european community
BACKGROUND INFORMATION

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BACKGROUND NOTE

No. 6/1975 REVISED

February 13, 1975

ACP TREATY READY FOR SIGNATURE

The following replaces our background note No. 6, February 3, 1975.

Washington, D.C. -- An historic trade and aid pact linking the nine European Community nations and 46 developing countries is scheduled for signature at Lome, Togo, on February 28. Negotiations for the five year treaty -- to be known as the Lome Convention -- were completed at the ambassadorial level, in Brussels January 31. The pact has been forwarded to the EC Council of Ministers and the ministers of the African, Caribbean, and Pacific (ACP) countries for approval.

ACP spokesman Babacar Ba of Senegal said, after the final 24 hour negotiating session, that the February 11 ACP ministerial meeting in Accra would be essentially a formality.

The Lome Convention will supersede the First Yaounde Convention, signed at Yaounde, Cameroon on June 1, 1964, the Second Yaounde Convention, signed in the Cameroonian capital July 29, 1969, and the Arusha Convention, signed in that Tanzanian provincial city on September 24, 1969. "Yaounde I," linking 18 former French and Italian colonies in Africa to the then six-nation European Community, was renewed for another five years by "Yaounde II." After achieving independence, the British former colony of Mauritius adhered on June 30, 1973. These conventions preserved traditional economic and trade ties between Community members and former dependencies. The Lome Convention consolidates these arrangements and extends them to Commonwealth African, Caribbean, and Pacific developing countries.

The Arusha Convention, signed with the East African Community nations (Kenya, Uganda, and Tanzania), ran concurrently with Yaounde II. The Arusha Convention was limited to trade. The Yaounde Conventions included financial and technical cooperation chapters. An association agreement signed with Nigeria in 1966 was never ratified by Nigeria, where civil war broke out that year.

Following the Community's enlargement to nine nations on January 1, 1973, by the adhesion of Britain, Denmark, and Ireland, the Common Market proposed an expanded Yaounde-type agreement that would embrace the 19 Yaounde countries, 21 Commonwealth countries in the ACP areas, and six other independent sub-Sahara African countries. Negotiations began July 24, 1973, in Brussels. The major breakthrough toward agreement was achieved at a ministerial meeting of the ACP countries in Kingston, Jamaica, on July 29, 1974. On this occasion EC Commissioner Claude Cheysson, the Common Market's chief negotiator, agreed not to seek reverse preferences and to set up a compensation fund to guarantee the export prices of certain tropical raw materials on which some countries are heavily dependent.

What an EC statement calls "one of the most complex negotiations ever undertaken by the Community" links over a quarter-billion Europeans to 268 million people in the Third World. Eighteen of the 46 ACP countries are on the United Nations list of "poorest" countries. The average per capita GNP for the 18 was $148 in 1971. The 1971 average for the EC-Nine was $2,743. In 1970, the 46 countries sent 54 per cent of their exports to the Nine, which provided nearly 44 per cent of their imports.

The treaty will have six main parts:

1. Terms of Trade and Commercial Cooperation

Ninety-six per cent of ACP agricultural exports (of which 12 per cent is sugar) will enter the Community free of import duties and quotas. The remaining four per cent of ACP farm exports will get EC preferential treatment.

The ACP countries will give the Nine no "reverse preferences," but will give them most favored nation (MFN) treatment and will not discriminate between EC member states.

The EC has agreed to liberalize the rules of origin for ACP products, notably by considering the 46 countries as a single exporting unit.

2. Export Revenue Stabilization

The most innovative element in the new convention is the export earnings stabilization plan. Over 375 million units of account (UA) will be set aside to aid countries heavily dependent on the export of certain raw materials and agricultural items, to protect against price and production level fluctuations. (One UA equals $1.20635 at current rates.) When receipts drop by a certain percentage, countries can request compensation. The mechanism triggering the fund will operate sooner for the poorest countries, which will not have to reimburse the fund. In principle, certain ACP associate states must repay these earnings when the price rises.

Products affected include: peanuts, cocoa, coffee, cotton, coconuts, palm nuts a kernels, hides and skins, timber products, bananas, tea, raw sisal, and iron ore.

3. Sugar

This section, hammered out at a special additional meeting on February 1, guarantees purchase and supply by both parties of fixed quantities of sugar. Each producing country will have a quota, within an ACP maximum total of 1,400,000 tons. Quotas for the first half of 1975 will total 400,000 tons. The current EC guaranteed minimum price will be negotiated annually according to a certain price scale in the Community (currently around $150).

If a producer country fails to meet its quota for reasons other than force majeure, its quota would be reduced -- and the deducted portion may be redistributed to other ACP producer countries -- for the remaining period of the convention.

Unlike the rest of the five-year pact, the sugar chapter has an indefinite life span. It could be canceled by either side at two years notice, but not earlier than the expiry of the Lome agreement, giving the sugar clauses a minimum life of seven years. Under present EC rules, a cancellation decision by the Community would require a unanimous decision of the Council of Ministers.

4. Financial and Technical Cooperation

Community aid to the ACP countries during the life of the treaty will total UA 3.390 billion -- more than triple the amount provided under the Second Yaounde Convention. This will include the UA 375 million export stabilization fund and about UA 2.625 billion in financial aid. The financial aid figure will break down as follows: About UA 2.1 billion in grants, UA 430 million in special loans, and UA 95 million in risk capital. Additionally, the Community will make available UA 390 million in European Investment Bank loans.

The ACP will play a greater role than did the Yaounde Associates in the preparation and management of aid projects, which will stress regional programs, the development of small and medium enterprises, and special measures for the poorest countries.

5. Industrial Cooperation

To help ACP countries develop and diversify their industrial capacity, an Industrial Cooperation Committee and an Industrial Development Center will be set up to promote the exchange of industrial knowhow.

6. Implementation

As under the Yaounde agreements, management of the Lome Convention will be through ministerial and ambassadorial councils -- with the EC and the 46 ACP associates having equal representation -- and a consultative assembly of parliamentarians from both sides, also on a basis of parity.

The 46 ACP countries negotiating the Lome Convention are:

Bahamas, Barbados, Botswana, Burundi, Cameroon, Centrafrican Republic, Chad, Congo-Brazzaville, Dahomey, Equatorial Guinea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Ivory Coast, Jamaica, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Tonga, Trinidad, Uganda, Voltaic Republic, Western Samoa, Zaire, Zambia.

The nine EC countries are:

Belgium, Britain, Denmark, France, Holland, Germany, Ireland, Italy, and Luxembourg.