

ASSOCIATION EEC /- ACP : THE LOME CONVENTION

(A study of interdependence between developed and
developing countries)

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P R E F A C E

While I was engrossed in conversation with a colleague regarding my exciting experience at the Jawaharlal Nehru University (for a French speaking person!) and my intention to write on the ACP/EEC Association for my M.Phil thesis, he remarked :

"It's something which seems impossible to do. What else can be said about the ACP/EEC which has already not been said or dealt with. What can be said about such a scorching topic which holds the attention of so many experts?"

These words were so true and so well stated that I immediately felt a drop in my enthusiasm. After remaining in deep thought for a few days, I regained my mental serenity and old ardour by recalling the following two remarks :

- 1) "... so many things have been said and created, but there remain many more to say and to create..."

These words of a keen minded observer were taken up by N'Krumah, when he wanted to prepare his Ph.D. thesis in philosophy at a late stage in life.

- 2) "... Segui il tue corse e lascia dir le genti .." (1)

This remark of Dante was quoted by Marx in his preface to the first German edition of Capital.

Thus, by overcoming this conflict within myself, and thanks to the encouragement I received from Professor A. Gupta and Dr. V. Gupta, my Ambassador, H.E. Dr. Babacar Diop, I have been able to write these few pages.

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New Delhi-1100067.

(1) "stick to your own course and let people talk"

INTRODUCTION

President Julius Nyerere of Tanzania in early 1961 linked the international distribution of wealth to the Marxist analysis of class. He argued in these terms :

"... Karl Marx felt there was an inevitable clash between the rich of one society and the poor of that society. In that, I believe, Karl Marx was right ... But today, it is the international scene which is going to have a greater impact on the lives of individuals... And when you look at the international scene, you must admit that the world is divided between the "Haves" and the "Have-nots".. And don't forget that the rich countries of the world today may be found on both sides of the division between "capitalist" and "socialist" countries..." (1)

Thus as a direct consequence of this dichotomy we have now, and let us quote from the Club of Rome report "Reshaping the International order" edited by Professor Tinbergen, "essentially two worlds, and the disparities between them are growing. One is the world of the rich, the other is the world of the poor united by its heritage of common suffering. A poverty curtain divides the world materially and philosophically. One world is literate, the other largely illiterate, one industrial and urban, the other predominant agrarian and rural; one consumption-oriented, the other striving for survival. In the rich world there is concern for the quality of life , in the

(1) See "The stress is now on dignity" Sunday News (Dar-es-Salem) September 8, 1963 and Nyerere, The Second Scramble (Pamphlet) Dar-es-Salem : Tanganika Standard Ltd., 1962.

poor world about life itself, which is threatened by disease, hunger and malnutrition. We have a situation where in the Third World, millions of people toil under a broiling sun from morning till dusk for miserable rewards and premature death, without even discovering the reason why."

How does one overcome this contradiction? President Senghor of Senegal, says the following regarding this distressing question:

"Could we say that, now, we will wage war against capitalist countries - that capital should be private or state-owned - that we will slacken our cooperation with the EEC or our bilateral cooperations, including the one with our ex-coloniser? This would be foolish, more so because no "revolutionary" or "moderate" African State has done it, the reason simply being that we still need fresh capital, new techniques, even technical assistance all at once. However, beyond immediate utility and need for aid, even if this is not one sided, there is a basic problem: that of a new humanism to be worked out and to be lived... If we wish to become integral men, we should stop thinking like modern Europeans, the slave drivers by dichotomy, in order to think by synthesis like our negro-African ancestors, so as to live by symbiosis. This means to say that primary, horizontal solidarity among Africans, among people of the Third World, will be completed by secondary, vertical solidarity among Africans and Europeans. Precisely, the process was started by an association with European Economic Community". (1).

(1) VIIIth Congress of the Senegalese Progressist Union
Report of general policy : The Economic Community as a framework
of development.
p. 27 paragraph II

These different statements amply open the way to our study and help us to clearly state our problem. Over and above the dialectical contradiction forwarded by Professor Tinbergen, and more so by President Nyerere between the "Haves" and the "Have-nots", we have to find a solution to bring these two worlds closerm by achieving, as stated by President Senghor, "primary, horizontal solidarity, among Africans and people of the Third World, by secondary, vertical solidarity among Africans and Europeans..."

It is this "... secondary, vertical solidarity among Africans and Europeans..." that we would like to study by taking the ACP/EEC Association as an example. Our main focus will be on EEC and Africa. For wanting to circumvent the relations between ACP/EEC in their integrality is an ambitious desire, difficult, if not nearly impossible, to be achieved in a few pages. We are aware of the difficulties involved in this analysis, when we notice that sometimes on certain points, the ACP partners of the 9 European countries remain basically divided.

The Lome Convention is all at once a historical and juridical monument, which was born after a long, difficult and sometimes painful gestation; after a long experience between Africa and Europe.

Our contribution, in the framework of this thesis, will be a modest attempt to study the interdependent relations between the 9 European countries and the ACP States, by keeping in view mainly the presentation of certain points which seem positive and which arouse critical discussion on certain aspects of the Lome Convention,

But we will look all along this study into some aspects of the relations between the 9 EEC and the 44 of the ACP countries. (Conventions Yaounde I and Yaounde II).

In this thesis, it is impossible to exhaust the whole topic, which regularly draws the attention, in the slightest details, of experts of developed and developing countries, party or non-party to the Lome Convention.

As stated above, the Lome Convention, in its juridical garb, is a masterpiece, difficult to criticise. Hence, in order to get out of the deadlock, in Chapter IV of my study, I have based myself not only on a theoretical model but also tried to see some of the shortcomings in the practical enforcement of certain provisions of this Convention.

"... Europe should understand that by helping Africa, it helps itself. Indeed, only the old and young Africa with its tremendous possibilities, is capable of maintaining the old Europe eternally young due to a great and frank cooperation..." (1)

Houphouet BOIGNY
President of Ivory Coast

(1) "Le Courrier" No.30 March-April 1975.

CHAPTER IINTERNATIONAL ECONOMIC COOPERATIONA NECESSITY OF MODERN TIMES

Cooperation is a necessity of our times. It achieves "new human dimension", according to Gabriel d'Arboussier. Big or small states are forced to identify themselves with others in order to assure their mutual development. Hence the traditional framework of communities breaks up, leading to "internationalisation" of all the problems, not only at the economic and political, but also at the moral and idealogical levels.

In order to clearly understand this phenomenon of international cooperation and to give it all the importance it deserves, we should group the countries broadly into three great socio-economic systems, despite the fact that countries within each group are characterised by different degrees of homogeneity and coherence. The three systems are :

- the developed capitalist countries
- socialist countries
- the economically underdeveloped countries

It is by looking at these different systems that we can realise the efforts by one and all with a view to having an improved international economic order.

The western world, shaped as the main core of contemporary industrial civilisation is the basic "metropolis" of the world.

This group of countries with homogeneous civilisation patterns, connected by solidarity of economic interests, has the highest economic standard and can maintain its privileges by a set of agents - including political and military ones. Self-sustained progress of developed countries is based, to an important extent, on inner driving forces, which when mastered, induce an appreciable long run rate of growth. They include the human factor as well as scientific and technological progress. But the development of these countries at the present rate could not be sustained without access to the large raw material resources of the major part of the world. Control over these resources and most often their direct exploitation not only ensures high rate of growth, but also gives immense advantages (direct profits, control over prices, etc.). Usually, the developed countries do not reject any methods to maintain this position. ~~They~~ They derive considerable gains, essential to the rate of expansion, from the maintenance of the most advantageous international division of labour, price relations, foreign capital investments, etc.

The second group consists of socialist countries .

Economic development of the socialist world began in societies which were on the threshold of industrialisation. Development started at a much lower economic level and, equally important, with a much smaller general industrial potential than that of the capitalist metropolis. Also development took place in conditions close to complete isolation.

Despite the initial unfavourable conditions and hostile environment, the socialist countries have made spectacular gains in economic development. In the post-war period, the European socialist countries have expanded at a rate higher than the developed countries. In consequence, the disparity in the economic levels between these two groups of countries has diminished. Nevertheless, the gap is still considerably wide. The socialist countries have at their disposal all the factors and internal agents, indispensable for maintaining a high rate of expansion in the future. Although the basic development factors in the socialist countries do not differ much from those of the developed countries, there are a number of characteristics specific to the socialist countries. These are :

- mobilisation of social efforts
- dynamisation of the broadest social strata, etc.

The socialist countries have developed basic structural premises which include a high rate of productive investment and industrial structure that makes this rate possible.

The third group is composed of countries usually described as the "developing" ones. These countries are highly differentiated from the point of view of cultural traditions and socio-economic conditions, with scanty intr-trade relations and links, and without much solidarity in advancing development. They constitute the periphery of the contemporary industrial civilisation. All socio-economic disproportions occur in these countries in their extreme form.

These countries have an unusually low level of economic development. On an average, their per capita Gross National Product is smaller than one tenth of the developed countries. The low economic level makes acceleration of the process of accumulation difficult.

In order to achieve their economic development, the developing countries had the choice of satisfying a minimum number of conditions, of opting for a system suitable to their realities or for one of the socio-economic systems, that is to say, socialist or capitalist system.

However, in spite of this systematisation, we notice that the impetus for international cooperation has been strengthened, and Africa, in its totality, has not escaped this movement, which can be considered historical. It is also true that for Africa, even during the colonial days, the problem of economic cooperation between colonial territories was acute. When the African countries gained independence, they were once again faced with the same problem. After independence, ways and means were devised for cooperation between African states at the first stage, and between Africa and other continents particularly Europe, at the second stage. The best example is given us here by cooperation between Africa and EEC, which is the topic of our study.

Before dealing with this analysis, let us examine how this movement of cooperation evolved in Africa during the early stages of

independence, the general trends of the economic situation of the African countries party to the Lome Convention, and the solution to be adopted by the African countries, that is to say, the cooperation.

After decolonisation, Africa opened first to itself, in the context of sub-regional divisions (eg: O.M.V.S.), regional divisions (eg: O.C.A.M.; U.D.E.A.C.) and continental divisions (eg: O.A.U.); then it developed its cooperation at the international level. In this chapter, we will deal mainly with the presentation of the economic situation of the ACP partners of the Lome Convention on a global plane. We will focus on the important features and the changes brought about in these countries at the economic level.

POST-INDEPENDENT AFRICA AND THE MOVEMENT FOR COOPERATION

The need for regrouping of cooperation between states is not a new happening in Africa. Indeed, the emergence of a number of small colonies - sometimes an absurd existence - has made such cooperation imperative, because a certain economic complementarity has been added to the diversity of the new territories inducing cooperation.

Following the colonial parcelling of Africa, the colonial powers tried to remedy the situation by trying to create big blocks of federation in French-speaking Black Africa - for example - they were two separate entities : French West Africa (AOF), consisting of 8 territories (1), and French Equatorial Africa (AEF), consisting of 4 territories (2). Each of these entities had separate customs agreements and federal units : an Executive, an Assembly, technical and administrative services.

Within this customs union , there were no barriers among the partners. Fiscal and social legislation and price policies were common. The originality of the functioning of these customs unions consisted of giving the countries located in the interior refunds on custom-duties and fiscal taxes appropriated by the Customs Department, so as to prevent them from being deprived of one of the Federations's main resources.

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- (1) Senegal, Sudan, Mauritania, Ivory Coast, Dahomey, Upper Volta, Guinea, Niger.
 - (2) Gabon, Chad, Congo Brazaville, Bangui (presently Republic of Central Africa).

But, ever since the end of the First World War, there was a strong wave of opposition to colonial rule in Africa, supported by trade union movements. This led to independence and to the disappearance of this colonial federalism, that is to say, the "fragmentation" of the African continent. In 1958, the ex-French colonies of Black Africa attained their independence, either in the framework of the community or outside any link with France. Under the pressure of events, a similar movement took place in the British colonies of Africa as well. And, it is here that we can realise all the importance of these words of a colonial Governor, "... the tragedy of decolonisation arises out of the fact that it was thought that what were colonial allotments could constitute States"(1). Africans, conscious of this tragedy, instead of confining themselves to political atomism and maintaining themselves among generally large or small frontiers, which the colonisers drew out, tried to and are still trying to regroup themselves, in order to cooperate. In this search for unity, certain ambitious ideas were sometimes put forth. **They** even thought of a continental government. This idea is not a new one. Marcus Garvey, after the end of the First World War, proclaimed himself "President of the United States of Africa". (2).

(1) Governor de Lavignette in International Economic Relations, cyclostyled lecture of Professor Bourguignat, pg.267, 1965-66.

(2) Marcus Garvey, born in 1885, is considered to be the preacher of black "Zionism". He wrote "Africa for Africans" 1925, "Philosophy and Opinions" (published by Amy Jacques).

More modest attempts were undertaken, which deeply reflect the political and economic realities of New Africa. This is how this imperative of cooperation led the French-speaking African States, a little after the Referendum, to wonder whether it was preferable to maintain the previous AOF and AEF in a different form, or to institute a larger whole federating them. Finally, and due to opposition to any federal or confederal solution, attempts at regrouping failed.

On 17th January, 1959, the Federation of Mali between Senegal and ex-French Sudan was formed. The advent of this Federation was considered to be a model of regrouping among the recently independent African States. But unfortunately, the federation of Mali broke up on 20th August, 1960.

The Ghana-Guinea Union remained a dead letter. (1)

(1) The two leaders, Sekou Toure (Guinea) and N'Krumah (Ghana) had not envisaged the creation of a federation between their two states, but a total union between the two countries in order to constitute the first link of Continental Government, an idea very dear to President N'Krumah. This wish could not be achieved for several reasons, among which, a certain "camouflaged" conflict of leadership. There were of course more real problems like : language, economy, among which were mainly problems of currency, culture

As far as continental regroupings are concerned, we will recall here the chronology of events given by Mr. Gabriel d'Arboussier in his book "Africa towards Unity". (1)

The Federation of Nigeria was born on 1st October, a very important fact for Independence and African Unity, because, by itself alone, this federation imposes the double problem of independence and regrouping.

And, in the same month of October 1960, 12 States of Africa and Madagascar met and decided to regroup in order to cooperate. Two months later, they met again in Brazaville.

The momentum was speeded up. In January 1961, their experts met in Dakar; in March, all of them got together in Yaounde and decided to form the African and Madagascar Union (U.A.M.), to set up the Organisation of Africa and Madagascar for economic cooperation (O.A.M.C.E.) and the "Air-Afrique Company (2).

At the same time, another attempt at regrouping brought together Morocco, the U.A.R., Guinea, Ghana and Mali at Casablanca.

(1) "Africa towards Unity". Saint-Paul Publications, 1961, pages 8 & 9.

(2) O.A.M.C.E. : its objective was to strengthen the solidarity and cooperation of member states. This organism disappeared in 1964, when the Union of Africa and Madagascar was changed to Union of Africa and Madagascar for Economic Cooperation (UAMCE).

But in May 1961, a bigger attempt leading to the fusion of two groups took place at Monrovia, where 20 States met, its remarkable fact being that African States to the South of Sahara, both English and French speaking ones, joined it. These 20 States sent their experts to Dakar in July to decide on the proposal to be submitted at the Second Conference of the Monrovia Group at the end of the year in Lagos (Nigeria).

This is how it worked out a procedure whose importance appeared clearly through the evolution of the Group of twelve. "Periodicity of meetings, preparatory work of experts, decision of Heads of States, finalising of cooperation and regrouping of structures." (1)

This movement was also regional. On 19th May, 1959, the Sahel-Benin Union or the Council of Understanding, between Ivory Coast, Dahomey, Niger, Upper-Volta was created. This organisation was characterised by full flexibility. It gave complete liberty to the States. Its main organ is called "The Council" at which level decisions should be taken unanimously. The only members of this "Council" are Heads of States, party to the regrouping.

At about the same time (29th June 1959) a Customs Convention was signed in Paris between the ex-AEF States (1); and three organisms were instituted at the level of these States; Posts and Telecommunication, a research institute and an equatorial transport agency.

(1) "Africa Towards Unity" by Mr. Gabriel d'Arboussier

(2) Congo-Brazzaville, Gabon, Chad, Republic of Central Africa.

On 8th December, 1964, the Treaty of Equatorial Customs Union (UDEAC) was adopted. It came into force from 1st January, 1966. A single customs duty was levied in the participating countries. And free circulation of people, goods, merchandise and services was allowed. Thus we have harmony in fiscal matters and development plane, institution of a common customs tariff, abolition of taxes on imports and exports.

The product of these regional regroupings was the Common Organisation of States bordering the Senegal River (OERS). This organisation was set up on 23rd March, 1968, at Labe in Guinea. It grouped Senegal, Guinea, Mali and Mauritania. The main organs of this institution were : conference of Heads of States (who meet at least once a year), Council of Ministers (at least two meetings per year); this organism is responsible to the Heads of States; an inter-parliamentary Council (made up of 20 deputies, 5 for each State) having a consultative role, a General Secretariat consisting of three regional secretariats, for managing the Senegal River Basin, planning and development, educational and cultural affairs.."

These lists of regroupings do not exhaust the entire number. Africa is an "effervescent" continent. As such, it was quite normal that the existing organs be transformed or extended.. or more that some other regroupings took place.

As we see, this desire for regrouping was sometimes motivated by political reasons, at other times by strictly economic reasons. But in both cases, the groupings which have come out have structurally taken two forms :

a) very flexible (what we will call functional). This is the case with O.A.U.(1) and the "Conseil de l'Entente" between Ivory Coast, Dahomey, Upper Volta and Niger. So as to stop with the last example, we can say that the main preoccupation at the level of this organisation was to harmonise relations between States forming the Council and in all the fields "on the basis of friendship, fraternity and solidarity". This organisation does not seem to correspond to any other type of inter-state organisation.

b) The Second Group (which we will call organic) corresponds to more precise exigencies. Thus the organisms set up are better structured. This is the case, for example, between, Senegal and Gambia. At the level of this regrouping, there is an executive Secretariat which coordinates the common policy of the two countries in fields well defined in advance.

We have to mention here that later there were other organisms which really open the discussions for our study, like CEAO (European Community of West African States) (2), which clearly denotes the path desired by the Africans, that is, to pass from the Customs Union with the UDEAO (Customs Union of West African States) to the stage of the Common Market.

(1) O.A.U. : Grouping of independent African States (except for South Africa), created by the inter-African Conference of Adis-Abeba from 22-25 May, 1963. At the level of this organisation, the following meetings are held :

- a) once a year the Assembly of Heads of States and Governments.
- b) twice a year, I Council of Ministers consisting of Ministers for Foreign Affairs.
- c) and 1 General Secretariat constitutes the permanent administrative organism.

(2) Protocol signed on 21st May, 1970 at Bamako.

GENERAL STUDY OF THE ECONOMIC SITUATION OF
ACP COUNTRIES PARTY TO THE LOME CONVENTION

The concept of under-development has given rise to a lot of debate and discussion during a quarter of century. A number of people have given thought to this problem. Some, like Yves Lacoste and G. BALANDIER, find seventeen criteria of under-development.

