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## THE EUROPEAN COMMUNITY AND THE YEMEN ARAB REPUBLIC

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### I. INTRODUCTION

The Commercial and Economic Cooperation Agreement with the Yemen Arab Republic (North Yemen) is part of the process, initiated by the European Community ten years ago, of strengthening relations between Europe and the Arab world. More specifically, it reflects the Community's initial overture in 1980 to the countries of the Arabian Peninsula with the aim of concluding cooperation agreements with those countries.

The Agreement concluded with Yemen represents the Community's first contractual link with the region. Through a programme of commercial and economic cooperation, it will make a substantial contribution towards growth in one of the world's least developed countries.

Furthermore, the Agreement is proof of the importance which Yemen attaches to its relations with the Community and demonstrates the need felt by both sides to make the most of all opportunities for cooperation. The links which in recent years have been forged between the European Community and the Yemen Arab Republic will thus be formalized and now set within a permanent framework.

### II. YEMEN ARAB REPUBLIC: BRIEF DESCRIPTION

In the Yemen Arab Republic, the average annual per capita income recorded in 1982 was only \$420. The country is dependent on the substantial financial and technical assistance it receives from foreign donors (notably Saudi Arabia and other Arab countries, certain countries in Western and Eastern Europe, international organizations, China, and others) as well as the remittances of Yemeni expatriate workers (of whom there are over a million, mostly working in Saudi Arabia).

On account of the prevailing climatic conditions in the mountainous part of the country, Yemen is the only country in the Arabian Peninsula with a sizeable agricultural sector. With an area of 195 000 km<sup>2</sup> - approximately one-third the size of France - and a population of 8.6 million, including expatriate workers, Yemen has a relatively high population density. The population is not concentrated in the towns; the capital Sana'a, situated over 2 000 m above sea-level, has only 300 000 inhabitants.

Apart from its salt mines, Yemen has no natural resources, although recent exploratory drilling for oil has been encouraging. Seventy-five per cent of the working population is engaged in agriculture, an activity which accounts however for no more than 30% of GDP; 5% is employed in industry: textiles, construction materials and food products.

The civil war during the Sixties put a brake on Yemen's economic development and held up the establishment of sustained relations with the outside world. It was not until 1970 that the country began to make diplomatic overtures towards the West.

However, in the last few years, Yemen's socio-economic fabric has undergone substantial change, switching from a semi-feudal state to a phase of rapid though precarious development.

The Government's second five-year development plan (1982-86) focuses in particular on the agricultural sector (installation of irrigation systems). The success of this plan depends, to a large extent, on the availability of foreign capital and the training of a skilled workforce.

With regard to foreign trade, Yemen is currently experiencing a swift rise in imports (foodstuffs, machinery and transport equipment) but its exports are very limited (biscuits, hides and skins, coffee and cotton). The European Community, South Yemen, Saudi Arabia, Japan and China are among the Yemen Arab Republic's principal trading partners.

Yemen receives considerable assistance in the form of remittances from expatriate Yemeni workers. The population as a result has more money to spend and this increases demand for consumer goods. There is, however, also a negative aspect; the consequent increase in imports leads to rising inflation which, in turn, causes a depreciation of the Yemeni rial.

### III. CURRENT RELATIONS BETWEEN THE COMMUNITY AND YEMEN

The Community has in recent years intensified its relations with Yemen and, because of the country's particular situation, the emphasis has been on development assistance.

#### (i) Development aid

##### - Financial and technical assistance

In 1977, in response to an invitation by the Yemeni Prime Minister, a Commission team visited Yemen in order to become acquainted with the country's development problems. The Community has subsequently, under its programme of financial and technical assistance to non-associated developing countries, granted Yemen aid totalling 13.59 million ECU.<sup>1</sup>

This includes a sum of 2.74 million ECU granted in 1983 for a rural development project at Al Bayda in the south-east of the country, as well as a contribution of 2.55 million ECU, also in 1983, for housing reconstruction in the province of Dhamar following the serious damage caused by the December 1982 earthquake.

<sup>1</sup> The ECU, or European currency unit, consisting of a "basket" of currencies, is calculated on the basis of a certain quantity of each Community currency. It is a better measure than the US dollar of the Community's trade flows.

1 ECU = approx. US\$ 0.90

- Food aid

Yemen has, since 1975, received Community food aid totalling 9.22 million ECU. To this should be added aid totalling 1.02 million ECU received indirectly, through the World Food Programme.

- Emergency aid

After the December 1982 earthquakes, the Community provided Yemen with emergency food aid worth 400 000 ECU and other emergency aid totalling 1 000 000 ECU.

