Europe information
Development

Commission
of the European
Communities
Spokesman's Group
and
Directorate-General
for Information

RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND AFRICA

X/158/80-EN

B-1049 BRUSSELS ☐ Rue de la Loi, 200 ☐ Tel. 7350040 (Ext. 5120) ☐ Telex 21877 COMEU B

RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND AFRICA

The content of the Lomé Conventions linking the European Community to 59 African, Caribbean and Pacific (ACP) States - soon to become 60 with the accession of Zimbabwe - is generally fairly well known. But it is worth taking a critical look at the strengths and shortcomings of the two agreements and seeing how far Lomé II removes the imperfections of Lomé I, and it is in this light that I shall be discussing the raison d'être, objectives and results of the Lomé policy.

Lomé is indeed a policy in the full sense of the term, and this is undoubtedly both its strong point and the feature which sets it apart from the not always equally well-conceived or successful initiatives launched over the first twenty years of a Community still in search of its full identity. In the field of cooperation and development the Brussels technocrats have avoided getting bogged down in a morass of sterile regulation-making and directives and have managed to forge a policy with a future. If Europeans can now count Lomé as a feather in their cap, it is probably because this was a field where they were able to avoid the common pitfall of the sixties, the view that any political problem could be solved purely in terms of economics. The Lomé policy transforms the European Community into something more than just a common market.

But is the policy a sound one? This is the question that those in charge of Community development policy, whether in Brussels, Strasbourg or the nine Member States' capitals, must ask themselves every day. Is it not playing with fire to allow and indeed encourage the countries of the Third World to step up the competitive pressure which they are already putting on the developed countries, particularly in the industrial sector. We are going through a time of deep crisis bringing with it stagnation, unemployment and austerity, and yet we are seeing exports of manufactures from the Third World growing twice as fast as our own. We find ourselves already well-nigh squeezed out of certain industries such as textiles or timber by countries still referred to as "developing" (though surely this is no longer a fitting epithet for some of them). From a purely selfish standpoint, should this trend be encouraged?

Protectionism, it must be said, is not what it was, and this is a question that is not raised now as often as it used to be. In every branch of human activity – politics, the two sides of industry, and of course the charities too – decision-makers are aware not only of the moral impossibility but of the political irresponsibility of being content with a world in which more than a billion people are thought to be living in absolute poverty.

But what are the hard economic facts? As far as Europe is concerned – and this is the very basis of the Lomé policy – the answer emerges clearly from a few simple statistics. The European Community imports 75% of its raw materials, compared with under 25% for the United States and under 10% for the Soviet Union. In order to be able to import it is necessary to export and therefore to find markets. Europe's exports to the Third World have been growing steadily, despite the intervening oil crisis. In a few years the share of our goods taken by these countries has gone up from 28% to 39%. Other figures often mentioned by Claude Cheysson: a thousand million dollars worth of capital goods going to the Third World adds 0.1% to the industrialized world's GNP, a hundred thousand new jobs are created every year in France through the expansion of trade with the Third World, etc.

Given these grounds for a dynamic Community development policy, one may query the reasons for the regional approach actually adopted. They are dictated simply by considerations of effectiveness. One has only to think of the confusion surrounding the North-South talks to realize that a dialogue between industrialized and developing countries at world level can produce no practical results. The concerns of the rich countries (Europe, the United States, the Soviet Union) are too divergent. And as regards the developing countries, what is there in common between the problems of Korea and those of Mali, between the Latin American situation and the difficulties facing the Sahel? A more restricted format makes it possible for a real dialogue to get going and produce results. Besides, the existence of a contract between two groups of countries like the European Community and the 59 ACP States offers the assurance of a permanent relationship which cannot be soured by any temporary coolness between individual countries. The result is a sort of built-in non-alignment. That is perhaps the chief merit of the Lomé agreements.

Let us now consider the results achieved under the first Lomé Convention and the improvements incorporated in the second in the light of that experience.

