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Article — Digitized Version

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Intereconomics

Suggested Citation: Hendus, H. (1968) : Association of African states with the EEC, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 03, Iss. 12, pp. 359-362,
<https://doi.org/10.1007/BF02930269>

This Version is available at:

<https://hdl.handle.net/10419/138081>

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Association of African States with the EEC

Interview with Dr H. Hendus, Commission of the European Communities, Brussels *

The Yaoundé Agreement, which was signed on July 20, 1963, by the EEC and 18 African states as well as Madagascar, and became effective on June 1, 1964, is due to expire on May 30, 1969. According to Article 136 of the EEC treaty and Article 60 of the Yaoundé-Agreement provisions are to be made one year before expiry for a new period in the light of the results achieved and in accordance with the principles of the treaty. We have been making inquiries into the work so far done under the treaty and the state of the negotiations about its renewal.

QUESTION: The Yaoundé-Agreement of Association of 18 African states and Madagascar with the Common Market has occasionally been described as a means of making sure of a European sphere of influence in Africa. Would it be justified to speak in this connexion of a form of latter-day colonialism?

ANSWER: There is no doubt whatever that the association of African states and Madagascar with the member states of the EEC as provided for in Part IV of the EEC Treaty and the subsequent implementing agreement has created exclusive relations and as such constitutes a form of belated colonialism. It would however be better and more apt to speak of a transitional relationship which in many respects anticipates the process of decolonisation which at the time the agreement was signed was already plainly under way. From this point of view the opinion is justified that the African Association which with the independence of the African territories has developed into a contractual foreign relationship with the EEC carries the marks of "a congenital defect of latter-day colonialism".

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The fact that the Association was born in the days of late colonialism has had little effect on the subsequent post-colonial development of the Association which was given its institutional form with the Yaoundé-Convention in 1964. The growing self-confidence of the Associates and a policy of restraint on the part of the Common Market countries who took great care to avoid any conflict with the sovereign interests of the Associates have removed the last vestiges of a "colonial hangover" with astonishing speed. This does not mean, however, that the EEC countries do not wish to use the position they have obtained under the Convention as a means of safeguarding the black African area against anti-European influences, just as our African Associates for their part have an interest in a policy aimed at maintaining and even strengthening still further their economic, financial, technical and cultural cooperation with the European Communities.

Limited Effect of Customs Preferences

QUESTION: Some African Associates regard as a partial failure of the Yaoundé-Agreement the fact

that despite the preferential treatment accorded by the EEC to their African Associates African exports to the Common Market have by far not risen to the same extent as deliveries from Latin America and other African states. During the past year exports by the Associates were even in a state of stagnation. Had the Associates expected too much or were the concessions made by the EEC too small?

ANSWER: It is true that from 1958 until 1967 EEC imports from AASM (the Associated African States and Madagascar) have risen only at a rate of 5 per cent per annum, which compares with an annual growth rate of 7 per cent for their imports from Latin America and of 6.8 per cent from all the developing countries taken together. But to arrive at a proper assessment of this development the following points must be borne in mind:

□ Imports from Congo-Kinshasa, which account for one third of EEC imports from AASM states, have been very slow to increase because of that country's internal political difficulties.

□ The AASM countries export to a very much smaller extent than for instance Latin America such

commodities as crude oil or manufactured and semi-manufactured goods, for which the demand in the EEC countries is increasing at a much faster than average rate.

□ The AASM countries do not enjoy any preferential treatment for half of their exports to the EEC for the simple reason that the EEC does not levy any import duties on a great number of commodities it imports from the AASM such as copper, oil seeds, wood, cotton, ores, tin and diamonds.

Even when it comes to commodities for which the AASM countries do enjoy preferential treatment there have been many cases since 1960 when they have had difficulty in retaining their share in the EEC market; vegetable oils, coffee and bananas are cases to the point. This would seem to indicate that the effect of customs preference is rather limited. Viewed from the standpoint of the African Associated States it is therefore understandable if they regard the EEC preferences as a rather inadequate substitute for the guaranteed sales and prices they previously enjoyed on the French market.

