more EDF resources than before are used for the purpose of rural development, in order to guarantee the security of the ACP countries' supply of food;
69. Emphasises the fundamental role of the NGOs in the implementation of development projects, particularly with regard to rural development and micro-projects;
70. Welcomes the inclusion of sea fishing in the new Convention as closer cooperation in this field could help to improve the economic, social and food supply situation of the ACP;

Aspects not covered or inadequately covered in the new Convention

71. Regrets that it was not possible to include in the preamble to the new Convention, along the lines of earlier resolutions of Parliament and the ACP-EEC Consultative Assembly, some reference to human dignity and the protection of human rights;
72. Demands that Parliament be informed immediately of the internal Council Decision of November 1979 concerning human rights;
73. Welcomes the precedents already set by the Commission in cases of violation of human rights and expresses the hope that the Commission will continue to react to such violations in consultation with Parliament in accordance with the following principles:
 - the Commission should not continue to provide any form of cooperation or development assistance which could be construed as providing support for a government which is in clear breach of its obligations with respect to human rights;
 - in the event of serious violations of human rights, aid ought to be continued only if it is ensured that it reaches the sections of the population for whom it is intended;
 - the Commission should avoid, as far as possible, all partnerships with governments which have been found wanting in respect of human rights and should seek to conduct its activities through the agency of non-governmental organizations;

74. Underlines the modest nature of the measures provided for in Annex XV in respect of workers who are nationals of one of the Contracting Parties and are residing legally in the territory of a Member State or an ACP State; urges nonetheless that they be applied immediately, with a view to revision and improvement of the situation as a whole;
75. Believes that the aid provided under the ACP-EEC Convention should be used primarily to improve social and living conditions in the ACP States and regrets the absence of any reference to this effect in the new Convention and, in particular, that not even the minimum working conditions laid down by the International Labour Organization are mentioned;
76. Recalls in this context the proposals of the Commission, which relate to all the developing countries and are still being considered by the Council, and urges the Commission to present new proposals dealing directly with social problems in the ACP States; believes that social problems are amongst the most important criteria to be used in the selection of projects;
77. Feels that questions of social justice must be given greater emphasis in cooperation with economic and social representatives from the ACP and the EEC;
78. Regrets that the new Convention makes no mention of cultural cooperation since it believes that closer cooperation in this area could help promote integration and understanding between the partners; feels that development policy must also create the basic social and cultural conditions for a process of development embracing all people and all areas of life;

Overseas countries and territories

79. Welcomes the Commission's communication and expresses its approval of the association of the overseas countries and territories (OCT);
80. Supports the parallel development of the OCT and ACP countries and welcomes the fact that provision has now been made for measures to promote development in the industrial sector;
81. Emphasizes the special importance of cooperation in the field of trade policy as the expansion of trade in goods is an important prerequisite for the economic and social development of these areas;

82. Welcomes the Council's decision to consult Parliament on this matter, as in 1964, 1970 and 1975, and thus to afford the latter an opportunity to give its opinion on the detailed arrangements and procedures for the association of the OCT with the Community.

EXPLANATORY STATEMENTA. From the EEC Treaty by way of Yaoundé I and II to the Convention of Lomé from the Association Agreement to the Cooperation Agreement

1. When it was set up in 1958 the Community of the Six took under its protection the colonies dependent on four of the six Member States. In an implementing agreement the Treaty of Rome laid down rules for the special relations between the EEC and the still dependent overseas countries and territories. After the 18 African nations and Madagascar had acceded to independence between 1960 and 1967, the one-sided 'Grouping' developed into the Association negotiated by treaty with the 18 newly independent Associated African States and Madagascar (AASM). This was the background to the first Yaoundé Convention, which was negotiated in 1963 and entered into force on 1 June 1964 for a period of five years. That Convention was followed by Yaoundé II, which was signed on 29 July 1969, entered into force on 1 January 1971 and expired on 31 January 1975.

2. The countries associated under the Yaoundé Convention were the only independent states to receive financial aid from the Community from the European Development Fund (EDF). The first Fund for the still dependent countries was set up in 1959 and amounted to 581.25 million u.a.; the Yaoundé I Fund was allocated 730 million u.a., which rose to 918 million u.a. under Yaoundé II.

Under Yaoundé I and II trade between the Community and the Associated States was conducted on the principle of a free trade zone. The Community conducted only 4% of its external trade with the AASM and during the period of the first Yaoundé Convention there was scarcely any indication, given the preferential relationship, of a change in trade flows or an appreciable increase in trade between the AASM and the Community. Yaoundé II required the Community, with a view to encouraging intra-African regional cooperation, to relinquish most-favoured-nation concessions. In addition, the AASM were invited, under a protocol to the Treaty, to participate in the world-wide Generalized Preference Scheme within the framework of the world trade conference, i.e. the second Convention sought to give these states a certain measure of protection and at the same time to develop their competitiveness on the world market.

3. In a 1963 Declaration of Intent appended to the first Yaoundé Convention, the original EEC Member States offered developing countries with an economic structure comparable to the AASM the opportunity of participating in an association on the lines of the Yaoundé model or in an agreement

pursuant to Article 238 of the EEC Treaty. In 1966 an Association Agreement was signed with Nigeria, but because it was not ratified it was never implemented. On 24 September 1969 an Association Agreement was concluded with the three East African states - Kenya, Uganda and Tanzania - which entered into force at the same time as Yaoundé II and similarly expired on 31 January 1975. This agreement primarily concerned trade policy and made no provision for financial and technical cooperation.

After the opening of accession negotiations between the United Kingdom and the EEC in 1970, the island of Mauritius, without awaiting the outcome, applied for accession to the Yaoundé Convention, which took effect on 30 June 1973.

4. The negotiations with the ACP States, which did not then exist as a group, were triggered off by the accession of Britain. The association policy pursued till then by the Six was unacceptable to the United Kingdom because it was largely confined to French-speaking Africa (Yaoundé). At the 1970/71 accession negotiations there were basically only two possible directions for future EEC policy towards the developing countries :

- Replacement of the existing association policy with a world-wide cooperation policy; this would have abolished the associated countries' special status and regulated the sphere of financial aid by means of ad hoc arrangements between the EEC and individual developing countries;
- Extension and adaptation of the Community's existing association policy to the ACP Commonwealth nations.

At the same summit conference, the Community was urged to pursue, in addition to its regional association policy, an overall world-wide cooperation policy. The result is that since 1972 the Community has been committed, alongside its intensive policy of cooperation with the ACP countries, to a relatively less intensive development policy with the other developing nations.

5. Negotiations on the enlargement of the EEC led to the adoption of Protocol No. 22 appended to the Act of Accession, which was confirmed at the Community's second summit conference in October 1972. In this protocol the Community invited the 20 Commonwealth countries to order their future relations with it in accordance with association or trade agreements. Furthermore the protocol guaranteed that the AASM would retain their existing advantages (about which they were greatly concerned) and that the newly associated countries would enjoy equal treatment. In addition, the protocol states that 'the Community will have as its firm purpose the safeguarding of the interests of all the countries referred to in this protocol whose economies depend to a considerable extent on the export of primary products, and particularly of sugar'.

6. The Commission laid the foundations for a new type of agreement in its Memorandum of April 1973¹, the main features of which are reproduced in the Convention of Lomé, notably the system for stabilizing export earnings, the importance of regional cooperation, particular efforts in favour of the least developed countries and increased involvement of the partners in the management of financial and technical cooperation.

The establishment of the Community's negotiating position was a relatively simple matter. For one thing, it was facilitated by the legal obligations contained in Protocol No. 22, by the frame of reference provided by Yaoundé and Arusha, and by the Commission's proposals in its 1973 Memorandum. The conduct of negotiations and the establishment of basic rules was much more complicated for the ACP; however, the ACP States were able to define a common negotiating position and the Community must be given credit for actively supporting these efforts.

The negotiations for the new Convention were opened in July 1973 and concluded on 1 February 1975. The Convention of Lomé was signed with the then 46 ACP States on 28 February 1975. The trade arrangements came into force early, under an interim agreement, on 1 July 1975; the Convention entered into force after completion of the ratification procedure, on 1 April 1976. The provisions on financial and technical aid, inclusive of the EDF, came into force on 1 April 1976 with retroactive effect from 28 February 1975.

7. A number of Commonwealth African countries did not think too highly of what they called the 'neo-colonial Yaoundé model' and consequently asked for the term 'association' to be replaced by another expression. Many English-speaking countries considered the term 'association agreement' discriminatory. Even terms like 'partnership' or indeed 'development aid' failed to satisfy one or other negotiating partner as a description of the new Convention. The participating states wanted the designation 'cooperation agreement', a term which would underline the full equality of the parties to the treaty. Officially the treaty is now called the 'ACP-EEC Convention'. In general parlance and EEC practice 'Association Agreement' has since been replaced by 'Cooperation Agreement' or 'Convention of Lomé'².

¹ Memorandum from the Commission to the Council on the future relations between the Community, the present AASM States and the countries in Africa, the Caribbean, the Indian and Pacific Oceans referred to in Protocol No. 22 to the Act of Accession (COM(73) 500/final).

² Cf remarks by President-in-Office Simmonet of 14.12.1977, Debate of the European Parliament, OJ No. 224, December 1977, pp. 200-201

Community law provides no precise definition of the term 'cooperation agreement'. The legal basis for a cooperation agreement is chosen according to the content of the particular agreement planned. Hitherto the Community has concluded cooperation agreements on the basis of Article 113 of the EEC Treaty and framework agreements on trade and economic cooperation on the basis of Articles 113 and 235. The agreements with the Maghreb and Mashrek countries are based on Article 238 of the EEC Treaty and are thus association agreements under Treaty of Rome terminology. However, at the request of the ACP partners, the regulation on the conclusion of the Lomé Convention, which is likewise based on Article 238 of the EEC Treaty, is described as a 'cooperation agreement'.

8. The first Lomé Convention contained five main Titles :

- trade cooperation
- export earnings from commodities (including sugar protocol)
- industrial cooperation
- financial and technical cooperation
- institutions.

In comparison with the Yaoundé Convention two headings - stabilization of export earnings and industrial cooperation - are completely new. There are also further important changes in four areas¹ :

- The opening of the EEC market to products from the ACP States and the terms of access granted by the Community are not linked to matching concessions for the EEC on the markets of the ACP States; in practise the Community guarantees the ACP States access to the European market, but does not require reciprocity from its partners. Thus it can no longer be criticized for the controversial reciprocal preferences required under the Yaoundé Association (such reproaches were made particularly by the USA). The Community is given the benefit of the most-favoured nation clause and under the rules of origin the Community treats all ACP countries for customs purposes as a single entity (cumulative origin).
- Under the arrangements for sugar imports, the prices to be paid are virtually indexed to those paid to European farmers.
- The ACP States are directly involved in the administration of financial aid granted by the EEC and in financing decisions.
- Special provision is made for the least developed countries.

¹ Cf. details in the Flesch report on the Convention of Lomé signed on 28.2.1975 between the EEC and ACP, Doc. 283/75; see also resolution of 16.10.1975, OJ No. C 257, 10.11.1975, pp. 23 et seq.

9. The Lomé Convention is not a carbon copy of the Yaoundé Convention, but a completely new type of agreement. This is clear from the preamble : 'Resolved to establish a new model for relations between developed and developing states, compatible with the aspirations of the international community towards a more just and more balanced economic order¹'.

Admittedly, it also contains features from the earlier association agreements, but for the most part it consists of important innovations which take into consideration the altered situation in the developing countries and reflect the Community's political will to take account of this altered situation. Lomé is a comprehensive EEC development concept produced in response to the Third World's continually more pressing demands; it is comprehensive because for the first time an attempt is made to bring together the essential instruments of development policy. The agreed set of development instruments is without precedent and Lomé can therefore be considered as a model for relations between industrialized and developing countries. The basis of the Convention is absolute equality of the partners; parity and unanimity determine the composition and operation of its organs.

10. The Lomé Convention can be viewed as a turning point in the Community's development aid policy. Or, in the words of the President-in-Office of the ACP Council of Ministers, Senegalese Minister Babacar Ba, on the conclusion of the Lomé I negotiations : 'The Lomé Convention represents a revolutionary and unique event in the history of relations between industrialized and developing countries'. Lomé can be considered as the starting point for a new model for relations between industrialized and developing countries, compatible with the aspirations of the international community towards a more just and more balanced economic order. The Convention has secured for the ACP a privileged position in the area of development policy. It has, as it were, opened up a way which other countries have since followed and along which some of these countries will perhaps even overtake us, which can only be to the good of the developing countries. But it is important to remember that it was the Community that showed the way, and this gives it a special position in its relations with the developing nations, a position that sets it apart from all other countries, which have promised much but done very little. This Community birthright is therefore a politically significant factor which should not be overlooked.

B. The Second Lomé Convention

11. Like the first Convention, Lomé II is an expression of the EEC's solidarity with the ACP. The Community offers the ACP not only aid, but above all solidarity, which is enshrined in and substantiated by the Lomé text.

¹ ACP-EEC Lomé Convention, p. 13

The European Parliament, the Council and the Commission, the ACP-EEC Council of Ministers and the ACP/EEC Consultative Assembly and its Joint Committee play an extremely important role in implementing the Convention; together they must locate, identify, examine and define the major issues which might and doubtless will, arise on both sides, and propose solutions not only to preserve but also to develop this solidarity.

12. Is the Lomé Convention an economic, commercial or political agreement? The answer is probably that it is a combined economic, development and commercial agreement with political overtones; it is a model convention of a special kind, an instrument for interstate cooperation. The legal relationship between the EEC, its Member States and the ACP is distinguished by the fact that it displays features of both international and Community law. The new features of development cooperation under international law are based on new development instruments (such as the EEC's relinquishment of reciprocity in trade, Stabex, purchase of sugar at guaranteed prices) and, more distinctively still, on the institutionalization of partnership and parity. These various features, the value of financial transactions, a minimum of political content (e.g. the respect of human rights as a matter of principle), a certain measure of legal certainty and the underlying principle of solidarity make the Lomé Convention a unique type of agreement.

13. From the point of view of Community law, the question arises whether the Community was justified in concluding an international treaty in the form of a mixed agreement on the content and objectives of the Lomé Convention. (It is a mixed agreement because not only Member States and other countries are parties to the Convention, so that national law is involved, e.g. in the matter of ratification by the partner states, but also the EEC, which must be treated as an international organization in the context of the law on international treaties).

As in the case of Lomé I, the Community used Article 238 of the EEC Treaty as its legal basis. According to the first paragraph of this article, such an agreement must establish 'an association involving reciprocal rights and obligations, common action and special procedures'. In international law the term 'association' has no clearly defined meaning; association agreements are characterized merely by a series of reciprocal rights and obligations and by a certain degree of institutionalization. What is unique about Article 238 is that it empowers the Community to conclude agreements but imposes certain institutional requirements. It stipulates that such agreements may be concluded only by a unanimous decision of the Council - under Article 228 a majority decision **is sufficient in all other cases**. In addition, provision is made for the consultation of Parliament in all cases, even if this is not stipulated in the particular agreement concerned. At the Joint Committee

meeting held from 25-28 February 1980 in Arusha, the President-in-Office of the Council announced that he would not fail to recommend the Council to consult the European Parliament on the second Lomé Convention as soon as the conditions were right¹.

14. The Community cannot base the conclusion of association agreements on Article 238 alone; it requires additional authority for the particular subject matter of the agreement, this is derived, most notably, from Article 113 of the EEC Treaty.

15. As regards rights and obligations and the relatively large measure of institutionalization, the Lomé Convention must be regarded as an association agreement even though, as pointed out at the beginning, this term is nowhere mentioned in the text so as to avoid giving offence to the ACP partners. Without examining each and every provision of the Treaty, it can be affirmed that the power to conclude the Lomé Convention lies partly with the Community and partly with the Member States. The question remains whether the Community was justified in concluding the Convention jointly with the Member States i.e. in the form of a mixed agreement. Under Community law the conclusion of such an agreement is permissible only in case of necessity and when its content is such that the Community's freedom of action is not restricted and the decision-making process is not distorted. The Lomé Convention meets these Community requirements for mixed agreements and the Convention is therefore binding under Community law.

16. Under Lomé II - here there is no change - administrative responsibilities lie to a large extent with the Commission which, however, is subject to tight legal restrictions. The ACP-EEC Council of Ministers (consisting of the members of the Council and Commission of the European Communities and of one member of each of the governments of the ACP States), which lays down the broad guidelines, has a number of decision-making powers; these include the right to amend the protocol on originating products, to extend the list of products covered by the STABEX system and to order the repayment of STABEX funds. However, under Article 168(3) (Article 74 of the old Convention) it does not have the right to enact directly applicable law, i.e. before its decisions can be implemented, they must be converted into Community or national law.

Decisions are negotiated within and between Member State and ACP groups and are eventually adopted unanimously. In regard to external relations with the ACP States this means that any one Community Member State could prevent the taking of a decision by the ACP-EEC Council of Ministers.

¹ Attention should be drawn in this connection to Written Question No.160/80 by Miss Flesch to the Council (OJ No. C 160 of 30.6.1980, p.59) on consultation of the European Parliament on the Lomé II Convention, since the Council does not say what these conditions are, but merely states that Parliament was asked for its opinion on 14.4.1980

At the level of internal relations, however, the intra-Community division of powers remains intact, i.e. the Member States must follow the Community's institutions, that is the Commission and Council, in areas covered by the Community's terms of reference. The Member States' internal agreement (Procedure) on the Lomé Convention provides for a coordination procedure in respect of matters for which the Member States are responsible. This makes it quite clear that Lomé II meets Community-law requirements for mixed agreements.

I. Context and duration of the new Convention

17. The negotiations on the new Convention, which began on 24 July 1978 in Brussels, were concluded on 27 June 1979 with 57¹ ACP countries. The discussions were relatively difficult - which is hardly surprising in view of the agreement's scope and the complexity of its subject matter - and involved 4 ministerial conferences and one marathon session. On 31 October 1979 the second cooperation agreement was signed in Lomé (Togo) between the ACP States and the European Community.

18. Because the old Convention expired on 29 February and the procedure for ratifying the new Convention would still take some time, Council Regulations Nos. 434/80 and 435/80 of 18 February 1980² on the application of transitional measures and the arrangements applicable to agricultural goods and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States and the overseas countries and territories entered into force on 1 March 1980. The regulation on the application of transitional measures concerns arrangements relating to trade cooperation, STABEX, industrial cooperation, provisions on payments and capital movements, the working methods of the Institutions, general and final provisions and the agreement on coal and steel products.

Under the provisions of the regulation on agricultural products, special treatment is granted to certain agricultural products and foodstuffs more favourable than that applied to third countries. The Council Decision on the association of overseas countries and territories with the EEC makes similar provision for agricultural products and foodstuffs originating in the OCT.