According to Yves Lacoste, in the 19th century, the factor which led to industrial development in some countries rather than others was the existence of a middle-class, which by breaking up feudal rule gave birth to a class of entrepreneurs. In England, notably, at the end of the 18th century, these entrepreneurs took control of inventions of those days to start the Industrial Revolution.

For many countries, the subjection of the pauper classes, absence of social mobility and monopolisation of trade benefits by the aristocrats checked the process of development. In Africa, slave-trade disarticulated the traditional structures and isolated the tribes from each other. These structural deficiencies were aggravated by the form of expansion on Western capitalism across the world. This expansion, instead of leading to development, had the opposite effect. It provoked cumulative effects of depression talked of by G. Myrdal. This was a cause of under-development for the dominated countries. The economy was oriented in terms of foreign interests, appropriation activities increased, and the existing handicrafts and manufacture were ruined under foreign competition.

Improvements brought about by the coloniser in the infrastructure of the dominated country did not really contribute to its development, but were the means by which the developed countries extracted the resources of the colonised countries for the benefit of metropolitan interests. In Africa, the dislocation of the traditional society could not thus have positive effects favouring development which the destruction of archaic economic structures had in other countries, in Western Europe for example, even though the transformation was accompanied by troubles and miseries.

In under-developed countries, the lack of capital accumulation and investment blocked all possibilities of making a start. Besides, there was no local market to support development. Specialisation was resorted to in the under-developed countries for export production, mostly of agricultural commodities.

F. Peroux, after having retained the factor of yearly income per head and the inequalities which he brings out, underlines its insufficiency. For example, Venezuela, according to this factor is at the same level as France, Belgium and Holland, but it still remains under-developed because 90% of its income depends on oil. Its economy is thus entirely dependent on American companies, which are related to each other for many years. Among the factors responsible for under development are economic and social distortions, absence

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of a middle-class, political and economic dependence, dislocation of traditional structures, limitation of modern economic sector, unfavourable evolution of exchange terms and of capital market, rapid demographic growth etc. (1)

Under-development is basically preceded by the intrusion of the semi-capitalist system within cramped societies in backward social structures, to the benefit of a politically and economically privileged minority (foreign or local). It is, however, important to make a comment here. Under-development does not coincide exactly with the phenomenon of colonialism. (2) Under-developed countries are not all of the same type; it is not surprising at all when we notice that they comprise nearly 3/4 of the world population, spread on the entire surface. These populations are of different races and origins. They are made up of economic and social systems which do not resemble each other. As far as Africa is concerned, we can divide them into two big types, each consisting of two sub-divisions :

(1) Professor Raymond Barre in one of the books of the I.S.C.A. formulated the characteristics of under-development as the following: "The under-developed economy was characterised by instability and dependence; it could, with great difficulty, break the vicious circle of poverty.

(2) If it is true that all the ex-colonies or the present dependent countries are under-developed, all the under-developed colonies on the other hand are not ex-colonies (Meridional Europe). This makes us foresee that in the solution to be thought of, decolonisation is necessary, but it is not sufficient.

1) Countries where modern economy was imposed on a traditional society by the foreign power. They consist of the whole of the black continent with a difference regarding the importance of non-African population.

a) Countries which experienced only partial colonial domination like those of the tropical and equatorial regions.

b) Countries which had racial colonisation like South-Africa. Problems of their economic development, themselves linked with their political liberations, are obviously different.

2) Countries where a capitalist economy was enforced by destroying the local population and replacing it with an imported population. This is the case of countries of Latin America and West Indies. In these countries, economic and social structures were an innovation due to colonialism.

We can sub-divide them into two groups :

a) Countries having attained political independence like Tahiti, but subject to close economic dependence on a developed country.

b) Countries dominated completely, politically and economically, like French West Indies.

We note immediately two basic differences between the big groups 1 and 2. The first difference is that in Africa, the basic

communal social structures can serve as a basis of development. The second difference is that Africa is under-populated. It is subject, to a much lesser extent, to the handicap of certain under-developed countries. In West Indies, on the other hand, economic development could be achieved only after a sudden upsetting of economic structures.

On the whole, in order to understand better the economic evolution of Africa, its present problems as well as its future prospects, it is necessary to draw attention to certain unique features of the African situation which distinguishes it from industrialised countries and from the Third World.

1st Feature :

Africa, in nearly all its totality, remains at a disadvantage compared to the rest of the world. Most of the African countries lag behind Asian countries. This factor makes any perspective of development quite difficult. (1)

2nd Feature :

Impact of domination : even though most of the developing countries were subject to colonial domination, the fact remains that some aspects of this phenomenon are peculiar to Africa :

- colonisation is a modern phenomenon in Africa
- the African continent was last to gain independence
- decolonisation was sudden, without comparison to any other decolonised country.

(1) cf. chapters 2 and 3.

- colonisation in Africa was preceded or followed by the settling there of a large number of Europeans : this is the case with Kenya, Tanganyika, Belgian Congo, Algeria, Tunisia, etc.

These two features had an important impact on the African economy, and it is all the more true, that the economic foundations of the African society were severely shaken during colonial rule. In many cases, Africans chased out from their lands, were forced to become workers in farms in order to earn their livelihood. African society, shaken up during this period, nearly lost its culture.

3rd feature :

This is also a consequence of domination and of implantation of colonial settlers - it is the creation of racist regimes in South Africa and Rhodesia.

The colonial period weakened the economic structure of African countries. In spite of efforts made during the post-colonial period, the colonial structure system remained, with its pattern which is as follows :

- | | | |
|--|---|---|
| Algeria
Kenya
Rhodesia
Mozambique
Tanganyika | } | 1) The creation of modern economy through the settlement of immigrants from metropolitan powers and from other parts of the colonial empire. |
| | | 2) The exploitation of resources by mining companies, plantation trading companies. etc., made possible by the infusion of external capital and enterprise. |

3) The growth of cash crops production by peasant farmers.

Even though most of the economies contain these three elements of development, the fact remains that the domination of one structure over the others places them in one category or in another.

With the independence of African countries, there has been definitely a great improvement in the African economic situation. It is difficult to define it quantitatively. In the sixties, for example, annual economic growth rate was 4% in real terms. During the decade 1958 to 1969, a number of changes took place in the African economy. While in agriculture, one could note a decline from 43 to 24% from 1958 to 1969, in manufacturing, and for the same period, there was a growth from 10 to 12%.

The most important change took place in the mining industry with the growth going up from 4% in 1958 to 9% in 1969. We can quote several examples in this field.

At the structural level, per region, we have :

- North African countries which have a structure resembling that of the developed countries.
- West Africa dominated mainly by an agricultural economy representing more than 20% of the Gross Domestic Product (G.D.P.)

In short, the economy of under-developed countries is characterised generally by a primary and dual structure, an unstable and dependent functioning, lack of capital and technological skill.

We are not going to stress on the different points which will take us to other considerations, particularly, to the question of knowing what to develop. Industry? In which case, we have to answer other questions like :

- Industrialisation is necessary for development, but what should be its proportion and priority vis a vis agriculture?
- What type of industrialisation is necessary?
- The type of industries to be set up : heavy industry or light industry?

The question of what to develop also implies that the basic factors for development have already been attained. Most economists feel that these factors are three in number :

- 1) political option : independence
- 2) historical option : unity
- 3) economic option : an economic ideology

In most of the African countries, these factors do exist, but economic development did not follow, or rather is being achieved with difficulty.

To sum up, we can say that the single most significant feature of the African economic scene is the fragmentation of the continent into a large number of politically distinct entities with only marginal economic links with each other. The absurdly small

economic size of most African countries is too well known to be reiterated. But some statistics need to be brought out. Less than ten African countries have a population exceeding 10 million and several have a population less than two million. This fact of African economic life must be the starting point for any analysis of the strategy of development in Africa over the next three decades. The colonial pattern of development for African countries was through the expansion of primary products for export to industrialised countries and the import from there of manufactured consumer and capital goods. In the past two decades there has been a limited amount of industrialisation based largely on import substitution for the national market.

The limits of the colonial pattern of growth are more evident in the case of some African economies which are primarily dependent on agricultural export earnings for the expansion of their economies. The growth strategy based on exports of primary products, import of sophisticated consumer goods and capital equipment, and industrialisation centred on import substitution of simple manufactured consumer goods, led to the familiar Latin American situation of high cost, in Africa, excess capacity of industry, stagnation of the industrial sector and the lagging of agricultural exports.

The enlargement of African markets through the creation of common markets, preferential trading blocs, and similar arrangements, is a necessary condition for the sustained growth and transformation of African economies. Benefits that flow from enlarged markets are necessarily of a long term nature.

COOPERATION FOR DEVELOPMENT

For the developing countries, constant deterioration of the terms has been posing a serious challenge. For example, export prices in the Third World countries declined by approximately 16% between 1953 and 1970. At the same time, prices of industrial products of the West, imported by the poorer countries rose by 10%, which was equivalent to a deterioration of 26% in the terms of the exchange to the disadvantage of the latter. From 1945 to 1965, the selling price of one kilo coffee multiplied by 15, the cost price of a ton of cement by 40, the cost price of a truck of 5 tons by more than 100.

Such fluctuations, in the terms of exchange brought about an increase of 2.8 billion dollars in the national income of the industrialised countries of Europe and North America, while the Third World's import capacity went down by 1.7 billion dollars.

Even the capital given to the poor countries by the rich one, for their development, leads to the transfer of values from the periphery to the Centre. In his study "Development of Under-Development in Latin America", Guntur Frank concluded that in the present conditions of exploitation of resources of this area, between 1950 and 1965, the influx of capital attributed to private investment was 9,000 million U.S. dollars. As against this, 11,300 million

(1)Coopération et Nouvel Ordre Economique : Afrique Nouvelle
Décembre 1977 (Special) p. 33 to 36.

U.S. dollars were transferred from Latin America to United States. (1)
These figures speak for themselves.

Cooperation with a view to promoting development should necessarily take into consideration the present international economic order and the definition of ways and means with a view to setting up a more righteous and equitable one. The observation of the mechanism which guides the functioning of the present order leads us to the following conclusions :

- 1) there is a link of causality between the growth of the industrialised countries and the under-development of the countries of the periphery,
- 2) the present order favours certain countries to the detriment of others,
- 3) any change in the interests and objectives of the powers responsible for a given order also changes this order..

To take into consideration these three points in the quest for a new international economic order is to struggle in favour of the attitude and the new behaviour within the developing countries, and at the same time to define the new basis of real cooperation among the developing countries themselves, on the one hand, and with the industrialised countries, on the other. We have thus to remember:

(1) Afrique Nouvelle% December 1977 p.32 to 36.

1) that any change in the present order is subject to necessary modification in the developing countries of the entire power structure which subordinates them to the industrialised countries. The unjust agreements signed between certain developing countries and developed countries reflect, more or less, the collision of multiple and multifarious interests which are not necessarily those of the masses of the signatory countries.

The first condition of a new order is the full and total exercise of national sovereignty, national management of resources and production capacity.

2) the existing order by virtue of its texture serves the objectives and interests of capitalist enterprises of the countries of the centre, be they private or state-owned, to the detriment of the poorer countries.

With national sovereignty having been confirmed and fully assured, the second condition of a new order will be the establishment of links, which will ^{be} qualitatively different, with countries of the centre. This second condition, in order to be valid, should base itself on the following points :

- the need for the developing countries to rely on their own forces and creative capacities,

- the upsetting of the main axes following which the present exchanges are arranged by substituting for the vertical relationship of the present North-South, with horizontal rapport

which will enable many countries of the periphery to coordinate their efforts in the framework of a collective "self-reliance".

The DAG HAMMARSKJOLD report of 1975, prepared during the seventh extraordinary session of the U.N.O., proposed five big fields in which cooperation between certain groups of the Third World countries could be achieved today and would be fully profitable in the short and long term : (1)

1) coordination of industrial and agricultural development policies with a view to assuring economic equilibrium and production, the local trade exchanges representing one of the necessary means to obtain these results. The setting up, in direct contact with production, of joint or coordinate enterprises in fields such as transport, commerce and advisory bureaux to contribute to harmonious development of production and to reduce dependence on trans-national companies in trade, transport and know-how;

2) strengthening of the autonomous financial capacity of the Third World countries by organising circuits, financed and controlled by the Third World for the transfer of resources;

3) progressive achievement of a Third World monetary system;

4) improvement of technical capacities by innovation, creation, adaptation and utilisation of necessary knowledge to reduce the very heavy and omnipresent dependence of the Third World countries on knowledge, whose origins and contents are foreign;

(1) "Afrique Nouvelle" Special December 1977 p. 32 to 36.

5) strengthening of autonomous circuits of communication between the Third World countries and in their relations with the industrial countries for specific exchange of information and for promotion of new forms of communication, of a new life style of cultural cooperation

The Dag Hammarskjold Report brings out three large sectors which are the joint capacity of the Third World countries as exporters, importers and "hosts" of transnational companies.

In order to obtain balanced and equitable agreements, the producing countries of the Third World should organise themselves quickly. An organisation directed to such ends will enable them to, if need be, take unilateral decisions. They will be vigilant, on the other hand, to set up either at the national or regional level of the Third World a mechanism for price identification, identification of quantities and market potential independently of transnational companies, and to enable control of prices used among the units of the companies. They will also be careful to define and create adequate transport networks, finance systems and trade policies.

The common power of the Third World countries as importers of the industrialised countries should be fully exploited.

If we keep in mind that in 1973, the Third World countries imported nearly 70 million U.S. dollars worth from O.E.C.D. countries, and that the annual progression of these imports was 10% during the last decade, it also becomes pre-emptory to set up an association of the Third World countries, with a view to using their buying power in common.

Here, the Third World countries have also the duty to strengthen their ^{9/}negotiation power in their relations with transnational companies.

Basically, it is important for the Third World countries to know how to fix and respect a whole lot of national objectives, in which foreign firms will have to operate and negotiate special agreements within the framework thus created.

The following common activities are also suggested by the Report :

- collection and analysis of statistics which are easily accessible to the transnational companies but rarely to the Third World countries;
- setting up in common of rules and directions, enabling not only to get the best out of the existing technical capacities at the national level, but to prevent the transnational companies from putting one country against another;
- creation of mechanisms of mutual technical assistance, (by exchange or by means of a common institution) in order to radically improve the knowledge, experience and the technical capacities of firms in charge of negotiations with transnational companies.

The Third World countries, particularly those of Africa went through the bitter experience of cooperation, which

in many cases was only a simple technical grafting, a simple one-way large-scale borrowing of unadapted technology. The results of such cooperation are new forms of dependence and alienation of all needs. A cooperation which leads to such disaster cannot claim to be one. Cooperation should contribute in the first place to the development of those who wanted it and who set it up. It should consequently follow certain principles :

- respect of sovereignty of each of the parties, of the personality of each partner.
- safeguard of mutual interests on the basis of reciprocity and equality.
- consciousness that each party has something to learn from the other in fields where each one has had some success or failure.

The oil crisis and the international economic upheavals that went with it will at least have thrown up a certain number of objectives and fundamental data on the relations between the Third World and the industrialised countries, and henceforth any policy for cooperation between them will have to be assessed in the light of the key concept of interdependence.

The industrialised world, and the EEC in particular, depends on the developing countries in two main fields.

- Most of the minerals (oil, phosphates, iron, bauxites, etc) and agricultural products (coffee, cocoa, citrus fruit, textile fibres, etc.) ^{for} European industries use, come from the developing countries and Europe must have a reliable, guarantee supply if it is to avoid crisis and shortage.

- The markets in the developing countries, particularly in the more advanced ones, provide increasingly important outlets for European industrial products (factories, plant, railways, vehicles, etc.) and ensure full employment for the European workers and factories.

The developing countries, for their part, depend on the industrialised world to get their development process going or keep it moving :

- The developing countries are still mostly exporting raw materials to industries in the developed countries and their export are vital to them.

- The most advanced of the developing countries have embarked upon a process of industrialisation and intensive investment. The technology and the know-how they need so much are currently in the hands of the industrialised countries, where they will be able to market their finished goods.

- Most developing countries, from the richest to the poorest need more capital in appropriate forms and here again they are largely

dependent on the developed world. The EEC provides almost 50% of the official development aid granted by members of the OECD's Development Assistance Committee.

Two objections can be raised :

- The developing countries have made considerable profits out of the commodity price increases which they forces upon the industrialised corld, thereby s. riously weakening it. Financial aid is perhaps neither necessary nor possible

- In the face of producers' cartels, intimidation and unilateral decisions, it would be better to take a firm stand than to strengthen cooperation which only goes in one direction.

Economically speaking, certain developing countries have become more rich, or virtually so. But they are few. The Sahel countries, India and Pakistan have made nothing out of the oil crisis. In fact, quite the opposite, they have had to suffer the consequences and could put up no possible defence. The products they must have, oil, fertilizers and food, have undergone considerable price rises, but their export earnings have not been much affected by the world price surge. One thousand million people in the Third World are thus in a sort of financial straits that preclude all development and their real resources (i.e. taking population increases into account) are dwindling. The need for financial aid remains enormous and far outstrips the nonetheless substantial amounts provided so far. Aid must therefore be stepped up. All resources, including those of the developing countries with large financial surpluses, must be mobilised.

Can Europe afford confrontation with the Third World?

EEC Official development Aid (Net payments in 1975)

	Bilateral Aid (\$ million)	Multilateral Aid (\$ million)			Total Aid (A+B+C)	Total Aid as % of GNP
		Non-Community (B)	Community (C)	Total (B+C)		
Germany	1 160.9	297.5	230.4	527.9	1 688.8	0.40
Belgium	251.8	74.8	51.0	125.8	377.6	0.59
Denmark	110.8	87.1	7.4	94.5	205.3	0.58
France	1 788.7	112.4	189.8	302.2	2 090.9	0.62
Italy	58.8	37.3	86.2	123.5	182.3	0.11
Netherlands	365.1	172.7	66.1	238.8	603.9	0.75
United Kingdom	566.5	255.5	41.4	296.9	863.4	0.37
TOTAL EEC (1)	4 302.6	1 037.3	672.3	1 709.6	6 012.2	0.45
United States	2 941.0			1 066.0	4 007.0	0.26
TOTAL DAC COUNTRIES	9 815.5			3 769.6	13 585.1	0.36
Socialist bloc	—			—	750.0	0.06 (2)
OPEC countries	2 183.0			559.0	2 748.0	1.35 (3)

(1) Except Ireland and Luxembourg, for which comparable data are not available.

(2) China and USSR only. These countries provide mainly bilateral aid.

(3) 1.50% excluding Nigeria.

Source: DAC/OECD.

