THE FOURTH LOMÉ CONVENTION

AFTER THE
1995 MID-TERM REVIEW
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I. THE FOURTH LOMÉ CONVENTION: GENERAL SURVEY

LEGAL BASIS: Article 238 of the EEC Treaty.

OBJECTIVES: To promote the economic, social and cultural development of the ACP States and to establish close cooperation in a spirit of complete equality. To create a model for relations between developed and developing countries with a view to a just and more equitable world economic order.

PREVIOUS AGREEMENTS:
- Part Four of the Treaty of Rome, together with an implementing convention, governed relations between the EEC and the overseas countries and territories (OCT).
- After these countries gained independence the 18 and later 19 African States, Madagascar and Mauritius (ASMM) became associated with the EEC under the two Yaoundé Conventions (1.6.1964-1.6.1969 and 1.1.1971-31.1.1975).
- The agreement with Nigeria, signed in Lagos on 16 July 1966, was never ratified and did not enter into force.
- Protocol 22 to the Acts of Accession of the United Kingdom, Ireland and Denmark offered 20 Commonwealth countries in Africa, the Caribbean and the Pacific, the possibility of negotiating with the EEC the organization of their future relations. This possibility was also offered to other African states which were not members of the Commonwealth or the ASMM.
- This led to the First Lomé Convention (28.2.1975-1.3.1980) which was signed on 28 February 1975 and came into force on 1 April 1976.
- The Second Lomé Convention was signed on 31 October 1979 for a period of five years and entered into force on 1 January 1981.
- The Third Lomé Convention was signed on 8 December 1984 for a period of five years (expiry date: 28 February 1990). It officially entered into force on 1 May 1986.
- The Fourth Lomé Convention was signed on 15 December 1989 for a period of 10 years (opportunity for amendment after 5 years) and entered into force on 1 March 1990; the financial protocol was adopted for only five years.
- The amended text of the convention following the mid-term review and the second financial protocol to Lomé IV was signed on 4 November 1995 in Mauritius.

PARTIES TO THE CONVENTION

70 ACP countries (Eritrea has joined the 69 States which were already members) and the Community countries which now number 15. Negotiations are in progress on the accession of South Africa (Art. 364). Somalia, which has not ratified Lomé IV, has the option of rejoining the convention if it wishes to do so (Art. 364a).

AREAS OF COOPERATION:
- the environment,
- agricultural cooperation, food security and rural development, including the combating of drought and desertification,
- development of fisheries,
- debt and structural adjustment,
- cooperation on commodities,
- industrial development (manufacturing and processing) in conjunction with the development of undertakings,
- mining and energy development,
- the development of services, including tourism, transport, communications and data-processing,
- trade development,
- cultural and social cooperation,
- regional cooperation.

INSTRUMENTS OF COOPERATION

Trading and trade cooperation arrangements: practically all products originating in the ACP States (99.5%) have free access to the Community. Reciprocal arrangements are not compulsory; the ACP countries are merely required to guarantee the EEC the benefit of the most-favoured-nation clause.

Stabilization of export earnings (Stabex): The new Stabex has been allocated ECU 1,800 million. It guarantees the ACP countries a certain level of export earnings by protecting the latter against the fluctuations to which they would normally be subject as a result of the functioning of markets or the vicissitudes of production. Since Lomé IV the ACP countries are no longer required to replenish Stabex resources, which will indirectly reduce the burden of their debt. The mid-term review extended the list of products covered by the system to a total of 50.

System for mineral products (Sysmin): ECU 575 million has been allocated to this system. It consists of subsidies designed to help the ACP States deal with temporary problems in production or export in the mining sector. Since Lomé IV the system now covers eight commodities.

Technical and financial cooperation: The total budget in the Second Financial Protocol to Lomé IV amounts to ECU 14,625 million, an increase of 21.9% in nominal terms. ECU 12,967 million has been allocated from the European Development Fund (EDF). This Fund finances economic and social investment projects and programmes in the ACP States, Stabex and Sysmin; in addition, ECU 1 billion is available as risk capital. Finally, ECU 1,658 million are available in the form of EIB loans out of its own resources.

Industrial cooperation: designed to develop and diversify industry in the ACP States. Various types of action are envisaged: development of research and technology, exchange of information, the carrying out of studies, the establishment of contacts between firms, the encouragement of business start-ups and the promotion of professional associations in the ACP States. These schemes are supervised by a Committee on Industrial Cooperation assisted by a Centre for the Development of Industry (CDI).

Commodities: the Convention contains a specific title devoted to commodities. This title is no longer restricted to agricultural commodities, but has been expanded to cover all minerals and metals. A Commodities Committee has been set up to monitor periodically the implementation of the Convention in the commodities sector and deal with matters of international cooperation (international commodity agreements, specialist working parties). The emphasis is clearly placed on the need to reduce the dependency of ACP economies on exports of primary products, by means of diversification and support for PMDT (processing, marketing, distribution and transport), and, at the same time, to restore the competitiveness of the ACP States' commodities on world markets.
Agricultural cooperation: to resolve problems connected with rural development and the improvement and expansion of agricultural output intended for domestic consumption and export. Particular emphasis is placed on food security, the role of women and the regional dimension of agricultural development. Various sorts of action are planned, in particular projects for integrated rural development, hydro-agricultural development, protecting, preserving and storing harvests, livestock rearing, fishing, fish breeding, applied agronomical and zootechnical research and the creation of agro-industrial units. A Technical Centre for Agricultural and Rural Cooperation has been set up under the supervision of the Committee of Ambassadors. Food aid has been included with a view to assisting the ACP States in achieving food self-sufficiency.

