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Article — Digitized Version

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Intereconomics

Suggested Citation: Friedrichs, Dieter (1970) : Association problems of African States, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 05, Iss. 8, pp. 246-248,
<https://doi.org/10.1007/BF02928901>

This Version is available at:

<https://hdl.handle.net/10419/138376>

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Association Problems of African States

by Dr Dieter Friedrichs, Munich *

When the six European States agreed on the conclusion of the EEC treaty in 1957, the question presented itself how the African countries and territories were to be treated which at that time were not yet independent and maintained especially close and, from their point, advantageous relations with France in particular (and Belgium) as their former mother country. France gave them, e.g., market guarantees and assured them of prices above the world market level for their export products. It was neither possible nor desired that the consequent orientation towards the French market should abruptly end in 1957.

Trade Expansion

By the Treaty of Rome (Articles 131 and 136 and annexes) the members of the EEC therefore agreed on association for the territories which are known today as the Associated African States and Madagascar (AASM) ¹.

This first agreement operated for five years, from January 1, 1958, until December 31, 1962. Its most important provisions stipulated the creation of free trade zones between the EEC and the African States, mutual reduction of tariffs and quotas and grant of preferences for a limited transitional period. Besides, it was agreed to establish a European Development Fund (EDF) of US\$ 581.25 mn which, supported by the European Investment Bank (EIB), makes grants and loans to the associated States.

On July 20, 1963, a new agreement was signed in Yaoundé, the capital of Cameroon, which extended the previous arrangements in principle, increased European aid (through a second EDF of \$ 730 mn) and conceded to the African States the right to make their voice heard in the various bodies (the Association Council and Commission, Parliamentary Conference, Arbitration Tribunal).

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¹ They are the following 18 States (in alphabetical order): Burundi, Cameroon, Central African Republic, Chad, Congo-Brazzaville, Congo-Kinshasa, Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, and Upper Volta. All of them except Rwanda, Burundi and Congo-Kinshasa, which were under Belgian influence, and Somalia belong to the CFA (Communauté Financière Africaine) franc zone (1 French franc = 50 CFA francs); they are also known as French speaking countries.

This Convention of Yaoundé came into force on June 1, 1964, and applied until May 31, 1969.

By the middle of last year the continuance of association was no longer in question, but there were differences about what form it was to take. The signing—also in Yaoundé—of a follow-on agreement was thereby delayed until July 29, 1969; it will come into force about the middle of 1970 when ratified by a majority of members, and last until January 31, 1975. "Yaoundé II" provides, above all, for exemption in principle from import duties for AASM products imported into the EEC, grant of so-called inverse preferences for merchandise from the EEC, an increase in the Development Fund to \$ 1,000 mn and advancement of the industrialisation of the associated States. Essential features of "Yaoundé II" are some loosening of the relations between the States of the EEC and AASM, greater readiness by the parties concerned to extend the privileges to outside countries as well, and emphasis on the AASM countries' own responsibility for their economic development.

Declining Importance of France

By virtue of its traditional ties France is the principal trade partner of the majority of the AASM countries; in 1967 it absorbed 47 p.c. of the exports from associated countries. Ten years earlier, when France still offered price and market guarantees to its "overseas territories", its share had however been considerably higher — over two-thirds of the total.

Association with the EEC has thus brought into being a preference zone which is regionally wider but materially less advantageous, with the result that the exclusive preferential position of France has ended while the other EEC members have come to enjoy and offer the same advantages though in a modified form. France still has the largest share in EEC-AASM trade but the French growth rates are clearly lagging behind those of the other five EEC countries.

Imports into the AASM countries show a similar picture: Those from Germany and Italy rose in the last ten years at an annual rate exceeding 9 p.c. — much faster than the EEC average of 4.3 p.c.

This "multilateralisation" of commerce is an outcome of the new preference system of the EEC.

No Segregation Effect

Association has nevertheless not caused any segregation, as had been feared; for AASM exports to developed countries outside the EEC have risen more strongly in this period than those to the EEC itself. The USA, Great Britain and Japan

in particular expanded their trade with the associated countries above the average.

These relatively good results however do not apply equally to all the countries. A country-by-country analysis, which it is impossible to include here, would reveal very great differences. It would also illustrate that only a few agricultural and industrial raw materials and semi-manufactures account for the bulk of exports. An interesting fact emerges: All the extractable minerals (iron and manganese ores, copper, phosphates, mineral oil, diamonds, etc.) as well as timber show a favourable export trend—shipments of these to the EEC rose in 1959–66 at annual rates of 14.8 and 13.4 p.c. respectively—whereas exports of agricultural produce (+1.2 p.c. annually) were almost stagnant. These figures suggest that it was not so much the association and the privileges which it entailed as possession of natural and mineral resources which accounted for the positive development of foreign trade. This assumption is borne out by the fact that non-associated African countries in a position to offer such raw materials for industrial use were likewise able to achieve better results in trade with the EEC than others with exclusively agricultural produce. So in this respect non-association is no drawback.

