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EUROPEAN COMMUNITY POLICY TOWARDS DEVELOPING COUNTRIES

The Lomé Convention

- The EC has, from the outset, had a deep and special concern for the well-being of developing countries.
- This is not surprising.
- Five of its member states - including four out of the six founder members - are former colonial powers, and felt a particular responsibility towards the many countries and territories all over the world with which they had constitutional or historical connections.
- Almost all of these, nowadays, have become independent.
- A whole chapter of the Treaty establishing the EEC was devoted to the creation of an association between the Community and overseas countries and territories.
- It laid down a number of general principles.
- The Community's member states undertook to apply to trade with their associates the same treatment they accorded to each other.
- Whilst eliminating customs duties on imports from their associates, the Community sought no reciprocity.
- Finally, the Community undertook to contribute substantially to their development.
- In the early stages of the Community's life, these principles were applied by autonomous decision.
- But, as time went by, and as more and more developing countries acquired independence, the idea grew up of establishing a solid, enduring, contractual relationship, between the Community and its member states on the one hand, and the associated countries on the other.
- At a later stage, the associates decided to form a Community of their own, now known as the Group of African, Caribbean and Pacific states (or the ACP for short).
- That group comprises today no less than 59 developing countries, having a combined population of 300 million.
- It is linked to a European Community of some 260 million souls, in a comprehensive relationship clearly defined by treaty.
- I cannot, in the short compass of these remarks, explain every step of the process, from the signing of the Yaoundé Convention in 1963 and the signature of the Lomé Convention in 1975, but I should like to mention some of the milestones along the path, and then describe the main elements of the Lomé Convention relationship.
- In 1963, the first Association Convention was signed at Yaoundé between the EEC and 18 African states who had special connections with the Community's founder members.
- Six years later, it was revised and renewed, again at Yaoundé; and at about the same time, the Community

about the same time, the Community signed a broadly similar Convention at Arusha with Kenya, Uganda and Tanzania, all members of the Commonwealth.

- Then came the enlargement of the EEC to include Britain, Ireland and Denmark.
 - In that context, it was agreed that the Yaoundé Convention should, on its expiry, be replaced by an association which would extend to a large number of other countries, with similar economic and social characteristics to the Yaoundé partners, and having historical connections with the UK.
 - In 1975, this decision was given concrete expression by the signature of the first Lomé Convention, linking together the EEC on the one hand, and no less than 46 ACP countries on the other.
 - Finally, in 1979, a new Lomé Convention was signed - Lomé II for short - which will shortly enter into force, and which will regulate relations between the Community and the ACP for another 5 years.
- What are the main elements of Lomé II?
- Firstly, 99.5% of all exports to the Community from ACP countries enjoy duty-free treatment, without the ACP having to assume reciprocal obligations.
 - Secondly, there is a system, known as Stabex, which guarantees the ACP's earnings from exports to the Community of certain agricultural products on which their economies are specially dependent.
 - There are 44 of these, many of them of great economic importance, for example, ground-nuts, cocoa and coffee.
 - \$ 775 million (550 MEUA) have been made available by the Community to finance Stabex over the life time of the Convention.
 - Thirdly, the Community has undertaken to buy, at guaranteed prices, specific quantities of sugar, from 13 ACP countries.
 - The current amounts tot up to 1.3 million tons a year.
 - Given that the Community is itself normally a sugar exporter, this is a remarkable commitment.
 - Fourthly, there is a system to assist ACP countries whose economies are largely dependent on the mining sector, to remedy the harmful effects on their income of serious temporary disruptions in the commodity markets concerned.
 - This system, known as Cysmin, inspired by the success of Stabex under Lomé I, but quite different in the way it operates, has been introduced in Lomé II.
 - It covers six important minerals, namely:
 - copper
 - phosphates
 - manganese
 - bauxite and alumina

