

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(80) 269 final.

Brussels, 20th May 1980

Opening of negotiations for the accession of
the Republic of Zimbabwe to the ACP-EEC
Convention of Lomé

(Communication from the Commission to the
Council)

COM(80) 269 final.

ACCESSION OF THE REPUBLIC OF ZIMBABWE TO THE ACP-EEC CONVENTION OF LOME

(Commission Communication to the Council on the opening of negotiations)

1. On 18 April the Republic of Zimbabwe made a formal request for accession to the second Lomé Convention.

The request was formally approved by the ACP-EEC Council of Ministers at its meeting in Nairobi on 8 and 9 May, pursuant to Article 186 of the Convention.

2. Initial contacts with Zimbabwean representatives indicated that the country would be prepared to accept in principle all obligations arising from its accession to the Convention.

In view of the political importance of such an extension of the scope of the Convention, negotiations ought to be started as soon as possible to allow an early signature by the Community and the Member States of an accession agreement with Zimbabwe.

This would be in accordance with the wishes expressed by Zimbabwe and the ACP States.

3. Negotiations will be conducted in close contact with the ACP States, who will be kept in the picture by means of appropriate exchanges of views. The Commission is of the opinion that an exchange of views should be held with the ACP States about the accession agreement following the negotiations, although this is not a legal requirement under the Convention. Then the accession agreement will be signed and the necessary ratification procedures initiated. The European Parliament will be asked to express an opinion on this agreement.

4. The Commission recommends adoption of the Decision of the Council and of the Representatives of the Member States meeting within the Council authorizing the Commission to open negotiations with Zimbabwe, and of the related negotiating directives.

Alongside the negotiations with the applicant state, the Member States should agree on amendments to the internal financing agreement so that the necessary ratification procedures this will entail can be completed at the same time as those relating to the accession agreement. The Commission will introduce the necessary proposals at the appropriate moment.

The Agreement on products within the province of the European Coal and Steel Community should be amended to cover Zimbabwe as well.

5. The Commission considers that when the accession agreement is signed, the Community and the applicant country should agree, pending completion of the Member States' ratification procedures, to apply autonomously in their trade the trade arrangements in force between the Community and the ACP States. Before this enters into force, a detailed examination will be made of possible problems which could emanate from the existence of the preferential trade agreement between Zimbabwe and South Africa, and applicable solutions proposed.

Finally, it feels that as regards the implementation of the other Title of the Convention, particularly that on financial and technical cooperation, the arrangements for Zimbabwe should be the same as those used for the ACP States during the interim period, even though in formal terms Zimbabwe's accession to the Convention can only become effective after its entry into force.

RECOMMENDATION FOR A
DECISION OF THE COUNCIL AND OF THE REPRESENTATIVES OF THE GOVERNMENTS
OF THE MEMBER STATES, MEETING WITHIN THE COUNCIL, AUTHORIZING THE COM-
MISSION TO OPEN NEGOTIATIONS WITH THE REPUBLIC OF ZIMBABWE

THE COUNCIL OF THE EUROPEAN COMMUNITIES AND THE REPRESENTATIVES OF THE
GOVERNMENTS OF THE MEMBER STATES, MEETING WITHIN THE COUNCIL

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Recommendation from the Commission,

Whereas the Republic of Zimbabwe has applied to accede to the ACP-EEC
Convention signed in Lomé on 31 October 1979,

Whereas Article 186 (1) of the said Convention provides that a State
whose economic structure and production are comparable with those of
the ACP States may accede to the Convention, following approval by the
ACP-EEC Council of Ministers, by concluding an agreement with the
Community,

HAVE DECIDED AS FOLLOWS :

Sole Article

The Commission is hereby authorized to open negotiations for the conclusion
of an agreement between the European Economic Community and the Republic of
Zimbabwe on the accession of Zimbabwe to the second ACP-EEC Convention of
Lomé.

It shall conduct the negotiations in consultation with the Representatives
of the Member States and in accordance with the directives contained in the
Annex. Following a report by the Commission the Council shall if necessary
adopt further directives.

DIRECTIVES FOR THE NEGOTIATIONS WITH THE REPUBLIC OF ZIMBABWE FOR THE
CONCLUSION OF AN AGREEMENT ON ITS ACCESSION TO THE ACP-EEC CONVENTION OF LOME.