Appreciated Financial Aid

QUESTION: How has the financial and technical cooperation between the Associates and the European Communities been shaping since the Yaoundé Agreement was signed?

ANSWER: As far as financial and technical aid is concerned, the Associates are on the whole satisfied with the way things have developed. An essential factor in the development of the Associated States is the European Development Fund. Since 1958 the Fund has had roughly \$ 1.3 billion at its disposal, of which today one billion is firmly invested. The means of the Fund represent about 20 per cent of the total aid these countries receive. In relation to public investments the share in multilateral aid from EEC countries—which is known to be largely capital aid—is bigger still, amounting to 40 to 50 per cent and for some countries to even 60 per

cent. What Associates appreciate is not only the extent of the aid—which understandably they would like to see still further increased—but above all the objective administration of this aid—an administration which is to a large extent free from political influences. This, as far as aid is concerned, is by no means a matter of course! Just one thing more about the distribution of aid among the various sectors: The first European Development Fund (1958-1962) laid the emphasis on infrastructural investments such as transport. The second Fund (operating since 1964) on the other hand plainly showed a shift to immediately productive projects, particularly agricultural projects. This concentration on farming can be explained by the predominantly agrarian structure of these countries and their still modest possibilities in the field of industrialisation.

Two Main Problems

QUESTION: The formal extension of the Yaoundé-Agreement seems to be assured. However, since the start of the agreement some problems must have arisen which require to be looked at afresh. Which are the main wishes and demands of the two contracting partners—the EEC and the AASM—for which a new common denominator will have to be found?

ANSWER: Continuance of the Association can in fact be taken for granted. But this is really the only point which is certain today. As for the content of the future agreement, this is still an entirely open question. It is not even possible to speak of "demands by the two negotiating partners—the EEC and the AASM", for at the moment both sides are still busy trying to coordinate their own views among themselves and determine their negotiating position.

Nevertheless it would probably not be far wrong to assume that attention will be focussed on two main problems: firstly, African insistence on an increased share for their products in the EEC market and, secondly, the extent of financial aid and certain ways in which

it is granted. It will not be easy to find common denominators for these two question complexes.

In the commercial sphere there are the wishes of the Associates for an extension of the regional preference system; these wishes include even the demand for the creation of a regional market regulation with guaranteed sales and prices for tropical products. This will clash with a tendency on the part of the Community, if anything, to reduce the preferential arrangements. But on no account will the EEC partners be prepared to extend to the associated area the costly market regulation concepts for farm-produce—a regulation which even in a highly developed industrial economy must be regarded as an economic luxury. On this point opinions threaten to clash most violently.

In the sphere of financial aid, it is the amount of the means which will presumably be contested to the last moment. That the Associates demand an increase is understandable. Equally, in view of the general situation in our Community, it is not surprising that the member states—and especially those without any colonial past—should for political as well as budgetary reasons rather be wanting to put the brake on. Moreover, when confronted with the alternative "bilateral or multilateral", the member states will naturally be inclined to opt for bilateral aid, which they regard—wrongly in my opinion—as politically more effective. A compromise will perhaps be found on the lines of the Commission's proposals, which were roughly as follows: the real value of the aid and the efforts of the Community must remain at least constant when measured in terms of the growth of their national product. Both these criteria will lead to a nominal increase in contributions, which has so far however not been assessed.

Maintenance of the Status Quo

QUESTION: The Commission of the European Communities has proposed three possible solutions to the

problem of how a new agreement can be negotiated. Is it already possible to predict which form the new agreement will have?

ANSWER: This problem has become larger in view of the fact that the circle of overseas associates has been widened and now extends beyond the original "Club of 18". I may recall that the Community has already concluded agreements of association *sui generis* with Nigeria as well as with the three East African States of Kenya, Uganda and Tanzania, but these agreements have not yet become operative. The question now arises as to whether all African agreements of association should in future be merged into one.

