

PARLIAMENTARY CONFERENCE OF THE ASSOCIATION

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DOKUMENTS 54 and 55

REPORT

and

SUPPLEMENTARY REPORT

drawn up on behalf of the Joint Committee

on the Tenth Annual Report

on the Activities of the Association Council

(Doc. 52-I/II and Doc. 52/III)

to the Parliamentary Conference of the Association

Rapporteur: Mr Satcam BOOLELL

At its meeting of 25 January 1975 in Abidjan the Joint Committee decided to submit to the Parliamentary Conference of the Association, pursuant to Rule 14 of the Rules of Procedure, a report on the Tenth Annual Report on the activities of the Association Council. Mr Boolell was appointed rapporteur on 1 February 1974.

The problems posed by the Association in 1974 were considered by the Joint Committee at its meetings on 27, 28 and 29 May 1974 in Dinard and on 23, 24 and 25 October 1974 in Morne (Mauritius).

The explanatory statement was unanimously approved on 25 October 1974 in Morne.

The following were present : Mr Kasongo (Zaire), chairman; Mr Deschamps, vice-chairman; Mr Boolell (Mauritius), rapporteur; Mr Aigner, Mr Behrendt (deputizing for Mr Corona), Mr Bersani, Mr Broeks, Mr Nzeyimana (Burundi), Mr Ewane Ekwabi (Cameroon), Mr Mounthault (Congo), Mr Gon Coulibaly (Ivory Coast), Sir Douglas Dodds-Parker, Mr Dondelinger (deputizing for Mr Knud Nielsen), Mr Durieux (deputizing for Mr Achenbach), Miss Flesch, Mr Sambhat (Gabon), Mr Girardin (deputizing for Mr Zeller), Mr Glinne, Mr Ilbodou (Upper Volta), Mr Laudrin, Mr Ligios, Mr Rakotozafy (Madagascar), Mr Sissoko (Mali), Mr Fall Babaha (Mauritania), Mr Habou Saley (Niger), Mr Nolan, Lord Reay, Mr Karuhije (Rwanda), Mr Sandri (deputizing for Mrs Iotti), Mr Scholten (deputizing for Mr Schuijt), Mr Seefeld, Mr Bouta Gueye (Senegal), Mr Ali Mattan (Somalia), Mr Oueddo (Chad) and Mr Monsila (Togo).

The Joint Committee adopted the supplementary report unanimously, with one abstention, on 25 January 1975.

The following were present: Mr Kasongo (Zaire), chairman; Mr Deschamps, vice-chairman; Mr Boolell (Mauritius), rapporteur; Mr Aigner, Mr Behrendt (deputizing for Mr Knud Nielsen), Mr Bersani, Mr Broeks, Mr Nzeyimana (Burundi), Mr Ngi Nsakwa (Cameroon), Mr Kombot-Naguemon (Central African Republic), Mr Mounthault (Congo), Mr Corona, Mr Ebagnitchie (Ivory Coast), Mr Durieux, Miss Flesch, Mr Sambhat (Gabon), Mr Girardin (deputizing for Mr Ligios), Mr Glinne, Mr Rakotozafy (Madagascar), Mr Sissoko (Mali), Mr Fall Babaha (Mauritania), Mr Poisson (Niger), Mr Nolan, Lord Reay, Mr Karuhije (Rwanda), Mr Sandri (deputizing for Mrs Iotti), Mr Seefeld, Mr Bouta Gueye (Senegal), Mr Spénale, Mr Terrenoire (deputizing for Mr Laudrin) and Mr Dagadou (Togo).

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MOTION FOR A RESOLUTION

on the tenth Annual Report on the activities of the Association Council

The Parliamentary Conference of the Association,

- meeting in Abidjan from 27 to 29 January 1975 pursuant to Article 52 of the Convention of Association between the EEC and the associated African countries, Madagascar and Mauritius, signed at Yaoundé on 29 July 1969;
- having regard to the tenth annual Report on the activities of the Association Council (Doc. 52/I-II) and the report from the Commission of the European Communities to the Council on the management of financial and technical cooperation in the financial year 1973 (Doc. 52/III);
- having regard to the statements made by the President of the Association Council, the President of the Council of the European Communities and the representative of the Commission of the European Communities;
- having regard to the report and supplementary report submitted by Mr Satcam Boolell on behalf of the Joint Committee (Docs. 54 and 55),

I. The working of the present Association

(a) activities of the Institutions

1. Notes that there has been useful and successful concerted action between the different bodies of the Association;
2. Is gratified by the improvement in consultation procedure at the level of the Association Committee, in particular as regards problems relating to preferential trade arrangements;
3. Regrets, however, that the Association Council has not met since 15 June 1973, contrary to the provisions of Article 44 of the Convention;
4. Calls on the Association Council to adopt as soon as possible such transitional measures as will be necessary from 1 February 1975;
5. Deplores the excessive delay in forwarding the tenth Annual Report to the Conference and the fact that full and detailed data on the breakdown of EEC/AASM trade in 1973 were not available to the Joint Committee and its rapporteur;

(b) trade

6. Considers that the improvement of trade terms as a result of the increase in prices of certain raw materials, particularly agricultural produce, and the consequent rise in the export revenue of a number of Associated States, will have a positive effect at world level;
7. Notes with satisfaction the development of activities to encourage trade in AASM products;
8. Welcomes the favourable response, to a certain degree, of the Community to the difficulties encountered by certain Associated States in securing supplies of cereals in that the Community has reduced the level of export taxes on such products for the benefit of those States;
9. Is gratified that the Community has finally been able to work out specific measures for Somalia - under the aid arrangements provided for in Article 21 of the Convention - in the form of aid which should make it possible to reorganize the production and marketing network for bananas;

(c) food aid and supplementary measures for the Sahel countries and Somalia

10. Appreciates the increasing efforts made by the EEC to provide food aid under the general phased programme of supplies to the Sahel countries and the decision taken on 17 December 1974 by the Council on a substantial supplementary interim programme for the Sahel states and for Somalia;
11. Also appreciates the special measures adopted in favour of these countries and recommends their prolongation;

(d) financial and technical cooperation

12. Takes note of the effort made by the Community to encourage integrated regional development projects and methods of implementation which are better adapted to the economic and social conditions prevailing in the Associated States;
13. Notes, as shown in the report on the management of aid for 1973, that efforts to provide supporting services to agriculture can only lead to real benefits to farmers - whose productivity is thereby increased - if it is accompanied by equitable earnings for producers;
14. Emphasizes the importance of a policy of self-sufficiency in foodstuffs implemented by the Associated States and is also gratified that the European Development Fund has given still greater encouragement to agricultural and agricultural-industrial development projects;

15. Notes that the diversification of the financing instruments employed by the European Development Fund and the European Investment Bank (including the contribution to the formation of risk capital) allows the Associated States means of financing which are better adapted to their development projects;
- II. negotiations on the renewal and enlargement of the Association
16. Emphasizes the constructive political spirit in which the negotiations have been broached and pursued by all parties and consequently hopes that they will be brought to a successful conclusion;
17. Welcomes the fact that ACP countries have decided in favour of concluding a single global agreement with the Community covering trade in the widest sense and financial, technical and industrial cooperation, at the same time ensuring the safeguarding of the economies and interests of the Associated States;
18. Recalls its hope that the partners' continued desire for cooperation will be expressed in the new Convention while allowing for possible periodical review of conditions;
- (a) the Institutions
19. Reaffirms its attachment to the institutional provisions of the Association which provided it with a completely original structure and made a continuing dialogue between the partners possible on a footing of complete equality, and feels that the Institutions must be maintained, subject to adaptation to the new realities of the Association;
20. Feels, in particular, that alongside a decision-making and administrative institution at ministerial and ambassadorial level, there should also be an institution representing the peoples of the Association which should be of a joint character and whose work should be prepared by a smaller ad hoc committee ;
- trade
21. Points with the greatest satisfaction to the decision taken at the Kingston Ministerial Conference on the stabilization of export earnings for the main ACP products; this decision creates an exemplary precedent which should open the way to genuine world-wide agreements on a product by product basis;

22. Feels that under an innovative policy for the stabilization of ACP export earnings, the Community should commit itself to laying down special arrangements for imports of sugar from the ACP countries, with provision not only for a long-term guarantee to purchase 1,400,000 tons of sugar, but also for fair prices to the producer countries, on the understanding that these prices should be revised annually, taking into account production costs, prices paid to European producers and rates prevailing on the world sugar market; it should also be understood that the ACP countries will undertake to deliver the agreed quantities;
23. Considers it vitally important for the contracting parties to grant each other most favoured nation treatment;
24. Expresses support for the request made by numerous states of the Third World that all generalized preferences systems should be amended in respect of discrimination against developing countries endeavouring to protect the value of their exports, and asserts that the principles of active cooperation based on national independence, on the right of every country to dispose freely of its own resources and on mutuality should be universally upheld;
25. Hopes that a system will also be formulated and implemented which, while respecting the relations already existing between certain ACP countries and certain EEC Member States, will guarantee the development of banana exports from the ACP countries at remunerative prices in all the Member States of the Community;

(c) financial and technical cooperation

26. Feels that the volume of aid granted by the EEC should correspond to the increased size of the enlarged Association and to the real development needs of the ACP countries while also guaranteeing retention of the benefits, in updated terms, accorded to the present Associated States and treatment on an equal footing for the new Associated States;
27. Considers it desirable to fix the total amount of aid which the ACP countries can expect throughout the period of application of the future Convention, while emphasizing the advantages of financing the EDF from the Community's own resources;
28. Notes particularly the new list agreed by common accord between the Community and the 46 ACP countries of the least developed countries which, faced with particular difficulties, will have the benefit of appropriate measures provided for under the new agreement;

29. Welcomes the increasing participation of a number of states in the search for a solution to the problems of developing countries as a result of the change in the world situation regarding raw materials; expects that this support will increase and improve in line with the responsibility of such states; would consider it deplorable if certain countries whose world position and political responsibilities indicate that they should be able to contribute, were to shrink, to a substantial degree, from providing such support;

(d) industrial cooperation

30. Regards as fundamental the decisions on industrial cooperation between the EEC and ACP countries to enable the latter to benefit from industrial know-how, adaptation of technology to ACP needs, improved international division of labour and the conclusion of agreements which will encourage investments and reconcile the interests of investors with the policy of control of industrial structures pursued by the governments of the Associated States;

(e) transitional measures

31. Hopes that in an initial transitional phase, and in order to prevent a legal vacuum arising between the old Association Conventions and the new Convention, suitable provisions will rapidly be made to preserve the status quo after 31 January 1975;

32. Further, favours the rapid conclusion of an interim agreement between the ACP and the EEC to make possible - in a second transitional phase - the advance introduction of the provisions relating to trade, in particular, and preparation for the implementation of the provisions laid down in the 4th EDF;

33. Instructs its President to forward this resolution and the report of its committee to the Council and the Commission of the European Communities and, for information, to the Association Council, the competent authorities in the Associated and associable States and the members of the Parliamentary Conference of the Association.

EXPLANATORY STATEMENTINTRODUCTION

1. The year that has elapsed since the submission of the 9th General Report on the activities of the Association Council and to which this report refers was a period of important international events which directly influenced and even caused changes in the background to EEC/AASM and ACP relations.

Concerted action by the petroleum producers led to the oil crisis; at the same time there were unprecedented rises in the prices of most primary commodities. These occurrences produced far-reaching and probably lasting changes in the relations of the industrialized countries, especially in Europe, with developing countries and between the developing countries themselves.

