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Report

drawn up on behalf of the Committee on Development and Cooperation

on the negotiations between the EEC and the ACP countries on the renewal and enlargement of the Association

Rapporteur : Miss Colette FLESCH

At the European Parliament's plenary sitting of 12 March 1973, the Committee on Development and Cooperation was authorized, at its own request, to draw up a report on the problems arising in connection with the renewal and enlargement of the Association.

At the same time the Committee on Budgets was asked to draft an opinion on this report.

The Committee on Development and Cooperation appointed Miss Flesch rapporteur on 9 October 1974.

The Committee on Development and Cooperation considered the report in detail at its meetings of 21 and 28 November 1974.

The motion for a resolution and explanatory statement were adopted unanimously with 2 abstentions at the meeting of 28 November 1974.

Present: Miss Flesch, chairman and rapporteur; Mr Deschamps, vice-chairman; Mr Sandri, vice-chairman; Mr Broeksz, Mr Durieux, Mrs Fenner, Mr Glinne, Mr Härzschel, Mrs Iotti, Mr Jozeau-Marigné, Mr Lucius, Lord Reay, Mr Romualdi and Mr Schuijt.

The opinion of the Committee on Budgets is attached.

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A

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

on the negotiations between the EEC and the ACP countries on the renewal and enlargement of the Association

The European Parliament,

- having regard to the Memorandum from the Commission of the European Communities 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/fin.),
 - having regard to the conclusions of the ministerial conference in Kingston of 26 July 1974, at which progress was made in respect of trade, the introduction of a system to stabilize export earnings and industrial cooperation,
 - having regard to the final communiqués of the Joint Committee meetings of 30 May 1974 in Dinard and 25 October 1974 in Mauritius,
 - having regard to the report of the Committee on Development and Cooperation and the opinion of the Committee on Budgets (Doc. 388/74),
1. Stresses that the Association is the result of a political decision and that closer political and economic cooperation would in the long run be beneficial to all the partners;
 2. Emphasizes that the existing form of cooperation between the Community and the AASM is the only practical example of development policy in the world to have a wide range of policy instruments at its disposal, based on the mutual interests of all the contracting parties;
 3. Therefore welcomes the enlargement of the Association and, in view of the present development policy crisis in the world, considers the intention of 9 industrialized and 44 developing countries to establish closer political and economic ties and seek new development policy methods as a matter of outstanding political importance;

4. Is convinced that the Association is helping to break the present vicious circle of underdevelopment and thereby to improve the degree of integration of the economies and the level of supplies to the population, together with the socio-economic infrastructure and the educational level of the people;
5. Welcomes the fact that the countries listed in Protocol No. 22 have decided in favour of an Association with the EEC rather than the simple conclusion of trade agreements;
6. Points out that the enlargement and renewal of the Association and the simultaneous working-out of a global development aid policy will be a turning point in the Community's aid policy which will allow the achievements of the Association and the needs of a worldwide Community aid policy to be brought together;
7. Considers that the definition of EEC common policies should take account of the new Association policy and of the global development aid policy, which will be all the better understood and accepted if a genuine Community regional policy is introduced;
8. Is convinced that the development of trade is one of the principal aspects of the Association and therefore hopes that even greater attention will be given to the new Convention, since it is a decisive factor for an improvement of the economic situation of the associated States;
9. Has noted with satisfaction the successful results of the ministerial conference in Kingston, especially in regard to trade policy matters, and hopes that the decisions of principle taken at that conference will be implemented in the agreement;
10. Draws attention to the adverse consequences of the closure of the Suez Canal on the economies of certain associated and associable States, and urges that special measures be taken to develop trade, in particular exports of bananas from Somalia;
11. Considers the safeguarding of the interests of the sugar-producing ACP countries to be a moral and economic obligation which must include a guarantee to purchase 1.4 million tonnes of sugar at a price which will ensure equitable export earnings for the producer countries, these prices to be reviewed annually having regard to the production costs, the prices paid to European producers and the world market price of sugar, it being understood that the ACP countries will undertake to deliver the agreed tonnages;
12. Considers the introduction of a system to stabilize export earnings as an essential innovation of the new Association agreement, with the goal of providing compensation for the loss of advantages these countries enjoyed, particularly in the area of trade preferences;

13. Requests the Community to include in the earnings stabilization system above all those products which are of vital importance to exports from the ACP countries and to take safeguard measures, including in particular an agreement on a ceiling for the stabilization fund;
14. States its agreement, for reasons of solidarity, to the possibility of participation by all members of the Association in the stabilization fund; however, there should be provision for a special refund system for the economically better placed countries; for the machinery necessary to achieve the stabilization of earnings a flexible procedure should be used, allowing for quantitative and qualitative criteria;
15. Considers that the size of the future European Development Fund - which bears witness to the Community's full solidarity with the associated countries, despite its present economic difficulties - should be sufficient to enable the benefits received by the AASM to be updated; the new associated States should be put on an equal footing with the existing partners, taking account of the following factors:
 - the increase in demographic weight brought about by the entry of the new associated states;
 - the real purchasing power of the aid;
 - the real economic and social development needs of these countries;
16. Considers that the principle of financing the EDF from the Community's own resources would provide an assurance of continuity in financial aid during the interim period between two Conventions and allow the European Parliament to exercise real control;
17. Hopes that the ACP countries will in future be allowed to participate to a greater extent than the AASM did in the management of the EDF and the implementation of projects financed by it;
18. Considers it appropriate for non-refundable aid from the European Communities to be reserved as a matter of priority for the most deprived countries and believes that greater differentiation between EDF actions according to the degree of development of the beneficiary countries will be a further improvement to the enlarged Association;
19. Believes that the rules relating to the European Investment Bank must also be adapted to the needs of the new and enlarged Association so that the Bank can make its particular contribution to improving the economic structure of the associated countries;
20. Welcomes the planned cooperation in the industrial sector and views the purpose of this cooperation as the progressive achievement of a more

rational division of labour between the Community countries and the associated States;

21. Urges the Commission to use all available means to contribute to increased cultivation of food crops in the countries least developed at present, so as to ensure their self-sufficiency in foodstuffs, while promoting the necessary industrial development in those countries;
22. Considers private investment urgently necessary for the economic and social development of the associated States and therefore believes it essential to create a favourable climate for investment and to lay down a good conduct code, providing the prerequisites for success of an industrial cooperation programme; regrets in this connection that the Commission proposals on the introduction of a Community guarantee system for private investments in third countries have not yet been approved by the Council;
23. Believes in this connection that contact between employees' and employers' organizations and with other economic organizations, such as chambers of industry and commerce, should be developed and strengthened at every level, and requests the Commission to promote such contacts;
24. Stresses the important role and influence of the institutions in ensuring the success of the existing Association, and insists that joint bodies should also be provided under the new Convention with responsibility for administration and control of the Association;
25. Urges the maintenance on a joint basis of the institution of the annual Conference representing the peoples of the Association, and hopes that its work will be prepared by a smaller joint body;
26. Proposes that the existing parliamentary conference be given the title of 'Representative Conference of the peoples of the Association';
27. Supports the planned creation of consultative bodies for economic and social matters, but stresses that this must not be allowed in any way to diminish the importance of the joint parliamentary bodies;
28. Hopes that the permanent character of the Association will be recorded in the preamble to the new Convention, but, in view of the new dimension of the Association and the possible resulting need for adaptations whose nature and extent will only become apparent after practical experience, considers that provision should be made for a review after five years;

29. Invites the negotiating partners to make every effort to ensure that the new Convention can be signed before the Yaoundé II and Arusha agreements expire; pending ratification of the Convention, this would allow temporary measures to be taken based on the provisions of the new convention to the extent that these fall within the province of Community law;
30. Urges the Commission and Council of the European Communities, should the negotiations not be completed in time, to consider all possible means of action necessary in particular for the benefit of the most deprived countries and those afflicted by the drought;
31. Belives that the African, Caribbean and Pacific countries which meet the criteria for states participating in the EEC-ACP negotiations and are about to achieve independence, should be given the possibility of acceding to the Association by a simplified procedure before or after the signing of the new Convention;
32. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities and, for information, to the Association Council, the appropriate bodies of the associated and associable States and the members of the Parliamentary Conference of the Association.



EXPLANATORY STATEMENTI. INTRODUCTION

1. The Community's Association Policy vis-à-vis the AASM has gradually developed beyond its original aims - the implementation of preferential trade measures and the provision of technical and financial aid. The representatives of the Associated States have often stressed that the Association primarily represents a political decision aimed at strengthening and developing the special relations between Europe and Africa. They believe that closer cooperation between Africa and Europe would be beneficial in the long term to both sides. President SENGHOR (Senegal) in particular is a keen exponent of the 'Eurafrica' concept - closer ties between Europe and Africa dictated in his view by nature and by circumstances.

2. The Community has developed a form of cooperation with the AASM which is unique in the world. It has made particular efforts within the framework of the Association to suggest solutions and develop concepts fundamentally different from other known development models. The Community's Association Policy has been much criticized by other industrialized countries, but the fact remains that the Association is the only practical example of a development policy with extensive implementing machinery. Despite certain shortcomings, the results obtained by the EEC/AASM Association compare favourably with those of the other development aid projects in the world. The Community realized at a very early stage that the policy of Association brought benefits to all the participants.

3. Relations between the Community, 18 African States and Madagascar are governed by the Yaoundé Convention, established on the basis of negotiations between the EEC and these countries. In 1972 Mauritius became the 19th member of the Association, and was the first Commonwealth country to join. In 1969 the Arusha Agreement was signed by Kenya, Tanzania and Uganda. However, it differs from the Yaoundé Convention inasmuch as it does not provide for financial and technical cooperation. The two conventions provide both for regional cooperation and for a high degree of mutual dependence between the partners in the trade sector.

4. The Yaoundé and Arusha conventions expire on 31 January 1975. The same applies to the transitional rules guaranteeing the countries listed in the protocol to the Act of Accession maintenance of the status quo, particularly for their exports to the United Kingdom. In accordance with the wishes of the present associated states the Second Yaoundé Convention and the Arusha Agreement lay down that the contracting parties shall, 18 months before the expiry of the agreements, consider possible provisions for a new agreement.

The provisions of Protocol No. 22 to the Act of Accession add a new regional dimension to the Association since, in that protocol, the enlarged Community gives a large number of independent Commonwealth countries in Africa, the Caribbean and the Indian and Pacific oceans, the opportunity of regulating their future relations with the Community within the framework of association or trade agreements.

In connection with the extension of trade relations mention should also be made of the joint declaration of intent on several developing countries in Asia, which is also annexed to the Act of Accession.