EEC Powers in cooperation with the Third World

Sector	Trade Policy	Financial Cooperation	Food Aid
Powers	Exclusive	Complement powers of Member States	Complement powers of Member States
Action	<ul style="list-style-type: none"> — trade provisions of Lomé convention (free access) — trade provisions in agreements with Mashreq, Maghreb, and Israel (usually free access) — Community GSP — simple trade agreements with developing countries — trade promotion schemes 	<ul style="list-style-type: none"> — financial provisions of Lomé Convention EFD: 3 000 million EUA EIB: 390 million EUA (period 1976/80) — financial provisions in agreements with Mashreq, Maghreb & Israel EIB: 342 million EUA (7 countries) Community: 297 million EUA — emergency fund EEC: 292 million EUA Member States: 430 m EUA (in 1974/75) — financial cooperation with other developing countries 20 million EUA in 1976 45 million in 1977 (forecast) — export promotion and regional cooperation 3.5 million EUA in 1976 5.4 million EUA in 1977 (forecast) — co-financing with NGOS 2.5 million EUA in 1976 4.0 million EUA in 1977 (forecast) 	<ul style="list-style-type: none"> — involves • cereals • milk powder • butteroil — covers all development countries in need of food aid

NB: The EEC has specific powers at international negotiations. It either speaks as the only representative of the Community (as in the North-South dialogue), acts as coordinator of the nine countries or may be an observer.

"Our countries of Europe have been tireless in seeking the extra space, markets and supplies - spices yesterday and commodities today - they need overseas. The situation can be summed up in figures: the EEC accounts for more than 25% of world trade (exclusive of intra-Community trade), as against 14% for the US and 4% for the USSR, and our survival depends on this trade being maintained and harmoniously regulated in time. Although the large countries of the world could, without much risk to their economies, afford the sort of confrontations which would put an iron curtain between North and South (1), we in Europe know that our economies would not resist". (Claude Cheysson)

New factors have appeared in the world economic and political order, at the level both of the great powers and of the developing countries. The recent economic upheavals and the major international discussions have made the developing countries realise that they now have an opportunity to become partners in the world economy, whereas hitherto they have only catered to the growth of the industrialised world.

Great changes will soon come about in the international, industrial, commercial and financial structure of North/South relations. The aim of the EEC's cooperation policy is to predict and organise such changes so as not to be taken by surprise.

(1) It would be more correct to say between West and South, since "the socialist bloc is absent from the field of cooperation: its aid to development is minimal, its Third World trade is 5% as against 20% for the USA and 40% for the EEC. And yet some problems, especially concerning raw materials, can only be solved with the participation of the socialist bloc countries. They must be brought into the dialogue" (Cheysson).

The increasing interdependence between North and South is the foundation of the EEC's global policy of cooperation with the Third World. This policy requires financial means, although financial aid is but one aspect of the development policy.

A cooperation policy also includes a series of measures to ensure for the developing countries a growth in income from their own resources. Their export earnings must be guaranteed against excessive price fluctuation, their purchasing power must be maintained they must process more basic products on the spot so as to push up export values, they must have the freest possible access to the markets of the industrialised countries, they must have easier and cheaper access to technology and industrial know-how and the transfer of industries to their territories must be speeded up. This is where a global cooperation policy with the Third World must take account of the consequences of these actions on the European economies themselves.

As long as the cooperation policy amounted to no more than financial aid it could be regarded as marginal.

But once the cooperation policy starts to guarantee export earnings (the Stabex), guarantee purchases at fixed prices (agreement on ACP sugar) and open the doors of technology and industry to the developing world (industrial cooperation ~~cooperation~~ with the ACP and Maghreb countries), the international division of labour is involved. Community firms and community workers are directly concerned and a global policy for cooperation with the Third World cannot make headway unless more attention is given to the internal consequences for the Community economy.

The European economy is involved at the level of both industry and agriculture, which means that the employment and incomes of European workers are also involved.

- The European Community encourages industrial development in the ACP and the southern Mediterranean countries and in developing countries the world over, when it implements its GSP (reduced customs duties for processed products imported from the developpng countries), and when it is financing or helping in the acquisition of industrial technology and facilitating the transfer of industries. The Mediterranean countries and, in the longer term, the ACP's too will soon be in a position to compete with the Community countries in industry.

- The Community is adopting the same procedure in the agricultural sector. It is opening the markets to agricultural products from the Mediterranean and Africa and it is financing productive projects. But, at the same time, producers in the south of the Community are worried about such direct competition.

"Let us look at agriculture for a moment, since farmers in the south of France and Italy rightly fear imports of certain products from the Magreb and their claims must be treated justly and fairly. Look at the considerable market in food and agriculture represented by the Euro-Arab world. Look at the impressive volume of these products which we import from countries outside our joint zone. You will see, first with astonishment, and then with hope, that we ourselves could develop many of these products that now come from

around the Mediterranean and that, if we face our problems together, the field of development is enormous, even in the sectors that seem the most difficult today!" (Cheysson).

In exchange for opening its economic territory to certain aspects of the Third World development, the Community will have the benefit of a further opening to a considerable economic territory which it currently lacks, since, unlike the US and the USSR, the Community does not have enough supplies, markets, natural goods (open space, for example) to ensure its future. Hence the need to cooperate with the Third World ^{and} ~~with~~ the ACP states.

CHAPTER II

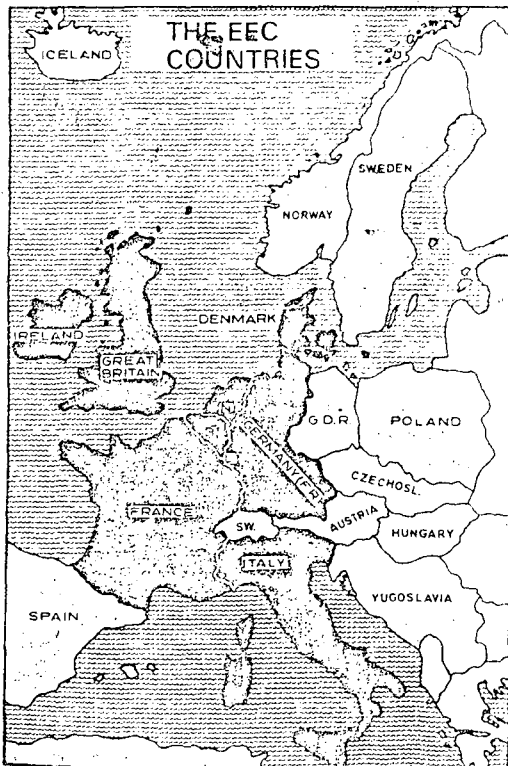
THE LOME CONVENTION : PRESENTATION

THE EUROPEAN COMMUNITY

- BELGIUM
- DENMARK
- FRANCE
- GERMANY
(Federal. Rep.)
- IRELAND
- ITALY
- LUXEMBOURG
- NETHERLANDS
- UNITED KINGDOM

THE ACP STATES

- | | | |
|-------------------------|---------------|---------------------|
| BAHAMAS | GRENADA | RWANDA |
| BARBADOS | GUINEA | SENEGAL |
| BENIN | GUINEA-BISSAU | SIERRA LEONE |
| BOTSWANA | GUYANA | SOMALIA |
| BURUNDI | IVORY COAST | SUDAN |
| CAMEROON | JAMAICA | SWAZILAND |
| CENTRAL AFRICAN
REP. | KENYA | TANZANIA |
| CHAD | LESOTHO | TOGO |
| CONGO | LIBERIA | TONGA |
| EQUATORIAL GUINEA | MADAGASCAR | TRINIDAD and TOBAGO |
| ETHIOPIA | MALI | UGANDA |
| FIJI | MAURITANIA | UPPER VOLTA |
| GABON | MAURITIUS | WESTERN SAMOA |
| GAMBIA | NIGER | ZAIRE |
| GHANA | NIGERIA | ZAMBIA |



IMPORTANT DATES

July 1973	Opening of ACP-EEC negotiations
1 February 1975	Conclusion of negotiations
28 February 1975	Signature of the Lome Convention
1 July 1975	Advance entry into force of the provisions on trade
1 April 1976	Entry into force of the Convention
May 1976	First European Development Fund Financing decisions under the Lome Convention
1-3 June 1976	Constituent meeting of the ACP-EEC Consultative Assembly (Luxembourg)
8 July 1976	First transfer decisions under Stabex
14-15 July 1976	First meeting of the ACP-EEC Council of Ministers (Brussels)
July - September 1976	Comoros, Seychelles and Surinam accede to the Convention
20 October 1976	Meeting of the Presidents of the ACP and EEC Councils (Brussels)
20 December 1976	First meeting of the Committee on Industrial Cooperation, establishment of the Centre for Industrial Development
28 March 1977	Signature of the Acts of Accession to the Convention by the Republic of Cape Verde, the Democratic Republic of Sao Tome and Principe and Papua New Guinea
13-14 April 1977	Second meeting of the ACP-EEC Council of Ministers (Fiji)
8-10 June 1977	Second meeting of the ACP-EEC Consultative Assembly
<hr/>	
1 March 1980	Convention expires.

Dates of the Convention

Negotiations opened	July 1962	December 19, 1968	July 25, 1973
Convention text agreed	December 20, 1962	June 28, 1969	
Signature	July 20, 1963	July 29, 1969	February 1, 1975
Entry into force	June 1, 1964	January 1, 1971	February 28, 1975
Expiration date	5 years after coming into force	January 31, 1975	March 1, 1980 (1)

(1) Will come after ratifications now in progress.

Partners of the EEC, from the Treaty of Rome to the Lomé Convention

(IS = Independent State — OT = Overseas Territory)

Treaty of Rome (Implementing Convention)		Yaoundé I Convention (10)		Yaoundé II Convention (11)		Lomé Convention	
A. French area:							
— in French West Africa:							
Senegal	OT	Senegal	IS	Senegal	IS	Senegal	IS
Sudan	OT	Mali	IS	Mali	IS	Mali	IS
Guinea (1)	OT					Guinea	IS
Ivory Coast	OT	Ivory Coast	IS	Ivory Coast	IS	Ivory Coast	IS
Dahomey	OT	Dahomey	IS	Dahomey	IS	Dahomey	IS
Mauritania	OT	Mauritania	IS	Mauritania	IS	Mauritania	IS
Niger	OT	Niger	IS	Niger	IS	Niger	IS
Upper Volta	OT	Upper Volta	IS	Upper Volta	IS	Upper Volta	IS
— in French Equatorial Africa:							
Middle-Congo	OT	Congo-Brazzaville	IS	Congo Pop. Rep.	IS	Congo Pop. Rep.	IS
Ubangui-Chari	OT	Cent. Afr. Rep.	IS	Cent. Afr. Rep.	IS	Cent. Afr. Rep.	IS
Chad	OT	Chad	IS	Chad	IS	Chad	IS
Gabon	OT	Gabon	IS	Gabon	IS	Gabon	IS
— Ind. To go Rep.							
OT		Togo	IS	Togo	IS	Togo	
— Cameroon (mandated)							
OT		Cameroon (9)	IS	Cameroon	IS	Cameroon	
— Madagascar							
OT		Madagascar	IS	Madagascar	IS	Madagascar	
— St.-Pierre et Miquelon							
OT		St.-Pierre et Miquelon	IS	St.-Pierre et Miquelon	OT	St.-Pierre et Miquelon	
— Comores							
OT		Comores	OT	Comores	OT	Comores (4)	
— French Somaliland							
OT		Fr. Somaliland	OT	Fr. terr. of Afars and Issas	OT	Fr. terr. of Afars and Issas	
— New Caledonia & dependencies							
OT		New Caledonia	OT	New Caledonia	OT	New Caledonia	
— French Polynesia							
OT		Wallis and Futuna	OT	Wallis and Futuna	OT	Wallis & Futuna	
— Southern & antarctic territories							
OT		Polynesia	OT	Polynesia	OT	Polynesia	
— Algeria (2)							
OT		Southern & antarctic territories	OT	Southern & antarctic territories	OT	Southern & antarc. territories	
— Reunion							
OT		Reunion	OT	Reunion	OT	Reunion (13)	
— French Guyana							
OT		Fr. Guyana	OT	Fr. Guyana	OT	Fr. Guyana (13)	
— Martinique							
OT		Martinique	OT	Martinique	OT	Martinique (13)	
— Guadeloupe							
OT		Guadeloupe	OT	Guadeloupe	OT	Guadeloupe (13)	
B. Belgian area:							
— Congo							
OT		Congo-Léopoldville	IS	Zaire	IS	Zaire	
— Rwanda-Urundi							
OT		Rwanda	IS	Rwanda	IS	Rwanda	
— Burundi							
OT		Burundi	IS	Burundi	IS	Burundi	
C. Italian area:							
— Somalia							
OT		Somalia (12)	IS	Somalia	IS	Somalia	
D. Dutch area:							
— Dutch New Guinea (3)							
OT							
Declaration of intent foreshadowing possible Association to:							
— Surinam							
OT		Surinam (7)	OT	Surinam	OT	Surinam (Ind.)	
— Netherlands Antilles							
OT		Netherlands Antilles (8)	OT	Netherlands Antilles	OT	Netherlands Antilles (5)	
— Morocco (4)							
IS							
— Tunisia (4)							
IS							
— Libya							
IS							

(1) In 1958 Guinea opted out of the Association.

(2) In 1962 Algeria did not request continued membership of the Association on becoming independent.

(3) Mandated for a short time by UN to the Netherlands and transferred to Indonesia by the latter in 1963.

(4) Independent since 1975, except for Mayotte.

(5) Independence under consideration.

(6) Mauritius became associated in 1972 and its association came into force on 1.6.73.

(7) Surinam became associated as from September 1, 1962.

(8) The association of the Netherlands Antilles came into force on 1.10.1964 following an amendment of the Treaty of Rome (see Official Journal of European Communities, No. 7, 10.1964).

(9) As from 1961 the United Republic of Cameroon included the former French & British Cameroons.

(10) And annexe 7 of the Council decision of 25.2.1964 (for the OT).

(11) And annexe 8 of the Council decision of 29.9.1970 (for the OT).

(12) Including the former Somaliland.

(13) Temporary arrangement until EAGGF applies.

que, Sao Tomé et Príncipe

HISTORICAL BACKGROUND

Stable, Black Africa was nearly forgotten as "destabilised"; today, it takes back an important place in the big game of international confrontations. Africa is not only a strategical map, but also a great economic factor in the world equilibrium. The privileged relations with Europe, notably with France, have made it one of the factors of Septentrional power and prosperity. The contrary is also true and Europe contributes to Africa as much as it benefits from it. This was the desire expressed by Valéry Giscard d'Estaing during the advent of the new Republic of Djibouti, when he stated :

" I wish that one day, complementarity between Europe and Africa will show itself with an outburst, in a pact of solidarity. Thus Africa could avoid becoming the stake of external confrontation and being led to a disastrous arms race" Isn't the stake for Europe symmetrical?

In the beginning, there was "black-slave traffic", then came exploiters and missionaries; decolonisation with its ups and downs followed, with the hope of a paternal manipulation and pursuit of exploitation of the "inter-land" of Europe; and finally, since 1975, was established the "new model of relations", with the Lomé Convention. In a few words, this is the history of the Euro-African exchanges since 1600. Africa (if we exclude its septentrional part) officially enjoys an equal status with Europe.

But, African public opinion, which feels that political and economic problems are far from being solved, is not satisfied. And just as Europe had ambitions previously in Africa, now Africa has designs in Europe. This ambition is circumscribed by its European partners in the context of the bilateral agreements and conventions and the best living example is given to us by what can be considered as a real pact between Europe and the Third World, that is the Lome Convention.

By this Convention, we can say that Euro-African association has turned a new page in its history. The Yaounde Convention, signed in July, 1969 and linking the six members of the Common Market and 19 African states and Madagascar associates (EAMA), expired on 31 January, 1975. It was replaced by the Lome Convention, new agreements of cooperation between nine European countries and 46 independent states of Africa, (1), West Indies and Pacific totalling 508 million people.

The Lome Convention provided for special relations between the EEC on the one hand and the still dependent countries and territories overseas on the other hand.

With the accession to Independence between 1960 and 1962 of 18 African countries and Madagascar, the first Yaounde Convention was signed, which came into effect on 1st June 1964, for a period of 5 years. The Second convention was signed on 29th July, 1969, and

(1) Actually the ACP states are 53 in number.

came into effect on 1st January, 1971, for 4 years. After the opening of negotiations in 1970, between Great Britain and the EEC, Mauritius wanted to be part of the Convention of Yaounde without delay. This accession took place on 30th June, 1973.

On the other hand, ever since 1963, the Six Community members adopted a statement, published ceremoniously in Yaounde on 29th July, 1963, confirming the opening of the Community to any request by any Third World country with an economic structure comparable to that of the EAMA and directed either towards accession to the Convention of Yaounde, or any other type of association or trade agreements. This is how an agreement of association was signed in 1966 with Nigeria, but this agreement was never enforced due to lack of ratification. On the contrary, after many ups and downs, an agreement of association was signed in Arusha on 24th September 1969, with the East African States (Kenya, Uganda, Tanzania). This agreement came into effect at the same time as Yaounde II, and also due to expire on 31st January, 1975. This agreement mainly concerned the rule of exchanges : it did not contain any provision in terms of financial and technical cooperation.

Negotiations for membership with the candidate countries had to lead to the adoption of the protocol "22" joined to the membership acts, based on which the community offered 20 Commonwealth members in Africa, West Indies and the Pacific the possibility of negotiating with it, organisation of their future relations in the in the context of either agreements of association or trade agreements.

This protocol guaranteed, besides the continuation of the advantages acquired by the EAMA, equal treatment to the new associates. Finally, it stressed that the Community "will have at heart" the safeguard of the interests of all the countries (concerned) and whose economy depends to a great extent on export of basic products, notably sugar.

From its side, the Commission, in its memorandum of April 1973, laid down the basic characteristics of a model of an agreement likely to satisfy the preoccupations of all the concerned countries. In many cases, these orientations are again found in the agreement which has just been signed, notably concerning the basic innovation represented by the mechanism of stabilisation of export returns (Stabex), insistence on regional cooperation, special efforts made in favour of the less advanced countries, the strengthening of participation of States in management of activities of financial and technical cooperation.

The negotiations were ceremoniously opened on 25th and 26th July, 1973 at Brussels; the decision about starting discussions was, in fact, made by the Ministerial Conference of 17th and 18th October, 1973. This conference enabled all the countries invited to participate in the negotiations. Further evolution led to a remarkable cohesion of the ACP group, which, in spite of the difficulty to coordinate the viewpoints of a group of countries so vast and diversified, managed to express themselves right through the negotiations with one voice only while facing the Community.

After months of negotiations in Brussels, at the level of plenipotentiaries, the Ministerial Conference of Kingston marked a basic stage by not only enabling the signing of the first agreements of principle at the political level, but also by consolidating the will power to succeed.

The first Ministerial Conference from 13 to 15 January, 1975, did not succeed. The agreement was finally signed on 1st February, 1975, ending one of the most complicated negotiations ever conducted by the Community.

