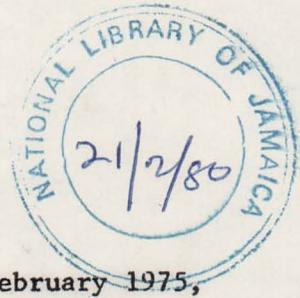


ACP/EEC Ministerial Negotiations for a  
Successor Agreement to the Lome Convention



The ACP/EEC Lome Convention was signed in February 1975, between the nine EEC member countries and the then forty four (now fifty seven) developing nations from Africa, the Caribbean and the Pacific. This Agreement is due to expire in March 1980 and consequently negotiations for a successor Agreement commenced in July 1978 in Brussels.

The final round of the negotiations was concluded in Brussels in June and this represented the fifth joint Ministerial session since the negotiations began in 1978. However even after the negotiations were officially concluded the ACP felt that certain issues were still outstanding and had to be settled before the signing of the Agreement. These points were subsequently dealt with through informal contacts between the Presidents of both negotiating groups and this document reflects how they were finally resolved. With the exception of an agreement on Investment guarantees the way now seems clear for the signing of the Agreement which is scheduled to take place in Lome, Togo on October 31, 1979.

The negotiations have been difficult especially for the ACP States, as the EEC was not prepared to accept some of the major proposals advanced by that group of countries. Although the agreements reached do represent an improvement on the present Convention they cannot be regarded as a major step towards the NIEO as was intended by the ACP group. The results have been more in keeping with the EEC's objective of maintaining the present agreement with as few concessions as were possible under the circumstances.

The ACP countries as a group displayed some militancy and a significant degree of unity at least up to a point in the negotiations but certain links seemed to have weakened towards the end while the EEC not only remained adamant but was able to manipulate the situation quite expertly. In fact, they have so far succeeded, with the assistance of some ACP countries, in pressuring the ACP group into concluding the

negotiations in order to sign the Agreement by October. The final round of the negotiations, therefore, ended on a sour note as the ACP could not hide their feeling of bitterness.

The main issues which were the focus of attention during the negotiations and the conclusions reached are set out below.

#### TRADE AND CUSTOMS

##### Free Access

ACP States attempted to secure free and unlimited access for their products entering the EEC market. At present 99.5% of the product list enjoy free access but the remaining .5% are of special significance to the ACP.

Those products, however, fall under the Community's Common Agricultural Policy and, therefore, the EEC has been reluctant to accept the proposal for free access.

The Community agreed to reduce the levy on carrots, onions, maize, rice, asparagus, arrowroots and mushrooms.

As regards tomatoes, the present preferential regime is to be extended to a quantity of 2,000 tons with a calendar year running from 15th November to 30th April.

The duty on carrots will be reduced by 40% within a ceiling of 500 tons from 1st January to 31st March.

The duty on onions will be reduced by 60% within a ceiling of 500 tons from 1st February to 15th May.

The ACP countries were not satisfied with the meagre concessions obtained in this area and expressed their disappointment.

##### Tariff Treatment

For those products covered by the Common Agricultural Policy the Community has agreed to the following tariff treatment:-

" For products other than those referred to under (1) (i.e. products which qualify for duty free treatment) the Community shall take the

necessary measures to ensure more favourable treatment than that applied to third countries by virtue of the most-favoured-nation clause for the same products".

In addition the EEC introduced a unilateral declaration which proposed that the ACP should confer on the Community the most favoured developed country status as long as no other developed country grants the ACP greater preferences.

The ACP have consistently argued that there is an imbalance resulting from the most favoured nation clause treatment for ACP products entering the EEC vis-a-vis most favoured third country treatment for EEC exports to ACP markets.

In an effort to redress the imbalance the ACP have therefore proposed the following unilateral declaration and the EEC has agreed to its inclusion in the Agreement.

"Conscious of the imbalance and the discriminatory effect resulting from the most favoured nation clause treatment applicable to products originating in the ACP States in the Community market under Article 2(a)(ii), the ACP States reaffirm their understanding that the consultations provided for under this Article shall have the principal aim of ensuring that the ACP States' exportable products benefit from a treatment at least as favourable as that granted by the Community to countries enjoying the most favoured third state treatment."