The Commission has not "proposed" three solutions to this problem, but it has submitted three conceivable concepts. They are:

- ☐ a common agreement for all African Associates;
- ☐ a skeleton agreement with special protocols for individual associates or groups of countries;
- ☐ an agreement with the 18 AASM countries which would remain open for the admission of further states and, as a parallel to this, special agreements with other countries of comparable economic structure.

The Commission has pronounced in favour of the third solution, which practically means continuing the status quo. The first solution was rejected, if for no other reason than that it presupposes the extension of financial and technical aid to the new associates, and this would necessitate a considerable increase in costs, for at the moment financial aid is confined to the 18 AASM members. The Commission was realistic enough not to overestimate the readiness of member states greatly to increase their financial contributions. Nor does the second solution appear to be very practicable for the reason that essential differences between the two forms of association preclude a common decision-making and consultative machinery. This solution, though theoretically

feasible, is therefore ruled out for practical purposes.

QUESTION: Is the new agreement of association, whatever its form, to be kept open for other countries?

ANSWER: I am inclined to think that the future agreement will in principle provide for the adherence of other countries whose economic structure is comparable to that of the associated states. Particularly keen on keeping the agreement open will be the member states with no colonial possessions in Africa, for they are still more interested in trade relations with the formerly British Africa. Whether other states will in fact join the Association later on is of course another question. The possibility of increasing the number of associates is plainly limited by the fact that the admission of new members to an agreement which entitles them to financial aid inevitably means additional financial burdens for the EEC members.

Coexistence of Preference Systems

QUESTION: Is it at all possible, in view of the most recent UNCTAD-decisions, to maintain the system of regional preferences?

ANSWER: The existence of regional preference systems is not directly affected by the fundamental decision, taken in New Delhi and approved by all industrial countries, to introduce general non-discriminative preferential tariffs in favour of semi-manufactured and manufactured goods from all developing countries.

For one thing the proposed arrangement relates only to manufactured and semi-manufactured goods, whereas the preferential treatment which the EEC accords to its Associates covers also all raw materials and foodstuffs which account for the by far greatest part of AASM exports. Besides, the proposed general preferences need not necessarily go as far as the EEC preferences do, leading to the complete abolition of duties and quotas. It follows that within the general framework of a preferential system there is still room

for "super-preferences" on the part of the EEC.

Even allowing for nothing but economic self-interest, the level of preferences which the European Communities grant all developing countries should therefore be lower than the "total preferences" in favour of the African Associates. A "peaceful coexistence" of the two preference-systems would therefore be easily feasible. This has always been recognised by the developing countries.

Market Regulations Unfeasible

QUESTION: The Associates, in expressing their wishes for preferential treatment of their farm-products, have pointed out that the European countries, too, protect their own agriculture nationally and internationally. But should not the very experiences of the European agricultural policy serve as a warning against quoting this system as an example that might be followed in laying down market regulations in the Agreement of Association?

ANSWER: To some extent the Associates have in fact been justified in repeatedly pointing out to the EEC members that they act illogically when, on the one hand, they make themselves in a large measure independent of world market prices through a perfect system of levies and export compensations for farm products, while, on the other hand, they expect their Associates to subscribe wholly to the principle of free competition on the world market.

This complaint should in my opinion be answered in the following manner:

☐ If the member states of the EEC indulge in the luxury of high farm prices, they do so on their own political responsibility. They are prepared to make considerable financial sacrifices in order to enable one specific economic sector to adapt itself to changed circumstances. It can hardly be imagined that the Community, whose internal solidarity has already been most severely tested by its agri-

cultural policy, should make similar sacrifices on behalf of associated countries.