¹ There are now 59 ACP countries (see list of countries in Annex I) and Zimbabwe (formerly Rhodesia) will probably become the 60th ACP State

² OJ No. L 55, 28 February 1980, p. 1 et seq.

These arrangements are not just an extension of Lomé I. They reflect the increased advantages granted to the ACP States and OCT in the negotiations for Lomé II. Thus the list of products accorded preferential treatment has been extended and now includes beef and veal, fruit and vegetables (e.g. tomatoes, onions and carrots), fruit juices and preserved fruit, guavas, passion fruit and maranta. There are also improvements in connection with certain products exported from the ACP States to the French Overseas Departments. These measures have already been approved by the European Parliament¹.

19. As far as content is concerned, Lomé II is not a new agreement but the continuation and consolidation of a policy which began with Lomé I in 1975. It is a development pact for progress between the ACP countries and the EEC, which preserves what has already been achieved, makes improvements in various areas and introduces a number of innovations.

The four cornerstones of the Lomé policy are maintained:

- legal certainty in the relations between economically unequal partners on the basis of a freely negotiated agreement;
- a single agreement governs relations between all countries, which rules out any influence upon, or discrimination against, the economic systems, forms of government or development models of individual partners; thus cooperation is marked unequivocally by non-alignment and mutual respect for national and cultural independence;
- general arrangements for every conceivable form of cooperation; with the variety of precisely defined instruments available it is possible to agree with each ACP country those measures which are best adapted to its particular economic structure, its degree of development, its requirements and its own priorities;
- a permanent dialogue between both sides, guaranteed by an institutional structure, taken over from the first Lomé Convention and further strengthened by newly agreed consultation procedures².

¹ Cf Sablé report, Doc. 1-732/79, 11 February 1980, and the resolution adopted by the EP on 15 February 1980, OJ No. C 59 of 10.3.1980, p. 62

² Commission Information Note No. P 92, October 1979, p. 1

20. Extensive sections of Lomé II have been newly formulated; in particular, the provisions on trade, stabilization of export earnings and financial and technical cooperation differ substantially from Lomé I (Lomé I comprised 94 articles, while Lomé II consists of 191 articles - Lomé II is thus much longer; whether the quality has improved to the same extent is another matter). There are scarcely any changes of a structural kind, but rather innovations that indirectly affect the North-South Dialogue.

Among the new features of the Convention are the arrangements for mineral products introduced in favour of ACP producers in order to maintain or develop their production potential. Other innovations include provisions relating to the treatment of Community investments in the ACP States and the inclusion of a new Title on agricultural cooperation so as to take account of the importance of the food-supply problem and the development of rural areas in the ACP countries. A further innovation may be seen in the joint declaration on shipping which calls for the adoption of the Regulation on the United Nations Convention on a Code of Conduct for Liner Conferences. In the Title on industrial cooperation the objectives have been formulated more clearly and also amplified, the emphasis being placed chiefly on the production of finished goods in the ACP countries.

The most important direct improvements for the ACP States are probably: expansion of the system for stabilizing export earnings from basic agricultural products and parallel arrangements for certain ores, special measures for industrial finished goods in the ACP and the establishment of specific advantages in both the trade and cooperation sectors in favour of the least developed countries. The increase in funds to 5,600 m EUA is particularly important in this context.

21. Like the first Convention, Lomé II was concluded for a period of 5 years and expires on 28 February 1985 (Article 188(1)). In the early stages of the negotiations there was some discussion as to whether the five-year pattern should be abandoned in favour of a partnership planned for an unlimited period so as to avoid the need for fresh negotiations every 5 years. In order to confirm the permanent character of the relationship between the EEC and the ACP, the European Parliament recommended that the new Convention should be concluded for a period of 10 to 15 years and appropriate review clauses included¹. Unlimited or

¹ See Broeks report on the negotiations on the renewal of the Lomé Convention, Doc. 487/78, 1 December 1978; cf in particular paragraph 2 of the resolution of 14 December 1978, OJ No. C 6, 8 January 1979, p. 57

longer-term arrangements were recommended mainly by the ACP countries. They argued that there was greater security in a convention that was guaranteed for a long period and that this would have favourable effects, in particular, on the sale of ACP products and production planning as well as encouraging investment. The Member States, for their part, pointed out that the economic situation changes quickly and that measures which appear appropriate today may be obsolete in a few years' time. It should also be noted that it is difficult to enter into certain obligations for a protracted period and there are various Community problems which have nothing directly to do with the ACP. These mainly concern the budgetization of the European Development Fund and the fact that Community financial aid can only be planned for a maximum period of 5 years at a time, especially in view of the precarious world economic situation.

22. It will be recognized that in any long-term agreement an immense number of amending and review clauses would have had to be incorporated. In view of the large number of parties to the Lomé Convention, procedures would probably be set in motion similar in their effects to new or extending negotiations at 5-year intervals. In any case any discussion concerning the duration of the Convention seems superfluous, since the Preamble to the new Convention speaks of aspirations 'to reinforce in their mutual interest, close and continuing cooperation in a spirit of international solidarity'. As in Lomé I the Final Provisions stipulate that 18 months before the expiry of the Convention (28 February 1985) the Contracting Parties must enter into negotiations in order to examine what provisions will subsequently govern relations between the Community and the Member States on the one hand and the ACP States on the other. They are also given the opportunity, as before, to take any transitional measures that may be necessary pending the entry into force of the new Convention. In this way the continuity of the Convention is essentially assured.

23. With Lomé II the Europe of the Nine are not of course offering the ACP States a Marshall Plan which, in any case, could not be directly reapplied to them. With the ACP, it is not a matter of reconstructing ravaged nations in possession of an infrastructure, a skilled workforce and experienced management, but of helping them to develop their economy.

But the new Convention does offer substantial innovations and improvements, and Europe has thus demonstrated that, despite increasing tension in the world economy, it is prepared to explore new avenues in the North-South Dialogue on the basis of specific agreements. If it is argued that at the beginning of the negotiations the ACP wanted the creation of special funds for almost all the development sectors and the extension of STABEX to virtually every single product, then it is

clear that certain of the ACP's wishes have not been met. But the fact remains that Lomé II represents a substantially expanded follow-up agreement which seeks, quite specifically, to solve the developing countries' urgent problems with practical solutions. Not for nothing has the Convention often been described around the world as a possible development model. After the disappointing results, for the developing countries, of UNCTAD IV and V (Nairobi, May 1976 and Manila, May/June 1979), the deadlock in the North-South Dialogue at the Conference on International Cooperation (December 1975 to January 1977 in Paris) and, finally, the substantial failure of the third UN Conference on Industrial Cooperation (UNIDO) in February 1980, there is no disputing that the Lomé Convention, though certain of its arrangements might indeed have been a little more generous, represents nonetheless a realistic and practical base for the ACP countries, more than half of which belong to the least developed nations. In the Lomé Convention an attempt is made at practical and sensible development work, which cannot always be said of the major international development conferences.

II. The main provisions of the new Convention

24. The purpose and task of the Lomé Convention is to improve the economic and social situation in the ACP States in a spirit of genuine partnership. To this end, a comprehensive set of development instruments was created, with an eye, in particular, to the following areas:

- promotion and development of trade between the ACP and the Community;
- industrialization of the ACP States, the main prerequisite for their economic development and for increased trade to the benefit of these countries;
- stabilization of export earnings from commodities;
- improvements in the agricultural sector, with the particular aim of guaranteeing the ACP's food-supply basis;
- intensification of regional cooperation among the ACP countries;
- special measures for the least developed ACP countries.

1. Trade cooperation

(a) General principles and development of trade

25. One of the primary objectives of the Lomé Convention is to boost ACP exports to the EEC. Accordingly, the European Community has granted the ACP States free access for their goods to the common market and under the new agreement has improved its concessions, albeit only slightly, in

the agricultural sector. Like its predecessor, Lomé II consolidates the opening up of the Community market and provides for free access to the Community market for 99.5% of all ACP exports. The Community does not require reciprocal preferences, which is justified by the considerable difference in the level of development. However, the ACP States must accord equal treatment to goods from the Member States (ban on discrimination) and may not treat goods from the EEC countries less favourably than goods from most-favoured industrialized states outside the Community (most-favoured-nation clause). An exception is made in the case of relations between the individual ACP countries and with other developing countries. The principles underlying the trade arrangements laid down in Article 2(2) and Article 9(2) of the new Convention remain unchanged, though certain improvements have been made regarding trade promotion and rules of origin. In addition, it was agreed to strengthen the information and consultation procedure in respect of trade measures taken by either side or in connection with the ACP's export potential.

As regards the rules of origin, there has been little change in the concept or in lists A, B and C. To meet the wishes of the ACP States, the Community expressed its willingness to relax the procedures for departing from these rules by authorizing the ACP-EEC Customs Cooperation Committee to take different decisions. The criteria to be applied in examining requests for derogation were more narrowly defined and the extension of the period of validity of such exceptions facilitated. As to arrangements on the origin of fishery products, it was agreed to make a start on this problem as soon as possible. We can only hope this is done quickly, since the matter is of extreme importance to the ACP's trade.

26. Considerable importance attaches to a unilateral Community declaration on trade liberalization to the effect that the Community is prepared, whenever ACP States bring to its attention any specific case where their trade advantages on the Community market are affected by general trade liberalization measures, to study jointly with the ACP States specific appropriate action with a view to safeguarding the interests of the ACP States (Annex XXV of the Final Act).

27. This declaration could assume great significance in the context of the generalized preferences scheme, for since the entry into force of the Lomé Convention the ACP have continually complained about the erosion of their special customs duty advantages by the generalized preference scheme and demanded adequate compensation for any negative repercussions¹.

¹ Cf the minutes of the Joint Committee meetings of 6-7 June 1977 in Luxembourg, CA/CP/19, 5 July 1977 and in Maseru, CA/CP/31, 10 February 1978, and paragraph 15 of the resolution in the Lord Reay report on the Annual Report of the ACP-EEC Council of Ministers (Doc. ACP/EEC, 5/77) and on current problems connected with the Lomé Convention (CA 10 final), p. 7

It cannot in fact be denied that the ACP have to share their special preferences in EEC trade with the generalized preferences in favour of the other developing countries. Any erosion of their special preferences is naturally a serious matter for the ACP States, since for historical reasons they conduct the bulk of their trade with the EEC (around 50% - the percentage for the rest of the developing countries is 20%). It must, however, be pointed out that despite their own economic difficulties the ACP have never called the generalized preference scheme into question, out of solidarity with the Group of 77.

The important thing is that machinery for consultation between the Community and the ACP over preferences for the following year should be set in motion quickly and function smoothly. Before the Council decides on the new GPS for the coming year, talks must be held with the ACP partners in order to avoid difficulties over certain products, and particularly those of the poorest ACP States¹.

It is self-evident that, in the first place, the Community must strictly fulfil its commitments under the Lomé Convention. At the same time, the EEC has an absolute moral duty to help the other developing countries throughout the world, especially in Asia and Latin America, where the need is sometimes very great. Both policies are important and complementary.

The ACP's grievances date from the entry into force of the first Lomé Convention. However, specific figures on the actual repercussions, and particularly on the cumulative effects, which annual improvements in the Community scheme might have on ACP exports to the EEC, have never yet reached the Committee on Development and Cooperation. Therefore, the Commission and the ACP-EEC Working Party on the Effects of the EEC's Generalized Preference Scheme should submit to the committee, as soon as possible, figures indicating to what extent, if any, the GPS has had an unfavourable effect on certain ACP products.

28. The ACP States that expressed disappointment at the development of trade under the first Convention and at the reduction of their trade advantages following the liberalization of trade between the Community and other third countries, particularly as a result of the Generalized Preference Scheme, adopted more radical standpoints from the very

¹ A statement on this was included in the minutes for the Council Decision of 6 November 1975 in connection with the decision on the preference system for 1976

beginning of negotiations. They asked for the abolition of the safeguard clause and for the import arrangements for all goods from the ACP States to be made more favourable than those applying to the other states with which the Community had concluded preferential agreements. They further asked for substantial amendments to the rules of origin, with particular reference to the percentage of added value needed before a processed product can qualify as a product originating in the ACP countries.

29. 'Trade, not aid' is the only basis on which the ACP and the other developing countries can improve their economic position. Independent initiative is more important than any financial aid. What is needed is not autarky nor import substitutes, but more intensive international trade. For most of the ACP countries, which in contrast to the market-orientated EEC States have only a poorly developed and mostly very unsophisticated industry, exports offer practically the only opportunity of securing the means to purchase industrial products and capital assets to build up their own industry.

It is precisely in the matter of foreign trade, however, that the Third World is underprivileged, since the range of goods offered is one-sided and limited and thus scarcely meets the requirements of the modern world market. Sales of the ACP countries' traditional export goods can indeed still be increased in some measure, but not to the extent of fulfilling increasing payment commitments and keeping pace with the growth of international trade. The ACP countries must therefore take the products of their new industries into the EEC market and for this they need the European Community's support if the development aid envisaged under the Lomé Convention is to have any meaning at all.

30. Although the EEC has opened its markets to 99.5% of all ACP products and has abandoned reciprocity, experience with Lomé I has shown that such measures are not sufficient to bring about any marked increase in the ACP's trade with the EEC. It is hardly surprising, therefore, that the main item of discussion at the 23rd meeting of the ACP Council of Ministers in Monrovia, which ended on 31 January 1980, was the ACP States' growing balance of trade deficit with the Community. All the ACP countries present advocated a return to a better trade balance with the Community, as was generally the case up to 1975, i.e. before the Lomé Convention. The opening of the Community market and the abandonment of reciprocity admittedly demonstrate generous intentions on the part of the Community, even if they have proved hitherto more impressive than successful. In any event the results of trade so far give no indication that the old trade structures have changed. It is in our own best interests that the ACP countries should become genuine trading partners of the Community.

31. At first glance, the trade statistics for 1979 give ample grounds for satisfaction. ACP exports to the Community increased by 24%, while exports from the other countries of the Third World to the Europe of the Nine rose by 20%¹. But we should not allow ourselves to be deceived by such overall figures. Eight of the 59 ACP States are major suppliers of raw materials to the Community or to individual Member States. They alone account for 68% of total EEC imports from the ACP area and take in 63% of all EEC exports to the ACP. At their head stands Nigeria, which as an oil-producing nation accounts for 28% of EEC imports from the ACP and 37% of EEC exports. The other important countries are Gabon, with its oil; Ivory Coast, Cameroon, Kenya and Ghana with their coffee and cocoa; and Zambia and Zaïre with their copper. Thus any statistics which bracket all ACP countries together and take no account of the substantial economic disparities within the ACP group, present a distorted picture. If, for example, oil is omitted from the statistics, the growth in ACP exports to the Community drops to a mere 10%. If oil is included the balance for the ACP countries is positive; if it is left out, the result is a surplus for the Community.

32. From the point of view of trade policy, it is a matter of extreme concern that the export structures of the ACP countries have, on the whole, remained unchanged since Lomé I². 80% of the EEC's exports to the ACP countries consist of manufactured goods, while ACP exports to the Community consist principally of foodstuffs (39.5%), energy products (29%), and raw materials (16%)³. Imports from the ACP States are mainly concentrated around 10 products, which make up 73% of total imports⁴. With the exception of a small number of countries (Ivory Coast, Kenya and Jamaica) exports of manufactured goods from the ACP to the EEC represent 4% of total exports (as against 12% from the rest of the developing countries).

¹ Cf Annex II

² Cf Written Question No. 888/79 by Mr Denis to the Commission on ACP-EEC trade under the Convention of Lomé, OJ No. C 49 of 27.2.1980, p. 26 ff

³ Cf Annex III

⁴ Cf Annex IV

33. It is not just a matter for regret that ACP exports to the Community have not risen as much as those countries hoped; the worst part of it, economically speaking, is that half of all ACP exports still consist of raw materials. Basically, the Lomé policy up to now has done nothing to alter the characteristic worldwide trade flows, between industrialized and developing countries - raw materials from the Third World, manufactured goods from the industrialized countries. Things will change fundamentally only when the ACP are in a position to process their raw materials and produce goods that can sell on the world market, and especially in the EEC. Unfortunately, trade results under Lomé I prove that it is not enough merely to open the EEC market to ACP products. It is vital, therefore, that the important trade instruments - promotion of marketing and investment, industrial cooperation and agricultural policy - should be interlinked and deployed together and the objectives geared to the various trade policy factors. In other words, we must get away from development aid and work out a genuine development policy.

In view of the unsatisfactory results yielded so far by the commercial policy, the Commission should immediately undertake a study to determine what basic factors are characteristic of ACP-EEC trade so that under Lomé II ACP exports can develop under optimum conditions.

(b) Access for ACP agricultural products to the Community market

34. A number of products - those which fall under the common agricultural policy - are unfortunately not included among ACP exports given free access to the European Community. This works very much against the ACP States, since up to now most of them have been purely agricultural and can boast little, if any, industrial production. For this reason, exports of agricultural products, and their free access to the European Community, would be of great economic importance to a number of ACP States. At the start of negotiations, these states had demanded that all agricultural products, including processed products, whether or not covered by a common organization of the Community market, should be given unrestricted access to the EEC market.

35. The advantages granted under Lomé II are considered inadequate by the ACP States. The concessions it makes are an improvement over Lomé I, especially for ACP beef and veal and ACP tomatoes, but they are still far from substantial. To be more specific, ACP agricultural products also covered by the Generalized Preference Scheme enjoy the following advantages:

- agricultural production that does not compete with EEC products (e.g. coffee and tea), and for which there are no market organizations in the Community, can be imported duty free;
- for other agricultural products (vegetables and certain fruits) there are reduced tariff rates;
- for products subject to the agricultural levy (cereals, processed fruit and vegetables, beef and veal) there is a large measure of customs duty exemption. Furthermore, the amount of the levy is reduced by a fixed rate. However, in the case of products which are subject to this levy and in which the EEC Member States are self-sufficient, the safeguard clause could be applied in the event of a threat to domestic production; however, this clause was never applied under Lomé I;
- there are special arrangements for the beef and veal-exporting ACP States: Botswana, Madagascar, Swaziland and Kenya. The annual quota has been raised to 30,000 tonnes, an increase of 9% over Lomé I;
- the annual growth rate for duty-free quotas was also increased for rum; the Protocol on Rum stipulates that the annual growth rate, which is used to calculate the tariff quota, is fixed at 18% instead of 13% for eight of the Member States. 40% continues to be the rate applicable to the United Kingdom; the Protocol on Rum, like the Protocol on Bananas, does not apply to relations between the ACP and the French Overseas Departments;
- for ACP agricultural products that directly compete with European agriculture, Lomé II makes very few improved concessions. It makes special arrangements, it is true, for certain products (onions, tomatoes, carrots, asparagus, tapioca, mushrooms, passion fruit and guava juices and preserves), but these arrangements show very clearly how much the common agricultural policy is dominant. Tariff concessions, for instance, are granted only for short periods and for extremely low quotas (in 1977 only 790 tonnes of tomatoes, 13 tonnes of onions and 20 tonnes of carrots were imported), in order to ensure that the ACP States can only export such products to the EEC if the European crop has already been marketed. However, the 1980 quotas for carrots and onions were raised to 500 tonnes.