1. The agreement must provide for the accession, on the same terms as the ACP States, of the Republic of Zimbabwe to the second ACP-EEC Convention of Lomé including the Agreement on products within the province of the European Coal and Steel Community.
2. The agreement may specify the date on which certain obligations, in particular in the field of trade, would become applicable to the Republic of Zimbabwe.

D R A F T

Internal Agreement amending the Internal Agreement
on the financing and administration of Community aid
signed on 20 November 1979

The Representatives of the Governments of the Member States of the European Economic Community, meeting within the Council

Having regard to the Treaty establishing the European Economic Community, hereinafter called the "Treaty",

After consulting the Commission,

Whereas the Agreement between the European Economic Community and the Republic of Zimbabwe signed on

hereinafter called the "Accession Agreement", provides for the accession of the Republic of Zimbabwe to the ACP-EEC Convention signed in Lomé on 31 October 1979;

Whereas Article 186 of the said Convention stipulates that the accession of a State shall not adversely affect the advantages accruing inter alia to the ACP States signatory to the Convention under the provisions on financial and technical cooperation, the stabilization of export earnings and industrial cooperation;

Whereas the Representatives of the Governments of the Member States have agreed on this occasion to increase by million European units of account the amount of aid made available to the European Development Fund (1980); whereas the volume of loans to be granted by the European Investment Bank is also to be increased, to million units of account;

Whereas the Internal Agreement on the financing and administration of Community aid, signed on 20 November 1979, should be amended accordingly,

Have agreed as follows :

Article 1

Article 1(2) and (3) of the Internal Agreement on the financing and administration of Community aid is hereby amended as follows :

"2. a) The Fund shall consist of million European units of account (hereinafter called "EUA"), to be financed by the Member States as follows :

" Belgium	million EUA
" Denmark	million EUA
" Germany	million EUA
" France	million EUA
" Ireland	million EUA
" Italy	million EUA
" Luxembourg	million EUA
" Netherlands	million EUA
" United Kingdom	million EUA

b) This schedule may be amended by Council Decision reached unanimously in the event of the accession of a new Member State to the Community.

3. The amount stated in paragraph 2 shall be allocated as follows :

- a) million EUA for the ACP States, comprising :
- million EUA in the form of grants,
 - million EUA in the form of special loans,
 - million EUA in the form of risk capital,
 - million EUA in the form of transfers pursuant to Title II, Chapter 1 of the Convention,
 - million EUA in the form of the special financing facility pursuant to Title III, Chapter 1 of the Convention;
- b) 85 million EUA for the countries and territories and the French overseas departments comprising:
- 51 million EUA in the form of grants,
 - 24 million EUA in the form of special loans,
 - 7 million EUA in the form of risk capital,
- for the record in the form of the special financing facility pursuant to the provisions of the Decision relating to mining products ;

- c) 9 million EUA in the form of transfers for the countries and territories, pursuant to those provisions of the Decision which concern the system for stabilizing export earnings."

Article 2

Article 2 of the Internal Agreement on the financing and administration of Community aid is hereby amended as follows :

"To the amount laid down in Article 1(2) shall be added up to million EUA in the form of loans granted by the Bank from its own resources under the conditions laid down by it in accordance with the Statute.

These loans shall be allocated as follows :

- a) up to the amount of million EUA, for financing operations to be carried out in the ACP States;
- b) up to the amount of 15 million EUA, for financing operations to be carried out in the countries and territories".

Article 3

Article 4 of the Internal Agreement on the financing and administration of Community aid is hereby amended as follows :

"An amount of up to million EUA shall be set aside from the grant aid specified in Article 1(3) (a) and (b) for financing the interest rate subsidies referred to in Article 104 of the Convention and in the corresponding provisions of the Decision. Any part of this amount not committed by the end of the period during which loans are granted by the Bank shall again become available as grant aid.

The Council may decide, on a proposal from the Commission drawn up in agreement with the Bank, to raise this ceiling".

Article 4

This agreement shall be approved by each Member State in accordance with its own constitutional requirements. The Government of each Member State shall notify the Secretariat of the Council of the European Communities when the procedures required for its entry into force have been completed.

Provided the conditions of the preceding paragraph are fulfilled, the Agreement shall enter into force at the same time as the Accession Agreement.

Article 5

This agreement, drawn up in a single original in the Danish, Dutch, English, French, German and Italian languages, each of these texts being equally authentic, shall be deposited in the archives of the Secretariat of the Council of the European Communities, which shall transmit a certified copy to each of the Governments of the Signatory States.

