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on the Fifth Annual Report of the ACP-EEC
Council of Ministers (Doc. ACP-EEC/26/81)
and an analysis of the early experience of
the Second Lomé Convention with recommend-
ations for its optimal implementation

PART B : Explanatory statement

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EXPLANATORY STATEMENTI. INTRODUCTION:

1. Coming as it does at this unique juncture of ACP/EEC relations, the task of the General Rapporteur of the Joint Committee of the Consultative Assembly has proved most awkward and challenging at the same time. The first Lomé Convention has now receded into history and has already been brilliantly evaluated by my distinguished predecessor, Mrs Katarina Focke. Further analysis of the experience would therefore be superfluous. Moreover, the successor arrangement, Lomé II, has been in operation for only some eight months now - a fact which makes difficult any attempt at a detailed and definitive appraisal of the accomplishments registered thus far.

2. The Fifth Annual Report of the ACP/EEC Council of Ministers, on which this general report is loosely based, covers the period 1 March 1980 to 28 February 1981, a period coinciding, to within two months, with the transitional period which intervened between the expiration of Lomé I on March 1, 1980 and the coming into force of Lomé II on January 1, 1981. The late production and distribution of this document of the Council may not have allowed everyone the opportunity of detailed assessment and the rapporteur has therefore undertaken to highlight - albeit fleetingly - the main events with which it deals.

3. The most important concern of this review, however, lies with the proper functioning of the new Convention during its life span of the next five years. The terms of the second Agreement have now been settled and since they have not been entirely satisfying to all the parties, nothing short of their full implementation would be acceptable. As the Ministerial Report itself observes - "Progressiveness and continuity - in relations between partners, preserved and even improved on despite difficult times, has been brought about by the contractual, in other words negotiated, nature of the partners' relationship, accompanied by an institutional system which, though based on the contract, goes beyond it and ensures that by means of permanent dialogue, the contract is jointly applied." Fully sharing this viewpoint and in particular the Council's conclusion that "political and legal facts would not be enough in themselves to ensure the vitality of the system of relations were they not prompted by a certain spirit," the rapporteur has considered it virtually imperative that a look be taken at the institutional machinery provided by the Convention to ensure that it is indeed functioning as was intended.

4. In addition, this broad survey, very mindful of the reality that Lomé does not exist in splendid isolation from the global relationships and obligations of the partners on both sides, has taken some account of the international political and economic environment in which the Convention must operate. Cognisance of influential exogenous factors are necessary to a complete appreciation of both the possibilities and limitations of the Lomé experiment and to the pursuit of improving its results. In the final analysis, this model of cooperation which both the ACP and EEC countries have chosen to follow will only be coherent and viable if it is built within the larger framework now being designed by the architects of a new international economic order. It is therefore this wider approach that the rapporteur has seen fit to take in considering and evaluating those developments which have been chronicled by the Council's report and which are deemed now to warrant the closer attention of the Joint Committee and the Consultative Assembly.

II. THE ENLARGEMENT OF THE EEC AND THE ACP

5. One of the most interesting and significant features of the period covered by this report has been the enlargement of the Community to one of 10 and of the ACP Group to one of 60. The Accession Agreement for the Republic of Zimbabwe, which had requested to join the Second Convention on the day that country achieved independence - 18 April 1980, was signed on November 4, 1980, along with an interim agreement which came into force on 1 January 1981.

6. However, while Zimbabwe was granted improved trading arrangements by the Community even before independence and while additional financial allocations were made to the Fifth EDF to take account of this new partner, the delay by certain Member States in completing ratification of the Agreement of Accession is not a good augury for the future of Zimbabwe's relations with the Community. Members of this Assembly should therefore urge Member States which have not yet completed ratification to do so in order that the financial terms of Zimbabwe's Accession Agreement might come into force as promptly as possible. On this subject, it should be remembered that the ACP has also made a strong call in Sierra Leone for the principle of additionality to be honoured when determining Zimbabwe's entitlement under the Sugar and Beef Protocols.

7. The Republic of Vanuatu which achieved independence on 30 July 1980, was welcomed into the Convention on 18 March 1981.

8. On 1 January 1981, the Hellenic Republic became the tenth Member State of the European Economic Community. The ACP Group, while welcoming Greek accession, has simultaneously voiced concern at some aspects of enlargement which could be prejudicial to its interests. The particular case of Greece's accession was the initial cause for alarm; now the impending entry of Spain and Portugal portends even greater fear.

9. The need for ACP-EEC negotiations on the question of Greece's subscription to the Second Lomé, once Greece became a Member State of the EEC, ought to have been fully anticipated. In February 1979, during the negotiations for Lomé II, the Community spokesman assured the ACP that this matter would be taken up with the ACP in due time to ensure that the latter's interests were fully taken into consideration. The Agreement between the Community and Greece was signed in May 1979. And the Lomé II Convention provided in Article 181 that "In the event of accession of a third country to the Community, the contracting parties agree to take, as necessary, the appropriate measures of adaptation and transition".

10. The matter was further discussed at the Fifth ACP-EEC Council in Nairobi in May 1980, when Council noted the Commission's statement to the effect that Greece's accession would be more of a benefit than a bane to ACP-EEC trade relations, and agreed that the adjusting and transitional protocol would be negotiated sufficiently early so that it could come into force as from 1 January 1981. The Community at that time also undertook to give ACP States any necessary explanations regarding the possible effects of Greek accession on ACP-EEC relations.

11. The ACP-EEC Council's decision was in direct response to the decision of the ACP Council of May 1980, mandating the ACP Committee of Ambassadors to undertake, as a matter of urgency, a joint study with the Community, with a view to identifying the possible effects of enlargement of the EEC on ACP-EEC trade and economic relations, and calling on the Community to give political assurances that ACP interests would be safeguarded and, if need be, the ACP would be adequately compensated for any erosion of their benefits.

12. Against this background of assurances, the ACP is seriously concerned at the manner in which the issue was subsequently approached. First of all, the subject was not put before the ACP until October 1980 and then only informally, at that. When later a draft Protocol on Adaptation and Transition was placed before the ACP in November, it incorporated the provisions which the Community had already negotiated and settled with Greece for its Treaty of Accession. The ACP was then advised to accept that Protocol on the grounds that it represented the best the ACP could hope to get, as, given the provisions of the Accession Treaty and those of Lomé II, Greece could not in any case grant other states, including the ACP, treatment more favourable than it grants to the Community Member States.

13. Thus, in spite of the Commission's earliest assurances, the matter was put before the ACP at so late a stage that it was not possible for the ACP to have had any influence on the arrangements negotiated between the Community and Greece and, by the process of argumentation above, on the relationship between Greece and the ACP. The ACP has been faced with a serious attempt by the Community to have these arrangements apply by extension to it, and has consequently objected to this procedure which has effectively robbed it of any chance of real negotiation on the nature of its relationship with Greece during the transitional period. It maintains that the equality of partnership cannot be vitiated by the imposition of a virtual fait accompli by one partner on the other.

14. As regards the substance of the arrangements, the ACP was concerned about the tariff treatment of a list of products exported by the ACP on which Greece and the Community had already agreed in the Accession Treaty that Greece would continue to maintain tariffs during the transition period - which incidentally extends to January 1986, that is even beyond the life of Lomé II. The ACP was particularly disappointed as many of these products which are denied free entry are not exported by the Community to Greece, but rather by the ACP to that market. This list includes products such as raw waxes, rum, jute sacks, cocoa beans and pineapple juice.

15. Another disturbing element of the arrangement is one that requires the ACP, in accordance with the provisions of Lomé II, not to discriminate amongst the Member States of the Community including Greece. As a result the ACP would be bound to treat Greece just as any other Member State, during the transitional period, even though during that period Greece herself would not be treating the ACP as favourably as do the other Nine Member States of the EEC. On grounds of equity and for the sake of symmetry in our relations the ACP maintained that it should not subscribe to this interpretation of its commitment, especially as certain ACP States do give preferential treatment to the EEC Member States.

16. This is the essence of ACP preoccupation in this area which becomes even darker with the threats which, by the Commission's own admission, are likely to arise with the advent of Portugal and Spain. Here are two well developed agricultural economies likely to be made even more competitive with the ACP through Community aid. Admittedly, as had been said, an enlarged Community can bring added dynamism to the ACP-EEC relationship, but unless the basic positions of the ACP States are safeguarded from encroachment, any dynamism generated may simply become a flash in the pan. For the ACP, therefore, the Community's credibility is at stake. It must be insisted that in any future negotiations on enlargement the ACP **be** consulted in advance so that the interests of the

ACP are not put at risk. Before it is too late, therefore, the Joint Committee is urged to take cognisance of this grave situation and be ready to pronounce upon it when the time comes. As the Commission itself has publicly recognised: "The Community can meet the challenge if it tackles with frankness the problems involved and if it can show courage and imagination, wisdom and responsibility".

17. Indeed, for the particular problems posed by the accession of Greece, the Community took the positive step of unilaterally extending the provisional agreement, which was due to expire on April 30, 1981, until 1 July 1981. Shortly before this latter date, and on the basis of a decision taken by the Sixth Meeting of the Council of Ministers, the ACP and the EEC were able to conclude their protracted negotiations of the Protocol by conditioning signature by the ACP States with the provision of a mutually acceptable declaration. The latter further records the uncertainty felt by the ACP on the subject of the Community's continuing process of enlargement. Its formulation serves, however, to guarantee adequate and timely consultation between the parties in all cases where ill-effects are foreseen. It is now incumbent on both sides to ensure that this solution, which was arrived at in good faith, is scrupulously followed. The rapporteur will have a further word to say on this score at a later stage.

III. ACP-EEC TRADE

18. The development of ACP-EEC trade, while appearing to be more favourable than in the past, nevertheless shows worrying tendencies when examined more carefully. In 1980 the nominal value of ACP exports to the Community increased by 27.7% over their 1979 level. The rate of increase for Community exports to the ACP States over the same period was 33% (see Annex II). However, the resulting trade balance was still in favour of the ACP States, with a surplus of 3.2 thousand million European Units of Account (EUA).

19. This situation is not, however, as encouraging as could be believed at first glance. Even though the nominal value of ACP exports to the Community has increased from 8.70 thousand million EUA to 18.89 thousand million EUA during the period 1975 to 1980, the pattern of trade has hardly changed from that which prevailed before the entry into force of the Lomé Convention and reflects closely the trading links that emerged during the colonial era.

20. As can be seen from Annex I to this report, the proportion of ACP exports to the Community has evolved very little (from 6.7% to 7.0%) between 1975 and 1980. Similarly, the share of Community exports to the ACP States over the same period increased by exactly the same figures (from 6.7% to 7.0%). The intervening years saw some fluctuations (between 6.6% and 7.3% for Community imports from the ACP and between 6.1% and 7.8% for Community exports to the ACP States) in the percentage share of ACP trade in total Community trade. However the overall picture has remained discouragingly static at around 7.0%. One hopeful sign has however been the ACP's marginally favourable trade balance with the Community (from 0.6 thousand million EUA in favour of the Community in 1975 to 3.2 thousand million EUA in favour of the ACP in 1980).

21. In 1975, 29.1% of ACP exports to the Community consisted of raw (unmanufactured) agricultural products. In 1980 this category of products represented 21.5% of ACP exports to the Community. At the same time raw (unprocessed) industrial products represented 18.5% and 12.6% in 1975 and 1980 respectively. Thus raw materials represented 47.7% of ACP exports to the Community in 1975 and 34.1% in 1980. Comparative figures of ACP raw material exports to the Community for 1976, 1977, 1978 and 1979 were 51.0%, 57.2%, 55.3% and 44.5% respectively.

22. This decline in the share of raw materials in total ACP exports to the Community was not however compensated by a corresponding increase in the share of manufactured products in total ACP exports to the Community. The proportion of manufactured products in total ACP exports to the Community declined during the period 1975 to 1979 and only returned to their 1975 level (14.8%) in 1980.