5. The EEC's negotiations with the AASM and the countries of the Pacific and the Caribbean were officially opened at a formal meeting in Brussels on 25 and 26 July 1973. These negotiations have been taking place at various levels:

- the Ministerial Conference, which has so far held meetings on 25 and 26 July 1973 in Brussels, on 16 and 17 October 1973 in Brussels, and on 25 and 26 July 1974 in Kingston; a further ministerial conference to conclude the negotiations is planned for December;
- the plenary committee of ambassadors and plenipotentiaries;
- the groups of experts, dealing with questions of financing, industrial cooperation, the stabilization of export earnings and trade.

The Kingston conference was of great political significance; never before have Community representatives met politicians from so many third world countries (44) in order to discuss major problems of development policy and the international economic system. No resolutions were adopted in Kingston; instead, policy objectives were pursued and financial and political obligations entered into. Agreement was reached on the major outlines of basic policy, if not on all individual questions.

6. The new and enlarged Association Agreement is being drafted at a time of fundamental change in the relations between the developing countries themselves on the one hand and between the industrialized and developing countries on the other. Thus, in a period when most developing and industrialized countries are hard hit by the consequences of inflation and the oil crisis¹ and the tension between poor and rich countries is constantly increasing, a group of nine industrialized countries, namely the EEC, with a population of 250 million have decided, in conjunction with 44 developing countries with roughly the same population to establish closer political and economic links and to seek new forms of development policy. This is of great political importance at a time when development policy throughout the world is in a state of crisis and the populations of the donor countries are becoming less sympathetic towards these aid measures because of their deteriorating economic situation. When the concept of unlimited growth and permanent surpluses was a characteristic of the industrialized countries it was a relatively easy matter to advocate an increase in development aid. However, now that the industrialized countries themselves are faced with zero growth, unemployment, serious structural changes and an aggressive raw materials policy on the part of certain developing countries they must consider how much importance should be attached to development aid in the context of their own economic, external trade and social policies.

7. The present and future situation of the developing countries is characterized on the one hand by their raw materials potential and on the other by their dependence on oil and other raw materials. Most developing countries have few or no natural resources. A new category of privileged developing countries has evolved consisting primarily of the oil-producing states but also of nations that can offer competitive raw materials. The supply and price policy of the oil countries and the changes in the raw materials markets have created an entirely new situation. The concept of the Third World which so far has been used in a broad sense to cover all the developing countries, has become questionable. The new group consists of developing countries with few or no natural resources. There is such a gap between these countries and the developing countries rich in natural resources that people are already talking of a fourth world, the poorest of the poor. We had become accustomed to thinking of the developing countries as a more or less homogeneous group. In the UN and its special agencies they formed the 'group of 77' and, despite obvious differences of opinion, they were able to adopt a common position on most political themes discussed in the United Nations. The conflict between the economic interests of the poor and the rich developing countries can only be resolved in the future if a convincing and speedy attempt is made, by the rich developing countries as well as the others, to tackle the plight of the poorest.

¹The sharp increase in the prices of mineral oil accelerated world inflation. It led to a serious deterioration in the balances of payments of most oil-importing countries, while in 1974 the earnings of oil-producing countries increased by a total of about 60 thousand million dollars.

II. RENEWAL AND ENLARGEMENT OF THE ASSOCIATION AND ITS INCLUSION IN A GLOBAL COMMUNITY DEVELOPMENT POLICY

8. The EEC, the world's largest trading block, is at present conducting negotiations with representatives of 44 developing countries in connection with a new Association Agreement on future trade, economic and financial relations and thus also on political relations. These are officially called the 'ACP negotiations', i.e. negotiations with the countries of Africa (A), the Caribbean (C) and the Pacific (P).

The following 44 developing countries are involved: the 19 states of Africa, Madagascar and Mauritius already associated with the Community, the three East African states of Kenya, Tanzania and Uganda, the African states of Nigeria, Gambia, Botswana, Ghana, Lesotho, Malawi, Sierra Leone, Swaziland, Ethiopia, Guinea, Liberia and the Sudan¹. The small state of Equatorial Guinea has also on occasions attended the negotiations as an observer so that reference is sometimes made to negotiations with 45 countries. Other conference participants are the 6 Caribbean states of Jamaica, Trinidad, Barbados, Guyana, Granada and the Bahamas and the three Pacific island states of Fiji, Samoa and Tonga.

9. With regard to the countries which have a similar structure to the ACP countries, but have not yet achieved independence, it is Parliament's view that they should be given the possibility of joining the Association by a simplified procedure and on the same terms, before or after the signing of the new convention.

10. The ACP countries held several meetings - at ministerial level - in Addis Ababa, Dakar and Magadishu - in order to define their negotiating position vis-à-vis the EEC. It should be emphasized that even under difficult conditions the 44 countries maintained a common position in the negotiations. A year ago, when the negotiations began, it was still not certain whether the 19 states already associated could cooperate so smoothly with the English-speaking states. The role of Nigeria, a very influential African state, was for a long time particularly unclear. However, Nigeria, represented in Brussels by the highly respected Ambassador Sanu, has in the meantime won a place at the head of the negotiating countries. Although there may have been difficulties in

¹ Botswana, Lesotho and Swaziland have since 1969 belonged to a customs union with South Africa, but this should not prevent an association of these countries with the Community. The Community must do all it can to reduce the dependence of these countries on South Africa and to diversify their economic situation.

the internal negotiations of the ACP countries, the earlier conflict between the Associated States of the Yaoundé Convention and the associable states no longer exists. It is also a credit to the Community that the countries listed in Protocol No 22 have decided on association with the EEC rather than on the conclusion of trade agreements.

11. In addition to extending the association policy the Community is at present preparing to define a global Community development aid policy. At the Summit Conference of October 1972 the Community and its Member States were asked to work towards the gradual achievement at world level of a policy of cooperation with the developing countries. On 16 July 1974 the Council took an important step in this direction. It adopted two resolutions laying down the basis of the Community's financial and technical aid to the non-associated developing countries and providing for the harmonization and coordination of the Member States' cooperation policies. Since the resolution on the Community's financial and technical aid forms the basis for extensive aid outside the association agreement it supplements the instruments already available to the Community for its world-wide policy. A new facet tending towards a global development aid policy has thus been added to the association policy which has hitherto been regional. As regards the general guidelines, the Member States and the Community should cooperate closely in the framing and implementation of policy both from the practical point of view and in relation to the position adopted in the appropriate international organizations on questions of cooperation with the developing countries. Greater uniformity and coordination should increase the efficiency of Community aid.

12. However, the communiqué issued by the Paris Summit Conference not only calls for a global development policy but also emphasizes that the achievements of the members of the present Association should be maintained and further extended. This means that the Community's development aid will in future take two courses: on the one hand association policy will be intensified and characterized by a regional dimension with particularly intensive cooperation in the trade, financial, technical and industrial fields, and on the other the

Community will establish criteria for a world development policy which will necessarily be less intensive than the association policy. It is safe to assume that the enlargement and renewal of the Association and the simultaneous laying down of a global development aid policy will mark a turning point in the Community's development policy. It is therefore important that a compromise should be found between the two policies, i.e. the advantages of the old and renewed association should not in any way suffer and must be brought into line with the needs of a Community development aid policy at world level. The existing Associated States in particular took a critical view of the inclusion of this global element in the existing regional association policy. It should be said, however, that this new aspect of development aid will facilitate the achievement of regional association and preference agreements, since certain Member States wanted to see a new equilibrium created before they continued with a closer and more intensive association policy.

13. In view of the Community's limited funds the principle of 'a little for everyone' in the distribution of development aid was categorically rejected. Unfortunately, however, no-one has yet worked out operational criteria by which the relatively scarce funds can be used to promote development policy in areas where they will have the maximum effect. The UN has for a long time been investigating the question of concentrating development aid in the areas where it is most needed, i.e. in the least developed countries. To this end the 'Committee for Development Planning' under the chairmanship of the Dutch national economist TINBERGEN has evolved the following criteria for identifying the least developed countries:

- The gross domestic product must not exceed 100 UN Dollars per capita;
- industrial production must not account for more than 10% of the gross domestic product;
- the illiteracy level must not be less than 80% of the population over 15 years of age.

On the basis of these criteria 25 countries were included in the least developed category. Of the countries belonging to this group the following will belong to the new Association:

Ethiopia, Botswana, Burundi, Dahomey, Guinea, Lesotho, Malawi, **Mali**, Niger, Upper Volta, Rwanda, Somalia, Sudan, Tanzania, Chad, Uganda and West Samoa. This means that most of the poorest countries in the world will be associated with the EEC. This should be incentive enough for the Community to conduct a precise reappraisal of the main regional and world-wide aspects of development policy since more help must be given to those developing countries which still have few natural resources but nevertheless together have a population of more

than 1000 million. This does not, however, mean that we should not also in future work in close cooperation with the developing countries that produce raw materials.

14. The present world economic crisis gives reason enough for a critical reappraisal of the development policy. The Community must do all it can to prevent the present north/south confrontation turning into a serious triangular conflict between the industrialized countries, the oil producing countries and the poor developing countries. It is therefore necessary to develop forms of cooperation which create a practical and lasting balance of interests and place not only the developing countries which produce raw materials but also those which are poor in natural resources in a position where they can satisfy their basic needs.

Moreover, the experience of the first development decade has shown that development aid is not a suitable instrument for the achievement of political objectives. Apart from the fact that the Community in its association policy has never pursued power policy objectives, development policy can only be properly effective if it is based on a long term concept which does not exclude the possibility of development aid policy and everyday policy coming into conflict as the oil policy of the Arab states clearly shows. We should also realize that we cannot offer the Associated States and the other developing countries our own economic and social system as a model for the solution of their problems. Every developing country has the right to choose its own way of structuring its political, economic and social conditions. This means that the Community cannot and should not impose any ideological, economic or social policy models of a specific nature. The Community's contribution must be made in areas where, in agreement with the beneficiary countries, there is reasonable scope for economic cooperation.

15. The present world economic situation is characterized by two completely new phenomena which must be taken into account in negotiating a new Association Agreement and in defining a global development policy. The first of these is the gigantic proportions that all problems have now reached: the extent of population growth and of the need for food, the rapid increase in the consumption of energy and raw materials necessary to keep the economies of the industrialized countries going and to set those of the developing countries in motion; if, for example, India were to use as much artificial fertilizer as the Netherlands it would account for almost half of the present world production. The second is the interdependence

of all problems. If for example, a bank collapses in an industrialized country it places financial experts all over the world on tenterhooks. And if the Arabs quadruple oil prices their action threatens the green revolution which has helped in southern Asia and other parts of the underdeveloped world to bring about enormous increases in the wheat and rice harvests.

16. Development aid has suffered a considerable setback as a result of the increase in oil prices and this international aspect of the development policy crisis must be taken more seriously than the shortcomings of individual states or of the Community, which can be overcome. The oil crisis has created a paradoxical situation between the industrialized and the developing countries. The western industrialized countries today provide a total of 8.6 thousand million dollars in development aid while, according to the OECD's calculations, the oil price increases have involved the developing countries in extra expenditure of 8.3 thousand million dollars which almost completely swallows up the aid. The fertilizer and grain price increases have also had severe consequences for the developing countries. Unless the sparsely populated oil-producing countries do not soon make contributions out of their enormous revenue to the developing countries which have no natural resources, the Member States of the Communities and the other industrialized nations will have great difficulty in persuading their citizens that considerable effort is still needed to cover the needs of the Third World - now the Fourth World. It is in the interests of everyone to bring development policy out of its present crisis. If this is not done soon the fight against hunger, poverty and ignorance will already be half lost and it is not only the Third World that will then feel the consequences.

