

SOUTH-SOUTH COMMUNITY BUILDING
AND THE SUCESSOR TO LOME II

The Case For Greater EEC Support For Regional Coordination Bodies

By Reginald Herbold Green

Regional integration...represents a commitment...to practise at one and the same time self-reliance at the national and at the regional levels to fulfill development objectives. The two must go together they cannot substitute for each other. In both instances self-reliance requires...determination to maximize the use of physical human and financial resources...manage ...prudently...in conformity with development priorities..., hard work and sustained discipline; to distribute the fruits of economic growth... to satisfy the basic needs of the population.

The Caribbean Community In The 1980's
Expert Group Report, Caricom

Nations work together only when their national interests do not conflict. The point is simple. They have to accept the individuality of each country. If they do not accept this basic fact they are lost.

Jeremiah Tabai, President of Kiribati

In any case the Commission will propose... that measures for encouraging regional cooperation, whether between ACP countries or between the ACP and neighbouring developing countries should be strengthened... There will be no question of regions being devised either by Europe or the Convention.

EEC, Memorandum on the Community's
Development Policy

EEC, ACP and South-South Economic Coordination

EEC's relationships with South-South economic coordination, especially when such coordination is among clusters of ACP member states or between ACP states and other developing countries, is an important topic in the negotiations for a successor to the Second Lome Convention. This may seem odd - in the Arusha Conventions and Lome I it was ACP states who had to struggle for broader EEC acceptance of their South-South regional organisations especially when these crossed the ACP non/ACP boundary; in Lome I and Lome II "regional" funding has been little over 10% of EDF; regional funding has not been uniformly or even generally linked to existing South-South regional groupings and - even by the leisurely standards of EDF disbursements - has lagged in use of funds. For that matter purists might wonder whether collective self reliance and economic cooperation among developing countries can be assisted by North to South finance without losing its soul.

The latter point can be handled speedily at the level of principle - if it applies to regional collective self reliance it applies to national self-reliance and is an argument against the whole of EDF and, indeed, all concessional finance. The former requires a quick look at the constellation of concerns ("mutual interest" in Brandt Commission terminology) which have made regional cooperation by and of ACP states more central to thinking about the third ACP/EEC Convention than was true in respect to its predecessors.

South interest in South-South cooperation - especially in Africa, the Caribbean and the Pacific has risen in the past decade. In part this is for positive reasons - particularly the identification of wider common interests, which can be more cheaply and effectively pursued jointly. In part, however, it is for negative reasons. Since 1973, and especially since 1979, the world economy has become a much more hostile and uncertain environment for developing countries - particularly small, low income ones. Building up alternatives, pooling resources and reducing risks have moved up the priority scale of many ACP and other Third World states.

EEC interest is also partly positive and based on the principles underlying the Community. The Communities were created on the basis that (partial) economic integration was a better way of collective national economic management and of acting within the global economy than a purely national approach. If that is valid for large, rich nations like the 10, it is logically even truer for small, poor ones like the 63. The Commission - and especially DG VIII - has come to perceive this (or at any rate to think of acting on that perception) more clearly in the years since Lome I was negotiated. Negatively, the EEC is not immune to the stresses of the new international economic disorder and foresees little growth in its own demand for primary products and major growth in neo-protectionist pressures against a rapid increase in imports of simple manufactured goods from ACP states.

Regional funding - however loosely linked to actual South-South groups or organisations - has been and is substantial in EDF's IV and V. This is of importance to South-South economic cooperation bodies seeking to build up coordinated national or regional

projects and programmes and who find themselves seeking increased resources precisely at the time their member's financing capacity (especially for foreign exchange costs) is falling.

Finally the Commission has quite explicitly indicated that "regional" is an area in which it is open to new ideas as to policies and procedures and to which it wishes to devote more funds in EDF VI and the third ACP/EEC Convention.

Regionalism - Towards a Useable Contextual Definition

The dialogue (or at times debate) on regionalism in the ACP/EEC context is in some danger of imitating the Tower of Babel (and building as clear an understanding and as lasting an edifice) because the same word is used for four quite different objective correlatives.

The first is intra-ACP cooperation particularly what ACP terms "inter-regional" cooperation involving all of a non-geographically selected group of ACP states. The ACP institution themselves are an example, as would be the proposed Caribbean-Pacific joint activities in respect to the special concerns of islands (albeit this would also involve non-ACP Third World countries). With the very important exceptions of negotiating with the EEC and of building up more contacts and more common approaches in other global or North-South fora, this has not been an area in which ACP has made all that much progress (nor one in which EEC has shown much interest). Other exceptions are functional, e.g. ACP sugar producers are centred on EEC relations although in other respects their

cooperation is as logically linked to non-ACP sugar producers. This is to date an ACP choice - they place more weight on the Non-Aligned and the G 77 than on ACP as a general purpose economic cooperation grouping.

The second is "regionalisation of ACP" and of the Convention into loosely linked African, Caribbean and Pacific Regions. At points in the memorandum the Commission appears to be proposing this. The ACP response suggests it would view this form of "regionalism" as "regions devised either by Europe or the Convention". The reasons are clear enough - at operational level the ACP is not the forum (or even the umbrella) for existing regional co-ordination bodies; in negotiating with EEC, the ACP are in an unequal enough game as it is without being split into A, C and P!

The third is the objects of expenditure of the EDF regional allocations. These do involve projects of interest to more than one ACP state. However, whether at present they usually form part of, or constitute, an unambiguously positive force in respect to regional cooperation (even when rather loosely defined) is less clear. Clearly they could, and it would appear that both the Commission and the members of several South-South regional co-ordination bodies - e.g. Southern African Development Coordination Conference (SADCC), Caribbean Community (CARICOM) and Pacific Forum - wish to explore how this potential can be realised.

Fourth are actual South-South regional co-ordination (or co-operation or integration) organisations whether of ACP states or of ACP and non- ACP states. From the Georgetown Agreement of

which institutionalised it, the ACP group has always given emphasis to this meaning of regionalism, of the need for the Conventions to support it, and of the South states' right to define the scope and membership of their own regional (or sub-regional) bodies including having them cross ACP - Non ACP lines.

This paper is primarily concerned with the fourth concept of regionalism and with the third as a means of supporting it. The first concept is interesting but beyond its scope and the second appears profoundly unsatisfactory from the present author's (and , much more relevantly, it would appear from ACP's point of view.

The Present Position

To date support for South- South regional bodies largely made

up of ACP states has been dominated by the EDF's regional component. This has become less true. The Commission has in recent years taken a more systematic approach to its relations with and support for some regional bodies perhaps especially SADC, the Kagera Basin Authority (Tanzania-Rwanda-Burundi-Uganda) and the "Central Corridor" group of States (Zaire, Zambia, Uganda, Tanzania, Rwanda, Burundi). However, even in these cases the EDF or other funds are critical in making the EEC's concern effective (and to gaining a hearing for its proposals or suggestions whether specific or general).

In Lome I about 10% of EDF IV was allocated to regional while in Lome II about 10.5% of EDF V, albeit in the latter case, if non-associate funds used in respect to regional projects involving non-ACP states cooperating with ACP states are included, the share is moderately larger. While there have been even greater initial lags from allocation to commitment for regional than for country allocations, the regional commitments have tended to catch up. By the end of 1982. 86% of EDF IV's and 32% of EDF V's regional share had been committed vs 86% and 34% respectively for country allocations.

On disbursement, however, the lags have remained greater. This probably represents the added complexity of identifying, evaluating and negotiating projects involving more than one ACP (let alone an ACP and a non-ACP) state and/or multiple interlocked projects covering the parts in each state. However, because the EEC is already the slowest major transferrer of concessional finance (significantly more so than any of its member states' bilateral aid, suggesting that the basic problems are on the EEC, not the ACP, side) any additional lags are cause for very real concern.

In one - admittedly extreme - case, a commitment in principle was reached in 1972-73 but identification, pre-feasibility and post-feasibility studies and haggling on what these phases showed, meant that implementation began in 1982-83, at a very high interim transport disruption cost to all of the ACP states concerned.

The makeup of regional allocation projects has been queried. Certainly - especially initially - there was a very heavy emphasis on transport. The Focke Report of the European Parliament viewed this as an overemphasis at least relative to trade and industrial projects. In all candour, however, the weakness may also be on the side of the regional organisations who tend to have large, agreed transport and communications programmes and much smaller lists in other sectors. Or it may in some cases - e.g. SADC, Pacific Forum Shipping line - represent a response to a perceived regional need correctly identified by the ACP states concerned.

More recently - as a glance at the Courier's project pages will show - there has been some diversification. This appears to be largely towards training (e.g. textile and mining training schools for Economic Community of West Africa - CEAO) and to agriculture (e.g. veterinary faculty, foot and mouth prevention, rinderpest control and prevention from the SADC agricultural sector programme). Industry and trade are still not prominent.

EEC relations with regional organisation have varied. In some cases there appears to have been little consultation or study of what agreed regional priorities might be. In others - e.g. re

SADCC, CEAO and, on a small scale African Organisation for Intellectual Property (OAPI) and African and Mauritian Common Organisation (OCAM) there clearly has been consultation and, it would appear, careful study of regionally agreed priorities. In some cases funding for organisation staff, conferences and/or buildings has been provided. However, the Convention has no provision for such consultation. Regional allocations are not related to actual South-South regional or functional bodies and both the size of the regional funds and - in practice - selection of projects (and of regional groups or programmes) are far more unilaterally EEC determined than in respect to the EDF's country allocations.

Toward a Fuller, More Coordinated Approach

As noted in the opening section, the Commission, several South-South regional coordination groups and many ACP states are seeking to broaden the scope, increase the resources allocated, and improve the degree of mutual decision taking in DG VIII's relationships with bilateral, multilateral, functional and regional South-South cooperation projects, groupings and institutions. The Commission for example envisages that intra-ACP (and intra-regional involving ACP and non- ACP) trade development should now receive significant support and that, overall, the regional allocations in EDF VI should be of the order of 25%. On the ACP side, recent CARICOM and Pacific thinking includes exploration of the common problems of islands and how they might act together concretely in respect of some of them (a

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topic presumably also of potential interest to the four Indian Ocean and two African Atlantic island ACP states). As 24 of the ACP are islands this concern could well be an object of EDF support. Equally, SADC's concerns about regional food security measures and about coordinated research training and disease control in respect to crops and livestock would appear to interact both with the Commission's priority for food strategies and with its concern to broaden the scope of its support for regional cooperation. The same would seem true of CARICOM's regional food strategy and joint production/trade in food arrangements.