2. Industrialization obviously requires a very high consumption of raw materials for energy production or other purposes. This consumption has been moving ahead at an even faster rate in the last two decades than the increase in the gross national product of the industrialized countries. Even though a slight change in this trend may be noted, as heavy industries with a high consumption of raw materials give way to advanced technology industries with a higher added value component the needs will still increase if world expansion is to continue at a reasonable rate.

3. Besides, the industrialized countries and those on the way to industrialization have varying primary commodity resources of their own; very few are able to meet their requirements from domestic sources. The great vulnerability of some of the industrialized countries - especially the EEC countries - and their dependence on the countries producing oil and raw materials are therefore apparent. While the high growth rate of the industrial countries may be seriously affected, the economies of the developing countries will be even more at risk. Indeed, one of the main difficulties for the less developed countries in their first stages of development lies in their lack of cheap and plentiful energy supplies. As Mr DIAWARA, the Ivory Coast's Planning Minister¹ has stated:

'The consequences of the oil crisis for developing countries without their own oil resources are:

- for the least developed, brutal impoverishment of the population and increasing difficulty, reached unsurmountable proportions, in taking the first modest steps towards progress;

- for the more advanced, increased energy costs holding back industrialization and necessitating premature investment in hydraulic engineering projects which require substantial financial resources.

¹ See article in 'Le Monde' of 20.8.1974

These consequences in the sphere of energy production are accompanied by direct and indirect consequences on the economy as a whole. The net result will be total strangulation of their development.'

4. Nevertheless, this reversal of the trend in economic relations between industrialized and developing countries also has a salutary effect. Financial and technical aid must be regarded first and foremost as a transitional stage in relations between industrialized and developing countries. The latter - especially the associated countries and those eligible for association - have always insisted on more equitable trading, enabling them to consolidate and develop their economies while reducing their dependence on external financial and technical aid. In this respect, raw material price increases are a normal development, making it possible for the first time for the poorer countries to place their relations with their European partners on a more equitable economic footing.

5. This changed trend has also created an awareness of the de facto inter-dependence between the EEC member states in particular, and the African and Arab countries. This economic inter-dependence, resulting from the need for stable and inexpensive supplies of raw materials, is only recognized for what it is in times of crisis, just as the value of freedom is never fully appreciated until it has been lost. The problem of securing raw material supplies for the industrialized countries should be inseparable from that of the development of the economically less advanced countries. To their credit, the EEC countries were the first to understand this and to face the consequences squarely at the Kingston Ministerial Conference, with their acceptance, in the framework of a future enlarged EEC/ACP Association, of the stabilization of raw material prices as the new and necessary basis of future development cooperation policy. Since the disappointing outcome of the United Nations special conference on primary commodities in New York from 9 April to 1 May 1974, the undertaking on stabilization of primary products within the EEC/ACP framework constitutes an invaluable precedent. In general terms, the ACP countries have realised for the first time that, as raw material producers they have an important role to play in the foundation of a new economic order which will be of equal benefit to the industrialized and to the poorer countries.

6. At the same time, there are the parallel developments of increasing African solidarity, essentially within the framework of the OAU and cooperation between developing countries on a much larger scale. An example of this is the Arab fund for aid to African countries affected by oil price increases; the allocation of these resources which was decided at the Dar-Er-Salaam meeting of the OAU Committee of Seven on 16 August 1973, has enabled part of the available funds to be assigned to certain African countries.

In the context of increasing African solidarity, mention must also be made of the liberation of the Portuguese African colonies which will foster even greater unity of the continent.

7. On the European side, new elements have also appeared which favour the strengthening and expansion of development cooperation policy. This began with the Council decision of 5 November 1973 on improving generalized preferences in favour of finished and semi-finished products of all the developing countries, including processed agricultural products.

Then, following the initiative taken by Mr CHEYSSON, the EEC Council of Ministers decided on 25 June 1974 to inform the United Nations Secretary General by letter that the EEC was prepared to contribute to the creation of a special Fund for the benefit of the developing countries hardest hit by the increases in oil and raw material prices. The Community thus agreed to allocate 500 million dollars to a fund of 3,000 million, on the understanding that the other industrialized countries would contribute a maximum of 1,500 million dollars, the rest being provided by the oil producing countries.

Finally, the EEC Council undertook on 16 July 1974 to set up a further aid fund for countries which will not be associated with the EEC.

8. Thus at a time when difficulties are affecting the internal economies of the EEC, which are having to face substantial increases in the cost of their raw materials, this in turn producing worrying inflation, the Member States have nevertheless committed themselves for the future to an ambitious development cooperation policy which will take the form firstly of increased financial contributions both to their associates and to the poorest countries, and secondly of a policy on stabilization of the prices of primary commodities produced by the future associates.

This constitutes significant progress and is a sign of solidarity based on an understanding of the mutual interests of Europe and the countries eligible for association with it. The new convention must reflect this outlook, for otherwise the European and African politicians responsible would be failing in their duty to the millions who have put their faith in the negotiations now being held in Brussels. It must be a model to the rest of the world. This is a great challenge, to both the Community and the ACP.

9. The activities of the EEC/AASM Association during the past year are examined briefly below :

- with reference to the implementation of the Yaoundé Convention and the activities of the EEC/AASM Association proper (part I of the report), and to
- the EEC/ACP negotiations on the renewal and enlargement of the Association, to which a substantial part of the activities of the Association bodies has been devoted since the middle of 1973 (part II of this report).

PART I - ACTIVITIES OF THE EEC/AASM ASSOCIATION

CHAPTER I :

THE INSTITUTIONS

10. The Association Council has not met since 15 June 1973. The annual meeting provided for under Article 44 of the Yaoundé Convention did not take place in 1974. However, the current negotiations between the EEC and the ACP countries should not have prevented the Association Council, comprising the Ministers of the Nine and the Nineteen AASM countries, from meeting. The provisions of the Second Yaoundé Convention should not be wound up ahead of time. Furthermore, this meeting of the Association Council is necessary to lay down the transitional measures to be implemented after 31 January 1975 until the new Convention has been ratified by all the parties.

11. The Association Committee, the body responsible for preparing the work of the Council, held two meetings during the year under review, on 23 November 1973 and 8 July 1974. The Committee's work has been particularly useful in that many concrete problems have been dealt with, particularly the question of the export of a number of products which the AASM were having difficulty in marketing, and especially as the consultation procedure has been improved.

12. At the meeting of 23 November 1973, the Community consulted the AASM on the implementation of the generalized preferences scheme in 1974. On this occasion the AASM opened a debate on a fundamental issue, asserting that the consultation procedure offered by the Community only became operative at a stage when Community policy had already been decided. The Community spokesman denied that consultation would be more apparent than real and stressed that in the case of the generalized preferences for 1974 the Commission and the Member States would be asked to take account of the observations of the Associated States in their discussions. In fact, the EEC Council of Ministers meeting of 3 December 1973 reviewed the Commission's proposals in a way which satisfied the AASM at least in part. In a letter to the AASM on 19 December 1973 the President of the Council of the EEC drew attention to the changes made to allow for AASM interests :

- with regard to the preferences on goat and cow hides the cut-off was fixed at 30% instead of 50%;
- with regard to plywood and laminated wood products, the value of the Community tariff quota was reduced from 30 to 23 million u.a. and a safeguard clause was introduced for exports from Gabon;
- the tariff quota on tinned pineapple was restricted to pineapples in pieces and would have no effect on exports from AASM countries, especially the Ivory Coast, which export pineapples in slices.

Similarly, consultation on the negotiations between the Community and Brazil had made it possible to take account of AASM concern with regard to concessions on instant coffee and cocoa butter, which are granted subject to a tariff quota calculated so as not to upset traditional trading patterns, particularly those of the AASM.

13. The improvements in the consultation procedure noted at the meetings of the Association Committee, are an advance which the Association partners had been urging for some time.

14. The second meeting of 8 July 1974 also enabled a number of practical problems affecting the AASM to be clarified.

- tariff arrangements for imports of coffee to the Community :

the Community stated that negotiations had begun with a view to concluding a new international agreement and that regular contacts with the AASM had been maintained for this purpose. Additionally, as a consequence of the XXIV/6 GATT negotiations, the tariff suspension of customs duties at 7% introduced in 1969 would be consolidated from 1 January 1975;

- protection of the designation 'natural vanilla' :

the Commission recalled the efforts made over several years to promote sales of this product and referred to the adoption of a Council directive on cocoa and chocolate products forbidding the use of the term 'vanilla' except where the natural product was used;

- aflatoxin content of groundnut oilcake :

following the Council directive of 17 December 1973 laying down stringent rules on the maximum aflatoxin content, the EEC Commission representative stated that solutions should be sought in terms of financial and technical cooperation, possibly by helping to finance technical installations that would make it possible to eliminate aflatoxin;

- Italian guarantee deposits on imports :

in response to AASM concern over the restrictive nature of this measure, the Commission produced data showing, on the basis of guarantee certificates, that Italian imports from the AASM for 1974 would increase by 21% over 1973. Since July 1974, the Italian measures have been revoked.

15. Reference was also made to measures concerning imports of beef and veal into the EEC and the difficulties experienced by certain associated States in obtaining supplies of certain products, especially cereals, a topic to which the rapporteur will return.

At the request of the Associated States, the Community informed them of the stage reached in the current negotiations with the Mediterranean countries, i.e. Algeria, Tunisia, Morocco, Spain, Israel and Malta. The AASM insisted on any agreements reached being subject to formal consultation.

16. The meetings of the Committee have been particularly useful, as the EEC has indicated its desire to respond as fully as possible to the anxiety felt by its partners on a number of points raised by the AASM. This indicates that although the EEC/AASM consultation procedure is still not completely satisfactory, meetings, at Association Committee level in particular, enable the partners to keep each other informed and provide an opportunity to solve various problems, with a view to making the operation of the Association more efficient.

17. As in the past, institutional relations between the Council and the parliamentary organs of the Association proceeded under extremely satisfactory conditions and the President-in-Office of the Association Council took part in the meetings of the Parliamentary Conference and the bi-annual meetings of the Joint Committee.

CHAPTER II :

TRADE

A. Statistics in value terms for 1973¹

18. AASM exports to the EEC amounted to more than 2,531,491,000 u.a. in 1973 compared with 1,918,233,000 u.a. in 1972, an increase of 31.95%.

This substantial increase in the value of AASM exports reflects the rise in the prices of mineral or agricultural primary commodities exported by the AASM.

19. EEC exports to the AASM amounted to 1,843,208,000 u.a. in 1973 against 1,592,862,000 u.a. in 1972, an increase of 15.72%.

The statistics for tonnages are not available, but the lower increase in the relative value of EEC exports to the AASM may reflect, among other things, the lower rate of increase in the cost of foodstuffs and manufactured goods imported by the AASM.

¹ Statistics on the tonnage of AASM exports to the Nine EEC Member States are not yet available.

EEC EXPORTS to the AASM in 1973¹ (1000 u.a.)