- bauxite and alumina
 - tin
 - iron
- \$ 400 million (280 MEUA) of Community funds are available to finance the system over the five years covered by the Convention.
 - Fifthly, there are a series of provisions for promoting industrial and agricultural co-operation between the Community and the ACP.
 - Sixthly, there is important Community financial aid for the economic and social development of the ACP.
 - It is specifically provided that this money will be spent on the basis of priorities laid down by the ACP.
 - Interestingly, the Convention says that the money should be used, inter alia, to encourage regional co-operation amongst the ACP, and that special account should be taken of the needs of the least developed, land-locked and island countries amongst them.
 - Community aid is managed through a European Development Fund, known as EDF, to which all member states of the Community contribute.
 - They are to make available to the Fund, over the next 5 years, a total of \$6400 million (4542 MEUA), including the amounts already mentioned for Stabex and Sysmin.
 - But that is not the end of the story.
 - Part of this money can be used to provide interest rate subsidies on loans granted to the ACP by the European Investment Bank, another Community body which is quite separate from the EDF itself.
 - The ACP are entitled to borrow from the Bank, an institution basically established for the benefit of member states, up to an amount of \$965 million (685 MEUA).
 - Moreover, these Community resources can be further geared up under the provisions of the Convention, and this is a very important thing, by being used for development projects in co-financement with other countries or organisations.
 - Seventhly, and last, the whole EEC/ACP relationship is managed by joint institutions, namely the following:

of the EEC with a representative of the Commission, and a Minister from each of the ACP, which meets at least once a year.

- A Committee of Ambassadors, composed in an analogous way, which meets at least twice a year.
- And a Consultative Assembly, composed of members of the European Parliament on the one hand, and MPs or representatives designated by the ACP on the other, which meets, like the Council, at least once a year.

- A few brief notes now on the relationship which results from all this.
- It is a uniquely ambitious enterprise, bringing together these two vast communities in a partnership of equals, aimed at co-operation and development.
- No other group of countries in the world has attempted to establish, on a contractual basis, a broad relationship of this kind between developed and developing countries.
- It is imaginative: to name only two examples, Stabex and Sysmin are original brain-children of the partnership.
- It is contractual: and so it fully respects the independence of all the partners, yet at the same time permits the ACP to plan ahead, in the confident knowledge that the Community is committed to partnership on a continuing basis.
- It has common institutions.
- Thus, a genuine dialogue has grown up over the years, between Europe and the ACP.
- This has done much to strengthen relations between them.
- Less obviously, but every bit as interesting, it has helped to break down barriers of history and geography between the ACP themselves.
- The links between the anglophone and francophone African members of the ACP group are surely much deeper than they would have been if the group did not exist.
- Finally, the relationship we have, has a long-term and evolutive character.
- Thus, as Lomé I succeeded Yaoundé and Arusha, and as Lomé II succeeded Lomé I, no-one doubts that Lomé II will in turn be replaced by a further Convention, consolidating and building on what will be over a quarter of a century of development partnership.

Global Approach

- The creation of this structure of co-operation between EEC and ACP was and remains a cornerstone of Community policy.
- Indeed, in the early of the Community's life, it consumed most of our energies and endeavours in the field of overseas development.
- But things gradually changed.
- From 1961, when Britain applied for accession, it was clear that an enlarged Community would have to take a positive interest in all the non-industrialised countries of the Commonwealth.
- This coincided with another phenomenon: namely, the rapid transition to independence of so many formerly dependent countries, and in due course, the emergence of what we now call the Group of 77.
- In October 1972, three months before the first enlargement, the nine Heads of Government of the present Community met together in Paris to chart their course for the coming years.

/Inter alia, they decided that the

- Inter alia, they decided that the Community should work out "a global co-operation and development policy".
- In the 8 years since then, I think we can claim to have done just that.
- Today, the main components of this policy, apart from Lomé, are the following:
 - the establishment of treaty relations with the Maghreb and Mashraq countries;
 - the development of the Community's food aid and generalised preferences schemes;
 - the development of a system of aid for countries not in treaty association with us;
 - the growth in co-financing of development projects;
 - a steadily improving co-ordination of the development policy of the Community with that of its individual member states;
 - and, last but certainly not least, the gradual evolution of a positive and coherent Community attitude in all the multifarious international negotiations and conferences where development problems arise.
- I should like to say something on each of these points in turn.

Maghreb and Mashraq Agreements

- For a combination of historic, geographic, economic and social reasons, none of the Maghreb/Mashraq countries were covered by the Lomé arrangements.
 - Nevertheless, the Nine have close and long-standing connections with each one of them.
 - Moreover, they are all developing countries, and they felt they had a special claim on the Community's friendship and co-operation.
 - In the framework of its new, global approach, the Community was ready to respond.
 - During 1976, we signed co-operation agreements with the three Maghreb countries (Tunisia, Algeria and Morocco).
 - A year later, we signed similar agreements with the countries of the Mashraq (Egypt, Jordan, Syria and the Lebanon).
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- All these agreements were bilateral.
 - That is to say, they were agreements between the Community on the one hand, and each individual Maghreb or Mashraq country on the other.