36. Because of its concern with interests of the common agricultural policy, the Community did not feel able to improve market-access conditions for husked rice from Surinam, which is an important export product for that country. Further products for which the ACP countries desired a liberalization of market access continued to be left out of account by the Community - in particular, several fruits and vegetables in which the ACP States either already have considerable potential in terms of cultivation and export or could quickly acquire such potential. Whether, in the face of this attitude, it is possible to speak of a fundamental improvement of trade relations under Lomé II, is an open question.

Trade statistics show very clearly that the Community only extends its generosity to agricultural production where there is no protection requirement. Agricultural products accounted for a bare 50% of all EEC imports from ACP countries, and as much as half of this consisted of coffee, tea, cocoa and spices - products for which there are no market organizations since they cannot be grown in Europe. It is true that the percentage of agricultural imports from the ACP to the Community has increased, but the overall figures show that the ACP countries lie in last place but one, in front of the State-trading nations¹.

37. The protectionism of the common agricultural policy is highlighted by the fact that even Lomé II, to which some of the world's poorest countries belong, has been unable to meet the long-standing demand for full customs exemption for imports of tropical products in raw and processed form. The only possible explanation is that various processing industries and hot-house producers established in the EEC must be protected. For most ACP States exports of tropical agricultural products are vital. Shortfalls resulting from poor harvests or unfavourable market developments (as in Senegal, for example) cut into their already low foreign-exchange reserves and consequently their purchasing power in the industrialized countries. It is, therefore, quite astonishing that the EEC's agricultural policy should fail to take account of this situation.

¹ See Annex V

(c) Arrangements for sugar and bananas

38. Protocol No. 2 on sugar is one of the essential components of the Lomé Convention and is of fundamental economic importance for the sugar-producing ACP countries¹. Since it is unlimited in duration and can only be reviewed from 1 April 1981, it was included unchanged in Lomé II.

The inclusion of the Sugar Protocol in the Lomé Convention is the result of the United Kingdom's accession to the Common Market. In Protocol No. 22 of the Treaty of Accession to the EEC the Community undertook to purchase and import each year from the ACP States a total quantity of 1,321,500 tonnes of sugar at guaranteed prices.

39. The ACP States also regard the Protocol as a solid basis for cooperation, particularly for their economic planning, production and export earnings, but they do not agree with the way in which it is at present applied. In the first place, the ACP take the view that the targets set under the STABEX system have not been met in the case of sugar. They call for a fair guaranteed price located in the middle of the Community range. Above all, they consider the consultation procedure totally inadequate, since the Community unilaterally changes price structures and intervention prices and presents them with a *fait accompli*. Moreover, even though an agreement was reached in principle at the meeting of the Committee of Ambassadors on 23 November 1977 on the definition of 'force majeure' in Article 7 of the Protocol, and on a related procedure for consultations between the ACP and the EEC, the interpretation of these provisions is still raising difficulties². Thus, the press communiqué which was published at the end of the fifth meeting of the ACP-EEC-Council of Ministers (8-9 May in Nairobi) stated that there was no consensus on the application of the rules on force majeure and that it was agreed to apply the 'good offices' procedure provided for in Article 176(2).

It would therefore be desirable, in any review of the Protocol, to formulate certain provisions more clearly. All that the ACP ask is that an effort be made to understand their concerns and that the text be applied in accordance with the spirit and the letter of the Protocol. If properly applied, the Sugar Protocol would not simply be a cornerstone

¹ Cf the very detailed analysis in the Giama report on particular problems and difficulties which have resulted from the application of certain provisions in connection with the trade policy aspects of the Lomé Convention, Doc. ACP-EEC 11/1979, 30 March 1979, p. 23 ff

² Cf the Joint Committee's resolution on sugar of 28.2.1980 in Arusha, CA/CP/142/final

of the Lomé Convention, but, in the face of the current raw materials problem, would set an example of cooperation for industrialized and developing countries, which can often export only their raw materials.

40. Sugar not only plays an important role within the Lomé Convention, but also has a bearing on the entire North-South Dialogue. The conditions are favourable for sugar in a number of tropical countries where, if rational methods of cultivation are used, cane-sugar can be produced at a lower cost than beet-sugar. Another important point is that the growing of sugar in most of the developing countries is a European legacy from the earliest colonial times. Because of cheap labour and favourable climate, sugar production was extremely profitable for Europeans in most of their former colonies - so much so that traditional staple foodstuffs such as cereals were neglected, and now have to be imported with precious foreign currency. This matter should be thoroughly examined under Lomé II in the context of agricultural cooperation.

41. For years the ACP States have reproached the Community with not taking any action, in face of the continuing world sugar surplus, to cut back sugar-beet production in the EEC. The ACP are deeply concerned about this since for some of them earnings from sugar sales are the only source of revenue and thus determine the size of the gross national product. Furthermore, there is scarcely any alternative crop such countries could grow or at any rate it would take years to develop one. Diversification in this context can only mean complementary, never substitute, production. In the words of Tanzania's Finance Minister, Mr Jamal, at the opening of the Joint Committee meeting in Arusha on 25 February 1980: 'The Community's sugar policy is a test case for the ACP States which will show whether the Community is prepared to agree to an international division of labour for agricultural policy as well, in order to achieve a new world economic order'.¹ In view of the existing sugar surplus on the world market, the members of the Joint Committee also demanded, in a resolution separate from the Final Resolution, that sugar-beet production in the Community should be kept down to an acceptable level.²

42. In the sugar marketing years 1975/76, 1976/77 and 1977/78 surpluses totalled 1.6, 1.9 and 2.9 million tonnes. These were disposed of on world markets with the aid of subsidies. Such exports obviously depress prices and thus affect the earnings of the developing sugar-exporting countries.

¹ Minutes of the Joint Committee meeting at Arusha, (25-28 February 1980), 2 June 1980, CA/CP/145, p. 4

² Cf the Joint Committee resolution of 28.2.80, CA/CP/142/final

The Commission has therefore proposed that sugar production should be reduced by at least 200,000 tonnes per year¹. These measures would restrict EEC export surpluses in practice to 1.3 million tonnes, i.e. the same amount guaranteed for purchase from the ACP countries. There are good financial and political reasons for restricting Community sugar production since the EEC currently has export surpluses of at least 1.5 million tonnes and has to pay up to 70% of the product's value in export subsidies. The Community must exercise great restraint over exports of the remaining surpluses, since these place serious strains on the developing countries that depend on sugar exports.

43. The EEC has not yet acceded to the new five-year Sugar Agreement approved on 7 October 1977 in Geneva at the UN Sugar Conference. This is paradoxical, since the Community is known to support commodities agreements to regulate world markets in all international bodies. In order to demonstrate its goodwill and to promote the developing countries' agricultural exports, it is urgently necessary for the Community to accede to the International Sugar Agreement as soon as possible. The ACP's Council of Ministers, in Resolution No. 19/77/ACP in Lusaka, and the Joint Committee in Arusha have likewise made statements to this effect.

44. The banana issue was discussed at length during the negotiations on the renewal of the Convention; notwithstanding this, the existing Protocol No. 6 was reproduced as Protocol No. 4 in the new Convention.

The Protocol on Bananas contains three main provisions:

- In the matter of banana exports to Community markets, no ACP State will be placed, in respect of access to its traditional markets and its advantages on those markets, in a less favourable situation than in the past or at present.
- The ACP States and the Community will make joint efforts to work out and implement appropriate measures, with particular reference to investments in all States and covering all stages from production to consumption, so that the ACP States, and particularly Somalia, can increase their banana exports to their traditional markets in the Community.

¹ As far back as 1971, long before Lomé I, the Commission considered that a reduction of the area under sugar-beet in the Community was desirable. Cf Written Question No. 47/71, OJ No. C 62, 22 June 1971, pp. 8 ff

- Comparable efforts will enable the ACP States to enter new markets in the Community and expand their banana exports to those markets.

For the purpose of attaining the Protocol's objectives, a Permanent Joint Group on Bananas has been set up.

45. The ACP States are not satisfied with the way the Banana Protocol has been applied to date, since in their view it has failed in its aims. The present banana trade is still based on traditional relations; the great change which the Banana Protocol was to have ushered in, has not materialized. Despite efforts on both sides, the ACP countries have as yet been unable to penetrate new markets in the Community Member States, and bring about any substantial increase in banana exports. How, indeed, can the Ad hoc Committee on Bananas, with its modest resources, hope to stand up to the mighty multinational undertakings? It is true that Latin-American banana imports into the Community are subject to a 20% duty, while ACP banana exports are duty-free; nevertheless, Latin-American bananas surmount the 20% barrier without difficulty. At any rate, their share of the European market has steadily increased. Standing as it does at around 60%, the fears expressed in 1975 by the leading South American banana exporters - Ecuador, Honduras, Guatemala, Colombia, Panama and Costa Rica - seem unfounded. Application of the Banana Protocol has brought no disadvantages for South American exports, but neither has it brought the ACP countries any export advantages.

46. The ACP have repeatedly referred to the very different interpretations of the Banana Protocol. While the Community takes the view that it can exert only a slight influence on the banana market, since it belongs to the private sector, which is governed by the law of supply and demand, the ACP countries are convinced that the Protocol gives the Community all that it needs to help boost ACP banana exports. At the Joint Committee meeting in Maseru (28 November to 1 December 1977) Commissioner Cheysson pointed very clearly to the private character of the Community's banana market, but promised the ACP States every assistance towards better marketing for the product and protection against certain marketing methods of the multinationals. In reality, the ACP must come up with something themselves, especially in the matter of quality improvement, if they wish to increase their share of the Community market. This will not be accomplished merely by the strict application of the Protocol.

47. The Community has therefore repeatedly urged the ACP States to pursue a more vigorous and aggressive trade policy in the banana sector. It has also promised to give full support to all measures and endeavours of the 'Common Organization' of the ACP banana producers. In particular, the

EEC has expressed its readiness to intervene with the multinational firms if they fail to observe the Community's rules on competition; it is also prepared to make financial resources available to the 'Common Organization' for production, and particularly for marketing.

At the Joint Committee meeting in Maseru, the representative of the Ivory Coast, Mr Ebagnitchie, submitted a proposal for the solution of the banana problem, which should not go unmentioned here. As no one was satisfied with the present functioning of the Banana Protocol, he suggested that when Lomé II was drawn up arrangements should be made for bananas similar to those laid down in the Sugar Protocol. At the same meeting, Commissioner Cheysson immediately took up a position on this proposal and said that a Banana Protocol analogous to the Sugar Protocol, i.e. with guaranteed prices, was scarcely possible. This is perfectly correct, since the storage problem alone would be sufficient to defeat such arrangements; bananas are not sugar.

(d) Sales promotion and expansion of trade relations between ACP countries

48. The main reason for the lack of progress in exports from the ACP countries is the structurally unfavourable range of goods they offer. Agricultural goods and raw materials, together with oil - which for several reasons is not representative of the products supplied by this group of countries - make up the lion's share of the export basket. The ACP countries' meagre success in exporting manufactured goods is frequently attributable to insufficient know-how. Inadequate knowledge of consumer habits, needs and wants, because of insufficient market research results in manufacturers offering badly designed or low-quality goods. It is also possible that marketing channels and methods of sales promotion are not the most appropriate ones, or that the price policy is wrong. The result is that such products are rejected by dealers and consumers on the market.

49. At the Council of Ministers' meeting in Fiji the ACP States suggested that vigorous efforts must be made under the Lomé Convention to promote sales - efforts going beyond the narrow confines of trade functions and fairs. This is right, but these words have scarcely been matched by action. It is significant, for example, that although Lomé I already offered many opportunities for implementing and financing sales promotion measures, the ACP States did relatively little about them: only 2% of the available funds were spent on sales promotion. Only Kenya, Ivory Coast, Jamaica, Cameroon and Togo achieved significant improvements in their export structure as a result of spending more on trade promotion. In their relations with the EEC the relevant ACP authorities are too much concerned with the level of trade preference (sometimes in order to gain a mere 0.1%, although they already enjoy a preference of 99.4 or 99.5%). Instead, the aim of the ACP countries should be to conquer the EEC export market through skilful

marketing and the building up and development of production geared to that market. In certain export sectors (COLEACP for fruit and vegetables, FEDAU for art-trade articles) joint ACP-EEC organs exist, but this is still not enough.

50. A few improvements should not blind one to the fact that considerable efforts still have to be made in the area of trade promotion. At all events, it is clear that the full range of possibilities available under Lomé I (Articles 12-15) has not yet been utilized for various reasons (lack of planning in some countries, insufficient knowledge of requirements and lack of skilled labour).

It is so very important to promote trade actively under the Convention because around 50% of ACP exports go to the Community. Lomé II must therefore focus chiefly on ensuring that the ACP countries are able to utilize the advantages offered by the agreement since they will be depending primarily on the European Community's support in the next few years for the sale of their products. The technical and financial help of recent years must be extended beyond the sphere of pure technology to include, in particular, commercial considerations. If it was true 100 years ago that the flag followed trade, it is now true to say that it follows the market analyst. There is no doubt that exports can be substantially increased through trade promotion centres, marketing bureaus, production agreements and better coordination. Above all, the ACP must make sure they do not produce what the market does not want. Rather, they should improve and develop their natural and traditional produce or products. Ambitious objectives, or the development of industries which are facing great difficulties in the Community itself (textiles, footwear, steel) would only lead to complications and put unnecessary strain on the relations between the Community and the ACP countries. Trade surveys make it very clear that the successful undertakings are predominantly those which have become more marketing-conscious and have adapted their production to more sophisticated consumer needs and application requirements.

51. Sufficient information about market outlets, about the organization of exhibitions and fairs and about advertising campaigns is vitally important. The theoretical principles of market research should therefore be used to give a solid basis to practical considerations. Product, price and advertising research is necessary. Particularly important is retail-trade research, for this is the area with which market researchers in the developing countries will mostly have to cope. Also important are accounting methods, guidance on how a report should be prepared, written and submitted, and finally the question of setting up and running a market research department

in an undertaking. We are not dealing here with academic refinements, but with what a market researcher in the developing countries needs: from simple accounting methods, to information on how to draft a good questionnaire and access to a serviceable terminology. The most effective way to give development aid is to transmit experience and know-how from the economically developed countries. It thus makes little sense for the EEC to keep harping on the importance of marketing in the ACP countries; a handbook, a kind of 'marketing code' dealing with the crucial problems, would be of greater use. For in a society where the consumer enjoys freedom of choice, systematic marketing is an essential prerequisite for sales promotion.

How can demand on the markets be boosted? More specifically, how can an interest in the goods of ACP countries be awakened or boosted in the European imports sector (importers, trade, chambers of industry and commerce)? And how can ACP sellers more effectively penetrate the EEC market? These are questions to which practical answers must be found in the sphere of trade cooperation, and especially sales promotion. Here the major European importing firms and chambers of commerce have a special role to play. A good example is the ACP-EEC meeting which was arranged in May 1980 by the Marseilles Chamber of Commerce.

52. Sales promotion by the ACP countries must cover all exports from those countries, i.e. to the EEC, other countries and to the ACP nations themselves; the size of the EEC market should not make the ACP countries forget that other developing and industrialized nations also provide markets which are even better adapted to some goods than is the Community market. The ignorance of ACP partners about their own markets is astounding. A beginning has been made, but there is still a long way to go. Market amalgamations between the ACP partners are, however, a precondition for any successful sales-promotion policy.

53. The signatories to Lomé II have markedly improved the provisions on sales promotion. Forty million EUA for regional sales promotion have been added to the funds made available for sales promotion in the ACP States' own-initiative programmes. However, the most important feature of Lomé II is a new departure in the trade policy provisions. The scope of these provisions has been greatly extended since they now cover economic activities both before and after production; they also include the domestic market and external markets, i.e. the world market and the regional ACP markets.

(e) The safeguard clause arrangements

54. Most commentators consider the improved procedure for applying the safeguard clause a crucial innovation in Lomé II, particularly on account of the provision for consultations. This clause allows the Community to bar imports of certain goods from one or more ACP States. The safeguard clause contained in Lomé I has been linked with consultation machinery in the second Lomé Convention, i.e. if the Community wishes to open consultations, it must give the ACP States concerned all the information they need to decide for themselves how necessary the exclusion measures are. However, the consultations have no delaying effect, and in urgent cases protective measures, i.e. import embargos, can be enforced even before consultations begin. The safeguard clause is not rendered any more acceptable by the provision that EEC protective measures may be replaced by special agreements, e.g. self-restraint measures, for even the policy of self-restraint may be viewed as one aspect of a non-liberal trade policy.

It is regrettable that the EEC was not prepared to take account of the low level of development in many ACP States in the application of the safeguard clause. Because they have only a 0.66% share of the EEC's total imports of finished and semi-finished goods, there need be little fear that ACP exports will create serious market disturbances. Furthermore, the new safeguard clause arrangements provide for measures restricting ACP exports, even if the market disturbances have been caused not by themselves but by third countries. Care must therefore be taken to ensure that the clause is applied only after thorough prior consultation of all the parties concerned and taking particular account of the actual export capacity of the country concerned.

(f) Access to the Community's agricultural surpluses in connection with the ACP's security of food supplies

55. In a declaration concerning supplies of available agricultural products to the ACP States, the Community states that, in addition to supporting agricultural-cooperation projects, it will endeavour to use the instruments of the common agricultural policy in such a way that transactions may be concluded for certain basic foodstuffs within normal trade structures on terms permitting a greater stability of supplies. In this way the Community could contribute to better security of food supplies in the ACP States in accordance with the wishes expressed by these States in the negotiations.

Supplying the ACP States with agricultural products available in the Community gave rise to a number of difficulties in the course of the negotiations on this part of the Convention, because the Community did not want to agree to products being supplied to the ACP on particularly favourable price and foreign exchange terms (GATT terms and payment in national currency). On 28 March 1977 the ACP asked the Community for the first time to draw up a programme allowing agricultural surpluses to be supplied under agreements between the EEC and ACP. The Community's response, of 18 July 1978, was extremely cautious on account of the abovementioned objections; even so, it was acknowledged that there was a certain amount of scope for such agreements under the common agricultural policy. It should be pointed out that it was only with considerable reluctance that the Community reached an understanding with a number of ACP countries on what is described as a 'prior fixing of refunds' making it possible for its suppliers to apply the same price for wheat supplies throughout the cereal marketing year. This is certainly a step forward, but it is limited to a single product and then only to a very few countries in West Africa.