	<u>SIX</u>	<u>France</u>	<u>Belgium</u>	<u>Nether- lands</u>	<u>Germany</u>	<u>Italy</u>	<u>United Kingdom</u>	<u>Ireland</u>	<u>Denmark</u>	<u>NINE</u>	<u>Change 72/73</u>
AASM	1714511	1030856	172232	110533	230793	169297	116346	684	11667	1843208	16
MAURITANIA	45933	33483	4610	1201	4787	1852	2057		163	48153	17
MALI	42074	34244	2831	421	3691	887	1034		81	43189	25
UPPER VOLTA	38914	30491	2283	1457	3194	1489	401		93	39408	50
NIGER	39588	28086	635	2509	7461	897	1385		55	41028	20
CHAD	29303	24198	1693	1318	1237	857	408		266	29977	17
SENEGAL	180351	133035	4312	15112	13836	14056	6521	5	2187	189059	12
IVORY COAST	347416	246435	11547	24319	41473	23642	9449	14	1084	357963	20
TOGO	45552	27460	1718	6060	6734	3580	7222		176	52950	7
DAHOMY	45891	30363	1789	4485	5643	3611	4877		283	51051	5
CAMEROON	162181	119355	5449	7227	19055	11095	10356	312	704	173553	5
CENTRAL AFRICAN REPUBLIC	26900	21454	316	1049	2856	1255	761		180	27841	20
GABON	113037	87143	3795	6090	12666	3343	6799		203	120039	25
CONGO (BRASSA.)	80531	63805	1471	3992	6451	4812	3475	62	331	84399	13
ZAIRE	327897	60557	113345	26607	76333	51055	27763	72	4613	360345	13
RWANDA	9595	1587	4139	408	1777	1684	682		136	100113	6
BURUNDI	11459	2923	4191	572	2496	1277	1114		233	12806	9
SOMALIA	46506	2820	723	1252	4254	37457	4920		252	51678	50
MADAGASCAR	98306	75337	3925	3200	10917	4927	1831		122	100259	- 6
MAURITIUS	23080	8880	3461	3253	5934	1552	25291	218	505	49094	

¹ The figures given for IRELAND refer to 1972

AASM EXPORTS TO THE EEC IN 1973¹ (1000 u.a.)

	<u>SIX</u>	<u>France</u>	<u>Belgium</u>	<u>Nether- lands</u>	<u>Germany</u>	<u>Italy</u>	<u>United Kingdom</u>	<u>Ireland</u>	<u>Denmark</u>	<u>NINE</u>	<u>Change 72/73</u>
AASM	268434	864987	526661	169047	339086	368655	252502	1737	8818	2531491	32
MAURITANIA	64222	22263	10630	1385	14585	15359	34712		64	98998	3
MALI	15265	11066	450	786	1730	1233	1877		61	17203	- 3
UPPER VOLTA	111095	7429	124	76	625	2841	46		720	11861	50
NIGER	46097	40236	399	69	3379	2014	296		1	46394	50
CHAD	17529	11511	1700	83	2367	1868	1143		128	18800	- 5
SENEGAL	120392	97275	714	6810	2831	12762	7208	658	295	128553	- 13
IVORY COAST	526157	223309	19276	38404	128221	116947	36598	641	2699	566095	34
TOGO	56152	25270	3115	13858	11200	2709	418		441	57011	13
DAHOMEY	32999	18213	1341	2533	6991	3921	130		1	33130	10
CAMEROON	210330	96998	8241	51899	39687	13505	5801		1338	217469	25
CENTRAL AFRICAN REPUBLIC	23818	19577	711	109	1245	2176	1748		182	25748	4
GABON	188878	123422	4954	20682	33521	6299	24620		375	213873	34
CONGO (BRASSA.)	74586	32732	4541	2834	19479	15000	7755	267	1899	84507	34
ZAIRE	764029	64355	462689	25125	60766	151094	53314	106	134	817583	50
RWANDA	7201	671	5146	179	978	227	1253		1	8455	- 4
BURUNDI	7188	625	839	138	2711	2875	2679		102	9969	33
SOMALIA	13121	224	582	369	113	11833	303			13424	- 4
MADAGASCAR	82894	66253	633	2763	7854	5391	4613		370	87877	13
MAURITIUS	6481	3557	577	945	804	600	67988	65	7	74541	

¹ The figures given for IRELAND refer to 1972

20. This overall increase in trade does not give a clear idea of the situation with regard to exports from each of the AASM. They have not all benefitted equally from the economic situation brought about by high prices. Some have, as a result of unfavourable climatic conditions, exported a reduced tonnage, the increased value compensating for the reduction in volume.

The AASM can be put into three categories:

- countries which have their own mineral resources (oil, phosphates, copper, etc.) and whose export earnings have risen very substantially owing to the increase in the value and volume of their exports,
- certain other countries which, although they have few or no mineral resources of their own, have a sufficiently varied economy and whose foreign exchange earnings have risen thanks to increases in prices of basic agricultural products such as cocoa, coffee, palm and groundnut oil etc...,
- a final category of countries experiencing difficulties owing to the fact that increases in the price of products like cotton and ground nuts have made it impossible for them to compensate for the deficit in their production tonnage because bad weather continued during the 1973/74 marketing year.

B. Raw material price changes

21. In 1973 there were sharp rises in the prices of most primary products exported by the developing countries, including the AASM. This rise continued into 1974, the average prices for the principal basic products being much higher over the first five months than at the beginning of the year; the current tendency makes stabilization at a high level seem likely.

In the tropical African countries in particular, the average index of main agricultural exports was 187 in January 1974 (1972 = 100), 237 in May 1974 and 223 for the first 5 months of the year or 20% ahead of the January 1974 figure. If copper and phosphates are included in the average export price index of these countries, the figures arrived at are 205 for January 1974, 249 for May 1974 and 236 on average for the first five months of the year or 15% ahead of the January 1974 figure.

I. Changes in price indices of main exports from African countries
(average for 1960, 1961 and 1962 = 100)

	Year 1972	Year 1973	1st quarter 1972	1st quarter 1973	1st quarter 1974	Jan. 1974	Feb. 1974	Mar. 1974	April 1974	May 1974	Average Jan.- May 1974
Robusta coffee	201,53	246,21	201,53	242,48	294,6	275,42	300,9	312,0	318,8	322,3	305,9
Arabica coffee	131,52	198,13	131,52	193,86	213,2	204,54	220,9	216,2	222,3	225,7	217,9
Cocoa	134,29	257,97	112,38	164,43	308,8	261,65	310,1	366,6	455,5	453,0	369,4
Cotton	136,57	192,04	152,37	142,19	303,1	316,68	320,3	269,2	259,8	242,6	281,7
Groundnut oil	153,70	195,43	156,80	165,09	422,0	394,56	445,3	441,1	442,8	426,9	430,1
Palm oil	108,04	177,23	100,48	123,35	322,5	311,47	340,7	n.d.	300,2	302,6	313,7
Tea	91,66	93,01	92,48	93,45	123,1	114,80	117,1	139,2	150,7	139,5	132,3
Nat. rubber	72,85	128,45	70,89	100,89	146,7	209,96	143,2	135,0	159,3	159,6	151,4
Sugar	251,86	309,65	280,76	301,12	618,1	494,85	684,0	708,3	701,4	749,3	667,6
Sisal	103,70	221,32	83,27	164,09	473,5	470,38	490,2	487,4	469,1	473,5	478,1
Copper	164,28	270,27	164,87	204,38	391,0	350,45	385,7	446,9	482,7	439,4	421,0
Phosphates	100	116,6	100	(116,6)	350	350	350	350	350	350	350

Source : EEC Commission

II. Percentage growth in prices of chief products exported from African countries

Growth since 1972 Comparison - first 5 months and Jan.			Monthly change since Jan. 1974				Growth since Jan. 74
	average Jan.-May 1974	Jan. 1974	Feb. 1974	March 1974	April 1974	May 1974	May 1974
	1972	1972	Jan. 1974	Feb. 1974	March 1974	April 1974	Jan. 1974
Robusta coffee	+ 51,8	+ 36,7	+ 9,2	+ 3,7	+ 2,2	+ 1,1	+ 17,0
Arabica coffee	+ 65,7	+ 55,5	+ 8,0	- 2,1	+ 2,8	+ 1,5	+ 10,3
Cocoa	+ 175,1	+ 94,8	+ 18,5	+ 18,2	+ 24,2	- 0,5	+ 73,1
Cotton	+ 106,3	+ 131,9	+ 1,1	- 15,9	- 3,4	- 6,6	- 23,4
Groundnut oil	+ 179,8	+ 156,7	+ 12,8	- 0,9	+ 0,4	- 3,6	+ 8,2
Palm oil	+ 190,3	+ 188,3	+ 9,4	n.d.	- 11,9**)	+ 0,8	- 2,6
Tea	+ 44,3	+ 25,2	+ 2,0	+ 18,9	+ 8,3	- 7,4	+ 21,5
Nat. rubber	+ 121,5	+ 188,2	- 31,8	- 5,7	+ 18,0	+ 0,2	- 24,0
Sugar	+ 165,1	+ 96,5	+ 38,2	+ 8,6	- 1,0	+ 6,8	+ 51,4
Sisal	+ 361,0	+ 353,6	+ 4,2	- 0,6	- 3,7	+ 0,9	+ 0,7
Copper	+ 156,3	+ 113,3	+ 10,0	+ 15,9	+ 8,0	- 9,0	+ 25,4
Phosphates*	+ 250	+ 250	± 0	± 0	± 0	± 0	± 0

* April 1974/February 1974

C. Trade considerations

1. Trade preferences

22. Previous reports by the Parliamentary Conference have given extensive coverage to the gradual reduction of the trade preferences originally enjoyed by the AASM. This is a result of the general liberalization in world trade and of concessions granted by the Community, often unilaterally, either to countries with which it has concluded specific agreements (the Mediterranean countries or Brazil for example), or to developing third countries (generalized preferences) or on a worldwide basis (XXIV/6 - GATT negotiations). This development is irreversible.

While the EEC cannot be blamed for liberalizing its trade policy or for its generosity towards developing countries - with which the AASM have a common interest - it is worth considering what compensation has been granted to the Associated States. The Community has in fact admitted that compensation could be given to the AASM to the extent that a reduction of preferences granted under the Convention might affect the anticipated growth of their exports.

2. Promotion of AASM products

23. Through an increase in the EDF credits available for this kind of marketing aid, the Commission has tried to compensate for the loss of preferences by providing other facilities for the sale of AASM products on the Community market. In 1973, as in previous years, this Community aid took the form basically of participation in trade fairs. There was also a collective trade promotion drive during the 'African Fortnight' in Brussels from 15 to 30 September 1973, which was organized by the Commission services with the help of AASM public and private sectors and of Belgium. In addition, 11 meetings of trade specialists were held in 1973 by the Commission services, dealing in particular with coffee, copper, vanilla, tropical woods, and out-of-season fruit and vegetables. Finally, with the encouragement of the Commission, a 'liaison committee on out-of-season fruit and vegetables originating in the AASM' was formed in Brussels consisting of 18 AASM representatives of the trade, 25 European specialists and 6 representatives from forwarding companies and research institutes. The results achieved by these activities and their impact are however difficult to quantify and will only show long-term benefits. Nevertheless the initiatives taken have been sufficiently encouraging for the AASM countries to ask for them to be continued and, if possible, extended to other fields. At the same time, a more substantial contribution should be made to the training of African sales personnel.

24. Genuine compensation to the AASM for the loss of their trade preferences can really only take the form of stabilization of their export earnings, as envisaged for several years by the parliamentary bodies of the association, particularly. Fortunately, the Community gave a decisive undertaking in this connection at the Kingston meeting. The conditions remain to be determined but the provisions will apply to the next EEC/ACP Convention.

D. Special problems of EEC/AASM trade

25. The supply of cereals to the Associated States has given rise to serious problems; a letter from the Cameroon ambassador expressed the deep anxiety felt by several AASM at the present situation on the Community cereals market. The high price increases which occurred on the international market in 1973 forced the Community to introduce export levies, without distinction between export areas, in order to maintain supplies on its own market, where prices were lower. The double effect of the world market situation and the measures subsequently taken by the Community would have resulted in a cessation of rice deliveries for which some AASM countries are entirely dependent on the EEC. This situation arose at a time when drought had led to a fall in rice and cereals production in certain AASM, forcing them to import. In Cameroon alone for example, imported rice requirements amount to 50,000 tons. The Associated States therefore asked the Community to take the measures necessary to bring about a resumption of supplies at prices compatible with the economic situation of these countries.