III. Main features of the future Association

17. The association between the ACP countries and the Community implies not accession but close economic cooperation. Thus, the Association agreement must have as its primary aim the economic and social development of the Associated States and must lay down appropriate guidelines. Since the problems of the developing countries hinge, as before, on the reduction and ultimate elimination of their economic dependence on the advanced countries, the Community must strive to find solutions which replace this one-sided dependence by mutual interdependence and convert the peripheral role of the developing countries into a true partnership. As a first step towards achieving this aim the EEC should grant special rights and privileges to the economically weaker partners of the Association. On the other hand the demands of our partners must take account of the Community's economic capacity so that they do not jeopardize the economic basis for healthy and stable international cooperation. The Community - and this is a simple economic necessity - must be resolute and unwavering in its attempts to develop with the ACP countries, on the basis of our multilateral economic system, joint aims, strategies and solutions. This means that the European Community must exhibit even greater solidarity so that it can put forward realistic ideas more consistently and therefore with more credibility. Moreover, our scope for action and the measures we take must be extended with a view to achieving better cooperation and to meeting the material needs of our partners without destroying the market mechanisms.

18. The partners in the new Association must try to forget any prejudices and biases which still exist. The industrial world cannot continue to measure the development of underdeveloped countries simply on the basis of national income growth rates. From the statistical point of view the use of such figures is extremely doubtful both in relation to the definition of the concepts employed and in relation to the primary data on which these calculations are based. The major aim of cooperation must therefore be based on a balance between economic, financial and social factors. We need a policy aimed at involving the associated countries to a certain degree in the Community's increased prosperity; this is perhaps more important than any measures to improve our own wealth. The new Association policy must be realistic and must have social goals.

19. The advantages the AASM have so far achieved must not be reduced as a result of enlargement of the Association, but this does not mean stagnation.

In order that these rights may be safeguarded the future Association must take account of the new dimensions, which implies that the EEC's financial and trade policy efforts must be intensified. The new Convention

must devote special attention to the following points: promotion of trade, the removal of non-tariff barriers to trade and the definition of rules of origin and special arrangements for certain agricultural products, a particular attempt being made to find for certain ACP countries favourable solutions to the banana question and the already much debated sugar problem. The stabilization of export earnings will be an important new element in the future agreement. Financial and technical cooperation will be aimed in particular at increasing the financial resources of the development fund, greater involvement of the Associated States in the work of the fund, and dealing with the problems of underemployment and industrial development. Industrial cooperation between the EEC and the ACP countries is also a new point which was not contained in the Yaoundé Convention. These features illustrate the global nature of the instruments of the future Association. The organs of the old Association, which by and large have worked smoothly and satisfactorily, should be maintained in the new agreement but the institutional machinery must be adapted in a practical manner to the needs and requirements of the new and enlarged Association.

1. Features of the trade system

a. Promotion of trade

20. In addition to financial and technical cooperation, particular attention should be given in the new convention to the expansion of trade. The development of trade is one of the most important aspects of the Association since measures to extend commercial activities are beneficial because, unlike financial cooperation, they are not subject to interest and bring funds to the exporting country which it is free to use as it wishes. For this reason the Community must promote the export opportunities of the ACP countries more intensively than before. This is the most important starting point for an improvement in the economic situation of these countries. Our aim must be to find a compromise giving the ACP countries increased scope for exporting to the Community without impeding the necessary re-structuring process in the Member States of the Community by market distortions.

21. Although there are positive aspects to the results so far achieved in trade between the Community and Associated States it cannot be pretended that these results come fully up to expectations. The AASM's exports to the EEC¹ amounted to 2,531,491 u.a. in 1973, an increase of 31.95% over 1972 when they totalled 1,918,233 u.a. The EEC's exports to the AASM² reached a value of 1,843,208 u.a. in 1973, an increase of 15.72% over 1972 when they totalled 1,592,862 u.a. This overall increase does not give a true picture of the situation as regards exports from the individual Members of the Association,

¹See Annex I

²See Annex II

which have profited to differing degrees from the boom in the prices of primary commodities. As a result of unfavourable climatic conditions some of these countries have exported smaller quantities and this has been balanced in the overall total by the increased prices for other products. The average rate of growth for exports from the AASM to the EEC amounted to 6.2% while the rate for all developing countries was about 5.5%.

It is impossible to make an accurate assessment of the extent to which this is the result of the free trade rules. It can, however, be said that exports from the AASM would have developed less favourably if the third country rules had applied to them. The results as regards the geographical diversification of exports are a little more favourable since the Member States of the EEC which previously had no special relations with the AASM have increased imports from these countries at a faster rate than the other Member States.

22. The major part of trade has been liberalized since the completion of the free trade area between the Community and the AASM¹ on 1 July 1968. The Second Yaoundé Convention simply confirmed the free trade rules applying to commercial relations between the Community and each individual associated state. The benefits which these rules bring to the associated states in the form of preferences have diminished in recent years as a direct result of the liberalization of world trade by the Community. In the negotiations, therefore, the ACP countries have repeatedly drawn the attention of their negotiating partners to the reduction of their preferences on the Community market and asked that the new association convention should provide for appropriate compensation. The Community has already made attempts in the past to compensate for the loss of advantages in the trade sector by other measures to facilitate the sale of products from the AASM on the Community market, particularly through marketing aids made possible by an increase in the appropriations of the European Development Fund. Active encouragement has also been given for the training of management staff for work in the trade sector. It is not yet possible to make an accurate assessment of the extent to which the measures so far taken by the Community have been successful, but the associated countries welcomed the initiative and have repeatedly stressed that they set great store by the further development and extension of these measures.

¹Except for Togo, Zaire and, to some extent, Rwanda.

23. It would not, however, be enough to confine these trade concessions to the duty-free import of products since the duties are low and only apply to some of the ACP exports to Europe. The abolition of these tariffs would not be sufficient to enable the ACP countries to step up their exports. The liberalization of world trade must also work to the advantage of the developing countries. The Community must make its market more open to products from the associated states and facilitate the necessary adaptation processes of the European economy by means of a structural policy free from any system of controls. The associated states could be properly compensated for the loss of benefits from generalized preferences only by the introduction of a system for stabilizing export earnings, which we shall discuss later.

b. Trade arrangements, rules of origin and non-tariff trade barriers

24. The ministerial conference in Kingston was successful mainly in regard to the trade policy issues. Parliament welcomes the fact that it was possible to define all major aspects of the trade system of the new association between the EEC and the ACP, even though technical negotiations are still necessary to work out certain details.

25. One main feature of the Yaoundé Convention was the principle of free trade between the EEC and each individual associated state. The Kingston conference confirmed the principle of 'stability' of the trade system (which must be compatible with Article XXIV of GATT) and the principle of 'asymmetry' between the two partners in the association, i.e. the EEC has, for the first time, promised that the associated states will have free access to the Community market for most of their trade with the EEC. On the other hand, the communiqué states that the developing countries will not be obliged to make similar commitments. This eliminates the problem of the reciprocity of the benefits of the association partners which, at the beginning of the negotiations, caused considerable difficulties because of the stress laid on it by one particular Member State of the EEC. At the same time, it meets a long-standing wish of the USA and other industrialized nations, since the Community has thus made a contribution to the non-discriminatory development of world trade. At all events, it disposes of one of the major objections raised all over the world to the European Community's association policy.

26. It is also necessary for the quota limitations and non-tariff provisions impeding the extension of trade to be eliminated. As in other fields, continuity of the association should not mean a simple extension of the old Convention rules on this matter. At first glance, the basic positions of the partners in the negotiations appear irreconcilable. While the ACP countries point out that non-tariff provisions have an adverse effect on their exports,

the EEC states that these provisions apply erga omnes (even in trade within the Community) and in principle no exceptions can be made. However, the Community acknowledged at the Kingston conference that certain health, plant-health and administrative provisions restricted free access to its market. It was agreed that, in difficult cases, consultations should be held in order to work out a joint solution. In view of the expected increase in the enlarged association's volume of trade, which covers a wider range of products, precise rules must soon be found to overcome the non-tariff barriers to trade which still apply in the Community.

27. The question of certificates of origin in trade between the EEC and the associated states took a very prominent place at the Kingston conference. The ACP countries attach great importance to this point and adopted a hard line in Kingston, since they took the view that the EEC's rules for determining which products should benefit from a preferential system were too rigid. Special problems arise in particular in the case of processing traffic. For example, should cotton from Hong Kong which is simply processed in an associated state benefit from a tariff preference? The resolution adopted in Kingston heralded a certain break-through for the ACP countries, since the EEC recognized that 'strict rules of origin can create difficulties for the free access of products of the ACP countries to its market'. It was expressly stated in Kingston that, for a certificate of origin granting freedom from duty to be issued, it was essential that processing in a developing country should involve a change in tariff heading. The EEC will have to adhere to this concept although exceptions are possible. It was agreed that 'where the required change in tariff heading does not take place, the product concerned must nevertheless be accepted as an originating product if the value added in the exporting country reaches a certain minimum percentage'; the ACP countries proposed 25%. It is doubtful, however, whether this percentage can prevent the Community's external protection from being undermined through the rules of origin. The Community will not be able to accept all the demands, but practical compromises should be possible.

c. Special arrangements for certain agricultural products

28. Most fresh and processed agricultural products have hitherto been excluded from the free trade rules if they were similar to or competed with Community products. The EEC has therefore made proposals to the ACP countries on the access of products coming under the common agricultural policy¹. Although in objective terms, the system proposed by the Community represents a marked

¹The following products are involved: fishery products, products containing oil, fresh fruit and vegetables, fresh citrus fruits, products processed from fruit and vegetables and beef.

improvement over the practices of the Yaoundé Convention, the ACP countries are still dissatisfied. On 17 July 1974, they submitted a highly critical memorandum assessing and explaining the present situation in respect of each individual product. They regard the European Community's compromises as inadequate and even attribute them to a lack of political goodwill. They are particularly opposed to the maintenance of non-tariff barriers to trade and the safeguard clause which is to be automatically applicable to all products. Their main demands are as follows:

- an improvement in respect of products which at present enjoy free access to the British market;
- an improvement for products in respect of which the ACP countries could expand their exports (i.e., taking account of the future economic interests of production in the ACP countries).

The ACP countries take the view that the Community's offer would detract from the present conditions of access for their products to the British market. They demand free and unlimited access for all agricultural products (processed or not) regardless of whether they are subject to a common organization of the agricultural market in the EEC. They also disagree with the Community's offer on the grounds that it provides a special solution for each product; in particular, they reject the proposals on the grounds that they disregard potential exports of the ACP countries.