#### Beef and Veal

The ACP has asked for a Protocol on Beef and Veal with a guaranteed quota of 36,000 tons per annum for the duration of the Convention. The Community has agreed to a 90% reduction in the levy as well as an exchange of letters for a quantity of 30,000 tons per annum for five years.

### Rice

The ACP is insisting on the inclusion of a levy free quota for rice particularly from Surinam. This matter is still unresolved but it is hoped that a settlement will be reached before the signing of the new agreement.

### Rum

At the suspension of the Ministerial meeting in May, the ACP's position on rum was that this commodity should be treated as an industrial product thereby having free access to the Community markets without quotas or other restrictions. The EEC's stance was a retention of the protocol with a 2% increase on the growth rate applicable to the eight continental Member States.

At the final negotiating session, the ACP reiterated their demand for free and unlimited access for rum on the basis of treatment accorded to industrial products. The Community re-stated their inability to meet this demand but after intensive consultations among themselves, offered to increase the growth rate on the continent from 13% to 18% and agreed to a number of joint declarations to take into account the concerns expressed by the ACP relating to the proper implementation of the Protocol, the licencing system and the possible effect of a common alcohol regime.

The Community agreed that rum could benefit from the trade promotion chapter provided that it is included in the national indicative programme and that advertising policies of Member States in relation to alcohol are complied with.

### Safeguard Clause

On the insistence of the EEC the ACP have agreed to the inclusion of a Safeguard Clause in the new Agreement. However, the ACP have secured the right for consultations prior to the invocation of this clause. It was also agreed that statistical information would be exchanged in advance and that the EEC would consider the social and economic effects of such action especially as it affected the LDC's.

### Rules of Origin

The ACP States had requested that the rules of origin

should be relaxed as most of their firms could not meet these requirements. The EEC's response has been that a more flexible derogation procedure could handle the ACP's needs. A satisfactory formulation on derogation procedures was agreed.

#### Place of Sugar Protocol in the Convention

The Community agreed to the ACP's request to retain the Sugar Protocol under Title II Export Earnings from Commodities. The Community claimed that its proposals for putting the Sugar Protocol under the Trade Chapter were for purely legal reasons. It should be noted that the Sugar Protocol has a different expiry date from the Convention, and therefore did not come up for negotiation at this time.

#### Dumping and Export Subsidies

The Community agreed to drop their request for inclusion of these provisions after strong opposition to this proposal by the ACP.

#### Compensation for Erosion of Preferences

ACP States have been concerned that the preferences negotiated under the Lome Agreement have been eroded by the EEC's GSP, and the Community's bilateral agreements with third countries. They have, therefore, requested compensation for the erosion of preferences but the Community has rejected this proposal. The following declaration, however, has been agreed.

" The Community is conscious of the need to ensure, in the overall application of this Convention, the maintenance of the competitive position of the ACP States where their trade advantages on the Community market are affected by measures relating to general trade liberalization.

The Community declares its willingness whenever ACP States bring to its attention any specific case to study jointly specific appropriate action with a view to safeguarding the interests of the latter".

## Trade Promotion

There had been general agreement on the text except for the financial allocation. The ACP request was for 60 million units of account. The Community made an initial offer of 30 million u.a. but subsequently agreed to a final figure of 40 million u.a.

## Supply of Agricultural Products

### Available in Community

The Community made the following unilateral declaration:-

" In order to contribute to greater food security in the ACP States, the Community will, in addition to the financial and technical cooperation schemes referred to in the Chapter on agricultural cooperation, endeavour to implement the instruments of the common agricultural policy so as to enable transactions to be carried out, in respect of certain essential food products, on conditions which make it possible to achieve greater stability of supplies, (and in conformity with the general price conditions on the world market). (1)"

(1) ACP reservation.

## STABEX

The ACP had proposed that the present Stabex system should be improved in the following ways:-

- (1) The system should safeguard the purchasing power of ACP export earnings.
- (2) The list of products presently covered by Stabex should be extended to include several new products e.g. tobacco, rubber, sisal and citrus etc. Iron ore should remain in the existing system.
- (3) There should be a system for Mineral Products which would safeguard production

and export capacity of mineral producing countries, as well as compensate for losses in export earnings.