The succession of agreements defining the relations between the European Community and one part of the Third World shows evidently that the action of the Community during the first few years was inspired by the necessity of solving the problems arising out of the setting up of the Common Market. This pragmatism about the manner of proceeding explains why the succession of agreements did not constitute notes that "in these conditions, due to inability to define right away the general policy of the Community, vis a vis the developing countries, the Community was forced to live with elements of a policy of cooperation". Since then, notably in favour of enlargement of the Europe of Six, the Community undertook the elaboration of a global policy of development. This "cooperation for development is characterised by a complementarity between a regional dimension with a high degree of cooperation and an international dimension with a much lesser degree". At the summit conference of October 1972 in Paris, Heads of State or Government decided to conduct a real

international policy of development, complementary to the main action which remained regional. By assigning to the Community and the member-states the task of progressing simultaneously on two paths-pursuit and development of cooperation in a regional sphere, and the creation of a global policy on an international scale, it showed that hereafter opposition between the regionalists and the internationalists was done away with.

In a free ~~of~~ competition, Europe cannot enforce immediately expensive ideas and programmes on the entire Third World. It should wait for the industrialised countries to decide upon the type of action to be undertaken without the risk of endangering its competitiveness. This is what Mr. Cheysson, member of the Commission of European Communities, noted :

"... the European effort, which by necessity is limited, has a significant value if it is applied to 250 million inhabitants and to a smaller number of productions, whereas, it will be insignificant if it was extended to 2 billion inhabitants and to all the Third World production..."

The Lome Convention concretises this regional approach in the cooperation for development with a view to setting up a new international economic order.

The privileged position of the ACP States can be doubly justified :

1) Except for Ethiopia and Liberia, all the ACP countries were one time or the other colonies of European States. Europe, having been a coloniser, thus feels a special obligation to help them by according priority in order to reach a level of development in conformity with their legitimate aspirations. Due to these historical links, European countries have better possibilities to contribute to the development of the ACP countries. This is what is expressed by P. Yace, Chairman of the National Assembly of Ivory Coast, when he states :

"... We have undoubtedly links with European countries ,
at the economic and social levels, but above all at
the cultural level..."

2) Economically, Africa is still the poorest continent of the world; 18 countries of the ACP belong to the U.N. classification of the least developed countries.

Three characteristic elements of this Lome Convention draw our attention :

1) Multidimensional diversity of the ACP countries :

a) geographically : The Lome Convention unites 37 African countries, 6 countries of the West Indies, and 3 countries of the Pacific.

b) demographically : between 15 micro-states each having less than one million inhabitants and Nigeria (between 60 to 80 million inhabitants, according to the latest census).

c) economically : between a majority of the underdeveloped countries (with an income of less than 100 dollars per person) and at the other end, a small number of countries having an income of 800 dollars per person (Barbados, Trinidad and Tobago, Jamaica, Gabon); also between Nigeria and Zaire (whose industrial capacity is remarkable) and the Pacific Islands.

d) politically : between socialist states (Guinea, Congo, Somalia) and capitalist ones.

e) linguistically : between English speaking, French speaking and Portuguese speaking States.

2) Maintenance of acquisition of the Community :

By the Protocol of 22 (cf. signature of acts relative to membership to European Communities by United Kingdom, Ireland and Denmark), given to about twenty underdeveloped Commonwealth countries, the possibility of negotiations with the EEC was opened. By dragging the Commonwealth countries along with it, the United Kingdom was in a position similar to that of France during the Rome Treaty. However, Great Britain had a double policy for its ex-colonies :

a) for about twenty countries of Africa, West Indies, Pacific, the benefits demanded were the same as enjoyed by the EAMA, that is , mainly Association.

b) Asian countries are excluded from this perspective.

Protocol 22 offered the Commonwealth countries a choice between 3 formulae :

- Yaounde III - an association of a special type
- a preferential trade agreement
- nonpreferential trade agreement

This protocol gave a double orientation to the negotiations. The ministers committed themselves to guarantee simultaneously the continuation of the advantages acquired by the EAMA by virtue of the Yaounde Conventions and equal treatment to new associates if they so desired. An increase in the number of partners was thus not supposed to harm the advantages acquired previously by the EAMA. The negotiations strived to save them in the elaboration of the new policy of cooperation.

3) Enforcement of certain new principles of International Law of Development.

The liberal economic doctrine which upholds international trade policies (particularly free exchange policy) and liberal international policy (eg: principle of reciprocity and indiscrimination of General Agreement on Tariffs and Trade or GATT) arouses hostility among the underdeveloped countries. For these countries, inequality of development should be taken into consideration by International Law. All the establishment norms in this field should be considered and a privileged treatment given as compensation for this inequality.

As remarked by G. de Lachariere, "international law which is created under the influence of developing countries, is a compensatory law to inequality, a law of retort to inequality of economic development".

Inequality of development exists not only between rich and poor countries, but what is worse this action introduces sub-categories if we take into consideration relative inequalities within the Third World. This is the basis of international law of development.

The Lome Convention, giving up the liberal principles (free exchange, reciprocity, clause of the most privileged nation) of the Yaounde Conventions, puts forth this international law of development, creator of compensatory inequalities, of differentiated regimes according to the economic development of the States.

The Lome Convention practically consists of the entire sum of instruments of cooperation for development. The Convention was mostly inspired by the Yaounde agreements. The beginning of a new organisation of economic relations between industrialised countries and the non-industrialised ones appeared in the main fields of the Lome Convention : commercial cooperation, financial and technical cooperation, industrial cooperation and management of cooperation.

The Lome Convention is a historical event and a decisive step towards a new economic order. It sets an example for regional agreements between industrialised countries and developing countries throughout the world. It is independent of the separate aid and cooperation policies of the EEC countries. It is also more complete

and ambitious, and introduces a number of new elements in the Community = Third World relations and into international law institutions .

Thus :

- The Lome Convention recognises "de jure" in an international treaty, the inequalities existing between the signatories (EEC, ACP) and between the ACP States themselves. For example, the least developed ACP States were given special financial aid.

- Through "Stabex", the system for stabilising ACP export earnings, the Lome Convention has introduced a sort of international social security scheme to protect countries which depend on sales of their agricultural products against bad years, and compensate them for the instability resulting from the play of free market forces.

- In the case of sugar-cane exports to the EEC from the ACP countries, the Lome Convention provides for a reorganisation of the market for a particular commodity. It offers producer countries a minimum price indexed to the income of European sugar-beet producers. This is major innovation.

- To keep relations between the EEC and ACP on the right track, the Lome Convention has catered for permanent concertation through such general institutions as ACP-EEC consultative Assembly of parliamentarians, the ACP-EEC Council of Ministers or through specific bodies such as the Centre of Industrial Development and the Committee for Industrial Cooperation. These in no way infringes the sovereignty of the Community partners in running their own affairs. This approach is the spirit of Declaration on the **international economic order** adopted by U.N. General Assembly in May 1974.

DISCUSSIONS

Discussions on the thirty reports presented were based on three topics :

- 1) Bilateralism, regionalism, internationalis of aid.
- 2) Unequal exchange or guarantee system ?
- 3) Does the EEC have a global foreign policy?

Discussions on the first point dealt with the regional choice of the Community regarding aid and its limitations. This choice is mostly the heritage of the colonial past of the Community members and is mainly practised in favour of the ACP countries.

It nevertheless has its limitations in the diversity of the states receiving aid, as also in the international economic implications of the past agreements (sugar in the Lome Convention) or geopolitics (cf. attitude of the Community during the North-South Conference). Complementarity of the community's aid, with private support desired by some, was criticised by representatives of the developing countries as an implicit vehicle of a developing model, which the receiving countries had not chosen, just as the generalised system of preferences can be viewed as an instrument of **implantation** of private enterprises, and food aid as an excrescence of the common food policy.

The second topic attracted indictment of the persistence of the Lome agreements on unequal exchange compared to the

Yaounde agreements, notably concerning industrial cooperation.

In studying the last topic, we have to see how the Community interpellated by external events reacted; October 1973 is a key date for Mr. J.P. Colin, which will not be accepted at all by the Arab representatives. The limitations found by the Community in its decision process, in the Rome Treaty (art. 113, 115), in the limited coherence of the foreign policies of the member States do not prevent it from playing an important role in the difficult negotiations in spite of drawbacks (energy policy notably) for example, (Common Funds for Stabilisation of Products of STABEX). The discussions stress on the various demands made by countries of Asia, Latin America, associate countries to the Community, demands which cannot be satisfied except in particular cases like that of China, under of granting diffused and inefficient aid. It is regrettable that since the 6th Session of the U.N. General Assembly, the situation of the Community in the United Nations had not been reviewed, situations whose aspects are noteworthy (Cheysson Fund for example; vote of the Charter of economic rights and duties of the States).

These discussions highlighted by intervention of representatives of the Commission, (on budgetisation of aid to Maghreb countries, which under-lines the overlapping of aid policies with commercial and monetary decisions, food aid, Stabex, etc.), clearly show the "contradictions" of the member states of the Community and of the Third World.

Finally, the Convention signed at Lome on 28th February, 1975, covers seven main areas :

A) Trade Cooperation

This covers the trade arrangements (tariffs and non-tariff rules, rules of origin) between the ACP and the EEC and trade promotion of ACP products.

B) Stabilisation of export earnings for the ACP States is guaranteed by the EEC through its Stabex system.

C) The provisions concerning ACP sugar contain a commitment for buying the EEC and for supplying by the ACP producer States specified quantities at guaranteed prices.

d) The Industrial Cooperation provision aims at facilitating the industrialisation of the ACP States, in particular through the transfer and adaption of technology. An EEC-ACP committee for industrial cooperation has been set up and a joint centre for industrial development is acting as a catalyst for investment in the Third World industry..

E) Financial and technical cooperation : 3390 m.u.a. will be transferred from the EEC to the ACP States during the 5 year duration of the Convention, (up to 1.3.1980 for financial cooperation). As for finance for investment projects put forward by the ACP countries, the Lome Convention provides financ~~e~~ for regional cooperation covering two or more ACP countries, for commercial and industrial promotion, for small and medium sized firms and for local-projects. The European Development Fund also covers the Stabex system. Financial cooperation is wide ranging and calls for close EEC-ACP collaboration. It includes special advantages for the least developed, the landlocked and the island ACP countries.

F) The provisions relating to establishment, services, payments and capital movements ensure non-discriminatory treatment of any ACP companies, firms and nationals.

E) The ACP-EEC institutions (Council of Ministers, Consultative Assembly enable the provisions adopted in the Lome Convention to managed jointly.

President Leopold Sedar Senghor, outlining his concept of a new world economic order in a speech in 1977 at the Belgium Academy of Overseas Science in Brussels (1), stated :

"... The new economic order must be revolutionary. That means it must bring about a fundamental change in our idea of the future by comprehensively altering existing structures to rule out brutality, terror and anarchy... The future of mankind is at stake... Other people must be allowed to be different. The right to be different is the right to think, act and live on one's own account... The growth of trade "from the position of equality" is in the long run a more effective basis than the present unequal trade relations, for the development of both sides... since the industrial countries depend on the development of the Third World (2) for their economic recovery"...

(1) "Le Courrier " no.41, January, February 1977

(2) The Third World provides about 90% of the industrial market economy countries supplies of non-ferrous metals, 80% of the oil and natural rubber they need, 50% of their raw cotton, vegetable oils and sugar ...

CHAPTER IIIACP / EEC ASSOCIATION AS THE
FRAMEWORK OF DEVELOPMENT FOR THE ACP STATES

Today, the setting up of great integrated economic organisations is one of the conditions indispensable to development. It is a basic requirement which few States can afford to neglect. It is all the more important for small States due to their small size and limited resources. Only big countries, providing vast local market and numerous potentialities which make up the basis of their economic growth and progress, could ignore this condition if it became absolutely necessary.

In a world where power and competitions characterise international relations, only unity and organisation can allow a better distribution of power and of well-being within one of the less favoured States.

Addressing members of the Overseas Press Association, Mr. Emilio Colombo, promoter and architect of the first Convention of EuroAfrican Association (Yaounde Convention), expressed almost the same view by asserting :

".... The new international economic order will remain a hollow expression, if the rich countries come in the way of the interests and legitimate exigencies of the developing countries. The European Community's greatness is to have understood and to have put into facts a readjustment of relations between these two worlds by the creation of an economic super-structure at Lome..."(1)

If we are analysing the Euro-African relations under the Lome Convention, that is to say, between the 9 European Countries and 46 African countries (1) it is because the aim of this Convention is to create relations of equality between the partner countries. It is obvious that there are many exchanges (and investments) other than the direct enforcement of the Convention, but Lome represents new relations. It puts an end to the type of relations embodied by Yaounde I and II by which Europe gave Africa preferential treatment and aid. In exchange, Africa reserved its production and market for Europe.

The Lome Treaty was eventually negotiated between the biggest combination of European States ever known since Napoleon and the group of ex-colonies of Africa, Caribbean and Pacific, achieving a better identity of views than the Europeans. The African component won over the others to such an extent that we can consider this act as a dialogue between Africa and Europe.

We will sub-divide this Chapter into three sections :

Section I : New partners of the Community

Section II: Characteristics of the new Convention or the new instruments of development.

Section III: Institutional framework.

(1) 46 ACP States at the time of signing the Convention. Now they are 52 in number.

SECTION I :NEW PARTNERS OF THE COMMUNITY

The 46 countries of Africa, Caribbean and Pacific who signed the Convention are :

- a) 19 African States and Madagascar, signatories of the Yaounde Convention.
- b) 21 States belonging to the Commonwealth of which :
 - In Africa : Kenya, Uganda and Tanzania
(Signatories of the Arusha Convention), Botswana, Gambia, Lesotho, Malawi, Nigeria, Sierra-Leone, Swaziland, Zambia.
 - In the Caribbean : Barbados, Guyana, Jamaica, Bahamas, Grenada, Trinidad and Tobago.
 - In the Pacific : Fiji, West Samoa, Tonga.
- c) 6 other African States : Ethiopia, Guinea, Equatorial Guinea, Guinea-Bissau, Liberia, Sudan.

The agreement provides for the adherence of any State whose economic and production structures are comparable to those of the ACP States, under reserve of the assent of the Community and the ACP. The Community expressed the desire to extend the benefits to the Portuguese speaking African States.

The 46 countries, representing the whole of Black Africa, independent at the time of the signing of the Convention, represent a population of about 268 million inhabitants, mainly agrarian (78% in Africa). Of these countries, 18 are among the poorest in the world, according to the United Nation's criteria. This G.N.P. per head (1971 evaluation) is at 148 \$ (\$ 136 for Africa).

For the ACP, on the whole, the Community represents the first trade partner because it absorbs (1970) 54% of their exports and supplies 44% of their imports (for Africa only, respectively 60% and 50%).

SECTION II

Characteristics of the new Convention or the new instruments of cooperation development

The new Convention, while keeping in mind the experiments achieved in the framework of the pre-existent associations is marked not only by a considerable extension of its field of application and of its contents, but also took into consideration the international economic context under deep mutation, especially the diversification which results out of the problems and needs of the **Third World**. Thus the beginnings of a new negotiation of economic relations between the industrialised and non-industrialised countries appear in the main fields of the Lome Convention : trade cooperation, financial and technical cooperation, industrial cooperation, etc.

TRADE COOPERATION

million EUR (1EUR=\$1.2).

	1975	first 9 months 1975	first 9 months 1976
Total imports from ACP (cif) :	8 159	5 822	6 802
Total exports to ACP(fob) :	7 589	5 563	6 246
Trade balance :	- 569	- 258	- 556
1973 index=100 :	index for 9 months 1975= 100		
Imports :	125	100	117
Exports :	162	100	112

In 1975 the EEC's exports to the ACP countries represented 6.6% of exports to all non-member countries.

By way of comparison :

all developing countries	= 36%
of which OPEC	= 15,3%
- non petroleum producing	= 6% 21%
- Maghreb-Mashreq	= 6%
- USA	= 10.8%
- State-trading countries	= 10.8%

The Community's philosophy, in the matter of trade cooperation ~~has~~ always been "trade not aid"(1), which signifies in clear terms that it is more important to allow an under-developed country to increase its production meant for export, than directly give it the same money. The Community has been trying to maintain this philosophy ever since 1958 by pursuing its systematic effort to help the EAMA

(1) cf. C. Cheysson : "Europe, crisis and the Third World" in National Defence, Paris, May 1974.

and now the ACP to develop by buying as large a quantity as ^{possible} of their export products.

Trade cooperation pursues a double objective :

- a) to assure an increasing flow of ACP exports to the Community's market,
- b) to caution the ACP States against instability of export returns.

STRUCTURE OF EEC external trade by groups of products

In % of total exports and imports

	Exports		Imports	
	Value (Eur'000 m)	%	Value (Eur'000m)	%
1970				
Foodstuffs	4.1	7.4 %	12.7	21.4 % (25.6%)*
Raw materials	1.3	2.4 %	10.-	16.9 % (20.3%)*
Energy	1.6	2.9 %	9.8	16.5 %
Manufactured goods	46.3	82.8 %	21.5	36.- % (43.3%)*
1975				
Foodstuffs	7.9	6.9 %	19.2	16.1 % (23.-%)*
Raw materials	2.3	2.4 %	12.6	10.6 % (15.2%)*
Energy	4.4	3.9 %	36.-	30.4 %
Manufactured goods	95.-	83.5 %	42.-	35.6 % (51.-%)*

(*) Fuel imports not included (dotted section)

A) Development of ACP exports in the Community's Market.