23. A closer look at ACP exports of manufactured products shows that the major ACP exports are in the following categories: unwrought non-ferrous metals (copper, aluminium, etc), food products, wood products and furniture, clothing, textiles and leather and footwear products in that order.

24. In 1975, Community imports of unwrought non-ferrous metals from the ACP States amounted to 723 million EUA and represented 56.1% of ACP exports of manufactured products or 8.3% of ACP exports to the Community. Comparative figures for 1980 were 1,115 million EUA and 39.8% and 5.9% respectively. Thus although in nominal value Community imports of these products substantially increased between 1975 and 1980, their relative position in both total ACP exports and ACP manufactured exports to the Community decreased over the period. This decline in the share of these products was however compensated by an increase in the share of food products and chemicals both in total ACP exports and as a proportion of ACP exports of manufactured products.

25. However, even though the share of wood products and furniture, leather and footwear products, clothing and textiles in total ACP exports increased between 1975 and 1978, their share in total ACP exports have since then been on the decline. Thus, apart from the compensatory increase in food products and chemicals, the share of ACP exports of manufactured products decreased in relative terms between 1975 and 1980. This compensatory effect between food products and chemicals on the one hand and the other manufactured products on the other resulted in the static relative growth in ACP exports of manufactured products observed for the period.

26. Therefore the share of raw materials and manufactured products (excluding petroleum) in total ACP exports declined from 62.5% in 1975 (58.7% in 1979) to 48.9% in 1980. During this period however, the share of petroleum in total ACP exports increased from about one third (37.5%) in 1975 (41.3% in 1979) to over one half (51%) in 1980. Thus, the apparent favourable trade situation observed in overall ACP trade, can be attributed solely to ACP exports of petroleum. This fact is clearly demonstrated by the fact that in 1975 Community imports of petroleum from the ACP States amounted to 3.27 thousand million EUA (6.09 MEUA in 1979). In 1980 Community imports increased to 9.64 million EUA; that is between 1975 and 1980 Community imports of petroleum from the ACP States almost tripled in nominal value while other Community imports from the ACP States, in nominal value, increased by only 62% during the same period.

27. This trend is very disquieting particularly when viewed in terms of the ACP Group. In this regard it is to be noted that only four ACP States export substantial quantities of petroleum to the Community and that Community imports of petroleum alone from these four States account for 51% of ACP trade with the Community. This pronounced imbalance clearly suggests the need for examining all possible means whereby encouragement can be given to the general expansion of ACP exports. While the Second Lomé Convention

appears, in some respects, to offer more realistic provisions than its predecessor, it may be wise for both parties to conduct an in-depth analysis of the root causes to the very meagre results obtained thus far in this very important sector of ACP-EEC cooperation. Only in this fashion can one hope to understand why, despite the positive commitment to improvement that has been expressed by the Community, there has been little headway for ACP exports to European markets. The rapporteur accordingly enlists the Joint Committee and Consultative Assembly in a call on the trade partners to undertake as quickly and as seriously as possible, the detailed study that was recommended by the Council of Ministers at its meeting in Nairobi during 1980.

BANANAS

28. Your rapporteur must draw the attention of this body to the ready assistance given to the Caribbean countries involved, by the United Kingdom and the European Commission towards the rehabilitation of their banana industries consequent to the damage by hurricane Allen in August 1980.

Following upon this positive expression of goodwill, it is the hope of the ACP banana exporting countries that the letter and spirit of Article 1 of the Protocol No. 4 on bananas will be upheld, given the importance of the banana industry to the economies of the regions concerned.

RUM

29. The Joint Working Party provided for under the Rum Protocol of the Second Convention is still to hold its first formal meeting. However, it is encouraging to note that steady and useful contact is maintained between the Commission and the ACP rum exporting States.

While a generally positive attitude on the part of the Community has been observed in the implementation of the provisions of the Protocol and there has been some growth in the exports of ACP rum to the Community, the reluctance by some Member States to fully comply with the provisions of the Protocol is to be regretted. This so-called conflict between national regulations and the provisions of the Convention is one example of a less than total commitment on the part of some partners to the Convention as a whole.

Trade promotion

30. The opportunities offered by the expanded provisions of the trade promotion chapter of the Second Lomé Convention, particularly Articles 21 and 22, had fired a burst of enthusiasm among ACP States, to discover improved ways and means to marketing. But no sooner had the ACP discovered this fresh enthusiasm for trade promotion as an essential developmental tool

than spirits became dampened by the cold realisation that the Community had been intending a change in policy relating to the financing of ACP participation in trade fairs and exhibitions. This rude awakening caused the most bitter resentment among those likely to be affected, and threatened to mar the promise of improved activity in trade promotion. The Commission sought to switch the source of financing from the Regional Fund to the National Indicative Programme of each participating ACP State. This was naturally seen as an erosion of the 'droit acquis' of Lomé I and, as such, was firmly resisted by the ACP. The further insistence by the Commission that operational conditions also required revision only added more fuel to the controversy.

31. It now appears, following negotiations and an exchange of letters, that the situation has been regularised and the Commission has given assurances, following difficulties in connection with ACP participation in the Kinshasa Fair which was held in July, that finance from the Regional Fund would be available for participation in fairs during the second half of 1981. ACP participation would qualify for funding from the Regional Fund where at least four ACP States would be taking part in a given fair and could be identified in such a fair as a regional group. They would be equally eligible if their participation related to the promotion of specific products. Financial assistance would cover hire of the site, construction and decoration of stands, printing and preparation of brochures and technical data sheets and a contribution towards the cost of transport of staff to man the stands. In the case of the least developed ACP States more favourable provisions would apply.

32. The ACP States are persuaded that the attempt to impose a recourse to the National Indicative Programmes for trade fair financing would have resulted in an unnecessarily severe strain on their already scant EDF allocations. The latter resources should ideally be devoted to important project financing and not be diffused on activity which could be provided for, as under the first Convention, by the Regional Fund. It is to be hoped that the compromise reached would foster the expanded activity which the Convention envisages for this area and give all necessary assistance to the tentative steps which the ACP States are trying to take towards their industrialisation and export development.

Textiles

33. Another particularly controversial issue, and one which goes to the heart of the ACP's struggle for industrialisation, is that of the entry of their textiles into the Community. Both Conventions of Lomé provided for free and unlimited access to the EEC market for exports of ACP industrial products, including textiles. Certain ACP countries have nevertheless experienced considerable difficulty in availing

themselves of the opportunity created, especially for textiles, the single product of some importance to them. The obstruction is difficult to understand given the fact that it takes the sixty ACP States to provide a paltry 1.8% of the Community's overall textile imports, while the ACP States themselves import from the Community nearly three times that value of textiles - quite apart from their substantial imports of textile machinery.

34. The ACP cannot therefore accept the Community's various attempts to restrict ACP textile exports to the Community, and view the principle of an 'ACP line' (a ceiling for certain sensitive products within an internal global ceiling for such products imported from low production cost suppliers), which has been advocated by the Community, as totally obnoxious. The ACP fails to understand how the Community is able to justify restricting a minuscule 1.8% of its total imports of textiles from a group of disadvantaged states with whom it has a special relationship providing for their industrial development and trade expansion. For even if ACP exports were to be entirely blocked, the Community would still have to contend with the remaining 98.2% of imports from other, more competitive, sources.

35. A closer look at the performance of ACP exports of textiles to the Community reveals that, whereas between 1975 and 1979 ACP exports increased from 18.6 million EUA to 62.3 million EUA or from 0.2% to 0.4% of total Community imports from the ACP, ACP textile exports in 1980 were worth 58.8 million EUA or 0.3% of total Community imports from the ACP. It is of significance that this decline, both in value terms and in the share of total ACP exports to the Community, coincided with the adoption of the policy of restricting ACP exports of textile products by the so-called ACP line.

36. This is not to say that the ACP States are unaware of the crisis that has been buffeting the Community's textile sector. They fully realise that the latter accounts for some 7% of the Community's GNP and for a significant portion of its labour force and that there has been a 20% fall in production and serious job losses. They also recognise that imports have increased by over 100% since 1973, but here it must be stressed that their exports represent such a minuscule share of the market that even a very rapid growth of ACP exports would still leave them as insignificant suppliers. Thus, while being deeply sympathetic to the Community's problems in this area, and while genuinely regretting the closure of factories and the rise of unemployment, the ACP would wish to remind their European colleagues that they are not the cause of any disaster, and therefore should not be unduly penalised.

37. The object of the Lomé Convention, it may be necessary to recall, was to ensure, through increased production and diversification of the range of ACP products, a wider penetration and improvement in the conditions of access of ACP products to the Community market in order to improve the balance of trade between the two parties. It was with the encouragement of the Lomé Convention that certain ACP States embarked on the process of industrialisation, making sacrifices in order to satisfy rules of origin, and taking advantage of free access with a view to increasing export earnings.

38. The Committee may be pleased to learn that at the insistence of the ACP, the Community, in which there appears to be a positive approach to the safeguard provisions of Lomé II, has agreed to devise, along with the ACP, appropriate early consultation procedures that would preclude ready recourse to safeguard measures. The ACP has submitted written proposals which are at present being examined by the Community. The onus is now on the Community to provide a response to the ACP proposals and come to quick agreement on the functioning of the mechanism for consultation. Hopefully an understanding which will then be scrupulously implemented can be reached in this area.

39. Obviously, however, any such steps would be no more than palliatives. The only immediate and lasting remedy is a form of industrial surgery on those sectors of activity which have become unproductive. Needless to say, when political choices have to be made in the face of frightening recession and unemployment, the decision is hard to make. Yet Europe, for the sake of its economic health, cannot afford to postpone indefinitely the basic restructuring that is so urgently called for. It must quickly proceed to a new order, and in this regard the Joint Committee and indeed the Parliament, can do much to persuade its people that the agony must pass.

Available agricultural products

40. The period under review witnessed the continuing search, at the instigation of the ACP, for a system that would provide for the supply of available agricultural products on concessional terms by the Community to the ACP. The ACP-EEC Council of Ministers, meeting in Nairobi in May 1980, instructed the ACP-EEC Subcommittee on Trade Cooperation, under the aegis of the Committee of Ambassadors, to set up a working party to examine the means whereby such agricultural products could be made available. In October 1980 the Community proposed that the working party be set up with, as its terms of reference, an explanation of the

Common Agricultural Policy's existing machinery and ways of using it to the full for exporting cereals (including rice), dairy products and sugar to the ACP countries, and the medium term needs for the supply of these products in ACP States. The ACP group felt that the working party should be given much wider powers and terms of reference so that it could draw up a multi-annual Community programme for supplying certain agricultural products at concessional prices to the ACP, with payment in the currency of an ACP State, accompanied by special terms for loans. No agreement has been reached on these positions and it was left to the 6th meeting of the ACP-EEC Council of Ministers, which took place in Luxembourg on 9th and 10th April 1981, to agree that the Joint Working Party to be established in this matter should not be restricted in its terms of reference and 'should give simultaneous consideration to the EEC's position and the suggestions made by the ACP countries'.

41. In this regard, it is hoped that the recent proposals by the Commission to the Council concerning the supply of available commodities on a multi-annual basis will contribute towards the softening of attitude by some Member States to the ACP requests. The Community has argued that it is precluded from interfering with the delicate mechanism of the free-market system, but with the full realization by the ACP that the Common Agricultural Policy is nothing but an instrument of control, the argument rings hollow in their ears. Let it not continue to be said that the ACP countries by their requests are advocating an established policy of surpluses by the Community, when all that is being asked is for access to those excesses of supply which the Community maintains at exorbitant cost to itself, on a more systematic basis as distinct from food aid. This confusion in some quarters between food aid and simple stability of supplies has only led to frustration among the ACP.