At the meeting of the Association Committee in July the Commission stated that while a long-term worldwide solution to the problem should be sought, it had taken the situation in the Associated States into consideration and adopted a series of technical measures to alleviate as far as possible the burden falling on the AASM. According to information obtained from the bodies responsible for management of the markets, the EEC was able in the past few months to guarantee the supply of 300,000 tons of wheat to the AASM by introducing a special export tax concession in favour of these countries. The concession was made at privileged rates. On 19 September the special export tax on a quota of 60,000 tons of wheat was set at the rate of 7 u.a. per ton, whereas the 'third country' rate was 20 u.a. per ton.

26. The marketing of Somali bananas had been a problem since the closure of the Suez Canal. This, together with Italian import restrictions, has had a disastrous effect on exports of bananas, which accounted for a considerable proportion of Somalia's total export earnings. At the meeting in January 1974, the Joint Committee adopted a strongly worded resolution recommending the EEC Commission to take all measures necessary as a matter of urgency, without waiting for final arrangements for bananas to be laid down in the new Convention. The committee at its meeting in Mauritius on 23 October 1974, once again stressed the urgency of this matter. In response to the steps taken by the Somali Government with the backing of the parliamentary

institutions of the Association, the EEC Commission considered what could be done to overcome Somalia's difficulties. Firstly, it intends to submit to the EDF Committee, which is to meet on 21 January 1975, a proposal for an advance payment of 5 million u.a. from the fund to the Somali Banana Office, under Article 21 of the Yaoundé Convention. This article stipulates that the Community may grant from the cash holdings of the Fund advances up to a maximum amount of 50 million u.a. in order to ease the consequences of temporary fluctuations in world prices. In addition, the EEC Commission is actively seeking an arrangement with the Italian Government whereby the latter would make provision for access facilities for Somali exporters, the traditional suppliers, when laying down the quota for bananas from third countries. Finally, the responsible authorities in Somalia will have to reorganize the banana production and marketing structure with the help of Community aid.

27. The economic situation in the Sahel countries

After six consecutive years of drought the Sahel region experienced a rainy season with very unequal distribution of rainfall resulting in floods which were almost as disastrous as the drought itself, especially in Upper Volta and Mali. In Mali, for example, while the rain came at the right time and in the right place for upland agriculture, it had a catastrophic effect on certain industrial, economic and social projects. The unbalanced climate continued to upset crop harvests in the entire region and further complicated the delivery of food aid which the EEC and the rest of the world continued to provide.

At the request of the governments concerned, the EEC continued and increased its aid, especially food supplies, to these countries according to a programme drawn up in agreement with the local governments and adapted as far as possible to the particular needs of each state.

28. On 28 December 1973, the EEC Council of Ministers drew up its 1974 food aid programme for the Sahel, providing for a grant of 110,000 tons of cereals (68,400 tons in 1972/1973), 11,500 tons of skimmed milk (13,000 tons in 1972) and 4,700 tons of butter oil; all of this was allocated to Upper Volta, Mali, Mauritania, Niger, Senegal and Chad. The cost of the programme, which includes land and sea transport costs to the points of distribution, is about 45 million u.a. Additionally, a special credit of 5 million u.a. was entered in the 1974 EEC budget to finance special transport costs, storage and other expenses connected with the provision of this aid.

Despite efforts by the numerous donors to coordinate the programme for the delivery of food supplies, bottle-necks occurred at the ports because of the low haulage capacity of the single railway line to Mali. Port committees were formed at Dakar, Abidjan, Cotonou and Apapa to decide quickly how to handle the situation. Road transport to Mali and Niger was also speeded up

despite the extra cost to the donor countries. As a result of these arrangements and the coordination of transport by the Inter-State Committee, food deliveries are now proceeding normally.

29. The Inter-State officials responsible agreed to avoid any interruption of aid to the countries still needing it, and took steps to ensure a steady delivery of food supplies to the areas concerned between October 1974 and March 1975. The Community was also quick to act, submitting in November 1974 an interim food aid programme which was adopted by the EEC Council on 17 December 1974. This provides for the supply of 60,000 tons of cereal, 14,000 tons of milk powder and 6,000 tons of butter oil to the Sahel countries, especially Somalia. The programme also includes aid to Ethiopia.

By 1 December 1974, 90% of the EEC food aid programme for 1974 had been completed and food supplies had been forwarded to the distribution centres in the Sahel regions concerned. At the same time, the above-mentioned new interim aid programme was set up. Through structural projects under the EDF the Community also did its best to help the governments of these countries in their efforts to restore their economies to a sound footing.

At a meeting of the Donors' Committee held in Ouagadougou during November 1974 under the auspices of the Inter-State Committee and attended by a representative of the EEC, the officials responsible noted that as a result of the coordination of all foreign aid and more favourable weather conditions there has been a definite improvement in the situation in the majority of the Sahel countries.

CHAPTER III :

FINANCIAL AND TECHNICAL COOPERATION

1. The European Development Fund

30. As indicated in the General Report to the Association Council on the administration of financial and technical cooperation for 1973, EEC aid in 1973 came up against two general problems, rising prices and drought.

Generalized inflation and rising energy costs considerably increased the cost of development projects under way in the Associated States or under study at the Commission. For example, at the end of 1973 after the successive oil price increases, the cost per kilometre of asphalted road increased by 24 per cent in Niger¹.

31. The disastrous food situation in many Sahel countries has led the Community to make - under its general food aid programme - a substantial contribution to the international solidarity drive to help those countries. The EEC has provided aid to the six Sahel countries (Upper Volta, Mauritania, Mali, Niger, Senegal and Chad) under Article 20 of the second Yaoundé Convention which provides for aid in exceptional situations. In order to meet the requirements of such situations the Commission has established special procedures adapted to this type of emergency aid. As a result it has been possible to take action swiftly and efficiently, although the transport of food supplies from the ports to the points of distribution within the countries has met with serious difficulties.

32. In the light of this situation, the striking feature of aid administration in 1973 is the substantial volume of the exceptional aid given to the Sahel states, which in total amounts to more than 10 per cent of this year's commitments. Nevertheless, in 1972 more than half (53%) of the financing decisions were concerned with the development of production, followed by improvement of economic infrastructures (28%) and social development (12%).

Of a total of 910 million u.a. provided under the second Yaoundé Convention, commitments to the AASM and OCT from the 3rd EDF as of 10 December 1974 totalled 783,139,000 u.a. allocated as follows :

¹ On the other hand, in the area of rural water supplies changes in operating conditions and competition between undertakings in the Associated States and the Member States have led to considerable reductions in costs from one year to another. Thus, the cost of one linear metre of well-boring fell from CFAF 80/100,000 to CFAF 40/50,000, giving the AASM more than twice as many water points for the same investment.

(1,000 u.c.)

PAYS	INVESTISSEMENTS ECONOMIQUES ET SOCIAUX					COOPERATION TECHNIQUE LIEE (d)	COOP. TECHN. GEN.		AIDE A LA COM. ET A LA PROMOTION DES VEN- TES	AIDES EXCER- PTION- NELLES	FRAIS DE GESTION	TOTAL
	Subven- tions	Prêts Spéciaux	Boni- fications d'inté- rêt	Contri- butions Formation Rap. Ling.	TOTAL		Formation et Per- fection- nement	Autres Actions				
	(1)	(2)	(3)	(4)	(5)		(6)	(7)				
A. E.A.M.A.												
BURUNDI	26.668	-	-	-	26.668	729	2.099	-	-	-	759	30.055
CAMEROUN	19.377	8.850	530	532	49.289	1.808	2.638	12	100	-	1.788	59.635
CENTRAFRICAINE	24.994	-	-	-	24.994	428	2.041	-	-	-	1.762	59.225
CONGO BRASSA	15.317	3.060	-	-	18.377	385	650	-	100	-	1.202	20.714
COTE D'IVOIRE	25.834	21.202	4.655	900	52.881	650	2.590	287	1.025	-	1.648	58.861
DANMARK	15.872	3.276	-	-	19.148	517	2.366	-	-	-	852	28.803
GABON	15.844	7.754	652	-	24.252	-	350	-	100	-	768	35.470
HAUTE-VOLTA	27.859	5.040	259	-	33.158	2.103	1.999	42	-	2.931	1.581	41.814
ILE MAINTEN	1.260	-	-	-	1.260	330	-	-	-	-	55	1.651
INDONÉSIE	46.659	-	-	-	46.659	1.502	3.054	12	-	265	2.231	51.753
ITALIE	14.193	-	-	-	14.193	1.440	1.864	22	-	7.533	1.316	28.328
LIBAN	19.834	-	-	-	19.834	1.954	650	-	-	2.928	890	26.218
LIBYEN	35.457	-	-	-	35.457	1.239	2.201	-	-	4.238	1.582	44.717
LIBYEN	23.185	-	-	-	23.185	3.223	2.342	-	-	-	579	29.329
SENEGAL	48.693	4.293	287	972	54.245	1.010	2.000	276	23	5.715	1.450	64.719
SOMALIE	25.866	-	-	-	25.866	2.387	2.790	3	-	2.766	836	34.648
THAILAND	21.210	-	-	-	21.210	1.398	1.300	-	-	3.316	1.426	38.650
TUNISIE	23.217	-	-	-	23.217	898	2.421	-	-	-	663	27.159
YEMEN	45.428	5.603	143	-	51.174	2.031	6.403	-	100	-	1.784	61.692
TOTAL :	518.727	59.260	6.524	2.494	587.027	23.998	39.758	634	1.448	29.692	23.132	705.689
B. P.A.M. - P.A.M.												
ARABIE SAOUDITE	1.549	-	-	-	1.549	-	-	-	-	-	-	1.549
ARABIE SAOUDITE	5.924	4.000	-	-	9.924	1.004	550	-	-	-	714	12.192
ARABIE SAOUDITE	3.745	-	-	-	3.745	-	-	-	-	-	-	3.745
ARABIE SAOUDITE	3.808	720	-	-	4.528	320	-	-	-	-	610	5.458
ARABIE SAOUDITE	2.584	-	-	-	2.584	-	-	-	-	-	-	2.584
ARABIE SAOUDITE	3.616	630	-	-	4.246	-	-	-	-	-	-	4.246
ARABIE SAOUDITE	-	-	-	-	-	-	-	-	-	-	170	170
ARABIE SAOUDITE	2.881	-	-	-	2.881	-	-	-	-	-	35	2.916
ARABIE SAOUDITE	6.392	1.795	-	-	8.187	-	-	-	-	-	234	8.422
ARABIE SAOUDITE	-	-	-	-	-	-	-	-	-	-	15	15
ARABIE SAOUDITE	15.232	-	-	-	15.232	553	550	-	-	-	691	17.025
ARABIE SAOUDITE	681	-	-	-	681	-	-	-	-	-	35	716
TOTAL :	46.412	7.134	-	-	53.546	1.877	1.100	-	-	-	2.504	59.030
C. INTERVENTIONS NON REPARTIES	-	-	-	-	-	-	3.823	2.248	5.249	-	3.736	11.050
TOTAL A + B + C :	565.139	66.426	6.524	2.494	640.585	25.875	44.681	2.876	6.697	29.692	29.372	779.770
PROFIT REQUIS	-	-	-	-	-	2.974 (b)	-	387 (c)	-	-	-	3.361
TOTAL GENERAL :	565.139	66.426	6.524	2.494	640.585	28.849	54.641	-	29.692	29.372	783.139	

(a) Outstanding balance of total credit (17,275,000 u.a.) made available by the Commission to the Chief Authorizing Officer of the EDF for the financing of technical cooperation activities linked to investments under the accelerated procedure.