As far as trade is concerned the Lomé Conventions are based on the principle of freedom of access for ACP products to the Community market (except for a few products coming under the common agricultural policy which account for under 0.5% of total trade). There is no reciprocity: European products do not automatically enjoy free access to the various ACP countries. Thus the value of ACP exports to the Community rose from 8 500 m EUA in 1975 to 14 000 m EUA in 1979. The trade balance for the first half of 1979 showed a surplus of 1 800 m EUA in favour of the ACP States. Nevertheless, it is difficult to state categorically that the entry into force of the first Lomé Convention was more beneficial in terms of trade for the ACP than for the Community (the Community had a deficit on its trade balance with those countries as early as 1974). In a report presented to the Joint Committee at Arusha in February, Mrs Focke, a Member of the European Parliament, rightly pointed out that opening up the market was not enough on its own to ensure the expansion of ACP-Community trade. A great deal needs to be done in terms of trade promotion, and this is better catered for in the new convention than in its predecessor. Lomé II makes more money available for trade promotion and defines the concept more widely, taking in the whole issue of intra-ACP trade.

One particularly interesting innovation in the trade field under Lomé I was Stabex, a system for the stabilization of export earnings from agricultural products. After five years' experience with the new system both the ACP countries and the Community generally consider its results to have been positive and satisfactory to the extent that the fairly sophisticated Stabex machinery has functioned smoothly, allowing ACP States hit by production losses or difficulties stemming from falling world commodity prices to receive compensation for their losses in the form of financial transfers. The system thus offers security, something which is particularly valuable to developing economies. The real impact of Stabex on economic development is admittedly difficult to assess because it is not always known how transfers have been used by beneficiary states. Stabex may have made only a modest contribution to the development of production structures. The Lomé II Stabex, drawing on the experiences of Lomé I, has incorporated the few necessary changes to the system. The number of commodities covered rises from 34 to 44, the trigger thresholds are lower and it is specified how transfers are to be used.

Most important, the success of Stabex has led to the creation of a sister scheme, the equally inelegantly named Sysmin, to help ore-producing ACP countries maintain production capacity in the face of temporary problems with their mining operations. Sysmin is one of a package of measures to develop the mining potential of the ACP States - a sector that had admittedly been left out in the cold under Lomé I. All the financial instruments of Lomé II can be used for mining development, from European Development Fund grants to finance prospecting and exploration to European Investment Bank own-resource loans to help fund the opening of new mines. Naturally it is too soon to predict the results of these important new features of Lomé II but the prospects they offer are worthy of note.

In another crucially important field, namely energy, the aid instruments on offer under Lomé I were effective enough to justify a more than satisfactory verdict on achievements to date. Close on 200 m EUA has gone on energy projects, with cofinancing operations bringing the total to 1 000 m EUA. The development of hydroelectric power in Africa has continued apace, while at the same time there have been numerous schemes involving testing, developing and applying new technology (solar energy, geothermal energy, biomass, etc.). Twenty projects using alternative energy sources were successfully completed. In Lomé II the Community and ACP States have attempted to strengthen this "energy awareness" by including an article specifically on energy cooperation (Article 76). To quote once more from Mrs Focke's excellent report, the energy factor should be taken into account in planning each project, putting the stress on local potential and as far as possible trying to ensure that projects are self-sufficient in energy.

Energy development is a sine qua non of industrial development. In the latter field the great innovation of Lomé I was to spell out in full what the ends and means of industrialization in the ACP States should be. A Centre for Industrial Development was set up as a kind of marriage bureau to put European and African firms in touch, and it was run jointly by the Community and the ACP States - another original feature. No one today denies that the Centre has been a disappointment. Lomé II attempts, somewhat hesitantly perhaps, to correct the faults which were diagnosed. Coordination between the CID, the Commission and the EIB is to be strengthened, there has been a sizeable increase in the funds available to the Centre, and an interesting system of consultations on the evaluation of industrial policies in both the Community and the ACP States has been introduced. On the subject of promoting European investment in Africa, the Commission can only regret that its proposals aroused so little enthusiasm on either side.