56. At the Joint Committee meeting in Arusha, the representative of Guyana complained that access for the ACP to the EEC's agricultural surpluses was difficult and inadequate. He upbraided the Community for being more liberal in their dealings with third countries and called on it to conclude multi-annual agreements with the ACP as well, since agricultural production in the ACP fluctuated a great deal for a variety of reasons. At the same meeting Commissioner Cheysson said that it was anomalous that it had not so far proved possible to adopt long-term supply measures and satisfactory price arrangements in the framework of the common agricultural policy.

It is, therefore, regrettable that no specific provision is made in the new ACP-EEC Convention for supplies of agricultural products, as distinct from emergency aid or food aid granted to certain ACP countries, when the food-supply situation in several ACP countries has recently been steadily deteriorating. Since the EEC has substantial surpluses in certain products and in some cases even causes agricultural products destroyed because of the price guarantee, the Community must devise a legal framework as quickly as possible under the common agricultural policy which will allow suppliers established in the Community to conclude long-term contracts with third countries. Is it not illogical that countries with food deficits wishing to conclude with the EEC long-term contracts for surpluses should be refused because the EEC's agricultural policy is hampered by the lack

of a genuine trade policy? For this reason the Community must develop more flexible instruments enabling it to conclude multi-annual framework agreements on supplies and to grant medium and long-term loans. It is also desirable that in future the question of refunds should play a less important role in export promotion.

2. The procedure for stabilizing earnings from exports of commodities (STABEX System)

(a) Assessment of existing STABEX arrangements

57. For years the developing countries have been calling, in international bodies, for measures designed to eliminate the excessive fluctuations in export earnings and bring about a certain measure of stabilization.

The foremost of these is 'indexation' i.e. the establishment of a fixed ratio between export prices for raw materials and import prices for industrial goods. Quite apart from well-nigh insoluble technical and statistical problems, indexation raises the following question: how can such a system guarantee a fair balance between producer countries, and between producer and consumer countries. It is scarcely conceivable that such a system could benefit all developing countries, since trade flows are not such that only industrialized and developing countries trade with one another. In any case, price indexation is not a panacea that can solve all problems with a simple formula. And many economic institutions have opposed automatic indexation on the grounds that it could lead to an acceleration of inflation around the world.

The problem of fluctuations in the export earnings of the developing countries had already been tackled under the association policy. In 1967 the Joint Committee adopted a report and a resolution which was approved in December 1968 by the Parliamentary Conference of the Association. These call for solutions guaranteeing stable and profitable prices for the products of the Associated States¹.

58. In April 1973, on the basis of Protocol No. 22, in which the Community promises to take especial account of the interests of the sugar- and foodstuff-exporting AASM and Commonwealth countries, the Commission proposed a financial compensation mechanism to stabilize the export earnings from seven main export products of the countries concerned².

¹ Armengaud report on methods for promoting the marketing of products from the Associated States within the EEC at stable and profitable prices (Doc. 20/67/Parliamentary Conference of the Association)

² Bananas, cotton, groundnuts and groundnut oil, coffee, cocoa, copper and sugar

This basically simple system gave rise to complicated negotiations in the Council and was eventually rejected. The STABEX system, which was incorporated in the first Lomé Convention, guarantees export revenues for a dozen products or product groups¹. 375 million u.a. were made available for stabilization of export earnings for the duration of the Convention. STABEX is so designed that even where exports decline only slightly (7.5% in normal cases, 2.5% in the case of the poorest ACP countries) compensatory payments must be made. The Community does not require the 24 poorest ACP States to replenish the stabilizing funds when their export situation improves².

59. Stabilization of export earnings is one of the most important features and one of the fundamental innovations of the Lomé Convention. The only problem is the product-related nature of the system, which may in certain circumstances delay structural changes. Still, STABEX offers the ACP States solid guarantees and imposes much higher obligations on the EEC than has hitherto been the case under existing commodities agreements; it offers a practical basis for improving relations between raw materials producers and consumers. At any rate the Community has created a precedent, for the STABEX system it has introduced is the first agreement between industrialized and developing countries designed partially to offset the effects which sudden falls in export earnings can have on national economies. Lomé I thus helped to protect the ACP from excessively severe fluctuations in world market prices and was therefore viewed by the ACP as an advance.

60. After five years' application of STABEX under Lomé I, the record shows that transfer payments have fluctuated very sharply from one year to another: 80 million EUA in 1975, 37 million EUA in 1976, 34 million EUA in 1977, 164 million EUA in 1978 and 60 million EUA in 1979. These payments benefited 37 out of 59 ACP States and affected 22 out of 33 products. These facts should be examined more closely, notably by assessing the impact of STABEX on ACP economic data, e.g. trends in gross national product or in foreign trade. The important thing is not that transfer payments have been made in respect of 22 products, but rather the economic advantages that have accrued for particular ACP countries.

¹ Groundnut products, cocoa products, coffee products, cotton products, coconut products, palm and palm kernel products, leather, skins and hides, timber, bananas (fresh), tea, raw sisal and iron ore

² Botswana, Burundi, Central African Republic, Chad, Dahomey, Ethiopia, Gambia, Guinea, Guinea Bissau, Lesotho, Malawi, Mali, Mauritania, Niger, Rwanda, Somalia, Sudan, Swaziland, Tanzania, Togo, Tonga, Uganda, Upper Volta, West Samoa

An initial assessment shows that:

- The amount allocated to STABEX (375 million EUA) was sufficient to satisfy demand; there are even 5 million EUA left over, which can be allocated to STABEX in Lomé II.
- The least-developed countries were the principal beneficiaries (this is the reverse of what happens under the Generalized Preference Scheme, which unfortunately mainly benefits the more developed countries); they received 67% of the non-repayable transfers. In particular, the countries of the Sudan-Sahel region received 46% of total transfer payments (172 million EUA).
- For some countries STABEX aid was of fundamental importance since it exceeded EDF financing (Mauritania, Senegal and Swaziland).

These facts demonstrate that STABEX successfully passed its first test under Lomé I.

(b) Main features of STABEX under Lomé II

61. Since the results obtained with STABEX under Lomé I were positive, the system was not redesigned under Lomé II but simply continued, albeit with some modifications. The STABEX system - a kind of social insurance for lean years - which guarantees minimum revenues to countries producing agricultural primary products and thus offers more security both to the economy in general and to the producer nations, is also described as a free-market alternative to the Common Fund and to UNCTAD's Integrated Raw Materials Programme¹.

In the course of the negotiations the ACP States submitted proposals for a considerable enlargement and improvement of the system (notably, the abolition of the dependence threshold). However, these were not adopted since they called into question the system as such and at the same time exceeded the limits set for the funds available.

62. In the new Convention STABEX is continued under conditions which substantially increase its effectiveness; in particular, it offers greater guarantees and better protection against risks. Attention should be drawn to the following innovations²:

¹ Cf Jochen van Aerssen, Member of the Bundestag/MEP: Stillstand oder notwendiger Fortschritt (Lomé II), in 'Europäische Zeitung', April 1980, p. 3

² For a detailed comparative survey of STABEX under Lomé I and II see: Le Courrier, No. 62, July-August 1980, pp. 30

- The allocation has been increased by 45% from 380 to 550 million EUA.
- Originally covering 12 products and extended under Lomé I to new products, the system has now been expanded to cover 44 goods or by-products¹ (previously 34). The list now includes nearly all the basic agricultural products that are important ACP exports (inclusion of tobacco and sisal products will be considered during the period of the new Convention).
- The dependence threshold (minimum percentage of previous year's total exports to all destinations accounted for by exports of goods covered) and the trigger threshold (fall in export earnings compared with average corresponding earnings in the four previous years) have been lowered from 7.5% to 6.5% (the dependence threshold for sisal is actually down to 5%).
- For the least-developed countries, land-locked states or island states (46 out of 59) the thresholds have been lowered from 2.5% to 2%.
- The advantages of STABEX can now be extended to international trade between the ACP States so as to develop trade between the ACP as well.
- Payment arrangements have been made more flexible.

A system for clearly monitoring the use of STABEX funds, which has frequently been called for by the EEC, was rejected by the ACP States, which insisted on maintaining the free availability of these funds.

63. Although, on the whole, the STABEX system benefits the ACP in many ways, it does little to help them diversify their production structures; on the contrary, it consolidates existing structures without providing any stimulus for radical change. Furthermore, countries whose links with the mainstream of world economic life are still inadequate or whose first priority, of necessity, is to supply the domestic market, are beyond the reach of STABEX.

So, can STABEX be considered an effective instrument of EEC development policy? For this to be the case, the following measures would have to be taken under Lomé II:

- Conversion of the system from nominal values to real values since no account is taken of losses in purchasing power caused by constantly changing terms of trade and inflation.

¹ Cf Annex VI

- Application of STABEX to a larger number of processed products to give a stronger impetus for the construction of processing industries so that profits from those industries are made in the developing countries themselves.
- Complete detachment of the system from the stipulated range of products (why, for instance, are iron ore and cotton included in the system, but not tobacco?); in this way objections concerning the rigidification of conventional production structures could be removed more easily.
- Subjection of STABEX to an evaluation procedure relating STABEX costs to actual benefits; should the benefits prove too small, it might be wiser to utilize the funds in combination with other instruments within the framework of the EDF.
- Development of the system in such a way that EDF instruments are given optimum support.

64. Because of financial constraints, a satisfactory solution for the stabilization of export earnings at world level will only be found if all industrialized western and socialist nations help. The system embodied in the Lomé Convention is, to be sure, a first practical approach, but it need not necessarily form the basis for a more comprehensive stabilizing system. A wider mechanism would, first of all, have to cover a larger number of products than in the Lomé Convention and benefit the poorest countries. To identify these countries, such criteria as per capita gross national product might be used. Products characterized by sharp price fluctuations and which are especially important to the countries concerned must continue to be selected. At all events, there should be no general solution since it would primarily benefit those industrialized countries that are themselves producers of raw materials, e.g. the USA, the Soviet Union, Canada and Australia.

Stabilization of export earnings from mineral products is dealt with elsewhere (see p. 62).

3. Financial and technical cooperation

(a) Funds available under Lomé II

65. 3,466 m EUA (\$4,329 million) was available under the first Convention of Lomé. This amount was increased to 5,607 m EUA (\$7,457 million) for the duration of the second Convention, an increase of 62% (72% in dollars). The overall total of 5,600 m u.a. covers all types of financing (grant aid, special loans for a duration of 40 years, with a grace period of 10 years and 0.45% interest, low-interest bank loans and bank loans at market rates). The requisite funds are therefore available for all the sectors and aims

of the development policy covered by the second Convention of Lomé, which demonstrates the importance of the procedures and methods for implementing financial cooperation. The proportion of financial aid from public funds in the fifth European Development Fund was increased by 48%. On the other hand, the European Investment Bank's share rose by a disproportionate 126%. (This is mainly accounted for by the 200 m EUA which the EIB can allocate to mining and energy projects in the form of ordinary loans without interest rate subsidies). It would really have been more sensible to make the larger increase in the EDF, since it is difficult to place bank funds in the least-developed countries. This plan failed, however, because of the limited potential of the Community budget and of certain national budgets.

The breakdown of appropriations¹ shows that administrative costs (Commission Delegations in the ACP States), which were hitherto charged to the EDF, will in future be met from the Community budget. This complies with a long-standing request of the ACP States and the European Parliament, especially since the previous arrangement was rightly described as unfair. Parliament's repeated request to have the EDF funds entered in the Community budget - a proposal which the Commission also supported during the negotiations - was unfortunately rejected. Consequently, it was once again necessary to distribute the financial burden among the Member States according to a specific scale of contributions.

The breakdown is as follows: Belgium 5.9%, Denmark 2.5%, Germany 28.3%, France 25.6%, Ireland 0.6%, Italy 11.5%, Luxembourg 0.2%, Netherlands 7.4% and United Kingdom 18%.

66. Any evaluation of the Community's overall financial efforts must take account of the increase in the number of ACP States, the effects of currency depreciation and the duration of the Convention, as well as the charges on the budget connected with the application of the Sugar Protocol and the aid granted to the ACP States under other Community policies. For example, between 1980 and 1985 the ACP States will receive at least 300 m EUA in the form of food aid as well as 25 m EUA as a Community contribution to projects being financed jointly with non-governmental organizations.

The ACP States' original request was that the EDF should have an appropriation of 10,000 m EUA. They reached this figure on the basis of currency depreciation, the disparity between national development aid and the international target figure of 0.7% and loss of preferences (which are also being granted to Third World countries) since the fourth EDF. The Club of Dakar made a somewhat more realistic calculation; taking account of

¹ See Annex VII

inflation rates it arrived at a figure of 7,800 m EUA for the new Fund, which many people considered to be realistic. The Community finally approved 5,600 m, a considerable amount in view of the economic situation affecting many industrial sectors in the Community, but inadequate in view of the increasing need in many ACP States. It cannot be denied that the Community and its Member States together devote no more than 0.45% of their gross national product to development aid, thereby not only failing to meet requirements but also lagging well behind the UN target figure of 0.7%. Given that many ACP States are unable to repay their debts, that hitherto comparatively stable countries such as Kenya and Senegal are facing increasing economic difficulties and that life expectancy in the Sahel countries has decreased from 40 years to 37, there can be no doubt that the Community's financial aid is insufficient and that additional financial efforts are urgently required. In Africa particularly, development is now less positive than it was a few years ago.

67. Although the Convention offers significant financial assistance, it is still only modest in scale. Nevertheless, the outstanding financial problems can only be solved in the context of the North-South Dialogue since the amount required would greatly exceed the Community's financial capabilities. In particular, the role of the International Monetary Fund (IMF) would have to be expanded and cooperation with the World Bank increased¹. The constantly increasing disparity between the trade balances of the oil-exporting countries on the one hand and the industrialized nations and developing countries on the other must be evened out, and to this end the IMF must play a more important role in future in financing and reducing imbalances and in recycling the enormous amounts of petrodollars. A balance must be struck between the interests of the industrialized nations, the Third World and the OPEC countries if the problem of recycling petrodollars is to be solved. Profitable investment opportunities must be offered to the OPEC countries; the oil-producing countries would have to guarantee adequate oil supplies at economically acceptable prices, and a proportion of the petrodollars be made available to the developing countries at favourable rates. Is it not an alarming sign when, for example, Jamaica has to devote 95% of its export earnings to oil imports and debt amortization? Unless trade deficits are soon reduced by means of effective aid, the possibility of even more tragic famines in many countries can no longer be excluded.

¹ In this connection, see the declaration made on 23 June 1980, by the Heads of State or Government at the economic summit in Venice: Federal Government Bulletin No. 75, 1980, p. 629 ff

(b) Planning, preparation and implementation of the projects - regional cooperation and emergency aid

68. Financial and technical cooperation covers the various phases of the projects and action programmes undertaken with a view to the economic and social development of the ACP States and adjusted to their requirements and particular circumstances. In the new Convention the principle of partnership is consolidated; as a result, the part played by the ACP States has been increased at all stages from the planning of aid at the inception of the new Convention to the elaboration and implementation of the various projects, and the individual objectives are more clearly defined. Above all, the implementing procedures have been simplified and abridged. The governments of the ACP States lay down the priorities for those areas which are to receive Community financial aid. Of course, that should not prevent the Commission from ensuring that the funds are utilized properly and to the best possible effect.

The ACP States have frequently criticized delays in the implementation of the projects. On 31 December 1979 the commitments made since the entry into force of the first Convention exceeded 2,500 m EUA¹, i.e. two months before the expiry of the first Convention 'only' 73% of the total available appropriations had been committed. The Commission is not to blame for these delays which largely arise from the difficulty of finding suitable projects and subsequently developing them jointly with the ACP authorities into operational projects. Nonetheless, the Commission should make every effort to improve and accelerate its method of selecting projects without, however, adversely affecting the quality of the projects. If the phase from planning to completion of the programmes is to be accelerated and made more effective, from the outset all those involved must discuss priorities together, and even after the decision to finance has been taken, i.e. when the appropriations have been committed, devote special attention to the implementation stage. It appears that such was not always the case under the first Convention.

Reference should also be made to the fact that the allocation of the contracts financed from the fourth European Development Fund to the individual Member States varies considerably. The Commission's documents demonstrate that some Member States were only marginally involved in the fourth EDF. However, the principle of equality of conditions of competition should be respected; to this end the conditions of competition between the

¹ See the Commission's report to the ACP-EEC Council of Ministers on financial and technical cooperation in 1979, under the Convention of Lomé, COM(80) 239 final of 12 May 1980

undertakings in the individual Member States must be improved and the appropriate documents made available to them so that they can submit tenders to the EDF.

The Commission should therefore take the necessary steps to guarantee a better distribution of contracts. It should publish a monthly bulletin containing information on projects from the time the applicant country has set them out in detail until the notice to tender is issued, so that the undertakings are regularly informed about the progress of the various projects.

69. Regional cooperation between the ACP States is highly important. The second Convention of Lomé takes this into account by redefining the objectives and procedures and by increasing the appropriations earmarked for this sector from 300 m EUA to 600 m EUA. This amount should enable new large-scale regional projects to be planned and implemented in many areas. Priority should be given to the creation and expansion of a regional ACP market, especially trade cooperation and sales promotion, as well as to the setting up of regional production structures. Above all, the first Convention of Lomé devoted special attention to regional infrastructures, which are, of course, essential, but the second should give greater prominence to the trade and production sectors.

The appropriation for emergency aid has been increased from 150 m EUA to 200 m EUA. This is a very important item because it enables rapid action to be taken in emergencies. However, this is not possible unless the procedural provisions are applied flexibly and with a minimum of red tape.

(c) The significance of co-financing

70. Since the funds of the EDF and the European Investment Bank will be inadequate to cope with the scale of the projects, the Commission, as it did under the first Convention, must continue and step up its efforts to increase the amount of funds available from co-financing. In particular, such joint financing involves Arab funds, as well as cooperation with other private banks. Since the OPEC countries can hardly wish to see the world economy thrown into disarray, the triangular agreements must be considerably expanded. Under the first Convention almost 40 projects were financed in this way with contributions of 582 m u.a. from Arab funds and 364 m u.a. from the World Bank; the share of Arab funds rose from 14% in 1977 to 20% in 1978. The special attention given to the possibility of co-financing in the new Convention is, therefore, most welcome.