42. Yet, in a situation where the Community is often in a position of surplus and where many of the ACP States are continuously plagued by famine, it is logical to think that this would be a fertile field of cooperation between partners who forever boast of their model association. The Community's approach, involving the implementation of the instruments of the Common Agricultural Policy so as to enable transactions to be carried out through normal commercial structures in respect of certain essential food products, on conditions which make it possible to achieve greater stability of supplies, may be an appropriate first step but it certainly does not satisfy the requirements of many ACP countries whose interest goes beyond mere stability in commercial transactions to conditions that would truly alleviate starvation in their poverty-stricken populations.

43. Meanwhile, in today's world, soaring oil prices coupled with unfavourable climatic and political conditions continue to undermine the progress of the 'green revolution'. This rapidly worsening situation is reflected in commodity markets where prices of basic foodstuffs have climbed sharply over the last year.

44. We are in fact in the throes of a world food crisis whose only parallel is the energy problem, and which is fuelled continuously by inflation. Needless to say, its impact is being more severely felt by those countries located in the world's poverty belt which cannot cope with such burdens on their meagre resources. It is therefore not natural that these countries, many of which are ACP States, should seek some form of balance of payments assistance in the area of food similar to that being granted by the international Community to relieve the costs of energy? For some of these affected States the food import bill rivals their expenditure on energy and it is far from surprising that they cannot make ends meet. This is in essence the rationale of the ACP request for long term food supply measures which would place as much emphasis on the external payments difficulties as on the stabilization of market transactions. This is why the ACP are asking the Community to take an enlightened view of the provision of such food supplies on concessionary terms.

45. Au fond, the problem is a highly political one, as has been perceptively realised by the European Parliament in its timely consideration of the question of world hunger. In this regard, tribute must be paid to those Parliamentarians who are assiduously searching for solutions, and in particular to our colleague Mr Bruno Ferrero, whose report has helped to dramatise the magnitude of the task before us. In fairness to the Community itself, it must be acknowledged that it has provided certain ACP States with agricultural products on fairly advantageous terms. It would be wrong, however, for it to rest on these half-hearted laurels and to see its duty to those impoverished States of the ACP as fully discharged. Very often, as an excuse for halting movement, it pleads the prohibition of the Common Agricultural Policy, but surely a powerful group of developed nations which have been ingenious enough to devise such an intricate mechanism can find the imagination to create a facility that would positively answer the needs of their underprivileged partners. In the final analysis, if the Community can make it possible to assist those with whom it has no firm contractual relationship, then there is all the more reason it should extend itself fully to give validity to the enlightened policies which it verbally implies.

46. To this end, the Joint Committee and Consultative Assembly are encouraged to stimulate the Parliament in its investigation of the rampant disease that is hunger, and thereby to remind the Community of its responsibility in this matter. It may be that the Ten alone cannot offer the panacea but a determined effort could go a long way to relieving the chronic symptoms of starvation. As diagnosed by the Brandt Report, 'the world food markets are made more unstable by the array of controls on trade which are put up by the surplus producers - most of them the richer countries of North America and the European Community. They restrict the imports of most food products and periodically restrict exports through controls and taxes'. In this process, however, the welfare of States such as the ACP is often jeopardised and left to the hazards of an unfavourable trading system. Some intervention by the Community to protect the interests of the ACP should therefore not be anathema to the Common Agricultural Policy, as this mechanism allows for some interference in the market. It is therefore to be hoped that any revision of this policy will be such as to accommodate the easy supply of agricultural products to the developing world.

Finally, it must be said that the belief that such a scheme would deter agricultural production and self-reliance is unfounded since the basic aim is totally different and supplies from the Community would be an adjunct to, and not a substitute for a meaningful food programme in ACP States.

Generalised system of tariff preferences

47. During the period under review, the Community's new GSP scheme for the period 1981 to 1985 came into effect. Although observations had been invited from the ACP, the Community claimed that the comments and requests made in relation to the Commission's proposals were submitted too late for them to be taken into account. As a result, the new system was implemented on 1 January 1981 without the modifications requested by the ACP. The latter did not hesitate to express their bitter disappointment with this apparent lack of concern on the Community's part.

48. Your rapporteur has taken note however of the decision of the EEC Council of Ministers, to the effect that the GSP would be applied for a further period to coincide with the United Nations Development Decade 1981 - 1990, as well as the Council's readiness to consider continuing the system beyond that period. While this expression of the Community's recognition of one of the needs of developing countries is welcome, it must be stressed that among the developing world, the ACP States constitute a particularly disadvantaged group which, moreover, has concluded a legally binding agreement with the Community in order to benefit from specific advantages in trade and economic development.

49. Thus, the ACP has a very real claim to special consideration with regard to trade opportunities and protection from erosion of benefits whenever the Community concludes agreements which might have an impact on the ACP. It is however significant that those nations which derive greatest benefit from the GSP are the middle income nations with relatively high levels of GNP per capita and newly industrialised third world countries which are not party to the Convention of Lomé.

50. Bearing these observations in mind, it is hoped that in the event of adverse effects on ACP-EEC trade, there will be no need to recall the Community's statement that its current GSP scheme 'offered the possibility of remedying unfavourable situations which might arise from it for the ACP States' and its 'willingness to study jointly with the latter specific appropriate action whenever the ACP States so requested'. There is no reason, however, why the consultation procedures provided for by the Second Convention cannot be followed so that the ACP might have ample opportunity to study the Commission's proposals and be able to submit their observations in good time before consideration and approval by the European Council of Ministers.

51. One vehicle which should be involved in the monitoring and consultation exercises is the Joint Working Party which was established during the first Convention. Unfortunately, the first meeting is still to be convened, but no useful purpose will be served unless both parties exercise their respective responsibilities. In this regard the supply of relevant information to their Secretariat by ACP States is more than overdue. Hopefully, a call by this Assembly for the early activation of this Joint Working Party will not fall on deaf ears.

IV. EARNINGS FROM EXPORTS OF PRIMARY PRODUCTS

STABEX

52. The Convention of Lomé II provided for the extension and amplification of the system for the stabilisation of export earnings which was generally recognised as being one of the most potentially valuable and imaginative innovations of Lomé I.

53. As requested by the Joint Committee and the Consultative Assembly in the resolution drawn up by my predecessor, Mrs Focke, the ACP-EEC Council of Ministers decided, pursuant to Article 18(5) of Lomé I, to carry forward to the STABEX fund of the Second Convention any balance remaining from the STABEX appropriations of the first, as well as payments made by the ACP States in the context of the reconstitution of funds. The 17 transfers made in 1980 with respect to 1979 amount to a total of 66,007,643 EUA covering 9 products and benefiting 14 countries.

54. The STABEX system is one to which the Joint Committee and the Consultative Assembly should give particular attention. The Consultative Assembly and European Parliament played a major role in the conception and initiation of the scheme which has become an exemplary mechanism for assisting developing countries in the stabilisation of their export earnings. It constitutes an invaluable hedge against price fluctuations and allows ACP countries to plan ahead with a certain degree of security regarding the income that they can derive from the export of STABEX products.

55. Because of the Joint Committee's and Consultative Assembly's close link with the scheme since its inception, your rapporteur stresses the importance of these bodies being kept informed of the implementation of STABEX, and notes with particular concern that, at present, the entire mechanism is threatening to collapse. Such a collapse would be damaging to many developing countries and would seriously weaken the whole system of ACP-EEC cooperation developed over the years.

56. The resources made available for STABEX under the new Convention have proved to be totally inadequate. Under Lomé I 382 m EUA were available under the scheme. Under Lomé II this figure was increased to 550 m EUA. When one takes account of

- the increase in product coverage
- the increase in the number of ACP States
- inflation

the apparent increase in funding reveals itself to be quite insufficient.

57. Resources available to the system for 1980 are made up as follows:

- annual instalment: 110m ECU
- advance of a maximum of 20% of the 1981 instalment (decided by the Council on 10 April 1981): 22m ECU
- carry over of the balance remaining to the system from the first Lomé Convention: 6m ECU
- Total: 138m ECU.

58. Transfer requests amounted to some 261m ECU, an excess over available resources of 123m ECU. To deal with this very serious shortfall, which amounted to almost 50%, and so as not to delay the functioning of the system for 1981, the ACP-EEC Council at its sixth session in Luxembourg earlier this year, mandated the ACP-EEC Committee of Ambassadors to effect reductions in transfers in accordance with Articles 34 and 36 of the Convention.

59. On a proposal from the ACP Committee of Ambassadors, the Joint Committee of Ambassadors, at its 203rd session 17 June 1981, adopted a decision whereby countries whose transfer requests were below one million ECU would suffer no reductions and would therefore have their transfers paid in full. As regards reductions to the other ACP States, these were made on the basis of a ratio of 1:1.3 i.e., an adjustment factor of 0.5995 for the least developed ACP States and 0.4793 for the others. This decision resulted in drastic reductions in the amount of transfers to the LDC's from 106.7m to ~~61.9m~~ ECU and from 154.1m ECU to 74m ECU for the other ACP States. Such drastic reductions represent severe losses in expected income required by the various ACP States to execute activities geared towards development. As a result, the ACP has appealed to the Community to examine ways and means of securing additional funds to meet the shortfall and so minimise its serious effects.

60. The 123m ECU shortfall, which represents more than one normal year's provision, seems unlikely to be an isolated event affecting only 1980. All indications lead your rapporteur to conclude that similar transfer requests will be made during the coming two to three years. Continuing cuts such as those made for 1980, which are far in excess of anything envisaged when Articles 34 and 36 were drawn up, are bound to erode the whole system. If such reductions are to be instituted, STABEX will no longer be a comprehensive insurance policy for the products covered.

61. It is evident that there is an inherent inadequacy in the financial appropriation for STABEX contained in the Fifth EDF. The need for additional resources is pressing if the system is to be maintained in a meaningful form. In the Commission's view, the provision of additional funds will result in diversions from the other windows of the already strained Fifth EDF; it may be, however, that an interim contribution, such as the actual transferring of the cost of maintaining Community delegations in ACP States to the Community's own budget, would pave the way towards a final solution.

62. Your rapporteur sees the need for an extraordinary meeting of the ACP-EEC Council to deal with this fundamental issue. Mere tinkering with the mechanism cannot offer a long term solution, neither can be drastic reductions, even though these may be graded to take some account of the greater needs of the least developed countries. Only a radical reconsideration of the financial provisions for STABEX, which must be carried out at Council level with the greatest possible urgency, can ensure the maintenance of the system as a meaningful development tool. I appeal to the Joint Committee and the Consultative Assembly, which have played a role in STABEX since its conception, once more to contribute positively to the solution of the serious crisis at present threatening the system. As elsewhere in this report, I emphasise the importance of making the Convention really work. STABEX is a test case of the Community's political will in this regard.

Sysmin

63. The system for minerals, backed by financing amounting to 280m EUA in Lomé II, has not yet become operational. SYSMIN, which provides for project and programme aid to assist in maintaining the productive and therefore export capacity of mineral-producing ACP States, has been hailed as a welcomed innovation. While the usefulness of such a system cannot be denied, it must be recognized that the procedures for project and programme aid on the basis of case by case appraisal could render the new system less automatic than required. There is need for close examination during the period of implementation to establish whether the system caters to the real needs of the ACP mineral-producing states and whether its objectives are in concert with those of the ACP States.

64. The Joint Council in Nairobi on 8 and 9 May 1980, called for an examination of the problems of applying the system with a view to speeding up its implementation. No progress has been made in this regard and the need for rapid progress must be emphasized, as there are ACP States which have already submitted requests to the Commission. Two ACP States have requested aid totalling 140m EUA each to execute projects aimed at restoring their mineral-exporting capacity over the five-year period of Lomé II. The total of these two requests alone would, if approved, completely exhaust the financial resources available under the chapter. Bearing in mind the volume of assistance sought by these two ACP States, the fact that there are other ACP States which will qualify for assistance, and that the system is now only in its second year of application, the adequacy of the SYSMIN fund is certainly questionable and a point to which we need to address ourselves.