29. Parliament has often called for an improvement in the rules for fresh and processed agricultural products. Rigidity in the common agricultural policy should be avoided at all costs and an attempt made to include in the new association more liberal and more favourable rules for importing these products from the ACP countries. It should also be noted that the nature and quantity of most of the products which are similar to and compete with European products and which have so far been imported into the Community, do not offer any real competition to European agricultural producers.

(d) Special trade problems

(aa) Marketing of bananas from Somalia

30. The export of bananas from Somalia has presented a special problem since the closure of the Suez Canal. Existing difficulties were exacerbated by the restrictive Italian import measures. Both these factors had disastrous effects on banana exports which in 1972 still accounted for 47% of Somalia's total export earnings. Moreover, the continuing drought affecting several provinces of Somalia has had catastrophic effects on livestock

herds, and hence on the exports of beef, the country's main source of revenue. Parliament therefore takes the view that the future association agreement must include satisfactory rules for Somalia's banana exports, since only in this way can the difficult export and balance of payments problems of this country be alleviated.

(bb) Rules for sugar imports from the ACP Countries

31. Sugar should not be included in the system for stabilizing export earnings but should instead be the subject of special rules. These must form an integral component of the new association agreement. A solution must be found to the price/supply problem; here the difficulties lie not so much in fixing quota levels as in determining prices.

32. Article 22 of the present regulation on the common organization of the market in sugar lays down that the provisions on the regulation of production shall be valid until the end of the current sugar marketing year. The 1951 Sugar Agreement between Great Britain and the Commonwealth countries expires on 31 December 1974, while the Second Yaoundé Convention expires on 31 January 1975. Special arrangements must therefore be made for sugar imports from the sugar producing developing countries in the negotiations with the ACP countries which must be concluded before the end of the year.

33. The present Community organization of the market in sugar was fixed at a time when the Community's internal market and the world market were characterized by sugar surpluses. The aim of the market organization was therefore to bring overall production into line with actual needs. The situation has now been reversed, i.e., the demand for sugar exceeds supply.

Since certain sugar supplies to Great Britain under the Commonwealth Sugar Agreement were not forthcoming the excess demand increased. The Community now has to solve two problems. The people of the Community must be guaranteed supplies and the sugar producers must receive equitable prices for their products. On the other hand the Community must, in accordance with Protocol No. 22 of the Act of Accession, the relevant joint declaration of intent and the obligations entered into vis-à-vis the AASM, submit to the ACP countries a quantitative offer, based on reasonable price rules. The Community's sugar policy must take account of both political and economic factors, the former relating to the obligations towards the developing countries arising from the Act of Accession, the latter being connected with the Community's position on the world sugar market and with the common agricultural policy.

34. The first decision which must be taken relates to the obligations arising from the spirit and the letter of Protocol No. 22 of the Act of Accession, and

from the joint declaration of intent on the development of trade relations with Asian Commonwealth Countries. Since the Community's decision must be taken within the framework of the enlargement and renewal of the association and since some time will be required for ratification of the new association agreement, the Community must find a definitive solution as soon as possible.

35. The Community has already decided to guarantee to purchase from the ACP countries an annual amount of 1.4 million tonnes of unrefined and white cane sugar; each contracting country must therefore also commit itself to supplying the negotiated quantity. Adherence to mutual obligations must be guaranteed by provisions to be defined in the negotiations. Moreover, the commitment on sugar should have an unlimited duration.

36. Since the sugar question involves a price/quantity problem, the ACP countries are only prepared to give guarantees for individual and overall supplies if the price question is settled in an acceptable manner. The ACP countries have already stated that the European producer price cannot be treated as the maximum price. In their view an equitable and reasonable price must be fixed on the basis of present world market prices, of the price recently paid under the CSA, the price increases from which EC producers benefit and the need to improve the standard of living of the population. Parliament believes that the price paid for imports from the ACP countries must be such that it guarantees the producer countries adequate export earnings. It should be possible to review these prices each year taking into account production cost trends, the prices paid to European producers and world market prices for sugar.

37. Safeguarding the interests of the sugar producing developing countries is for the Community not only a moral but also an economic commitment, since its obligations in this field to countries which live almost entirely on sugar production are of vital importance. The Community's decision is therefore also a decision which favours the EEC's development aid policy. Parliament believes that the Community's agreements to import 1.4 million tonnes must provide a degree of access to the sugar market comparable to that which the developing countries enjoyed for example under the Commonwealth Sugar Agreement. This means that their sugar exports must cover some of the Community's demand. Parliament therefore takes the view that, given a more or less normal market situation, the Community's production must in future be fixed with due attention to these aims and to the guarantee to import 1.4 million tonnes of cane sugar.

(e) Stabilization of export earnings

38. The Associated States have had to accept a repeated erosion of the preferences granted to them on the Community market and are now faced with a system of generalized preferences. These losses can only be balanced by stabilizing the export earnings of the ACP countries, as the parliamentary bodies of the Yaoundé Convention have been urging for many years. Stabilization of export earnings implies the design of a system guaranteeing the developing countries export revenue for certain products. The Commission, which is convinced that financial aid is not enough to obtain a satisfactory rate of growth in the developing countries has expressed the wish that

- 'In the long term the trend towards a rapid increase in exports of manufactured goods from the developing countries which enjoy comparable advantages to the industrialized countries, should be maintained,
- in the short term export earnings from trade in primary commodities should be stabilized and increased'.¹

39. The decision on the introduction of a system to stabilize the export earnings of the ACP countries may be seen as the most important result of the Kingston conference. The inclusion of this method of stabilization in the new agreement is also a decisive innovation in comparison with the Yaoundé Convention. It would doubtless have been better to introduce this system on a world scale since a final solution to the export earnings of the developing countries can only be achieved at world level. However, in view of the impossibility of arriving at an agreement on this problem with more than 100 countries in a reasonable time, the EEC has decided to introduce earnings stabilization initially within the regional framework of the association with the ACP countries. Although there was only agreement in principle on this system, the details of which remain to be worked out, it must be admitted that this proposal for a fund to compensate fluctuations as a result of world market conditions in the export revenue of the developing countries will serve as a model in the coming years of the development policy. Because of their low level of development the export of primary commodities represents the main source of foreign currency in most countries of the third world. In this respect exports have a key function as regards growth, employment, regional and structural policy goals. The stabilization of earnings from raw materials forms the basis for the smooth financing of projects and programmes necessary to growth and of all development plans. The Community's plans for stabilizing the export earnings of the ACP countries and for reducing the degree of fluctuation are therefore to be welcomed.

¹ SEC (73) 2043, 5 June 1973

40. The stabilization of export earnings naturally gives rise to many problems which must be solved by mutual agreement. In the negotiations the ACP countries started out from an ideal assumption and asked for earnings stabilization to involve a purchasing power guarantee for products which the associated states have to import from the industrialized countries. This means that the developing countries wanted a guarantee that purchasing power would remain constant for a given volume of exports. President Nyerere put it as follows: 'It must be possible over the years to purchase a tractor by exporting an identical quantity of sisal'. However, the establishment of a fixed relationship between export and import prices would amount to 'indexing' and would run counter to market forces. Quite apart from the extremely difficult technical problems of a purely statistical nature it is doubtful whether this would benefit all the associated states or only some of them since the pattern of trade is not such that only industrialized and developing countries trade with each other. The only thing that such an indexing system would achieve with certainty is a marked exacerbation of the existing world-wide inflation and this would be in the interests neither of the industrialized nor of the developing countries.

41. All national and supra-national price interventions are counter to market practice and disturb market equilibrium. Price manipulations generally lead to catastrophic surpluses as the European Community's agricultural policy clearly shows. Against the background of the EEC agricultural crisis the Commission decided to stabilize earnings instead of prices. This, however, involves another danger. Producers will produce as much as they can in the full knowledge that if prices fall their losses will be compensated. It is quite possible that a country could bring about a fall in prices through an ill-considered or intentional expansion of the output of a product. It is therefore absolutely imperative that appropriate safeguard measures should be included in the export earnings stabilization system, including in particular agreement on the upper limit for the stabilization fund. Compensation, moreover, should not be automatic but should be granted on the basis of stringent criteria.

42. The products to be included in the list remain to be defined. The result must be a compromise because the Commission's original proposal provided for the inclusion of seven products (groundnuts and groundnut products, bananas, cocoa, coffee, cotton and copper), whereas the ACP countries' catalogue includes 20 products (additionally including: wood and wood products, coconuts and coconut products, skins and hides, tea, tobacco, sisal, beef and beef products, fruit and vegetables, pineapples, and pineapple preserves and iron, manganese and bauxite). The following criteria should be used in the selection of products: the employment situation, decrease in export earnings, fluctuations on the

world market which affect exports to third countries, deterioration of terms of trade between the ACP countries involved and the Community, the degree of development and difficulties due to the geographical situation of certain countries, such as landlocked nations and islands. At all events the stabilization system should include those products which are of vital importance as exports from the poorest countries of the association (17 of the 44 come into this category). Not all the products suggested by the ACP countries can be included in the stabilization system because the Community's funds for this purpose are not adequate.

43. For reasons of solidarity all Associated States should be allowed to participate in the stabilization fund in order to avoid discrimination. A special system of refunds must of course be developed: the poorest countries might possibly not have to repay the amounts to the EEC, but the others should repay the resources received to the fund if the negative consequences of the deterioration in the price of a product are overcome. With the money flowing back it would then be possible again to support the products for which earnings on the world market are diminishing. If there is a considerable reduction in export earnings on a product, the country concerned can request financial aid from the fund. Theoretically, the best situation would be if the funds were used in the same way as the European countries used the Marshall Plan funds after the Second World War. Agreement has still not been reached on the mechanisms to be used for stabilizing earnings. The Commission has hinted that it would prefer a mathematical formula for calculating the contributions to be granted and, where applicable, repaid. A compromise has now been reached between the Commission and the Member States, meeting both the need for automatic operation and the demand for a more flexible procedure.

2. Financial and technical cooperation

44. The financial aid from the Community, the second major pillar of the Association, is of the utmost economic importance for the Associated States. Under the Yaoundé Association Convention, Community aid amounted to approximately one-fifth of public aid and, in the case of the poorest countries of the Association, the figure even rose above the 30% mark which illustrates the importance of Community aid for the development projects of the Associated States. EEC financial aid has no strings attached, is applied on economically favourable terms and thus makes an optimum contribution to the extension of the production capacities of the Associated States. Financial aid and extension of trade constitute the mainstays of the Association by which the Community is seeking to improve the economic and social situation of the Associated States.