Cultural and social cooperation: Aims to promote better understanding and greater solidarity between the governments and peoples of the countries belonging to the Convention. It takes into account the cultural and social dimension, the promotion of cultural identities and intercultural dialogue and making the most of human resources, particular emphasis being placed on the role of women and development.

Human rights: The mid-term review introduced a clause whereby aid to a State may be suspended if it infringes Art. 5 of the convention (human rights, democracy, rule of law) (Art. 366a).

Institutions: the Council of Ministers, the Committee of Ambassadors and the ACP-EU Joint Assembly.

Protocols: in addition to the financial protocol, there are ten protocols to the Convention:

- three protocols cover the definition of the concept of 'originating products', the operating expenditure of the joint institutions and privileges and immunities;

- one protocol deals with trade cooperation through the implementation of Article 178 of the Convention (safeguard measures for a particular sector);

- four protocols cover special products: sugar, bananas, rum and beef and veal.

- one protocol on products within the province of the ECSC;

- one protocol on the sustainable management of forests.

ROLE OF THE EUROPEAN PARLIAMENT (EP): the EP is kept regularly informed by the Commission of the Implementation of the Lomé Convention. However, it has scant decision-making powers in respect of the allocation of aid because the EDF is not included in the budget. Nevertheless, it must grant an annual discharge in respect of operations financed under the various EDFs.

However, the implementation of the Single European Act gave the EP greater powers over the Fourth Lomé Convention in that its assent was required for the final conclusion of the Convention. The EP gave its assent on 13 May 1990 by 294 votes to 92, with 8 abstentions (OJ C 149, 18.6.1990, A3-0090/90).

It was with the negotiations for the Fourth Lomé Convention in mind, negotiations which began in September 1988 in a worrying climate of weakening
terms of trade, falling commodity prices and the worsening debt situation of the countries in the southern hemisphere, that Parliament framed guidelines for which were to be used in the new Convention. The major part of the resolution setting out these guidelines, which was adopted on 20 May 1988 (OJ C 167, 27.6.1988, A2-0049/88), was devoted to the consolidation achieved under Lomé III, at the same time stressing the shortcomings or errors and the improvements which could be made in areas such as financial and technical cooperation, trade, Stabex and Sysmin, the role of the private sector, NGOs, the EIB and, finally, rural development and the combating of hunger in the world. However, the Fourth Lomé Convention will also have to adopt new strategies: special measures to deal with the indebtedness of the ACP countries, the development of interregional cooperation, the reorganization of international action, the framing of a health policy, the promotion of a cultural cooperation institute and, finally, the strengthening of the social dimension.

During the negotiations on the second financial protocol to Lomé IV the EP emphatically backed the adequate funding of the 8th EDF in order to stress the special nature of relations with the ACP states. It noted that the outcome of the mid-term review required its assent and made that assent subject to fulfilment of certain funding criteria. It expressly mentioned the enlargement of the European Union to include three new Member States, the growth of population in the ACP States, the rate of inflation, the inclusion of new elements in the convention, the economic difficulties of the ACP States and their debt burden. Parliament also opposed the trend towards renationalization of development policy and further cuts in funding for countries of the South. (Resolution of 2 March 1995 on the EDF; OJ C 68, 20.3.1995).
II. THE INSTITUTIONS OF THE LOMÉ CONVENTION

LEGAL BASIS: Articles 29 to 32 and Part 4 of the Fourth Lomé Convention (Article 338 to 355).

COMPOSITION: The Council of Ministers, the Committee of Ambassadors and the Joint Assembly.

ACP-EC COUNCIL OF MINISTERS:

Legal basis: Articles 30, 338 to 345, 348, 349 and 352 of the Fourth Lomé Convention.

Role:
- defines the broad outlines of the work to be undertaken and takes such political decisions as may be necessary to attain the objectives of the Convention;
- monitors operation of the consultation mechanisms;
- deals with problems of interpretation of the Convention and settles procedural questions;
- makes arrangements for ensuring the maintenance of contacts and consultations, particularly between the economic, cultural and social sectors of the Member States and of the ACP States;
- may be consulted by the contracting parties on any problem connected with the application of the Convention;
- carries on a broad political dialogue which may also take place outside the framework of the Convention;
- may delegate certain of its powers to the Committee of Ambassadors.

Composition: is composed, on the one hand, of the members of the Council of the European Communities and of Members of the Commission of the European Communities and, on the other hand, of a member of a government of each of the ACP States (Article 30(1)).

Presidency: the office of President is held alternately by a member of the Council of the European Communities and a member of the government of an ACP State (Article 340).

Frequency of meetings: the Council meets once a year at the instigation of its President and whenever necessary (Article 341).