Sugar

65. Finally, as in previous years, it is necessary to stress the importance to the countries concerned of their exports of sugar to the Community. The secure market of indefinite duration at guaranteed prices, provided by the sugar protocol to the Lomé Convention, continues to be vital to the supplying countries. For despite the fact that the average world market sugar price was substantially higher than that obtained in Europe during the delivery period 1980/81, the world market price remains subject to large fluctuations and at the time of preparation of this report is less than the EEC price. Moreover a permanent and dependable outlet is particularly necessary for the ACP supplying countries because of the importance to their economies of sugar exports, not least in respect of employment as was recognised by Commissioner Cheysson at the Joint Council meeting in April 1981.

66. It was with this recognition in mind that the ACP sugar exporting States welcomed the Commission's proposals on quotas in the EEC sugar sector when they were issued towards the end of 1979. They were welcomed as being fully consistent with the sugar import obligations of the Community and as a significant step towards modifying its continuing sugar surplus situation. The ACP were naturally disappointed, therefore, that effect has not been given to those proposals. The Commission's recommendation would have reduced quotas by 1,250,000 tonnes whereas the level of quotas actually adopted for 1981/82 to 1985/86 is only 200,000 tonnes below the previous level. (This comparison has been based on an EEC of nine and does not include the quotas allocated to Greece.) Thus the new quotas are little less than those which have led to large surplus EEC production in recent years. Indeed an export surplus in 1981/82 of over 5 million tonnes has recently been forecast by some reputable sources.

67. The ACP have greatly welcomed the assurances given by the late Commissioner Gundelach that the Community's commitments under the Protocol will be fully honoured and the confirmation by Commissioner Dalsager that nothing in the new sugar regime will affect these commitments. The need for such assurances has been underlined by the continued large size of the Community's sugar surplus and by the closure in April 1981 of one of the main cane sugar refineries in Europe - that at Liverpool. This closure, which has been mainly caused by the growth of beet sugar production in the United Kingdom, will mean that in future some ACP sugar which has traditionally gone there will be forced to find a market elsewhere in the Community. It is thus more than ever necessary to ensure that there will continue at all times to be room in the Community market for the full quantity of ACP sugar. Indeed the sugar Protocol requires that its implementation shall be carried out within the framework of the management of the common organization of the market and the place of ACP sugar in the Community market was specifically recognised in the EEC regime which was in force at the time the Protocol was negotiated.

68. At the meeting in April 1981 of the joint Council of Ministers the ACP repeated their continuing view that it would assist the operation of the world sugar market if the EEC were to join the International Sugar Agreement. The Commission spokesman then stated that the Community had decided to sign the ISA and that the negotiations to this end were well advanced. However at a subsequent meeting of the Council of the International Sugar Organization in May, the Community spokesman stated that it would be necessary for the EEC to know whether the present ISA was to be extended or re-negotiated before it could reach a decision concerning membership of the agreement. This statement would seem to indicate a less urgent approach to this matter than was expressed at the EEC/ACP Council meeting. The growing size of the EEC export surplus, to which reference has been made above, makes it all the more necessary that the EEC should join the ISA.

69. The importance to the ACP countries concerned of the guarantees under the Sugar Protocol has already been mentioned. This makes decisions under Article 7 of the Protocol, relating to questions of force majeure and reallocations, of crucial concern to the supplying countries. An outstanding matter at the start of the period covered in this report was the issue of the force majeure claims by Congo, Kenya, Suriname and Uganda concerning their deliveries in respect of the period 1977/78. The Commission had reduced the agreed quantities of these four States by a total of 15,073 tonnes, maintaining that the shortfalls did not arise through reasons of force majeure, but this decision was disputed by the supplying countries and the ACP States had requested that the original quantities should be restored in all the cases. At the meeting of the joint Council of Ministers in July 1980 it was decided that, before having recourse to the arbitration procedure provided for in the Convention, the matter should be considered under the good offices procedure and conciliators were accordingly appointed. The conciliators reported in September 1980. The main thrust of their recommendations were :

- that the circumstances which led to shortfalls by Congo, Suriname and Uganda were attributable to force majeure
- that the quantities which these three States were unable to supply in respect of 1977/78, 1978/79, and 1979/80 should be reallocated with priority to Kenya
- that, as from 1980/81, the agreed quantity of Kenya should be fixed at 5,000 tonnes (its original figure) and that consideration should be given to the adjustment of the agreed quantities of Congo, Suriname and Uganda to their realistic delivery possibilities.

70. In March 1981 the Community informed the ACP that they were unable to accept the report of the conciliators and that in their view there were no grounds for putting in question the Commission's original decisions in respect of the four cases. The ACP, for their part, whilst they did not uphold the conciliators report in total, considered that it contained very positive elements and they proposed that the matter should be considered at the highest political level with a view to reaching a mutually satisfactory solution. However notwithstanding the ACP's view the Community declined to revise the Commission's decision in any of the four cases. At the joint Council meeting in April 1981 the Community, whilst adhering to this position, confirmed that the four countries concerned retained their position in the Protocol and the right to claim reallocations, under its terms, once they had established the export capability.

71. In keeping with this outcome the ACP requested immediately after the April meeting that 4,907 tonnes out of the undelivered quantity of 15,073 tonnes should be reallocated forthwith on a permanent basis to Kenya which had demonstrated the necessary export capability. The ACP also requested that the remaining 10,166 tonnes should be reallocated on a priority basis to Congo, Suriname, and Uganda as and when they were in a position to effect deliveries; or in the event that these countries were unable to take advantage of such priority, reallocations should be subject to normal reallocation in consultation with the other ACP States signatories to the Protocol. The Commission has acknowledged this request but has not, at the time of preparation of this report, effected any reallocations in response to it.

72. Thus at the present time the quotas of the four countries concerned have been reduced and no corresponding reallocations have been made. Your rapporteur maintains that ACP countries such as Congo, Suriname and Uganda should not be penalised for not supplying sugar which they were not able to produce. It is evident that an excessively rigorous legalistic approach to the interpretation of the agreements between the ACP and the Community is eroding the spirit behind such agreements. When the sugar protocol was drawn up Community sugar production fell far short of Community consumption. At that time, 1974/75, Europe needed ACP sugar. ACP States agreed to the sugar Protocol, which in 1975 provided a much lower price per tonne than did sales on the world market, in return for secure outlets. Meanwhile, as a result of internal Community agricultural mechanisms, Community sugar production has increased to over 12 million tonnes - or indeed an estimate of over 13 million tonnes for the forthcoming season. So ACP sugar is no longer required in the quantities provided for under the Sugar Protocol. It is up to the Joint Committee and the Consultative Assembly to ensure that Europe maintains its commitment under the Protocol in the spirit as well as the letter. One way that this can be done is by ensuring that countries should not be deprived of their quotas under the Protocol except for the most extreme reasons.

73. It is of interest to note that in May 1981 temporary reallocations for one year only were effected under the provisions of paragraph 2 of Article 7 of the Protocol. Three countries - Suriname, Tanzania and Trinidad and Tobago - reported that they would be unable to supply their full agreed quantity during 1980/81 and that they did not seek any additional period for delivery. The amounts concerned were reallocated (in respect of 1980/81 only) to four other countries which were in a position to supply the sugar before the end of June 1981, namely Barbados, Fiji, Malawi and Swaziland.

74. The Sugar Protocol provides for guaranteed access for sugar to the EEC at guaranteed prices. It was, therefore, a serious matter that, although the theoretical cif price for ACP sugar expressed in ECU increased by 5.2% in 1980/81 as compared with 1979/80, the effective price actually received fell substantially. This was due to the combined effects of the agromonetary system and of increases in the ocean freight costs which have to be met by ACP suppliers. The memorandum submitted by the ACP in November 1980 in preparation for the current year's price negotiations noted that, expressed in the currency in which most ACP sugar is in practice traded (that is sterling), the guaranteed price had fallen by 13% since 1979; whilst over the same period and in the same currency the average cost of ACP ocean freight had increased by 43%, and the intervention price for domestically produced sugar in the United Kingdom had increased by 26%. It also pointed out that the increase in prices entering into ACP sugar production costs over the previous twelve months had been 14.9%. A further paper was also submitted in November drawing special attention to the cost to ACP sugar suppliers of ocean freight (which EEC sugar producers do not have to bear); it noted that the Community had already formally recognised the concern of the ACP at this burden; and stressed that this had now become an immediate and pressing problem.

75. At the joint Council meeting in April the ACP spokesman referred in particular to the great importance of the price paid for sugar to the supplying countries and to the burden of freight. He noted that in previous years there had been no proper negotiation on price and said that the ACP would wish to keep to the spirit of negotiation so that all aspects of the matter could be fully examined in order to arrive at a price which would permit the economic survival of the supplying States. The Community spokesman then confirmed that negotiations as provided for in the Protocol would take place.

76. However when the price negotiations opened the guaranteed price offered for ACP raw sugar for 1980/81 represented an increase of only 7½% on the previous year's price, that is 1% less than the price increase applicable to EEC produced white sugar. As more than 90% of ACP sugar exports to the Community take the form of unrefined sugar, the Community's proposal constituted a clear discrimination against ACP producers and thus could not be considered a reasonable interpretation of the Sugar Protocol. The ACP view was that an increase of 13.5% would be justified taking into account, in particular, the following:

- the increase in prices entering into production costs over the previous 12 months,
- the dependence on sugar exports of the ACP sugar supplying countries,
- the need to restore the ACP price to its original relationship with the EEC white sugar intervention price.

77. Following the adjournment of the price negotiations at the end of May, the ACP submitted an aide-memoire to the Community on the price issue. This noted that the raw intervention price had been increased by less than the white intervention price not so much for reasons concerned with the structure of prices for EEC producers as in order to improve the margin of the British cane refiners. It pointed out that such discrimination would be manifestly unfair having regard to the effect on the refiners profitability of the rationalisation of their capacity; the relative increase of the margin of the refiners as against the ACP suppliers over the life of the Protocol; and the fact that with only a 7.5% increase in the ACP price, the take-home price for ACP sugar net of Monetary Compensatory Amount (MCA) would actually be less in July 1981 than it was on 1st July 1980.

78. At the end of July 1981, the EEC stated that it were unable to increase the guaranteed price offered for ACP raw sugar - so that the discrimination of 1% would be retained - although it would be prepared to make a formal declaration concerning the way in which the Community's internal prices for white and raw sugar would be derived in future. Proposals were also made for a study of ACP transport costs. The ACP responded by reaffirming their view that the price offer did not take account of all the relevant economic factors and left no room for the negotiations provided for in the Protocol. The ACP also explained that a study of freight costs could not meet the need for compensation for these costs.

79. In July 1981 Mr Shearer, President of ACP Council of Ministers and deputy Prime Minister of Jamaica, proposed that an extraordinary meeting of the ACP/EEC Council be held to deal with the two burning issues of (1) Sugar prices and (2) STABEX. Your rapporteur considers that this constitutes the only way out of the deadlock and believes it to be the duty of the Joint Committee and of the Consultative Assembly to support every effort which can lead to the settlement of the serious disagreements dividing the ACP group from the Community so that, as in the past, the difficulties can be resolved in a spirit of cooperation. The issue at stake is more than a mere discussion of whether the price should increase by 7.5% or 8.5%: it is one of principle, the principle of a fair deal for ACP producers.