For this concern, interest and inquiry into ways and means to bear fruit, several conditions need to be met. First, there needs to be an absolutely larger EDF allocation to regional projects and programmes. For the sake of discussion, one might say ECU 1,500 to 2,500 million. The latter would be 25% of an EDF VI which restored the real per capita assistance levels of EDF IV, the former 25% of an EDF VI virtually the same nominal size as (some 30% less in real per capita terms than) EDF V. In practice to have a substantially larger real allocation to regional, a larger real (at least constant real per capita - say ECU 8,000 million) EDF VI is, if not necessary, at least much more conducive than any lower figure.

Second, DG VIII must handle commitments out of regional allocations in a way analagous to national ones, i.e. it must work with and pay attention to the priorities of South-South regional groupings. The new Convention should, in fact, include

language to that effect.

Admittedly certain practical problems arise. It is not possible to negotiate quotas for each regional group from ECOWAS to the Pacific Forum, OCAM to the East African Development Bank, CAFICOM to CEAO, OCAM to UDEAC in the runup to the third ACP/EEC convention. However, broad agreement on the allocations to the larger ones might well be reached and play a role in negotiating the overall regional allocations and its rough lines of division.

Further, the EEC's (or anybody else's) geographic chunks do not fit all South-South bodies or all ACP states. e.g. OCAM is in both West and East Africa as defined by anybody while Tanzania is in both Eastern (re Kagera, "Central Corridor" and prospective revived Kenya-Uganda-Tanzania groupings) and Southern (re SADCC) Africa per EEC's geographic lines. Here flexibility is needed - the point is to support agreed coordinated or bilateral/multilateral programmes and projects agreed by self defined groups or organisations of ACP (or ACP and non-ACP) states. EEC's funding pattern and procedures should (as by and large they do) respond to that reality, not geographic or cartographic definitions of what a region might be (Africa in particular has had too many boundaries drawn of it by European rulers and t-squares already).

Flexibility is also required in defining a regional project/programme. The ACP positions would appear to define them as:

- a. ones executed by regional bodies (e.g. the CEAO

- training schools);
- b. or in an agreed regional cooperation programme (e.g. the SADC transport and communications priority programme);
 - c. or involve more than one ACP state (e.g. Rwanda-Tanzania road links before the Kagera Basin Authority agreed programme);
 - d. or satisfy a significant part of a region's demand for a particular commodity (e.g. grain, meat and/or dairy products in Belize or Guyana directed to meeting island CARICOM member import requirements).

This is eminently sensible. Bilateral (or trilateral or quadrilateral) projects among members of regional groups are not usually damaging to the group - often au contraire. So long as they are known to all members of the group and open to all to join, the view of the CARICOM expert group seems apposite:

"bilaterals", "trilaterals", and "quadrilaterals" may be seen as strengthening the spirit of co-operation ...by allowing those who have common interests not shared by others to deepen co-operation in these areas...there is really no need to delay progress in certain areas because some states may have no interest therein; the experience gained by deeper co-operation among a sub-group...sharpens the appetite of the States concerned for further co-operative ventures and sets a good example for (the others)...subregional initiatives have in the past set the stage for wide multilateral action.

However, flexibility in execution should not become laxity in principle. ACP/EEC convention regional programmes like national ones should involve joint decisions reached on a basis of dialogue and mutual respect. In the past some regional bodies (notably the late East African Community) have suffered from donors who ignored ardouously negotiated regional agreements on priorities and locations and, by backing a low priority project or one in a regionally rejected location, unravelled much patient work on agreed programmes. A similar problem exists today. The EEC, in fact, (unlike some UN agencies) has a good record on this score but more regular and formal consultation procedures are needed to preserve it.

Third, the administration (or project cycle) of EDF regional funding will need to be reviewed with a view to faster progress from allocation to commitment and commitment to disbursal. This is a problem confronting all of EDF's operations, but seems more extreme in respect to the regional allocations (at least at the disbursement stage).

Food aid, Stabex, and the new "maintenance projects" do demonstrate that EEC can disburse promptly, the difficulty is thinking out how. One contributing factor would be a clear concept by the time EDF VI comes into force of what the new regional support approach would involve - Sysmin and the Centre for Industrial Development demonstrate the dangers and delays of unduly fuzzy "agreement in principle" with no real ideas on how to articulate or to programme . Similarly, closer relations

with regional bodies and closer attention to their agreed priority programmes/projects could (as it seems to do nationally for ACP states with clear priorities) speed up commitment and disbursement.

What Could Be Done

To be operational promptly, enhanced support for regional cooperation/coordination/integration needs more than simply agreement in principle, on amounts and on procedures. It needs concrete areas and instruments. Not all would need to be spelled out in the Convention - though some would - but a working agreement on paper needs to be reached in the course of the dialogue and negotiations for the successor to Lome II.

The precise areas and instruments are evidently a matter for negotiation - which are seen as priority is partly a matter of style and partly one of particular contexts and concerns. These may well vary from region to region - the Pacific Forum's problems of geographic scatter and SADC's of South African armed aggression do affect the overall outlook and specific support sought by these regional groupings, as well as the actual nature of their transport and communications programmes. Some regions - e.g. the Caribbean - place heavy reliance on interstate operational institutions while others - e.g. the "Central Corridor" group have next to none and operate almost entirely by consultation and coordination of pairs or triangles of the de facto membership.

However, the ideas expressed in various fora by EEC state and Commission staff and by regional groups and their members do provide a working checklist of sectors and instruments as a basis for starting dialogue.

Transport and communication deserves continued support especially in the context of coherent regional programmes and of improving links to landlocked (or water-locked) developing countries (this last being one of the few areas of substantive agreement at UNCTAD VI). Transport is crucial to trade, to food security, to realising the value of production intended for regional or global export (including to the EEC). Some communications links - including ground satellite stations and radio phone links with isolated areas - have very great value for improving ability to communicate within a region at relatively low cost and the former are in fact likely to prove self supporting financially once installed even in quite small states, e.g. Swaziland.

However, a somewhat more critical eye might sometimes be cast on proposals (even at the study stage) which appear unlikely to prove financeable and even less likely to be viable. An example would appear to be the proposed 2,000 km. of railways in or related to the Kagera Basin which would probably cost at least \$500 million and have - optimistically - 200,000 tonnes of traffic a year. This is not to argue pure micro cost/benefit analysis, since for example, very isolated states (e.g. many small islands, Lesotho) need international airports of at least intermediate jet standard for a variety of reasons some of which

are risk avoidance and uncertainty reduction rather than related to direct economic payoff. It is to warn that overenthusiasm with transport - and especially transport links not related to either overloading of existing links or an overall programme involving production and trade expansion - have tended to be overemphasized perhaps because they are technically easy to plan and assess and - if large - have strong "friends in court" in the form of would be contractors.

Transport and communications (like production) is an area in which maintenance and rehabilitation should be seen as being as critical as initial construction. Virtually half of the Southern African Transport and Communications Commission's priority programme is to rehabilitate facilities which have suffered from deferred maintenance (often imposed by 1974-75 and post 1978 foreign exchange constraints) and sabotage by South Africa, the former Rhodesian regime or their proxies. Transit corridor priority programmes in West, Central and East Africa also seem to include a high proportion of making good deferred maintenance, rehabilitation and reequipment. In addition to rehabilitation, attention to maintenance could well include provision of both maintenance and repair equipment and training of personnel (possibly in regionally coordinated specialist institutions) to ensure against recurrence of maintenance backlogs.

Production enhancement is critical in many regions if transport is to be used and trade developed. The Caricom expert group stressed this point and it is central to the outlook underlying SADCC's founding Lusaka Declaration and Programme of Action.

What types of production are appropriate for regional coordination and support varies. In the Caribbean, meat, dairy and grain production are examples. These comprise the bulk of the region's food imports. Self sufficiency on the islands is hard to envisage but Belize and Guyana could build up substantial regional exports- which in turn would make them larger and faster paying markets for Jamaican, Trinidadian and Barbadian manufactures. Some smaller, specialty food exports could be built up in the Windward Islands. In the Pacific, tourism may be an example, i.e. if hotels, airlines, tour operators, etc. are to be built, staffed and owned by Pacific peoples a good deal of coordination including some joint institutions (e.g. in training and overseas promotion) would seem likely to be essential. In the SADC area, industrial coordination - currently stressing basic consumer goods and inputs into agriculture - is perceived as critical to allowing higher levels of regional trade, loosening the extra regional import constraint on regional production and revitalising agriculture via better input and "incentive goods" availability.

In respect to production, both South-South regional groups and the EEC need to devote more attention to identifying and encouraging the participation of European enterprise (public or private) as suppliers of technical expertise, marketing, management, training and/or finance. The EEC - and in the case of industry the CID - should be well placed to locate potentially interested firms and to assist, if asked, in conferences sponsored by regional bodies of ACP (and other organisation member) states, regionally based enterprises and investment bodies and foreign enterprises. SADC for example, proposes

such a conference in respect to its industrial coordination programme.

Production evidently relates to food security and food strategy at regional and national levels. Coordination of increased food production, of inputs (implements, tractors, fertilizers, insecticides and pesticides) and of "incentive goods" (the basic consumer and house construction manufacturers which dominate most peasant households' purchases out of cash income) are directly relevant. But, in addition, there is a regional element to food supply and security relating to reserves, storage and emergency supply. To be effective this approach - as now being explored in SADC - requires reserves held in the region with storage to preserve them over and above national strategic reserve requirements and transport capacity adequate to moving them. EDF would appear to be an appropriate source to contribute to financing a) initial reserve stocks (especially if part of these need to be imported), b) storage capacity, c) rolling stock suitable for grain transport, d) costs of moving reserves to user states and - when that state faces an external imbalance as well as a food emergency - paying the exporting state. Food aid programmes by several agencies using Zimbabwean surpluses to supply other Southern African countries, while not in a systematic or long term food security context, appear to demonstrate the feasibility of the approach.

Islands - at least relatively small ones - do seem to have rather special economic problems and to have different (and often more constrained) development options than mainland states. The

Pacific Forum and the Caricom experts have both cited this area as one of common interest within their region and the Pacific leaders have alluded to the value of intra-regional Pacific-Caribbean cooperation. Initially the need would appear to be for contact, exchange of views and coordinated research - all of which require foreign exchange (scarce in most island ACP members) and experts (available in the larger Caribbean states but very scarce in the smaller Caribbean, Pacific, Indian Ocean and Atlantic African members). Finance for these areas of activity (including experts from one island ACP member working in another and/or at regional level) from EDF could be a catalyst.