ACP-EC COMMITTEE OF AMBASSADORS

Legal basis: Articles 31, 346 to 349 and 352 of the Fourth Lomé Convention.

Role:
- assists the Council of Ministers and carries out any mandate entrusted to it by that institution;
- monitors the implementation of the Lomé Convention;
- accounts for its actions to the Council of Ministers, to which it may also submit proposals, resolutions, recommendations or opinions;
- supervises the work of all the committees and all the other bodies or working groups, whether standing or ad hoc.

Composition: composed, on the one hand, of the Permanent Representative of each Member State and one representative of the Commission and, on the other, of the head of the mission to the European Communities of each ACP State.
Chairmanship: held alternately by a Permanent Representative of a Community Member State, designated by the Community, and a head of mission representing an ACP State, designated by the ACP-countries.

Frequency of meetings: at least every six months.

ACP-EU JOINT ASSEMBLY

Legal basis: Articles 32, 350 and 351 of the Fourth Lomé Convention.

Role: as a consultative body, it

- promotes better understanding between the peoples of the Member States and the ACP States and increases public awareness;
- deliberates upon matters pertaining to ACP-EC cooperation and encourages research and initiatives, and frames proposals and recommendations, to improve and consolidate this cooperation;
- examines the annual report submitted by the ACP-EC Council of Ministers;
- adopts resolutions on matters concerning or covered by the Convention;
- organizes regular contacts and consultations with representatives of economic, cultural and social development bodies in the ACP States and the Community;
- may set up ad hoc working parties to undertake specific preparatory activities.

Composition: 140 Members, on an equal basis - 70 Members of the European Parliament (EP) and 70 Members of Parliament or Representatives of the ACP States (one per ACP State). If substitutes are sent, they must be appointed by the relevant parliament. If a State has no parliament, the substitute must be accepted in advance by the Joint Assembly.

Presidency: ACP-EU Co-Presidency.

Frequency of meetings: the Assembly holds two ordinary sessions each year, alternately in the Community and in an ACP State. In 1995 the sessions were held in Dakar (Senegal) and Brussels.

Voting procedure: the Rules of Procedure of the ACP-EU Joint Assembly stipulate that each member shall have a single, non-transferable vote. A decision is deemed adopted if it secures a majority of the votes cast. By prior request, a 'separate vote' may be taken in which the representatives of the ACP States and the Members of the European Parliament vote separately. Such requests must be made by not less than five members. In the event of a tie, the motion is not adopted.

Ad hoc working parties have been set up by the Joint Assembly. On average, their work lasts 18 months. In principle, they comprise ten members from ACP countries and ten members from the European Parliament (EP).

They have dealt with: indebtedness in ACP countries, women and demography, rural development and the environment, commodities, the problems of refugees and displaced persons in the ACP States, technology, training and development, the impact of the 1992 single market on the ACP States, transport, intra-ACP trade, conditions for the implementation of and the impact of the structural adjustment policy under Lomé IV, the economic and social implications of AIDS, fisheries in the context of ACP-EU cooperation, and sustainable development. Health problems have also been considered. The most recent topical subjects were infrastructure, industrial development, refugees, development of cities and the mid-term review of Lomé IV.

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III. COOPERATION IN THE SPHERES OF AGRICULTURAL DEVELOPMENT, AGRICULTURAL COMMODITIES, FISHERIES AND THE ENVIRONMENT

LEGAL BASIS: Articles 33 to 76 and 213, Protocols Nos. 5, 6, 7, 8 and 10 of the Fourth Lomé Convention.

OBJECTIVES:

- development of the CAP States' self-sufficiency in food by improving their ability to provide their populations with food adequate in quantity and quality at national, regional and inter-regional level; efforts will be made to achieve a better balance between food and export crops (Art. 42);
- with regard to fisheries, the cooperation seeks to ensure optimum use of the ACP States' fishery resources (Art. 58);
- protection of the environment by means of measures to combat desertification and drought (Art. 42) and to control the transport of hazardous and radioactive waste (Art. 39);
- horizontal and vertical diversification of the economies of the ACP States in respect of the production and marketing of agricultural commodities and improved competitiveness (Art. 70).

IMPLEMENTATION:

1. Agricultural cooperation and food security: To achieve these objectives the measures taken must be as varied and practical as possible at national, regional and inter-regional level. They will include:

- the development of production, involving the improvement of farming methods for rain-fed and irrigation crops, the improvement and modernization of cultivation techniques, animal feed and animal health, the modernization of fish farming and the development of aquaculture, the extension of secondary and tertiary back-up activities for agriculture, the establishment or consolidation of agricultural savings and credit facilities, the encouragement of all policies and incentives for producers (Art. 44);
- measures to ensure a return on output, including adequate means of preservation and storage facilities, effective control of disease and pests, the suitable organization of producers, the flexible operation of marketing channels, security and intervention storage, the development of artisanal and agro-industrial units geared to market trends (Art. 45);
- rural promotion, involving the organization of producers within associations or communities, the participation of women and the recognition of their active role, social and cultural activities, the training of farmers (men and women) and improvements in the training of instructors (Art. 46);
- agronomic and agrotechnical research (research capacities suited to the local natural, social and economic conditions, the improvement of varieties and breeds and the nutritional quality of products, better dissemination of research findings and extension work to publicize them, and the coordination of research at national and international level) (Art. 47).