80. Special consideration must also be given as a matter of urgency to how relief can best be provided for ACP sugar suppliers in respect of the burden of freight costs. As already noted, a memorandum on this subject was submitted to the Community in November last and a supplementary paper was submitted in June 1981. The cost of these charges on ACP sugar suppliers is in no way paralleled in the case of EEC producers. Indeed it is noteworthy that relief from such charges has always been a feature of the pricing arrangements for the sugar supplied by the overseas departments of Member States.

81. All these factors demonstrate that the requirements of any new EEC sugar regime and the ACP/EEC Protocol need to be harmonised. Given the importance of that Protocol to ACP countries, the Joint Committee can make a critical contribution to the well-being of these countries by pressing for internal sugar arrangements in the EEC which will ensure the continuation of an adequate market for ACP sugar in the Community and by urging that early, effective and sympathetic consideration should be given to the views which have already been submitted by the ACP on the fixing of an equitable price for raw sugar for the 1981/82 marketing year as well as on the need for relief from the effects of ocean freight charges.

V. INDUSTRIAL COOPERATION

82. It may be recalled that, on the occasion of the signing in 1979 of the new Convention of Lomé, Mr Bernard St. John, Deputy Prime Minister of Barbados and President, at the time, of the ACP Council of Ministers, had declared that "the greatest fear of the ACP", in the light of the experience of Lomé I, was "the lurking danger of enduring another five years with a chapter on industrial cooperation which could find itself devoid of operational content due to lack of adequate financial resources." Since then the general economic situation has given little cause for optimism about the immediate future as regards any significant quickening of the pace of effective industrial development of the ACP States.

83. As the main instrument of industrial cooperation provided under the current Convention, the Centre for Industrial Development continues to seek every opportunity for the optimum utilisation of the human and financial resources at its disposal for the benefit of the ACP States. Since the presentation of its report for 1980, the Centre was able to announce that, during the first four months of 1981, a further two new enterprises, in Kenya and in Nigeria, had reached production stage, thus bringing to eight the total number of new operational enterprises established so far with CID assistance, and involving a total investment of US\$17.8 million and the creation of 324 new work places. Another five new enterprises were under physical implementation, and a further eight new projects had reached the stage of "commitment to implement by all parties".

84. Several existing industries have also benefited from the Centre's assistance in regard to rehabilitation and expansion. In four of those cases, the Centre was able to help in diagnosing problems and suggesting solutions; in four others, it undertook preliminary investigations regarding rehabilitation; and it assisted in the setting up of an aluminium foundry. It is carrying out applied research projects on behalf of two ACP States and is providing, or considering requests for, in-plant training on behalf of others. Its draft programme for 1982 contains proposals for increased activity in several directions.

85. These are all encouraging signs; and they reflect the Centre's determination "to make the fullest use of what resources it has, while continuing its search for additional means". At present, however, the available means are far from adequate to ensure escape from the lurking danger which was anticipated. For not only are increased financial resources needed for the Centre's operational functioning but also for the actual initiating of at least a limited range of industrial projects in those countries which find great difficulty at present in attracting any kind of industrial investment.

86. Continuing price inflation, and interest rates which show little sign of declining to manageable levels, pose insuperable problems for almost all ACP States which must rely on external sources of finance for their industrialization. Against such externally generated difficulties, the ACP States are powerless to take any effective measures. Even when suitable finance may be available, many ACP States may still be without an adequate basic infrastructure of roads, water supplies, electricity, health services, transport, communication systems, housing, factory sites and buildings and, often, suitably trained personnel. Without most or all of these facilities, effective industrialization is practically impossible.

87. Industrialization is, however, not an end in itself. The products of the industrialization process must find satisfactory outlets at home or abroad. It is understandable that the ACP States should include the EEC markets as among the possible outlets for the products of their new industries. But ACP experience in this regard has not often been encouraging. Madame Focke drew attention to this in her report to the Joint Committee last year when she stated:

"It is not enough to promote industrial development in the ACP States; their needs must also be taken into account when adapting the Community's industrial structures to the changes occurring at world level".

She went on to point out, however, that

"Since the Community has to date never followed a policy of industrial restructuring which took account of the interests of the developing countries, it is difficult to assess what will happen in the future."

88. That difficulty is still with us. But this meeting provides an opportunity for the Community to remove it by formally adopting the view, expressed by Mr Cheysson in his speech to the Joint Committee on February 26, 1980 in Arusha, that all genuine Community aid to industrialization in the Third World is directly linked with the industrial restructuring of the Community's markets.

89. While rationalising and rectifying industry in Europe itself, there is the concomitant need for a division of labour that would also allow the ACP States to be properly launched in the industrialisation process. During the negotiations of the Second Convention, the ACP had earnestly sought to have a special fund for industrial financing. Although they were not successful in this endeavour, both sides recognised the urgency of a complementary financing strategy that would tap additional resources for the industrial development of the ACP States, and so expressed themselves in a Common Declaration.

90. The search for a new and supporting mechanism in this area must be viewed in the light of the disappointing results that have so far been achieved in ACP-EEC industrial cooperation. This unsatisfactory performance has been clearly underscored in the report of the ACP-EEC Council of Ministers as well as in the fora of the Consultative Assembly and its Joint Committee. Subsequent evaluation has determined the sine qua non nature of complementary financing largely out of the following considerations:

- many ACP States do not have the level of international economic standing to gain access to the established sources of international private funding;
- the mobilisation of private capital for bankable projects is not effectively provided for by the existing Lomé arrangements. There is, at present, no real shortage of resources in the international banking system, but access to such resources, through the Lomé arrangements, is restrained, inter alia, by the fact that the Lomé institutions have not been sufficiently involved in the generation and preparation of viable and bankable projects for this lending sector. For while ACP States generally have difficulty in accommodating this type of borrowing, there are, nonetheless, many projects which can support commercial bank lending or a combination of bank and concessionary lending. It is, however, generally felt that such projects are not now receiving this desired promotion.

- furthermore, concerns for social and rural development have led to the channelling of a greater share of the EDF resources into the area of 'basic needs'. Consequently, there has been a decline both in the quality and quantity of concessional resources available for industrialisation in the ACP States. The majority of ACP States are in the low-income category and their industrial development requires more, not less, concessional resources. In view of budgetary limitations surrounding the expansion of Community ODA, it is imperative that ACP States seek additional concessional resources from other sources. In this search for other sources of soft or concessional funds, the Community could play a very helpful role.

91. In an effort to fill this obvious gap in the existing arrangements for meeting the peculiar needs of the ACP States, the ACP proposed the creation of an industrial fund which would function as a Development Finance Institution in mobilising concessional and non-concessional resources for on-lending to ACP States. The Community, on the other hand, indicated support for expanded co-financing operations coupled with increased project identification and preparation activity.

92. Consequently, the Joint Declaration on complementary financing of industrial cooperation, Annex X to Lomé II, laid down that the Community and the ACP States should carry out a joint analysis of the problem to be completed within nine months of the signing of the Convention. The completed study was forwarded to the ACP-EEC Council of Ministers on 1 March 1981. It included an analysis of the general situation, economic trends and outlooks, results of the first Convention and outlook for industrial financing under Lomé II. It examined the gaps in the existing agreement, including difficulties encountered by the ACP States with regard to needs, trends and absorption capacity. Finally, it submitted conclusions and recommendations concerning institutions, additional resources and a range of other measures.

93. A satisfactory settlement of this issue is critical for any future programme of industrial cooperation and for the development of ACP States. It is vital that every effort be made for the early establishment of an adequate and practical facility that would generate the additional capital and other resources required for ACP industrialisation and development. The Joint Committee and Consultative Assembly should exert every possible pressure for the achievement of this essential aim.

94. In concluding this section on industrial cooperation your rapporteur wishes to draw the attention of the Joint Committee and Consultative Assembly to a fundamental aspect of ACP-EEC cooperation, namely the need for industrial restructuring within the European Community that would take account of the potential of the ACP. This matter is difficult and contentious, and would require long-term planning and the agreement of economic and social partners, both management and trade unions. Nevertheless this will be necessary if the current world economic structures are to be altered. Such a change will involve difficult decisions and concomitant hardship, but is necessary for harmonious economic development in the years ahead.

VI. ENERGY COOPERATION

95. Your rapporteur noted with pleasure the special section of Lomé II devoted to energy cooperation, and hopes that full use will be made by the ACP of the facilities available under Articles 57, 58, 59 and 76 of the Convention. This depends both on the ACP and the EEC.

96. Your rapporteur does not intend to give further consideration to this topic, which is the subject of an ad hoc working group on behalf of which my colleague, Ambassador SIDDIG of the Sudan, is drawing up a report. The latter will undoubtedly take account of the results of the Nairobi conference on energy at which the problems of the non-oil-producing developing countries were considered with a view to developing other forms of energy which may be available to them. In this connection, it should be pointed out that these countries currently suffer a great drain in their already limited financial resources by having to invest in alternatives. The Community must now be made conscious of the principle of additionality of funds to enable the energy problem to be adequately tackled, and should seek to provide the maximum assistance possible.

VII. AGRICULTURAL COOPERATION

97. An entirely new title, title VI, was devoted to Agricultural Cooperation in the Convention of Lomé II. The basic aim was to help ACP States in the area of rural development and the improvement and expansion of agricultural production for domestic consumption and export. This innovation was indeed timely, as developing countries in general and those of the ACP in particular, faced with declining prices of traditional exports, growing protectionism and increasing populations, struggle to strike the delicate balance between production for export and domestic consumption.

98. Since this is a relatively new area of cooperation, your rapporteur does not intend to dwell on this aspect of the operation of the Convention, but would like to refer to one issue of relevance. The ACP-EEC Council of Ministers, meeting in Nairobi in May 1980, instructed the Joint Committee of Ambassadors to establish forthwith the ACP-EEC Sub-Committee for Cooperation in Agricultural and Rural Development and to draw up the administrative and legal texts necessary to enable the Joint Technical Centre to be set up without delay. The Committee of Ambassadors in March 1981 reached agreement by means of the written procedure for the Joint Sub-Committee. However, this body has not yet commenced work, and the Community has still to reply to ACP proposals on the organigramme of the Centre and the selection of the Director (Doc. ACP-EEC 2184/81 of 8 May 1980).

99. Agricultural development being such a pressing preoccupation for almost all ACP States, the Joint Committee and Consultative Assembly will recognise the need for the Joint Sub-Committee to begin its work in order that the Centre may become operational with the least possible delay and the initial enthusiasm generated by the ACP countries maintained.

100. The second Lomé Convention has opened a much wider door to agricultural development, and rightly so since this will be the backbone of all ACP efforts to harness their potential and satisfy their own needs. As the law of the sea is about to take a hopefully final shape, a new vista of cooperation has opened up in the field of fisheries. The partners could do well to maximise the opportunities offered by this, so that this chapter might be given its full scope. It is, after all, only by the exploitation of total resources that the developing countries can hope to cope eventually with the scourge of famine which so often afflicts their population, and seek to increase their earnings from agricultural exports.

VIII. FINANCIAL AND TECHNICAL COOPERATION

101. Article 95 of the Convention of Lomé II set the overall amount of financial assistance under the Convention at 5,227mEcu. This sum was increased to 5,312mEcu following the decision that Zimbabwe should accede to the Convention (in all, 3,464mEua was available under Lomé I). (For details see AnnexIII). As the appropriations for the fifth EDF have been agreed, it would be difficult to modify them at this stage. Attention has already been drawn to the very serious situation with regard to STABEX (see section IV supra), for which additional funding is, however, urgently required.

102. It remains to be seen whether funds under the fifth EDF will be more quickly committed than has been the case under its predecessor. In the past, cumbersome administrative mechanisms were frequently responsible for delays before projects could be approved. The coming year will be critical in this respect and every effort should be made by the Commission to ensure that project proposals can be handled expeditiously.