((b) Outstanding balance of total credit (1,725,000 u.a.) made available by the Commission to the Chief Authorizing Officer of the EDF for the financing of general technical cooperation activities and certain marketing and promotion aids for the sale of AASM products by the accelerated procedure.

(c) Ex-project.

33. Project financing from the EDF followed the guidelines on financial and technical cooperation laid down by the Association Council in 1972. Previous experience of close collaboration between the authorities responsible in the Associated States and the Community enabled significant qualitative improvements to be made progressively in financial and technical cooperation. The services of the European Development Fund and the European Investment Bank, in close collaboration with the AASM, made every effort to produce new, better integrated plans for development projects, and to apply them in ways better adapted to the economic and social conditions prevailing in the associated countries.

Agricultural development projects are, in accordance with the Association Council's guidelines, generally coupled with technical assistance measures, which consist in supervising and training national personnel capable of running the projects. The intensity of agricultural staffing cannot be considered in isolation from the other factors which made a project a success, in particular the price paid to the producer. The EEC Commission Report on administration concludes that, quite apart from all technical considerations, the peasant's productivity in an agricultural development project is affected by two main kinds of incentive: persuasion by technical advisers, and more important still, the price to the producer.

34. Because of the world food situation, considered from the twin aspects of prices and production levels, the Associated States are anxious to limit their imports and, in the case of those not self-sufficient as regards their main food requirements, to increase production as swiftly as possible.

35. It is interesting to note that a policy of this kind of self-sufficiency in food already embarked on by the AASM with Community aid, has produced a tendency towards integrated regional development projects within which the specifically agricultural project is no longer isolated. Their planning takes account of the whole of the region's development, for instance other agro-industrial or industrial projects, new social infrastructure, optimal population distribution, etc. For example, the financing in the Ivory Coast of part of the Kossou-Bandama region agricultural development programme (3,316,000 u.a.) is part of a vast territorial development operation involving the construction of an artificial lake, a hydro-electric power station, reconstruction of villages and roads, rural development measures setting up farms on 3,183 hectares providing 60 hectares for experimental market-gardening, 1,500 for coffee and creating 21 stock-farming undertakings. Similar undertakings have been financed in Madagascar at the substantial cost of 11,163,000 u.a. for the Lower-Mangoky hydro-agricultural development enabling rice and cotton production to be stepped up with on-the-spot processing for the internal market. Other financing decisions on integrated projects have been applied to Cameroon, Zaire and Senegal.

36. The improvements in the local population's nutrition, together with the requirement to improve the return from livestock resources, has led many Associated States to promote a rational development of stock-breeding with Community help.

37. As regards the methods of project financing, the range of instruments provided under the second Yaoundé Convention was used more fully than in the past. This is the result of efforts which have been made for years to adapt these instruments more closely to the needs and the particular situation of the Associated States and to the characteristics of their projects. In 1973, for example, commitments were made in favour of Cameroon by five different methods: subsidies, loans on special terms, contributions, towards the formation of risk capital and interest rate subsidies from the third EDF, as well as loans from the European Investment Bank's own resources. Likewise, several financing methods were made available to the Ivory Coast, Gabon and Senegal, whereas the Community has tended to reserve the use of grants for the least developed AASM countries.

SECTEURS D'INTERVENTION	AIDES NON REMBOURSABLES	PRETS A DES FOND TOUTS SECTEURS ET CREDIT FORMATION CAPITAUX A RISQUES	TOTAL	%
I. DEVELOPPEMENT DE LA PRODUCTION			271.283	34,8
1. Industrialisation				
10. Général	815	-	815	
11. Industries extractives	93	-	93	
12. Industries métallurgiques	60	972	1.032	
14. Industries manufacturières	1.593	990	2.583	
15. Industries agricoles et alimentaires	3.555	8.101	11.656	
16. Prod. et Infrastr. énergétique	12.230	-	12.230	
17. Infrastr. intégr. des proj. industriels	32	-	32	
19. Projets intégrés à dominance industr.	6.108	5.040	11.148	
2. Tourisme	2.033	-	2.033	
3. Production rurale				
30. Général	917	-	917	
31. Plantations	48.100	8.928	55.028	
32. Aménagements hydro-agricoles	45.383	-	45.383	
33. Agriculture	76.371	-	76.371	
35. Elevage	16.310	-	16.310	
36. Pêche	2.279	-	2.279	
38. Proj. intégrés à dominance agricole	22.132	11.241	33.373	
II. INFRASTRUCTURES ECONOMIQUES			282.724	36,3
4. Transports et communications				
40. Général	40	-	40	
41. Routes et Ponts	170.010	9.268	179.278	
42. Chemins de fer	15.277	12.041	27.318	
43. Ports et voies fluviales	55.282	3.780	59.062	
44. Aéroports	9.519	4.000	13.519	
45. Télécommunications	2.751	756	3.507	
III. DEVELOPPEMENT SOCIAL			154.851	19,8
5. Enseignement et formation				
50. Général	-	-	-	
51. Infrastructures d'enseignement	46.114	-	46.114	
52. Projets spécifiques de form. prof. env. instr.	6.461	-	6.461	
53. Bourses	37.865	-	37.865	
54. Stages	218	-	218	
6. Santé				
60. Général	329	-	329	
61. Infrastructure	22.887	-	22.887	
62. Campag. sanit. et coop. technique	232	-	232	
7. Hydraulique, électricité, habitat				
70. Général	4	-	4	
71. Hydraulique villageoise	9.740	-	9.740	
72. Adduction d'eau urbaine	22.898	5.803	28.501	
73. Assainissements urbains	2.500	-	2.500	
IV. PROMOTION COMMERCIALE			7.148	0,9
8. Promotion commerciale				
80. Général	1.064	-	1.064	
81. Structures commerciales	759	-	759	
82. Foires et expositions	5.160	-	5.160	
85. Information commerciale	165	-	165	
V. AIDES EXCEPTIONNELLES			29.693	3,8
91. Calamités	29.693	-	29.693	
VI. DIVERS			34.138	
00. Information, documentation	519	-	519	
01. Colloque	416	-	416	
02. Programmation et coopér. techn. générale	3.587	-	3.587	
03. Etudes générales	185	-	185	
08. Contrôle	28.897	-	28.897	
09. Frais administrat. et financiers	475	-	475	
TOTAL I à VI	710.958	68.920	779.778	100 %
CREDITS BLOQUES	3.361	-	3.361	
TOTAL GENERAL	714.219	68.920	783.139	

(1) Voir notes (b) et (c) du tableau précédent.

2. The European Investment Bank

A. Ordinary loans from the European Investment Bank's resources

38. Of the 90 million u.a. provided for the second Yaoundé Convention, the European Investment Bank had, as at 1 December, 1974, granted loans amounting to 65.5 million u.a., or 73% of the total.

In 1973 and in the first half of 1974 the European Investment Bank granted five loans from its own resources to a total value of 30.3 million u.a.

	Amount in million u.a.	Duration	Interest rate (ex subsidy)	Interest rate subsidy
<u>Gabon</u> Construction of an inter- national class hotel in Libreville	1.19	15 years	4¾%	3%
<u>Cameroon</u> Extension of the sugar mill and refinery and cane plantations in Mbandjock	1.80	9 years	4 3/8%	3%
<u>Ivory Coast</u> Improving and asphaltting the road linking the Port of San Pedro to the local- ity of Issia	7.92	15 years	7¾%	-
Construction of cotton spin- ning and weaving factory	5.4	10 years	6½% for 9 years 8½% 10th year	2%
Reconstruction of a section of railway line and pur- chase of locomotives by RAN	14.0	15 years	6¼%	2½%

The loans to Gabon and Cameroon were granted to part publicly owned companies enjoying a guarantee from the state on whose territory the project is being carried out. Four of the five loans benefit from interest rate subsidies from the EDF's resources at the flat rates fixed by the Convention. From the applications now being considered it is expected that loans amounting to nearly 24.3 million u.a., which the European Investment Bank can still commit from its own resources, will be granted in the second half of 1974 and first half of 1975.

B. Contributions towards risk-capital formation

39. This new form of action provided for in the Yaoundé Convention led to two operations in 1973: in the case of the SOSUCAM sugar mill project in Cameroon, which was granted an EIB ordinary loan, the bank as an authorized agent on behalf of the EEC, subscribed from the resources of the EDF a share of 540,000 u.a. in the Company's capital. Under the same conditions, a contract relating to a contribution of 172,000 u.a. towards the formation of the risk-capital of the Dakar-marine Company was drawn up to enable feasibility studies to be carried out on the project to create a ship repair yard for ocean-going vessels in Dakar. This contribution was in two forms:

- a subscription towards increasing Dakar-marine's capital from CFAF 100 to 210 million in which, as well as the Senegal Government, European groups interested in ship repairs are participating;
- a 'semi-capital' contribution of 864,000 u.a., the exact nature of which (special loan, advance, other form) will not be determined until the final decision to build the ship repair yard has been taken. This decision is dependent on studies not yet completed.

40. EIB participation in different forms in risk-capital formation could be of value to the extent that the existence of the EIB security may stimulate joint financing of AASM undertakings by other banking organizations. It could thus have the effect of mobilizing funds greater than the total amount of capital committed by the bank itself.

	Amount in million u.a.	Repayment period	Period of grace	Rate of interest
<u>Cameroon</u>				
Oil palm plantations (selected varieties) and an oil mill (SOCAPALM)	8.85	25 years	9 years	2%
<u>Ivory Coast</u>				
Rubber-tree plantation 60 kms from San Pedro (SOCATCI)	6.93	30 years	10 years	0.5% from the first to the 14th year 3% from the 15th to the 30th year
Improving and asphalt-ing the road linking the port of San Pedro to the locality of Issia	6.84	30 years	4 years	1%
Reconstruction of a section of railway line by RAN	5.0	40 years	10 years	1%
Creation of cocoa tree plantations in the South West	2.4	15 years	7 years	3%
(for the record) Ban-fora sugar complex	5.04			

	Amount in million u.a.	Repayment period	Period of grace	Rate of Interest
<u>People's Republic of the Congo</u>				
Construction of wharf at Pointe Noire harbour	1.0	25 years	4 years	1%

Three additional contracts for loans already approved by the Commission totalling 17.8 million u.a. are soon to be signed. They relate to the following projects: BUD (market gardening in Senegal - 4.3 million u.a.), REGIDESO (water supply to Kinshasa, Zaire - 5.8 million u.a.); POINTE A PITRE harbour (Guadeloupe - 0.7 million u.a.) and TRANSGABON railway line (in Gabon - 7.0 million u.a.).

Total commitments in the form of loans on special terms amounted, at the end of the first half of 1974, to 70.2 million u.a. or 87.5% of repayable aid (80 million u.a.) allocated to the AASM from the third EDF.

41. There was essential close coordination between the Commission and the EIB with regard to discussion of methods of financing the projects presented for the third EDF and on the appraisal of projects for which they were responsible. The concerting of efforts was particularly evident in the case of loans on special terms or projects financed by the EIB from its own resources with interest rate subsidies granted from the resources of the EDF. It likewise applied to the terms of execution of projects also financed by contributions towards risk-capital formation.

PART II - EEC/ACP NEGOTIATIONS ON THE RENEWAL AND ENLARGEMENT OF THE ASSOCIATION

CHAPTER I

CALENDAR AND OBJECTIVES OF THE NEGOTIATIONS

42. The EEC/ACP negotiations were officially opened at a formal meeting in the Palais d'Egmont in Brussels on 25 and 26 July 1973 but real discussions did not begin until the autumn.