Another item on the agenda is food security. Under Lomé I considerable attention was devoted to rural development, which received almost 40% of the fourth EDF. That performance probably cannot be matched by any other financing body, bilateral or multilateral. The main support went to food crops, often within the framework of integrated rural development schemes. The overall result is good, and could have been even better if low-price policies had not in some cases acted as an effective brake on production. Lomé II should make it possible for such schemes to continue, perhaps with a larger proportion of funds going to rural development, but certainly there has to be an attempt to select project technology that is better suited to the socio-cultural background - and much more work needs to be done on training.

As regards project financing in general (known under the Lomé Conventions as financial and technical cooperation), what distinguishes the Lomé policy most from the practice of other international sources of funds is the principle - adhered to without exception - of allowing the ACP States the right to decide on their development objectives, and thus select and design projects, themselves. The reasons for this stand are as much economic and technical as political, if not more so. For as Claude Cheysson has often said, we consider that the only valid framework for a development policy is the national framework, and we think that African economists and engineers, even if still trained to a more modest level for the most part, are in a better position to prepare and analyse projects that technocrats, however clever, sitting thousands of miles away. But one may query whether this approach can provide a solution to what is basically a totally separate problem (despite the currently widespread feeling to the contrary) - namely implementation delays, when there are hold-ups "in the pipeline". This actually stems more from a well-known handicap of developing countries, their inadequate absorption capacity. The answer, for countries finding themselves in difficult financial straits, could be at least to some extent to give programme aid rather than project aid. Lomé II provides for such use of programme aid.

The achievements of Lomé I in the field of cofinancing have been remarkable; the Community has participated in 79 cofinanced projects at a total cost of 4.5 m EUA. From 1975 to 1980 the Arab Funds have become the Community's number one partners, well ahead of the World Bank. The new Convention devotes five articles to cofinancing, on which it places some emphasis, broadening the scope and clarifying the procedure. Cofinancing looks set to increase, with private banks as well as publio bodies as partners.

To round off this comparison between Lomé I and Lomé II, several remarks on the size of the financial package are in order. It has gone up from a total of 3 400 m EUA to 5 600 m EUA, an increase in EUA terms of 62% or a dollar increase of 72%. To arrive at a rise of that order in these days of austerity it was necessary to use a certain amount of imagination and make the very most of the whole arsenal of financial instruments. In particular, the funds administered by the EIB have been increased more than two fold. Since it was necessary to set aside funds (the sum of 280 m EUA for the outstanding new feature of Lomé II, Sysmin, the EDF money available for projects has gone up by only 36% in EUA terms (42% in dollar terms). The increase is a weighted average of the rise in funds earmarked for regional cooperation (up 100%) and in the money allocated to national programmes (up 25%). These figures reflect a switch in Lomé policy towards more diversified cooperation and away from the conventional type of project financing.

Address given by Mr Daniel Vincent
on 24 April 1980 to the Académie
Mondial for the Prix Monaco

OTHER PUBLICATIONS RELATED TO 'DEVELOPMENT'

Other EEC publications about the Community's relations with the Third World can be obtained from the following address:

Spokesman's Group and Directorate-General for Information
Publications distribution service, Room 2/84
Commission of the European Communities
Rue de La Loi, 200
B - 1049 Brussels (Belgium)

1. Dossiers

- The European Community and the Third World
  Brussels, September 1977 (English, French, German, Italian)
- Europe and the Third World
  A study on interdependence (by M. Noelke)
- Lomé Dossier - European Community - Africa-Caribbean-Pacific
  Reprint from "The Courier" n° 31, special issue (English, French)
- Implications for the Southern Mediterranean countries of the second enlargement of the European Community (R. Taylor)
- Europe - Third World : The challenge of Interdependence (M. Nölke)
  Edition 1980

2. "Information Series" and "Europe Information":
(generally all Community languages)

- Food Aid n° 165/77
- The European Community and the Textile-Agreements
  special edition (June 1978)
- The European Community and the Arab World n° 169/79
- Europe-Tiers Monde: Rural Development
- Solar Energy: A new area of ACP-EEC Cooperation
- EEC - Egypt
- EEC - Jordan
- EEC - Syria
- EEC - Lebanon
- EEC - Tunisia
- EEC - Algeria
- EEC - Israel