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- For obvious reasons, there was no question of trying to constitute a Maghreb-Mashraq group like the ACP group.
- Moreover, the economic ties between the Community and the Maghreb-Mashraq countries were of a different nature to those we have with the ACP.
- Consequently, the Maghreb-Mashraq agreements are much more modest than Lomé II.
- There are, however, some similarities.
- The essential elements of each agreement relate to trade and development aid.
- On trade, the Maghreb-Mashraq countries enjoy duty-free entry for their non-agricultural products in the Community, but are not required to reciprocate.
- As to agricultural products, notably citrus fruits, wine, tomatoes, and olive oil, they benefit from nil or reduced duties.
- On development, the Community makes substantial funds available, to be spent in the furtherance of mutually-agreed objectives.
- Over the first three-year period covered by these agreements, the Community is providing \$ 430 million (307 MUA) in grant aid.
- As with Lomé, there is also access to EIB loans.
- This makes another \$ 510 million (362 MUA) available.
- These agreements have worked well, and the Community expects to replenish the assistance element shortly.
- But, in a more medium-term perspective, we shall be confronted with serious problems.
- Some of the key exports of these countries are of course typical products of Mediterranean agriculture.
- With the Community of the Nine, the preferential treatment given to these imports already causes problems in relation to the Community's own producers in France and Italy.
- The accession of three new members, and especially Spain, will gravely accentuate these problems.
- And the Community is now having to think how to adjust its Mediterranean agriculture policy, and its trading relations with the Maghreb-Mashraq countries, so that all members in the field do not suffer at their expense.

Food Aid

- The Community's first programme of food aid dates from as long ago as 1968.
- But, in recent years, this programme has taken on very much greater dimensions.

- For 1980, Community funds of \$560 million (395 MEUA) are available.
- Here too, the amount must be aggregated with money available for this purpose in budgets of individual member states.

The Generalised Preferences Scheme

- Turning to the Generalised Preferences Scheme (GPS), I am not of course trying to claim that this is a Community invention.
- It emerged from the UNCTAD Conference in 1970.
- But the Community was the first in the industrialised world to put it into practice; and, ever since, we have been front-runners in the process of expansion and improvement.
- Today, our scheme embraces well over 100 developing countries.
- Essentially, it provides duty-free entry for all industrialised products, and tariff reductions for 300 processed agricultural products.
- In 1979, imports into the Community eligible for this treatment were worth \$ 8.8 million (6,240 MEUA).
- But, surprisingly at first sight, less than 70% of these eligible imports really reaped the benefits of the scheme.
- Why so?
- The main difficulties are that generalised preferences schemes tend to be complicated; that they vary considerably from one industrialised country to another; and that, as a result, the developing countries are hard put to find their way through the maze of rules and procedures.
- The Community has, for some time, been putting a serious and conscious effort into the twin tasks of simplification and explanation.

Aid for Non-Associated Developing Countries

- When Britain joined the Community, it was agreed that by no means all of the non-industrialised Commonwealth countries would fit into the framework of the Lomé relationship.
- As we have seen, a large number did in fact join; but for others, notably those of the Indian sub-continent and South-East Asia, the
- The enlarged Community nevertheless made a declaration of its intent to extend and strengthen trade relations with these countries, and of their readiness to examine trading problems with them in a positive way.
- This declaration was subsequently given more concrete expression by the conclusion of individual co-operation agreements between the Community on the one hand, and India, Pakistan, Sri Lanka and Bangla Desh on the other.

/More recently, in 1980,

- More recently, in 1980, a co-operation agreement was concluded between the Community and the countries of ASEAN, the association which brings together Indonesia, Malaysia, The Philippines, Singapore and Thailand.
- All these agreements are, I think, of real value.
- But, so far as trade is concerned, they are far more modest than the Lomé or even the Maghreb-Mashraq agreements.
- They provide in rather broad terms for commercial, economic and development co-operation.
- They provide also for the establishment of mixed committees to promote this co-operation.
- But, they contain no preferential element.
- And they contain no figures for development assistance.
- Yet, all these countries have clear needs for development assistance.
- Such aid is also needed by other countries with whom the Community has no treaty association, but which we now try to include in our global approach, notably the countries of Latin America.
- We have recently made a beginning with this problem.
- In 1976, the Community for the first time, financed projects in what we call, in Euro-jargon, the Non-Associated Developing Countries (NADC).
- The sums available have been growing, and fast; but they remain woefully small in relations to the need.
- In the 1980 budget, the Community has \$ 190 million (138 MEUA) available.
- Why should not the European Community, a group of rich countries, sharply increase this amount?
- Partly, the answer lies in considerations of budgetary austerity which afflict the whole industrialised world.
- But, in the Community, there is another reason too.
- We are already using up almost every penny of the product of the Community taxes which the Treaty allows us to raise.
- This problem is not limited to our aid activities.
- It is an increasing constraint also of many of our internal policies, like regional and social policy.
- As you may have noticed, the Community recently decided to have a radical look at this whole affair.
- To expand it in detail, and to tell you how we might move forward, is the subject of another, and even longer talk, which I am giving elsewhere.
- On this occasion, ...
of the wood.