One concrete area in which islands - and also coastal ACP states more generally - have a common interest is the policing, management and exploitation of Exclusive Economic Zones (EEZs). This involves marine research, development of negotiating capacity, measurement and monitoring of resources (usually primarily fish) , creation of fishing - processing; storage capacity, surveillance of EEZ use and training. Especially for small island states - for whom the EEZ may be the most valuable natural resource - the costs of independent action in these areas may be prohibitive.

Further, in terms of bargaining and EEZ exploitation management and control, joint action is likely to be more effective than isolated initiatives. Finance, knowledge and personnel are needed regionally and probably intra-regionally in sums which are quite large for a small island state but by no means prohibitive in EDF terms.

A related question - of interest to many ACP states individually but perhaps even more so to island states regionally and intra-regionally - concerns the rules of origin relating to fish and fish products. These are very much more restrictive than those for any other product. Indeed they seem to be designed to require that ACP fish be caught by EEC owned, registered, officered and managed vessels and processed in EEC owned factories using EEC tinplate and cardboard (or tins and cartons) to qualify as "originating" products. The inequitability of these provisions was admitted by the EEC and Lome II calls for their revision. It is time progress was made on that front.

Research and training are often areas in which substantial economies of scale in respect to finance and personnel can be achieved through a combination of regional units and coordination of national ones. A number of CEAO, OCAM and East African institutions and programmes fall into this category. Whether coordinated national (e.g. the Zimbabwean veterinary faculty designed to enroll students from other SADC members, especially Botswana, Lesotho, Swaziland and - on its independence - Namibia) or regional (e.g. East African Management Institute now again to be operated jointly by Kenya-Uganda-Tanzania, but also catering for students from other Eastern and Southern African states) depends on context and user preference. No general rule can be made.

One area in which regional coordination of research is critical is agriculture. Almost all ACP states face food production problems. Few have been substantial beneficiaries of the international crop research institutes' work. One element in

confronting both problems could be regional : a) securing regional sub-units of the international crop research institutes (with EDF contributing to the additional costs this would entail for them); b) setting up selected regional exchange of information, technical meeting and operational research programmes; c) coordination of national work to allow greater specialisation and quick use of relevant results/data achieved elsewhere in the region. In general the smaller the state, the more it needs access either to regional research and training facilities or to those of larger regional states. Both approaches are appropriate for EDF regional allocation support. For a state to design a training institution to a capacity to meet the needs of partner states and to accept students from them entails substantial costs which are much more likely to be acceptable if part of the burden is borne by an international cooperating agency such as EEC.

Technical and travel cost assistance to regional institutions and organisation would be valuable in varying degrees (e.g. less for ECOWAS than CEAO or for CARICOM than Pacific Forum). This is true not only for central secretariats but for coordination roles delegated to states (e.g. for sectoral programme coordination units as well as SATCC and the central secretariat in SADCC). Probably specialized consultants for particular assignments or part time backup are most generally needed but in some cases initial full time professional/technical personnel will be needed (e.g. SATCC's rapid buildup of competence would not have been possible without a 10-12 person Nordic/Italian technical assistance cadre). However, the technical assistance should not be on the standard EEC terms. The regional body should be free

to select or at least to nominate) the persons it wants and to select them from regional member states, other ACP states and EEC members - and preferably from other Southern and Northern states as well. In this respect the EEC/SADCC technical assistance agreement breaks new ground and may be a useful model.

Travel cost assistance - for personnel engaged in regional programmes and for specialist meetings - can be critical and out of all proportion to the amounts involved. Very small states and those facing budgetary and/or foreign exchange crisis find foreign travel hard to finance - most ACP states fall into one of these categories. Especially until the value of particular regional programmes and meetings has become widely recognised (including by Treasuries and Central Banks who allocate travel budgets foreign exchange) this is an appropriate and sometimes critical area for external support.

A major problem confronting regional groups is ensuring that their least developed or otherwise especially disadvantaged members do receive significant gains from membership. If they do not, they either insist on special measures (e.g. internal tariffs in a preferential trade area or common market - relevant in CEAO, UDEAC, Caribbean Common Market) which limit their risk of losses by also eroding potential gains or leave the regional group whether de facto or de jure (e.g. Zambia and Malawi from the Central African Common Market). There are various positive (i.e. regional potential gain increasing) ways to meet this equity requirement. They include: special regional investment funds or weighted allocations in regional financial institutions, sub-regional bodies for the least developed members of the

region, fiscal transfers to offset (in full or in part) loss of customs revenue, special attention to their potentials and needs in drawing up coordinated regional priority programmes of projects for national implementation. All of these positive approaches cost money. As the other ACP members of South-South regional groupings are by no means rich they find it very difficult to finance the action needed on equity (and regional cohesion) grounds. EDF support for the equity oriented positive action programmes chosen by regional groups could have a very positive impact on the practicability of implementing them at adequate levels.

Trade has been notably lacking in EEC programmes of cooperation with South-South regional groupings. This is rather odd since it is so crucial within EEC's own history and raison d'être and because intraregional trade is seen as central to many (not all) regional groups and as important in almost all. One hesitates to suggest lack of imagination (or interest) on either the EEC or the ACP side as a reason but the near total gap is surprising and cannot be explained on the basis of lack of potentially effective forms of cooperation. At least six can be identified.

First, EEC could alter its rules of origin to allow all purchases from a member state of a South-South grouping to count as eligible value added and could make the price with which import content is compared the fob price at the regional port or airport from which the product is shipped (not ex-factory) - e.g. fob Dar es Salaam for Zambian copper wire, fob Ncala for Malawian textiles, fob Pointe Noire for Central African Republic lumber or

plywood.

Second, EEC could make all technical assistance appointments open, in practise as well as form, to nationals of other ACP states. While not strictu sensu trade, and amply justifiable on other grounds, this would increase ACP state invisible earnings. The experience of the Commonwealth Fund for Technical Cooperation (CFTC) demonstrates that such South-South technical cooperation funded (largely, not wholly in the CFTC case) by North members can be practicable, prompt and effective.

Third, trade in power could be built up to the advantage of exporting states needing larger than domestic markets to develop a large but low cost dam or mine and of importing states who have only high cost potential for domestic power/fuel production. An evident example is Kenya-Tanzania where both East African Power and Lighting and Tanesco have done desk studies on the economics of Tanzania's developing Stiegler's Gorge dam and entering into a multi year bulk sale contract to Kenya allowing EAPL to avoid very high cost hydro or geothermal investment and/or oil intensive thermal plant expansion. Such projects may well usually be too large for EDF to be a major financial source, but it could promote such development of trade in power (especially hydro and coal but also refined petroleum products from coastal ACP-refineries to small, landlocked country markets) by providing technical assistance to interested states/power corporations, independent consultants and consulting engineers, a portion of the equity element needed by power corporations as a base to complement commercial or World Bank loans, and assistance in

putting together a financing consortium and package including grants (partly from EDF), institutional loans (partly from EIB), supplier credits, and - perhaps - commercial bank medium term loans.

Fourth, DG VIII could act to make the existing provision for ACP states to be eligible for procurement (goods or services) sourcing on EDF financed projects, and in some cases for 15% preference of bids, more effective. Many - how many is very hard to tell - ACP potential suppliers do not in fact know of this opportunity in general, let alone in respect to specific bids. Some means of publicity via Delegates (who could contact Ministries, Chambers of Commerce and /or potential suppliers) and/or advertising in ACP state newspapers would be a start. This point is not theoretical even in ACP states with relatively modest manufacturing sectors - e.g. Tanelec of Tanzania has won two aid financed contracts for the supply of generators to neighbouring states.

Fifth, EEC could provide finance designed to support intra-regional balanced trade expansion through "Extraregioanal Import Contents Funds". Intraregional trade tends to increase regional production (in the short run by putting unused capacity back into production and in the medium and long by justifying new capacity) and to increase the levels of regional output attainable with any given level of extra-regional import capacity. One method of promoting it is by mutual credits, e.g. Kenya opens a credit at its central bank of ECU 10 million on which Tanzania can draw to buy all or most Kenyan products while

Tanzania opens a parallel credit for use by Kenya. The problem is that the goods traded have some extra-regional import content. e.g. if Tanzania sells textiles to Kenya it needs to import more dyes, bleaches, sizings, starch, spare parts, fuel, etc. and if Kenya sells fabricated metal products to Tanzania it must import most of the raw metal. In a context of extreme foreign exchange scarcity, this additional extra-regional import requirement can prevent the realisation of the extra production justified by, and needed to allow, regional trade.

One way of breaking this bottleneck would be an externally financed "Extreregional Import Content Fund". This would pay to the exporting country a percentage - say 25% - of exports under the regional or bilateral trade agreement to offset their import content. To work, such a fund would need to be:

- a. quick disbursing immediately on receipt of export documentation by the Delegate's Office;
- b. simple, i.e. a set per cent related to exports not a variable one requiring detailed calculation for each product;
- c. either untied (like Stabex) or tied only to imports from EEC because literal tying to the particular imports used in the exports would be so complicated as to render the exercise unworkable (and illogical as the payment comes after, not before, production and export).

It is not realistic to suppose that the recipient states could reconstitute such funds in foreign exchange terms in the foreseeable future. However, it would be reasonable to negotiate

towards using their local currency counterpart to build up domestic currency credit for exporters which is notably inadequate in several ACP states.

The example given was Kenya-Tanzania which is apposite now that the East African Community asset/liability allocation logjam has been broken and Kenya-Uganda-Tanzania meetings to discuss ways and means of reviving trade are in hand. However, the approach has wider validity. It is of significant interest to most or all SADC member states and would appear to have potential applicability to the Caribbean Common Market, UDEAC, CEAO and ECOWAS as well.

Sixth, other forms of finance to facilitate trade should be explored. One is a regional clearing fund (analogous to the European Payments Union whose early operations were significantly assisted by the Marshal Plan). Another is initiating and contributing to broader mobilisation of funds for regional term export credit funds. (Initiating as the size of funding needed is probably well beyond the capacity of EDF by itself). This again is not a hypothetical question, e.g. Zimbabwe is in a position to produce certain railway rolling stock for export at competitive prices but cannot provide credit terms comparable to that of industrial economies or even major Third World exporters of manufactures such as Brazil and India. (A partial alternative to this approach would be through funding more projects in the ACP for which such potential exporters of selected capital goods as Zimbabwe would be able to bid).