□ If even in Europe the time is still far distant when the success of the structural reform makes it possible to reduce the subsidies for agriculture, how much longer would it take the African farmers to reach that stage? In Africa a subsidised economy would be certain to become a permanent feature, requiring ever larger sums. On the other hand, it is only right to recognise that the African national economies have considerably fewer opportunities than exist in Europe of transferring manpower employed in scarcely profitable agricultural sectors to other branches of the economy. Therefore, in special situations assistance for certain products, countries or market sectors will be inevitable.

□ Whereas the EEC exports only a small portion of its agricultural output, the African Associates export the bulk of theirs. Stabilisation of farm prices at a level above that of the world market prices would mean for the Associates either a heavy financial burden, if the excess prices are financed jointly by the Community and the Associates, or an appreciable measure of economic and political dependence of the Associates on the European Communities, if the EEC—as France did in former times—were to undertake to purchase the produce of the Associates at artificially high prices and to allow the consumers of the Community to carry the burden of the costs of such a procedure.

To introduce general market regulations for the farm produce of the Associates would therefore be neither in the Associates' own best interests nor would it be politically or financially feasible.

Financial Aid Arrangements

QUESTION: What do you think of the plan to start a price stabilisation fund for the tropical produce of the Associates, the idea being to transfer to this fund the produc-

tion aid which is at present administered by the European Development Fund?

ANSWER: To have one's reservation in regard to possible market regulations in favour of the Associates does not mean that one does not share their concern lest the prices of some of the farm products they export fluctuate too violently or collapse altogether. By the way, the Community has already taken steps to avoid the worst in this regard. The Yaoundé-Agreement specifically empowers the Community temporarily to place at the disposal of the Associates funds of up to \$ 50 million to equalise price fluctuations on the world market. But there have so far been only a few occasions when the Associates have availed themselves of this opportunity. In 1967 the Community went even further in deciding to make certain equalisation payments to the Associates in the event of the world-market prices for oilseed and vegetable oils falling below a certain level.

The European partners would raise political objections to any plan to set up a jointly administered fund for tropical produce; they fear that a merely temporary stabilisation of prices would develop into permanent price support, involving the Community in considerable financial liabilities. It would therefore seem to me to be more to the point if the EEC were to make arrangements with their Associates with a view to helping them to reactivate on their own initiative already existing national stabilisation funds and maybe to combine them on a regional basis. Beyond this, it may be possible to make arrangements for some particularly sensitive products—arrangements of the kind that exist already for oilseeds.

Finance for the Industrial Sector

QUESTION: Financial aid granted by the European Development Fund has hitherto been strictly confined to special projects, the overwhelming majority of them being concerned with agriculture. The funds available for industrial projects,

amounting to no more than about 1 per cent of the total funds available from 1958 to the end of 1967, have by comparison been negligible. Would it not be essential to provide in the new agreement of association more capital for industrial projects?

ANSWER: The future agreement should no more than did the Yaoundé Convention fix quotas for intervention in specific sectors of the economy. The question therefore is not whether the agreement should make provision for more capital for industrial projects but whether more industrial schemes exist that could be financed out of the common fund. The possibilities in this regard were already exhausted relatively early during the life of the Second Development Fund. It is simply a fact that in the associated area viable industrial projects do not yet exist in any great number. The few really profitable large undertakings find it relatively easy to procure the necessary capital and are therefore hardly dependent on common aid for the capital they require. At the other end of the scale are the small projects which we have so far avoided for fear of dissipating our resources. As far as small undertakings are concerned, it is perhaps possible to help them through the intervention of local development banks, which the Commission would like to see established. In between the two extremes are projects for medium-sized enterprises such as Textile and Cement factories, which have in some cases been partly financed by the Community. Frequently not enough attention is being paid to the contribution the Development Fund makes indirectly to the process of industrialisation by financing the industrial infrastructure. It is the wish of both the Commission and our African partners that in the future agreement the methods of financing projects in the industrial sector are further refined, so that all reasonable industrial possibilities are actually exploited, and the Commission has in fact submitted proposals to this effect.