DISTRIBUTION OF EXTRA-EEC EXPORTS BY GROUPS

OF COUNTRIES

(in % of each group of products)

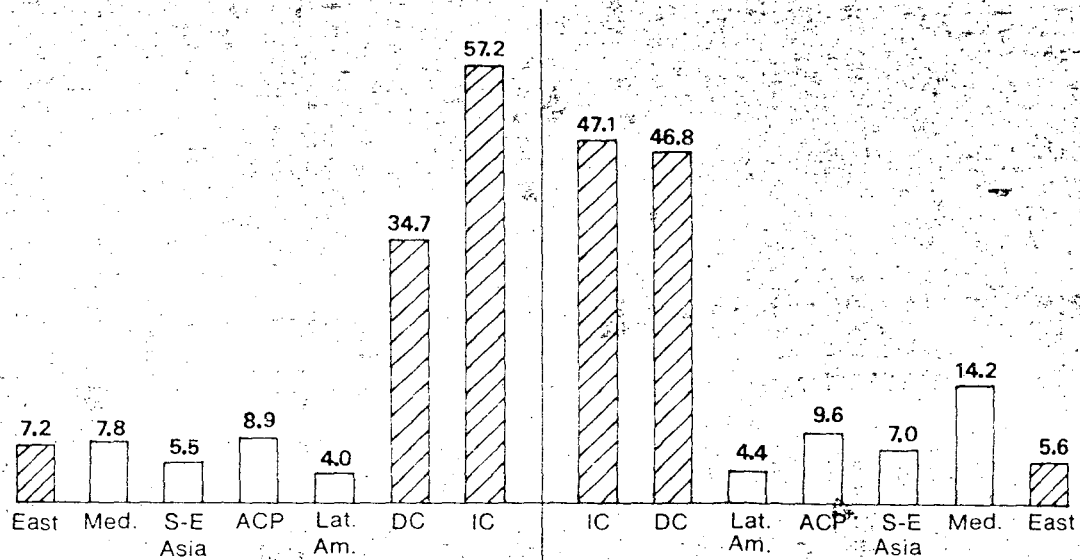
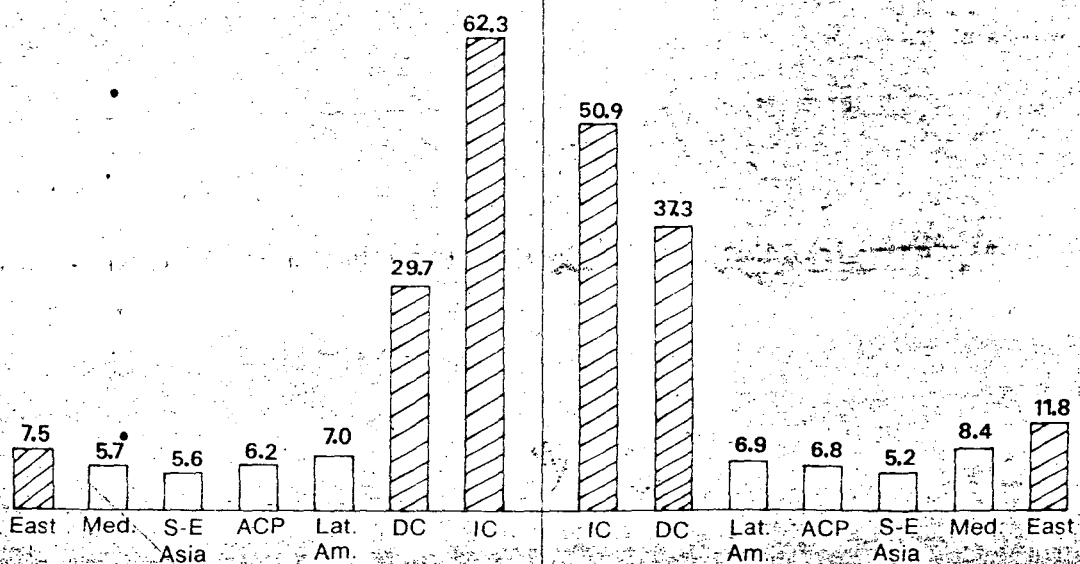
**Distribution of extra-EEC exports
by groups of countries**

In % of each group of products

1970

Foodstuffs

1975

**Manufactured products**

The Convention signed between the EAMA and the Community were basically meant to measure exchanges between the partners. But this objective could not be fully achieved because the Community did not assure a satisfying flow of EAMA products. Tariff preferences given in the framework of the free exchange zone did not produce the anticipated results.

For a better comprehension of the various stands taken during the negotiations between the ACP/EEC, we have to start from this premise. It will enable us to note that the agreement signed between the ACP/EEC deals with the problem of exchanges from a new angle.

a) EEC-EAMA : a failure.

The EAMA were expecting a lot from the Community as far as exchanges were concerned, with the achievement of the free exchange zones. But, the result achieved was, a weak growth of exchanges and a diversification of outlets. Indeed from 1958 to 1971, EAMA exports increased from 896 million U.A. to 1638 million U.A; an annual growth of 6.2%, which less than that of exports of all the under-developed countries to the EEC : 7.7% per year, during the same period.

From 1958 to 1971, the EEC exports on EAMA markets increased from 668 million U.A. to 1401 million U.A., a 6.5% per year rate of progression which is higher than that of the Community's exports to the whole of the under-developed countries, 5.7% per year.

The results are deceptive for EAMA, regarding the development of their exports towards the Community. However, the association has enabled the EAMA to initiate a process of geographical diversification of their exchanges. This appears to be absolutely logical due to the very fact that the agreement gave rise to new bonds of all types between the EAMA and the Community, except for France. Thus, it is a change-over from a non-privileged situation to a privileged situation. However, EAMA exports to France declined and actually the advantages conceded by it to its ex-colonies disappeared. (e.g. guarantees of prices and flow, preference).

States, other than France, constitute markets still provided with a capacity of absorption open to a huge development. That is why the increase in EAMA exports to France is 3.1% yearly, to the EEC 6.2% and to Italy 12.6%. From 1958 to 1971, exports increased slowly to the ex-mother countries (France and Belgium), whereas they increased at a quicker pace, much higher than the average of the Community, to Holland, Germany and Italy. The French market which consumed 58.3% of EAMA exports to EEC in 1958 consumed only 38.2% in 1973.

Diversification is also found in the increased EEC exports to the EAMA. The ex-motherlands have a relatively low rate of export, whereas Holland, Germany and Italy increased their sales at a much higher rate than the rest of the EEC. Due to these evolutions, France and the Belgo-Luxemburg Economic Union guarantee only 60% and

11.3% of the Community's exports to the EAMA in 1971 as against 65.1% and 18.1% in 1958. On the other hand, the participation of other States, members of the Community's exports, increased from 4% to 5.2% for Holland, from 4.6% for Italy and 8.2% to 13% for the Federal Republic of Germany. These figures clearly show that since the creation of the EEC-EAMA association, exchanges, particularly sales of associate countries in the Common Market, have progressed slowly .

The causes of this phenomenon are several :

Specific obstacles have added to the non-tariff obstacles which hit certain products without discrimination of origin (household taxes, sanitary rules, variable appropriations, control of nature products).

- 1) Insufficiency and degradation of preferences relating to tariffs given to the EAMA.
- 2) Weak competitiveness of the EAMA.

Certain Latin-American and Asian countries compete advantageously with the EAMA inspite of the tariff preferences. These countries have generally reached an advanced stage of development. A study carried out at the request of the Brussels Commission states that the EAMA are not competent for most of the products they export and run the risk of not being competent for a long time due to the difficulties which are particular to them and which are encountered at the three successive levels of production, internal commercialisation and external commercialisation. In view of a sustained competition,

we see how difficult it will be to achieve rapid development of these countries which are numbered among the least developed countries of the Third-World.

b) What does the Lome Convention contribute ?

The Lome rule differs from that of Yaounde. The doctrine of liberalism, considered to be an untouchable dogma, is nevertheless banished. The general rule of exchange does not contain reciprocity any longer. It ensures free access to ACP exports on the Community market, thanks to a very open preferential system. Will the beneficial effects of this system not be destroyed by the generalised preferences which the EEC offers to the Third World?

1) Review of the principle of non-reciprocity.

This point was one of the most difficult ones during the discussions. It questions one of the attainments of Yaounde, namely, the principle of reciprocity of trade advantages or inverse preferences. What does it mean? Inverse preferences are often part of the framework of special preferential treatment, while extending the trade links, which united the ex-colonial powers (France, Great Britain) to their dependent territories, led de facto or de jure to the creation of more or less perfect free exchange zones. In most of the cases, industrial countries concede to their ex-colonies, special preferences and receive in return inverse preference. Some of them were in existence in the Commonwealth framework but the most remarkable in their scope and importance were those enjoyed by the six European countries in the

EAMA markets and which installed 19 free exchange zones between the EEC and the EAMA. The principle of reciprocity was strongly criticised and eventually abandoned in relations between the industrialised and under-developed countries. During the negotiations, the Community strangely defended this principle which gave an equally representative and stipulated character to the relations between the Community and ACP States. Politically speaking, the Community means " that reciprocity was indispensable to safeguard the agreement, a stipulated element guaranteeing a durable character to it. To allow reciprocity was to justify a permanent preferential rule for the ACP. To reject it was to transform the agreement into a precarious system of unilateral action of trade advantages".

Inverse preferences were strongly criticised by the Third-World countries and certain possible partners. Criticism came from the industrialised countries too, as also from the Third-World countries. Among the industrialised countries, the United States, fearing to be victim of inequalities of treatment due to this type of relations, denounced at the GATT meeting and on other occasions the incompatibility of such conventions with classical rules of international trade laws. They complained of discrimination. But, in reality, this criticism has no basis. United States and Japanese exports have increased relatively at a much higher rate than that of the member states

Under-developed countries, which do not benefit from the preferences conceded by the EEC, have put forth the view that this

policy was unlikely to solve the problem of under-development efficiently and globally. This criticism leads us to a point which has already been dealt with in Paragraph I of Section I, Chapter IV, of our study. We shall therefore not repeat it here.

The Lome Convention introduced the principle of non-reciprocity of trade obligations. In itself, it is a basic innovation. We know that the principle of reciprocity was introduced in positive law by G.A.T.T. in 1965, following a revision of the doctrine.

The enforcement of the principle of non-reciprocity can be seen by a voluntary imbalance between the obligations of the Community and those of the ACP States. The Community's products will not have a privileged access to the markets of the developing countries. Basically, the ACP States have preferential advantages from which the developed countries of the Community are excluded.

" 2) Arrangement of special preferences.

The nine European countries conceded free entry, with customs tariff, to the Community's market for the most important products of the ACP States. In this context, in order to allow the ACP States to sustain competition, special priority was given to them vis-avis the rest of the world in general and the Third-World in particular.

The result of such an institution was to allow products originating in the ACP States, to accede to the Community's market,

with exemption of customs' tariff and taxes of equivalent effect. But this principle of free and unlimited access is not extended to certain products pertaining to common agricultural policy (e.g. citrus fruit, cereals, meat, cattle). Under this rule, all industrial exports and nearly 96% of ACP exports can nevertheless enter with customs tariff, without agricultural deductions. Even for the remaining 4%, the Community sometimes grants preferential treatment going up to tariff reductions upto 90%. This assures the ACP States a comfortable position on the European market.

The Lome Conventions provides two accompanying measures to its provisions :

- ACP States are considered as a block. Products coming from these States will be considered to be original and will benefit from customs' tariff. This means that the Community will not take into consideration the transformations which a product of an ACP State could undergo.

- taking over of actions of trade promotion in favour of the ACP States, so as to facilitate their trade penetration into the markets of the 9 countries of the Community and other industrialised countries.

Normally, these facilities should enable a better expansion of exports, notably for the ACP States with limited capacity, than under the Yaounde rule. We have to recognise the fact that these advantages are limited by :

- non-suppression of consumption taxes on certain tropical products.

- Sharing of preferences by 46 countries instead of 19, which obviously decreases the effect.

- extension of the rule of generalised preferences.

B) STABEX

(System for Stabilisation of Export Earnings)

The Lome Convention sets an example for regional agreements between industrialised countries and developing countries throughout the world. The Convention is independent of the separate aid and cooperation policies of the EEC countries. It is also a more comprehensive ambitious arrangement. It produces a number of new elements in the Community-Third World relations.

Thus, the Lome Convention recognises "de jure", in an international treaty, the inequalities existing between the signatories (EE, ACP) and between the ACP States themselves. For example, the least developed ACP States are given special financial aid. Through STABEX, the system for stabilising ACP export earnings, the Lome Convention has introduced a sort of international social security scheme to protect countries which depend on sales of their agricultural products against bad years and compensate them for the instability resulting from the play of free market forces.

System for stabilizing export earnings set up under the Lomé Convention

Breakdown of 1976 STABEX transfers according
to different criteria

First instalment

	Amounts in EUA	%
1. Products		
Groundnut oil	6 755 991	18.62
Groundnut oilcake	153 269	0.42
Cotton, not carded or combed	2 750 347	7.58
Coconut oil	1 499 834	4.13
Palm oil	765 576	2.11
Sawn wood	549 807	1.52
Sisal	6 928 151	19.09
Iron ore	3 977 274	10.96
	23 380 249	64.43

Second instalment

Groundnuts	4 442 347	12.24
Cocoa paste	463 558	1.28
Cocoa	2 163 265	5.96
Palm nuts and kernels	626 966	1.73
Bananas	72 719	0.20
	7 768 855	21.41

Third instalment

Cotton, not carded or combed	2 249 791	6.20
Wood in the rough	348 993	0.96
Tea	1 399 953	3.86
Cloves	1 139 516	3.14
	5 138 253	14.16
Total	36 253 357	100.00

2. Causes of loss

— affected by the economic situation	7 477 958	20.61
— affected by local circumstances	28 809 399	79.39

3. Loans/grants

— loans	8 843 125	24.37
— grants	27 444 232	75.63

STABEX (export receipts stabilisation system) is a sort of "insurance policy against bad years" . It originally covered the 46 States which signed the Lome Convention and concerned 29 products arranged in 12 groups : products made from groundnuts, cocoa, coffee, coconut, palm trees and palm nuts; hides and skins, wood products; tea, raw sisal and iron ore.

Iron ore was accepted as an exceptional case taking into consideration the leading role it plays in the exports of Mauritania and Liberia. But, generally, speaking, the Community is still against the admission of mineral products to benefit from this system . This stand considerably inconveniences countries like Zambia, . Zaire, Guyana, Gabon, Guinea, Jamaica.

STABEX covers revenues from the export of these products when they represent more than 7,5% of the total export receipts of the country concerned. That is the "threshold of dependence". This threshold is reduced to 2.5% in the case of the least developed African, Caribbean and Pacific countries, also those which are landlocked or are islands, and others designated as least developed in the Lome Convention.

The second condition for the application of the scheme is that the EEC guarantees only receipts from exports to the Community, and only if they are consumed or processed in Europe (thus ruling out re-export). However, in the cases of Guinea-Bissau, Ethiopia, Rwanda, Burundi and Swaziland, which export so little to the Community that the scheme would have been of no value to them, STABEX applies to all their exports of the products concerned.

In order to carry out the compensatory financial transfer, the two thresholds of dependents and release should be observed.

"Threshold of dependence" : that is, the product for which an ACP State asks for stabilisation aid should have represented during the year preceding each year of application at least 7.5% of export earnings of the total goods. Initially, the Community had asked for the threshold to be fixed at 10%. This percentage is 5% for sisal; it falls to 2.5% for the least developed landlocked or insular ACP States. The latter provision which concerns 34 countries shows the negotiator's anxiety to reserve a special treatment to these States in this field (art.17 al.2). The thresholds of dependence are calculated every year in order to make the system dynamic and to relate it very closely to the economic reality.

"Threshold of release" : The second condition, in order to be able to make use of this system, is that the effective earnings of a year should be lower than the reference level.

The Community wanted to fix this limit from an earning reduction of 20%; the Convention, under the ACP States' pressure, actually fixed it at 7.5% as a general rule, and at 2.5% for the least developed, enclaved or insular States.

So, the conditions which bring STABEX into play are clearly set out. For each product and for each ACP country, a "reference level" is drawn up each year on the basis of export receipts over the four preceding years. When the receipts in any year

drop below this level by a certain percentage (called the "dependence threshold"), the country involved calls on the Community to pay it a sum corresponding to the difference. If all the conditions are fulfilled, the Community pays the country the "shortfall". The country will pay it back when its export receipts begin to expand - except in the case of the 34 least developed countries, which are exempted from repayment.

Up to May 1977, 35 conventions covering STABEX payments had been signed with 21 ACP States for a total of 95.5 million units of account.

At the ministerial Council in Fiji in April 1977, the following products were added to the STABEX list : vanilla, cloves, pyrethrum, wool, mohair, gum arabic and ilang-ilang, while the following countries were accorded STABEX for exports in all directions: W. Samoa, the Seychelles, the Comores, Tonga and Lesotho.

8) The Community and the ACP States agreed that the first year of application of the system for the stabilisation of export earnings would be 1975. In July 1976, barely three months after the coming into force of the Convention, 25 transfer agreements were signed involving 17 ACP countries. Another agreement was signed with one more country (Mali), bringing to total transfers for 1975 to nearly 73 million units of account.

Though this was its first year of application, the nature of the protection offered by STABEX is already clearly illustrated : it is protection not only against export losses resulting from a deterioration in the economic situation - in this case a fall in demand - but also against losses caused by a drop in production attributable to circumstances or natural disasters : 68% of transfers in the first case, 32% in the second.

- It can be seen, moreover, that this mechanism does not benefit exclusively, nor even mainly, the relatively more developed countries which have a reasonable supply of exportable resources, for 57% of the transfers went in the form of grants to the least developed countries.

- This trend was more marked for 1976 : transfers in the form of grants to the least developed countries accounted for approximately 77%.

- Certain points regarding the implementation of STABEX have been discussed on several occasions between the Community and the ACP. The latter would, moreover, like to see if it is possible to extend the system to cover several products that are not on the original list contained in the Convention.

With the first two instalments (1), transfers made for 1976 totalled 36.3 million ECU and twelve ACP countries (2) were involved. Transfers for 1975 totalled 72.8 million ECU for 17 ACP States.

(1) The first instalment was agreed on 4.4.77 and the second on 27.7.77.

(2) To these can be added the Comores and Djibouti, formerly overseas territories but now independent, which were covered by the appropriation earmarked for the OCT.

In July 1976, 19 ACP countries received compensation for shortfall in export earnings under the first application of the STABEX system. What did they do with the money? Apart from Ghana, all these countries had reported back to the EEC Commission by October as required under the Lome Convention (article 20). The first estimates from these initial reports show that :

- A little over 20% of the STABEX grants was ploughed back into the shortfall export areas to increase production;
- About 20% was set aside for Treasury funds;
- The remainder went into agriculture or infrastructure projects.

Five countries put back only a part of their STABEX grants into the shortfall sectors.

The Commission plans to analyse the effects of the first STABEX exercise on the beneficiary countries economic development and on their foreign trade.

Indeed, the Third-World countries were clearly conscious during the last decade of the fact that the mastering of their development is closely linked to a greater stability and increase of resources coming from their exports. This consciousness led them to claim with more and more vehemence stabilisation of prices of basic products at a profitable level and a price index of manufactured products which they guarantee against deterioration of terms of exchange. It is economically unhealthy for the under-developed countries to see their activities oscillate at the wish of foreign earning fluctuations.

The list of products thus drawn up is not definite. If a product is of great importance to the economy of one or several ACP countries and threatens to be affected by major fluctuations, the Council of Ministers could decide to include this product among the products covered.

However, the demand for transfer was examined by the Commission in liaison with the country requesting for it on the basis of certain criteria. The decision was taken by the Commission.

Funds granted to this regime are limited by a ceiling of 375 million UA for the duration of the Convention. This sum is appropriated on the European Development Fund (EDF) for the period of the Convention. The total amount is divided into yearly slabs of 75 million UA. The balances of each annual slab are carried over to the following year.

Transfers are in principle reimbursable by the ACP countries under certain conditions. However, the most backward countries are exempted from this obligations. The ACP States benefiting from the STABEX intervention is supposed to (art.20) "inform the Commission every year of the utilisation made of the transferred resources".

The STABEX system is of great importance for the future of ACP producers. It shows the will power to reach a guarantee of a minimum of earnings to countries whose earnings undergo production risks and fluctuations of international markets.

This system, inspite of some limitations (see Chapter IV), constituted an absolute progress in the search for new economic relations between suppliers of basic products and the industrialised countries. It is a product by product approach and appears to be an indispensable complement to the global approach of payments, as followed till now by the International Monetary Fund.