The negotiations took place at various levels:

- the Ministerial Conference which has held two meetings, on 16 and 17 October 1973 in Brussels and 25 and 26 July 1974 in Kingston;
- the Plenary Committee of Ambassadors and Plenipotentiaries, where the bulk of the discussions have taken place; the Committee held twenty meetings between autumn 1973 and December 1974;
- two groups of experts, one responsible for trade, the other for financial cooperation, working within their own terms of reference.

In parallel with these negotiations, several consultative conferences of ACP Foreign Ministers have been held and their conclusions approved by the Heads of State of the countries concerned.

43. The aim of the negotiations emerged fairly rapidly. As the President-in-Office of the Council of the Nine recalled at the Kingston meeting, association relations were to be given as comprehensive a form as possible by reaching an overall agreement covering trade in the widest sense and financial and technical cooperation, providing safeguards for the interests of the Associated States whose economies depend largely on exports of primary products. This agreement would be implemented in particular within the framework of joint institutions.

CHAPTER II

THE OUTCOME OF THE KINGSTON CONFERENCE (25 and 26 July 1974)

44. The Kingston Conference was a turningpoint in the negotiations in that the basic problems of the future Convention were genuinely stated in political terms and because there was a real political will, particularly on the part of the Community, to transcend the barrier of national egoism and make an effective overture to the ACP. The Conference did in fact reach conclusions making decisive new choices in the fields of trade cooperation, stabilization of export earnings of future associates and industrial cooperation.

45. (i) Stabilization of export earnings for ACP products is certainly the most important decision reached at the Conference. The text of the agreement is as follows:

(1) The Community and the ACP countries hereby decide, within the

framework of the new agreement, to implement a system of guarantees for stabilizing earnings from exports to the Community of products from the ACP countries.

(2) A list of products to which the provisions envisaged may apply will be drawn up by common consent in negotiations between the Community and the ACP countries.

(3) The eligibility criteria for products must not be defined in too restrictive a fashion and must take account of factors such as employment, decreases in export earnings, fluctuations on world markets affecting exports to third countries, the deterioration of the terms of trade between the ACP country concerned and the Community, the level of development of the country concerned and its particular difficulties resulting from its geographical situation. In this connection special measures will have to be taken in favour of land-locked countries, islands, and the least developed countries.

(4) In the event of there being a decrease in export earnings for one year due to fluctuations in prices or quantities, the country concerned will be entitled to ask for a financial transfer.

(5) The Commission will undertake the examination of this request and apply these measures in the light of criteria to be defined during the negotiations.

(6) No special conditions will be imposed as regards the use of these funds.

(7) The Commission will be informed each year of the way in which these funds have been used.

(8) The Community will take the necessary measures to ensure that transfers are effected as quickly as possible.

(9) The Community and the ACP countries agree to discuss within the framework of the present negotiations, the details and conditions for implementing these provisions, including the existence of a joint procedure for applying the agreed measures.

Having reached this agreement of principle, it remained for the negotiators to agree on operational arrangements and the list of products involved. This means that, after years of effort, a legitimate claim of the Associated States which the Joint Committee and the Parliamentary Conference of the Association had advocated with a good deal of courage and tenacity has finally been accepted. It is to the credit of the Community that it has responded to the anxiety felt by its partners by showing a real awareness of its responsibilities.

46. (ii) In the field of trade cooperation, guidelines on rules of origin have also been drawn up: the principle for determining origin is that of a change in tariff heading. It is also understood that where the required change in tariff heading does not take place, the product concerned can nevertheless be accepted as an originating product if the value added in the exporting country reaches a certain minimum percentage.

47. With regard to non-tariff barriers, the Community and the ACP countries have agreed on a consultation procedure in all cases where practical difficulties arise due either to existing regulations or to the harmonization of the regulations of the Member States of the Community. This is in order to find solutions which will minimize the effect of such a provision on the free access of ACP products to the Community markets.

48. Arrangements for imports of agricultural and processed agricultural products into the Community were also the subject of an agreement. The Community had proposed that trade arrangements should provide for free entry of most products from Associated States to the Community market, subject to special arrangements to be negotiated for agricultural products similar to and competitive with European products. In the case of the products listed in Annex II of the EEC Treaty which are covered by a common organization of the markets and of products imported on the basis of specific, invariable regulations of the common agricultural policy, the ACP countries would as a general rule benefit from a special system more favourable than that applied erga omnes, to third countries to be determined during negotiations product by product for the duration of the Convention and in accordance with decisions to be taken by the Council in due course. This means that in the case of the agricultural products referred to above there would be exemption from customs duty if the product was not subject to a Community provision or to more favourable arrangements than those applied to third countries for other agricultural products imported into the Community. The ACP countries hoped that the Community proposals on these arrangements for imports of agricultural products would go further, and the Community acknowledged the ACP countries' request; the latter feel that further improvements of the Community offer are necessary, in particular:

- in the case of products exported by countries which previously enjoyed special conditions of access to the United Kingdom market; these represent a large proportion of the exports of the countries in question;

- in the case of products for which there would be real possibilities for exports to the Community during the period in which the future Convention will apply.

On this basis, the Community was to examine these requests for improvement with the ACP countries during the remainder of the negotiations.

49. (3) Finally, the ACP countries and the EEC recognize the fundamental importance which must be given to industrial cooperation in the future agreement; a special chapter of the agreement will be devoted to this subject. The ACP countries have presented a memorandum to their partners on this.

CHAPTER III

SUMMARY OF PROGRESS MADE IN THE NEGOTIATIONS

50. Following the decisions reached in Kingston, and taking the other results into account, the present state of the negotiations is as follows at the time of writing (10 December 1974):

A. The preamble

The preamble, which is to establish the nature of the legal act, the nature of relations between the EEC and the ACP and the duration of the agreement, will be adopted by the final EEC/ACP Ministerial Conference on 13 and 14 January 1975.

However, it seems generally decided that the agreement will be global and single, since the countries listed in Protocol 22 have rejected the idea of separate trade agreements with the EEC. This is a gratifying development for the parties to the EEC/AASM Association, who hoped that this would be the case. The European Parliament, and our Parliamentary Conference, particularly hoped that the permanent nature of the cooperation undertaken would be entered in the preamble of the future Convention as an expression of the resolve of the partners to continue indefinitely their efforts towards economic, social and cultural progress in their countries. This permanent structure of EEC/ACP relations could be laid down while making provision for a review after five years of the operational arrangements of the agreement in order to take account of the new dimensions of the partnership and any adaptations which it may require, the nature and extent of which will only emerge clearly from experience.

B. Trade arrangements and trade preferences:

51. The Nine have definitively abandoned reciprocity in the preferences they grant their partners. They have therefore proposed defining trade arrangements in the following terms:

(1) The objective of the Convention is to promote mutual trade taking into account the level of development of the contracting parties and the need to ensure that the arrangements concluded between these contracting parties are as stable as possible and not liable to be questioned by third countries on the grounds that they conflict with GATT.

(2) The contracting parties grant each other, for both imports and exports, most favoured nation treatment.

On the wording of this point, a divergence still existed between the ACP and the Community as regards the application by the ACP of the most favoured nation clause to imports from the EEC. This difference of opinion, which aroused great concern amongst the EEC representatives, was to be settled at the final Ministerial Conference in January.

(3) The Community, from the date of entry into force of the Convention, grants free access to its markets for the majority of products from the ACP States.

(4) In view of the stage reached in their development, the ACP States are not required to accept any corresponding obligation.

The ACP States may also derogate from the most favoured nation clause in favour of other developing countries.

(5) The ACP countries undertake not to discriminate between Member States, including their commercial operators and their nationals, and to take the necessary measures to ensure that their public organizations do likewise.

52. As regards rules of origin, the EEC largely accepted the request of the ACP concerning full cumulation of origin, i.e. the fact that a product passing through several ACP countries in succession would be considered as originating in the last country. This is tantamount to treating the ACP as a single customs area. The general principle having been accepted, it remained to decide the exceptions to this arrangement in more detail.

53. Import arrangements for sugar originating in ACP countries

In the context of a new policy for the stabilization of ACP export revenue, the EEC has undertaken to draw up special regulations for sugar from the ACP, dealing with the dual problem of the volume of imports into the Community and especially the prices to be paid to producers.

Under the terms of Protocol No. 22, part III, the Community's commitments are the following:

'The Community will have as its firm purpose the safeguarding of the interests of all the countries referred to in this Protocol¹ whose economies depend to a considerable extent on the export of primary products, and particularly of sugar. The question of sugar will be settled within this framework, bearing in mind with regard to exports of sugar the importance of this product for the economies of several of those countries and of the Commonwealth countries in particular.'

This formal undertaking by the Community was explicit and concerned countries to which sugar production is of vital importance. The decision to be taken came under the Community's development aid policy. In quantitative terms, these commitments mean, as proposed by the EEC Commission and the European Parliament, that the Community will undertake to import 1,400,000 tons of sugar from developing countries which are members of the Commonwealth Sugar Agreement (CSA), and from Surinam, Madagascar and the Congo. This tonnage must be viewed against production and consumption levels in the enlarged Community of approximately 10 million tons for the marketing year 1974/1975.

54. In a resolution adopted by the European Parliament on 5 April, 1974, following a report submitted by Sir Douglas DODDS-PARKER the European Parliament considered:

- 'that the Community should guarantee access for imports of 1,400,000 tons of cane sugar from the developing countries referred to above;
- that the price at which this quantity is imported should be such as to assure reasonable export earnings to the producer countries;

¹ Barbados, Botswana, Fiji, Gambia, Ghana, Guyana, Mauritius, Jamaica, Kenya, Lesotho, Malawi, Nigeria, Uganda, Western Samoa, Sierra Leone, Swaziland, Tanzania, Tonga, Trinidad and Tobago, Zambia.

- that the proposed commitment by the Community to guarantee access for imports of 1.4 million tons from the developing countries should be matched by a commitment by these countries to supply such quantities; failure to do so by one country could be made good by additional supplies from one or more of the other developing countries involved, depending on their capacity to export;
- that, if sugar-cane production were to increase in those countries in which it constitutes the main source of income, these countries should be helped, where practicable, to establish a refining industry of their own rather than allowing this additional production to increase the manufacturing potential of the industrialized countries.¹

55. This last point means that it is accepted that producer developing countries may increase the market value of their raw sugar production in their own country by exporting refined sugar to their main buyers. These on the spot processing operations for raw sugar should be introduced gradually in order to allow European countries with high refining capacity adapted specifically to Commonwealth raw sugars to convert to other activities.

56. As a result of a decision taken by the EEC Council, on 20 November 1974, the Community had stated its readiness, within the framework of a long-term agreement, to purchase annually 1,400,000 tons of white sugar equivalent from developing countries which are members of the Commonwealth Sugar Agreement, and from Surinam, Madagascar and the Congo, at a guaranteed price (c.i.f. European ports). The prices offered by the EEC would be fixed within the European price bracket². They would be guaranteed for seven years with the possibility of an annual price review. The UK would have the opportunity, during the first year, of bilaterally guaranteeing a higher price to its

¹ OJ No. C 48, 25 April 1974

² Limits within which the guaranteed prices for 1975 must be negotiated: for unrefined sugar, standard quality in bulk, c.i.f. European ports -

lower limit: 21 units of account per 100 kg.^{*}
(= £122.5 per gross ton)^{**}

upper limit: 25 units of account per 100 kg.^{***}
(= £145 per gross ton)^{***}

^{*} based on the intervention price for white sugar in force on 1.1.1975 for Northern France.

^{**} based on £1 = 2.0053 units of account, taking into consideration an effective depreciation of 14.2% of the market exchange rate of the pound on 13.12.1974.