103. In this regard the ACP-EEC Committee set up in accordance with Article 108 of the Second Lomé Convention, within the Joint Council of Ministers, is expected not merely to create another level of bureaucratic procedure, but to play a key role, through political decision-making where necessary, in the removal of difficulties and bottlenecks in the implementation of this co-operation. Your rapporteur is strongly of the view that the need for active participation through appropriate representation must be emphasised to each member of this high level policy committee, if the very precise objectives of the authors of the new Convention are to be concretised.

104. Following a decision of the ACP-EEC Council of Ministers of 18 January 1980, financial and technical cooperation under the first Convention continued to be implemented under the same conditions as those laid down in that Convention. Annex IV gives a breakdown of the fourth EDF's commitments and payments at 31 December 1980. It should be noted that total payment at that date amounted to 41.19% of the total of 3,464m EUA provided for under that fund. It should furthermore be noted that the sum of 2,675m EUA has been committed out of that 3,464m EUA total.

105. Full implementation of the Convention requires all the funds available to be utilised. It is still too early to analyse a pattern of utilisation for the fifth EDF. All indicative programmes have now been completed and projects are at present being assessed. The coming year will show to what extent the possibilities available are being utilised.

106. It should be appropriate here, with reference to the possibilities available, to highlight the improved provisions of the new Convention with respect to the very important area of co-financing. The utilisation of this modality for increasing financial flows to ACP States will make possible the implementation of larger projects of a national, regional, or inter-regional nature. The Community has a crucial role to play, since its participation and input of expertise will facilitate the participation of other financial institutions. However, your rapporteur would urge that care be taken to ensure that at every stage in the co-financing exercise procedures should be lightened and harmonised to eliminate delays.

107. A note of warning may also be appropriately sounded against the potentially dangerous concept of conditionality attached to aid provided through co-financing. Advanced under the argument that it could prevent wastage, it is nevertheless an instrument that can be subject to great abuse and eventually be to the detriment of the interests of the ACP. Above all, however, the ACP-EEC partners should ensure that no extraneous political considerations are allowed to hold sway in any decision to make financial assistance available under the Lomé Convention. Recent cases of such intervention in the economic business of the parties have been a source of alarm and it is therefore timely that this body should register its concern with these worrying developments.

IX. LEAST DEVELOPED, LANDLOCKED AND ISLAND STATES

108. Another entirely new title, title VIII, has been assigned to the least developed, landlocked and island ACP States. The new title explains the aims of the special provisions of the Convention which favour these States, and lists the States concerned as well as the articles which contain the special provisions.

109. Your rapporteur, in giving full support to the concerns expressed in the Focke Report with regard to this disadvantaged Group, feels that attention needs to be drawn to the following points. Firstly, that there is a need for the Commission to select a basis other than population for its assessment of the position of ACP LDCs in terms of Community aid. Most LDCs have very small populations, perhaps because of their geographical handicaps - in particular the high percentage of territory which is either desert or mountain. In this regard it may be useful to recall that over 60% of the membership of the ACP Group is now composed of least developed states.

110. Secondly, in line with the dual aim of transforming ACP States into something other than mere suppliers of raw materials, and of breathing life into every last one of the new Convention's innovative provisions, the Community should be urged to respond to the ACP proposals on special complementary measures for attracting increased investment to least developed, landlocked and island states, so that the joint study provided for in Annex XI to the Convention may be completed without delay.

111. Finally, one is left to wonder, whether an opportunity had not been lost for the Community on the one hand, and those ACP States concerned on other, to narrow the gap between their positions before the recently concluded U.N. Conference on Least Developed Countries, by the failure of the ACP-EEC Sub-Committee on Least Developed, Landlocked and Island States to meet. However, all will not be lost if the Lomé partners can, by setting to work immediately, capitalize on the momentum generated by this international expression of political will.

X. MAIN FEATURES AND PROMISES OF THE NEW CONVENTION

112. Having pinpointed and dwelt upon some of the more problematic issues arising from the several chapters of the Convention, the rapporteur wishes here to echo the note of optimism which the report of the Council of Ministers has sounded in adverting to the new and improved provisions of the Second Lomé Convention. Most of the latter have already been treated under the subject headings examined above but there are others which avoid rigid compartmentalisation and are of sufficient general interest to merit some particular mention.

A. Information and consultation procedures

113. One such provision is that relating to consultation and information procedures which have been specially designed to remove possible sources of friction between the partners in cooperation and to smooth their path to understanding in all areas. Already, however, there are indications from cases such as the accession of Greece, that both sides are not ad idem on the joint utilisation of these mechanisms. For its part, the Community is anxious that any obligation to inform and consult does not encroach on its sovereign right to its own decision-making and it is consequently skeptical of the ACP's insistence on the need for consultation. The ACP made it clear, however, that they are not seeking involvement in the EEC's internal affairs but rather the opportunity to make known and discuss their positions before the Community takes any decision that may be injurious to their welfare. In brief, they are not content with perfunctory consultation *ex post facto* and wish to have meaningful dialogue and negotiation in advance of any agreement with other parties. The clouded atmosphere of distrust which prevails on this issue at the moment points to the urgent need for working out a common set of guidelines for the overall operation of this most useful device for improving the ACP-EEC relationship.

B. Investments

114. Allusion is made in this section of the report of the Council of Ministers to the new title IV of the successor arrangement dealing with the question of investment. Articles 60-64 of the Convention, which were hammered out only after prolonged discussion by the partners, attempt to delineate the framework of understanding in which the sorely needed investments may be attracted into such priority areas as industrial cooperation. A joint declaration, contained in Annex IX of the Final Act, governs the treatment of investment coming from Member States to the ACP countries. At the signing of the Convention in Lomé, there was also a further exchange of letters which sought to clarify the agreement reached. Until recently, there was considerable dispute among the parties as to what importance should

be given to the latter text but, at the Council Meeting in Luxembourg, a solution has been reached allowing for its incorporation in the final document. The road should now be clear for an inflow of funds into the ACP countries under conditions that satisfy the interests of both the host countries and the prospective investors. Increasing involvement of the economic and social sectors in the implementation of the Convention should be an added stimulus to this flow.

C. Regional cooperation

115. The Council's Report also highlights the further impetus which has been given to this most promising area of cooperation by pointing to the fact that the amount now available under the New Convention for regional and inter-regional projects is double that provided for under the old i.e. 600 million EUA as against 300 million EUA. While this may be considered a heartening improvement, the rapporteur's own familiarity with the needs of the Caribbean region leads him to suspect that there may be many more ripe projects crying for finance than there are funds available. In this situation, it is undoubtedly important to remember the observation in Article 133 of the Convention that regional projects lend themselves extremely well to co-financing operations and that perhaps there is a further role to be played by the Community in serving as a catalyst for assembling the capital needed to launch the more deserving enterprises of the ACP States.

116. Ultimately, it is this area and the larger field of intra-ACP co-operation which hold the key to release these developing countries from their gloomy prison of poverty and dependence and to a fair prospect for their own self-reliance. The ACP countries must of necessity be conscious of this paramount goal and of their obligation under the Georgetown Agreement to work toward their common economic salvation with joint effort and constant unity of purpose. On this subject, the rapporteur is forcibly reminded of the remark made by President Burnham of Guyana on the occasion of the meeting of the Council of Ministers in Georgetown in June 1975 viz that "though the tactics and the programs of the group would have to be planned in terms of the joint relationship with the European Community, the ACP would have to give absolute priority to maintaining cohesion between the members of the group and developing their relationships with one another and with developing countries in particular."

117. In this latter regard, the intra-ACP meeting on trade which took place in Nairobi on 6th to 9th May 1980, and the meeting of ACP Ministers in Montego Bay, Jamaica on 7th to 10th July 1980 have assumed the utmost significance. The action plans which have been drawn up by these assemblies in amplification of the Suva Charter contain the guidelines of the course to be followed at this stage. It is to be hoped that ACP governments will all give their full blessing and active support so that those preliminary undertakings which have been proposed might be initiated without any delay.

The Community's benevolence toward all such efforts, coupled with a willingness to invest in this worthwhile aim of remedying the infrastructural weakness in the ACP States, can go a long way toward producing early results. It should therefore be urged once more to give full scope to the possibilities of Articles 133 to 136 and to aid the ACP in their search for additional resources.

D. Shipping

118. The rapporteur calls the attention of this Joint Committee and Consultative Assembly to the prospects offered by the joint declaration on shipping which is now annexed to the Second Convention. There has been long-standing recognition of the fact that developing countries cannot fully avail themselves of the maximum benefits of trade since they do not possess all the infrastructure - such as in the area of shipping - to provide for reasonable control and diversification of their trading patterns. Through this joint declaration, the Community has expressed its willingness to contribute to the expansion of this sector in the ACP States in a variety of ways. Accordingly, the EEC should make every effort to assist its developing partners in securing a fair chance to develop a shipping capacity which would fulfill their requirements. The ACP in turn should examine the advantages of intra-ACP endeavour that would allow them to enter into this area of activity which, for too long, has been the traditionally exclusive domain of the industrialised countries.

E. Institutional arrangements:

119. In passing, the report of the Council of Ministers makes brief reference to two additional functions which have been given to the existing machinery and which, it is hoped, will serve to improve the efficiency of its operation. The system now permits the Co-Presidents of the Council of Ministers, assisted by advisers, to hold consultations and regular exchanges of view in between the Council's annual sessions. It further allows the Consultative Assembly to 'establish on an ad hoc basis any contacts which it might deem necessary in order to gather the economic and social circles' views on the cooperation policy laid down in the Convention'.

120. The first change presumably results from the recognition that the meetings of the ACP/EEC Council of Ministers are too infrequent to adequately deal with the many issues that demand attention and action at the highest political level. It is perhaps justly felt that the Presidents-in-office could be given a more active role that contemplates ample opportunity for consultation and the prompt resolution of problematic matters. The intention in this respect is commendable. Equally dynamic is the discretion bestowed on the Consultative Assembly to take account of the

opinions of the economic and social sectors since the latter are essential to the practical implementation of the Lomé agreement. However, while the two proposals may be considered as progressive, it is the firm belief of the rapporteur that the parties to the Convention owe it to themselves to ensure that the institutional machinery, which is so vital to the fulfilment of their established purposes, is not left to random tinkering when, in reality, it may require a complete tune-up - if not a thorough overhaul.

XI. TENTATIVE DIAGNOSIS OF THE FUNCTIONING OF THE LOME SYSTEM:

121. The component parts of the operational structure of the Convention are listed in the body of its text and there is therefore no necessity to detail their attributes in this report. They may be, on the other hand, of great value in analysing their recent performance - especially during the period under examination - so as to determine their present state of utility. Needless to say, the check which is here proposed can hardly be exhaustive or conclusive but it is the rapporteur's hope that his own preliminary and personal findings will lead to a more expert and minute analysis with positive recommendations for better service.

122. A look has already been taken at the principal motor of the Convention viz. the Council of Ministers but, in the light of its supreme importance, further observation would be well advised. The decision to utilise the Presidency to the maximum is, as has been stated, a wise one. However, great care must be taken to avoid this basically supplementary mechanism being used as a substitute for the main instrument. The full ACP-EEC Council of Ministers is and ought to be the most representative organ in the joint relationship and, as such, cannot easily shunt off any of its functions. Admittedly, such expansion of numbers has taken place as to justify a search for flexibility and already one positive measure has suggested itself. At the same time, however, the Joint Council cannot escape the responsibility of investigating other ways and means of providing more agility to the body as a whole. This consideration could explore, for example, the possibilities of special sessions and of better planning for its regular meetings in order to do full justice to their urgent agendas. At the last Council meeting, for example, there was no time provided for proper discussion of the very pressing topic of hunger in the world. More importantly, perhaps, Member States need to guarantee that attendance is at the level dictated and not arbitrarily diminished to frustrate the decision-making role of the Council.