D R A F T

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Supplementary Agreement to the Agreement on products within the province
of the European Coal and Steel Community

His Majesty the King of the Belgians,
Her Majesty the Queen of Denmark,
The President of the Federal Republic of Germany,
The President of the French Republic,
The President of Ireland,
The President of the Italian Republic,
His Royal Highness the Grand Duke of Luxembourg,
Her Majesty the Queen of the Netherlands,
Her Majesty the Queen of the United Kingdom of Great Britain
and Northern Ireland,

of the one part, and

The President of the Republic of Zimbabwe,

of the other part,

Having regard to the Treaty establishing the European Coal and Steel Community,

Having regard to the Treaty establishing the European Economic Community, and
in particular Article 232 thereof,

Having regard to the Agreement between the Community and the Republic of
Zimbabwe on the accession of Zimbabwe to the second ACP -EEC Convention
signed in Lomé on 31 October 1979,

Having regard to the Agreement on products within the province of the European
Coal and Steel Community signed in Lomé on 31 October 1979,

Desirous of applying between them the provisions of the aforementioned Con-
vention,

Have agreed as follows :

Article 1

The Agreement on products within the province of the European Coal and Steel Community signed in Lomé on 31 October 1979 shall apply between the parties to this Agreement.

Article 2

This Agreement shall be ratified by the States signatory to the Agreement on the accession of the Republic of Zimbabwe to the second Convention of Lomé. It shall enter into force at the same time as that Agreement.

Country Profile of Zimbabwe

1. General Background

Zimbabwe is a land-locked country that bestrides the high Southern African plateau between the Zambesi River in the north (latitude 15°50's) and the Limpopo River in the south (Latitude 22°25's). Zimbabwe shares common borders with Zambia to the north and north-west, Botswana to the south-west, South Africa to the south, Mozambique to the east and north-east, and touches Namibia at Kazungula on the Zambesi river. The country's total land area is over 389,000 sq. kms, (which is nearly twice the size of Britain, or half that of Zambia). Altitudes vary from 500 metres in the low veld to 2,500 metres in the eastern highlands.

Only about 20 % of the land, mainly in the high veld, is suitable for intensive crop farming, the remainder being suited to more extensive forms of agriculture and livestock production. The country is endowed with a wide variety of minerals including copper, gold, asbestos, chrome, nickel, tin, iron-ore, emeralds, silver, platinum and phosphates. Electricity is produced from local coal resources and the Kariba power station jointly owned with Zambia.

Zimbabwe's population at the end of 1978 was estimated at some 7.0 M composed of 6.75 million Africans, 250,000 Europeans, and 33,000 others.

2. Political Background

From the ending of British South African Company rule in 1923, Southern Rhodesia was a self-governing British colony until November 1965, when the Rhodesian Front Government declared the territory independent in the Unilateral Declaration of Independence (UDI). Following this declaration Britain took a series of economic measures against Southern Rhodesia, and in 1968 at Britain's request the UN imposed mandatory economic sanctions on the territory. 1971 saw the beginning of an eight-year guerilla war in which some 27,000 Zimbabweans were killed, and much larger numbers wounded and rendered homeless.

After the break-down of the 1977 Anglo-American proposals and the failure of the 1978 internal settlement, the Lusaka Commonwealth Conference agreement led to the 1979 Lancaster House conference, which established an independence constitution and paved the way for a peace settlement and cease-fire.

The independence Government, which was formed following the February 1980 elections, represents a coalition amongst the principal parties represented in the National Assembly. These are Prime Minister Mugabe's ZANU/PF (57 seats), Mr. Nkomo's Patriotic Front (20 seats), and the Rhodesian Front (20 seats).

Bishop Muzorewa's UANC (3 seats) is not represented in the new Government.

Constitutional independence was accorded to the Republic of Zimbabwe on 18th April 1980 with President Canaan Banana as head of state, and Premier Robert Mugabe as head of government. In its initial policy statements the new administration has consistently emphasised the need for national reconciliation, for economic pragmatism at home, and for non-alignment in external relations.

3. Immediate Priorities

Pressing problems confronting the new Government include the continuing integration of the armed forces, and the accelerated advancement of black Zimbabweans in both the public and private sectors, where imperative needs relate to professional and technical training. However amongst the new Government's first priorities is the resettlement of refugees and displaced persons.