(a) Financing the new development fund (EDF)

45. As any change in the size of the development fund will have considerable effects on the development policy of the beneficiary countries, the ACP countries are understandably paying particular attention to the financing of the new fund. A preliminary discussion at ministerial level concerning the financing of the new fund took place at Kingston, during which both sides submitted preliminary figures: the Community talked of a possible tripling of the present fund, whereas the representative of the ACP countries, the Senegal Economic Minister BABACAR BA, named a sum of 8,000 million dollars for the fourth development fund¹, a figure the Europeans felt was too high.

46. The extent of financial aid must take account of the following criteria: retention and updating of the advantages gained by the AASM, a point to which the Community has already agreed in principle. For reasons of solidarity the new members of the enlarged Association should enjoy the same treatment 'account being taken in each case of their socio-economic conditions, their state of development, factors hindering development and their available own resources', as the Commission emphasizes. Account must also be taken of the increase in demographic weight represented by the ACP countries and of the real purchasing power of the aid.

¹For comparison the figures for the three previous funds were:

1st EDF: 581 million u.a.

Yaoundé I : 730 million u.a. (EDF: 666 million, EIB: 64 million)

Yaoundé II : 918 million u.a. (EDF: 828 million, EIB: 90 million)

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47. The sum of 8,000 million dollars which Minister BABACAR BA named in Kingston is certainly a realistic figure in view of the enormous needs of the ACP countries and continuing inflation, if one takes into account all the factors referred to above. But in endowing the new Fund allowance must also be made for the Community's economic capacity and for other EEC financial commitments towards the developing countries which are not inconsiderable¹. Changes in the world economic situation cannot be ignored either: rising rate of inflation, the downturn in world economic trends, the effects of the increased cost of oil², disparities on the labour market, increase in external trade imbalances and rising trade and balance-of-payments deficits. According to recent calculations, the EEC will probably have to spend 40,000 million dollars for its oil imports this year, i.e. 24,000 million dollars more than in 1973. While economic activity in the Community has remained at a relatively high level in 1974 compared with other countries, the deep-rooted difficulties of some Member States cannot be ignored. The Community's gross social product increased by 5.6% in 1973, but in 1974 the figure will be 2½%.

(b) Budgetization of the European Development Fund

48. The European Parliament asks for the EDF funds to be included in the Community budget in the future. In June 1973 the Commission submitted a communication on the inclusion of the European Development Fund in the budget and financing of the fund out of the Community's own resources³. Since the decision of 21 April 1970 on the replacement of financial contributions from Member States by the Community's own resources, the EDF has represented the only financial activity of the Community which does not fall within the budgetary powers transferred to the European Parliament.

¹ See Annex III

² As a result of the increase in the cost of oil, the industrialized countries are losing thousands of millions of dollars which could have been invested elsewhere. According to estimates by the IMF, the foreign exchange reserves of the oil-producing countries will rise to more than 200 thousand million dollars by the end of 1976. In other words: approximately one-fifth of the present purchasing power of the USA will be available in 1976 to the oil-producing countries for capital expenditure on physical assets or other investment. The implications for the developing countries are even more serious; aid measures on an international basis must be introduced for them in order to eliminate the greatest need. It is therefore of prime importance for there to be solidarity between the Third World (oil-producing countries) and the new fourth world, because the low-population oil-producing countries have at their disposal thousands of millions which the high-population poor countries need so urgently.

³ SEC (73) 2149 fin., 12 June 1973

49. The inclusion of the EDF finances in Community expenditure would only require a decision by the Community. The following reasons can be put forward for including the EDF in the Community budget:

- it will first of all allow control by Parliament. The Committee on Relations with African States and Madagascar therefore suggested as long ago as 21 June 1971 that a decision should be taken to this effect;
- inclusion in the budget of expenditure on financial and technical cooperation will mean a better distribution of budgetary expenditure;
- the grouping together of the funds provided for development aid and food aid will provide a broader and overall picture of the financial efforts made by the Community in favour of the developing countries;
- incorporation of the EDF will ensure continuity in the financial outlay between one convention and the next, i.e. continuous provision of aid during any transitional period will be assured, a point which our committee considers to be particularly important;
- financing from own resources solves the problem of the allocation of contributions and thus eases one of the most difficult stages in the negotiations;

Certain conditions must be fulfilled, of course, for the incorporation of the EDF in the Community budget:

- it must not lead to neglect of the regular negotiation of the amount and conditions of financial and technical cooperation;
- nor must it undermine the existing rules which allow the Associated States to participate in its administration;
- the collaboration of the EDF Committee in the authorization procedure for the individual projects financed by the EDF must be retained.

50. When it was decided on 22 April 1970 to replace the financial contributions of the Member States by the Community's own resources, the Council did not expressly decide to include the EDF expenditure within the scope of its decision. The reason was that the activity of the EDF was based on a convention concluded for 5 years and which at that time formed the basis for the financial obligations of the Member States towards the fund. The EDF expenditure must be legally defined as Community expenditure in order to be included in the budget and financed from the Community's own resources. It is a question ultimately of the legal basis of the measures required within the

framework of the Association. The Commission rightly takes the view 'that development falls within the powers vested in the Community by Article 238 of the EEC Treaty', since the latter provides for common action which can also comprise 'financial and technical cooperation'. Furthermore, Protocol No.22 of the Act of Accession lays down that 'the Community's relations with the Associated African and Malagasy States ensure for those states a range of advantages and are based on structures which give the Association its distinctive character in the fields of trade relations, financial and technical cooperation and joint institutions' (II,2). The same protocol also offers the opportunity to the independent Commonwealth countries to participate in the future Association Agreement with the AASM.

c. Greater involvement of the Associated States in planning and implementing aid

51. In the negotiations, the ACP countries asked to be involved to a greater extent in the decision-making processes of the EDF. The renewal and extension of the Association should therefore be used to increase the part played by the Associated States in programming, screening and implementing aid. The existing dialogue must be extended, since close collaboration between all the partners in the Association will allow fuller and more effective financial cooperation.

52. Since the joint bodies were set up, the Association Council has not gone deeply enough into the general aims of financial and technical cooperation. The Commission therefore suggests that in addition to the financial supervision and sectoral breakdown of measures, there should be a closer examination of the application and utilization of the aid in order to provide the Association Council with a comprehensive picture of financial and technical cooperation. Discussions with the Associated States could be arranged at regular intervals on problems connected with the application of aid. The purpose would be to seek a better understanding of the actual situation, so that the partners could take part in subsequent discussions on measures for financial and technical cooperation with a better knowledge of the facts. In planning and carrying out investments the Associated States sometimes also have to call on outside assistance because there is a lack of specialist personnel. For obvious reasons, the Associated States are interested in remedying this situation and taking over a number of tasks themselves. The Community is under an obligation to step up its efforts in this direction, since the aid provided in the form of technical cooperation must as far as possible be complementary to other aid and not a substitute for it. If an associated country has the appropriate skilled personnel to plan and implement investments, the Community should provide the necessary material aid. The fact that, in the 'Sub-Committee for Financial Cooperation' between the Community and the ACP countries, considerable progress has been made in this direction is to be welcomed. The ACP countries should be given the right to work out for themselves their requests for finance and their breakdown of priorities, which should then be discussed and agreed with the Community authorities. PE 38.747/fin.

d. Main objectives of future financial and technical cooperation

53. The Community has always endeavoured to adapt its financial and technical efforts to the requirements of the Associated States. This applied in particular to the sectoral application of financial aid, the terms and forms of the financing measures, the means available for the financing and the programming of the projects. The new convention with the ACP countries must, on the one hand, consolidate the achievements which have already been made and, on the other, Community aid must be more diversified. The system of sectoral breakdown and priorities should be retained and extended, i.e. the main emphasis should continue to be placed on the extension of economic and social structures, the development of agricultural areas and training. Greater and more detailed attention should be paid to problems of training since, above and beyond its social effects, it provides the actual prerequisites for successful economic progress by the under-developed countries. It is therefore important to ensure that investments in this area are put to maximum use with maximum efficiency. Greater attention must also be devoted to problems of industrialization, marketing and sales promotion. Trade policy represents the most important element of the association policy and, having regard to the principle of 'trade not aid', the competitiveness of the Associated States on the Community market must be increased by means of marketing and sales promotions.

54. As part of the enlarged convention the Community must pay particular attention to regional cooperation between the Associated States. The Association must help to break down the existing technical, economic and psychological differences between the old and the new members. It cannot be emphasized often enough that Community support measures for regional cooperation must form one of the most important aspects of the new Association. The multi-annual programmes established by the Associated States should be coordinated with one another. The Community could provide funds for those forms of production which extend over a certain regional area, i.e. some of the EDF resources would be made directly available to support regional projects. As the Associated States include some of the poorest countries of the world, it is of prime importance that the Community should intensify its cooperation with the least advanced countries. It would therefore be expedient to reserve priority financial support by the European Community to the poorest countries; such a decision is of course not a matter for the Community but for the ACP countries. Differentiation in the aid provided by the EDF according to the degree of development of the beneficiary countries would represent an important innovation for the Association.

Technical aid to the poorest states should also be granted on particularly favourable terms and should take effect quickly so that they can absorb a greater volume of foreign aid. It is self-evident that the terms of the financial aid must be highly flexible. Employment is, of course, a primary

problem for the developing countries. In this connection, Community aid for the development of agricultural areas has had a favourable effect because it has helped to stop the flight from the land. Priority must therefore be given in the new agreement to aid for the creation of jobs and improvement of employment. As agriculture in the developing countries continues to be the most important branch of production, the agricultural sector must be given more thorough consideration in the selection and technical planning of development projects.

e. The role of the European Investment Bank

55. In view of the economic situation of the ACP countries, Community aid should continue to be given mainly in the form of non-repayable grants. This does not mean, however, that the other forms of aid are only of secondary importance. As the Community has available a large number of financing facilities, extending from grants to loans on special terms, the appropriate solutions must be worked out for the various circumstances; they must also be highly flexible and adapted to the needs of the Associated States. On the principle that the advantages granted to the AASM must be maintained and the states to be associated given comparable aid, the resources of the European Investment Bank must also be built up. The previous loan policy of the bank must be reconsidered and possibly made more flexible. If necessary the Member States must amend the statutes of the bank if it should be unable to take on new financing under the enlarged convention. The financial guidelines of the bank must be adapted to the new overall situation of the enlarged Association.

56. In the Associated States the problem is mainly one of building up and extending the basis for an infrastructure and increasing productivity in the agriculture sector, which is why primary importance must be attached to grants. Everything must be done to reduce or at least contain, the indebtedness of the developing countries; the debt ratio of all the developing countries is already very high and is increasing annually by about 14%. Community aid must therefore be granted on the most favourable terms. Under the Yaoundé II Convention, the cost-effectiveness of individual projects and the borrowing capability of the associated state concerned must be taken into account when determining the form of financing for a project. A more sophisticated version of this procedure should also be used in the new association convention, the socio-economic conditions in the country concerned being used as a criterion. Depending on the urgency of the problems of the associated states, the most favourable terms should be granted. Accordingly, the conditions for special loans should be standardized at the favourable level provided for in the second Yaoundé Convention, i.e. 1% interest, repayment in 40 years, 10-year redemption period. For the poorest of the associated states, interest-free facilities should even be arranged.