Food aid operations are decided on the basis of rules and criteria adopted by the Community. Subject to these rules, there are guidelines governing the conduct of food aid operations. Except in urgent cases, food aid is a transitional measure which must be integrated with ACP States' development policies. Where products supplied as food aid are sold they must be sold at a price which does not cause serious disruption on the internal market. The resulting counterpart funds must principally be used to fund rural development measures. Where the products are distributed free of charge they must be part of nutrition programmes or be
delivered as remuneration for work. The products supplied must also meet the needs of the recipient. Finally, the existing trade structure must remain intact, particularly as regards regional trade (Art. 51).

The role and tasks of the Technical Centre for Agricultural and Rural Cooperation are spelt out in greater detail in Lomé IV by comparison with Lomé III and its powers are consolidated and widened. The Centre is at the disposal of ACP States in order to provide them with better access to information, research, training and innovations in the spheres of agricultural and rural development and extension. The Committee of Ambassadors supervises the operations of the Centre, which is located in Wageningen (Netherlands) (Art. 53).

2. Sugar: Protocol No. 8 on ACP sugar contains the text of Protocol No. 3 appearing in the first Lomé Convention. The objective of this Protocol is to provide the ACP cane sugar-producing countries with a guarantee of sale at remunerative prices and the Community with a guarantee of supply. It therefore includes an undertaking by the Community to purchase, and by the ACP countries to supply, certain agreed quantities of sugar at guaranteed prices partially indexed to Community producer prices. Thirteen countries were concerned initially: Barbados, Congo, Fiji, Guyana, Mauritius, Jamaica, Kenya, Madagascar, Malawi, Uganda, Swaziland, Tanzania and Trinidad and Tobago. The following have also acceded to the Protocol: Belize, Zimbabwe, Côte d'Ivoire, St Christopher­Nevis, Anguilla, Zambia and Suriname (the Dominican Republic does not wish to accede). The quantity of raw cane sugar to be delivered per year, divided among the above countries, amounts to about 1.3 million tonnes of white sugar. The Protocol provides for a penalty system to be applied in the case of failure to deliver the agreed quantities, except in the event of force majeure (the agreed quantity is reduced by the undelivered quantity).

The sugar is marketed on the Community market at prices freely negotiated between buyers and sellers. If certain quantities cannot be marketed at a price equivalent to, or in excess of, the guaranteed price, the ACP States are entitled to offer them to the Community which undertakes to purchase them at the guaranteed price within the limit of the agreed quantity. The price is negotiated annually within the price range obtaining in the EC.

The Protocol is concluded for an indefinite period. However, it may be denounced after the Convention has expired, subject to two years' notice.

3. Bananas: Protocol No. 5 contains the text of Protocol No. 4 appearing in the Third Lomé Convention; it provides for measures designed to offer the ACP countries better access to the Community market. A permanent joint group will assess the progress achieved and make recommendations.

4. Rum: Protocol No. 6 on rum lays down the arrangements for the import of this product originating in the ACP States into the EC. Each year, the EC will fix the quantities which may be imported free of customs duties. These quotas will be abolished in three stages:

- until 31.12.1993, the volume of the annual quantity shall in no case be less than 172 000 hectolitres of pure alcohol,
- for 1994 and 1995, the volume of the total quota shall in each case be equal to that of the previous year increased by 20 000 hectolitres of pure alcohol,
- from 1996, the Council has decided in accordance with the protocol that the customs quota for 'light' ACP rum should be abolished and the quota for 'traditional' rum should be maintained until imports are completely liberalized on 1 January 2000. The customs quota set by the Council was
58,000 hl for 1996, 61,000 hl for 1997, 64,000 hl for 1998 and 67,000 hl for 1999.

5. **Beef and veal**: Protocol No. 7, amended in the mid-term review, increases the overall quantity of beef and veal admitted to the Community market annually from 39,100 tonnes to 52,000 tonnes. This overall quantity is divided among the states of Botswana, Kenya, Madagascar, Swaziland, Zimbabwe and Namibia. For this quantity the Community guarantees a 92% reduction in customs duties.

6. **Fisheries**: Cooperation seeks to ensure the optimum utilization of the fishery resources of the ACP States, while recognizing the rights of land-locked States to participate in the exploitation of sea fisheries and the right of coastal states to exercise jurisdiction over the living marine resources of their exclusive economic zones (EEZ) in accordance with current international law and the law of the sea laid down by the United Nations. However, the issue of the origin of fishery products has still not been resolved.

7. **Environment**: Lomé IV has institutionalized environmental problems by devoting an entire new title to them (Part 2, title I). It states that the protection and the enhancement of the environment and natural resources, the halting of the deterioration of land and forests, the restoration of ecological balances, the preservation of natural resources and their rational exploitation are basic objectives of the convention (Art. 33). Consequently environmental impact assessment will be carried out as appropriate in the case of large-scale projects and those posing a significant threat to the environment (Art. 37). Trading in hazardous and radioactive waste between the Community (exports) and the ACP States (imports) remains prohibited. This point is of decisive importance to the title on the environment as a whole. Another priority is the combating of drought and desertification, since these may seriously harm the economy of the country and the social life of a region. Therefore measures covering these points are to be incorporated into all agricultural and rural development operations (art. 56). The combating of large-scale endemic diseases and epidemics is also covered.