123. Similarly, the ACP-EEC Committee of Ambassadors is plagued by the regular absence of the Permanent Representatives of the European Member States from the joint meetings that are held. The ACP Ambassadors appreciate the excuse that the COREPER's responsibilities are not limited to the implementation of the Lomé Convention, but when it is realised that this small duty only calls twice a year, it is difficult to understand why some

effort is not made to ensure true parity. As a consequence, the ACP countries suspect that there is an unwillingness on the Community's side to meet with them on equal terms and to give the amount of political weight that is necessary for movement on most questions. It is not that the ACP wish to belittle the competence of those who attend, but the latter's essentially listening role reduces these rare opportunities for dialogue to a formal and almost ritualistic confrontation with the Commission. Like the Council of Ministers, the joint Committee of Ambassadors must also come to the table with mandates that have been seriously worked out and allow for genuine negotiation. Otherwise, given the limited time available for consideration of the entire gamut of agenda items, final agreement will always be fugitive and discussion will lead only to frustration.

124. It may also be fairly said that on the ACP side the Committee of Ambassadors runs the risk of being reduced to a technical body since it is the Ambassadors who constantly grapple with the Commission on the details of every issue. The rapporteur is of the strong view that the ACP Secretariat should be fortified in such a way as to be able to thrash out routine problems and to leave more time to the Ambassadors for their major task of political direction. At the moment, the Committee of Ambassadors is too often ensnared in a technocratic bind and prevented from dealing with the fundamentally political difficulties.

125. The individual Committees and Sub-Committees, which have been set up to handle each area of cooperation, are of course expected to do the basic work that would lead to decisions on both sides. Unfortunately, however, there seems to be a growing tendency to neglect the preparatory efforts of these bodies and to leave everything to the full Committee of Ambassadors. In the end, much precious time is lost and the chances of agreement become even more distant. It is thus no wonder that many Sub-Committees have lost their dynamism and fail to meet with regularity. There is obviously an urgent need to restore the vitality of some of these functional organs and to permit them to carry out the specific tasks which the system has allocated to them.

126. In the network of institutions which the Convention has designed, the Consultative Assembly and the Joint Committee have their special place and they also must be examined to see whether they have satisfied the expectations which attended their birth. As parliamentary representatives, these bodies have a substantial contribution to make in terms of sustaining the spirit of the Convention and of infusing vigorous life to its provisions. They therefore cannot be considered to be on the remote periphery of ACP-EEC relations and, within their respective spheres, must be encouraged to influence the desired destiny of the partnership. Thus far, the Joint Committee has proved itself to be a most useful source of innovative ideas which could well be taken account of in the continuing quest for a more enlightened and progressive contract between the parties. The Consultative Assembly has also given positive moral support to the cause of development.

127. There are, however, times when such commitment is not translated to the European Parliament and the latter then speaks with a different voice. Sovereignty, of course, permits such variation but it would be a great pity - and indeed a threat to the credibility of the Joint Committee and the Consultative Assembly - if their labour was thought to be of no import. The position of the Parliament - which is considered to be the political conscience of the Community, would then be in serious doubt and the faith which the ACP have come to place in it would be disastrously undermined. Needless to say, the ACP representatives have a parallel responsibility to ensure that these meetings are not mere annual excursions but serve in fact to push ACP-EEC cooperation along the correct road.

128. To revert finally to the overture which has been made to the economic and social sectors, let it be said that, if properly channelled, this might lead to a healthy pragmatism that could really come to grips with some of the problems faced. Since the Convention is intended to be more than a vehicle for outright aid and is rather an incentive to a new international economic order, it is fitting that its implementation should be assisted by those elements which are an integral part of the operational structure. Assuming that these sectors are favourably disposed to changes that could better the lot of the ACP countries, the rapporteur believes that the contact which has now been established with such groups should be increased and intensified. Certainly one annual meeting in Geneva, which is held to coincide with that of the I.L.O., cannot be deemed to be sufficient because of the obvious constraints of time. Goodwill and understanding can only be developed by regular cultivation so that if the experience has been found to be helpful by the parties concerned, then it should be allowed to flourish and grow.

129. This cursory inspection of the Convention's institutional machinery does not reveal anything that is radically wrong with the several organs. Whatever malfunctioning occurs may therefore not be the fault of the equipment itself but rather of those whose responsibility it is to operate it. In this sense, the problems are not so much mechanical as they are attitudinal, resulting from a basically incorrect approach. It may thus be appropriate for the contracting parties to ascertain whether the political driving will exists at the right level and whether the orientation now being given to the Convention is the desired one. It must not be forgotten that Lomé itself was conceived in the colonial past and that since old habits die hard, one cannot rule out the possibility that there are disagreeable vestiges which persist to this day. If this is indeed the case, then the partners must proceed forthwith to eradicate any creeping anachronism of outlook. To this end, it might be suggested that perhaps the time has come for both the ACP and the EEC to sit down and frankly analyse in a special forum any lurking danger to the future of their relationship.

130. In present circumstances of economic difficulty the temptation of isolationism and protectionism may easily breed, and unless countered by firm resolution of purpose and concrete remedial action, it is likely to stifle the potential of the Convention. Brutal self-interest is ready to administer the agreement in the most niggardly fashion and to give no more than the bare minimum as a sop to the requirements of the developing countries. At best, there is only half-hearted acceptance of the current provisions since even this is hard to come by among those who seriously begrudge any form of economic assistance to the ACP. This mood of reluctance not only limits the gains of Lomé II, but bodes ill for the negotiation of any successor arrangement, for in a situation where sectors in the Community feel that the ACP have never had it so good and should therefore be content with the mercies of the arrangement, there can hardly be hope for building on the accomplishments of the past. There is obviously, therefore, much to be done by the Community's institutions to make it known that such static positions will eventually harm the interests of all parties and that, far from being altruistic, Lomé is a calculated effort to create a mutually beneficial interdependence.

131. To some extent, this mounting refusal to contemplate any substantial improvement in the terms of the Convention stems from the fact that the arrangement is being constantly advertised as a model. The provisions are undoubtedly among the most advanced that a group of developed and developing countries have been able to devise, but to describe them as model could certainly inhibit the will to foster any improvement. As the Report of the Council of Ministers so rightly observes: "The advances so far achieved should not serve to create the illusion that sufficient progress has been realised or that success in the future will follow automatically or easily. Such success will depend entirely on the active, open and constructive participation of all interested parties. This, without doubt, is what is referred to as the Lomé spirit". It is this spirit, therefore, which the Joint Committee and the Consultative Assembly must help to keep alive so that the Convention, instead of being reduced to stagnation, might be allowed to follow the highest aspirations of its signatories. Legal certainty is, of course, a praiseworthy achievement but unless it is infused by a spirit of genuine cooperation, there is the real danger that the law may be no more than a dead letter. For this reason, therefore, it is all important that the Convention be seen at all times in proper perspective.

XII. THE LOMÉ CONVENTION IN THE CONTEXT OF THE NEW INTERNATIONAL ECONOMIC ORDER

132. It must finally be realised that Lomé II cannot fully succeed unless it is placed in the wider context of economic relations between North and South, and the problems of underdevelopment globally faced. Thus far, the global negotiations have produced little that is significant but it is to be hoped that this year's General Assembly of the United Nations would secure the long-awaited breakthrough. In this regard, the Community, forming as it does a sizeable and powerful part of the industrialised world, has a special role to play in the effective launching of these discussions. The rapporteur is aware of the constructive work done by the Commission in preparing a Community position for the next round of meetings and now urges this Joint Committee and the Consultative Assembly to deepen and sustain this initial thrust.

133. There can be no doubt that only through an enlightened approach to Lomé can aspects of this limited experiment be recommended to the wider international economic community in its current search for a New Order. Small cosmetic measures will not suffice and it is therefore necessary to develop a conceptual framework that will support whatever changes that may be indicated at the world level. The Community, which has long been wary of what it considers now to be an unwelcome move to economic dirigism, appears skeptical of some measures recommending transformation. It must surely see, however, that in as much as the success of its own regional organisation has required some restructuring, so also will the global effort to institute a revised system of interdependence between the North and the South. Should it blind itself to this reality, then its view of Third World issues will perhaps be judged as highly restricted.

134. At this crucial moment in international economic relations, this particular meeting of ACP/EEC parliamentarians and representatives has the responsibility of analysing the Lomé relationship against the background of this larger horizon of global cooperation. It must then draw from the Council's Report on the early implementation of the Second Convention, the lessons which must guide the further efforts of the partners in the immediate future. Admittedly, in the current world environment of economic hardship, these prescriptions will not be easy to follow by either side, but in true commitment to the enterprise of Lomé an earnest endeavour must be made to find imaginative solutions to the problems that present themselves. Encouragement must, however, go beyond the formal adoption of resolutions to strict observation of their intent, and on no account should complacency provide an excuse for inaction. The ACP-EEC relationship must not rest on cooperation. As has been said by one of the founding fathers, Sir Shridath Ramphal, Secretary-General of the Commonwealth: "We are not at history's terminal station but at the transit; not at the end of the journey but at the beginning of a new phase".

Development of ACP/EEC trade 1975-1980

(source: Eurostat and 5th Annual Report ACP/EEC Council)
(in 1 000 mEuA)

	1975	1976	1977	1978	1979	1980 ⁽¹⁾
Imports into EEC	125.5	159.4	171.4	178.3	218.2	271.4
- from developing countries	55.0	70.0	75.2	71.2	88.2	114.5
- from ACP	8.7	10.5	12.5	11.9	14.8	18.9
Annual growth of imports from ACP (%)	- 17%	+ 20%	+ 19%	- 5%	+ 24.4%	+ 27.7%
ACP share in extra-EEC imports (%)	6.7%	6.6%	7.3%	6.7%	6.8%	7.0%
Exports from EEC	121.2	141.3	164.1	173.8	194.2	224.5
- to developing countries	44.1	50.9	61.8	66.5	69.7	83.4
- to ACP	8.1	9.8	12.5	12.7	11.8	15.7
Annual growth of exports to ACP (%)	+ 33%	+ 22%	+ 27%	+ 2%	- 7.1%	+ 33%
ACP share in extra-EEC exports	6.7%	7%	7.8%	7.3%	6.1%	7%
EEC trade balance (ACP-EEC trade) (2)	+ 0.6	- 0.6	0.0	+ 0.8	- 3.0	- 3.2

1) The data relating to the ACP before 1980 do not include those of Dominica, Saint Lucia, St. Vincent and Kiribati. In 1980 the amount of imports and exports for these countries was 0.04 thousand m. EuA. Figures on trade with Zimbabwe are not included in the table.