Toward Dialogue and Action

The preceding examples should, at the least, demonstrate that there are numerous concrete ways in which EEC could support, cooperate with and advance the South-South regional economic groups to which ACP states belong. A number of these groups have substantial concrete achievements already and more have clear potential in large part constrained or delayed by lack of foreign exchange among their ACP members. Many ACP states set a high priority on expanding coordinated regional action in a number of sectors while EEC is evincing interest in paying increased attention and allocating increased resources to providing North support for South-South economic cooperation.

Regionalism therefore appears to be potentially one of the areas in which the third ACP/EEC convention can break new ground and take positive initiatives towards broadening and deepening the contractual cooperation in pursuit of agreed common concerns inaugurated in the first Lome Convention. While a start has been made - especially in the existing regional allocations - a good deal more could be achieved. At the procedural level by developing EEC relations with the sister economic cooperation organisations to which ACP states belong. At the sectoral level, intraregional trade development is probably the most critical single area for which new substantial and effective EDF support mechanisms should be identified and agreed upon in the dialogue and negotiations leading to the new Convention.

The Chinese proverb "the longest journey begins with the first step" is still relevant to ACP/EEC Conventions in general and to support for South-South regionalism within them in particular. However, there are two correlatives to that proverb. To get very far requires taking the second, the third and successive, steps. And to get to the intended journey's end they must be in the right direction. It would be idle to pretend that the experience in negotiation and operation of Lome II has not given rise to grave doubts - in Europe as well as in Africa, the Caribbean and the Pacific - as to whether any further steps really were being taken and, if so, where they were leading. Regionalism appears to be an area in which the present negotiations can demonstrate that more steps in the right direction are possible within the ACP/EEC contractual relationship..

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Introduction

On January 13th 1984 the Catholic Institute for International Relations held a one-day seminar devoted to discussing aspects of the current negotiations between the EEC and 64 African, Caribbean and Pacific States for a successor to the second Lomé Convention.

The aim of the seminar was to provide a forum in which a free exchange of views and opinions could take place between some of those actually involved in the negotiations and other interested parties, and to inform representatives from important sectors of the British community and seek their response. The seminar was attended by some 80 representatives of EEC States and the Commission, the ACP States, the UK Government, the UK and European Parliaments, Non-Governmental Organisations, research institutes and universities, trade unions, private companies and the media.

The four main sessions of the day focussed upon the European Development Fund, trade issues, regional cooperation between ACP countries and poverty-focussed aid in the framework of the Lomé Convention. On each subject a paper was presented which was addressed by a discussant before open discussion began. This report summarises the seminar proceedings and presents an overall synthesis of the views expressed by those presenting papers, their discussants and the seminar participants. Since the discussions were held off-the-record, the comments of individual participants are not directly attributed. However, where a publicly-held view of any of the interested parties appears in the report it is identified as such.

Background

The negotiations for a third Convention between the EEC and 64 ACP States began on October 6th 1983 and will probably continue until early 1985. The new Convention will establish the framework for development cooperation between the EEC and the ACP States for the period 1985-89, or even longer. It will be the third in a series of Conventions that have governed aid and trade relations between the partners since the first Lomé Convention was signed between the EEC and 46 ACP States in 1975. The fact that the number of ACP States has grown by 18 since then (and is likely to grow by another two if Angola and Mozambique accede to the Convention) demonstrates that they set considerable store by their special relations with the EEC. For the EEC likewise, the Lomé Convention stands as the most important of the contractual cooperative treaties it has established with different regions and countries of the Third World.

Despite the strong basis of mutual interest that underpins the Convention, however, both the EEC and the ACP are disappointed by the results achieved by the two previous Lomé Conventions (1975-80; 1980-85). In the current negotiations both are presenting views on how to make the next Convention more effective. The ACP States are pressing for major improvements in the area of trade and a substantial increase in the funds made available for financial and technical cooperation. On these two issues the EEC appears unwilling or unable to make greater concessions. Its proposals centre largely upon making the aid programme of the Lomé Convention more efficient and effective. In this the EEC is emphasising support for sectoral measures such as food strategies and increased support for intra-ACP and regional cooperation as an important means of strengthening the self-reliance of the ACP countries. The seminar topics were deliberately chosen to reflect this range of key issues.

Programme of Sessions

- 1. The ACP-EEC Relationship: The Financial Dimension in Perspective.**
Monya Anyadike-Danes, Downing College, Cambridge.
Discussant: Matthew McQueen, University of Reading.
- 2. Trade: The Missing Link in the Proposals for Lomé III.**
Christopher Stevens, Institute of Development Studies, Overseas Development Institute.
Discussant: Vincent Cable, Commonwealth Secretariat.
- 3. South-South Community Building and the Successor to Lomé II: The Case for Greater EEC Support for Regional Coordination Bodies.**
Reginald Herbold Green, Institute of Development Studies.
Discussant: Michael Anyadike-Danes, Observatoire Français des Conjonctures Economiques.
- 4. Lomé: Reaching the Poor**
Evan Luard, Independent Group on British Aid.
Discussant: Roger Riddell, Overseas Development Institute.

The Financial Dimension

In her introduction to the complexities of the European Development Fund, Monya Anyadike-Danes stressed that there was little point in attempting to discover the likely size of the next EDF since this was non-negotiable and was determined in secret by the EEC's member states. If the next Convention's aid rose by the same proportion as did Lomé II over Lomé I then it would be in the region of 7,500 million Ecu; a rise of 100% would take it to around 10,100 million Ecu.

Although the volume of Lomé II aid represented a nominal increase of 51% over Lomé I, the unit value of EEC exports experienced an aggregate rise of 49% over the period. In real terms therefore the increase of aid for Lomé II was in the order of 2%; on a per-capita basis it was around 20% less than Lomé I. Over the period 1976-80, the aid received by the ACP through the Lomé Convention was 10.1% of the total aid flows to the ACP. EEC aid to non-ACP countries has been growing faster than that to the ACP (although this is largely explained by EEC commitments to Turkey, which for 1979-80 were US\$341.5 millions – i.e. more than 10% of the ACP states' total aid from the EEC over the five years 1976-80).

The picture is complicated by the EEC member states' bilateral aid programmes with ACP countries. When these are added to EEC aid for the ACP then between them the EEC and its member states account for over 50% of the aid flows to the ACP. In the first half of the last decade France, the UK and West Germany provided 80% of this. However, since then the picture has changed. West Germany has overtaken both France and the UK to become the most important single donor amongst EEC States; the Netherlands has joined the top three donors while the UK has fallen from second to fourth position.

Analysing the distribution of EDF aid amongst individual ACP States reveals that the proportion each one received from the 70% of the EDF set aside for national indicative programmes was strongly influenced by three factors: the size of the population, whether it is on the EEC's list of least-developed countries and whether it had been a signatory to the Yaoundé Convention that preceded Lomé I and involved the 19 countries of the Association of African States and Madagascar – mostly ex-colonies of France and Belgium. Thus a least-developed country that was a signatory of the Yaoundé Convention will receive more aid per capita than a least-developed ACP country that was not. This distinction was institutionalised in Lomé I when it was declared by the Commission that 51.6% of all programme aid would go to the AASM states and 48.4% to the new ACP. It is surprising, nevertheless, that this "Yaoundé effect" continues to operate under Lomé II.

The way in which EDF aid is distributed through the other mechanisms of the Convention (Stabex, Sysmin, EIB, Emergency aid etc) crucially determines the overall amount of aid received by individual ACP states. For instance, just 10 ACP states received two-thirds of the resources administered by the European Investment Bank while 10 ACP States received 72% of

the payments made by Stabex. Finally, the rate of disbursement of EDF funds, with the exception of Stabex payments, is very slow indeed.

Three questions

Matthew McQueen's response to the empirical analysis was to broaden the enquiry by asking three questions: does the EDF increase the total volume of financial assistance to LDCs as a whole? Does it offer aid of a superior quality and effectiveness in comparison to other donors and does it have a distinctive contribution to make to the development of ACP societies?

Does the EDF increase aid?

Whether EDF aid is additional to what would otherwise be spent by the donor countries is difficult to answer definitively. In the case of the UK, for example, contributions to the EDF are deducted from the overall aid budget. If this is true of the other member states of the EEC then the existence of the EDF creates little or no additional aid but re-directs existing aid. At the same time, if other aid donors do not reduce aid to the ACP because the EDF exists, the ACP can regard the EDF as a net addition to their aid resources. This does mean however, that aid is being diverted to the ACP from less-favoured countries. While there is a good case for increasing real per capita aid in the next Convention (on the grounds of the damage inflicted upon ACP economies by recession in the industrialised countries and the decline in the real value of the EDF since 1975), this should not be at the expense of the non-ACP least-developed countries, particularly of South Asia.

Effectiveness

With regard to its high proportion of grants, its willingness to meet local costs and the apparent scope allowed for the ACP to determine the use made of it, the EDF compares relatively favourably with other aid systems. Against this however, a number of factors have to be weighed. The size of the fund is non-negotiable and, when disputes arise over procedures, statistical data and interpretation, the EEC tends to act as judge and jury in its own case. Moreover, the rate of disbursement is excessively slow, leading to more costly projects and loss of output. Finally, the EDF has over-concentrated on project aid since in the past the EEC has been unwilling to supply finance for non-project sector aid and programmes or for structural adjustment of ACP economies.

To overcome some of these problems it would be useful to establish a more just way of resolving disputes, increase the share of quick-disbursed aid (eg. maintenance aid and Stabex) and move over to a rolling pattern of project selection thereby freeing aid from being tied to artificial and discontinuous five-year periods. There is also a good case for reducing the number of steps required for selecting and approving projects.

A distinctive contribution?

Has the EDF a distinctive contribution to make to the development of the ACP? The Commission is proposing that EEC and ACP engage in policy dialogue to identify and implement sector strategies, and particularly food sector strategies. But can the EDF contribute more than marginally to complex sector strategies when it only represents 10% on average of the aid funds received by the ACP? It could be argued equally strongly that it is in assisting the ACP to diversify and expand their exports that the EEC and the Lomé Convention have a distinctive contribution to make. Aid by itself cannot be the fundamental basis of the EEC's cooperation with the ACP and as Chris Stevens argues later the trade arrangements of Lomé have not been the unmitigated disaster that some people have claimed.

The value of the ACP to the EEC

In the ensuing discussion the ACP representatives were keen to stress that for them the Lomé Convention was not simply a relationship involving aid but was a relationship based on the interdependence of the partners. This was not just a political issue but concerned bread and butter issues that affected EEC and ACP alike. The ACP are valuable partners of the EEC, which receives many benefits from the arrangement. For instance, 60% of the works contracts awarded from the national indicative programmes have been awarded to European firms, and much of EDF aid goes to the development of the production potential of ACP mining and agriculture to keep EEC industries supplied with raw materials. Interdependence is for the ACP the "bottom line" and without it the Lomé Convention has no real basis.