8. **Forests**: The mid-term review incorporated a new protocol No. 10, which acknowledges the importance and the need for the rational management of forest resources in conformity with the Rio Declaration, the UN framework agreement on climatic changes and the Conventions on Biodiversity and Desertification. The ACP States are to be supported in their efforts to conserve, reforest and manage in a sustainable manner their endangered tropical forests. This also includes combating desertification. A long list of measures are proposed to achieve these ends. Particular store is set by the widest possible participation of local populations. The importance of timber for the economies of the ACP States is acknowledged. The Community will, in addition to the resources set aside earlier, use resources available under the Community budget for this purpose.
IV. INDUSTRIAL AND TRADE COOPERATION

LEGAL BASIS: Articles 6a, 15a, 17, 77 to 138 and 156 to 185 and Protocols Nos. 1, 5, 6, 7 and 8 of the Fourth Lome Convention.

OBJECTIVES: The Contracting Parties recognize the fundamental importance of trade in energizing the development process. High priority is therefore given to the development of trade with a view to accelerating the growth of the ACP States' economies and to integrating them into the world economy in a harmonious and gradual manner (Art. 6a).

Industrial development is needed to enhance the productivity of the ACP economies so that they can meet basic human needs and step up the competitive participation of the ACP States in world trade (Art. 17).

TRADE COOPERATION:

Arrangements applicable to EC imports of products originating in the ACP States: The trade arrangements provide for the free access to the Community market of almost all (99.5%) ACP products, with the exception of certain 'sensitive' agricultural products which benefit, however, from reductions in customs duties or levies.

Arrangements applicable to EC exports to the ACP States: The rule here is non-reciprocity of commercial obligations: the only obligation incumbent on the ACP States is to apply the most-favoured-nation clause and refrain from any discrimination among Member States of the EEC (Art. 174).

Special provisions exist for certain products of vital importance to the economy of particular ACP countries. Examples are the protocols on sugar, bananas, rum, and beef and veal.

Development of trade services (Part 2, Titles IX-X): The Community supports the ACP States' efforts to increase their domestic capacity to provide services with a view to improving the working of their economies. These measures relate to the areas of services that support economic development, tourism and transport, communications and informatics.

Art. 15a, added at the mid-term review, states that trade development shall be aimed at developing, diversifying and increasing the ACP States' trade and improving their competitiveness in all markets. In addition to the current system, special stress is placed on trade relations other than ACP-EC trade, e.g. promotion of trade among the ACP States.

In the field of regional cooperation (Part 2, Title XII), provision is also made for measures to promote regional trade. This cooperation also covers many other areas such as economics, health and the transport and communications systems.

A table showing trends in EEC-ACP trade appears at the end of this section.

INDUSTRIAL COOPERATION

Means of financial intervention: the Community supports the establishment of any type of viable industry which the ACP States regard as important for their further economic development. This concerns, in particular, manufacturing industry and the processing of commodities and the engineering, metallurgical and chemical industries.
Committee on Industrial Cooperation (Article 87): the Committee was set up at the end of 1976, under Lomé I. At the mid-term review the provisions relating to it were amended. For example, in future the members of the Committee will be appointed by the Committee of Ambassadors, which will also supervise its operation and determine its rules of operation. The committee has the task of reviewing the progress made in the implementation of industrial cooperation policy. It is also a review body for the Centre for the Development of Industry (CDI). It examines and approves the overall strategy of the CDI, the apportionment of the funds provided for in the Financial Protocol, and the CDI's annual budget and accounts. The Committee on Industrial Cooperation reports to the Committee of Ambassadors and carries out all other such duties as the Committee of Ambassadors may assign to it.

Centre for the Development of Industry (CDI) (Arts. 89 to 96): The CDI was set up in January 1977 under Lomé I and has its seat in Brussels. It contributes to the exchange of information and the promotion of contacts between industrialists in the EC and those in ACP countries. It is intended primarily to support joint projects (e.g. Joint Ventures). This may take the form of project advice, the search for appropriate partners, finding sources of funding, etc. Since the mid-term review, special emphasis has been placed on support for the private sector. The statute, budgetary procedures, staff regulations and operating procedures of the CDI are determined by the Committee of Ambassadors.