In spite of the enormous advantages which STABEX offers the ACP States, it has come under strong criticism on several grounds. The first year of its enforcement did not see the problems being solved. In its report, the European Commission indicated the following main points for study :

a) Final payment of semestrial advances made (mechanism provided by art. 1956 of the Lome Convention). Only the countries whose monthly export figures since 1972 are known to the EEC are eligible.

b) Supervision of the participation for the "reconstitution of resources" of STABEX by the ACP States not belonging to the Category of the least favoured and which obtained transfers for the year 1975.

c) Organisation of the system for the ACP States which are new members of the Lome Convention (Seycelles, Comores, Surinam, Papua-New Guinea, Cap Verde and Sao Tome Principe).

d) Study of the utilisation made of the transfers by the beneficiary ACP States.

Besides, certain among the nine EEC countries have asked for an analysis of the incidence of STABEX on the economic development of the beneficiary States and careful supervision by the European Commission in respect of the provision according to which transfers could be refused if the applicant country is responsible for discriminations to the detriment of the EEC in matters of trade policy (for example, regarding access to raw material resources).

Improvements could be made by including more products and by increasing the number of countries, mostly among the least developed ones, which could eventually benefit. In any case, at this stage, the ACP group of States should establish the priorities themselves.

FINANCIAL AND TECHNICAL COOPERATION

In the previous Convention, namely, Yaounde I and Yaounde II, the objectives of development were mainly the following :

- strengthening of economic and social infra-structures
- rural development and training of men
- industrial development, actions in favour of commercialisation and sales promotion, exceptional aid in case of natural calamities.

The Lome Convention maintained these sectional priorities. But, in addition, it gave new orientations to the Community's aid : specific aid to the least developed States, small and medium scale enterprises, and minor ventures, and increasing help to efforts at regional and inter-regional cooperation.

A) NEW ORIENTATION

1) Privileged treatment to the least developed States.

Rich countries are not very charitable in reality. In spite of statements to the contrary, the fact remains that positive measures adopted in favour of developing countries are very rare. Even in

achieving the Yaounde recommendations, we noticed that in reality the richest states of the EAMA benefited most from the financial aid. It seems that in the distribution of aid, they took into consideration the gross local product per inhabitant. By the cumulated results of the three EDF, we notice that upto 31 December 1973, it was Gabon which benefited most from the Community's aid. Zaire was the least aided country.

On the contrary, article 48 of the Lome Convention says :

"In the implementation of financial and technical cooperation, special attention should be paid to the needs of the least developed ACP States so as to reduce the specific obstacles which impede development and prevent them from taking full advantage of the opportunities offered by financial and technical cooperation".

The least developed states were supposed to enjoy special treatment in all fields, notably

- by granting of more advantageous financial conditions.
- by a flexible application of aid modalities.
- by technical assistance enabling them to absorb an increased volume of foreign aid.
- by actions of training of personal and "cadres" necessary for economic development and technical administration of the States.
- by supporting the achievement of research directed towards finding the solution to certain of their own specific problems of economic and social development.

- by benefits in order to priority for promoting regional cooperation.

- by giving aid for rural development and by derogation to art. 46, the taking over temporarily and in a degressive way of expenditure for functioning or for heavy repairs relating to investments previously financed by the Community.

2) Specific aid to small and medium-scale enterprises.

Yaounde II, in its art.24 and Protocol no.6 articles 6 & 8, had provided for the possibility of granting financial and technical assistance by means of specialised local institutions to small and medium-scale enterprises of EAMA. Financing was done by a system of loans in two stages which were divided in the following way :

a) the Community could grant loans at favourable rates, specified in foreign exchange, for projects which justify stricter conditions.

b) intermediaries serving as middlemen were entitled to reloan these sums at higher rates, adapted to the financial profitability of the project, but reimbursable in local currency.

This rule was rarely used under Yaounde II due to lack of procedure adapted to this type of projects.

What about the Lome Convention?

Protocol no.2, art.13, has a whole lot of provisions allowing the Community to use the means of public finance organisms

of development for financing projects for the benefit of small and medium-scale enterprises of the ACP States. The Community studies the viability of the project and if the conditions are fulfilled, it opens a line of grant to the financial organism, starting with a maximum sum total of 2 million U.A. for a period not exceeding three years and unrenewable.

Grant conditions : Grant conditions of this aid have led to specific agreements between the Community and the financial organism for each case. The financial organism is responsible for reimbursing the line of grant mobilised to the Community; every year, it should present to the Community a report on the execution and financing of the approved programme of action.

3) Aid to minor ventures.

This deals with aiding and making the masses participate in the development process by authorising the EDF to finance small actions of development at the base, notably in rural areas. Financing of these operations is generally three-fold :

- the beneficiary collectivity
- the ACP State
- the EDF, whose intervention in each minor venture should not exceed 75,00 U.A.

Generally, what justifies these minor ventures is that we feel that the best point of departure for rapid industrial development logically starts by a strong intensification of agricultural production .

4) Support to efforts of regional and inter-regional cooperation:

All economists agree on the point that it is impossible for any country to develop in an isolated way. They have to extend the existing economic framework by creating regional and sub-regional organisations. Economic integration has the advantage of quite a large market. In other words, it appears to be a new means of economic prosperity founded on the creation of a wider market and the execution of a joint strategy on a regional scale.

Starting from its own example of economic integration, the EEC has always been in favour of regional integration in the developing countries. In a memorandum of 27 July 1971, the Brussels Commission stated :

"The Community whose economic existence really results from the fact that its member States are conscious of the necessity of an economic integration profitable to all parties has a special vocation of helping developing countries in this field, and to make them benefit from its own experience. It is a field where the Community by itself could do useful work with relatively modest financial means..."

The problem of cooperation is still very much a bilateral one, both between one country and another and between the industrialised and non-industrialised countries. The division into two camps determines the highly unbalanced state of trade relations in the world today. Instead of considering progress to be the result of an

economy largely dependent on external outlets and help from the industrialised world, the ACP should be seeking a form of development which is founded primarily on their own (large but ill-organised and unintegrated) markets. It is both regrettable and paradoxical that trade between the various countries of Africa accounts for approximately 6% of their international trade - a growth rate of 2% between 1960 and 1972.

For instance, one of the countries of Central Africa buys its beef and veal from Europe or from Argentina via Europe, while Botswana, a major producer, is unable to sell all its meat and has enormous difficulties in surmounting barriers, particularly tariff ones, to sales in the European market. Again, as far as services are concerned, it is singularly odd that it is easier to get Paris, London and Washington on phone from some countries of Africa than to get through to neighbouring countries to which calls have to be routed via the capitals of Europe. This is clearly a legacy of the colonial past and must be overcome.

The Lome Convention accords a considerable amount of importance to the regional and inter-regional cooperation already begun under Yaounde I and II. Some 10% of the 4th EDF's 3300 million U.A. are meant for inter-ACP cooperation. The best use should be made of this and the proper foundations laid for regional and inter-regional cooperation among the ACP.

Of course, Central Africa has UDCAC (Central African Economic and Customs Union) and, as has been mentioned in Chapter I, there have been repeated and sometimes successful attempts at unity in the west of the continent. There is also Caricom - Caribbean Common Market. However, the scope of these organisations remains fairly limited on account of the constraints of international economies.

An average of half the exports in the original six-nation Community remained within the Community. In the nine-nation Community, the figures would appear to be $2/3$ for all but the United Kingdom. A similar pattern emerged in the Latin America free trade area 10 years after the treaty was signed when exports accounted for $1/15$ of the total internal trade, as against $1/10$ at the outset.

Inter-ACP cooperation in the form of regional and inter-regional integration is, therefore, vital if these countries are to develop properly. If there is no cooperation, then only the ~~industrial~~ industrialised countries, which already have the means they need, will be in a position to surmount national customs barriers and the ACP will simply have helped maintain imbalance and unfair competition between their own and the industrialised economies. Only integration will enable sufficiently large markets to be created. It will facilitate certain key investments and mean that mass production, giving competitive products at low unit cost, can be achieved. These were among the ideas that inspired the creation of the European Community in the 50's. They still hold good.

In reality, the Community made very little concrete contribution, more so to the EEC-EAMA relations. Actions led by the Community in the name of the EDF are few and had limited effect.

But with the increase in the number of partners of the Community and above all in the adhesion of the English speaking states, the Lome Convention did not limit itself to specifying the objectives to be followed and means of actions to be adopted, but also reserves the financial means for projects of regional and inter-regional cooperation. In article 47, we have the objectives which the Convention proposes to follow and for the success of which the Community should give qualified financial and technical aid :

- acceleration of local cooperation and among the ACP States.
- acceleration of the diversification of the economy of the ACP States.
- reduction of economic dependence of the ACP States on imports.
- creation of sufficiently large markets within the market.

ACP and neighbouring countries by :

- elimination of obstacles which prevent the development

and integration of these markets so as to promote trade between the ACP States,

- maximum use of resources and services in the ACP States.

In order to attain these objectives, the field of action assigned to the Community is as follows :

- distribution of industries with the goal of accelerating industrialisation of the ACP States, including the creation of regional and inter-regional enterprises.
- transport and communication
- energy production
- common exploitation of natural resources
- research and technology applied to the intensification of regional and inter-regional cooperation, etc.

All these points are mentioned in Protocol no.2, article 8.

Taking into consideration of regional cooperation has officially become one of the basic points of action of EDF and EIB.

B) TOTAL AMOUNT OF RESOURCES AVAILABLE

Financial covering given to ACP States amounts to 3,390 million U.A. This covering is based on the two-fold principle of maintenance of advantages belonging to EAMA and similar treatment to new partners. The break-up of the covering is as follows :

- 3 billion U.A. of ~~endowment~~ endowment from the EDF to the ACP States .
- 390 million U.A. meant for normal loans, on the resources of the European Investment Bank (EIB).

The table below shows the evolution of the financial effort .

Million U.A.

	Treaty of Rome (1)	Yaounde I	Yaounde II (2)	Lome
European Development Fund	581,25	666	828	3000
European Investment Bank	-	64	90	390
TOTAL	581,25	730	918	3390

We thus see that the funds available are multiplied by 3.7 compared to Yaounde II (3.6 for EDF and 4.3 for EIB). The ACP States would like to see the total volume of financial resources available to be increased to 8 million U.A. This figure can be justified without doubt by :

- (1) The 581,25 million U.A. of the Treaty of Rome contains the allocation of the dependent overseas territories and countries.
- (2) Allocation of Yaounde II will be increased to 923 million U.A. during the adhesion of Mauritius.

- commitment of the number of payees
- commitment undertaken several times by the Community to concede to the EAMA an aid, at least equal to that it enjoyed before
- price increase due to inflation.

Taking into consideration the increase in the number of partners, the covering of 3,390 million U.A. thus conceded has neither maintained the advantages of Yaounde nor has it assured equivalent advantages to the new partners.

What is the reason for this attitude of the nine-nations Community? Their parsimony can be explained by :

- the oil crisis, which led to financial recession, particularly acute in Italy and Great Britain.
- the nine nations want to extend their financial aid to the under-developed countries of the Third World, particularly of Asia. They had thus to provide for the necessary resources for this purpose.

The nine-nations Community provides to carry out an aid of 730 million U.A. to the Third-World countries not having signed the Lome Agreement (1).

(1) cf. Commission of European Communities : "Commission's paper at the Council on financial and technical aid of the Community to non-association developing countries, 1976-1980" pg.8

Contribution of Member States to the European Development Fund

Countries	Treaty of Rome	Yaounde I	Yaounde II	Lome
Belgium	12,04	9,45	8,89	6,25
Germany	34,41	33,77	33,16	25,95
France	34,41	33,77	33,16	25,95
Italy	6,88	13,70	15,62	12,00
Luxemburg	0,22	0,27	0,28	0,20
Netherlands	12,04	9,04	8,89	7,95
United Kingdom	-	-	9	18,70
Denmark	-	-	-	2,40
Ireland	-	-	-	0,60
	100	100	100	100

Sources : EEC, European Development Fund

Brussel, 1974, pg.87

"Le Courier", Brussels, no.31, March 1975, pg.33

Comments : (1) France and Germany are the main beneficiaries of the modification of EDF's distribution of finances.

(2) Great Britain's contribution was not fixed in terms of the number of Commonwealth countries.

C) FINANCING INSTRUMENTS

	Treaty of Rome	Yaounde I	Yaounde II	Lome
<u>European Development Fund:</u>				
- non-repayable aid	581,25	620	748	2100
- repayable aid	-	-	-	-
- loans at special conditions	-	46	80	430
- contribution for capital accumulation at risk	-	-	-	95
- STABEX	-	-	-	375
<u>European Investment Bank</u>				
- Ordinary loans	-	64	90	300
	581,25	730	918	3390

Remarks :

- (1) The Treaty of Rome only provided for financing in the form of grants.
- (2) Yaounde added loans at special conditions. And for productive operations with normal financial profitability, the EIB was authorised to intervene till the amount of a definite sum (64 million U.A.) in the form of ordinary loans.
- (3) Yaounde II authorised minor participation in capital accumulation at the companies risk.
- (4) On the whole, we notice that the Community's experiment has enabled them to regularly adopt financial aid and technical cooperation to the needs of development of the associate states. The memorandum of the April '73 Commission underlines in this

connection that : "The Association has invented original instruments allowing to adopt financial conditions of interventions in the situation and at the level of development of each associate state, as also to the peculiar characteristics of each project" (1)

5) Non-repayable aide : is mainly made up of donations. The percentage share is still important through it is on the decline (61% as against 81% in Yaounde II).

These aids are used for projects presenting a far-off profitability : economic and social infra-structure, some large projects directly productive in the A.C.P.

6) Other than STABEX , repayable aid is characterised by

a) special EDF loans

b) contributions for capital accumulation at the risk of the enterprises

c) ordinary EIB loans

a) Special EDF loans :

The aim of financing by special loans is to facilitate the achievement of development projects which, by their very nature and profitability conditions, can with difficulty be financed by loans at normal conditions of the market.

Under the Yaounde Conventions, these loans could be for a maximum period of 40 years and exonerated of redemption during the

(1) EEC Commission, Memorandum of 9 April 1973, opp.pg.23.

first ten years. Very favourable interest conditions, 1% and 3%. But the Community gave in the name of Yaounde special loans for an average period of 20 years, that of redemption lag of 5.7 years and rates of interest were approximately 2.1%.

The Lome Convention brought in marked improvements :

- funds reserved for special loans increased from 80 million U.A. (Lome).
- maxima provided for in Yaounde (duration 40 years; interest 1%) became the rule.

7) Contribution to capital formation at the enterprises' risk : They favoured the setting up of enterprises by direct participation of the enterprise in the capital. The Community became a shareholder of the enterprise with the rights and obligations which go with it.

Participation of only a temporary and minor nature was authorised. This provision was meant to prevent the EIB from being responsible for the management of the enterprise.

This type of financing was hardly used. Generally speaking, aid in the form of capital at risk is intended to favour the achievement of industrial, mining and touristic projects, preventing a general interest for the economy of the ACP countries. Aid can be given to the ACP States to enable them to participate in the capital of this type of enterprise.

8) Ordinary loans of the European Investment Bank :

EIB : is a specialised institution with a strictly banking nature, set up at the beginning to reduce regional and sectional disparities existing within the Common Market, with the aim of achieving harmonious development at the European level.

Resources : Real resources constituted by its capital (2,025 billion UA in 1975) and the product of borrowings which it gives out on the international capital market.

Its field of action : Its activities are mainly carried out within the Community. But, in its article 18 and by the derogation given by its Board of Governors, the EIB can grant sums for investments to be made outside the European territories of the member States. This provision was notably enforced during the Yaounde Convention.

Field of Action outside member States :

For projects located in States presenting a sufficient capacity for running into debts and whose financial profitability is sufficient to assure the service of the loans.

Interest rates are similar to those prevailing in the market.

Duration of the loan : cannot go beyond 25 years, which automatically involves a specialisation of act in financing industrial, energy or mining projects capable of sustaining a normal bank financing.

On 31 December 1975, the EIB gave on its own resources 31 loans totalling 131.4 million UA. The industrial sector was a privileged one.

The EIB, with the Lome Convention, was prepared to grant 390 million UA from its own resources to finance projects and action

programmes presented by the ACP. The interest rate tolerated by the borrower should neither be less than 5% nor more than 8% (Protocol No.2, article 5).

Financial and Technical Cooperation

	Resources available for the duration of the Convention (1) (million u.a.)	Commitments as of 31 March 1977 (million u.a.)
European Development Fund	3 000	565.5
of which:		
- grants	2 100	413.4
- loans on special terms	430	53.4
- risk capital	95	25.3
- Stabex	375	73
EIB ordinary loans	390	50.6

(1) Figures stipulated in the Convention when it was signed. These amounts have since been adjusted to take account of the accession to the Convention of six new states. The figure for the EDF is 3 054.1 million u.a.

EDF financing decisions by sector (11 April 1976 - 31 March 1977)

	Million u.a.	%
1. Development of production	250	61.5
of which - industrialization	136	33.5
- rural production	113	28
2. Transport and communications	101	25
3. Social development (education, health, water engineering, housing)	45	11
4. Trade promotion	9	2
TOTAL 1 to 4	405	100
(5) Exceptional aid	49	
(6) STABEX	73	
(7) Miscellaneous	34	
TOTAL EDF	565	

NB: In addition to EDF aid there is EIB aid from its own resources, equivalent to 50 600 000 u.a., devoted entirely to industrialization.

INDUSTRIAL COOPERATION

"... If industrialisation does not seem to be an illusion today, underlines the EDF's Director, it is because a series of steps other than directly industrial were at first put into operation..."(1)

The most anxious desire of all the Third World countries is to achieve quick industrialisation. On this point, , all the ACP partners of the EEC agree, considering that industrialisation is an important factor of economic development. Industrialisation inter alia offers advantages such as : better balance of trade exchanges, growth of total production, multiplication of intersectoral networks, modification of attitudes and ancestral behaviour which impede growth.

This desire for industrial growth was particularly demonstrated at Lima in March 1975, during the second general conference of the United Nations for Industrial Development (UNIDO). At this conference, the Third-World countries agreed on a quantitative objective, namely, to increase their industrial production from 7% to 25 % by the year 2000. In addition, they asked for the transfer of production capacities of industrialised countries to the Third-World in view of the on-the-spot conversion of raw materials and the creation of basic industries (iron, steel, chemical, petrochemical, construction, mechanical). During this conference, the under-developed countries also inaugurated an interesting phase in their relations with the industrialised countries, namely : the transfer of technology in a liberal and cheap way.

(1) Ferrandi: 'Industrialisation of Associate Countries'
EEC, Brussels, 1972, Viii/1190/72.F.

Africa, as we know, considered in the global context, offers very modest industrial development compared to Europe or even Asia. Thus, being the most important group of the ACP States, stress was laid on industrial cooperation, which was to become an essential element in the EEC-ACP relationship under the other associations, the results of industrial cooperation were rather meagre. Industrial cooperation itself was termed an important element in the 9 Nations Europe-ACP relations.

A) What was the position of industrial cooperation under the other Convention.