4. Industrial cooperation

71. Further to the demands made by the developing countries for a new international division of labour, particularly since the UN special session on raw materials of April 1974, the ACP States have urged the inclusion in the Convention of Lomé of elements designed to provide them with an increasing share in industrial production and international trade in manufactured goods. This is quite justified insofar as only 9% of all manufactured goods are produced in the developing countries although they account for 76% of the world's population.

In response to these requests the Community has agreed to various measures: development of the infrastructures associated with industrialization, aid for the setting up of undertakings in the processing industry, especially those processing raw materials, measures to promote industrial vocational training, greater transfer of technology and technological adjustment, measures in the field of industrial information and industrial and trade promotion. The practical implementation of industrial cooperation is to be largely based on the activities of two institutions: the Committee on Industrial Cooperation and the Centre for Industrial Development, which is responsible for industrial information, the establishment of contacts and other industrial promotion tasks.

72. Despite all the efforts made, and although a number of interesting projects were undertaken, the results achieved by the first Convention of Lomé were very disappointing. What is more, it is not immediately obvious how European industries could be encouraged to do more than in the past to invest in and transfer technology to the ACP States. Labour, as a production factor, is not so cheap as to be without competition, the level of training is higher in various non-African ACP States, parts of the infrastructure are bad and there are very few domestic markets with any appreciable purchasing power. In addition, European industry is jumping at the chance to share in the industrialization of the oil-producing countries. Nor have the ACP States done much to implement the provisions of Article 38 of the first Convention of Lomé in which they undertook to create a favourable investment climate in accordance with the various priorities of their development plans. Furthermore, in many ACP States the basic principles of an industrialization policy simply did not exist. It is also regrettable that coordination between the various competent authorities - Committee on Industrial Cooperation, Centre for Industrial Development, EDF and EIB - was extremely poor, with none of the bodies involved having an overall view of the situation.

73. During the negotiations on the new Convention, the industrial sector was discussed in detail and a large number of innovations accordingly included in the new Convention; these are entirely welcome and also cover the important energy sector. The Convention contains a very comprehensive list of industrialization measures - in principle, virtually all financial promotion measures may be used for industrialization - but we must guard against any illusion that in five years' time most of the ACP States will be industrialized or at least have made progress towards industrialization. What is laid down in the new Convention is indeed largely correct and important, but it is principally a long-term programme, particularly since many of the ACP States are among the poorest countries in the world. Unfortunately, the ACP States have wasted some of their opportunities by concentrating excessively on their independence; that is particularly true for the provisions concerning investment, which was unsatisfactorily regulated even under the first Convention and in consequence was scarcely attractive to European or other investors.

74. The role of the Centre for Industrial Development, set up under the first Convention, whose main task is to establish and improve contacts between undertakings in the Community and in the ACP States - a most important task - was more clearly defined in the second Convention; the CID's funds were increased to 25 million EUA as a contribution to regional development. Such measures are practical and sensible, but if industrialization is to make progress then

- the field should be left to practical businessmen, management experts and economists, rather than to theorists and protagonists of particular doctrines;
- investment conditions must be more clearly regulated, since expansion requires guarantees of security;
- credit facilities for small and medium-sized undertakings must be reviewed since they cannot provide 50% of the funds;
- the significance of the role of non-governmental organizations and private initiatives in the development of the ACP States must be more strongly emphasized;
- incentives for self-help and self-confidence in the ACP must be stressed since larger financial contributions from the Community, coupled with a continuation of previous methods, do not represent the only path to success;

- priority must be given to the solution of financing problems, in particular by making access to Arab funds easier for the ACP States, since financing is the fundamental problem of industrialization;
- the social partners on both sides, the employers' federations and the trade unions, must be encouraged to work together more harmoniously than in the past, since without their close cooperation and support many measures would fail, for example any decisions on restructuring in the Community which might become necessary (in this connection it is regrettable that the employers and trade unions were not involved when the text of the new Convention was drawn up);
- priority must be given to setting up undertakings which are labour-intensive and good producers of foreign exchange.

Since public funds are insufficient on their own to provide for the development of the ACP States, and in particular for their industrialization, the flow of private capital must be increased. In a joint declaration, therefore, the Community and the ACP States recognized the need to tap additional financial resources that would make available substantial capital resources for industrial development. It was agreed that a detailed joint analysis of the problem should be carried out and an appropriate report submitted nine months after the signing of the Convention. This is a very significant declaration which the Committee on Development and Cooperation should carefully follow and examine in due course.

5. Training

75. Training is of fundamental importance; unless progress is made in this sector it is inconceivable that any appreciable success could be achieved in industrialization, in expanding trade, agricultural production or indeed any essential development sector.

The first Convention of Lomé concentrated its training measures largely on multi-annual training programmes, project-linked training and symposia and advanced training courses. By the end of 1979, 12.5% of the appropriations committed had been allocated to training. It is striking that in 1979 only two regional projects in the educational sector had been financed; it would, however, be useful if certain educational infrastructures providing specialized training, such as universities and trade schools, were set up on a regional basis in greater numbers. Priority should then be given to the training of technicians and middle management and to the training or further training of administrative and public service staff. Experience shows that in the case of project-linked training, the amount spent on training accounts for a very small proportion of the total cost of the project, given the positive

benefits accruing to the project as a whole. It is, therefore, to be welcomed that the new Convention gives greater support to this form of training which has achieved good results and should gradually replace technical aid. In addition, all the programmes which have already impressed by their high quality should be continued and expanded. It is also important to determine as early as the planning stage of individual projects what skilled workers will be needed for the implementation of the whole project right through to the final phase.

6. Special measures for the least-developed countries

76. In line with the request from the ACP States, a special Title (Article 155) lays down in greater detail than in the past the obligation to help overcome the specific difficulties of the least-developed, land-locked and island ACP States by special and appropriate measures. This political decision is correct. On 31 December 1979 such countries totalled 34, and with 137 million inhabitants accounted for 42% of the total population of the ACP States. Preferential treatment for these countries is to be found in many titles of the Convention, for example STABEX, mineral products, rules of origin, regional cooperation, support for microprojects, and particularly the section concerning financial aid. Most aid is given in the form of grant aid (around 80% of the funds) with the poorest countries being given particularly favourable terms. Preferential treatment for the poorest countries is particularly clearly set out insofar as they are given priority when the funds for individual national programmes are being allocated. Under the first Convention, 64% of the available funds were allocated to these countries.

The Community must increase its efforts to help the poorest countries, even outside the Convention of Lomé, especially by granting food aid and assisting projects being implemented jointly with non-governmental organizations.

7. Institutional aspects of the second Convention of Lomé

77. The principle of equal partnership finds political expression in the joint bodies which have been set up, the Committee of Ambassadors, the ACP-EEC Council of Ministers, which can take any decisions required for the implementation of the Convention, and the ACP-EEC Consultative Assembly. This Assembly, and its preparatory body the Joint Committee, is particularly important because it provides a regular forum for the political forces in Europe and the ACP States to meet for political consultations and in-depth debates on the implementation of the Convention.

There is, however, a considerable qualitative discrepancy here: whereas Europe sends only Members of Parliament to the Assembly, the ACP group consists largely of Ambassadors or government-appointed delegates, since many ACP States do not have a freely elected Parliament. This is regrettable, but the European side can do very little since it must observe the principle of non-interference in the internal affairs of the ACP States. It should, however, be stressed that institutional and administrative cooperation between the EEC and the ACP States operated smoothly and developed satisfactorily during the life of the first Convention.

78. Since the bodies set up under the first Convention of Lomé functioned smoothly, the relevant provisions of the first Convention were taken over more or less en bloc. A few additions were made to the institutional provisions in order to increase efficiency and improve relations between the various bodies. Thus, Article 175(2) provides for the Consultative Assembly to consider ways and means of strengthening cooperation between the Community and the ACP States and furthering the objectives of the Convention; it may submit its conclusions to the Council of Ministers. Furthermore, it is significant that the second sub-paragraph of Article 168(2) lays down that the Council of Ministers may take into consideration the Assembly's opinions when taking its decisions. The section on the Consultative Assembly, which, moreover, expressly provides for the Joint Committee (Article 175(5)), also takes account of the practice introduced by the Consultative Assembly under the first Convention as regards links with economic and social circles and special provisions to that end (Article 175(7)).

Further changes concern the possibility of contacts between the co-Presidents of the Council of Ministers in the period between its meetings - which in principle are held once a year - and the rewording of the provisions concerning the settlement of disputes (Article 176).

III. Some innovations in the second Convention of Lomé

1. Arrangements for mineral products and energy projects analogous to STABEX

79. The STABEX procedure introduced under the first Convention of Lomé guaranteed minimum revenues for countries producing agricultural commodities. (An exception was made in the case of iron ore, to which the old rules will apply until 1984 when this commodity will be included in the system proposed for mineral products.) The economy of those countries which principally export mineral products on the other hand remained unprotected and subject to price falls and production cuts. This inequality, which was immediately pointed out by the

ACP States when negotiations began in 1978/1979, especially since at that time the international negotiations on the stabilization of export earnings from raw materials were still uncompleted, is to be corrected by the system for protecting and developing mineral commodities (SYSMIN). The Community rejected the ACP States' original request that the existing STABEX system be simply extended to cover mineral products.

80. Consequently a new system was developed to take account of the specific characteristics of mineral commodities. The present system basically pursues the same aims as STABEX, but its practical form is different because of the special conditions affecting the production of minerals and the mineral product market. The support mechanism for mineral products takes account on the one hand of the heavy dependence of a number of ACP States on the export of mineral products, but on the other it also takes account of the Community's interest in safeguarding its supplies. It is, therefore, advantageous to both partners.

Sysmin applies to copper, phosphates, cobalt, manganese, bauxite, alumina and tin. This list may be extended by decision of the ACP-EEC Council of Ministers during the life of the Convention if it becomes apparent that other economically important production sectors are seriously threatened. This mechanism will principally profit Zambia, Zaïre and Papua-New Guinea in respect of copper and cobalt, Togo and Senegal for phosphates, Guinea, Jamaica, Surinam and Guyana for bauxite and alumina, Gabon for manganese and Rwanda for tin.

The new system has its own budget and employs its own activating criteria. There is no automatic application as in the case of STABEX. Aid is granted on a case-by-case basis and aims at maintaining a profitable mining capacity in the ACP States involved if they are threatened by particular events. Aid is project-linked, i.e. compensation is not paid, as in the case of STABEX, by transfer payments but in the form of a contribution towards the financing of projects and programmes which the ACP State in question proposes with a view to restoring its production potential and its exports to the Community. The fund set up for this purpose has an appropriation of 280 m EUA (\$372 million).

81. The above mechanism is conceived as a transition to a new method of supporting mining projects in the particularly needy ACP States. Consequently, special provisions already empower the European Investment Bank to make available an additional 200 m EUA from its contingency fund to promote investment in the ACP States in the mining and energy sectors, since little capital or technological expertise is available in most ACP States. The willingness of the industrialized nations to invest in this sector has declined sharply in recent years, and Sysmin is an attempt to reverse this trend.

Consequently, the support mechanism for mineral products pursues two objectives: the maintenance of a profitable mining capacity and the development of mining potential. The new Convention provides for the possibility of agreements on specific projects in mining and energy programmes, but an operationally effective mechanism remains to be set up for this. These new provisions should please both partners: whereas the Community is dependent on supplies of raw materials from third countries, in particular from the developing countries and especially the raw materials covered by Sysmin, the mining sector can make an important contribution to the economic development of the ACP States. This applies particularly to Africa, where virtually no money has been devoted to mining, and particularly mining research, since 1974.

82. Although the stabilization of export earnings from mineral products is an important measure, it contains one inherent danger. Like STABEX it could lead to the consolidation of the single product economy found in many ACP States. A typical example is Zambia, where the economy is totally geared to copper and economic prosperity depends entirely on its yield. The same is true of Zaïre. Zambia is obliged to import most of its food requirements since it devotes only a small part of its fertile land to agriculture. This is the reason for its permanent difficulties in supplying the local population with sufficient food.

83. The development of energy sources in the ACP States - hydro-electric power stations, solar energy, wind energy, gas deposits, coal, petroleum - is of fundamental importance, particularly in the light of the deterioration in the trading balance of those countries because of the increase in the price of imported oil. If new energy sources can be discovered and exploited in the ACP States under the cooperation programme, both the ACP States and the Community will benefit. Consequently, special efforts must be made in this area during the life of the second Convention of Lomé.

2. Private investment and investment protection

84. During the negotiations, the Community stressed the importance for each contracting party of encouraging and protecting investment by the other partner in its territory and the need to conclude agreements on mutual investment promotion and mutual investment protection to the benefit of both parties. It made this proposal in order to promote private investment in the ACP States, which in the last few years has declined sharply in all sectors, but particularly in the mining sector, in the knowledge that private investment will increase only if the appropriate guarantees are

given. For some reason best known to themselves, however, the ACP States were very reticent on this subject, although private investment helps to boost the economy and leads to a transfer of technology to the developing countries.

85. Unlike the first Convention of Lomé, the second Convention stresses the importance of private investment for the industrialization of the ACP States and emphasizes that such investment must be encouraged by appropriate measures, thus bringing about an improvement in the investment climate. The treatment of investment coming from Member States to the ACP States is governed by Article 64 of the Convention which is supplemented by a joint declaration (Annex IX of the Final Act). Subsequently, agreement was reached on the inclusion of a most-favoured-nation clause which lays down that where a bilateral investment agreement exists between a Member State and an ACP State, investments from all other Community countries should enjoy similar treatment. In addition, at the request of the ACP States, provision is made for a joint study to identify what special measures must be taken for the benefit of the least-developed ACP States to attract investment on a larger scale (Annex XI to the Convention).

Although the second Convention of Lomé contains more detailed provisions than the first, it cannot be said to provide general protection for private investment. In the past, the legal uncertainty with regard to foreign private investment in many ACP States and the frequently expressed demands for nationalization in line with national rather than international legislation have been to blame for a stagnation in investment from the European Community. We must wait and see whether this situation will change.

3. Cooperation in the agricultural sector

86. The second Convention of Lomé, unlike the first, contains an individual section on agricultural cooperation (Title VI). Major efforts in the agricultural sector were made under the first Convention - a good third of the EDF funds were allotted to agriculture in the ACP States - and the new Convention clearly underlines the importance of agriculture and the readiness of the partners to solve the problems of rural development, agricultural production and security of food supplies for the populations of the ACP States. That is fundamental, since a poorly developed agricultural sector results principally in low purchasing power which hinders the growth of the industrial sector and hence the commercial sector¹.

¹ Nutritional problems, agriculture and food aid are dealt with in detail in the report on hunger in the world; there is, therefore, no need for this matter to be discussed again in detail here. See especially the subsidiary reports by Mrs Focke (PE 63.178/fin.) and Mr Vergeer (PE 64.575/fin.)

87. Special cooperation measures have been planned and a joint declaration in the record of proceedings provides for a sub-committee of the ACP-EEC Committee of Ambassadors to be set up to facilitate the attainment of these goals and measures. In addition, a Technical Centre for Agricultural and Rural Cooperation is to be set up.

The first Convention of Lomé set up a number of sub-committees and centres which operated with little success; this applies especially to the Centre for Industrial Development. In view of the critical food situation in many ACP States, the Commission must make particular efforts to ensure that the Agricultural Centre works successfully and consequently take every conceivable measure to make sure it does not suffer the same fate as the CID. Above all, it must avoid the elaboration of new theories about rural development since we already have enough of those. Instead, previous experience must be collated and evaluated, and consideration given to the methods of implementing successful projects in other ACP States. Malawi has been pursuing a successful agricultural policy for a long time now, and Togo is in the process of giving priority to agriculture. The Centre should provide information on such projects, for it is still true that experiments are being carried out in many areas but are not being coordinated; the result is that in many cases urgently required funds are being wasted. Analyses must be prepared to show how the funds available for agricultural projects may best be utilized, the quality of projects improved, Community food aid better combined with development projects and soil quality maintained despite intensive cultivation.

4. Fisheries and shipping

88. Fisheries are also covered by the Convention in a joint declaration. This sector is characterized by two major factors: the Community's powers in this area, which were granted in 1976, and the extension of fishing zones to 200 nautical miles by most of the ACP coastal states are confirmed. (The present agreement was based on the principle that the Member States were responsible.) Apart from a reference to greater cooperation in order to maintain and utilize fish stocks, the partners to the Convention outline the general framework for any fisheries agreements concluded between the Community on the one hand and individual ACP States on the other (common interest, non-discrimination, principles relating to counter-considerations by the Community in addition to the allocation of EDF funds, and the granting of fishing rights by the ACP States)¹.

¹ Two agreements have already been concluded with Senegal and Guinea Bissau

Closer cooperation in the fisheries sector may contribute to a decisive improvement in the economic and social situation, and consequently the food situation, in the ACP States. Attempts should also be made to have regional agreements concluded by certain groups of ACP of other states so that the fisheries policy may be more efficiently shaped in order to provide an overall model for fishery policy vis-à-vis the developing countries¹.

89. A joint declaration provides the opportunity for examining subjects of common interest in the shipping sector, with the Community expressing its willingness to contribute to the development of this sector in those ACP States which so request (development of shipping companies, establishment of joint undertakings, technical assistance in the training and administration sectors, etc.). This declaration also recognized the importance of the decision taken by the Council of Ministers recommending that the Member States ratify the UN Convention on a Code of Conduct for Liner Conferences. As soon as the ratification is completed and the Convention comes into force, the developing countries will benefit from the provisions relating to participation in merchant shipping.

IV. Aspects covered inadequately, if at all, in the new Convention

1. Human rights

90. The inclusion of a clause concerning respect for fundamental human rights in the new Convention of Lomé was discussed at great length during the negotiations.

The Commission submitted a proposal that the new agreement between the ACP States and the Community should contain an explicit reference to greater respect for human dignity and to the UN Declaration on Human Rights. In its view, the Convention should also lay down that in the case of open violation of human rights, Community aid would still be granted in line with the objectives of the Convention, but that guarantees must be given that it would not be misused for repressive purposes. Referring to the resolution adopted by the ACP-EEC Consultative Assembly in 1978², the European Parliament considered that the question of a

¹ See the appropriate resolutions of the European Parliament of 16.11.1979 (OJ No. C 309, 10.12.79, p. 63 ff) and of 14.3.1980 (OJ No. C 85, 8.4.80, p. 104 ff)

² Paragraph 23 of the resolution of 29 September 1978, OJ No. C 18, 19.1.1979, p. 13

reference to human rights in the future Convention should be approached with great care and a high sense of responsibility¹.