### Trends in EEC-ACP trade:

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<td><strong>TRENDS IN EEC-ACP TRADE</strong></td>
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<tr>
<td>Extra-EEC imports from developing countries</td>
<td>61 823</td>
<td>282 532</td>
<td>462 720</td>
<td>487 730</td>
<td>539 713</td>
</tr>
<tr>
<td>of which ACP</td>
<td>5 515</td>
<td>20 889</td>
<td>20 125</td>
<td>17 954</td>
<td>18 483</td>
</tr>
<tr>
<td>of which OPEC</td>
<td>10 081</td>
<td>76 882</td>
<td>44 982</td>
<td>42 746</td>
<td>40 722</td>
</tr>
<tr>
<td>ACP index 1990=100</td>
<td>27.4</td>
<td>103.8</td>
<td>100.0</td>
<td>89.2</td>
<td>91.9</td>
</tr>
<tr>
<td>Share of ACP in EEC imports %</td>
<td>8.9</td>
<td>7.4</td>
<td>4.3</td>
<td>3.7</td>
<td>3.4</td>
</tr>
<tr>
<td>EEC exports to developing countries</td>
<td>54 178</td>
<td>216 670</td>
<td>419 814</td>
<td>435 660</td>
<td>538 701</td>
</tr>
<tr>
<td>of which ACP</td>
<td>4 142</td>
<td>17 216</td>
<td>16 649</td>
<td>17 048</td>
<td>14 850</td>
</tr>
<tr>
<td>of which OPEC</td>
<td>4 075</td>
<td>39 264</td>
<td>35 439</td>
<td>42 012</td>
<td>37 150</td>
</tr>
<tr>
<td>ACP index 1990=100</td>
<td>24.9</td>
<td>103.4</td>
<td>100.0</td>
<td>102.4</td>
<td>89.2</td>
</tr>
<tr>
<td>Share of ACP in EEC exports %</td>
<td>7.6</td>
<td>7.9</td>
<td>4.0</td>
<td>3.9</td>
<td>2.8</td>
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<tr>
<td><strong>Balance of trade EEC-ACP</strong></td>
<td>-1 373</td>
<td>-3 673</td>
<td>-3 476</td>
<td>-906</td>
<td>-3 634</td>
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Source: CRONOS-FRIC, EUROSTAT
Compiled by: European Parliament/Statistical Service
V. STABILIZATION OF EXPORT EARNINGS (STABEX) and SYSTEM FOR MINERAL PRODUCTS (SYSMIN)

LEGAL BASIS: Articles 186-212 (Stabex), Articles 214-219 (Sysmin), Article 240(1)(a)-(b)

OBJECTIVES: To protect the export earnings of ACP countries from the effects of the fluctuations to which they are subject as a result of the operation of the market or the vicissitudes of production. Stabex and Sysmin do not affect prices but compensate for losses of earnings. Stabex attempts to provide a response to the raw materials problem which was so hotly debated in the 1970s. Under Sysmin, aid is granted to restore and maintain the viability of the mining sector.

IMPLEMENTATION
1. Financial appropriation:
   - Stabex: ECU 1 800 million over five years (ECU 1 500 million under Lomé IV/1);
   - Sysmin: ECU 575 million over five years (ECU 480 million under Lomé IV/1).

2. Products covered:
   - Stabex (Article 187): 50 agricultural commodities (examples: groundnuts, cocoa, raw or roasted coffee, palm-nut oil, skins and leathers, fresh bananas, pepper, rubber, etc.);
   - Sysmin (Article 215(1)(a) and (b): The six basic products covered under Lomé III (copper, including linked cobalt production, phosphates, manganese, bauxite and alumina, tin and iron ore) have been retained, with uranium and gold being added.

3. Dependence threshold:
   - Stabex: the system is applied if, during the preceding year, earnings from exports of each product to all destinations, re-exports excluded, represented at least 5% of an ACP State's total export earnings (6% under Lomé III). This figure is 4% for sisal (Article 196) and 1% for the least-developed, land-locked or island ACP States.
   - Sysmin: the system is applied if, during at least two of the four years preceding the year of the request for aid, an ACP State derived:
     . either 15% or more of its export earnings from one of the products covered by the system, excluding gold;
     . or 20% or more of its export earnings from all its mineral products (excluding precious minerals other than gold, oil and gas).

The dependence thresholds are 10% and 12% respectively for the least-developed, land-locked and island ACP States (Article 215(1)).

4. Activating threshold:
   - Stabex: Since Lomé IV there is no longer any specific activation threshold. Entitlement to compensation is now based on the difference between the reference level (average export results of the six last years, disregarding the two years with the most widely divergent results) and the actual results in the year under consideration (=transfer basis), less the ACP State's own contribution of 4.5%. For the least developed ACP States the contribution is 1% (Art. 197).
   - Sysmin: Aid under Sysmin may initially be requested by an ACP State if the viability of one or more enterprises in the mining sector has been seriously affected following temporary or unforeseeable difficulties beyond the control of the State or undertaking concerned, assessed in particular on the basis of a drop in production or export capacities or around 10% (Art. 215(2)(a)).
Recourse is also possible where a substantial fall is perceived in export earnings from the mining product concerned, in relation to the average for the two years before the request. To be taken into consideration, such a fall in earning must result in a fall in total export earnings of 10% at least in the year before that of the request. (Art. 215(2)(b)).

5. Nature of transfers:
- Stabex: Lomé IV offers the ACP States the advantage of no longer having to repay the transfers, thus avoiding any increase in their debt (Art. 240(1)(b)).
- Sysmin: The special loans under Lomé III have been replaced by subsidies granted to ACP States which may redistribute them, in the form of loans, to mining companies (Art. 240(1)(a)).
VI. FINANCIAL AND TECHNICAL COOPERATION

LEGAL BASIS: Part Three, Title III, Articles 220 to 327 and Financial Protocol of the Fourth Lomé Convention.