3. Industrial cooperation with the ACP countries

57. Alongside stabilization of export earnings, industrial cooperation is to be the second new element in the planned agreement. At the Kingston conference the ACP countries submitted a memorandum to this effect, the main points of which were accepted by the European Community. At the Conference of Ministers, the following resolution was adopted:

' The ACP countries and the European Economic Community recognize the essential importance which should be placed on industrial cooperation in the future agreement

The European Economic Community has taken note of the memorandum on industrial cooperation presented by the ACP countries and confirms its agreement on the general aims of the memorandum.

The ACP countries and the Community will, on the basis of the memorandum presented by the ACP countries, continue the examination of this subject in Brussels

In the memorandum, the ACP countries noted that the results so far in the field of industrialization both in Africa and in the countries of the Caribbean and the Pacific were generally disappointing, in spite of some success in a few countries. After analysing the reasons for this partial failure in the memorandum, the ACP countries suggest a series of initiatives in the following areas: Enlargement of infrastructures, better technical transfer, adaptation of technology, training of skilled personnel, development of research in the ACP countries, better division of labour and appropriate measures for special branches of industry.

58. The purpose of genuine cooperation in the industrial sphere would be to make the developing countries partners in growth, and to achieve a rational division of labour between the industrialized countries of the Community and the Associated States. A greater degree of interlinking of our economy with that of the developing countries is in the interests of both partners, and it would be a great advantage if our need for raw materials could be coordinated with the developing countries' demand for extensive processing of raw materials in their own country. The developing countries place great value on acquiring for their own economy the additional benefits associated with the processing of raw materials, i.e. building up competitive processing industries on the basis of their own raw materials. A compromise has to be found here to free the developing countries from their unilateral dependence on raw materials and to place their national economy on a broader basis, less susceptible to crisis.

59. Science and applied research must be included in an overall programme of industrial cooperation. A distinction must be made between:

- the transfer of existing know-how,
- methods and technologies, in the broadest sense, which could be of use to the developing country, and
- the processing of new information from research aimed at the special needs of the developing country.

As part of the new industrial cooperation, both sides must endeavour to ensure better organization of research on and transfer of technologies for developing countries. The technologies available in the industrialized countries must become part of practical development aid, because the spread of appropriate, labour-intensive technologies is an important prerequisite for genuine development involving broad sections of the population in the developing countries. It is necessary, of course, to consider whether the normal forces of competition and the market offer sufficient attraction for foreign investors and exporters of capital goods and machinery to adapt their production techniques to the special conditions of the developing countries. The Community should, therefore, intensify its efforts to develop intermediate technologies especially suited to the developing countries. The industrialized nations have hitherto made much too little effort to utilize the potential of their modern research capacity for the special problems of the developing countries. Results in the development of a high-yield seed for rice, wheat and maize to suit the production conditions of the developing countries provide convincing proof of the possibilities of research for specific purposes. The Community should also speed up assistance to those undertakings which are of primary importance for the infrastructure of the Associated States. Vigorous action in favour of these firms should gain the full support of all responsible parties. Besides special measures for certain firms, other problems which the Community must concern itself with are vocational training and advanced training, appropriate advice when granting credit, and technical support in solving specific problems. Industrial cooperation should extend both to short-term and long-term programmes, and the only important thing is that the projects should be labour-intensive and should contribute as soon as possible to improving the economic situation. The Commission should also take measures to see that new industries are sited in the poorest countries; hitherto the situation has been that industrialization has been limited to those countries which are already relatively developed. A further important object is to increase food production and the processing of agricultural products in the developing countries.

60. As the industrial development of the Associated States cannot be financed solely with European Community funds, private investment is of great importance for the economic and social development of these countries. By the transfer of capital and technical know-how, business incentives, the creation of new jobs, increasing exports, diversification of economic and export structures, these private investments promote integration of the world economies at the

same time. The fundamental question is therefore how European investors can be given a guarantee. This question, which is only briefly touched on in the memorandum by the ACP countries, but which is considered to be very important by the Commission, is a fundamental one. It is completely reasonable for the developing countries to claim sovereignty over their raw materials and natural resources, and for them to want to determine themselves where direct foreign investment is desirable and where it is not. If the ACP countries, however, decide in favour of increased private investment, the Community is entitled to expect that commitments made will be fulfilled. The Committee on Development and Cooperation considers that the Community should not become involved in the internal political options of the ACP countries, but calls for the creation of a favourable climate for investment and a good conduct code. In this connection it maintained that the provision of legal protection for private investment is a prerequisite for the achievement of an industrial cooperation programme between Europe and the Associated States, and regrets that the Commission's proposals to introduce a Community guarantee system for private investments in Third countries have not yet been approved by the Council.

61. Industrial cooperation between the Community and the ACP countries can only be successfully carried out with the participation of the private sector. Contacts between employee and employer organizations and the other organizations in the economy, for example, the Chambers of Commerce and Industry, must therefore be extended and intensified at all levels. In this connection the European Parliament welcomes the fact that as part of the new agreement there is to be a 'Committee for Industrial Cooperation' at government level. It would also be an advantage if further working parties on special problems of industrial cooperation could be set up and meet regularly. At the beginning of October this year a preliminary exchange of views was held between the ACP countries and several private organizations from the Community concerning future economic relations between the Associated States and the Community, and this meeting was described as fruitful by both sides. The Commission should further these contacts and determine what contribution the private sector can make towards industrial cooperation with the Associated States. It should also be considered whether the ACP countries could set up a central point of contact which would provide them with better access to our technological potential, i.e. to industry, to the major research centres and facilities, to universities, data banks, patents and licences.

62. In the new convention, special financial arrangements must also be provided for the implementation of industrial cooperation involving the EDF, the EIB and the other financing bodies of the Member States. These financing arrangements should be kept as flexible as possible in order to allow participation by regional, national and Community finance bodies in common projects.

4. Right of establishment, services, payments and capital movements

63. The regulations on establishment and services contained in the Yaoundé II Association Convention specify two principles of the Association: equal treatment of nationals of Member States and most favoured nation treatment. The application of the two regulations has not raised any particular problems in the association policy hitherto, and the existing regulation should therefore be maintained in the new and enlarged Association. It can be assumed that the inclusion of these provisions will not raise any difficulties for the associable states either.

64. The provisions concerning foreign payment transactions and capital movements, which are closely connected with the regulations on establishment and the supply of services, are an important feature of the Association, because they represent either a necessary addition to or the application of certain fundamental principles of the Association (equal treatment of Member States, most favoured nation treatment) in the sphere of payments and capital movement. The application of the regulations on payments and capital movements has not raised any particular problems so far, and therefore it does not seem to be necessary to make any substantial material changes in the existing provisions. In its memorandum, however, the Commission rightly points out that the Yaoundé provisions on current payments and investments could possibly raise problems for the Commonwealth countries. In certain Commonwealth countries there are different restrictions on foreign exchange, and their membership of the sterling area, as in the case of the franc zone, raises the problem of possible discrimination against Member States. Where discrimination does exist, administrative regulations must be issued to eliminate it.

The problems which could possibly arise for the three countries Botswana, Lesotho and Swaziland, because they have been in a customs union with South Africa since 1969, must be given particular attention to make association easier for these countries.

5. Institutional system of the new Association

65. On the basis of the Yaoundé Convention, various institutions were set up; the Association Council, the Association Committee, the Parliamentary Conference of the Association and the Court of Arbitration. These bodies not only have to administer the Association on the basis of equal representation, they also lay down the broad guidelines of Association policy. The institutions are a unique feature of the Association, making it the only example of an organization between developing and industrialized countries in which both partners discuss and decide on a basis of equality the terms of the co-operation. The institutionalized dialogue gives the Association its unique character and gives it a special stamp. The institutional structure forms the core of the Association, because the method of operation of these bodies has established a favourable climate for cooperation on the basis of equality.

66. In view of the balanced and harmonious dialogue within the existing institutions, and on the basis of Protocol No. 22, which lays down that the composition and the essential principles of the Association must be preserved, Parliament wishes to maintain the existing institutions, i.e. retain the powers of decision and consultation of the Association Council, the supervisory powers of the Parliamentary Conference on the basis of the report by the Association Council, and the judicial power of the Court of Arbitration. Parliament lays particular stress on the importance of the element of equality in the institutions of the present Association and this must be retained in the new Association in respect of the Associated States. This does not alter the fact that, on the basis of the geographical enlargement of the Association and its content, certain innovations, particularly of a technical nature, must be introduced.

67. There must be provision for a decision-making and administrative body which will take the necessary decisions, make the recommendations and provide the consultation necessary for the implementation of the convention. As before, this body should be at ministerial level with members of the Council and the Commission of the European Communities on the one hand, and one member from each of the governments of the ACP countries on the other. The proposal that a representative of the European Investment Bank should take part, if necessary, in meetings of the Association Council, in cases involving the Bank, is to be welcomed, because problems of industrial cooperation will play an important part in the new convention. At ambassador level the body will prepare the work and guidelines to be decided at ministerial level. At the expert level, this body may also meet in 'ad hoc' working parties in connection with provisions applying to certain parts of the convention, if a particular consultation process is needed. The operation of this body at three levels will be useful if continuity is thereby ensured. It must be pointed out, however, that at the expert level only preliminary discussions may take place and a detailed report on the work must be made to the superior body. Decisions may, as in the past, only be taken at the highest level, the ministerial level.

68. The meetings of the Association Council have previously been too much a matter of form, because all subjects under discussion had already been finalized outside the actual meetings. It would therefore be necessary to reconsider the system of operation of the Association Council, to enable this body to operate in the best possible way. The improvements in procedure must be aimed at giving greater practical importance to the results of the discussions. With regard to the decision-making powers of the Association Council, it should be considered whether previous provisions cannot be operated more flexibly. It is not necessary to amend the quorum prescribed in the Yaoundé Convention for the Association Council, but both partners should agree on a procedure in the event that the quorum cannot be achieved, so that a decision 'ad referendum' can be taken within a short and fixed period.

It would also be useful if the Ministers of the Member States and Associated States were to take greater interest in the annual meetings of the Association Council.

69. The representatives of the Associated States have repeatedly asked for improvements in the consultation procedure. The representatives of the Council of the European Communities should not confine themselves to informing the Associated States of certain measures. There must be substantial consultation, i.e. it must fulfil a genuine function. In particular, when vital interests of the Associated States are concerned, or if proposed measures are disapproved of by the Associated States, they must be given the opportunity to explain their views in the Association Committee in order, where appropriate, to influence a Community decision. For this reason, cooperation between the Association Council and the Association Committee must be organized in such a way that the dialogue between the partners will lead to a thorough and comprehensive exchange of views. The agenda should therefore **include not only** matters which have been prepared, but also urgent and topical problems which one or more members of the Association wish to be discussed in detail. The Association partners must also have the opportunity to discuss those points which are not covered by the Association Convention. The legal basis for the treatment of such matters by the bodies of the Association is laid down in Protocol No. 5 of the second Yaoundé Convention. It would therefore be reasonable to extend or include this Protocol in the new convention, the text being made somewhat more flexible so that, on request by the members of the Association, all matters which directly or indirectly affect the Association can be discussed.