It became clear as early as the opening session of July 1978 that the ACP States and the EEC were arguing from different premises. While Mr Genscher, the German Foreign Minister and President-in-Office of the Council, referred to the importance of respect for fundamental human rights, Mr Patterson, Jamaica's Foreign Minister and President of the ACP-EEC Council of Ministers, stressed the aspects which played a part during the negotiations and also subsequently. He said that the ACP States attached as much importance to human rights as did the Member States of the EEC, but the ACP States felt that this subject should not be covered in a Convention on economic and trade cooperation; it was not, he pointed out, expressly mentioned in the Treaty of Rome. This reference to the Treaty of Rome does not hold water, since membership of the Community is open only to democratic countries where fundamental and human rights are enshrined in the constitution (when Greece was ruled by the Colonels, relations were suspended, and Spain and Portugal could not hope to accede to the Community until freely elected governments were in office), whereas a number of ACP States which do not have freely elected parliaments are signatories to the Convention of Lomé. The sharp reactions of the ACP States to repeated requests by a number of Member States of the Community that a human rights clause linked to the threat of sanctions should be included in the Convention were mainly based on the original observations made by Mr Patterson.

91. The ACP States finally had their way, but Parliament regrets that it was not possible to include in the preamble to the new Convention at least a reference to human dignity and a guarantee of human rights. Unfortunately, it appears that non-interference in the internal affairs of other countries is valued more highly than the violation of human rights. It is, however, to be welcomed that this matter was openly discussed by the ACP States, as illustrated in particular in the resolution adopted by the African Heads of State at the Assembly of the Organization of African Unity in July 1979 in Monrovia, and in the declaration of the Commonwealth Prime Ministers' Conference in Lusaka in August 1979. When the new ACP-EEC Convention was signed in

¹ Resolution of 14 December 1978, OJ No. C 6, 8.1.1979, p. 57

Lomé on 31 October 1979, the President of the Council recalled the importance which the Council attached to respect for human rights; in so doing he referred to the declarations of Monrovia and Lusaka and to the United Nations Charter. It is also interesting to note that in Lomé the President of the ACP Council of Ministers made a clear declaration of faith in human rights following the address given by the President-in-Office of the Council of the European Communities.

What possibilities does the Convention offer the Community of taking appropriate measures in the case of clear violations of human rights in ACP States? Apparently, in November 1979, the Council of Ministers took an internal decision in the context of the second Convention of Lomé concerning the Community's attitude in cases of flagrant violation of human rights¹, but the text of this decision has not yet been officially notified to Parliament. A non-binding reference to the UN Human Rights Charter can only be described as worthless, especially since the Charter is violated by many members of the United Nations which are signatory to it. It is, therefore, for Members of the European Parliament at meetings of the Joint Committee and of the Consultative Assembly to insist on respect for fundamental human rights and to call for appropriate investigations and sanctions in the case of violation. In the case of a violation of fundamental rights, it must above all be guaranteed that Community aid does not fall into the wrong hands, but that it principally serves to meet the needs of the poorest sectors of the population.

2. Working conditions and social legislation

92. Parliament has frequently called for the developing countries to respect the labour standards laid down by the International Labour Organization and the fundamental principles of social legislation². On 8 November the Commission submitted to the Council a communication calling on it to make the granting of concessions by the Community conditional on the observance of certain international standards governing working conditions³. The Commission proposals provide for

¹ See in this connection Written Question No. 1433/79 by Miss Flesch to the Council

² See the Pearce report on generalized tariff preferences for 1980, Doc. 1-469/79

³ Resolution of Parliament of 11 May 1979, OJ No. C 140, 5.6.1979, p. 145

the suspension of the preferential element, where the standards laid down by the ILO are not observed; the normal customs duty would then be applied to the country involved, but there would be no general prohibition on imports.

93. The content of the Commission document was initially discussed by the Council during its deliberations on the renewal of the Convention of Lomé. Since the communication would apply to every developing country, the Council suggested first of all that this whole matter should be considered in detail. This consideration has apparently not yet been concluded, for the Council has not made any reference to it so far. The Commission should therefore be requested to pursue the matter further and draw up a study dealing directly with the problems of the ACP States. This appears eminently suitable when we consider that in many ACP States trades unions are forbidden or organized as an arm of the one-party State. How can cooperation between the social partners be improved if, as is the case in many countries, there are no trades unions? It is reported that in Africa alone more than 10 million children are forced to undertake paid employment. The Convention nowhere contains any provisions concerning improvements in the social infrastructure. How can we then ensure that the rich do not become richer and the poor poorer? Is that an instance of interference in internal affairs? Some countries are reported to be totally uninterested in social legislation because it would increase the price of their hitherto cheap exports. This imbalance in social legislation results in a situation where even within the ACP group, some countries are not competitive. The extension of the social infrastructure and the creation of social justice must therefore be discussed in the context of increased cooperation between economic and social circles in the ACP States and the Community. At the same time, the Community must ensure that the provisions concerning non-discrimination in working conditions, remuneration and social security for ACP nationals in the Community are strictly applied.

3. Cultural cooperation

94. In his opening address at the meeting of the Joint Committee in Maseru (Lesotho) (28.11.1977 - 1.12.1977) the general rapporteur, Mr GUILLABERT from Senegal, referred to cultural cooperation. He

regarded it as one of the weaknesses of the Convention of Lomé that the significance of cultural cooperation between the ACP States and the EEC was not mentioned in the Convention itself. He therefore supported the inclusion of the cultural sphere in the Convention so that joint efforts were not restricted simply to improving material conditions. In the ensuing discussion many ACP representatives opposed this view, and the new Convention contains no reference to cultural cooperation. So far the Joint Committee has only been instructed to draw up a working document on cultural cooperation.

95. In view of their manifold economic and financial problems, it is inconceivable that the developing countries could cope with the tasks currently facing them in the cultural sector without foreign aid, which could be multilateral or bilateral. For this reason it would be important to coordinate all aid measures and include them in development planning and the development process as a whole. In this context the ACP-EEC Convention could be of fundamental significance because the ACP States could be sure that the assistance granted under the Convention would be unbiased and in no way designed to influence their internal cultural affairs. It is, therefore, regrettable that cultural considerations have so far been neglected in the Convention of Lomé, especially since an exchange of experience and greater cooperation in the cultural sector could considerably improve and increase integration and understanding between the partners to the Convention.

V. Political assessment of the new Convention

96. The demands made by the developing countries for a new world economic order, i.e. for new world trade structures, are the focal point of the 'Third World policy'. Some of these demands are entirely justified and acceptable, but others are contradictory and unacceptable from the point of view of orderly relationships; this applies particularly the demands for the introduction of dirigistic regulatory mechanisms in the world economy. Such demands should be rejected on economic grounds because unlike a properly functioning market mechanism, they would lead to a decline in efficiency and productivity which would reduce the opportunities for growth of every nation involved in international trade. In the long run, an international planned economy and dirigism would also affect national, social and economic orders in the individual countries.

97. An abrupt change in the existing world economic order will not provide a solution, change must be gradual and evolutionary. Moderation and a rational approach must be the watchword of both sides. The industrialized nations and the developing countries must attempt to reach agreement on a world order bargain so as to prevent tension between the one side's demands and the other's stubborn resolve to maintain the status quo, since that would lead to a world economic situation in which all participants were losers. Cooperation is required, not confrontation. The existing world economic order must be made more efficient by means of improvements in the international market mechanism, and a start must finally be made on achieving social equilibrium throughout the world. The economic order must provide individual developing countries with a real opportunity to make economic progress. Consequently, forms of cooperation must be developed which provide a workable and permanent balance of interests and enable those countries producing raw materials and those requiring raw materials to meet their basic needs. The solution to the imbalance in economic and foreign trade structures involves more basic factors than simply measures to stabilize export earnings from commodities. If a free world economic order is to be created, above all an active market policy must be introduced; the foundations of an operational international system for regulating competition must be laid, one which is equally binding on all partners. In particular, the industrialized nations must abolish protectionist measures which distort the market mechanism to the disadvantage of the developing countries. World trade must be liberalized export cartels prohibited and the activities of multinational undertakings made more transparent.

It is vital to establish a greater balance of interests between the industrialized nations and the developing countries, and this can only be achieved by strengthening the identity of interests. Many developing countries

still occupy a very weak position on world markets. Consequently, the principle of solidarity obtaining in the domestic sphere, whereby the economically stronger bears a heavier burden than the weaker, must also be applied internationally. For this reason the following measures are necessary:

- specific measures to promote trade;
- increased processing of raw materials into manufactured goods in the developing countries themselves;
- the setting-up of an effective and, ideally, world-wide revenue stabilization system which conforms to market principles;
- large-scale aid to developing countries which participate little in foreign trade and which lack raw material resources, and
- as a supplementary measure, a sensible structural adjustment policy in the industrialized nations which conforms to market principles.

98. Comparison of this list of demands with the provisions of the second Convention of Lomé, shows that the most important measures for promoting the developing countries are covered. The new Convention includes virtually the whole range of development policy instruments; what is decisive for progress in the ACP States now is simply that the instruments and, in particular, funds are utilized in an economically sensible manner in order to achieve maximum effect. Many demands were made in the North-South Dialogue, some of them excessive, some justified, but so far nothing concrete, apart from a minimum of legal certainty, has been achieved. We shall not be able to describe the North-South Dialogue as successful until binding and practical agreements have been concluded.

On the other hand, the second Convention of Lomé is the continuation of a policy which led to the first concrete agreements in North-South relations, agreements which were founded on a solid legal basis. All partners are entitled to rights, obligations and benefits, and the poorest members enjoy special advantages. The Community's attitude to all the developing countries is marked by a conviction that easier access to the industrialized nations' markets is absolutely essential for the developing countries. The concessions granted to the ACP States in the new Convention, however, exceed by a wide margin the general development level of the Community's trade policy towards the developing countries as a whole. The quantitative difference in this preferential treatment places partnership on another political and legal level; there can be no doubt that the Community regards certain elements of partnership with political substance as inherent in the system. Despite

much criticism, the second Convention of Lomé, a development contract benefiting the ACP States, is the most important treaty which the Community of the Nine has so far concluded. It is the most comprehensive reply so far to the demands made by the developing countries in the North-South Dialogue, and the inherent opportunities must be seized. It provides a solid treaty framework for development cooperation on the basis of complete equality and could become a model for active cooperation between all the industrialized nations and developing countries, at least under certain conditions. The People's Republic of China, itself the largest developing country in the world, described the first Convention as exemplary for development aid. The attractive nature of the Convention is illustrated by the fact that Zimbabwe applied for accession to the new Convention immediately it became independent.

99. The basic problem of the new Convention, as of its predecessor, lies in selecting the participating countries. Should previous colonial status and geographical situation really determine whether a developing country may accede to the ACP-EEC Convention? In the Convention of Lomé, certain countries, largely for foreign policy reasons, are granted economic concessions to the disadvantage of other developing countries. The Convention itself, however, only takes explicit account of economic facts and not foreign policy interests. There is a foreign policy motive, but the Community lacks the necessary room for manoeuvre in the foreign policy sphere. This also explains the failure of the attempt to include a human rights clause in the new Convention, for the insertion of such a provision would have increased the Community's room for manoeuvre in the foreign policy sphere vis-à-vis its partners in the Convention.

Those developing countries which have not signed the Convention and which cannot accede to it for traditional or geographical reasons, feel that it discriminates against them because of the system of regional preference differentiation. They therefore call for the extension of the concessions involved to all developing countries. Naturally, this is firmly opposed by the ACP States which would like to ensure that their privileged status is legally guaranteed and secure against any erosion.

The Community has already done a lot towards meeting these requests from the ACP States by granting them the right in practice to have a say in determining the level of the preference margin to be granted to developing third countries. The Community is making efforts to reduce the tensions with the non-associated countries arising from the special treatment given to the ACP States by establishing a system of differing trade and/or cooperation agreements in Asia, Latin America and the developing Mediterranean countries.

100. Consequently, the current concept should be thoroughly reviewed before a third ACP-EEC Convention is negotiated. There are two options: a global solution, which would have to be supported by the USA, Canada, Japan, Australia and the Socialist bloc countries, and a Community concept analogous to the present ACP-EEC Convention in which the level of development would be the determining factor for accession to the Convention.

C. Association of the overseas countries and territories with the European Economic Community

101. The Council Decision of 29 June 1976 on the association of the overseas countries and territories with the EEC¹, entered into force simultaneously with the first Convention of Lomé. In this way the Community continued its association policy - based on the Rome Treaties - towards dependent overseas countries and territories parallel with the Convention of Lomé. The Community's new development policy has strongly affected relations with the OCT. Compared with its predecessors, the decision on the association contains some innovations which, like most of the other provisions, are based on the Convention of Lomé. The Community thus opens its frontiers to all goods from the OCT (with a few exceptions in the case of agricultural products) and does not demand reciprocal concessions. The agreements on STABEX, regional cooperation and planning of financial aid have also been taken into account. Parliament had agreed to the previous proposals but regretted that special measures to promote industrial development related exclusively to the ACP States².

102. Since the period of validity of the Council Decision of 29 June 1976 expired on 1 March 1980, the Commission submitted new proposals for relations between the OCT³ and the EEC. It is to be welcomed that the Commission has maintained parallel arrangements for the ACP States and the OCT, since the arrangements of the new Convention of Lomé will be applied to some OCTs as and when they become independent. In this connection reference should be made to the adjustments planned within the framework of trade promotion, STABEX, agricultural and industrial cooperation, financial and technical cooperation and general measures for the least developed countries and territories. In addition, in the case of the OCT and the ACP States, the regulations to be adopted by the Community on agricultural products must be based on Article 43 of the EEC Treaty. As regards sugar, the proposals take account of the Community's declaration on the Sugar Protocol which forms part of the ACP arrangements.

¹ OJ No. L 176, 1.7.1976, p. 8

² See the DESCHAMPS report, Doc. 280/75, and Parliament's Resolution of 16 October 1975, OJ No. C 257, 10.11.1975, p. 27 ff

³ See the list of the OCT in Annex VIII

103. The joint declaration in Annex II to the second Convention of Lomé concerns the arrangements governing access to the markets of the French Overseas Departments for products referred to in Article 2(2). This states:

'The contracting parties reaffirm that Chapters 1 and 3 of Title I of the Convention apply to the relations between the French Overseas Departments and the ACP States.

The Community shall have the right, during the life of the Convention, to amend, in the light of the economic development requirements of the French Overseas Departments, the arrangements governing access to the latter's markets for products originating in the ACP States referred to in Article 2(2) of the Convention.

When examining the possible application of this right the Community will take into consideration the direct trade between the ACP States and the French overseas departments. Information and consultation procedures shall apply between the parties concerned in accordance with the provisions of Article 16.'

It seems logical that the Overseas Departments should be able to purchase freely on the markets of the ACP States because of their geographical proximity, without having to pay levies on goods which they do not produce themselves. Decision No. 1/80 of the ACP-EEC Council of Ministers of 18 January 1980¹ on transitional measures to be applied from 1 March 1980 and Council Regulation (EEC) No. 435/80 of 18 February 1980² have defined these provisions and made them applicable. As a result the Overseas Territories have the opportunity of directly importing live animals of the bovine species, beef and veal and rice. They may also import annually up to 25,000 tonnes of maize to be used as cattle fodder, which is absolutely essential for the development of local stock farming. Should maize imports exceed 25,000 tonnes and cause serious disturbances on the markets, the Commission of the European Communities may take the necessary corrective measures on its own initiative or at the request of a Member State. This provision is illusory, because so far no ACP State in the Caribbean or on the periphery of the Indian Ocean has been in a position to supply maize to the overseas territories.

Article 19: This chapter (Chapter 2: special undertakings on rum and bananas) and Protocols No. 4 and No. 5 (bananas and rum) do not apply to relations between the ACP States and the French overseas departments;

¹ OJ No. L 55, 28.2.1980, p.2

² OJ No. L 55, 28.2.1980, p. 4

Article 48(7): (special undertakings on sugar): This Article and Protocol No. 3 referred to in paragraph 1 (Sugar Protocol) do not apply to relations between the ACP States and the French overseas departments;

Article 13(3): (application of the safeguard clause): 'However, the prior consultations provided for in paragraphs 1 and 2 shall not prevent any immediate decisions which the Community or its Member States, in accordance with Article 12(1), might take where special factors have necessitated these decisions'.

The ACP States have tacitly agreed that the 'special factors' shall apply to the Overseas Departments and that their situation justifies the acceptance of immediate protection measures without prior consultation.