OBJECTIVES: Financial and technical cooperation has the objective of supporting the efforts of the ACP States in the social, cultural and economic spheres (Article 220), and also covers indebtedness and structural adjustment. The cooperation is implemented on the basis of the priorities laid down by the ACP States (Art. 221).

PRACTICAL APPLICATIONS

1. Financial endowment: From 1.3.1995 to 1.3.2000, ECU 14 625 million (ECU 12 billion for Lomé IV/1). This sum comprises:

- ECU 12 967 million for the European Development Fund (EDF), broken down as follows:
  - ECU 9 592 million in the form of subsidies, including
    * ECU 260 million for emergency aid (including ECU 120 million for refugees),
    * ECU 1 400 million for structural adjustments,
  - ECU 1 000 million in the form of risk capital;
  - ECU 1 800 million for Stabex;
  - ECU 575 million for Sysmin;

Of the total of ECU 12 967 million for the EDF, ECU 1 300 million are earmarked for regional projects and programmes of ACP States (including ECU 73 million for the CDI, ECU 85 million for regional trade promotion, ECU 4 million for the Joint Assembly and ECU 80 million for financial incentives for institutional and administrative reforms with a view to establishing democracy and the rule of law);

- ECU 1 658 million in the form of EIB loans.

2. Beneficiaries (Art. 230):
- the ACP States which are signatories to the Convention (70);
- regional and interstate NGOs to which one or more ACP States belong;
- joint bodies set up by the EEC and the ACP States and to promote specific objectives (e.g. the Centre for the Development of Industry);
- certain bodies in the public and private sectors, by agreement with the ACP State concerned, and certain individuals (award holders and trainees).

3. Types of projects and programmes financed (Article 229: These include:
- rural development, with the aim of food self-sufficiency and food security,
- industrialization, craft industries, energy, mining, tourism, etc.,
- structural improvement of the productive sectors of the economy,
- prospecting for, and exploration and exploitation of, natural resources, and protection of the environment,
- training, applied scientific research and applied technology, technological adaptation or innovation and the transfer of technology,
- promotion of SMEs, microprojects,
- transport and communications,
- support for structural adjustment programmes which help to reduce indebtedness,
- developing fisheries,
- development of human resources and improvement of social and cultural services,
- operations on specific themes: combating desertification, drought, epidemics, endemic livestock diseases, the consequences of natural disasters, hygiene and health, measures to save energy, etc.

4. Implementation: this is characterized by due regard for the equality of the partners. There is therefore close cooperation between the ACP and the EC at each of the various stages of a project: planning the aid, the submission and appraisal of projects, drawing up decisions to provide financing, the execution of projects and the final assessment of results. Projects or programmes may be financed either by means of subsidies, by means of risk capital provided under the EDF, by means of EIB loans from its own resources, or by means of two or more of these methods of financing (Article 233(1)). An ACP-EC Committee, part of the ACP-EC Council of Ministers, has been set up to provide joint monitoring and assessment of the cooperation measures.

The amendments made at the mid-term review were aimed in particular at more effective use of the resources available. In future, then, programming will employ a system of payment by instalments. This means that initially only 70% of the total allocation for a national indicative programme will be paid. The payment of the remaining 30% will be dependent on a review of the programme no more than 3 years later. (Art. 282). Provision is also made for the possibility of direct budget support for structural adjustment measures, provided that the currency of the ACP State in question is convertible and freely transferable (Art. 224(d)). A further innovation in the mid-term review is the introduction of a whole section on decentralized cooperation (Art. 251(a) - (e)). This is intended principally to promote initiatives of local authorities, groups, cooperatives, trade unions, NGOs, research and training institutes and other relevant bodies.

Since Lomé IV a whole section is now devoted to debt and structural adjustment support (Arts. 239-250). Community funding now takes the form of subsidies, with the exception of EIB loans and risk capital (special loans, and the obligation to reimburse transfers made under Stabex have been abolished).

Emergency aid (Articles 254 to 257) is granted if ACP States are faced with serious social and economic problems of an exceptional nature. This aid is also granted to meet pressing needs in connection with the rehabilitation of refugees and returnees.
## Allocation of financial support under Lomé III (Art. 194) and the two Lomé IV Financial Protocols