If we refer to the Commission of European Communities, "Action of European Community Aid in favour of industrialisation of EAMA" VIII/530 (71)F, we easily realise the marginality of the Community aid to the EAMA. The first convention did not even deal with the industrial aspect. The objective followed was "economic and social development of countries and territories" with a view to strengthening their relations with the Community.

Yaounde I, with the new situation born out of the independence of African countries, gave itself the objective of "diversification of the economy and the industrialisation of Associate States". The desire is also clearly marked in Yaounde II in its Preamble and Article 1:

In fact, the first Convention which only provided for a financial aid by means of donations could not be properly adapted to

to an industrial intervention. Thus, industrial investment projects were to be achieved by the initiative of private capital. It was only with Yaounde I, particularly with Yaounde II, that instruments for industrial cooperation were put forth. Indeed, Yaounde II set up for its industrial objective a whole set of financial and commercial instruments capable of answering most of the problems arising out of industrialisation, either :

- to improve the conditions, or
- to contribute to its success by specific instruments

The Community intervenes financially by the intermediary of the EDF (donations, loans at special terms) and of the EIB (ordinary loans). These different mechanisms have already been studied in the previous section.

We have however to note a commercial innovation : it is the access to customs exemption without quantitative restrictions on the Community's market, of industrial goods coming from the EAMA. On the other hand, associate states have the right to protect their young industries from the competition of European productions. This point invites strong criticism because we know that in the near future most of the associate states have no perspective of industrial development and will be forced to consume European industrial products. Hence we can see the fictitious nature of the Market's protection of the associate states.

In fact, in the industrial field during the three phases of association, we not only saw the achievement of industrial projects but also important indirect contributions to industrialisation.

a) The table below shows us in % the share of industrial creations in the financial commitments undertaken during the three phases of the association.

Position on 31.12.1973.

(Industrial Projects by EDF and EIB financing in %)

	EDF	EIB	EDF & EIB
1st Convention	1	95.2	1
Yaounde I	6,5	60.6	12.7
Yaounde II	6.5		10.8
TOTAL	5.1	78.4	9

Sources : Annals of Mines, April 1974, pg.5

Comments :

- Low rate during the 1st Convention
- progress made with Yaounde I and stagnation with Yaounde II.

We have to note here that industry in the EAMA could not develop harmoniously in a disarticulate economy. Thus, stress was mainly laid on general economic development. This explains the slow rate of industrial development.

a) Indirect contributions to industrialisation with a view to arranging structures to receive industrial investments were mainly:

- improvement of economic and social infrastructure :
railways, roadways, fishing port, hydroelectric dams etc...
- setting up of a certain number of establishments for professional and technical training for industrial tasks :
construction of technical colleges, centres of learning and technical training.

Generally speaking, we notice that the Community's aid is of a limited and complementary nature. Due to this, it could not give rise to a global conception of industrialisation of EAMA. EEC interventions have thus remained largely fragmentary; In order to achieve industrialisation of the associate states, they had to change the global industrial policy followed till then. It is also surprising that with Lome, the ACP States wanted a more elaborate and substantial industrial policy to be included in this Convention.

B) What is the Lome Convention's contribution in this field?

In the memorandum presented to the EEC by the ACP ministers concerning industrial cooperation (1), they particularly insisted on the "new model of relations between developed and developing states", regarding industrial development. They managed to obtain the agreement of the 9 nation community regarding the general orientations of the Memorandum. Thus, the problem of industrial cooperation was dealt with, for the first time, completely and operationally. Industrial

(1) Kingston, 23 July, 1974, ACP/GA 89/74.

cooperation, as defined in Heading III, adopts a sectoral approach, whereas the other provisions provide for an instrumental approach, that is to say, development of cooperation with the help of commercial and financial instruments and technical assistance. But, sectoral approach calls for a whole range of instruments of cooperation defined in the commercial and financial phases.

Industrial cooperation between the ACP and the EEC aims at the following objectives :

- to promote industrial diversification and development of the ACP States and to contribute to achieving a better distribution of industry within and among the States themselves ;
- to promote new relations in the industrial field between the Community and the ACP States.
- to multiply the ties between industry and the other sectors of the economy, notably agriculture.
- to facilitate the transfer of technology to the ACP States and to promote its adaptation to their conditions and specific needs.
- to promote commercialisation of industrial products of the ACP States on foreign markets with a view to increasing their share in the international trade of these products.
- to favour the participation of nationals of the ACP States, notably of small and medium scale enterprises, in the industrial development of these States.

- to encourage the Community's economic operators to participate in industrialisation when the ACP countries so desire, depending on their economic objectives (art.26).

This industrial policy covers many fields like :

- development of infrastructures necessary for industrialisation;
- contribution to the setting up of industries relevant to fields of transformation of raw materials and of manufacture of finished and semi-finished products.
- Organisation of training of qualified personnel.
 - concrete steps in the field of access to technology and its adaptation to the specific needs of the ACP States.
 - efforts in favour of establishment and extension of small and medium-scale enterprises.
 - actions for industrial information, promotion and studies.
 - actions for trade promotion for the industrial products of the States on the Community's market and other foreign markets.

The means used to finance these operations fall in three major categories :

- a) financial aid, through loans with reduction of interests of the EIB (390 million UA), participation of the EDF in capital with risk (95 million UA available) the loans of the EDF at special terms

b) Technical assistance, by 1) industrial promotion with the setting up of the Centre for industrial development, in charge mainly of industrial information, creation of contacts and other functions of industrial promotion (art.36).

a) Aid for professional training.

But in this industrialisation policy a point remains which is commercialisation of manufactures and semi-finished products towards industrialised countries. This is where the system of special tariff preferences comes in, which ^{was} accorded by the EEC to the ACP States with a view to favouring the flow of industrial products from all sides.

Industrial cooperation raises a certain number of questions which we will study in Chapter IV reserved to the limitations and shortcomings of the Lome Convention.

INSTITUTIONAL FRAMEWORK

The institutions having equal representation, which existed under the Yaounde Conventions, were safeguarded and strengthened. This proves that on the whole, their functioning under the previous Conventions gave full satisfaction to the partners. The changes brought about in these institutions were with a view to making them more efficient and operational. Most of the time, they were fruits of past experiments.

The structures which should enable the EEC-ACP cooperation to be a continuous operation are as follows :

- Council of Ministers
- Committee of Ambassadors
- Consultative Assembly.

It is to be noted here that the arbitrary of the type provided by the Yaounde Convention which did not have to ever give a ruling on any issue is not provided here. The Memorandum of 9 April 1973 however, asked for its continuation.

A) Council of Ministers

This main organ of the Convention replaced the old Council of Association.

1) Composition

It is composed, on the one hand, of members of the Commission and, on the other hand, of members one each from ACP State Governments. The chairmanship is assumed alternately by a member of the Council of the Communities and a member of the Government of an ACP State designated by the ACP States.

This Council meets once a year in an ordinary session (the first session was held on 23rd July, 1976) and everytime it feels the need to meet. The Council cannot validly deliberate without the participation of at least half the members of the Council of the Community, of a member of the Commission and 2/3 of the titular members representing the Governments of the ACP States.

The Council passes a resolution by common agreement of the Community on the one hand and the ACP States on the other. It is the responsibility of each of the two groups of members to determine by an internal protocol the procedure for stating their respective stand. The Council of Ministers has varied cognizances (art.74) which it can delegate, if need be, to the Committee of Ambassadors (art.75).

2) Powers

a) Power of orientation and decision making.

The Council defines the main orientations of the work to be undertaken in the framework of the application of the Convention, particularly the policy and guidelines financial cooperation (art.41a2).

The Council can take decisions in cases provided for by the Convention; these decisions are compulsory for the contracting parties which are meant to take the necessary steps to carry them out.

b) Power of recommendation

The Council can formulate the resolutions, recommendations or advice which it feels necessary for the achievement of common objectives and the proper functioning of the rule of the Convention.

c) Power of Information

The Council examines once a year the achievement of the objectives of financial and technical cooperation and the general problems which come up from their execution. It draws the total estimate of actions undertaken on the basis of information gathered by the Community as also by the ACP. In this estimate, regional cooperation and steps taken in favour of the least developed ACP States are also included.

The Community in a report to the Council indicated the position of the commitment, of the execution and of the utilisation of aid for each type of financing and each beneficiary State. The ACP States give the Council all possible information regarding the carrying out of economic, financial and technical cooperation in their respective countries (art.41, al 1). The Council publishes every year an annual report and any other information which it judges necessary. It presents a report on its activities every year to the Consultative Assembly.

d) Power of settlement of disputes.

The Council of Ministers is competent to settle any differences relating to the interpretations or application of the Convention arising between one or several States of the European Economic Community on the one hand and one or several ACP States on the other. An ad hoc arbitrary procedure is provided (art.81) if the Council does not manage to settle the dispute by its good offices during its next session.

The Council of Ministers should give its approbation to the accession to the Convention to either a State or a territory gaining independence, or to a State whose economic and production structures are comparable to those of the ACP States.

e) Powers of consultations

The Council of Ministers is a consultative organ between the ACP and European States, especially in the following cases :

- to assure efficient enforcement of the Convention's provisions in the field of commercial cooperation (art.41)

- exchange of views could be arranged either on questions having a direct incidence on the fields referred to by the Convention, or on other economic or technical questions of mutual interest (art.2)

- the Council can also establish contacts and proceed to consultation of economic and social circles of the member States of the EEC and the ACP States.

the Council of Ministers can create Committees of groups to carry out the works if it judges necessary.

B) Committee of Ambassadors.

This Committee succeeds the previous "Committee of Association" and is composed of permanent representatives of member States of the EEC and the representatives of the ACP States and of one representative of the Commission. Its chairmanship is ensured, turn by turn, by a representative of a member State of the EEC designated by the Community and by the representative of an ACP State (art.78).

This organ is subordinate to the Council to which it gives a report on its activities (art.77). Its role consists of helping the council of Ministers in its task. It carries out any duty assigned to it and examines the functioning of the Convention and the progress accomplished in the achievement of the objectives. It supervises the work of all the Committees and of any other ad hoc or permanent organ

created or provided by the Convention (specially, art.35). It can also put forth its proposals, resolution or recommendations to the Council of Ministers.

C) Consultative Assembly.

It is composed, on an equal representation basis, of members of the European Parliament and representatives of the ACP States (art.80). The Consultative Assembly meets at least once a year and can adopt resolutions in matters concerning the Convention or referred to by it and create ad hoc Consultative Committees in charge of carrying out specific tasks which it determines. Every year the Council of Ministers verifies the report of its activities. This Assembly should enable direct contact and a better reciprocal understanding between public and opinion representatives.

CHAPTER IV

ACP/EEC ASSOCIATION : SHORTCOMINGS AND LIMITATIONS.

Is the ACP-EEC relationship healthy.

According to Claude Cheysson (EEC Commissioner in charge of development problems, Europe tells the ACP States :

"... Here are the development tools we make available to you. Use them as you please..."

Juridically speaking, the above assertion of Claude Cheysson is absolutely correct. However, in reality, it represents some limitations and shortcomings. This becomes all the more true when we see in Europe a protectionist trend. For example, the EEC took definite measures against textile imports. But this does not really affect the ACP States as they are very small producers of textiles and barely satisfy 1% of the Common Market's demand. Even though this trend does not affect the ACP now, the associated countries reacted violently to this and presented a memorandum for the protection of their exports to the EEC.

In his inaugural address at the meeting of the 14th Council of Ministers of the ACP States at Lusaka for 6 to 17 December 1977, President K. Nwanda specifically stressed on the shortcomings and limitations of the ACP/EEC association. Among other things, he stated:

"...I observe, and I think I convey the feelings of most of our countries, that until now the ACP States are not satisfied with execution of the Lome Convention. There is slackening among partners to honour certain provisions of the Convention... There is no cooperation where ^{there} is no equality... The ACP States are worried by what seems to be a certain indifference of the EEC in front of the general objectives of the Lome Convention. The EEC should not be allowed to retreat particularly in fields vital for the ACP group of states... After more than two years of enforcement of the Convention, the ACP States are now right in doubting the understanding and policy of the Community... ACP exports underwent unfavourable terms and conditions than those given to Third World products by the EEC.."

President Kaunda spoke of various preferential agreements signed by the nine European countries with the Third World countries "without the ACP States getting priority, as was provided for in the Lome Convention, the necessary information in the defence of their interests... Similarly, the same is valid for the generalised system of preferences (GSP) which benefit the ACP States and which are undergoing a rapid erosion due to its extension to other Third World countries..."

To understand the fear of President Kuanda let us explain the Generalised System of Preferences.

The Generalised Preference Scheme is a special customs regime applied by industrialised countries to goods imported from

(1) In "Le Courrier " no.47, January-February 1978

developing countries. It consists of cuts in customs duties (or duty free import), sometimes without. It is system that emerged from the work of UNCTAD (the United Nations Conference on Trade and Development) in 1970.

There is a "preference" in the customs sense in that the tariff cuts or exemptions are granted by the industrialised countries to developing countries in the Group of "77" (plus Romania for some goods) but not to each other.

The preferences are said to be "generalised" in theory, in that they are granted by all industrialised countries to all developing countries. They are also non "reciprocal" - the industrialised countries which grant them claim nothing in return ^{the} (inverse preference) from the countries that benefit - and non-discriminatory in that all developing countries benefit.

It is seen as a "system" because industrialised countries are supposed to grant the same concessions; but in practice different patterns are applied by different countries.

The EEC was the first in the industrialised world to apply a system of generalised preferences. It was introduced on 1st July, 1971 and has continually been extended both in the number of countries concerned (104 in 1976) and the scale of its concessions.

The pattern of GSP applied by the Community in 1976 covered 250 processed agricultural products and all industrial goods from

103 developing countries (plus Romania for certain products) as well as for the overseas countries and territories forming part of the Community . For certain specific products, the scheme applies to a smaller number of countries.

For 250 processed agricultural products generalised preferences mean a cut in the level of duty in a common external tariff, in some cases with a quantitative ceiling applied through tariff quotas.

For the industrial goods, the duties in the Common External Tariff are not applied , though in some cases there are tariff quotas or a ceiling on duty free imports.

The total potential value of import thus freed from duty was estimated for 1976 at 1000 m European units of accounts for processed agricultural products and 3,600 m units of accounts for industrial products.

For 1977 the proposals put forward by the Community covered 296 processed agricultural goods, with considerably higher ceilings for industrial goods, and the total value of the trade benefiting 6,470 m units of accounts.

In practice, however, less than 70% of the potential volume of trade benefiting from the scheme has so far been taken up by the exporting countries.

Year	Potential total value of freed imports (units of accounts)	Value effectively taken up by developing countries (Units of accounts)	Rate of use
1974	3,250 m	2,100 m	65%
1975	3,680 m	2,540 m	67%
1976	4,600 m	2700/3,000 (estimates)	59/65%
1977	6,470 m	3,00/3,5000 (")	46/54%

The fact that the scheme is not fully used is due to inadequate information in the countries that can benefit, the complicated procedures involved (each exporting country has to ensure that the goods exported have with them a "certificate of origin" proving that they were in fact manufactured there) and disparities between the patterns applied by the various industrialised countries,

To overcome these problems the European Commission proposed in 1976 the setting up of a special agency to facilitate the use of the Community Scheme by the 104 countries concerned.

The Community Scheme is being constantly improved, and the European Parliament has commented that it can be made still better, for instance, by granting additional advantages to the poorest countries or adding to the list products which only they export. At the same time care has to be taken not to disrupt industries in the same sectors within the Community, nor must the scheme be deprived of its effectiveness by granting the same concessions to all countries, whether developing or industrialised.

The Lome Convention has again taken up Yaounde I and II and improved upon them! In fact, there is a historical continuation between different conventions which has established and strengthened cooperation between the Common Market and the developing countries, (signatories of various Conventions), especially Africa. Hence, the analysis in this chapter deals with the whole of the Association of developing countries (party to ~~to~~ the different Conventions) and European Common Market.

We will present our point of view in the two following sections :

Section I : General criticism on the basis of a theoretical model

Section II : Specific criticism: Lome Convention.

In these two sections, it is impossible to present all the points militating against the Association between African countries and the European Economic Community. In the first section we will question ourselves as to whether this Association is a new form of colonialism. And in the second section, we will try to approach the problem from a more specific angles, the Lome Convention.

When exports from the associated countries to the Common Market do not increase, when the terms of exchange do not improve, when the diversification put forth lacks response in spite of cooperation, when the previous international division of labour is nearly the same or appears in other forms, what has exactly changed since then? Only

one thing : that the Europeans countries are now doing collectively what they were earlier doing individually, that is to say, continuing exploitation of the developing countries. This is what N'Krumah called "Collective Colonialism".

Criticisms levelled against the ACP/EEC Association are numerous and varied. For some, this Association could not be taken as the most perfect model of domination or even of imperialism comprising of the three following stages : exploitation, fragmentation and penetration. The third stage, which is an ideological identification (and its consequences) and a continuous dependence of the elite of the developing countries on their ex-colonisers, appears less important.

In a word, by basing ourselves on this model, our criticism will mainly concern the first two stages, namely, exploitation and fragmentation. These criticisms will concern Yaounde I, Yaounde II and will extend to the Lome Convention, properly so called. Exploitation :

Any real association implies a structure based on solidarity and equity. Now, in the case of the association of African countries/EEC and to a larger extent, ACP/EEC, certain factors stand in the way of achievement of such a structure. Some of these are :

1) that among the ACP States, there are poorer countries, less developed and less viable in the world. For some of these countries, it is nearly impossible to set up any type of industrial

structure whether catering to the local market or guided towards export. Therefore these countries, unless there is a radical change (which is doubtful for a long time), will continue to be raw-material providers for the Common Market Countries. Such a situation would be problematic or may not arise at all if the Common Market countries linked their fate to the more or less industrialised countries of the Third World like India, Tunisia Morocco. These countries, as we know, absorb most of the raw materials for their own industries. For certain products, they are even ready to compete with the Common Market countries. Consequently, the choice of partners by the Common Market seems to be absolutely deliberate. It seems that they have to choose weak partners to impose a certain domination and to maintain systematic economic exploitation, as during the colonial days.

2) From the first point, we have the following consequence : export of Common Market's products to the ACP States. Partially, this system could be understood by studying the problems of financing and aid, In order to get a definite idea, let us quickly look at the functioning of the two following institutions :

- a) European Development Fund
- b) European Investment Bank

For analysing the functioning of these two institutions, we notice that the European countries continue to play the same game as before, namely, subsidising their own industries by means of aid in the following way :

a) by paying for the infrastructure in the Third World countries.

b) by compelling the associated countries to buy products manufactures in the Common Market countries. The same is the case with products necessary for infrastructures like, roads, telecommunications, hospitals.

In order to support our point of view, let us quote some figures. During the first instalment of the loan of the European Development Bank, only 0.7% of the fund agreed upon was given for local industrialisation of the beneficiary associated countries. For the second instalment of the loan, the percentage was 1.3%. In both cases, the amount allotted for the industrial development of the associated countries remained very small. Even though the sum total of aid given during this period increased from 581 million U.S. dollars to 730 million U.S. dollars, the level of tying remained as high as 80%. In the case of French aid, this level was 82%.