2) - = in the ACP States' favour
+ = in the EEC's favour

ANNEX II

ACP - EEC TRADE IN MILLION EUA

COMMUNITY IMPORTS FROM ACP	1975	1976	1977	1978	1979	1980
TOTAL	8074.4 (100.0)	10471.7 (100.0)	12484.8 (100.0)	11869.7 (100.0)	14756.9 (100.0)	18892.8 (100.0)
I. Petroleum	3265.6 (37.5)	3610.1 (34.5)	3668.6 (29.4)	3678.2 (31.0)	6089.7 (41.3)	9642.1 (51.0)
II. Total Unprocessed (raw) products OF WHICH :	4148.8 (47.7)	5339.8 (51.0)	7137.9 (57.2)	6567.6 (55.3)	6568.3 (44.5)	6446.4 (34.1)
Unprocessed agricultural products	2535.8 (29.1)	3268.6 (31.2)	4927.2 (39.5)	4465.4 (37.6)	4220.6 (28.6)	4068.2 (21.5)
Unprocessed industrial products	1613.0 (18.5)	2071.3 (19.8)	2210.7 (17.7)	2102.2 (17.7)	2347.6 (15.9)	2378.2 (12.6)
III. Manufactured processed products OF WHICH : (1)	1290.0 (14.8)	1519.3 (14.5)	1673.4 (13.4)	1623.9 (13.7)	2098.9 (14.2)	2804.3 (14.8)
Food products	239.9 (2.8)	258.6 (2.5)	301.1 (2.4)	32.0 (2.0)	336.3 (2.3)	606.9 (3.2)
Drinks and Tobacco products	36.4 (0.4)	26.6 (0.3)	30.3 (0.2)	40.1 (0.3)	45.9 (0.3)	63.1 (0.3)
Wood products & furniture	114.9 (1.3)	166.9 (1.6)	163.5 (1.3)	184.1 (1.6)	215.1 (1.5)	238.2 (1.3)
Rubber manufactures	0.3 (0.0)	0.1 (0.0)	0.4 (0.0)	0.6 (0.0)	0.8 (0.0)	0.3 (0.0)
Leather & footwear products	20.7 (0.2)	42.1 (0.4)	33.4 (0.4)	38.6 (0.4)	69.7 (0.4)	48.4 (0.3)
Textiles	18.6 50.2	32.9 (0.3)	47.7 (0.4)	46.8 (0.4)	62.3 (0.4)	58.8 (0.3)
Clothing	20.6 (0.2)	32.4 (0.3)	47.0 (0.4)	53.3 (0.5)	62.1 (0.4)	48.1 (0.3)
Chemicals	67.2 (0.8)	82.4 (0.8)	114.8 (0.9)	130.4 (1.1)	237.9 (1.6)	489.2 (2.6)
Pulp, paper & paper board	1.0 (0.0)	13.7 (0.1)	5.0 (0.0)	4.9 (0.0)	6.2 (0.0)	7.1 (0.0)
Non-metallic mineral products	- (-)	- (-)	0.2 (0.0)	0.4 (0.0)	0.2 (0.0)	0.8 (0.0)
Iron & steel	6.3 (0.1)	3.2 (0.0)	2.4 (0.0)	3.4 (0.0)	5.1 (0.0)	1.9 (0.0)
Worked non-ferous metals	0.5 (0.0)	0.3 (0.0)	1.0 (0.0)	1.6 (0.0)	2.0 (0.0)	1.8 (0.0)
Other engineering & metal products	31.0 (0.4)	44.9 (0.4)	40.9 (0.3)	70.9 (0.6)	62.1 (0.4)	101.6 (0.5)
Miscellaneous light manufactures	5.6 (0.1)	4.6 (0.0)	7.7 (0.1)	11.2 (0.1)	13.4 (0.1)	22.6 (0.1)
Unwrought non-ferous metals	723.2 (8.3)	810.6 (7.7)	878.1 (7.0)	708.8 (6.0)	961.1 (6.5)	1115.6 (5.9)

(1) In section III (manufactured/processed products) figures in brackets indicate percentages related to total imports from ACP.

Note (-) - Share in total ACP exports in percent

Community financial assistance under Lomé I and Lomé II

(in MEUA and MECU respectively)

	<u>Lomé I</u>		<u>Lomé II</u>	
	<u>Initial amounts</u>	<u>Amounts resulting from new accessions</u>	<u>Initial amounts</u>	<u>Amounts following Zimbabwe's accession</u>
<u>European Development Fund</u>	3,000	3,074.4355	4,542	4,627
comprising:				
Subsidies	2,100	2,149.850	2,928	2,986
Special Loans	430	445.585	504	518
Risk Capital	95	99	280	284
Stabex	375	380	550	557
Sysmin	-	-	280	282
European Investment Bank	390	390	685	685
Total	3,390	3,464.4355	5,227	5,312

Commitments and payments as at 31.12.1980 (4th EDF) (in millions of ECU)

COUNTRY	EDF resources administered by the Commissions : Commitments					EDF resources administered by the EIB : Commitments		Total EDF Commitments (8)=(5)+(6)+(7)	EDF payments (9)	Payments as % of Commitments (10)=(9)÷(8)
	Projects and Programmes (special loans and grants) (1)	STABEX (2)	Exceptional Aid (3)	Delegation Expenses (4)	Total (5)=(1)to(4)	Risk Capital (6)	Interest Rate Subsidies (7)			
Bahamas	1.8	-	-	0.04	1.8	-	-	1.8	0.4	22.2
Barbados	2.5	-	0.05	0.8	3.4	-	-	4.7	2.8	59.6
Benin	30.9	20.4	0.02	1.8	53.1	-	-	53.1	36.9	69.5
Botswana	18.5	-	2.7	1.0	22.2	1.7	-	25.2	12.1	48.0
Burundi	48.6	1.5	2.1	1.8	54.0	0.5	-	54.5	25.3	46.4
Cameroon	39.0	3.6	2.3	3.7	48.6	4.6	4.7	57.9	38.9	67.2
Cape Verde	3.5	1.2	1.4	0.03	6.1	3.6	-	9.7	3.8	39.2
Central African Rep.	36.1	7.8	1.1	2.3	47.3	-	-	47.3	21.5	45.4
Comoros	6.3	-	2.9	0.3	9.5	0.02	-	9.5	3.6	37.9
Congo	25.0	7.4	0.2	2.2	34.8	3.1	-	37.9	30.3	80.0
Ivory Coast	35.0	15.0	0.1	3.5	53.6	3.0	7.2	63.8	39.8	62.4
Djibouti	2.0	-	1.3	0.02	3.3	1.0	-	4.3	1.8	41.9
Dominica	0.4	-	3.9	-	4.3	-	-	4.3	4.2	97.7
Ethiopia	85.4	14.4	4.8	1.7	106.3	-	-	106.3	48.0	45.2
Fiji	8.9	0.2	3.5	1.0	13.6	-	4.2	17.8	10.6	59.5
Gabon	11.3	6.7	-	1.6	16.7	-	-	16.7	14.0	83.8
Gambia	8.4	7.5	0.7	0.8	20.3	2.4	-	22.7	11.8	52.0
Ghana	44.7	5.2	2.7	1.9	54.5	2.3	2.4	59.2	21.8	36.8
Guinea	1.9	-	0.5	0.08	2.5	-	-	2.5	0.7	28.0
Guinea Bissau	59.4	-	3.0	1.7	64.1	0.2	0.5	64.8	27.5	42.4
Equatorial Guinea	18.4	11.3	0.5	1.2	31.4	-	-	31.4	24.4	77.7
Guinea	6.7	-	0.3	0.09	7.1	-	-	7.1	0.3	4.2
Guyana	12.3	-	-	1.0	13.3	3.2	-	16.5	4.6	27.9

(in millions of ECU)

Commitments and payments as at 31.12.1980 (4th EDF)

COUNTRY	EDF resources administered by the Commission : Commitments				EDF resources administered by the EIB : Commitments			Total EDF Commitments (8)=(5)+(6)+(7)	EDF Commitments (9)	Payments as % of Commitments (10)=(9)-(8)
	Projects and Programmes (special loans and grants) (1)	STABEX (2)	Exceptional Aid (3)	Delegation Expenses (4)	Total (5)=(1) to (4)	Risk Capital (6)	Interest Rate Subsidies (7)			
Upper Volta	56.3	7.3	-	2.8	66.4	8.0	1.6	76.0	39.8	52.4
Jamaica	17.6	-	1.2	1.7	20.5	0.1	-	20.6	8.2	39.8
Kenya	71.1	-	1.6	2.5	75.2	1.2	9.0	85.4	39.5	46.3
Kiribati	0.5	-	-	-	0.5	-	-	0.5	-	-
Lesotho	17.6	-	1.2	1.0	19.8	0.03	-	19.8	8.3	41.9
Liberia	23.4	7.6	-	1.2	32.2	0.3	1.3	33.8	17.2	50.9
Madagascar	67.1	4.6	1.7	3.1	76.5	2.3	2.4	78.8	27.4	34.8
Malawi	61.6	-	4.0	1.5	67.1	1.2	2.4	70.7	37.5	53.0
Mali	66.3	9.8	1.0	2.9	80.0	6.1	-	86.1	64.4	74.4
Mauritius	10.5	-	4.8	1.2	16.5	0.04	2.6	19.2	7.2	37.5
Mauritania	28.0	37.0	1.7	2.5	69.2	-	3.6	72.8	55.7	76.5
Niger	64.4	22.7	9.6	3.1	99.8	0.9	1.0	101.7	71.7	70.5
Nigeria	7.4	-	-	1.1	8.5	-	9.6	18.1	11.5	63.5
Uganda	30.4	20.6	3.5	1.3	55.8	-	-	55.8	34.6	62.0
Pap. New Guinea	3.9	-	-	0.6	4.5	1.9	1.2	7.6	3.7	48.7
Rwanda	58.7	0.6	6.4	1.8	67.5	3.0	-	70.5	44.4	63.0
Santa Lucia	0.9	-	1.0	-	1.9	-	-	1.9	1.0	52.6
St. Vincent & Gr.	-	-	0.5	-	0.5	-	-	0.5	0.5	100.0
Solomon Is.	6.6	-	-	-	6.6	-	-	6.6	-	-
Western Samoa	4.5	2.8	-	0.3	7.6	-	-	7.6	5.5	72.4
Sao Tome Principe	1.6	-	0.3	0.1	2.0	-	-	2.0	1.2	60.0
Senegal	52.5	65.1	4.6	3.8	126.0	8.1	2.3	136.4	104.6	76.7
Seychelles	2.1	-	-	-	2.1	0.6	-	2.7	1.2	44.4
Sierra Leone	26.4	4.0	-	1.2	31.6	-	-	31.6	13.6	43.0

Commitments and payments as at 31.12.1980 (4th EDF) (in millions of ECU)

COUNTRY	EDF resources administered by the Commission : Commitments					EDF resources administered by the EIB : Commitments			Total EDF Commitments (8)=(5)+(6)+(7)	EDF Commitments (9)	Payments as % of Commitments (10)=(9):(8)
	Projects and Programmes (special loans and grants) (1)	STABEX (2)	Exceptional Aid (3)	Delegation Expenses (4)	Total (5)=(1) to (4)	Risk Capital (6)	Interest Rate Subsidies (7)				
Somalia	41.2	1.9	13.4	2.2	58.7	0.2		58.9	33.1	56.2	
Sudar.	90.0	41.8	4.9	3.0	139.7	6.5		146.2	65.8	45.0	
Suriname	8.2	-	-	1.2	9.4			9.4	3.6	38.3	
Swaziland	11.8	13.2	0.03	0.6	25.6	1.1	1.8	28.5	21.2	74.4	
Tanzania	85.0	20.7	0.4	2.2	108.3	7.8	0.7	116.8	58.8	50.3	
Chad	40.8	7.3	0.3	2.6	51.0	7.5		58.5	33.3	56.9	
Togo	35.1	3.6	-	2.1	40.8	5.2	2.3	48.3	29.1	60.2	
tonga	2.8	1.2	0.2	0.2	4.4	-		4.4	3.5	79.5	
Trinidad & Tobago	5.7	-	-	1.3	7.0	-	1.6	8.6	3.7	43.0	
Tuvalu	0.5	-	-	-	0.5			0.5	-	-	
Zaire	93.4	-	19.3	3.3	116.0	5.2	1.8	121.2	39.2	32.3	
Zambia	43.6	-	17.0	2.0	62.6	3.4	0.6	67.8	34.2	50.4	
Regional Int.	232.3	-	-	-	232.3	0.1	-	233.0	98.1	42.1	
Non-broken dwn.Int	-	-	13.3	20.5	33.8	-	-	33.8	19.8	58.6	
Total	1,876.8	374.0	146.0	103.4	2,500.2	96.4	65.0	2,661.6	1,426.9	53.6	
Risk capital cancellations Blocked appopr.					10.9	- 1.7 4.3		- 1.7 15.2			
GENERAL TOTAL	1,837.7	374.0	146.0	103.4	2,511.1	99.0	65.0	2,675.1	1,426.9	53.6	