X  
X X

Such Community aid is in addition to what Yemen receives directly from the Community Member States. Taking the Community as a whole, the amount of aid provided, for the period 1979 to 1982, totalled US\$ 168 million (by way of comparison, aid provided by the United States for the same period totalled US\$ 76 million).

(ii) Trade

Trade between the European Community and Yemen shows a growing surplus in favour of the Community. Among the Member States of the Community, France is Yemen's largest customer and its principal supplier, followed by the Federal Republic of Germany, the United Kingdom and Italy.

Trade between the Community and Yemen

('000 ECU)

	EC imports		EC exports	
	1982	1983	1982	1983
France	141	4 669	121 294	131 705
Belgium/Luxembourg	24	2	14 781	24 712
Netherlands	1 154	71	59 430	67 912
Germany	2 143	2 392	107 612	116 865
Italy	4 000	3 316	106 530	83 288
United Kingdom	2 437	2 787	97 073	95 910
Ireland	0	0	4 017	4 536
Denmark	5	0	7 748	11 893
Greece	2	0	13 377	18 801
	9 906	13 237	531 862	555 622

The European Community is Yemen's principal supplier, followed by Saudi Arabia and Japan. Food products, machinery and transport equipment account for over half the Community's exports to Yemen.

The Community's imports from Yemen comprise chiefly coffee, raw hides and skins and textile fibres, though the level of imports is very low.

As a developing country, Yemen is a beneficiary under the Community's generalized system of preferences and, in this context, is eligible for the improved treatment introduced in 1981 for the least developed countries.

#### (iii) Activities of the European Parliament

In February this year a European Parliament delegation visited Yemen and had talks with members of the Yemen Parliament and senior government authorities. The talks with the members of Parliament centred on the various aspects of the cooperation agreement about to be negotiated. The delegation was also able to visit the sites of internationally financed development projects.

On 16 February 1984, the European Parliament adopted a resolution on an emergency aid programme for drought victims in the Yemen Arab Republic.

#### IV. COMMERCIAL AND ECONOMIC COOPERATION AGREEMENT

On 5 February 1980, the Council of the European Communities declared that "the conclusion of cooperation agreements with all the Gulf States which wanted such agreements was an objective of particular interest to the Community and that the Commission would sound out opinion as required." On 18 March 1980, the Council "noted that North Yemen had expressed interest in negotiating a cooperation agreement and agreed to include that country in its soundings."

This interest on the part of the Yemeni authorities was noted by Commission representatives in the course of exploratory technical missions to Sana'a in 1981 and 1983. Such interest was reiterated in a Note Verbale sent to the Commission on 1 March 1983. On 23 November of that year the Commission proposed to the Council that a favourable response be given to Yemen's request.

Negotiations with the Yemeni authorities began in May this year. The commercial and Economic Cooperation Agreement was initialled on 22nd May and signed in Brussels on 9th October 1984.

#### Content of the Agreement

In its preamble, the Agreement emphasizes the traditional bonds of friendship between the Yemen Arab Republic and the Member States of the Community and affirms their common determination to strengthen and consolidate such links.

The Agreement is concluded for a period of five years, with automatic renewal every two years. The contracting parties undertake to accord most-favoured-nation treatment to each other's exports of goods.

The Agreement consists of three main parts:

(i) Commercial cooperation

The aim here is to facilitate and promote trade.

(ii) Economic cooperation

The aim in this instance is to develop cooperation in all spheres of mutual interest. For example cooperation must be encouraged in agriculture, agro-industry, rural development and fisheries, and tourism in Yemen must be promoted. Other areas for economic cooperation will be the science, technology and energy sectors.

It will also cover the development of human resources in the Yemen Arab Republic, particularly through vocational training.

The promotion of mutual investment represents a further major objective.

Action under this heading will not affect bilateral operations undertaken in Yemen by the Member States of the Community.

(iii) Development cooperation

The Community is ready to continue and expand financial and technical cooperation with the Yemen Arab Republic under its aid programmes for non-associated developing countries. In this context, it will seek to coordinate its activities with those of the Member States.

The Agreement also provides for the establishment of a Joint Committee consisting of representatives from both sides. Its main task will be to examine and promote the various cooperation activities envisaged and it will normally meet once a year. The first meeting is scheduled to be held in Sana'a at the beginning of 1985.

EUROPE INFORMATION "EXTERNAL RELATIONS"

The following copies of "European Information" are still available, and may be obtained from:

Directorate-General for Information  
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