As regards (1) the EEC's position has been that Stabex was not intended to remedy the harmful effects of deteriorating terms of trade nor the effects of inflation.

The ACP have, however, succeeded in extending the list of products covered by what is now referred to as the Classical Stabex system, to include pepper, shrimps and prawns, squid, rubber, peas, beans, lentils, cashew kernels, and essential oils.

It was agreed that the proposed inclusion of tobacco would be noted in the accompanying minutes of the new Agreement and that as soon as possible after the signing its inclusion would be considered.

The Community agreed to lower the fluctuation threshold from 7% to 6.5% and for the least developed island and land locked countries from 2.5% to 2%. The dependency threshold has also been lowered to 6% and 2% for the least developed island and land locked countries. They also agreed to <sup>a</sup>correction co-efficient of 1% for statistical errors.

#### Iron Ore

Iron ore is to remain in the Classical Stabex system for five years before being transferred to the mineral system.

#### Mineral Stabex

The Community's proposal for a system for mineral products dealt mainly with the restoration of productive capacity of mines which were affected by "serious temporary circumstances beyond their control". The mineral products which are to be included in this scheme are - copper, phosphates, manganese, bauxite and aluminium, tin and pyrites

The ACP was dissatisfied with <sup>the</sup> limited scope of the objectives of the new system and asked that reference to a fall in earnings should be included in these objectives. The following unilateral declaration of the ACP reflects their dissatisfaction with how this matter was finally resolved.

- "1. The ACP States appreciate the introduction of a scheme for the treatment of the ACP/EEC trade in mineral products.
2. The ACP States however regret that the provisions of Title III in providing as they do, for stabilising the supplies of ACP minerals to the Community without regard to the export earnings of ACP States from those minerals, do not adequately meet the problems of the ACP countries whose economies are heavily dependent on mineral exports.
3. The ACP request the Community to agree to re-examine the entire scheme early in the implementation period with a view to improving it and widening its provisions to cater for the economic effects on the producing states of instability in the export earnings from minerals.
4. Furthermore, throughout the negotiations for the new Convention, the ACP States submitted requests for the inclusion of a number of mineral products in the system applicable to minerals.
5. The Community however, did not accept the inclusion of some of the minerals.
6. The ACP States stress the importance of these products for the economies of the countries and emphasize the need for the Community to continue the examination of these requests with a view to having these products included in the course of the implementation of the new Convention".

#### INDUSTRIAL COOPERATION

The ACP States had proposed that a Special Fund for Industrial Cooperation should be established as the EIB (European Investment Bank) and the EDF (European Development Fund) were not able to provide the type of assistance that would facilitate significant industrial development in ACP countries. The Fund could be used to

attract private capital flows from the EEC into the ACP in order to help finance industrial development of these countries. In addition, the ACP had proposed that they should participate in the management of the fund. The EEC's response to these proposals has been negative. Their position has been that the EDF can accommodate the financial and technical needs of the ACP, and therefore there was no need for a Special Fund.

At the final negotiating session both parties agreed to a joint declaration on a study to be done on the ways and means of tapping additional resources for industrial cooperation.

#### CID Budget

A budgetary ceiling of 25 million units of account has been fixed within the overall resources of the Regional Fund for the Centre for Industrial Development.

#### Investments Promotion and Protection

The EEC has been insisting on the inclusion of a clause on Investment Protection in the new Agreement. The ACP have maintained their position that the national legislation of individual ACP countries will promote and protect EEC investment and therefore the inclusion of such a clause in the new Agreement was not necessary. Up to now however, some divergence of opinion continues to exist as regards the formulation on this subject. The ACP is proposing the following text:-

- (1) When an ACP State enters into an inter-governmental agreement relating to the treatment of investments with any EEC Member State, it will accord the same treatment when entering into a similar agreement with any other Member State.

The EEC's text however states that:

- (2) Where an ACP State has entered, or enters into an inter-governmental agreement relating to the treatment of investments with any EEC Member State, it will accord the same treatment to investments from any other Member State.

The latter text implies an automatic extension (without negotiation of any form) by an ACP State of investment treatment granted in one Agreement with any EEC Member State to all other EEC Member States. It is expected that an agreement will be reached on this topic before the signing of the convention.