With respect to the size of the EDF, ACP representatives stressed that it was a very small fraction of ACP needs and at US\$4 per EEC citizen per year bore little relation to the EEC's capacity to contribute to ACP development. The ACP representatives asked whether the EEC has recognised its strong interest in making a more meaningful financial contribution to the relationship. Clearly resentful of the fact that in the past the size of the EDF and its distribution to the ACP through national indicative plans has been decided unilaterally and in secret by the EEC, ACP representatives also stressed that they were determined to negotiate the volume of aid and its distribution this time.

Policy dialogue or conditionality?

Commission representatives argued that the global volume of the EDF would never be sufficient to cover all ACP needs for aid and, while it was a marginal amount for some ACP countries, for others, notably the countries of the Sahel, the EDF was very important. While accepting that the EDF is rightly criticised for its cumbersome procedures, Commission representatives suggested that in part this was a problem of working with two administrative systems; that of the ACP State and the normal budgetary procedures of the Community. However, EDF procedures, for all their shortcomings, have the essential quality that they are not imposed by the Community but negotiated with the ACP. It is a joint exercise in which priorities and objectives are defined. With respect to the EDF's lack of flexibility, the Community is hoping to rectify this in the next Convention by moving away from project aid to sector financing. Supporting sectoral strategies will require EDF procedures to be much more flexible.

When asked whether financing sector strategies implies greater conditionality on EDF aid spending, Commission representatives pointed out that policy dialogue ought to be called operational dialogue because it implies no more than a discussion between the EEC and the ACP on its objectives and priorities. It is simply a way of identifying the best means for achieving the objectives of the ACP. There is a misunderstanding on the part of the ACP about this since there is no conditionality that the Community wants to add to the normal way of implementing the EDF. Rather, the Community is looking for more efficiency.

Dialogue or interference?

The ACP responded that they had already rejected the concept of policy dialogue as proposed by the Community on the grounds that it threatened to erode their rights under the Convention. They had already witnessed this happening with Stabex. Under Lomé I the ACP State was enabled to use the funds and inform the Community one year later how they had been used. In Lomé II ACP States have to use Stabex funds subject to Article 23, subject to informing the EEC of what they intend to use it for and informing the EEC one year later about what they did with it. For the next Convention the EEC proposes that the ACP and the EEC should agree on how to use the funds; the ACP will then use them and inform the EEC one year later about how they were used. The ACP view this as continuous erosion of their rights and while it may be accidental, 'a man who is dead by accident is dead all the same'.

Indeed, ACP spokesmen went further to argue that while they accept that the efficiency of ACP-EEC cooperation must be improved, they will never accept the EEC's prior approbation of ACP domestic policies as a condition of aid. How can the EEC justify this condition when it is only contributing 5%-10% of a programme in a particular sector? What happens if ACP and EEC fail to agree? Will the EEC withhold the funds? ACP representatives suggested that in order to overcome the major political and psychological problem caused by the Community's statements on 'policy dialogue', the Community must be prepared to state something along the lines of: 'We are prepared to look with you, as far as you wish, into areas of policies in which you wish to have our assistance. We will give you our opinion and our ideas. If, however, in the end you do not agree with us and you wish to continue anyway, we will give you whatever assistance we can and as we originally set out to do.'

Strategies for combating world poverty

A number of other important issues were raised in the discussion but were not taken up in debate. One concerned the strategy that rich countries must adopt towards solving the problem of world poverty. Do we assist the speedy or the needy, the poorest or those capable of reasonable economic growth in a short time? Do we spread the aid thinly or seek to get more countries out of the Third World category altogether, or should we attempt to do all these things at the same time?

It was also suggested that the debate on the distribution of aid *between* countries must be complemented by considering the distribution of aid *within* developing countries, particularly to evaluate the progress made by poverty-focussed aid and basic needs strategies.

Trade: The Missing Link

Chris Stevens' presentation set out to show that it is a mistake for the EEC to neglect questions of trade in its mandate for the current negotiations. The conventional wisdom of the European Commission is that there is no point in wasting time on the trade provisions of the Lomé Convention since they have clearly failed. This view must be questioned.

In general it is true that the trade performance of the major primary commodities exported by the ACP has been poor. At the same time the ACP have become less important suppliers of goods to the EEC compared with other developing countries and the EEC has become a less important market for traditional ACP exports. However this has been taking place during a deep world recession and only the most enthusiastic supporters of the Convention could suppose that the trade provisions of Lomé could offset any of the recession's negative consequences for ACP exports.

There are, nevertheless, lessons to be drawn from the poor performance of ACP primary exports. The first is that the ACP should treat with scepticism any calls for them to put their faith in export-led growth and the argument that the development of traditional exports solves the problem. There is reason to worry about the trend in many ACP countries to become increasingly dependent upon and vulnerable to world trade by expanding imports, and therefore exports to pay for them.

New ACP exports

The one lesson that it is not legitimate to draw from the poor record of ACP primary exports is that the EEC can neglect the trade provisions of the Lomé Convention and use the failure of traditional exports during the 1970s to argue against attempts to increase ACP exports of new products which might compete with EEC industry. Indeed, recent research shows that there has been some growth of ACP exports of new products such as clothing, canned fruit, – electronic equipment in one case –, and temperate and processed agricultural products. No less than 22 ACP countries have registered exports of five or more of the relevant products, and nearly half of these exported 20 or more.

This does not mean, of course, that there is going to be a radical transformation of the structure of ACP exports. Many ACP exporters have considerable difficulty competing in European markets where the countries of Asia and Latin America are often able to produce the export goods more cheaply. However, the importance of the new ACP exports has to be appreciated in terms of the Lomé negotiations. Thus, though the total value of the new exports is small compared to the value of traditional ACP exports, it was ~~in 1980 and reached around US\$1,000 millions.~~ in 1980 and reached around US\$1,000 millions. The point is that if we are talking about what the Lomé Convention might usefully do in the realm of trade cooperation, efforts to further stimulate the new ACP exports of manufactured and processed goods could, for the 12 or so ACP states most heavily involved, result in

much larger gains than any fine-tuning of the aid programme or even a marginal increase in the amount of aid.

How the EEC could help

The EEC should make a further commitment to removing the existing obstacles to ACP exports to the Community. These are largely focussed on the agricultural sector, where ACP export products that compete with products of the Common Agricultural Policy have few concessions. The Commission did propose in 1983 that the Lomé Convention should give preferential access to all commodities exported by the ACP except those specifically restricted by the EEC. This would have been a major improvement since whereas the ACP now has to show in each case that it has an export capacity and comparative advantage – a process that lends itself to considerable foot-dragging by the Community – the onus would then be on the Commission to defend certain lines of action. While the acceptance of this measure would have been a significant step forward, it was, in fact, turned down by the Council of Ministers.

Exporting goods is a difficult business. The development of export-oriented industry requires as much policy dialogue as the development of food sector strategies. In fact, for some ACP countries, dialogue with the EEC on export development would be much more appropriate. If the Community is intending to encapsulate aid in the framework of a dialogue on strategy it should encompass the range of areas in which the ACP have different interests. While for many ACP countries the food strategy idea is the most relevant; for others export-oriented development is crucial.

The EEC could assist, firstly by increasing its commitment to structural adjustments of its own industries instead of imposing restrictions on ACP exports; secondly, by providing for trade-related sector strategies, particularly the resources for promoting export-oriented industries; thirdly by taking a more positive attitude towards assisting ACP governments to adopt policies that would enable their exporters to take advantages of the Lomé provisions. Finally, the existing provisions should be expanded, with a reduction of tariffs and removal of levies on agricultural products combined with an easing of the 'rules of origin'.

Response

Vince Cable began his response with the observation that since the gains from the trade provisions of the Lomé Convention can only be long-term ones, it is all the more important for the benefits inscribed in the Convention to be preserved. He then went on to discuss the three basic arguments used against the expansion of ACP exports to the EEC. Firstly there were those that argued that since many ACP countries have a chronic problem in producing the goods at all, the offer of trade incentives would be pointless. Secondly, ACP exports

are portrayed as a potential threat to European industry. Finally, there is the critique of 'outward-looking' development which argues that developing countries must look inward or towards one another for markets on the ground that looking to world markets or the EEC is a blind alley in terms of development.

With respect to the first argument there is now considerable evidence, both inside and outside the ACP, that a large number of second and third generation exporters of different sizes, continents and ideologies are now producing substantial quantities of non-traditional exports for world markets; not just manufactures but also services, processed agricultural goods and so on. There are 20 to 30 countries involved and billions of dollars of trade and it is happening despite the present difficulties of the world market. The experience has shown that a country can diversify its exports in this way if it has a combination of policies that do not discriminate against the export sector and reasonable guarantees of market access.

The 'threat' argument is less serious since there is an enormous disproportion in trade in competing goods with the ACP countries and a vast surplus of European manufactured goods which will be around indefinitely. It is absurd to think that ACP exports will undermine the manufacturing base of Europe; in fact, many European firms, in a variety of sectors, have adjusted successfully to Third World imports. While there have been redundancies in industries such as leather or watchmaking, they have not become the focal point of international trade disputes.

The critique of 'outward-looking' development raises important policy issues. Should the ACP be following the advice of the World Bank and the IMF on adopting outward-looking strategies based upon increased exports, lower exchange rates and so on? If they do, one must at least demand consistency of the EEC. While European governments, through their membership of Bretton Woods institutions, are calling on the ACP to adjust their economies through outward-looking trade and balance of payments policies, in the Community they raise trade barriers against them. Mauritius is a good example of a country that was advised by a string of international missions to remove tariff protection on its domestic textile industry, to adopt a lower exchange rate and export more. No sooner had they done this than the French and British demanded voluntary export restraints. This is inconsistent and dishonest, and doing something to remove this contradiction must be a major negotiating objective of the ACP. At least the aid and trade provisions of the Convention could be brought together to assist governments to adapt their trade policies.

Finally, it must be remembered that there is a range of countries in the ACP group that will benefit very little, even in the long term, from the trade provisions of the Lomé Convention. They need aid provisions and quasi-trade provisions such as the Sugar Protocol.