We thus find ourselves facing a situation of blockade of industrial development in certain associated countries. How does one overcome this deadlock? By developing a new model by which they could inject finished goods on a large scale in the Common Market countries. But what are the limitations of such a model? This model could be set up and be viable only under three conditions :

1) the finished products coming from these industries should not be "similar and competitive" to those of the Common Market. Based

on this, we can easily visualise the type of products involved. They are mainly products which are produced in the first phase of any industrial development : textiles, ... products of highly polluting industrial units which the Common Market countries would desire to see outside their frontiers.

2) the finished products should be produced in collaboration with multinational companies having their headquarters in the Common Market countries. In this way, economic links could be established between the Centre (EEC) and the periphery (ACP). According to this plan, they will have finances, administration and research departments located at the Centre... While labour and raw materials would be provided for and located at the periphery.

3) Common Market countries should be in a position to export to the associated countries products manufactured with the help of a highly advanced technology and technical level as yet non-existent in Third World countries (eg: colour televisions, computers, ...)

In fact, what really happened mainly during the 1960-69 period was that industrialised countries maintained their position as suppliers, with 83% of the sum total of finished products exported to Third World countries, while the latter continued to remain at a very low level of development. This can be explained by the fact that precisely in these countries, of which most were under colonial

rule, colonial pressure lingered on. But, it is only a partial view which does not explain the whole problem. We have to add that along this fragmentary analysis, there was also the fact that due to the Common External Tariffs of EEC in 1966, multinational~~al~~ ^{interfered} on large scale and fully made use of this system. In a word, due to economic pressure, there is little possibility of the developing countries being industrialised, contrary to the declared intentions.

To illustrate this point, we shall take the criticisms which were levelled against the reciprocity or the rule of inverse preference provided for by the Yaounde Conventions.

a) inverse preferences are an impediment to industrialisation. With the enforcement of this system, under-developed countries will have their markets flooded by foreign goods. Consequently, it would be impossible for these countries to industrialise themselves. They will not only serve as outlets for manufactured products, but will remain suppliers of raw material and get poorer in addition as a result of deterioration of the terms of exchange.

b) inverse preferences hinder the creation of regional unions between under-developed countries. We shall not dwell on this point which in any case could be easily overcome if we refer ^{to} articles 12,13,14 of Yaounde III.

c) the benefit founded on this policy of inverse preferences is quite doubtful. The fact is that under-developed

countries are given certain advantages and , in return, developed countries try to get a preferential customs rule. This reciprocity of action, in reality, is the basis of injustice and inequality. Certain states of EAMA (1) got no advantage whatsoever from the system of inverse preference. It happened in Chad whose exports in 1971 were made up of cotton which was exempted from taxes in the Community; in Mauritania it happened in relation to iron ore and Zaire in relation to copper.

It is the recognition of this inequality which explains the admission of the principle of non-reciprocity in trade relations between industrialised and developing countries.

FRAGMENTATION

As opposed to the highly industrialised European countries having a coordinated economic policy (within the Common Market), we find that associated countries remain "disunited" in one way or the other, inspite of the slogans of unity. This can largely be explained by the absence of real links between these countries as a result of the colonial rule. In addition, in the developing countries, there is lack of horizontal organisations which could be the expresssion of solidarity as in Belgrade in 1961, in Cairo in 1964 and in Lusaka 1970.

Due to this "fragmentation" of developing countries, the Centre (that is, Europe), tends to cooperate with countries of the periphery and separately. This naturally increases its hold on these countries and leads to an entanglement of agreements, with no link;

(1)EAMA : Associated States of Africa and Madagascar.

whatsoever, keeping in mind only the vested interests of the countries of the Centre. It results in monopolistic situation which appears in the following form : the Centre having links of all types and in all directions with other countries and groups of countries; countries of the periphery, at the same time, directing their activities towards this very Centre. We can study the effects of this movement at two levels :

1) regarding the Third World countries generally this system intentionally involves an effect of division. Against the general trend of uniform treatment, particularly against the generalised system of most favoured nation treatment, the European Economy Community adopted the system of selective preferences for associate states , and not for other developing States.

This could be analysed as being the survival of the colonial ties existing between ex-colonisers and ex-colonised countries. It makes us question the notion of "associate States" which covers economics as well as politics. That is why the European Community is not open to call. It seems to be an institution made exclusively to accept the "ex-dependencies". We have to add that, although this was not clearly stipulated, it would be difficult to admit States having a rigid socialist ideology within this institution, precisely because this ideology basically opposes the Common Market's capitalist ideology. Logically speaking, countries which are called socialist, like Algeria, should not be associated with the Common Market. However, we have an exception which confirms the rule in the case of Tanzania, the Arusha Convention being a little more than a simple trade agreement.

The consequences of this separation between associate countries and others, between socialist and non-socialist countries, and between continents are to be regretted. In Africa they have considerably slowed down the process of African Unity, as also the work of the United Nation's Economic Commission for Africa. The problem remains the same for the Third World, considered as one whole or as one block .

2) "Fragmentation" was very visible in the Yaounde I Convention (22nd July, 1963) article 40 which stipulates an annual meeting between the Council and the Commission of the Common Market on the one hand and a representative of each associate State's government on the other. This was changed for Yaounde II, which extended this framework, with a ministerial committee and a parliamentary assembly of 108 members (54 of the Common Market and 54 of the 18 associate States).

It is in some way a beginning for a multilatéral organisation, even though structurally weak. We have studied this point precisely in Chapter III in the context of the modifications brought about by the Lome Convention. We will not enter into details once again here. We only need to mention that "multilateralisation" does not really mean much. The example of U.N.O. is there to prove it. "Multilateralisation" can in itself, if not properly controlled, be an efficient instrument to maintain and strengthen vertical control domination.

SPECIFIC CRITICISMS : LOME CONVENTION

The Lome Convention has been strongly criticised ever since 1975. It has been considered as a new face of the ancient capitalist exploiter.

According to these criticisms, the Convention's effect is to strengthen the "economy market" and the "capitalism directed" towards important areas of Africa, notably, in West Africa, Zaire, Kenya, Zambia and in countries of the Southern Zone. To this extent, Africa reflects the image of the nine European countries with their mixed economies and various combinations of private and public enterprises. Certain States like Tanzania, Guinea, Somalia which proclaim to be socialist countries cannot fully benefit from private investment. These States can only depend on aid as an external stimulation, particularly on what is given to them by virtue of the Lome Convention. This attitude is not unalterable. Positions can change because the Convention provides for permanent negotiations by means of its committees and the centre of industrial development. When it appears that the various agreements are not functioning properly, they are revised.

It is difficult to determine according to any type of statistical data whether the Convention is a success.

Generally speaking, Africans are hostile to trade agreements inspired by the system of generalised preferences, which they feel weaken their position. They are justified in feeling so. In reality, the main goal of the development aid given by the Community (combined with other aids and private investments when allowed by the Africans)

is to shift Africa from a state of seller of raw materials to that of sellers of transformed products, then of manufactured goods and next maybe of "tertiary products" (Japanese style).

Such a process puts forth two challenges :

- Africans want competitive Asian products to be penalised when their prices are lower than the cost of production in Africa.

- this also means that European manufacturers should give up the market "promised" to Africans. We have however to accept the fact that in a rule of integral economic liberalism, it is rather difficult for an African, export oriented industry, textiles for example, to take off in the presence of competition from India, Taiwan and Singapore. And due to this fact, the Lome Convention was very important. Without this Convention, the path to African industrialisation based on exports would have been blocked. It is however still true that certain innovations of this Convention are liable to be highly criticised.

A. STABEX

If we take example of STABEX, which is considered to be a model in the approach to a new international economic order, we notice certain gloomy points. The system of stabilisation of export receipts is really a new happening in trade relations between the industrialised and developing countries. However, it presents certain inherent shortcomings.

a) products covered by STABEX are products whose development in the ACP States was linked to the industrial needs of the previously colonial metropolis. Under the present conditions (at the time of signing the Convention) , there was no certainty about the progression of the demand for these products from the Common Market. There is thus, all at once, a fluctuation of markets and a strong possibility of fluctuation in production. STABEX is an insurance. And like any insurance, it can only cover damages higher than a certain sum (75 million U.A. per year for 46 ACP States). It cannot also prevent the cost of the damages from crossing 75 million U.A. It follows that the real progress of African producers remains hazardous due to the uncertainties of the international market to which the European economies are also subjected.

b) Ceiling of STABEX

This means that the transfers will be nominal and not real. Thus, there is a continuous loss for the ACP States by monetary erosion, though they can benefit in case of reconstitution of the fund.

c) By channelising the efforts on the sustained products, STABEX can constitute an obstacle to the diversification of cultures in the ACP States.

STABEX (the stabilisation fo export earnings) as applicable under the Lome Convention is not enough. Tremendous changes is required to make this a meaningful package for developing countries as a whole, even if only assigned the limited role that it should.

function in a complementary manner to the fund concept. The STABEX scheme as it now exists is severely limited. Both the eligibility criterion and dependency criterion severely limit its scope; understandably, this underlines the present financial constraints of the scheme. Let us look a little at STABEX for Tanzania. The value of exports for Tanzania for the last few years is on average T.Shs. 2.5 billion. In 1975 Tanzania received from STABEX only Shs.18,000,000 and in 1976 about Shs.45,000,000. The percentage change in the overall trade balance arising from STABEX receipts as it can be seen is very very small, The overall capacity of Tanzania from exports does not change, therefore, as a result of STABEX. No wonder that one negotiator of the Lome Convention said of the scheme that it looked like stabilising poverty. STABEX does not take into account the cost of imports. It, in fact, is the EDF in another form, more attention-catching perhaps. Both STABEX and the normal EDF come from the same global amount. The truth is, STABEX operates in a manner that evades the responsibility for which it has obtained so much acclaim.

B) SUPPORT TO EXPORTS OF REGIONAL AND
INTER-REGIONAL COOPERATION

We have to mention here some negative political and economic factors which go against the achievement of the "support to efforts of regional and inter-regional cooperation". These factors hinder the desired normal evolution. Among these, we can point out ,

- politically : a certain political susceptibility which constitutes in most of the cases a major hindrance to the progress of certain plans. Generally speaking, certain newly independent countries, possessive of their sovereignty, felt rightly or wrongly that regionalisation could endanger their own chances of economic development. They felt that it was not proved that their national economic potentialities were sufficient to allow the functioning of basic industries necessary for economic development in a modern country.

- economic obstacles

- resistance to any change by the traditional structure of exchanges.

- difficulty of uniting new industries

- disparities in the development levels in the same zone and risk of imbalances.

It follows that these negative factors which are mainly indigenous (concerning African countries themselves) should be completely thwarted by measures which could prevent African markets from being divided, because :

" the present partitioning of their markets prevents the play of natural complementarities and deprives the developing countries of the advantages of specialisation and of planned economy, the dimension of the markets of a number of developing countries being insufficient. This phenomenon has already reached alarming

proportions in certain developing countries. Encouragement of regional cooperation among developing countries will be an efficient means of thwarting this evolution and will contribute to the acceleration of their development process" (1)

In quantitative terms, the results reached are not negligible. After 21 months of ACP-EEC association, out of 3.03 billion UA provided for development aid, 1.2 billion UA were given by the European Development Fund (EDF). And 300 million UA were spent in the first quarter of 1978. 1975, ACP exports to the Common Market increased by 14% compared to 1969. During the first eight months of 1977, they increased by 26%.

Profits reaped by the ACP States from the Lome Convention vary from country to country. Some States benefited enormously from this Convention, other not at all. Everything depends on the respective wealth of the ACP States. Poor countries continue to suffer due to the fact that the phase of trade promotion was not enforced. The result of this situation is that here are inadmissible disparities among the ACP States.

To this question : "The Community says free access for developing countries to the European market. Where do the ACP States stand?", Mr. Tékonle Traore, Secretary General of the ACP, answered in an interview given to "Jeune Afrique" (2).

(1) Commission of European Communities : memorandum on a community policy of cooperation and development, 27 July 1971, pg.63.

(2) "Jeune Afrique", no.889 of 29 March 1978, page 60.

"... We are not pleased with the trade aspect of the Convention which provides to give a preference to ACP products, because this preference is denoted by an erosion of our advantages, thus of our export receipts benefiting the competitive countries. Every year, the EEC feels it is necessary to agree to a reduction of customs tariffs or to greater advantages for export in favour of under-developed countries than the ACP States. They are the countries of South-East Asia and North Africa. The ACP States learn~~ed~~ by this, that in fact, everybody's friend is in reality nobody's friend..."

c)

PRELIMINARIES AND LIMITATIONS OF
INDUSTRIAL COOPERATION

The total success of industrial cooperation remains doubtful for a number of reasons :

1) Setting up of factories is mainly left to private initiative, that is, to multinationals, which are considered by some as supports, particularly adapted to technology transfer.

The report of the group of experts of the United Nations to the Economic and Social Council (ECOSOC) in July 1974 on "the effects of multinational companies" underlines that "to a great extent, it is the capacity which the multinational companies have to create and to apply the techniques, which is at the origin of their quick expansion.... Multinational companies have become the most important source of a certain number of techniques. Affiliated companies can call for the total amount of knowledge accumulated

by the whole organisation to which they belong. It is one of the main advantages compared to national companies and one of the greatest attractions for the host countries...."

The role of multinationals has got its negative counterpart. These organisations are considered by others as the most efficient instruments of economic domination of the ACP partners by the EEC States. Besides, this is why we very often see in developing countries, pure and simple nationalisation (with indemnities, most of the time) of foreign firms which are considered to be the providers of techniques. These companies would thus hesitate to invest in developing countries in an atmosphere of "insecurity". There appears a difference between the desire proclaimed by the Community to promote industrialisation of the Third World and the *real* possibilities of this very Community which is also the construction of industrialists and businessmen.

2) Industrial development can only be achieved efficiently in the ACP if the regional organisation of the ACP States is successful, especially in the industrial field. In other words, instead of the industries multiplying and becoming competitive, they should be implanted so as to be efficient and complementary. The implantation of "basic industries" and "intermediary industries" requires regrouped markets for the minimal dimension of the markets is much larger than the consumption goods sector. However, we have to note here that the regional desire of the EEC in the industrial field cannot be a substitute for the will of the States to industrialise individually, even if it goes against the exigencies of regional harmonious development.

3) Industrial development of the ACP and, consequently, the opening of European markets to products of their up-and-coming industries will cause serious damages to the interests of certain sectors or of certain regions of the European industry. Thus, these damages could lead to defensive reactions (notably of the trade unions) and block the process of industrial deployment. For example, the EEC Commission was made to restrict imports of textiles coming from South Korea due to the serious disturbances they provoked in the European textile market (1) This point was also stressed by the German Minister, Mr. Von Dohnanyi, at the Socialist colloquium of Suresnes (2); he mainly said, "by stressing on the idea that the right to resources is a national right, industrialised countries will be made to say that technology is their own wealth and that nobody should depend on them to transfer it..." (3).

(1) "Le Monde", Paris, 16.8.75.

(2) 5 and 6 June 1975

(3) "Le Monde", Paris, 9.6.1975

Chapter V

C O N C L U S I O N

What then are the prospects of Third-World exports to the industrialised nations? The advanced countries are in a recession, domestic unemployment is higher than it has been for a long time; protectionist barriers are going up one after another, local labour is becoming "militant" and public spending on a range of welfare services is diminishing. In this context, what chance is there of opening their markets to goods made in poorer countries, to keep industries in the latter humming even as their own begin closing down? Nor is it likely that if and when their economies begin to revive, they will adopt more liberal trading policies? They are committed to perpetual growth and ever widening prosperity. "Adjustments in the global patterns of trade" of the kind the World Bank would like to see are just not on if they are to entail, as they must, the risk that living standards in the rich nations might have to be pegged at present levels or even lowered.

Despite the lip-service paid to the ideal of a "new international economic order", what is actually happening in the supposedly on going "North-South Dialogue" on how to establish it? The dialogue is stalled and progress on achieving its objectives is minimal. The same is true of the deliberations on the law of the sea where advanced nations, notably the U.S., are trying to take the poor ones out of their desire to have ocean resources mined by an international authority rather than by private, western companies. And what have the various UNCTADs achieved so far in practical terms? Even the Third-World demand for a common fund to guarantee stable prices

prices and secure earnings for primary commodity exports - a demand which the U.S. has fiercely and consistently opposed - has been conceded by the advanced States only "in principle". What reality that principle will assume is not yet known but can be guessed.

One alternative which eminent economists have proposed, is for developing nations to trade more and more with each other. But if their markets are not big enough to absorb their own products and if, which is now the case, the stimulus for much of their economic activity comes largely from exports to the markets of rich countries, what then is the scope for intra-third world trade? Won't such trade in the present conditions harm rather than help them.

In place of the optimism regarding the prospects of the less developed countries that marked the speeches of the early 1960's, a sense of helplessness evolving on the part of economists and policy makers concerned with development. The despair is rooted, first, in growing awareness that forecasts and promises of large flows of assistance from the rich to the poor countries will not be fulfilled, and, second, in a developing belief that without massive assistance the less developed countries can do little on their own about lagging growth and rising unemployment.

The spread of capitalism throughout the underdeveloped world is likely to perpetuate rather than alleviate the conditions of under-development. At the same time, conscious of deprivation and desire for improvement is likely to increase among the masses of people.

in the poor countries. The result is an increasing gap between aspirations and actual gains that will lead inevitably to mounting tension and conflict.

While this general scenario appears to be more or less inevitable in most of the under developed world, there remain widely variant possibilities with respect to the time span and degree of violence involved. The actual pattern of events will depend upon the internal dynamics of revolutionary movements and upon the extent of the resistance to radical change posed by the elites of the poor and the rich countries to minimize both the times and **the violence associated** with the necessary and ultimately inevitable changes in the poor countries. The crucial question that remains is whether this struggle can be won peacefully through mounting popular pressure on the intransigent elements of the ruling elites or whether it will entail a violent confrontation within the rich capitalist countries themselves.

The Lome Convention is only the step in the right direction to reduce the chances of confrontation between rich and poor countries. For the economic situation of poor countries even the Lome Convention is worsening. The assumptions of poor countries about the present economic order must be revised. A real organisation of the markets, a new industrial geography and a real code of conduct for the activities of multinational firms are needed.

In its report "World Development Report 1978", the World Bank stated : "the development progress of the past twenty five years has exceeded early expectations in many respects ... but still about 800 million people more than one third of the total population of the developing world, still live in absolute poverty ...".

The first priority in poor countries is to raise productivity, agricultural and industrial. But other questions are raised : where is the capital to invest in technological and other improvements to come from? How can the domestic savings rate grow if simultaneously as World Bank's report suggests, massive public works are launched to create jobs, works that will yield returns only much later? What about political difficulties caused by the willingness of proliferating inter-groups to accept restraints on earnings and consumption and the inability of Government to impose such restraints? It seems frankly that there is no real way out. In the light of such facts, the association between EEC and ACP will be for a long time to come that of "the horse and the rider".

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