70. The establishment of a parliamentary body with equal representation, which will adopt resolutions on the various aspects of the Association on the basis of the annual report of the Association Council, is urgently needed. Public debates in the Parliamentary Conference are necessary because they subject the activity of the executive to democratic control by the representatives of the peoples of the Association and make the decision-making procedure more transparent. The peoples of the countries represented in the Association must identify themselves with the decisions because this is a prerequisite for the success of the Association.

71. The Joint Committee, which prepares the work of the Parliamentary Conference, must also be retained. A satisfactory compromise must be found for the composition of this committee, in particular the number of its members, by arrangement with the ACP countries, and this must not impair the existing efficiency of this subsidiary body of the Parliamentary Conference.

72. The members of the Parliamentary Conference and the Joint Committee are keenly aware that personal friendships have rapidly grown up between the Associated States and the Europeans. It is of great political importance that a climate of trust and fellowship has developed between the representatives of the Associated States and the European Community, and this is having a favourable effect on the political ties. This positive factor which has crystallized from the permanent dialogue in the parliamentary institutions of the Association cannot be valued too highly, because it has contributed and continues to contribute to the development of a fruitful and permanent cooperation. In the Joint Committee and in the Parliamentary Conference a climate of solidarity has developed allowing an open and honest exchange of opinions to be conducted on all difficult problems.

73. One particular difficulty lies in the fact that various Associated and associable States do not at present have any parliamentary institution; of the ACP countries with which the Community is negotiating. 15 have no parliament. The European Parliament, the democratic supervisory body of the European Communities, has, of course, a particular interest in this question, and has, therefore, emphasized in many resolutions the importance of the presence of elected representatives at the meetings of the Parliamentary Conference. In this connection we should adopt a pragmatic attitude and remember that our parliamentary system of government cannot be directly transferred to the developing countries, because they lack the preliminary social and economic conditions. Our principal task consists in helping the millions of people in the developing countries to bridge the gap between poverty and the age of modern technology. Increasing industrialization, urbanization and education in the Associated States will lead to an enlargement of the educated middle classes and help to promote an understanding of the democratic form of government. If certain ACP countries show some reluctance to accept the parliamentary system of government, we should treat this attitude with understanding. Nor is it so important either that the existing Parliamentary Conference should retain its old name. It is more important that the conference retains its representative character on the basis of equality and that its work is prepared by a joint body. Parliament therefore proposes that the control body should be called the 'Representative Conference of the Peoples of the Association'.

74. The proposed creation of consultative bodies for economic and social questions would form a new element in the institutional structure of the Association and would reinforce relations at the economic and social levels. It should be considered whether the establishment of these consultative bodies might not be undertaken in the same way as the Economic and Social Committee of the EEC. Parliament considers that the creation of these consultative bodies is important and beneficial for the Association, but emphasizes that the importance of the joint parliamentary bodies should

not thereby be impaired in any way.

75. For technical and organizational reasons the possibility of regional meetings could be considered, e.g. for the states of Africa, the Caribbean and the Pacific. Parliament takes the view, however, that proposals to this effect should be drafted and submitted by the ACP countries so that they are not interpreted as a means of creating divisions. Parliament is in any case of the opinion that any establishment of regional groupings must not endanger in any way the global nature of the Association.

IV. Term of the new Agreement

76. It has been suggested that the existing 'five year framework' of the Association should be abandoned and an agreement concluded for an unlimited period. There are no fundamental legal difficulties in providing for a longer term for the new convention. Parliament would therefore like the preamble of the new convention to record the principle that the Association is being given a permanent character, while advocating that in view of the new dimensions of the Association and the adjustments this may require, the nature and extent of which can only be learnt from experience, the possibility of a review after the expiry of a five-year period be retained.

V. Decision on any transitional measures

77. The Community has previously proceeded on the basis that the negotiations between it and the ACP countries would be concluded by December and the texts of the new Association Convention worked out by January 1975, so that the agreements could be signed before the Yaoundé Convention expires on 31 January 1975. This deadline is threatened because agreement has not yet been reached on certain points in the new Convention. The ACP countries also agreed in Dakar at the beginning of November this year to convene a ministerial meeting in the week of 9 to 13 December to discuss again their negotiating position. This means that the next ministerial conference between the EEC and the ACP countries, at which the negotiations must be concluded, cannot take place until the second half of December. Parliament therefore requests the Commission and Council to exhaust all the possibilities so that, if the Convention is not signed in time, the necessary measures can be taken for the poorest countries and for those afflicted by drought.

AASM EXPORTS TO THE EEC IN 1973¹ unit:1000 u.a.

ANNEX I

	SIX	<u>France</u>	<u>Belgium</u>	<u>Nether- lands</u>	<u>Germany</u>	<u>Italy</u>	<u>United Kingdom</u>	<u>Ireland</u>	<u>Denmark</u>	<u>NINE</u>	<u>Change 72/73</u>
AASM	2268434	864987	526661	169047	339086	368655	252502	1737	8818	2531491	32
MAURITANIA	64222	22263	10630	1385	14585	15359	34712		64	98998	3
MALI	15265	11066	450	786	1730	1233	1877		61	17203	- 3
UPPER VOLTA	111095	7429	124	76	625	2841	46		720	11861	50
NIGER	46097	40236	399	69	3379	2014	296		1	46394	50
CHAD	17529	11511	1700	83	2367	1868	1143		128	18800	- 5
SENEGAL	120392	97275	714	6810	2831	12762	7208	658	295	128553	- 13
IVORY COAST	526157	223309	19276	38404	128221	116947	36598	641	2699	566095	34
TOGO	56152	25270	3115	13858	11200	2709	418		441	57011	13
DAHOMY	32999	18213	1341	2533	6991	3921	130		1	33130	10
CAMEROON	210330	96998	8241	51899	39687	13505	5801		1338	217469	25
CENTRAL AFRICAN REPUBLIC	23818	19577	711	109	1245	2176	1748		182	25748	4
GABON	188878	123422	4954	20682	33521	6299	24620		375	213873	34
CONGO (BRASSA.)	74586	32732	4541	2834	19479	15000	7755	267	1899	84507	34
ZAIRE	764029	64355	462689	25125	60766	151094	53314	106	134	817583	50
RWANDA	7201	671	5146	179	978	227	1253		1	8455	- 4
BURUNDI	7188	625	839	138	2711	2875	2679		102	9969	33
SOMALIA	13121	224	582	369	113	11833	303			13424	- 4
MADAGASCAR	82894	66253	633	2763	7854	5391	4613		370	87877	13
MAURITIUS	6481	3557	577	945	804	600	67988	65	7	74541	

¹The figures for Ireland are for 1972

SIX	<u>EEC EXPORTS to the AASM in 1973¹ unit: 1000 u.a.</u>									<u>ANNEX II</u>	
	<u>France</u>	<u>Belgium</u>	<u>Nether-lands</u>	<u>Germany</u>	<u>Italy</u>	<u>United Kingdom</u>	<u>Ireland</u>	<u>Denmark</u>	<u>NINE</u>	<u>Change 72/73</u>	
AASM	1714511	1030856	172232	110533	230793	169297	116346	684	11667	1843208	16
MAURITANIA	45933	33483	4610	1201	4787	1852	2057		163	48153	17
MALI	42074	34244	2831	421	3691	887	1034		81	43189	25
UPPER VOLTA	38914	30491	2283	1457	3194	1489	401		93	39408	50
NIGER	39588	28086	635	2509	7461	897	1385		55	41028	20
CHAD	29303	24198	1693	1318	1237	857	408		266	29977	17
SENEGAL	180351	133035	4312	15112	13836	14056	6521	5	2187	189059	12
IVORY COAST	347416	246435	11547	24319	41473	23642	9449	14	1084	357963	20
TOGO	45552	27460	1718	6060	6734	3580	7222		176	52950	7
DAHOMY	45891	30363	1789	4485	5643	3611	4877		283	51051	5
CAMEROON	162181	119355	5449	7227	19055	11095	10356	312	704	173553	5
CENTRAL AFRICAN REPUBLIC	26900	21454	316	1049	2856	1255	761		180	27841	20
GABON	113037	87143	3795	6090	12666	3343	6799		203	120039	25
CONGO (BRASSA.)	80531	63805	1471	3992	6451	4812	3475	62	331	84399	13
ZAIRE	327897	60557	113345	26607	76333	51055	27763	72	4613	360345	13
RWANDA	9595	1587	4139	408	1777	1684	682		136	100113	6
BURUNDI	11459	2923	4191	572	2496	1277	1114		233	12806	9
SOMALIA	46506	2820	723	1252	4254	37457	4920		252	51678	50
MADAGASCAR	98306	75337	3925	3200	10917	4927	1831		122	100259	- 6
MAURITIUS	23080	8880	3461	3253	5934	1552	25291	218	505	49094	

¹The figures for Ireland are for 1972

(a) Food-aid

The Commission's proposals to expand food aid would ultimately involve a financial obligation of 400 to 500 million u.a. on average annually.

(b) Fund for the Maghreb countries and Malta

The funds are to amount to 200 to 250 million u.a. for five years, i.e. a financial obligation of 40 to 50 million u.a. per year. Financial resources are also necessary for cooperation with the four countries of the Middle East, Syria, Jordan, Lebanon and Egypt; no figures are as yet available.

(c) Special fund for the poorest countries (Cheysson Fund)

Resources of 415 million u.a. (\$500 million) are provided for, to be distributed between 1974 and 1975. Since this is a special fund it will no longer exist after 1976. (These appropriations fall within the context of the UNO obligations of other potential donor countries up to a total amount of 2.5 thousand million dollars. The 500 million from the EEC are to be added to this amount, giving a final total of 3,000 million).

(d) Special aid to the Sahel countries and Ethiopia

Here the EEC has already budgeted 40 million u.a. for 1974.

(e) Aid to Palestinian refugees

The Commission proposes that the Community should finance certain UNRWA projects in the area of food aid and education. 10 million u.a. annually are provided for; the period of the aid has not yet been fixed.

(f) Technical cooperation

Technical cooperation has to do with promoting exports from developing countries and supporting regional cooperation. For these purposes the Commission is proposing an annual amount of 4 to 5 million u.a.

(g) Possible establishment of a fund for non-associated countries

The extension of the development policy to non-associated countries will require further financial resources. Figures on this are not yet available.