Sea Fishing

Both parties have agreed to a joint declaration on sea fishing aimed at the development of ACP fishing resources in waters within their jurisdiction.

FINANCIAL AND TECHNICAL COOPERATION

At the Joint Ministerial Session in May the negotiations broke down primarily because the ACP group had rejected the volume of Aid which was offered by the EEC on that occasion - (5.107 billion u.a. for the period 1980 - 1984). The ACP had requested 10,825 billion u.a.

The ACP however pointed out that the final offer of 5,607 million u.a. was not really an increase of 10% as was promised as it included 180 million for the expenses of the EEC Delegation. Earlier on in the negotiations the EEC had agreed to pay their delegations from their budget but still computed the 180 million u.a. as a part of the total volume of aid.

The ACP also felt that 200 million u.a. from the E.I.B. for minerals and energy related projects was inadequate. The EEC's response to these two points was that any unspent balance from the 180 million u.a. would go to project aid.

The Fifth EDF will be disbursed as follows:-

	u.a.
Project Aid	4,397
Mining and energy projects	200
Stabex	550
Mineral Scheme	280
Delegations	<u>180</u>
	5,607 million u.a.

At the final round other important principles and objectives were agreed on in this area of cooperation.

It has been agreed that the implementation on this cooperation implies real and effective participation by both partners at all levels in the management and operation of the instrument and in the concurrent expert evaluation of the projects and programmes of the cooperation.

Agreement has been reached on the role and functions to be assigned to the Joint Committee of Management to be established within the Council of Ministers.

#### INSTITUTIONAL AND GENERAL

The Joint Committee of Ambassadors will be an institution of the Convention in its own right, exercising such powers and performing such duties as are assigned to it by the Council of Ministers.

Between meetings of the Council of Ministers, regular consultations and exchanges of views may take place between the co-Presidents assisted by officials.

Agreement has been reached on a Joint Declaration on the importance of introducing an effective dialogue between the economic and social circles of the Community and the ACP States; ad hoc meetings may be held, under the aegis of the Council of Ministers, on clearly defined matters of common interest.

#### Human Rights

Although Human Rights was the subject of much heated discussion in the earlier stage of the negotiation both parties finally agreed that there would be no reference to this matter in the new Agreement.

Agreement has been reached on five years as the duration of the new Convention.

Agreement has been reached on a Joint Declaration on reciprocal non-discrimination against nationals legally resident and employed within the territory of the other party to the Convention. This non-discrimination has particular reference to working conditions, social security, accommodation, etc.

LEAST DEVELOPED, LANDLOCKED AND ISLAND COUNTRIES

Regarding the Least Developed Landlocked and Island Countries, the ACP had proposed the following:-

- "(a) A system of investment promotion and encouragement shall be set up for the least developed, landlocked and island ACP States.
- (b) If outlets acquired by the industrial units of the least developed ACP States on the Community market are threatened or cut off, compensation shall be paid in accordance with terms to be defined by common accord".

The EEC's position is that the LDC's have been adequately provided for throughout the Convention. This issue is to be decided on between the two co-Presidents.

CONCLUSION

From the foregoing it is evident that the new Agreement will not differ significantly from the present one. However, the provisions of the Protocols on Sugar, Rum and Bananas still contain important economic benefits for Jamaica. Some improvements have been obtained in the rum protocol and it is hoped that Jamaica will make good use of the new provisions.

The wider question of greater access into the EEC market has been addressed by the proposed new Agreement although the situation has not been improved as much as the ACP had anticipated. Jamaica's problem, however, has not been primarily one of market access as much as one of production - shortage of raw materials, under utilization of production capacity etc.

We will therefore have to utilize much more efficiently the provisions of the Agreement regarding Industrial Cooperation as well as Financial and Technical Cooperation, particularly the assistance available to us from the EIB and the EDF.

The Honourable House is being asked to note the provisions of the ~~New~~ Convention and that there will be an opportunity for a debate on this subject when the text of the Agreement is presented to the House following its signing and prior to ratification.

P.J. PATTERSON  
Deputy Prime Minister and  
Minister of Foreign Affairs.  
22nd October, 1979