

# INFORMATION

COOPERATION AND DEVELOPMENT

THE LOME CONVENTION

EEC - AFRICA -- CARIBBEAN -- PACIFIC

89/75

Analysis of the main provisions of the agreement :

## 1. Trade

In order to guarantee stable outlets to ACP producers in the European market of 240 million consumers, the EEC grants the ACP :

- total elimination of customs duties and quantitative restrictions on the import of industrial products. This means, for example, that clothing or aluminium shapes made in the ACP countries will not be chargeable on their entry into the Common Market with the customs duties (17% and 7.5% respectively) applicable to similar merchandise from Asia or America.
- the same preference is granted in respect of 96% of agricultural produce exported by the ACP. The EEC will not grant total franchise for the remaining 4%, but only a smaller scale of charges than is applicable to goods from outside countries. This restriction was deemed necessary by the EEC, so as to maintain Community protection in favour of some of the European produce (maize, rice, beef, cut flowers and other items).

The ACP are not required to reciprocate by giving preferential customs treatment to EEC products, but they are required to guarantee the Community at least the most-favoured-nation treatment (i.e. the same advantages as they may grant to USSR, China or the USA) except when there is a question of a relationship of privilege, into which they are still free to enter with other under-developed countries. The ACP have also undertaken not to favour any one member of the Common Market to a greater extent than any other member.

The EEC has undertaken to introduce greater flexibility into the rules of origin, which will now enable European customs administrations to grant the preferential treatment to goods which have had part of their processing in an ACP country. It has also promised to put in hand trade promotion campaigns for the benefit of goods produced in the ACP.

## 2. Stabilisation

In order to protect the ACP countries against any shortfall in production, or the adverse effects of world price fluctuations, the EEC will set aside \$ 450 million (UA 375 million) to constitute an export receipts stabilisation fund. This will be used in connection with exports of groundnuts, cocoa, coffee, cotton, coconut, palm and palm kernel products, leather and hides, timber, bananas, tea, raw sisal and iron ore.

If the ACP export receipts from any of these products should fall by 7.5%, and if these products represent 7.5% of the total export receipts, the stabilisation fund will provide compensation, which is in principle repayable when the market improves.

For 34 of the ACP countries, however, which are islands, land-locked or particularly backward in their state of development, these percentages are reduced to 2.5% in both cases, and the aid will not have to be repaid to the EEC.

## 3. Sugar

The Nine have entered into a new commitment to buy 1.4 million tons of sugar a year from the ACP countries. This is a recognition of the fact that Great Britain has since 1952 been buying sugar from Commonwealth countries at negotiated prices under the Commonwealth Sugar Agreement which expired on December 31 1974. There are 21 ACP countries which are members of the Commonwealth.

In the event of there being surpluses and a fall in world prices, the ACP are given an assurance that they will receive for their cane sugar at least such price as is guaranteed to European growers of beet sugar (£150 stg. in 1975). They are free to sell above the guaranteed price. The ACP also obtained from

Great Britain a price of £ 260 for the next 18 months (the world price is at the moment at the exceptionally high level of £ 375).

#### 4. Finance aid

The EEC will grant over a five-year period finance aid of 3,390 million european units of account, equivalent to \$US 1.20 at current rates, or FF 5.50.

This aid is to provide finance for investment in production (crops, factories etc), infrastructure (transport, communications etc) and for social purposes (schools, hospitals etc). It will be provided as follows :

- From the European Development Fund (which receives its money from the budgets of the Nine):
  - . UA 2,100 million for issue as non-repayable grants ;
  - . UA 430 million for issue as loans on special terms ;
  - . UA 95 million for participations in risk-bearing capital;
  - . UA 375 million for the export receipts stabilisation fund.
  
- From the European Investment Bank :
  - . UA 390 million for loans on the normal terms prevailing in the capital market.

#### 5. Industrial cooperation

An industrial development centre is to be formed, with a mandate to undertake surveys and studies and make contacts with potential investors in order to organise technological developments adapted to the requirements of the ACP countries and their industrial diversification.

#### 6. Institutions

The Convention will be jointly administered by a Council of Ministers and a committee of ambassadors. There is provision for a consultative assembly, consisting of members of the European Parliament and representatives appointed from the ACP countries (some of which do not at present have active parliamentary systems).