

European Community



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EC NEGOTIATES NEW AID AND TRADE PACT

\$9.6 Billion In Grants And Loans For African, Caribbean And Pacific Countries

The European Community and 57 ACP (African, Caribbean and Pacific) countries agreed on 27 June on the terms of the agreement to succeed the convention signed at Lomé on 28 February 1975. The new agreement takes effect on 1 March 1980.

In bringing to a close the negotiations which started in July 1978, the EC and its partners have demonstrated their desire to consolidate a policy of co-operation, which had become evident with the Lomé Convention and which had started with the two Yaoundé conventions.

This co-operation is reflected not only in the decision to maintain existing accomplishments, which in itself represents a significant commitment on the part of the EC, given the serious economic crisis currently being experienced in Europe. The desire to co-operate is also reflected in the adoption of new measures and improvements to the existing convention.

According to EC Development Commissioner Cheysson, the results of the negotiations will make possible as significant a "leap forward" in co-operation between Europe and its partners as did Lomé. The agreement bears on all the major current issues: food and energy as well as increased financial aid to the Third World. In this regard M. Cheysson pointed out that financial aid was essential to economic recovery.

The key elements of the new agreement are as follows:

1 - Volume of Aid

Total financing available is raised to \$6 billion European Units of Account (EUA) or \$9.6 billion, a 62 per cent increase over the Lomé Convention.

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2 - Trade Arrangements

- maintenance of free access to the EC market for key ACP exports;
- new concessions for certain products coming under the Common Agricultural Policy (CAP) - tomatoes, carrots, onions, asparagus, corn and certain fruit juices;
- consolidation and improvement of the preferential arrangements for beef;
- adjustment of the protocol on rum;
- expansion of trade promotion activities.

3 - Agricultural "Stabex"

- extension of the list of products covered, from 34 to 44 products or sub-products;
- reduction of dependence and fluctuation thresholds;
- spreading of repayments required to reconstitute funds over seven years.

4 - A special guarantee for minerals will be applicable to copper, cobalt, phosphates, bauxite and alumina, manganese, tin and iron ore (which remains partially covered by Stabex during a transitional period).

Some \$450 million will be provided in the form of special loans for financing projects to maintain the mineral production capacity of any country which is adversely affected by a decline in export receipts or by forces majeures. However, this financing will only be made available if the product affected represents on average 15 per cent (10 per cent for least developed countries) of export receipts during the preceding 4 years.

This arrangement is supplemented by a series of measures intended to promote mining and energy development in the ACP countries including the possible participation of the European Investment Bank (EIB) under Section 18 of its charter, and the possibility of specific agreements to protect investments.

5 - Strengthening of industrial co-operation will be expanded: first, by defining its objectives more ambitiously, given the growing economic interdependence between the parties; second, by arranging mechanisms for consultation and the exchange of information; third, by specifying goals in the area of energy co-operation; and fourth by providing more funds for industrial co-operation. The latter will be possible as a result of the increased resources at the disposition of the EIB, of arrangements for the provision of larger amounts of risk capital, and of arrangements for encouraging and guaranteeing investments. ACP countries have, moreover, agreed to accord each other most favoured nation treatment in order to promote investments.