It is practically impossible to make a calculation distinguishing clearly between obligations on behalf of the associated and of the non-associated countries, since certain projects (e.g. food aid, the Cheysson plan) benefit both. Precise data on the annual financial obligations for

the next 5 years are also difficult to obtain, since certain projects are to end in one or two years while others, the amounts of which are not yet fixed, will only be started then.

Opinion of the Committee on Budgets: Draftsman of the opinion
Mr Heinrich AIGNER

On 2 June 1973, the Committee on Budgets appointed Mr AIGNER draftsman.

It considered the draft opinion at its meeting of 2 December 1974 and adopted it unanimously.

Present: Mr Aigner, Chairman and Draftsman; Mr Artzinger, Mr Boano, Mr Cointat, Mr Durand, Mr Hansen, Mr Kirk, Mr Lagorce, Mr Radoux and Mr Shaw.

Introduction

1. The proposals in this memorandum from the Commission concern the expected enlargement of the Yaoundé and Arusha Associations to take place when these agreements fall due. This in turn would have a major effect on the volume and scope of the European Development Fund which acts as the budget for the Association.
2. The Community has sought to extend the Association to include some 44 countries from Africa, the Caribbean and the Pacific area and it has been the great achievement of the Community in the course of these negotiations to facilitate the arrival at a common position by the 44 very diverse countries involved and to then proceed with a constructive negotiation between the Community and the third countries at Kingston and subsequently.
3. It is already clear that the results of Kingston are sufficiently positive to look forward to a conclusion of some agreement in the near future; but equally it is clear that the new agreement and the renewed 4th European Development Fund are going to be considerably different to what has gone before.
4. The first European Development Fund reached about 581 m.u.a. This was superseded by the first Yaoundé Convention when 730 m.u.a. were earmarked for the AASM (European Development Fund, 666 m.u.a. ; European Investment Bank loans, 64 m.u.a.). This account was enlarged to 918 m.u.a. for the second Yaoundé Convention (for the Fund itself 828 m.u.a. and for the European Investment Bank 90 m.u.a.).
5. However, the more than doubling of the number of countries involved has led to proposals for a much higher figure, in the order of 3 to 3½ billion u.a. for a 5-year period. Even this would be far short of what is being asked for by the ACP (African, Caribbean and Pacific) countries.
6. The present Agreement expires at the end of January 1975. The Commission made its original proposals during the course of last year. This in turn led to the negotiations at Kingston at the end of July which are being continued and will be hopefully concluded at ministerial level during December. Speed is essential here to prevent a vacuum being created in the beginning of 1975 and to ensure continuity of aid. Parliament's role in this has been very much of an observer and a well-wisher. It is however fair to say that by making its opinion known now the Parliament can

possibly have some effect on the last stages of negotiation: and if the role of Parliament is to be increased, in the construction of relationships with third countries, it is likely to be through the budgetary field.

7. And there are matters of vital importance to the Committee on Budgets in this area and arising from this memorandum. Obviously the global figure is in itself worthy of consideration but there are two other points that your draftsman feels must be emphasized and considered. There is first the question of the desirability of inclusion of appropriations for the European Development Fund within the general Community Budget, as the Commission suggests. This would, apart from necessitating changes in the financial regulation, certainly involve the expansion of Parliament's role in the preparation of the policy. There is then the second question of financial control in the development and cooperation policies which could be expanded and which should be the subject of certain reflections at the time of this overall consideration of development and cooperation policy.

The Main Contents of the Negotiations

8. The negotiations involve ACP countries and the Community, although the former seems likely to be enlarged as a result of continuing discussions, which may well allow the accession to any agreement of countries such as Guinea-Bissau, Mozambique and Haiti which did not have the possibility of participating in the early stages of the negotiations.

9. The new Convention, when it comes into force, will cover the complete range of economic relations between the two groups and this will involve the continued attempts at trade liberalization and promotion of exports and an accentuation in financial and technical cooperation both in sectoral policy and in increased support for regional cooperation. It is felt that the role of the Associated States in the general guidance of aid, in the implementation of projects and in the elaboration of the policy should be expanded and various proposals have been made for this. It is one of the Commission's concerns that the bulk of the appropriations involved should not be used simply for dealing with emergency problems and acting as stop-gaps but rather as laying the foundations for a planned policy of development to enable the recipient countries to expand their industries and to compete on a surer footing in world trade.

10. One of the major lessons in examining the consequences of the previous Development Fund is that the most notable problem has been in the area of export receipts for these countries. The Community made major attempts to

liberalize trade and to promote sales from the Associated Countries on the European market, but the problem of the stability of export earnings and their rate of growth had not been resolved by the time of the opening of the negotiations. Therefore one of the main objectives which has already met with some measure of agreement though not without difficulty, between the negotiating sides has been the preparation of a system of guaranteed export earnings for the Associated States. This would involve a stabilization fund and would cover certain products and derived products to be negotiated. This is of capital importance obviously because it will form a major bulk of the expenditure for the European Development Fund and there are various principles which have still to be agreed upon apart from the categories of goods involved. The major point is the question of reimbursement and whether or not the ACP countries will accept that the guarantees are reimbursable; and secondly whether the Community will accept that such reimbursements should be made interest-free and over a longish period of time.

11. There is also a point with considerable implications for the Community domestic market inasmuch as in order to guarantee a reasonable standard of living for the producers in various areas it may well be necessary to raise the guarantee prices for certain products of the Associated Countries beyond the Community agricultural prices. The difficulties that could ensue are clear.

12. The role of the European Investment Bank in the carrying out of the policy can be seen from the figure that your Draftsman gave earlier about the breakdown of expenditure under the previous conventions. Clearly the Bank's role will be increased under the next Convention and it is perhaps opportune to recall that the Committee on Budgets has a watching brief for the Bank and its activities and that in considering any report on these activities it might be worth remembering the Bank's particular work in relation to the Associated countries and a closer scrutiny of the conditions under which such loans are given than is now possible.

13. One of the other major points of the negotiation has been the Community desire to limit the duration of the next Convention and Fund to five years with the desire on the part of the ACP countries to achieve a greater continuity as your Draftsman will point out. This has a certain bearing on the question of the budgetization of the European Development Fund which he now proposes to consider.

The main points of interest to the Committee on Budgets

14. All the major questions concerning the financial implications of the 4th European Development Fund revolve around the issue of budgetization of the inclusion of the expenditure within the General Budget of the Communities. From this follow questions such as the breakdown of contributions should there be no budgetization, the question of the definition of the unit of account and the feasibility of the global amount in view of limited own resources.

15. In its communication on the inclusion of the European Development Fund in the Budget and the financing of the Fund out of the Community's own resources, (SEC(73) 2149), the Commission shows the advantages of such a step which are six-fold. First, it would increase parliamentary control of the resources involved and hence parliamentary participation in the conduct of this vital aspect of Community Policy. Secondly, it would reduce the agricultural predominance of the Budget; thirdly, it would enhance the transparency of the financial contributions; fourthly, it would facilitate greater continuity between Conventions; fifthly, it would sidestep the discussion on the scale of contributions to the Fund - a discussion which would under any circumstances be difficult since the third EDF was only contributed to by the six original Member States - and sixthly, it would give a more pronounced Community character to the policy. These arguments have been consistently supported by the European Parliament since 1971, in its resolutions on the European Development Fund.

16. However, since the Commission made its proposal in 1973 and reiterated it in budgetary form in the preliminary draft budget by creating new chapters 90 and 91 and particularly article 900 for cooperation with the ACP countries, the Council has not adopted any position on the proposal, and has left it to the very end of the negotiations. This seems unsatisfactory because the 1975 budgetary period will have opened without a decision on this, and it will be unsatisfactory to begin a new financial procedure during the life-time of a particular convention. There are, of course, the accompanying changes to the financial regulation which will be necessary and which have not as yet been proposed. So the choice seems to be between the Community accepting that the fourth EDF should remain outside the general budget and that therefore a major and continuing element in Community action will be carried out outside the ordinary budgetary procedures, or that a major supplementary budget should be brought forward in 1975, accompanied by changes in the financial regulation to permit the particular character of the European Development Fund to be maintained, even though this would mean changing the basis for the operation of the Fund in the middle of the working of this convention. It seems to your draftsman that it is unfortunate that the consequences of the various options should not have been examined earlier.

17. The point about avoiding the discussion of direct contributions to the EDF seems to your draftsman to have an enhanced validity given the present difficulties about budgetary contributions, particularly with reference to the feeling in some Member States that the contributions they are expected to make are already too high.

18. From the course of negotiations it seems likely that the final amount of the EDF, including loans from the European Investment Bank, will be something in the region of 3,000 million units of account.

19. The other aspect - namely that of financial control - is also one of the preoccupations of the Committee on Budgets. The Committee has already examined this question and your Draftsman would refer to Miss Flesch's Working Document on the EDF (PE 35.525). There has, it seems, been a continual improvement in the financial control. For the first EDF there had obviously been inadequate preparation and preliminary enquiries had been neglected. This seems to have sorted itself out subsequently but the problem of the major delays in the work in question seems to remain, as does the exceeding of appropriations.

20. It is scarcely necessary to underline the importance of financial control when the proposed amounts are going to run to something of the order of 3,000 million u.a. over the 5-year period. Your Draftsman would like to return to the idea raised during the examination of the Food Aid Policy of a Working Group from the Committee on Budgets and the Committee on Development and Cooperation examining with various experts in international aid the problems that arise. This would seem to him to be a valid approach to Parliament's responsibilities in this field and it would create a wider awareness of the many problems that are involved.

Conclusions

21. Your Draftsman has not limited himself to a discussion of the memorandum but has taken into account the development of negotiations which have made the memorandum in some aspects out of date. Throughout the period of negotiations the European Parliament has had this restricted role which was mentioned earlier. It would now seem to be opportune for the European Parliament to make its views clear, to point out the dangers of delay and to act as a spur on the Council to take an imaginative approach and as it reaches the final stage in the negotiations.

22. Your draftsman believes that the neglect of the question of the budgetization of the EDF is extremely regrettable and will either lead to the postponement of a decision on this crucial point until the expiry of the new convention, or to a major supplementary budget and changes in the financial regulations during the course of the convention.

23. Whether or not the sum involved is included within the general budget, the Committee on Budgets will certainly want to be consulted on the proposals arising at the completion of negotiations, and of course particularly on the amount involved. The association of Parliament with the development of this important aspect of Community work is clearly vital.

24. As regards the financial control aspects, Parliament should seek to resolve the need for satisfying the European taxpayers that aid given in the context of this policy is effectively used and at the same time respecting the autonomy of the recipient countries and creating an atmosphere of trust between the partners.

25. He would therefore reiterate his proposal of a joint meeting between representatives of the two parliamentary committees concerned and experts from the major international donor organizations as well as perhaps representatives from the recipient countries to examine the problems arising from the implementation of the policy.

26. The Commission has talked of a major review of development cooperation and Mr Cheysson, Member of the Commission, has already made public some of his ideas on this subject. Parliament should certainly participate actively in any such review.