Trade barriers

In the discussion that followed, the insights provided by the two speakers were appreciated by all sides. It was noted that the role of agriculture is crucial to the development of the ACP countries and, in part, agricultural development would require increased markets abroad. Any discussion of improved access for ACP agricultural exports would have to take account of the agricultural and trade policies of the EEC as well as

its development policies. Speakers wondered how much influence Development Commissioner Pisani and his Directorate General has with the trade and agricultural directorates, and how far the EEC's member governments would be willing to discuss the implications for the Common Agricultural Policy of improved agricultural trade prospects for the ACP.

The basic concerns of the ACP centred around the issues of trade barriers, the erosion of their preferences by the EEC's Generalised System of Preferences and their terms of trade with the Community in which the ACP constantly had to export more to earn less in terms of their capacity to import EEC manufactures. The ACP were critical of the way the 'rules of origin' have operated, particularly in the case of fish, which has been a problem since 1975; to get even a minor change in the definition of ACP vessels and fish would be a major step forward.

Textiles was another area in which the ACP felt that the EEC had been less than helpful even though the ACP are supplying less than 2% of the EEC's imports of textiles whose value represents, in turn, less than one third of the EEC's textile exports to the ACP (excluding machinery). They singled out once again the case of Mauritius and expressed indignation that it was on the very day that Lomé II was signed that the 'voluntary' export restraint was imposed on that country's textile exports.

The EEC view

The view of the Commission's representatives was that the trade regime offered by the Convention has very little elasticity. Were it to be improved it might not help matters much since the development and diversification of ACP exports was taking place under the existing system. Both intra-ACP regional trade and trade between the ACP and third partners is developing. Moreover, Article 21 of the Lomé Convention lists 11 separate kinds of trade promotion activity; Article 22 earmarks 40m ECUs for regional trade promotion, and the Community has financed trade promotion in Japan, the US and Canada, in Africa and in the ACP countries.

While the officials saw no reason why the EEC should not be involved in trade and export strategies, they argued that the community cannot and will not impose the priorities a government chooses for its own development. Once the priorities are chosen, the Community has the facilities to help, but if ACP countries do not want to give priority to trade why should the Community decide that it knows best how to run their economies?

Existing opportunities

Another participant made the point that the procurement rules of the Convention's aid programme could potentially assist ACP countries to export to each other in the fulfilment of EDF project contracts. Tanzania, for example, under a World Bank and Canadian contract, had won international tenders for electrical transformers, while Zimbabwe was well-placed to win contracts for certain types of railway rolling stock. The problem was that most firms in most ACP countries simply do not know what there is they could bid for. It was also pointed out that there exists little coherence or coordination between the EEC's development directorate, the European Investment Bank and the Centre for Industrial Development; the EEC's delegation in Mauritius, for example, knew

nothing about the activities of the EIB and the CID in that country.

It was noted that the British government was in favour of improving the trade provisions of the Convention and would like to see the elimination or general reduction of tariffs, particularly those on agricultural products. Also the 'rules of origin' needed looking at so that the ACP could benefit more from their preferential access. This must be related, however, to the encouragement of private investment in ACP countries. The responsibility lies with the ACP to encourage the import of capital funds so that financial and commercial institutions in the Community can assist in the creation of export industries. This possibility is likely to be explored in more detail as the negotiations proceed.

However, participants were reminded at this juncture that not all of the barriers to access to European markets for ACP exports are the result of government or EEC policies. The most glaring example is sisal twine, where there exists a European cartel of importers, wholesalers and manufacturers who can dictate the quantity that the ACP may export because there are no alternative marketing channels in Europe.

This may contravene other provisions of the Treaty of Rome, but the case of sisal is not unique and cartels and monopoly control of markets must be considered along with tariffs or Common Agricultural Policy quotas and levies.

In response to questions from several participants about policy dialogue on trade strategies, Chris Stevens closed the session by indicating some of the key items for the agenda of such a dialogue. The first would have to discuss the steps to be taken by the Community in order to achieve consistency and coherence between its various instruments of cooperation, and between its policies and those of the member states in the field of development and trade. Secondly, it would be necessary to discuss with the ACP whether they have appropriate policies for an export drive, whether they produce the right incentives, and whether their policies favour the development of exports or hinder it. For instance, the shipping tariffs of Ivory Coast make it cheaper and more profitable to export unprocessed timber rather than processed timber such as furniture. There is a whole range of practical questions and issues to be looked at in an export sector policy dialogue.

Regional Cooperation

The importance of the issue

Introducing the topic of regional cooperation, Reg Green argued that there was a special case to be made for greater EEC support for intra-ACP and regional cooperation involving ACP and non-ACP countries and regional organisations. The EEC itself is a regional organisation which makes DG VIII well-placed to understand and be sympathetic to the problems of fostering cooperation between states. Since regional activities are unlikely to be an area of massive North-South financial assistance, the regional allocation of the EDF is in a position to play an important role. Moreover, both the EEC and the ACP have expressed an interest in exploring broader approaches to regional cooperation, which the Commission proposes should receive up to 25% of the next EDF. Regional cooperation is, therefore, an area of EEC-ACP cooperation which can potentially break new ground.

Under Lomé I, 10% of the EDF was allocated to regional cooperation, rising slightly to 10.5% for Lomé II. Slow spending has been a considerable problem of the regional budget and an extreme case can be cited where it took a decade to move from a commitment in principle to implementing the project. Initially there was heavy emphasis on funding regional transport projects, but there has since been some diversification to include training and agriculture. Funding for regional projects involving industry and trade has yet to make headway. In the past regional allocations have not been sufficiently related to South-South regional and/or functional organisations, and both the size of the funds made available and the selection of projects have been far more unilaterally determined by the EEC than are the EDF's country programmes.

Prospects for the future

There are, therefore, a number of conditions that need to be at least partly met if the Community's comparative advantages in the realm of regional cooperation are to be exploited. An absolutely larger allocation of EDF funds must be accompanied by willingness on the part of DG VIII to work with and pay attention to the priorities of South-South regional groupings and organisations. Flexibility is required in defining what constitutes a regional project or programme; and in order to deal with the problems that arise from the frequent mis-match between regions as defined by DG VIII and the regions covered by existing regional bodies and organisations. The administration and project cycle of EDF regional funding also needs to be speeded up. Regional programmes and projects, like national ones, should involve joint decisions reached on a basis of dialogue and mutual respect. Although the precise areas and instruments of cooperation will have to be negotiated on a case by case basis, a working check list of sectors and instruments can be identified as belonging to the agenda of such a dialogue.

Priority areas

Regional transport and communications deserve continued support since they are often crucial to trade, food security and realizing the value of production intended for regional or world markets. It is also an area in which maintenance and rehabilitation are as crucial as initial construction, and regionally based transport systems throughout Africa are now giving priority to catching up with deferred maintenance, rehabilitation and re-equipment. In suitable cases the EDF could provide equipment for repair and maintenance and finance the training of personnel in regionally coordinated specialist institutions.

Regional projects to enhance the productive capacity of the states involved are recognised as critical by organisations such as Caricom and SADCC. In the Caribbean, Belize and Guyana could be assisted to increase regional food exports, so making them larger markets for the manufactured goods of Jamaica, Trinidad and Barbados. Regional initiatives in tourism could be useful for the Pacific. For SADCC, coordination of the production and distribution of basic consumer goods and inputs for agriculture is perceived as critical to loosening the constraints on regional trade and enhancing levels of production in the member countries.

The EEC and ACP need to give more attention to identifying and encouraging the participation of European public and private firms as suppliers of technical expertise, marketing and management skills, training and finance. Finally, there clearly must be a regional dimension to food strategy and food supply security, at the levels of production coordination, inputs, incentive goods, storage, reserves and emergency supplies.

Islands have special economic problems and different development options from mainland states, and the EDF could be a useful catalyst for promoting contact, exchanges of views and coordinated research amongst small island states. Island and coastal states share a common interest in exploiting their respective Exclusive Economic Zones, and this could possibly involve joint efforts in marine research, the development of a negotiating capacity, measuring and monitoring resources, the creation of fishing-processing-storage capacities and the training of personnel.

Research and training in general are areas where economies of scale in finance and personnel can be achieved through regional units or the coordination of national ones. This is particularly true of agriculture and food production, since few countries have benefited substantially from the work of international crop research institutes. The EDF could contribute to the setting up of regional sub-units of such institutes, to regional exchanges of information, technical meetings and shared operational research programmes on specific regional problems (desertification and

deforestation have been proposed by the Commission). At a more general level, technical and travel cost assistance to regional institutions can often be critical and out of all proportion to the sums involved.

Trade

There are also a variety of ways in which the EDF can be used to promote or enhance intra-ACP and regionally based ACP trade. One first step would be to alter the 'rules of origin' to allow all purchases from member states of a South-South grouping involving ACP states to count as eligible value-added. Intra-ACP exchanges of goods and personnel would be increased if ACP operators participated more effectively in tendering for EDF contracts for goods and services. A start could be made with publicity via EEC delegates in contact with Ministries and Chambers of Commerce, supported by newspaper advertising. Trade in power and energy amongst neighbouring ACP countries could be built up to the advantage of exporting states needing larger markets to develop their potential and importing states with few domestic resources. The EDF could play a role by financing technical assistance to interested states or corporations, independent consultants and engineers, providing a share of the equity element for joint-financing purposes and general assistance in constructing the whole financial package.

More specifically the EDF could assist in the establishing of Extra-regional Import Content Funds to cover some of the foreign exchange costs involved in importing inputs necessary for the expansion of production for regional markets. For instance, if Tanzania sells textiles to Kenya it needs to import more dyes, bleaches, sizings, starch, spare parts, fuel etc. An EIC Fund, by providing foreign exchange, will help to break this particular bottleneck. SADCC has expressed an interest in such a mechanism and it is potentially applicable to the countries of Caricom, UDEAC, CEAO and ECOWAS as well. Regional clearing funds and the mobilisation of funds for regional export credits are another two areas where the EDF might support the development of intra-ACP trade.

Discussion

Opening up the discussion, Michael Anyadike-Danes elaborated upon a number of issues related to regional cooperation in the context of the Lomé Convention. The first is the issue posed by the fact that with a fixed EDF the financial allocations to regional cooperation represent a net deduction from the finance made available for national indicative programmes. For this to be justified, particularly for an allocation of 25% of the EDF to regional cooperation, it would have to be shown that switching funds from national programmes would yield higher returns. Chapter Eight of the Lomé Convention contains four separate articles that in theory give wide scope for cooperation between ACP countries and ACP and non-ACP countries, and yet regional cooperation in practice has been fraught with pitfalls, problems and delays. Moreover, is the EEC likely to be prepared to allow regional organisations and institutions to be permitted to individual ACP States, such as financing the import content of regional and inter-regional trade? Finally, the introduction of regional organisations into

the Convention brings with it a number of political and constitutional problems since Lomé is an agreement between states (although regional organisations can already be consulted at the level of the Council of Ministers).