^{***} based on the intervention price applicable to the United Kingdom from 1.7.1975 after inclusion of the increase of 16% proposed by the Commission to the Council.

traditional Commonwealth suppliers. In exchange for these guarantees the ACP producers would undertake to supply to the EEC with the agreed quantities. This meant that the ACP exporters would be able to negotiate their sugar dealings directly with EEC importers under free market conditions - at prices which could be very high in a period of shortage - and in any case, a minimum price would be guaranteed within the limits of European prices.

In the view of the European representatives, this offer was generous insofar as the guaranteed purchase they proposed in exchange for the guarantee of supply would involve a price linked to the Community price and would therefore represent a guarantee against inflation. Community prices are reviewed annually so that they provide an adequate incentive for Community beet producers. Thus, for the first time in world history, the developing countries were offered a guaranteed system of prices directly geared to the internal prices of the industrialized world. In the words of Mr Cheysson, 'this is an innovation as important as the sliding wage-scale'.

57. Without underestimating the value of the Community offer, the ACP spokesman, at a meeting held on 15 December 1974, emphasized the fact that direct income from sugar was a vital element in ensuring a reasonable standard of living in the producing countries. Thus, taking into account the current level of world prices, the ACP can accept the renunciation of guaranteed immediate benefits in favour of a long-term guarantee, but ask for the world prices to act as an index when the ACP fix their prices with the Community.

This crucial point of prices to be paid to ACP sugar producers must also be dealt with at the January Ministerial Conference.

58. The specific problem of banana exports

On the initiative of the Somali Government the ACP countries presented a brief memorandum on exports of bananas, which are encountering serious obstacles on the Community market. The problem was one of quantitative restrictions, consumption taxes, non-preferential treatment on the markets of certain Member States and competition from foreign monopolies. The memorandum took account in particular of anxiety expressed by the Caribbean banana exporting States who wish to retain their access to the British market.

59. Finally, as regards the import arrangements for agricultural products from the ACP, certain problems still existed in connection with a very limited number of products. For 83.7% of products exported by the ACP, the Community grants exemption from customs duties, freedom from quotas and complete freedom of access. Sugar accounts for 12% of ACP exports and will be subject to special arrangements which are likely to be extremely favourable. Discussions thus concerned 4% of ACP exports which are products similar to and competitive with European products subject to common organization of the market. In particular, this includes beef and veal exports from Botswana

(8,500 tons) and cut flowers from Tanzania. Agreement on these products was to be reached at ministerial level.

C. Stabilization of ACP export earnings

60. The basis for the stabilization arrangements was laid down at Kingston (see para. 45).

At the time of writing, the negotiators still had to settle:

- the limits within which the EEC guarantee would operate,
- the list of products eligible for the guarantee,
- the conditions under which the guarantee would come into operation, and, possibly, reimbursement procedures.

The maximum amount of the fund was to be fixed at the same time as the overall package of aid offered by the EEC to the ACP. As for the list of products, it seems that the EEC was prepared to allow the arrangement to cover: groundnuts, cocoa, coffee, cotton, coconut, palm oil, palm nuts and kernels, leather and skins, bovine products, sheep and goat products, wood, bananas, tea and sisal. For their part, the ACP would like the list to be extended to other products falling within the common policy: fruit and vegetables, tobacco, beef and veal, and also various ores - magnesium, iron, copper and bauxite.

A difference of opinion still remained regarding the reimbursement of payments made from the guarantee fund. The EEC considered that the ACP beneficiaries should contribute to the reconstitution of funds placed at their disposal, although in certain cases, exceptions to this rule would be permitted. The ACP found the principle of reimbursement quite unacceptable.

An agreement on these three points was to be reached at the final Ministerial Conference.

61. Differences regarding operational arrangements such as the list of products involved, should not obscure the fundamental importance of the principle of stabilizing export earnings, which is fully realized by the ACP. As Mr Claud CHEYSSON stated during a very important debate held in the European Parliament on 10 December on a report submitted by Miss FLESCH: 'The recognition by the EEC of the right to compensation of the proletarian nations for a drop in earnings from a particular product, seems to us to be as important as the recognition, within our own society, of the right of our proletariat to compensation for unemployment or sickness'.

This initial step towards greater fairness in economic relations between rich nations and 'proletarian' nations establishes a precedent. It may pave the way to further steps requested by the ACP, in particular the indexing of prices for their products, i.e. guaranteed purchasing power going beyond the

stabilization of nominal earnings. This particular idea did not meet with the approval of the Nine who considered it must be dealt with under world agreements, and who felt that at the present time the Community could not pay a higher price for its raw materials than other industrialized countries without being placed at a disadvantage in competition.

D. Financial and technical cooperation

Volume of aid

62. On the basis of the initial criteria announced at the opening of the negotiations, i.e. maintenance of acquired benefits for the AASM and equivalent status with the AASM for the new associated States, the two parties considered the question of the volume of aid.

The Nine agreed in July that their spokesman would announce the Community's intention to 'triple the amount of the EDF' in Kingston. A quick calculation would therefore give the figure of 2,700 million u.a. over 5 years (including contributions to non-independent overseas countries and territories). This tripling should be viewed against the background of the near threefold enlargement of the population of the associated States (180 million for the 44 ACP countries). To this must be added EIB aid included in the '1,000 million u.a.' linked to the Second Yaoundé Convention which would supplement the figure envisaged by the Nine.

63. In the view of the ACP countries, maintenance of the existing position should take account of the real purchasing power of the aid which should therefore be indexed to increases in the cost of living. The Community should also take into account the real economic and social development needs of the countries. This means firstly that aid should increase as a function of population growth from 1975 onwards, with an estimated growth rate of 2.5% per annum. It should also increase as a function of an estimated average rate of inflation of about 10%. The aid should also be adjusted in the light of the treatment to be given to the less advanced countries without prejudice to the level of aid to be granted to the new ACP countries. On the basis of these criteria, the ACP representative stated in Kingston that the 4th EDF should be of the order of 8,000 million u.a.

64. The EEC spokesman immediately pointed out that these orders of magnitude were definitely not compatible with the financial situation of the EEC Member States. Since then, discussions have continued within the EEC to determine the amount of the European Development Fund, the share to be paid by each of the Nine and the fixing of the unit of account to be used in calculating the EEC contributions.

65. The problem of the possible introduction of the European Development Fund into the budget is the responsibility of the Community. What is important to the ACP, on the other hand, is to know the overall amount of aid that they may count upon over the entire period of application of the new Convention. If, in addition to the basic amount, the EEC proposed some sort of indexation of aid related to any increase in the Community's own resources, the ACP would certainly be in favour.

Given the political importance of the question, the overall volume of aid for the European Development Fund, the export revenue stabilization fund and European Investment Bank projects remained to be defined, and were to be decided at the last moment by the Ministerial Conference in January.

66. With regard to the management of the EDF, the question of more equal sharing of authority by both sides was also raised by the ACP countries. At present, and on the basis of guidelines on technical and financial cooperation laid down by the Association Council, considerable concertation of effort already exists between the EEC as manager of the EDF and the associated States. The choice of development objectives is a matter for each State and the projects a State submits to the EEC Council are framed by the State itself. Those responsible for the EDF must always respect the priorities indicated by the governments of the associated States.

67. To improve coordination at the level of project studies even further, 'programming missions' have been created within the framework of the 2nd Convention, in the course of which government and EDF officials responsible review objectives and all the projects which the Governments wish to have financed. They establish jointly the criteria to be applied by the two parties with regard to the admissibility of projects. The provision for these programming missions should be maintained in the 3rd Convention but improved in the light of experience.

68. At the level of the appraisal of these projects, financing proposals are made by the EEC Commission. If difficulties arise, there are formal consultations with qualified representatives of the associated State concerned. Subsequently, and before the Commission proposals are forwarded to the EDF Committee for consideration, the officials responsible at the EEC Commission must always inform the representatives of the associated State concerned of the proposals in question, to give them an opportunity to state their objections.

69. The membership of the EDF Committee - which comprises only the representatives of the Nine Member States and of the Commission - was questioned by the ACP countries, who wanted their own representatives to participate. This procedure gives rise to difficulties on the European side, which the negotiators will be called on to resolve. It should, however, be possible to envisage improvements in current consultation procedures at the level of the EDF Committee. If the Committee is not favourably disposed to proposals for the financing of a project submitted by the Commission with the agreement of the State concerned, the latter, or the Secretary-General of the ACP, should be allowed to appear before the Committee to explain and justify a project. This would open an additional course of action to the associated States in the event of the EDF Committee withholding its consent.

70. With regard to the duties of the resident supervisor of the EDF, the ACP have requested that his role be radically altered in the implementation of projects. The Community representative supported a modification of the role of the resident supervisor: he should carry out less supervisory work and act increasingly as an adviser to the associated States.

E. Industrial cooperation

71. Industrial cooperation will constitute a new chapter in the future Convention, on the basis of a memorandum submitted to the Kingston Conference by the ACP. In the opinion of the ACP countries cooperation presupposes access to the industrial knowledge of the EEC, adaptation of technology to ACP needs, a better division of labour between the European countries and the ACP and the conclusion of agreements designed to reconcile the interests of European private industry and investors with policy on the control of industrial structures within the framework of the development plans of the different associated States. After reviewing the level of industrialization in their countries, the AASM have become aware of the weakness of their achievements over the past 15 years and of the extent of the financial burden imposed by the need to import raw materials, finance and technology (licence fees) and skilled personnel. The ACP also noted that industrialization dependent on foreign technology relies mainly on invested capital and creates little employment. ACP exporting industries encountered tariff and non-tariff barriers, marketing problems, and even competition from the parent companies.

72. According to the memorandum, the objectives of industrial cooperation should be the following:

(1) to create a suitable background for the industrial development of the ACP and stimulate better distribution of industry both within the various countries and between them;

(2) to speed up the transfer of technology to the ACP countries and encourage the adaptation of technology to their special needs;

(3) to increase the links between industry and other sectors of the economy, especially agriculture;

(4) to promote the marketing of ACP industrial products by various means (sub-contracting, licence agreements and joint undertakings), in order to create direct links between European and ACP undertakings;

(5) to increase the industrial research capacity of the ACP countries, and industrial training at every level.

73. The Nine readily agreed to the general outline given by the ACP. Industrial cooperation will be covered by a separate chapter in the Convention.

The Community expressed its readiness to stimulate, by every means at its disposal under the Convention (trade policy, finance, technical assistance, information and industrial expansion), industrialization in the ACP countries and to throw open its markets to their exports of manufactured products. The Community also signified its support for special measures to benefit small and medium undertakings, in accordance with ACP wishes.

On the other hand, the Community pointed out that the request of the ACP countries concerning 'the creation of new industrial and trade links between Europe and the ACP in order to achieve a better distribution of labour' raised delicate problems for the Member States.

74. As regards the Community system guaranteeing private investment against political risk in order to encourage investment in the ACP, this item was dropped from the negotiations owing to the lack of progress made in the Council of the European Communities.

75. As to the reception given to private investment, the EEC representative stressed the lack of any reference in the ACP memorandum to the 'reception climate' to be offered to investors, which is regarded as crucial by the Nine. Indeed, the creation of this 'climate' constitutes a precondition for the cooperation of private operators and justifies a guarantee on the part of the ACP of a 'good conduct clause', without which industrial cooperation might remain indefinitely in abeyance.

This delicate matter remained to be settled at ministerial level.

76. The European representatives did not conceal the lack of means available to the authorities to encourage the private sector to show an active interest in the ACP. It would be up to the ACP and the European countries to act with imagination, common-sense and mutual confidence in order to give full effect to what was to become an important chapter of the new Convention.