Co-financing of Development Projects

- I have passed in review all of the Community's main development assistance activities.
- In nearly every case, there is a possibility of co-financing, that is to say, of joining with other countries, international organisations, or non-governmental organisations in the financing of projects.
- We have done this for years.
- But recently, with the arrival of major new aid donors on the scene, notably the Arab oil producers, and Venezuela and Mexico, co-financing has achieved much greater significance.
- We in the Community are delighted to co-operate with others in this way.
- And we often have something to offer which they value.
- We have over 20 years' solid experience in appraising projects and administering the deployment of funds in many parts of the world.
- And we have 47 Delegations working in developing countries.
- In Africa, the figures for co-financing are striking.
- We are now involved in some 25 projects there, where the impetus came from the Community, where our contribution is around 20%, over 50% is contributed by Arab funds, and the remainder comes from other sources.
- Taken together these projects are worth some \$ 3 billion/
- In Latin America, we are just beginning to develop co-financing also and things look promising.

Co-ordination between the Community and Member States

- Another point I have mentioned in passing is that, alongside the Community itself, each of our member states is active in the development field.
- Community and member state activities are increasingly co-ordinated.
- In Brussels, the member states participate in all policy decisions about
- they discuss openly the relationship between these activities and their own.
- In the field, the presence of a Commission delegate in each of the ACP countries ensures an excellent liaison with member states' Embassies and other agencies concerned with development.

The Overall Aid Picture

- I have now touched, in one way or another, on all the principal development assistance activities of the Community and its member states.
- To complete the picture, let me give you one or two figures.
- In 1979, the Community and its member states were responsible for 39 % of all official development assistance throughout the world, which totalled around \$ 30 billion.
- This compared with 16 % for the US.
- Moreover, the European Community as a whole was devoting 0.5 % of its GDP to development assistance, compared with a figure of 0.2 % for the US, and 0.25 % for Japan.

A Community Attitude on the International Stage

- The last topic I want to discuss is that of Community participation in international negotiations and conferences where development problems arise.
- Increasingly, the Community and its member states are trying to speak with one voice on the international stage.
- They are making reasonable progress.
- And, in the development field, they have been more successful than in some others.
- But all this is subject to important constraints.
- As we have seen, the national policies of member states co-exist with Community policies, as decided by the Council of Ministers and administered by the Commission.
- The role of the Community is thus both a harmonisation of national policies, and an implementation of a specifically Community policy, to the extent that responsibilities for the development field have been granted to it by the member states.
- Thus, in the trade field, where the Community has exclusive responsibility, developing countries deal only with it, and not with any of the nine member states.
- In the area of financial aid, the specifically Community policies, as I have indicated, complement bilateral policies of the member states, and their multilateral contributions outside the Community.
- Elsewhere, in international negotiations with developing countries, the responsibilities of the Community vary case by case.
- It can speak entirely for the Nine, or act as co-ordinator of the Nine, or be represented as an observer.
- To the extent that we speak with a single voice, what does the Community say?

/I shall not weary you with details.

- I shall not weary you with details.
- The problems of the developing countries are enormous and well-known.
- Their demands on the industrialised world are varied and numerous.
- Few of these can be satisfied easily or quickly: some cannot be satisfied at all.
- But the Community knows full well that much more must be done by the haves of this world to help the have nots.
- That is the underlying spirit which guides us.

- It is difficult to present, in a short talk, a picture of the Community's development policy.
- Only a bird's eye view can be given.
- I have tried to show you the main features.
- Inevitably, I have skimmed on detail.
- I am sure you will have more questions to ask.
- I shall be delighted to try and deal with them.