Doubts and support

Much of the discussion was taken up with the pros and cons of regional cooperation. It was pointed out that the British Government and other EEC member states would be unlikely to support the allocation of 25% of the EDF to regional cooperation. These governments had some doubts about the rates of return and developmental effectiveness of regional projects and programmes. Against this it was argued that the objections of the Council of Ministers to regional cooperation are political rather than developmental in character and that there is scope for genuine developmental advance with increased regional cooperation and effective use of funds. The beginnings of ECOWAS were extremely shaky! Given the political problems of West Africa it is a remarkable achievement. SADCC is another example. This is not an outside creation but a creation of the front-line states for political and economic purposes. The EEC's involvement is an expression of the political support given by the Community to the fight against South Africa, and its opposition to racism; it is a practical show of solidarity.

Both Commission and ACP representatives voiced strong support for regional cooperation. An ACP speaker pointed out that the ACP recognised that their viability and survival as states often depended crucially on the economic strength of their neighbours. In some cases it was clearly rational to give more weight to regional cooperation even if it meant a reduction in national programme funds. For their part, EEC representatives confirmed that the Community, by vocation, is a keen supporter of regional cooperation and that it would like to enlarge the scope of regional cooperation to encompass 'thematic campaigns' such as the fight against desertification, the preservation of tropical forests, the development of ACP scientific and technical research capacity and the fight against major endemic diseases. Both the ACP and the EEC did recognise that funds were spent too slowly, largely because regional projects need the agreement of several states and often require other donors to enter into co-financing arrangements. Both agreed there was scope for improvement.

Support for regional cooperation was widespread amongst the participants. It was argued that EDF has considerable advantage over other donors and is well-suited to participate in large regional infrastructural projects that are known well in advance and relatively easy to implement. On the other hand, EDF aid is probably not so suitable for small scale, particularly agricultural, projects because of in-built administrative problems. One participant insisted that trade promotion funding needs much clearer procedures, and urged that trade finance facilities be established in the context of specific intra-ACP organisations. Increased preferences should be given to potential ACP suppliers to allow them to compete with European firms for EDF contracts, and specialized technical assistance to regional organisations ought to be increased in order to overcome the so-called 'project management' problem.

Lomé: Reaching the Poor

Focussing on the poor

The paper presented by Evan Luard took as its theme the issues involved in re-orienting the Lomé Convention's aid programme away from large-scale projects with limited developmental impact, towards projects and programmes that raise the living standards of the ACP poor directly by providing income-generating opportunities for them. Implementing poverty-focussed strategies is not easy and requires political will on the part of both partners. For instance, it would mean using aid not in the interests of the donors but in the interests of the recipients. However, the Lomé Convention provides a suitable forum for such an initiative since it allows for a constructive dialogue between the EEC and the ACP on aid implementation, and a number of ACP countries seem well-disposed to implement such a strategy. Moreover, in the adoption of the food and sector strategy approach it is clear that the EEC is in favour of a more 'grass-roots' approach to development.

The IGBA proposals

It is the view of the Independent Group on British Aid that the initial chapter of the next Convention should contain a commitment to allocate a set proportion of the EDF to poverty-focussed projects. A modest precedent was set when Lomé II devoted a chapter to micro-projects, although their execution has been inadequate and their status within the EDF misconceived. The main elements of a poverty-focussed 'real aid' strategy for the EDF are:

- ① increasing the proportion of finance made available to raise the productive capacity of the poorest 40% of the people directly;
- ② requiring aid that cannot meet this criterion to demonstrate that it can indirectly raise the living standards of the same group;
- ③ increasing the *potential* of aid flows by reducing the tied elements, covering local and recurrent costs and improving the relevance and quality of technical assistance;
- ④ directing more aid to the poorest countries;
- ⑤ using indigenous and European voluntary agencies and NGOs on a larger scale and in a more strategic framework for reaching the poor;
- ⑥ accepting higher costs for project identification and appraisal, and a longer involvement of donors in implementation.

Half of the next EDF should be earmarked for projects designed to raise directly the productive capacity of the poorest 40% in ACP countries. Much of this could fall under food sector strategies if an adequate number of ACP states adopt them. The remaining 50% of the EDF could be used for more general investment projects, technical assistance and balance of payments support, subject to the provision that it should still have some positive impact on the poor. This raises three key issues:

identifying and reaching the poor, project design, appraisal and implementation.

Identifying and reaching the poor

While a precise and unambiguous definition of the poorest 40% of the population is not easy to arrive at, the difficulty cannot be treated as a serious objection. What is being advocated is a determined effort to shift the distribution of the benefits of aid towards the lower end of the income scale. In broad terms it is absurd to argue that the poor cannot be identified; the depth of detail may not be ideal but enough is known to change the drift of present donor policy.

Reaching the poor with aid raises further issues. The first point is that the form of aid that reaches the poor must be appropriate; for instance the expansion of primary education to include children from very poor families is only valid if the content of the education they receive is relevant. Secondly, the poor are enmeshed in a political and social network where the powerful are very skilled at annexing the benefits of aid. This does raise political and economic problems some of which will need to be overcome by firm political leadership. Thirdly, vested interests in aid giving and receiving still weigh heavily, but there is a growing understanding among ACP governments that the political and economic health of their societies requires a more concerted effort to direct aid to the poorest groups.

Design, appraisal and implementation of projects

Projects must be designed in situ, and local level initiatives must be given pride of place in aid spending. Government departments and planning bureaux do respond to signals and advice from the major donor agencies, particularly the multilateral ones, and if they know that it is easier to obtain funds for poverty-focussed programmes, more such programmes will be forthcoming.

In future, EDF economic appraisals of projects should include not only a calculation of the rate of return of the project but also a forecast of its effects on different income groups. In general projects should not be accepted unless there is evidence that they will benefit the lower income groups. This will require much extra work and a greater reliance on the advice of trained and experienced local people who are familiar with the area. The case for incurring such additional costs is that without doing appraisals in this way the donor agency cannot ensure that aid money gets to the people at whom it is aimed. Fortunately the EDF has a wide network of experienced personnel in its delegations abroad who are presently under-used, and many expert ACP partners on whom to call for assistance.

The implementation of a poverty-focussed approach requires the mobilisation of a wide spread of human and institutional resources. Trade unions, cooperatives, local groups and ACP and EEC NGOs

should be directly involved. It is indeed an anomaly that, whereas NGOs channel EEC budgetary funds from 'budget line 941', there is no provision for NGOs to be financed by the EDF. A specific share of the next EDF should be earmarked for use by NGOs on poverty-related projects in ACP countries.

The current negotiations should equally be concerned to adapt the other provisions of the Lomé Convention towards a poverty focus. Preferential trade access should be given to ACP products from which the poor derive a living, such as handicrafts, beef, rice and bananas. The EEC's food aid programme also needs stricter supervision and control to counter its harmful effects. But both parties to the Convention need to recognise that remunerative prices for the producers of crops etc. is the first step towards helping the poor to help themselves. This concerns both the domestic pricing mechanisms in ACP countries and the need for the EEC to take a more constructive approach to international commodity agreements. Moreover, the aid provided by the EDF through one Directorate-General of the Commission should not be negated by the trade and agricultural policies of the others. Finally, there should be more public discussion and scrutiny of the development policies pursued by the EEC.

Political and practical problems

Roger Riddell opened the discussion by reminding the participants that at one time or other, most, if not all, ACP governments have pledged themselves to assist their poor. Moreover, opinion polls in EEC member states suggest that their electorates support aid as a means of assisting the poor. However, the strategy outlined does raise a series of political and practical problems. On the one hand, the ACP are already sensitive to any interference in their domestic affairs through aid; on the other, is it likely that they will be able to agree amongst themselves about measures to increase substantially the share of the EDF allocated to the least-developed ACPs and to use 50% of the EDF for poverty-focussed projects?

Furthermore, it is not clear that a massive shift of aid to the poorest is likely to achieve the benefits hoped for. There is almost always a trade-off between the short-term hoped for benefits sought for the poorest and their long-term needs. To sustain the productive capacity of the poorest, infrastructural and other bottlenecks will have to be addressed soon enough. For example, in Zimbabwe there is a project to settle 12,000 landless families which will require a new railway to ensure efficient marketing of their surplus crops. The new railway line will be built on the basis of the resources released by the increased efficiency that will result from the massive capital-intensive electrification programme.

Lastly, the EDF is already a slow-disbursing aid programme and yet it is likely to take even longer to implement poverty-focussed projects and programmes. If aid cannot be speedily disbursed for the benefit of the poor, should the remainder be disbursed for other aid purposes (to the not so poor?), to other uses in the Convention, or to neither?

The role of small projects

In the discussion that followed, while there was considerable support for the principle that aid, or more aid, should reach the poorest, there was by no means a consensus as to how this might be achieved. One

participant argued that smaller projects and additional analysis within the framework of the EDF will mean more money spent on expensive European consultants. The record shows that many projects oriented to basic needs are neither very participatory nor sensitive to the needs of the poor. In many African rural areas the poor would say that what they needed was hoes, textiles, fertilizer and field-tested seeds, small-scale irrigation and advice on how to keep pests off their coffee or tobacco. None of these can be dealt with by small projects run by the local poor. This is not to argue that local initiatives should not be encouraged, but that the manufacture of hoes, appropriate research, field-testing, making fertilizer or seeing that there is a textile industry so that the farmer has something to buy, are also very important to the rural poor of Africa. It may be in these sorts of areas, that is, projects which benefit the poor indirectly, that the EDF can make the best contribution. There is a good case for saying that on direct aid to the poor that EDF should have a lower share than other agencies since it appears to have a comparative disadvantage in this area.