ANNEX I

ACP STATES

BAHAMAS
BARBADOS
BENIN
BOTSWANA
BURUNDI
CAMEROON
CAPE VERDE
CENTRAL AFRICAN REPUBLIC
CHAD
COMOROS
CONGO (PEOPLE'S REPUBLIC)
DJIBOUTI
DOMINICA
EQUATORIAL GUINEA
ETHIOPIA
FIJI
GABON
GAMBIA
GHANA
GRENADA
GUINEA
GUINEA BISSAU
GUYANA
IVORY COAST
JAMAICA
KENYA
KIRIBATI
LESOTHO
LIBERIA
MADAGASCAR
MALAWI
MALI
MAURITANIA
MAURITIUS
NIGER
NIGERIA
PAPUA-NEW GUINEA
RWANDA
SAINT LUCIA
SAINT VINCENT AND THE GRENADINES
SAO TOME AND PRINCIPE
SENEGAL
SEYCHELLES
SIERRA LEONE
SOLOMON ISLANDS
SOMALIA
SUDAN
SURINAM
SWAZILAND
TANZANIA
TOGO
TONGA
TRINIDAD AND TOBAGO
TUVALU
UGANDA
UPPER VOLTA
WESTERN SAMOA
ZAIRE
ZAMBIA

ANNEX II

Growth in trade between the ACP States and the Community compared with growth in trade between the Community and third countries and between the Community and developing countries

000m EUA							
GROWTH IN TRADE BETWEEN THE ACP STATES AND THE COMMUNITY	1973	1974	1975	1976	1977	1978	1979
<u>Imports</u> to the EEC from the developing countries	84.3	130.8	125.5	159.4	171.4	178.3	218.2
of which OPEC countries	31.9	61.4	55.0	70.0	75.2	71.2	88.2
of which ACP States	15.3	38.9	33.4	41.8	42.3	38.2	51.9
Annual ACP growth	+ 28%	+ 70%	- 17%	+ 20%	+ 19%	- 5%	+ 24.4%
ACP share in extra-EEC imports	7.4%	8%	6.7%	6.6%	7.3%	6.7%	6.8%
Share of the other developing countries in extra-EEC imports	30.5%	38.9%	36.9%	37.3%	36.6%	33.3%	33.6%
ACP imports compared with imports from other developing countries	24.1%	20.6%	18.8%	17.6%	19.9%	20.1%	20.2%
<u>Exports</u> from the EEC to the developing countries	80.7	114.2	121.2	141.3	164.1	173.8	194.2
of which OPEC countries	22.9	39.2	44.1	50.9	61.8	66.5	69.2
of which ACP States	6.6	11.4	18.4	24.1	29.7	31.1	30.3
Annual ACP growth	+ 10%	+ 37%	+ 33%	+ 22%	+ 27%	+ 2%	- 7.1%
ACP share in extra-EEC exports	5.5%	5.3%	6.7%	7%	7.6%	7.3%	6.1%
EEC trade balance ¹ (ACP-EEC trade)	- 1.7	- 4.4	- 0.6	- 0.6	0.0	+ 0.8	- 3.0

¹ - = benefiting the ACP States
+ = benefiting the EEC

ANNEX III

COMMUNITY IMPORTS FROM THE ACP STATES

Growth in imports of the major product categories

(m EUA)

	1975		1976		1977		1978	
	value	%	value	%	value	%	value	%
Foodstuffs	2,644	30,6	3,476	33,2	5,184	41,6	4,684	39,5
Raw materials	1,372	15,7	1,907	18,2	1,931	15,5	1,894	16,0
Non-ferrous metals	824	9,5	988	9,4	1,006	8,1	740	6,2
Energy products	3,037	34,9	3,362	32,1	3,500	28,1	3,444	29,0
Manufactured goods	287	3,3	414	4,0	517	4,1	549	4,6
Miscellaneous	527	6,0	325	3,1	323	2,6	553	4,7
Total	8,711	100,0	10,472	100,0	12,461	100,0	11,864	100,0

COMMUNITY EXPORTS TO THE ACP STATES

Growth in exports of the major product categories

	1975		1976		1977		1978	
	value	%	value	%	value	%	value	%
Foodstuffs	811	10,1	963	9,7	1,272	10,2	1,427	11,2
Raw materials	62	0,7	116	1,2	85	0,7	86	0,7
Non-ferrous metals	49	0,6	59	0,6	84	0,7	90	0,7
Energy products	172	2,1	261	2,6	389	3,1	555	4,4
Manufactured goods	6,634	82,1	8,313	84,1	10,238	81,9	10,065	79,2
Miscellaneous	351	4,4	171	1,8	435	3,4	484	3,8
Total	8,079	100,0	9,883	100,0	12,503	100,0	12,707	100,0

COMMUNITY IMPORTS FROM THE ACP STATES

Major products listed in order of importance
(Average over the last four years)

	(m EUA)				% of the total imports from the ACP States	Cumulative %
	1975	1976	1977	1978		
Crude oil	2,890	3,103	3,216	3,052	28.2	
Raw coffee	480	1,083	2,005	1,364	11.3	39.5
Cocoa	600	719	1,265	1,519	9.4	48.9
Copper	825	968	953	710	7.9	56.8
Wood in the rough	303	455	478	436	3.9	60.7
Raw sugar to be refined	488	377	382	422	3.8	64.5
Iron ores	327	374	376	310	3.2	67.7
Petroleum products	117	255	284	392	2.4	70.1
Cotton, not carded or combed	117	179	204	149	1.6	71.7
Groundnut oil	122	140	170	112	1.3	73.0

AGRICULTURAL IMPORTS INTO THE COMMUNITY

(m EUA)

Origin	1973	1974	1975	1976	1977	1978	Increase (%)
Outside the EEC	24,202	27,835	25,867	33,070	37,453	36,127	49.3
Industrialized nations	12,016	13,630	12,620	15,591	16,185	16,330	35.9
Developing countries	10,013	11,798	11,074	14,547	18,543	17,136	71.1
of which ACP States	2,640	3,355	3,318	4,338	6,185	5,591	111.8
State-trading countries	2,174	2,380	2,147	2,731	2,718	2,651	21.9

ANNEX VI

LIST OF PRODUCTS COVERED BY THE STABEX SYSTEM

1. Products covered from the outset under the Convention of Lomé

1. Groundnuts, shelled or not
2. Groundnut oil
3. Cocoa beans
4. Cocoa paste
5. Cocoa butter
6. Raw or roasted coffee
7. Coffee extracts or essences
8. Cotton, not carded or combed
9. Cotton linters
10. Coconuts
11. Copra
12. Coconut oil
13. Palm oil
14. Palm nut and kernel oil
15. Palm nuts and kernels
16. Raw hides and skins
17. Bovine cattle leather
18. Sheep and lamb skin leather
19. Goat and kid skin leather
20. Wood in the rough
21. Wood, roughly squared or half-squared, but not further manufactured
22. Wood, sawn lengthwise
23. Fresh bananas
24. Tea
25. Raw sisal
26. Iron ore (ores, concentrates and roasted iron pyrites)

2. Products included during the life of the Convention

27. Vanilla
28. Cloves (whole fruit, cloves and stems)
29. Wool, not carded or combed
30. Fine animal hair of Angora goats - mohair
31. Gum arabic
32. Pyrethrum (flowers, leaves, stem, peel and roots) together with saps and extracts from pyrethrum
33. Essential oils, not terpenes, of cloves, of niaouli and of ylang ylang
34. Sesame seed

3. Products included under the new Convention

35. Cashew nuts and kernels
36. Pepper
37. Shrimps and prawns
38. Squid
39. Cotton seeds
40. Oil-cake
41. Rubber
42. Peas
43. Beans
44. Lentils

BREAKDOWN OF APPROPRIATIONS

	Appropriation (1980-85)		Present Convention (1976-80)	
	m EUA	\$ m	m EUA	\$ m
1. <u>European Development</u>				
Fund (EDF)				
- Grants (+ administrative costs charged to the budget)	2,928 (180)	3,894 (239)	2,155 -	2,692 -
- Special loans	504	670	444	555
- Risk capital	280	346	94	117
- STABEX ²	550	731	382	477
- Ores ³	280	372	-	-
EDF overall⁵	4,542	6,041	3,076	3,842
EDF overall + administrative costs	4,722	6,280	-	-
2. <u>EIB</u>				
- Normal loans with interest rate subsidies ⁴	685	911	390	487
- Loans outside the Convention - mining projects	200	266	-	-
Convention overall	5,227	6,952	3,466	4,329
Total	5,607	7,457		

Notes:

- 1 Duration of and repayment terms for the special loans are uniform; repayments over 40 years, with a grace period of 10 years. Interest is charged at 1%, reduced to 0.75%, in the case of the least developed countries
- 2 STABEX transfers are granted to the least developed countries as non-repayable loans and to the other countries as interest-free loans
- 3 The same terms apply as in the case of special loans
- 4 Interest rate subsidies are granted automatically at a flat rate and enable the interest rate borne by the borrower to be reduced to 3%
- 5 The EDF is financed by the Member States in the following proportions: Belgium: 5.9%, Denmark: 2.5%, Germany: 28.3%, France: 25.6%, Ireland: 0.6%, Italy: 11.5%, Luxembourg: 0.2%, Netherlands: 7.4% and United Kingdom: 18%

ANNEX VIII

List of countries and territories covered by Article 1

1. Overseas countries having a special relationship with the Kingdom of the Netherlands:
 - the Netherlands Antilles (Aruba, Bonaire, Curaçao, St. Martin, Saba, St. Eustatius)
2. Overseas territories of the French Republic:
 - Mayotte
 - New Caledonia and Dependencies
 - Wallis and Futuna Islands
 - French Polynesia
3. Overseas countries and territories having a special relationship with the United Kingdom of Great Britain and Northern Ireland:
 - Belize
 - Brunei
 - Associated States in the Caribbean (Antigua, St. Kitts, Nevis and Anguilla)
 - Cayman Islands
 - Falkland Islands and Dependencies
 - Turks and Caicos Islands
 - British Virgin Islands
 - Montserrat
 - Pitcairn
 - St. Helena and Dependencies
 - British Antarctic Territory
 - British Indian Ocean Territory
4. Anglo-French Condominium of the New Hebrides

OPINION OF THE COMMITTEE ON AGRICULTURE

Letter from the committee chairman to Mr Michel PONIATOWSKI, chairman of the Committee on Development and Cooperation

Luxembourg, 7 March 1980

Dear Mr Chairman,

At its meeting of 27, 28 and 29 February 1980 the Committee on Agriculture considered the recommendation for a Council Decision on the association of the overseas countries and territories with the European Economic Community (Doc. 1-700/79) (COM(79) 555 final)¹.

The Committee on Agriculture would point out that this recommendation concerns only a Council Decision on the association of the overseas countries and territories with the European Economic Community in general and that trade concessions for agricultural products have been covered by a separate regulation on which the Committee on Agriculture has already sent an opinion to the Committee on Development and Cooperation².

The recommendation in question is for a system of association with the overseas territories and countries based on the same principles as those governing the new Convention of Lomé. According to it the association arrangements with overseas countries and territories should be made along parallel lines to those with ACP countries under the Convention of Lomé. The countries to which the association arrangements apply are the overseas territories of France, of the Netherlands and of the United Kingdom (see annex I to the proposal), and they become parties to the Lomé association agreement if they accede to independence.

In connection with the abovementioned opinion the Committee on Agriculture would point out that the trade concessions essentially concern fruit and vegetables such as tomatoes, carrots, onions, asparagus and mushrooms not produced in the Community.

¹ Present: Sir Henry Plumb, chairman; Mr Battersby, Mrs Brookes, (deputizing for Mr Howell), Mr Clinton, Mr Colleselli, Mr Dalsass, Mr Gautier, Mr Helms, Mrs Herklotz, Mr Louwes (deputizing for Mr Jürgens), Mr Maffre-Baugé, Mr Maher, Mrs Martin (deputizing for Mr Caillavet), Mr d'Ormesson, Mr Pranchère, Mr Provan, Miss Quin, Mr Vernimmen and Mr Woltjer.

² Opinion by Mr Davern, PE 62.240/fin. (see SABLE report - Doc. 1-633/79/Ann.)

However, to date these concessions have had no practical relevance because the overseas countries and territories produce an insufficient quantity of these products. These concessions have nonetheless been adopted to ensure that as far as possible, the same provisions are applied to all associated countries whatever their status, i.e. both under Article 136 of the EEC Treaty and under the Convention of Lomé.

It is regrettable, however, that for the time being this system does not have the effect of strengthening the position of these countries and territories with regard to exports. For this to happen, reform and diversification of the agricultural production structures in these regions is called for in the longer term. Like the Convention of Lomé the draft decision on association also includes a chapter on agricultural cooperation which gives greater coverage to the need to solve the problems of improving agricultural structures and especially to furnish and exchange scientific data and technological know-how.

The Committee on Agriculture has no objection to raise against the Decision on the association in general, which simply prolongs the association arrangements expiring on 31 March 1980.

Yours sincerely,

Sir Henry PLUMB

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr T. J. MAHER

On 4 June 1980 the Committee on Agriculture appointed Mr Maher draftsman. It considered the draft opinion at its meeting of 20, 21 and 22 October 1980 and adopted it at the same meeting by 10 votes to 4 with 5 abstentions.

Present: Sir Henry Plumb, chairman; Mr Früh, vice-chairman; Mr Maher, draftsman; Mr Barbagli (deputizing for Mr Ligios), Mr Battersby, Mr Clinton, Mr Colleselli, Mrs Cresson, Mr Dalsass, Mr De Keersmaeker (deputizing for Mr d'Ormesson), Mr Delatte, Mr Gatto, Mr Gautier, Mr Helms, Mr Hord, Mr Maffre-Baugé, Mr Provan, Mr Skovmand and Mr Woltjer.

1. The second ACP-EEC Convention between the Community and 58 ACP States was signed in Lomé on 31 October 1979. Its purpose is to lay down the rules governing relations between the EEC and its Member States on the one hand and the African, Caribbean and Pacific States signatories to the first Lomé Convention, which expired on 31 March 1980, on the other.

2. Throughout the negotiations the ACP States referred to the new international economic order and asked for more extensive aid to be provided by the new Convention than that available under Lomé I. By way of example one might mention the granting of completely free access to the Community market to ACP agricultural products, the restrictions that they would have liked to see imposed on the operation of the safeguard clauses, the extension of STABEX to a very large number of products, a considerable increase in the amount of financial aid, etc.

The new Convention (Lomé II) has sought to establish a fair balance between the ACP States' requests based on the considerable needs of their economies and what is possible at present for the Community in view of the employment and monetary difficulties with which it is confronted.

3. The new Lomé Convention continues the trade cooperation established by Lomé I. The trade arrangements are thus closely based on the system adopted in Lomé I, under which ACP products are admitted to the Community duty-free, it being understood that ACP agricultural products are either admitted to the Community duty-free or receive treatment more favourable than that granted to third countries benefitting from the most-favoured-nation clause.

4. The Community has agreed to the continued application of the principle that in view of their present economic situation the ACP States are not obliged to grant it any preferential arrangements. For their part, the ACP States have undertaken not to exercise any discrimination amongst the Member States and to apply the most-favoured-nation clause to the Community.

5. In order to avoid any deflection of trade, the concept of originating products and methods of cooperation between customs administrations have been laid down in detail in Protocol No. 1 annexed to the new Lomé Convention.

6. The Community has reserved the right to take, or to authorize a Member State to take, safeguard measures where the application of the Convention would entail serious disturbances in an economic sector or jeopardize the external financial stability of the Community or of a Member State. In this case, the Community will consult the ACP States, but these consultations will not defer the application of the safeguard measures. It should be pointed out that the Community has so far not applied the safeguard clause, which was also contained in Lomé I. In any case, if the Community wishes to help these countries it must guarantee markets for their products.

7. All these measures are supplemented by two protocols, one on rum and the other on bananas, which are more favourable to the ACP States than those contained in Lomé I. These two protocols do not apply to relations between the ACP States and the French Overseas Departments. A joint declaration further provides for the possibility of changing the arrangements governing imports of ACP products into these departments.

8. The signatories to the new Convention have decided to provide greater access to the EEC through a programme of trade promotion, intended to introduce ACP products onto the Community market. The Community has set aside 40 mEUA to finance this scheme.

9. The system for stabilizing earnings from exports (STABEX) set up by Lomé I has been expanded under the new Convention. This system, which originally applied to ten principal products, has been extended under Lomé II to include a number of products which are important for individual ACP countries, such as rubber, certain leguminous vegetables, various spices and certain sea products. Their inclusion should not entail a substantial increase in the cost of STABEX.

The STABEX system has thus been slightly modified in order to adapt it to the needs of the ACP States. Furthermore, its allocation has been increased from 375 mEUA to 550 mEUA.

10. With regard to sugar, the undertakings entered into under Lomé I will remain in force unchanged, and without being extended to the French Overseas Departments. This means that the Community will continue to import 1,300,000 tonnes of sugar from the ACP States, representing a cost of 173 mEUA to the Community budget, a sum corresponding to the quantity of sugar which the Community has to re-export.

11. The new Convention provides for agricultural cooperation between the ACP States and the EEC. This demonstrates the will of the partners to resolve problems relating to rural development, agricultural production and the security of food supplies for the ACP countries.

The following specific cooperation measures have been provided for:

- integrated rural development
- hydro-agricultural improvement schemes
- crop protection, preservation and storage
- agricultural cooperation
- agro-industrial units
- stock farming
- fisheries (a distinction should be made between sea-fishing and fresh-water fishing)
- forestry resources
- agronomic research
- training.

In addition, the new Convention provides for the setting up of a Technical Centre for Agricultural and Rural Cooperation to provide the ACP States with better access to information, research and training data and innovations in the agricultural and rural field.

All these measures are important in that they are designed to enable the ACP States to take control of their own future and gradually to achieve self-sufficiency in food supplies. In this context one cannot over-emphasize the need to encourage the setting up of farming cooperatives in these countries. Producers working as a body are better able to make use of the resources available than individual producers. The Community must therefore encourage all efforts towards the setting up of cooperatives in the ACP countries.

12. The Community and the ACP countries will also seek ways of combining schemes provided for in the new Convention with any food aid measures decided on by the Community. Special priority will be given to the least-developed ACP countries.

13. The new Convention also deals with the problem of sea-fishing. The EEC and the ACP States recognize the importance of fishery resources in the waters of the ACP States as a contribution to their economic development. The ACP States are willing to negotiate bilateral fishery agreements with the Community guaranteeing mutually satisfactory conditions for vessels flying the flag of a Member State of the Community. Such agreements should not create discrimination between Member States. The EEC will act in the same spirit where ACP States wish to carry out fishing activities in the Community's fishing zone.

14. The Community, recognizing the right of coastal ACP States to the development and exploitation of their fishery resources, has agreed that the existing rules of origin should be examined in order to determine what changes might be made.

Under these rules of origin, ACP fishery products exported to the Community must be fished by ACP vessels which are registered in a Member State or an ACP State, sail under the flag of a Member State or an ACP State, are owned to the extent of at least 50% by nationals of States party to the Convention and of which at least 50% of the crew are nationals of States party to the Convention.

The ACP States consider these limits too stringent and want all catches made in their waters and landed at an ACP port to have originating status. That is why they are requesting a review of these provisions.

Lastly, the Community will grant financial aid to promote the development of sea-fishing activities. This aid should also cover the processing and marketing of fish.

15. To sum up, taking into account the other provisions which do not fall within the terms of reference of the Committee on Agriculture, the Community is undertaking to make 5,227mEUA available to the ACP States under the new Convention, as opposed to 3,390 mEUA under Lomé I.

16. The Committee on Agriculture welcomes the new Lomé Convention, which governs in an exemplary way the relations between a Community of rich countries and a group of developing countries and demonstrates the possibilities of a genuine dialogue between partners who wish to establish satisfactory and balanced relations with each other. It regrets, nonetheless, that the Commission did not lay sufficient stress on food aid in its document. If the medium- or long-term objective is to ensure that these countries are self-sufficient in food supplies, this can only be achieved through a joint effort on the part of the populations concerned. How can one expect people to make the necessary effort to develop agriculture and establish a basis for industry if they do not receive a daily ration of food which is above the minimum subsistence level, if they do not obtain sufficient protein? It is clear that food aid from the developed countries is essential, during a transitional period, to enable the people to bring about the necessary conditions for independence and to set their economy in motion.

17. While the Committee on Agriculture finds this a somewhat belated time from the point of view of procedure for comments to be made on the new Lomé Convention, it nevertheless welcomes the fact that the European Parliament is being consulted on the conclusion of the agreement by the Council. This consultation, which is provided for in Article 238 of the EEC Treaty, bears a degree of resemblance to the ratification of a treaty by a parliament in a democratic system.

18. The Committee on Agriculture does not share all the views expressed by the Committee on Development and Cooperation.

That committee regrets that Lomé II provides for hardly any concessions to be added to the existing arrangements for ACP agricultural products which are in direct competition with European agricultural products, such as onions, tomatoes, carrots, asparagus and mushrooms. The advantages granted relate only to limited quantities and apply only for short periods. Thus in 1977 imports of tomatoes amounted to 797 tonnes, of onions to 13 tonnes and of carrots to 28 tonnes.