Groups with particularly pressing needs are firstly refugees who remain to be repatriated from neighbouring countries and secondly persons displaced during the civil war. At the request of the Prime Minister, the UN Secretary General has asked the UN High Commissioner for Refugees to coordinate, for an initial period, a programme of humanitarian assistance for displaced persons and returning refugees, (currently estimated at some 660.000 persons). The UNHCR has accordingly issued an appeal to the international community for US \$ 108 M, to which it is proposed that the European Community should make a contribution of some \$ 15.8 M.

4. Land Tenure and Resettlement

But possibly the most complex problem facing the new government concerns land arrangements. Some 60 % of Zimbabwe's people live in tribal trust lands (TTLs) in conditions of serious overcrowding and land degradation.

Although the discriminatory land-tenure act was repealed in 1979, the pattern of land holding remains virtually unchanged from the colonial period :

- . Commercial farmland : 14.8 M ha. operated by 5,400 white farmers or companies;
- . Purchase land : Of the 1.5 M ha. set aside for freehold tenure by blacks, 1.1 M ha. are occupied by some 8,500 farmers;
- . Tribal trust lands (TTL) : 16.3 M ha. occupied on a communal basis by some 675,000 cultivators with a total population of 3.5 M.;
- . National land : 5.9 M ha. of parks and game reserves

The disparity between black and white holdings is very great. The white farmer averages 2,400 ha., the African purchase farmer 125 ha. and the TTL cultivator 24 ha. There is also a wide differential in the quality of land, the result partly of allocation of the bulk of the most fertile regions to whites, and partly of its corollary - the overcrowding and land degradation of the TTLs.

While the new Government has yet to make known its intentions on resettlement, land reform features high in its election manifesto, which pledges the creation of a land and agricultural development fund, "to facilitate the acquisition of land, land resettlement, and agricultural development". In the post-electoral period, further reference has been made to the coordinated and orderly acquisition of unused land in the commercial farming areas for resettlement purposes. There have also been certain indications on the part of development agencies, as to possible means of providing effective assistance in this particular area of agricultural development, which would help resolve land acquisition and productivity problems.

5. Economic Situation

Following a period of economic expansion in the immediate post-UDI years, Zimbabwe began to encounter increasing economic difficulties in the mid-1970s. At that stage the combination of international recession, growing political uncertainty and the impact of war thrust the economy into continuing decline and real GDP fell by more than 13 % over the 1975-79 period. With international recognition and the conclusion of peace, this downward trend may be reversed, and current estimates suggest the possibility of real growth of some 4 % in 1980.

Agriculture is the chief source of income for more than 70 % of the population, it provides wage employment for 345,000 people, almost all of them blacks, or about 35 per cent of total employment. Even in poor climatic years, Zimbabwe is largely self sufficient in food stuffs, and this sector contributes approximately 20 % of GDP, more than one third of the country's foreign exchange, and a substantial share of inputs to local manufacturing industry. Total agricultural production in 1979 is estimated at just short of Z \$ 500 M.,* almost 90 % of which represents production by white farmers.

A dominant feature of commercial farming under sanctions was the diversification out of tobacco production into grain and fibre crops (wheat, maize and cotton) and the growing, although recently interrupted, production of cattle. Soya beans, tea and coffee, have also become significant cash crops.

Zimbabwe's manufacturing sector has developed since 1965 on the basis of subsidies, import and exchange controls, and the increasing utilisation of local raw materials. The volume index of manufacturing production increased 2.25 times between 1964 and 1969, contributing 22 % of GDP in 1978. Most rapidly growing sub-sectors were foodstuffs, textiles, chemicals, petroleum, mineral and metallic products. Sugar is being increasingly used for ethanol production.

Although mining accounts for only 7.5 % of GDP, and provides work for only 6 % of the employed labour force, it has come to play an increasingly significant economic role. Upwards of 90 % of mining output is exported, increasingly in processed form. Direct mineral exports in 1979 were valued at more than Z \$ 200 M. In the current international situation, production in this sector could be expanded.

6. Transport

Prior to the 1976 closure of the Mozambique border, nearly two-thirds of Zimbabwe's rail traffic was using either the Beira or Maputo routes, with the latter being the more important because of its harbour capacity and bulk-handling facilities. The border closure forced all rail traffic onto the longer South African routes. With the ending of hostilities, the Beira route has been reopened to limited traffic, but is affected by port constraints, while the Beira pipe-line will re-open in early 1981. The severely damaged Maputo route will also not resume full-scale traffic till next year. Both routes are also of economic significance to Zambia and Botswana.