<table>
<thead>
<tr>
<th></th>
<th>Lomé III</th>
<th>Lomé IV/1</th>
<th>Lomé IV/2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total allocation</strong></td>
<td>8.5 bn</td>
<td>12 bn</td>
<td>14.625 bn</td>
</tr>
<tr>
<td><strong>European Development Fund</strong></td>
<td>7.4 bn</td>
<td>10.8 bn</td>
<td>12.967 bn</td>
</tr>
<tr>
<td><em>Allocations</em></td>
<td>4.86 m</td>
<td>7.995 m</td>
<td>9.592 m</td>
</tr>
<tr>
<td>comprising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>. Emergency aid</td>
<td>-</td>
<td>350 m</td>
<td>260 m</td>
</tr>
<tr>
<td>-&gt; for refugees</td>
<td>-</td>
<td>100 m</td>
<td>120 m</td>
</tr>
<tr>
<td>. Structural adjustment support</td>
<td>-</td>
<td>1.150 bn</td>
<td>1.4 bn</td>
</tr>
<tr>
<td>*Risk capital</td>
<td>-</td>
<td>825 m</td>
<td>1 bn</td>
</tr>
<tr>
<td>SYSMIN</td>
<td>415 m</td>
<td>480 m</td>
<td>575 m</td>
</tr>
<tr>
<td>STABEX</td>
<td>925 m</td>
<td>1.5 bn</td>
<td>1.8 bn</td>
</tr>
<tr>
<td>*Special loans</td>
<td>600 m</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>*Equity capital</td>
<td>600 m</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>EIB loans</strong></td>
<td>1.1 bn</td>
<td>1.2 bn</td>
<td>1.658 bn</td>
</tr>
</tbody>
</table>
VII. CULTURAL AND SOCIAL COOPERATION AND HUMAN RIGHTS

CULTURAL AND SOCIAL COOPERATION

Legal basis: Articles 139 to 155 of the Fourth Lomé Convention.

Objectives: (Article 139): To contribute to the self-reliant development of the ACP States, a process centred on man himself and rooted in each people's culture. It is aimed at promoting a better understanding and greater solidarity between ACP and EC governments and peoples.

Nature: Socio-cultural cooperation takes place in a number of different areas. Firstly the social and cultural dimension is taken into account in the design, appraisal, execution and evaluation of each project or programme (Arts. 142-144). Cultural aspects include the integration and enhancement of the local cultural heritage, notably value systems, way of life, modes of thought and know-how, materials and styles; social aspects include the improvement of the status and role of women.

Cooperation also includes the promotion of cultural identities and intercultural dialogue (Arts. 145-149). In this context particular emphasis is placed on preserving the cultural heritage, the production and dissemination of cultural products, support for cultural events and the promotion of information and communications media.

Finally, operations to enhance the value of human resources approach the problem from a number of different angles (Arts. 150-155) including education and training, research, science and technology, information and communications, involvement of the people, the role of women and social cooperation.

It is also acknowledged that the Foundation for ACP-EC Cultural Cooperation and other specialized institutions can make a useful contribution to achieving the objectives of this cooperation (Art. 141).

Finance: (Article 140(2); Article 147): Cultural and social cooperation is to be financed in accordance with the arrangements and procedures laid down for technical and financial cooperation and in certain social sectors. Where cultural items are produced for the market, their production and distribution are eligible for the assistance provided under industrial cooperation and trade promotion.

HUMAN RIGHTS

Legal basis: Articles 5, 366a and Annexes IV, V, VI and LXXXIII of the Fourth Lomé Convention.

Nature: At the mid-term review the whole complex of topics headed 'human rights' was reworded. The new rules now comprise two sections.

First of all, in the new Article 5, the parties reaffirm their attitude to human rights. To the end of achieving development centred on man, the respect for and promotion of all human rights is stated to be an essential prerequisite and respect for human dignity has become one of the cornerstones of cooperation. The parties also reaffirm their obligations in international law. Particular emphasis is laid on the achievement of democracy, the rule of law and good governance. At the request of ACP States, financial resources may be allocated to help put these principles into practice.

The second section, Article 366a, contains a suspension of aid clauses. If one party has failed to respect one of the essential provisions of Article 5, consultations shall be held, which shall take place according to a set timetable. If no solution is found, or if one party refuses to participate, appropriate steps may be taken including the suspension of application of the
Convention. In cases of special urgency the consultations may be omitted. The concept of special urgency is defined more precisely by the Parties in Annex LXXXIII, where they state that they will not have recourse to the provision of special urgency other than in exceptional cases of particularly serious and flagrant violations. Amounts accruing from the application of this provision will be paid into the STABEX fund (Art. 193(4)).

As regards the specific situation of migrant workers, students and other nationals, the text of the Convention relating to human rights and the declarations in Annexes IV to VI sets out provisions prohibiting discrimination on the basis of racial, religious, cultural or social differences.
The following publications have appeared in the External Economic Relations Series:

No 1 (10/1989): L'Association européenne de libre-échange et le marché unique communautaire. FR

No 2 (10/1990): Third World Debt - Analyses. All official languages.


No W 2 (3/1992): Trade between the new German Länder and the former COMECON countries in Europe - Development, Problems and Prospects. EN/FR/DE


No W 4 (9/1993): Agreement on the European Economic Area - Background and Contents. EN

No W 5 (10/1993): International dual-use technology transfer - COCOM and the EC EN/FR

No W 6 (12/1993): The European Community and the Association of South-East Asian Nations (ASEAN). EN

No W 7 (1/1994): Economic Interdependence - New Policy Challenges. EN

No W 8 (6/1994): Demography and Development, Public Hearing held by the Committee on Development and Cooperation. EN/FR

No W 9 (11/1995): The Gulf Cooperation Council (GCC) and its relations with the European Union. EN