The Committee on Agriculture welcomes the coordinated marketing of these ACP-produced vegetables, as imports coming in at a time when similar Community products are being offered for sale would simply depress the market, which would benefit neither producers in the Community nor those in ACP countries.

19. As regards the sugar protocol, the ACP States are reproaching the Community for taking no measures to cut back sugar-beet production in the EEC. The Committee on Agriculture believes that criticism of the Community in this respect is not entirely justified.

- (a) Firstly, in view of the problem of malnutrition, there is scope for disposing of sugar on the world market.
- (b) in recent months there has been a shortage of sugar on the world market, due in particular to the low output from certain major traditional producers such as Cuba, and this has resulted in a rise in sugar prices on the world market.
- (c) The ACP countries are being granted 173 mEUA from Community funds. This is a far from negligible sum bearing in mind that the Community, despite its surpluses, is guaranteeing a market for sugar produced in the ACP countries.

Be that as it may, the Community should review its policy on sugar in the near future. Such a review may go some way towards meeting the ACP countries' request.

20. With a view to medium-term prospects, the Community must act now to help the sugar-producing ACP States to diversify their production so as to meet the requirements of the world market. One particular possibility would be the production of protein, of which there is a severe world shortage, especially when one considers the problems of malnutrition. These changes in the structure of production in the ACP countries cannot be brought about from one day to the next. This is why steps must be taken now with a view to gradual conversion of their agricultural production.

21. As regards bananas, the ACP countries are encountering competition from the multinational firms based in Latin America. The Community has repeatedly urged the ACP States to pursue a more vigorous trade policy, and has offered to support any measures taken in this respect by the ACP States. The Committee on Agriculture is ready to approve of this policy, provided it takes account of banana production in Martinique and Guadeloupe, which plays an important part in the economies of these two French Overseas Departments.

22. The Committee on Agriculture approves of the measures to promote trade in ACP products provided for in the New Convention. However, it believes that this promotion should be extended to trade between the ACP countries themselves, and even be aimed at finding markets outside the parties to the agreement.

23. The Committee on Agriculture regards agricultural cooperation as particularly important, since it is the only way of increasing the value of the vital food aid which must be granted by the Community to a number of ACP States. It is essential that the ACP States should gradually be enabled to cover the major part of their food needs themselves. To achieve this, every attempt must be made to introduce simple but effective techniques in the ACP States which do not undermine the traditional social structures in those countries. These might include irrigation systems constructed by the population of a village, solar pumps requiring minimal upkeep, and the improvement in certain traditional farming methods which does not result in the massive rural exodus so often brought about when Western farming methods are transposed directly. Similarly, storage facilities for crops and supplies of food aid must be improved, so that these stocks are not partially destroyed by vermin or bad weather conditions. Lastly, the people must be educated, and the creation of industries which use food aid encouraged until the ACP States are in a position to make full use of their national output of basic raw materials. One has only to think of the success of the Flood II operation in India.

24. As regards fisheries, the Committee on Agriculture welcomes the policies contained in the new Convention. It considers it particularly desirable, in view of the difficulties which exist in the Community's fisheries sector, for joint ventures to be expanded, which would benefit fisheries both in the Community and the ACP States. Such measures would also demonstrate the solidarity which exists between the ACP States and the Community.

CONCLUSIONS

25. The Committee on Agriculture hereby submits to the European Parliament the following conclusions:

The Committee on Agriculture

- (a) welcomes the conclusion of the new Lomé Convention, which is a model of North-South relations;
- (b) emphasizes the effort mounted by the Community in respect of agriculture, which takes account of the interests of both producers and the ACP States;
- (c) calls on the Commission to draw up a list of the concessions made under the new Lomé Convention and the generalized system of preferences (GSP), and to calculate the sum they represent, in order to highlight the non-protectionist attitude of the Community as regards agriculture; also calls on the Commission to demonstrate the consistency between these two types of agreement, which ensures that the concessions granted under the GSP do not prejudice those negotiated in the new Lomé Convention;
- (d) considers that the balance which exists in the new Convention concerning trade in agricultural products cannot be altered without seriously disturbing the markets in agricultural products;
- (e) draws particular attention to the fact that agricultural surpluses can contribute in the short and medium term to solving certain, particularly acute nutritional problems affecting some ACP States;
- (f) therefore recommends a degree of caution in adjusting Community output to the conditions of the world market; stresses in particular that it would be quite wrong to attempt to achieve an internal balance (e.g. in sugar) without taking world food needs into consideration; urges the Community to encourage gradual diversification of the production of sugar-producing ACP countries towards products which are in demand on the world market, such as protein;
- (g) welcomes the trade promotion measures provided for in the new Convention; wishes the aims of these to include the expansion of markets outside the ACP-EEC zone and the promotion of trade amongst the ACP States;

- (h) emphasizes the importance of the agricultural cooperation provided for in the new Convention, which should enable the ACP States gradually to become self-sufficient in food; supports in particular any move to create an agri-food infrastructure in the ACP States which meets their traditional needs, particularly by encouraging the setting up of cooperatives; also recommends the dissemination of simple production techniques aimed at increasing the efficiency of agriculture in the ACP States without disrupting their traditional social structure;

- (i) emphasizes the importance of cooperation in the fisheries sector; wishes the Community to promote joint ventures between Community undertakings and the ACP countries and to assist the ACP States in the areas of training and research and development.

Table I

Imports of agricultural products
by the European Community

m EUA

	1973	1974	1975	1976	1977	1978
Total imports	24,371	27,835	25,866	33,071	37,453	36,127
Imports from ACP	2,640	3,356	3,318	4,336	6,185	5,591
ACP share (%)	10.8	12.0	12.8	13.1	16.5	15.5

Table II

EEC trade with ACP countries

m EUA

1	2	Imports		Exports	
		1977	1978	1977	1978
		3	4	5	6
0 - 9	All products	12 485	11 870	12 448	12 701
0,1,21					
22,231.1					
24,261-	Agricultural products (total	6 185	5 591	1 298	1 448
265,29,4					
599.51/52					
00	Live animals	-	-	8	9
01	Meat	58	31	38	42
02	Milk and eggs	-	-	252	304
03	Fish	87	107	19	40
04	Cereals	18	31	257	297
05	Fruit and vegetables	276	290	59	62
06	Sugar and honey	407	450	183	237
07	Coffee, cocoa, tea, spices	3 526	3 086	21	24
08	Animal feedingstuffs	175	108	13	21
09	Sundry foodstuffs	-	1	69	69
11	Beverages	27	35	246	161
12	Tobacco	85	154	47	60
21	Leather	60	64	1	1
22	Oilseeds	210	137	-	1
231.1	Raw natural rubber	63	62	-	-
24	Wood and cork	576	544	6	5
261 -					
265	Natural textile fibres	225	169	4	4
29	Agricultural raw materials, not elsewhere described	77	68	11	10
4	Oils and fats	316	254	59	99
599.51)	Starch, inuline				
599.52)	Wheat gluten	-	-	4	3

Source: EUROSTAT - SITC.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Sir Frederick CATHERWOOD

At its meeting of 6 June 1980 the Committee on External Economic Relations appointed Mrs POIRIER draftsman.

At its meeting of 4 November 1980 the committee unanimously rejected the draft proposed by the draftsman and appointed Sir Frederick CATHERWOOD draftsman who submitted a new text. At the same meeting the committee unanimously approved this draft opinion.

After paragraph 11, there follows the minority opinion contained in the conclusions to the draft opinion by Mrs POIRIER (PE 66.933/rev.).

Present: Sir Frederick Catherwood, chairman; Mr Almirante, Mr Bøgh, Mr De Courcy Ling (deputizing for Mr Spicer), Mrs Fourcade, Mr Hänsch, Mr Irmer, Mrs Lenz, Lord O'Hagan, Mr Pelikan, Mrs Pruvot (deputizing for Mr De Clercq), Mr Seeler, Mrs Seibel-Emmerling (deputizing for Mr Radoux) and Mr Welsh.

1. On 31 October 1979 the second ACP-EEC Convention was signed in Lomé. The Convention finds the Community Member States, on the one hand, and the 58 ACP states, on the other, in an agreement which provides for further and closer economic cooperation between the countries of the two regions. The new Lomé Convention may be rightly regarded as a model of partnership between industrialized and developing countries in a sophisticated pattern of international cooperation.
2. Since the Lomé I Convention was to end on 31 March 1980, the Council of the European Communities had as early as June 1978 authorized the Commission to begin talks with the ACP States, and it laid down directives for these negotiations.
3. It is important to emphasize that those responsible for negotiating the new Lomé Convention had made allowance for the developments which had occurred in the international economic situation in recent years. In the course of the negotiations proper account was taken of the needs of the developing countries with the aim of contributing, through further concessions and improved financial aid, to the achievement of a new world economic order. The EEC's greater willingness to offer more substantial aids and grant more important concessions was motivated not only by humanitarian considerations and those of political ethics, but also by strictly economic reasons arising from a growing awareness, particularly in recent years, of the complementarity of the economic interests of the EEC and the developing countries.
4. The improvements embodied in the new Lomé Convention are represented, above all, by further liberalization of access to Community markets for ACP agricultural products, the extension of STABEX to a wide range of products, the introduction of the SYSMIN system, a considerable increase in the volume of financial aid, and a commitment to massive industrial investment in developing countries.
5. Thanks to the negotiators' determination, therefore, it has been possible to achieve a result which, while falling short of expectations, represents an improvement of the situation. While the necessary concessions were made to the developing countries, proper account was nevertheless taken of the economic situation, notably the monetary and employment difficulties, of the Community.
6. As regards trade arrangements, the most notable feature of the Convention is the opening of Community markets to ACP products. In particular, the Convention makes possible the creation of a preferential trading area within which one of the parties - the EEC - has, in view of its developmental level, renounced its right of free access to the markets of its partners. The developing countries accord to the EEC

the most-favoured-nation treatment and undertake not to discriminate among its Member States.

7. Having proved relatively satisfactory in the past, STABEX, with appropriate modifications dictated by experience under Lomé I, has been incorporated again in Lomé II. The main improvements concern the extension of the list of products concerned and the increase in the amount of finance provided for STABEX, which has been raised from 382 m EUA (Lomé I) to 550 m EUA (Lomé II) to provide for the introduction of SYSMIN.
8. The negotiators of the first Lomé Convention were unable to reach fundamental agreement on the treatment of investments in the ACP States. A way out of the difficulty was sought in the present Convention by obtaining from the ACPs acknowledgement of the principle of non-discrimination in the treatment of investments coming from the Community Member States in the ACP States. This allows each Member State to benefit from the advantages granted by an ACP State to other Member States under bilateral agreements on the treatment of investments.
9. The Lomé II Convention also contains chapters on: industrial co-operation, agricultural cooperation, financial and technical cooperation. The Convention further embraces provisions on sea fishing, sea transport and migrant workers. The ACP States ask that more substantial funds be made available to them for accelerated development in the industrial sphere. The terms of the Convention reflect the partners' determination to solve problems relating to rural development, agricultural production and security of food supplies in the ACP countries. There is provision for specific cooperation measures, including the setting up of a technical centre for agricultural and rural cooperation. In the field of financial cooperation, the Convention provides for a total amount of 5,227 m units of account, 4,542 m of which will come from the EDF and 685 m in EIB loans.
10. The European Parliament must also give its opinion on a decision on the association of the overseas countries and territories with the EEC. These countries have been associated with the Community in a system of preferential economic arrangements since the Community's inception. They are countries linked to Europe by specific historical and political ties and for this reason an ad hoc type of association has been devised for them. Since every effort has been made to keep the ACP and the OCT arrangements strictly parallel in the course of negotiations, the two association patterns are today exactly analogous and it therefore follows that the European Parliament's opinion will apply to both.

11. In conclusion, the Committee on External Economic Relations approves the two association systems as a whole, being of the opinion that their principles, organization and the technical instruments of implementation they embrace, contribute to the solution of problems arising on the way to the achievement of a more just world economic order. It must be pointed out that after the, now imminent, enlargement, the degree of self-sufficiency in some agricultural sectors will be such that the Community will be unable to fulfil the commitments it has undertaken under the Lomé Convention and the OCT association. The Committee on External Economic Relations wishes to draw the attention of the appropriate Community bodies to the problem of how it will be possible to fulfil the commitments undertaken under the cooperation agreements.

12. CONCLUSIONS

1. Mr O'Kennedy, then President-in-Office of the Council, said at the signing of Lomé II,

'The Community's development policies as a whole, which we are trying with great care to build up and expand (...) can be frustrated - could even be swept aside - by the international recession whose breath we feel about us'.

This analysis would not appear to be satisfactory.

In fact, private companies and capital, whether European-based or not, control all the products leaving the ACP states, sometimes right from the production stage, and all the products imported by the ACP States. The Community's role is to assist and encourage, not to say to promote, these movements.

How does this private capital operate?

By buying labour and products as cheaply as possible and by selling on all the world markets at as high a price as possible. The profits of investors, of banks and multinational companies in particular, are considerable and they continue to rise. The Commission departments have said, moreover, that they are unable to provide us with a list of the commercial operators with whom the Community is working in the framework of the Lomé Convention.

On the other hand, if there is any threat to profitability, capital is withdrawn. This is why the European negotiators demanded during the review of the Convention that guarantees be provided for investments from the Community. Severe pressure was put on the ACP States which, on the contrary, could have done with some support to develop the means to achieve genuine independence and an economic framework corresponding to their needs. The Lomé Convention does not give them this type of assistance. The system described above cannot answer the needs of the ACP States.

2. In fact, is it not true to say that the crux of the problem is the conflict between the desire for profit and the good of the people? Poverty, which is the result both of the colonial past and of the possibility of maintaining the developing countries in the role of cheap suppliers, forces down wages and in the industrialized countries it reduces employment. There can be no meaning to, or realization of mutual interest unless priority is given to the welfare of the people.

It is in our mutual interest at present to reduce profit margins and increase purchasing power in the ACP countries and in the Community. It all comes down to the development of internal markets. Development of internal markets is also the sole means of guaranteeing an effective export policy. It stands in direct opposition to the international concentration of capital which is systematically encouraged by the Community.

3. It is in the interest of the people that all production, both agricultural and industrial, in all the countries of the world be encouraged in order first of all to satisfy the needs of human beings.

This would put the problems of aid in a different light.

The request put forward by the Non-Aligned States for the setting up of a world development fund to be allocated 300 thousand million dollars over 10 years (paid for out of military budgets) could help all the developing countries to establish themselves on a new basis in the world market, both as buyers and as suppliers, and to move towards self-sufficiency in food and the necessary industrialization.

For similar reasons, the ACPs asked that under Lomé II the EDF should be increased to 800 million EUA. In both cases the European countries refused. It should be noted that in real terms the value of aid provided under Lomé II represents a lower contribution per head of population than that granted under Lomé I.

This would put the problems of protectionism in a different light.

Since the multinational companies systematically and without hindrance impose their own rules would not the general removal of customs barriers allow them to invest where there is maximum profit and to organize markets to suit themselves, even speculating in cereals, i.e. in hunger, as GATT allowed American companies to speculate in wheat? There may indeed be competition among producers from different countries. But is this not artificial competition, based on misery, over-exploitation and the extreme poverty of some combined with the unemployment of others?

In addition, would not an improvement in purchasing power in the EEC permit, and indeed necessitate, an increase in imports from the ACP countries?

Similarly, competition between the poorer and richer ACP States, or between the ACP States and the other developing countries, seems often to be stepped up according to the needs of the multinationals, who are in control of the capital and of the international market.

When one considers the urgent requests of the ACP concerning the agricultural products which are excluded from the benefits of the Convention (they represent 0.5% of the Community's agricultural imports), one cannot but be surprised at the EEC's refusal to take account of the requests of the ACPs, for whom each of these products is often of vital importance; is it not true that the EEC wishes to build up a negotiating margin?

4. The relative situations of the parties to contracts such as the Lomé Convention are so completely different that the need for democracy in these relations achieves a fundamental importance. It cannot be claimed that the developing countries in general or ACPs in particular can freely make their own decisions and policies.

The World Bank, the IMF and the IBRD intervene directly in the policies of States: they may demand a currency devaluation for example. The CFA franc is linked to the French franc, the Commonwealth currencies to the pound sterling, and all of them to both the dollar and the mark. In general, the EEC and its member countries often unite with the USA in opposing the major claims of the developing countries, including the ACPs, such as the demands for overall negotiations within the UN (where the developing countries are in the majority) or for agreements on basic products.

5. During the Lomé II negotiations a number of proposals were put forward, by the ACP states in particular. Had they been taken into account the Convention would have been considerably improved; but they met with blunt opposition from the EEC, which led to a break in the negotiations. Your rapporteur would like to recall the following points which he considers to be of major importance:

- the requirement that the choice of investments be made independently by the ACP States, which is necessary if account is to be taken of genuine needs; it presupposes in particular the democratization of the EDF;

- calculation in real terms of the amounts to be transferred under Stabex would make it possible to take into account the rate of inflation in the capitalist countries and the fall in the value of their currencies;

- the marketing networks for export products continue to be dominated by European or American-based multinational companies, to the disadvantage of the populations of the ACP countries and the EEC countries. These networks should be made more transparent and subjected to better control on the basis of global negotiations on each product.

6. In more general terms, your draftsman would like to recall some of the principles which are essential for the introduction of new relations between the developed and developing countries and for the introduction of a new world economic order:

- recognition of the sovereignty of peoples; the opportunity for each of them to use their resources as they will, to provide for themselves the means to build national economies and to protect themselves from the imbalances of international trade and inflation;

- the need for countries producing raw materials to receive a stable and remunerative income from them;

- the right of every people to organize its economic and trade relations independently;

- democratization of international relations, which requires in particular that all states be regarded as equal;

- all domination must be replaced by cooperation based on the respect for sovereignty, the right of every state to choose its method of development and its own social system, genuine recognition of the equal rights of partners, mutual interest and non-interference.

Such cooperation is in the interests of all peoples.

The analyses contained in this opinion do not indicate that the Lomé Conventions represent this type of cooperation. The results of the various aspects of the Convention, cooperation in the areas of trade, agriculture, industry and finance, reveal an overall continuation of traditional relations, even if some of the requests of the ACPs have partly been taken into account.

Your draftsman therefore strongly requests the Committee on Development to give particular attention when preparing its report to the results of the first Lomé Convention and the prospects of Lomé II, in the light of the needs of the populations of the ACP countries and the need for mutually beneficial cooperation with the EEC countries.