F. The institutions

77. The institutional provisions gave the EEC/AASM Association an entirely original structure. They enabled regular talks to be held between the partners on a basis of complete equality. The existence of joint bodies at different levels - Council of the Association and Association Committee, Parliamentary Conference and Joint Committee - enabled all the partners, the Europeans, the Africans, the Madagascans and the Mauritians, to make their views heard in a suitable forum, to define the particular problems encountered in their respective countries in the areas connected with the application of the Convention, and to work together to find adequate solutions.

78. In the light of past experience, the EEC representative proposed during negotiations that the ACP should envisage:

(1) A decision-making and administrative institution to take the necessary decisions or adopt recommendations concerned with the implementation of the Convention, and to hold the consultations provided for in the latter. These consultations would take on greater importance, and the Nine or the ACP States would have to reconsider their position if it came in for criticism.

The institution would regularly examine the results of cooperation on the basis of reports. In particular, it would be able to hold discussions on matters with direct consequences for sectors covered by the new Convention. It could also discuss other economic or technical matters of common interest.

The decision-making and administrative institution could comprise the following elements:

- at ministerial level : it would consist of members of the Council and Commission of the EEC together with a member of the Government of each ACP State. In principle it would meet once a year and lay down guidelines for action to be undertaken and take the necessary decisions in areas covered by the Association;
- at Ambassadorial level : it would lay the basis for ministerial work and ensure the continuity of institutional action at this level by delegating the powers vested in it.

(2) An institution representing the peoples of the Association which would have joint membership and would take the place of the existing Parliamentary Conference of the Association. Its work would be prepared by a smaller Joint Committee.

(3) Consultation procedures : in order to facilitate the consultation of economic and social groupings in the Community and the ACP States, provision could also be made for the setting up of ad hoc consultative bodies.

79. Although the institutional question met with broad agreement on the part of the negotiators, the final acceptance of the institutional chapter has been reserved for the Ministers in view of the political nature of the decision.

80. The representatives of the Associated States under the current EEC/AASM Convention, who are deeply attached to the institutions of the Association, especially the parliamentary bodies, will strongly advocate the setting up of such institutions during the final round of negotiations. It is necessary, in particular, to set up a body representing the member peoples of the Association, jointly composed of members of the European Parliament and representatives of the ACP States. This institution would be empowered to adopt resolutions on the various matters covered by the new Convention on the basis of an annual report submitted by the decision-making and administrative body.

Like the Parliamentary Conference of the Association and its Joint Committee in the past it could be a driving force behind the new Convention as well as a political supervisory body ensuring proper application of the Convention. The members of the EEC/AASM Parliamentary Conference and its Joint Committee especially valued the ties of friendship which have grown up between the representatives of the Associated States and the Member States. As Miss FLESCH stated in a recent report submitted to the European Parliament¹ 'a climate of trust and fellowship has developed ... and this is having a favourable effect on the political ties ... The permanent dialogue in the parliamentary institutions of the Association ... has contributed to the development of a fruitful and permanent cooperation.'

81. The role of the Joint Committee which prepares the work of the annual Conference has been particularly useful. Given the large number of parties to the new Convention, a satisfactory compromise will have to be found, with the agreement of all the ACP partners, regarding the composition of this Committee and the number of members - which should not be too great if this organ is to work effectively as the cornerstone of a representative body of the peoples of the Association.

¹ Doc. 388/74 - Report on the negotiations between the EEC and the ACP countries on the renewal and enlargement of the Association (paragraph 72).

CHAPTER IV -

TRANSITIONAL MEASURES

82. After the signature of the new Convention which will take place at the end of January at the earliest, i.e. on the expiry date of Yaoundé II, the procedures for the ratification of the Convention by the fifty-four¹ signatory States will begin. These procedures, which vary in complexity between various States, will inevitably be long and may take several months, or even a year.

Thus, in order to avoid a gap between the former EEC/AASM, EEC/EASTAF Association Conventions and the new EEC/ACP Convention, it is necessary to make provision for a number of transitional measures taking effect from 1 February 1975 until the entry into force of the new Convention, which will be on the first day following the submission of the last instruments of ratification. In view of this, the EEC Commission proposes to submit to the Council, for subsequent discussion with the Associated States, the following proposals.

The measures envisaged must cover relations between the Community and:

- The AASM (Yaoundé Convention, Article 52)
- The East African States (Arusha Agreement, Article 36)
- The other countries listed in Protocol No 22 (Treaty of Accession, Article 115(3))
- Overseas countries and territories (EEC Council Decision of 29 September 1970, Article 39)
- The dependencies (Treaty of Accession, Article 119(3))
- Certain associable third countries taking part in the EEC/ACP negotiations.

83. The EEC Commission considers that the best solution would be to apply certain provisions of the future EEC/ACP Convention in anticipation, particularly in the commercial sector. However, some time would be required to adopt the necessary technical measures and regulations. Under these circumstances it would be advisable to proceed in two transitional stages:

(1) On signing the Convention, the contracting parties should agree on the date from which certain provisions of the new Convention, to be listed in an interim agreement, would be applied in anticipation.

¹ Guinea-Bissao recently joined the 44 ACP

(2) Between 1 February 1975 and a date to be agreed, a 'status quo' system should be envisaged - for an initial transitional stage - extending certain provisions deriving from the systems in force on the basis of the legal acts indicated above.

As regards certain associable third countries taking part in the negotiations, there is no need for a decision in this connection because they will continue to be treated as third countries during the initial stage.

84. Status quo system (first transitional stage)

(1) As regards the AASM: the Association Council would have to take a decision extending the trade arrangements covered by Title I of the Yaoundé Convention and Protocols 1-5, supplemented by implementing measures decided by the Association Council. As to financial and technical cooperation, the provisions of Title II of the Yaoundé Convention, Protocols 6 and 7 and Annexes IV and XII, would remain applicable beyond 31 January 1975. The commitment of the balance of the Third EDF for the benefit of the AASM, does not require special decisions. It is covered by the internal financial agreement governing the Fund. As regards interventions by the European Investment Bank, the Community could, as it did between the two Yaoundé Conventions, request the EIB to continue to commit its own resources for the benefit of the AASM insofar as the ceiling of 98 million u.a. was not reached by 31 January 1975, which is the case.

The following provisions would also be kept in force beyond 31 January 1975:

- those concerning establishment, services, payments and capital,
- those concerning institutions,
- certain general and final provisions,
- decisions taken by the Association Council.

(2) As regards the East African States: the provisions on trade under Title I of the Arusha Agreement, Protocols 1-5 and Annexes I-VI, together with decisions taken by the Association Council for the application of these provisions, would be extended on the basis of a decision taken by the EEC/EASTAF Association Council. Other provisions concerning establishment, services, payments and capital, institutions and certain final and general provisions would also be extended.

(3) As regards the overseas countries and territories: a decision taken by the Council of the European Communities could extend Titles I-III, Article 38, the Annexes of the Council decision of 29 September 1970, until such time as certain provisions of the EEC/ACP Convention came into force in anticipation.

(4) For the countries and territories listed in Article 24 of the Act of Accession and for the States listed in Article 100 of the Act of Accession, a decision of the EEC Council could, in accordance with Articles 155(3) and 119(3), extend the status quo arrangements provided for under these articles until the entry into force in anticipation of certain provisions of the EEC/ACP Convention.

85. Interim system providing for the anticipatory implementation of certain provisions of the EEC/ACP Convention (second transitional stage)

(1) As regards the ACP States: if the contracting parties agree to the adoption of an interim agreement implementing in anticipation, at a date to be decided and after an initial status quo stage, certain provisions of the EEC/ACP Convention, the Commission will submit proposals in good time, with regard to trade in particular. Furthermore, other transitional measures could be adopted, by agreement with the ACP states, to cover financial and technical cooperation, but only to prepare for the introduction of the 4th EDF by proceeding with the planning of Community aid in cooperation with the responsible authorities in each ACP State; projects could be advanced as far as the stage of preparation of decisions on financing. This would make it possible to save time and implement financing decisions taken immediately after the entry into force of the Convention following the submission of the instruments of ratification. It would also be advisable for the interim agreement to make provision for the creation of an 'interim committee' whose work would cover the draft Rules of Procedure for the Association Council and Committee, the procedure for submitting the Convention to GATT, the preparation for the implementation of rules on origin, the system for the stabilization of export revenue, and industrial and commercial cooperation.

(2) As regards overseas countries and territories (including the countries and territories covered by Article 24 of the Act of Accession) conditions similar to those governing relations with ACP States will have to be laid down by a decision of the EEC Council.

86. To sum up, as regards the parliamentary bodies of the EEC/AASM Association, and also the EEC/EASTAF Association, the status quo would be extended until the effective entry into force of the new Convention following ratification. During the interim period, however, the Conference and its Joint Committee will have to prepare the setting up of new bodies representing the peoples of the Association, and should invite the ACP delegates to take part in the work as is already its practice.

CHAPTER V -

CONCLUSIONS

87. The period under review marked a turning point in the history of the EEC/AASM. First of all, the international context and the general economic circumstances surrounding relations between the EEC and its associates underwent a profound and lasting change. In addition, the opening of negotiations between the Nine, the Nineteen AASM and the new states of Africa, the Pacific and the Caribbean, gives the future enlarged Convention an added dimension in every field. Nevertheless, the basis of the EEC/AASM Association, which lent a completely original and exemplary character to cooperation, remains intact and is even improved in the direction of more equitable economic relations between the European partners and the ACP countries.

88. The sudden halt in growth in the European countries marking the beginning of a serious economic crisis, and the splintering of the Third World into new categories referred to by economists as 'wealthy', 'emerging' and 'proletarian' should create a new solidarity based on economic interdependence and respect for mutual interests. Whatever the extent of the crisis which the European countries are going through and which is threatening employment and the standard of living of their citizens, the Member States of the Community have shown that they are capable of acting with imagination and generosity and going still further in their policy of development aid. The stabilization of the market price of raw materials which has frequently been debated in the various international bodies for many years will at last become a reality as a result of the guarantee provided by a compensation fund to cover any drop in prices of products vital to the economy of the ACP States. This is a considerable innovation insofar as it constitutes a precedent which should lead to genuine world agreements for various products. This should demonstrate the full scope of the agreement to be signed between the Nine and the forty-five ACP countries. The mutual awareness of genuine solidarity between all the partners should make it possible for the forty-five States to achieve results in the international bodies in the general interest of all developing countries. Thus if the forty-five States could constitute a united front in the specialized bodies of the United Nations in order to define practical and fair procedures for world agreements on various products - following the model of the agreements they propose to draw up between each other - there is no doubt that the strength of each of these countries and the entire grouping would make it possible to achieve success where previous scattered efforts have failed in face of the selfishness of certain major powers. Furthermore, joint action could also aim at priority objectives such as the constitution of food reserves and agricultural planning in order to ensure some hope of improved conditions for the most deprived peoples.

89. It is important for the European countries, which are poor in raw materials and primary products and need to redress their balance of payments, to extend their markets in the direction of the new countries, i.e. the ACP, just as it is important for the latter to obtain a sufficient inflow of capital to ensure their development as a result of the opening of the European markets to their manufactured products. Similarly, the guaranteed stabilization of export earnings proposed by the EEC must be met by a guarantee of supplies from the ACP producers.

90. Thus the creation of a new economic order, based on more equitable economic relations, emerges as one of the major aspects of the future Association. Current events will demonstrate more than ever before the realistic nature of the cooperation to be entered into by the Community and the ACP countries, based on mutual respect of each others' interests. The will to cooperate reflects a fundamental political choice; the aim is economic, financial, technical and cultural cooperation based on full respect for the independence and integrity of each of the signatory States.