Programmes and projects

It was also pointed out that if the EDF concentrated on packages like Integrated Rural Development Programmes this would not be a new departure in donor practice since over the last decade this has been the approach of the World Bank and the Asian Development Bank, which together allocate thirteen times the funds of the EDF. However, the attempt to implement carefully designed projects and programmes targeted on specific income groups has not been a complete success. It has been an attempt to treat what are really programme loans as projects and this has resulted in the tying-up of domestic resources and manpower in a way which has distorted, and taken counterpart funds away from, national programmes. The focus on projects that affect specific income groups has meant that the ministries' overall programmes have become less efficient. The IRDP in Kenya is a case in point: there the government was unable to supply the resources required by its agreements with funding agencies. The emphasis should now be on programme lending that supports agricultural and rural development in the food sector. This implies sector programmes concerned with both production and income distribution and, in this context, it is quite reasonable to have conditionality and to discuss agricultural programmes that while having impact on the rural poor, also have other components. This requires less competition and more cooperation between the EDF and the bilateral programmes of EEC member states. Senior officials in ministries of agriculture throughout Africa have become little more than brokers between individual aid agencies, desperately trying to maximise the effectiveness of the different donors' aid programmes.

The role of NGOs

EEC representatives pointed out that the Lomé Convention is a partnership between states, an agreement between governments. NGOs must consider carefully whether they really want to be involved in this sort of arrangement. Not only are the funds available to NGOs additional to those provided by the EDF but at present NGOs are able to determine their own priorities and strategies which enables them to bring something unique to development cooperation. This could well be

most if they become embroiled in the EDF. Moreover, issues of income distribution are the responsibility of the government concerned. The EEC is not going to get involved in income distribution policies of ACP governments. If they want to raise the incomes of the poorest sectors they will tell the Community what specific policies they want it to support to achieve this. One suggestion that would be supported by the Community is an attempt to involve more closely the people associated with aid projects and programmes, such as those involved in industry, Chambers of Commerce and so on. Because the Lome Convention largely operates through governments and ministries these groups often do not know what opportunities and problems there are.

Food aid

Against the criticism of food aid, Community officials argued that most criticism is in any case directed at the project food aid. Also there are a lot of myths about the negative impact of food aid such as the disincentive effect its supposed to have. The causes of disincentives

in LDC food production are, on the one hand the agricultural policies pursued by LDC governments and on the other, the availability on the world market of grains that are cheaper to purchase than to produce in most LDCs. Food aid makes up only 10% of Third World imports of grains, the other 90% is acquired commercially. There are only two cases where food aid has been a disincentive to local producers, Bolivia and Guatemala, and in both cases it was US food aid.

The EEC's proposal to involve more economic and social groups in the Convention was welcome by one participant who suggested that trade unions and rural workers' organisations be consulted in the programming, evaluation and implementation of projects. It was noted that European and ACP trade unions were jointly pressing for the Convention to contain a social clause dealing with basic standards such as freedom of association, health and safety regulations, akin to ILO clauses. They are also anxious that the EEC's Code of Conduct for firms operating in South Africa should be strengthened so that independent trade unions are allowed to operate.

Closing Statement

Mr Edwin Carrington, Deputy Secretary-General of the ACP Group

The need for a balanced view

We of the ACP are a willing party to cooperation with the EEC. During the discussion we mentioned the concept of interdependence, mutual interests, mutual benefits and so on. We have spent most of the rest of the day discussing issues that relate to the aid the ACP receive from the Community. We have not spent any time discussing how the ACP aids the Community, and this imbalance of perception must be corrected throughout Europe.

I have not heard of any work, for example, on the profits made by EEC companies in ACP countries and a comparison made between this and the aid supplied to the ACP under the EDF. I do not know, for example, if the profits of any one of the major Community multinational corporations from its activities in the ACP countries in one year are not larger than EDF aid for five years. But it is a relevant piece of work that needs to be done. We are not saying that the EDF is of no benefit to us – far from it – but we want the overall balance sheet to be known. A more balanced view needs to juxtapose the aid of the EDF with the profits of EEC firms working in ACP states, for example.

We did discuss some of the positive effects on EEC economies of EEC aid to the ACP States. The significant benefits for Europe of the Lomé Convention need to be given more weight. We also do not know fully enough the feedback effects on ACP economies of the profits made by European companies working in them.

The ACP as a 'captive economic area'

What also needs to be recognised more is the degree to which the ACP countries have become a 'captive area' for the EEC. We have tied aid, tied trade and even an attempt to achieve a tied investment area. Tied aid, as you know, is achieved through the procurement rules of the EDF, which limit aid spending to goods and services produced in the EEC and ACP countries. Most of this is thus spent in the EEC.

There is also a tied element in the area of trade. For instance, with the 'rules of origin', EEC components count as local value-added for ACP exports. This encourages the purchase of EEC-produced inputs and parts even though they may be more expensive than the equivalents produced in Japan, USA or Australia. This creates a ready-made market for EEC goods be they good or indifferent, cheap or dear. This is the tied dimension of EEC-ACP trade.

In the area of investment, Article 64 and Annex IX of Lomé II attempted to induce the ACP to spread to all EEC States any preferential agreement concluded with any one of them. What it attempted to create is a multi-lateral preferential investment area for the EEC. In areas where there is a conflict of interest between the EEC and the ACP, the interests of the ACP are not usually given any paramountcy. I say this in relation to two things: South Africa and the EEC's Common Agricultural Policy.

South Africa

One of the problems we have been facing is that a number of ACP States suffer from frequent military, political and economic destabilization by South Africa. Some of the projects and programmes which are destroyed are financed or influenced by the Lomé Convention, yet we witness the continuing growth of Community investments in South Africa. In fact, when Community investment in sub-Saharan Africa was declining, investment in South Africa by European firms was increasing. We have sought, as a matter of fundamental concern, to discuss this with the Community, not only from an economic and political point of view but as it affects basic human rights.

As yet there has only been an informal exchange of views and we have yet to move to a level where discussions lead to decisions. We see the delay as due essentially to one factor. The Community weighs its interests from place to place, and on the basis of the assessment it has made, it is not deemed to be in the Community's interest to put a brake on its economic relations with South Africa. The so-called 'Code of Conduct' for EEC-based companies operating in South Africa is honoured more in the breach than the observance.

The Common Agricultural Policy

With the Common Agricultural Policy, where the Community's interests do not always coincide with ours, there are problems such as sugar and vegetable oil, strawberries, wheat offals and so on (although a solution to the problem of strawberry exports was promised this morning). These are problems that have been on the table for the last two years, and they involve an insignificant part of the EEC's trade.

Sugar cane versus beet. The problem for the ACP is not so much limitation of access to EEC markets, but rather the artificially-induced excess production of beet sugar which is exported at subsidised prices to third markets in which we compete. How is the beet sugar surplus of the Community economically justified?

The ACP States are major exporters of oilseeds such as groundnuts. The EEC is going to be embarrassed by a vegetable oil surplus when Spain enters the Community. Already two steps have been taken which worry us. First, the Community is proposing to impose a new tax on vegetable oils. Secondly there is an old problem raised at the very first first EEC-ACP Council in July 1976. It concerns the 'level of aflatoxin' in our groundnut cakes. This matter occupied us technically and politically for about three years and the Community finally agreed in 1979 to a regional project to de-toxify the groundnuts. We apparently achieved the required levels and suddenly, with the coming accession of Spain to the EEC, and with surplus butter, we find we are even not half-way to achieving the level of de-toxification the Community is now demanding. This is one of those subtle 'non-tariff barriers' which

emerge from time to time and are used with telling effect on ACP exports.

What sort of cooperation?

I have given these examples of matters which worry us. We are sometimes concerned about the Community's commitment to the Lomé arrangements. Are we really involved in cooperation for development or just cooperation? These doubts we would like to have dispelled. Not by words, but by the nature, and the implementation, of the next Convention.

Conclusion

Areas of disagreement

As the preceding pages demonstrate, the seminar raised a wide range of important issues at the centre of the EEC-ACP negotiations. The sessions on finance and trade issues showed that they would continue to be contentious and disputed areas of negotiation. They represent areas of profound disagreement between the ACP and the EEC as to the principal objectives of the Convention. For the ACP, the Lomé Convention is a North-South forum in which they may legitimately pursue the objectives of the North-South dialogue, notably on trade, resource transfers and export income stabilisation. The Community, on the other hand, appears to be retreating from this concept of the Lomé Convention and seems to be viewing it increasingly as essentially a multilateral aid programme. The ACP fear that this will turn the Convention into a small-scale World Bank complete with World Bank style conditionality on the use of aid. This largely explains why the subject of 'policy dialogue' kept cropping up during the seminar and why it has caused considerable difficulties in the negotiations themselves.

The crucial role of the EEC

What the seminar did clearly demonstrate however, is that the struggle against poverty, disease and malnutrition is a universal concern. Surely ACP governments and leader, like European ones, have it in their power to do more for the poorer groups in their societies? For this reason the views expressed in the session on poverty-focussed aid demand careful thought. Similarly, there are many development problems that are best tackled on the basis of regional cooperation between ACP States, as the session on this made clear.

At the same time, however, the seminar emphatically showed that whatever can be achieved on the ground in the Third World needs to be complemented by an effort to lift the barriers to development that exist by virtue of the existence of the EEC and its member countries. Many of the causes of poverty, hunger and underdevelopment in the Third World are located in the rich world. Until now the Lomé Convention has explicitly recognised this by encompassing the range of economic linkages between the EEC countries and those of the ACP. Progress has undoubtedly been slow on many of them, but this is not a reason for giving up. The EEC's contribution to the development of the ACP cannot be limited to its aid programme; it needs to be complemented by the continuing effort to harmonize its development, trade, agricultural and industrial policies and restructure its relations with the ACP along more equitable and just lines.

Mr G. J. ... Commission to the UK

to the UK

Mr ... International Ltd

Mr ... Bankers Association, C.A.C.

Mr ... Committee Office

Mr ... Bankers Association, C.A.C.

Mr ... Bankers Association, C.A.C.

HE Mr ... Ethiopian Embassy to the EEC

Mr ... Development Institute

Mr ... MEP, European Parliament

Mr Tom Jenkins, Trade Union Congress

Mr ... Judd, ... Vice-Chairman

Mr ... Bankers Association, C.A.C.

HE Mr ... Zairi, ... to the EEC

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Mr ... Bankers Association, C.A.C.

Mr ... UK

Dr ... Polytechnic

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DG X

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Mr ... Bankers Association, C.A.C.

DG VIII

Mr S.K. ... Commonwealth Secretariat

Mr ... Bankers Association, C.A.C.

Mr ... Bankers Association, C.A.C.

Mr ... Bankers Association, C.A.C.

Ms Patricia ... Overseas Development Institute

Mr Robin ... Association

Dr ... European Research Centre

HE Mr Arden ... and Eastern ...

Mr ... Bankers Association, C.A.C.

Dr ... Development Institute

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Mr ... Bankers Association, C.A.C.

HE Mr ... Papua New Guinea High Commission

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Mr ... Commonwealth Bureau

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