* 1 Zimbabwe dollar (Z \$) = 1.18 EUA (April 80)

7. Trade and Balance of Payments

In 1965, Rhodesia exported to the following countries : Britain (22 %), Zambia (25 %), South Africa (9 %), Germany (5 %), Malawi (5 %), Japan (5 %), and all other countries less than 5 %. Rhodesian imports by country of origin were : Britain (30 %), South Africa (25 %), USA (7 %), Japan (6 %), and all other countries less than 5 %.

As a result of sanctions and subsequent changes in trade composition, trade balances and patterns altered considerably over the UDI period. In particular Britain's direct trade with Rhodesia diminished significantly, while South Africa's trade increased substantially, buttressed by a series of preferential trade arrangements between Rhodesia and South Africa dating from the early 1960s. According to 1972 UN figures, 38 % of Rhodesian imports were of South African origin, but other estimates have put these at least as high as 51 %; about 16 %, and possibly more, of Rhodesian exports were estimated by the UN to go to the RSA in 1972. Oil remains a major component of imports as do capital goods, vehicles and spare parts.

Zimbabwe's Z \$ 500 M. of exports⁽¹⁹⁷⁸⁾ are roughly divided as follows : agricultural products Z \$ 225 M, minerals Z \$ 200 M and manufactures Z \$ 75 M. Principal agricultural exports (for which figures are not currently available) include tobacco, maize, beef, cotton and sugar. The relative contributions of the principal mineral exports are gold (30 %), asbestos (30 %), nickel (20 %), copper (15 %), and ferro-chrome (5 %). Exports of manufactures, principally within Southern Africa include clothing, footwear, radios, cigarettes, canned meat, sugar and textiles.

1979 balance of payments estimates from official sources suggest that last year exports (including gold) may have increased by about Z \$ 100 M. (or 16 %) to almost Z \$ 700 M, while imports may have grown nearly 4 % to some Z \$ 585 M, leaving a visible trade surplus of some Z \$ 115 M (as against Z \$ 178 M in 1978). The 1979 invisible deficit is estimated at some Z \$ 90 M, which is thought to have been offset by a net capital inflow of Z \$ 80 M, leaving a small overall deficit. Forward projections of the 1980 balance of payments would appear to reflect a continuation of these main trends.

8. Capital Formation and External Debt

As regards investment, recently published estimates put total foreign capital formation at between Z \$ 1.500 M and Z \$ 2.000 M (out of a total capital stock of Z \$ 2.250 M to Z \$ 2.750 M). The figures suggest a marginal reduction in the proportion of foreign capital since 1965, but a significant increase in value. As to the origin of investments, these are mainly from two sources : Britain and South Africa. The same estimates put the UK proportion at Z \$ 815 M and the South African at Z \$ 583 M. The Government's external debt is estimated at about US \$ 350 - 450 M.

ZIMBABWE SUMMARY DATA

Rev. 1

<u>Area</u>	:	389.000 sq. kms.
<u>Population</u>	:	Africans 6,755,283 (96 %)
(Dec 78)	:	Europeans 249,967 (3.5 %)
	:	Others 34,760 (0,5 %)
	:	Total 7,040,010

Population densities

Overall	:	18.1 persons / sq. km .
African trust lands	:	27.4
White rural areas	:	7.2

Urbanisation

1969	:	17.1 %
1978	:	19.5 % (24.8 % unofficial)

Currency

Zimbabwean/Rhodesian dollar (Z \$)
 Z \$ 1 = 1.18 EUA = £ 0.71 = US \$ 1.54 (April 1980)

National Income

GDP 1978 = Z \$ 2.332 M = US \$ 3.542 M (current exchange rate)
 GNP per capita 1977-78 = US \$ 480 - 500 (IBRD estimate)

Trade 1978

Main commodities exported :

Agricultural products - (45 %) tobacco, maize, beef, sugar and cotton
 Mineral products (40 %) gold, asbestos, nickel, copper, chrome ore
 Manufactured products (15 %) - ferrochrome, other processed minerals, and food products, clothing, footwear, tobacco, textiles

Government finance 1978

Revenue	:	Z \$ 573 M (24.6 % GDP)
Expenditure	:	Z \$ 803 M (34.4 % GDP)
Deficit	:	Z \$ 230 M
External debt	:	US \$ 350 M - 450 M (1980 estimate)

Labour Force

In formal employment 1978	991.600	100 %
. Commercial agriculture	340.800	34 %
. Manufacturing	140.000	14 %
. Mining	58.000	6 %
. Public and private services	280,000	28 %
Number of small African farmers :	685.000	