Table 1
Average Growth of AASM Exports
to the EEC in 1958–67
(in p.c. per year)

to \ from	AASM total	AASM without Congo-Kinshasa *
EEC total	5.0	6.0
EEC excl. France	7.8	16.9
France	2.6	2.4
Belgium/Luxembourg	4.3	15.2
Netherlands	5.3	8.8
Federal Republic of Germany	10.7	18.5
Italy	14.7	21.0

* The overall figures are vitiated by the political events of the early sixties in Congo-Kinshasa.
Source: Ph. Soubestrie, L'évolution des échanges commerciaux entre le C.E.E. et les E.A.M.A., in: Le mois en Afrique, Revue française d'études politiques africaines, No. 46, Oct. 1969, p. 80.

PUBLICATIONS OF THE HAMBURG INSTITUTE FOR INTERNATIONAL ECONOMICS

ZOLLPRÄFERENZEN FÜR ENTWICKLUNGSLÄNDER

(Tariff Preferences for Developing Countries)

by Ernst Niemeier

The traditional export of raw materials involves but small growth chances still for the developing countries. But does the industrial nations' preferential treatment of industrial export products lead to an increased integration of the industrially less developed countries? This study shows by a juxtaposition of quantified static and dynamic effects of tariff preferences that the dynamic efficiency gains over-compensate by far the negative static effects of preferences.

Octavo, 250 pages, 1970, price DM 34.—

VERLAG WELTARCHIV GMBH - HAMBURG

The privileged position enjoyed by AASM countries in regard to the EEC is nevertheless severely criticised, especially by other developing countries. They complain about the preferential tariffs conceded to the associated countries by the EEC for imports of tropical produce. Besides, the EEC States other than France have important trading partners among the non-associated countries of Africa. The Netherlands and the Federal Republic of Germany in particular maintain much closer relations with the East African countries than with individual French speaking countries; they are therefore interested also in association of these developing countries. After three years of negotiations with Kenya, Uganda and Tanzania their wishes had in the end a result – the agreement of Arusha (Tanzania), signed on July 26, 1968.

EEC Agrarian Protectionism

Another outcome of the criticism levelled at the preferences is to be found in various provisions of the new Yaoundé agreement which are less favourable to the AASM countries than previous ones. The old-style price support², for instance, was abolished; instead, there is only a reserve fund of \$ 65 mn for exceptional emergencies (such as natural disasters). Besides, the EEC import duties on certain kinds of produce (like coffee, cocoa, coconut oil, etc.) are to be lowered generally, so that the AASM preferences for these commodities will weigh less heavily. This is a contribution to the efforts made for world-wide arrangements covering all developing countries – for instance, in the framework of UNCTAD. Finally, the general exemption from duty has been abolished—as by the Arusha treaty—in regard to agricultural exports from AASM countries which compete with or are of the same kind (homologous) as those of agriculture inside the EEC, e.g. rice, tobacco, cassava, oilseeds and vegetable oils.

These last-mentioned provisions in particular however have met much criticism since the EEC policy of high prices for agriculture results in a high degree of self-sufficiency and production surpluses and, as a concomitant, hampers imports from partner countries which in many instances provide the latter with their only foreign currency earnings of any importance. Strong economic "linkage" repercussions follow.

Development Aid by the EDF

Efforts to eliminate this bias in the production and export structures of many African countries are

to be supported by special assistance from abroad. The European Development Fund which gives multilateral aid mostly in the form of non-returnable grants (95 p.c. of all EDF grants are outright gifts!) was created for this purpose.

Table 2
Contributions to the EDF by the EEC Countries

Country	First EDF (1958–1963)		Second EDF (1964–1969)		Third EDF (1970–1975)	
	mill. \$	p.c.	mill. \$	p.c.	mill. \$	p.c.
Belgium	70	12.04	69	9.45	80	8.89
Federal Republic of Germany	200	34.41	246.5	33.77	298.5	33.14
France	200	34.41	246.5	33.77	298.5	33.14
Italy	40	6.88	100	13.70	140.6	15.67
Luxemburg	1.25	0.22	2	0.27	2.4	0.27
Netherlands	70	12.04	66	9.04	80	8.89
Total	581.25	100	730	100	900	100
EIB	—		70		100	
Total	581.25		800		1,000	

Source: D. Peppy, *La deuxième convention de Yaoundé*, in: *L'Europe en formation*, édité par Presse d'Europe, No. 116, Nov. 1969, p. 16.

The disproportion between EDF contributions and return has long been criticised, especially by German circles. From the first Fund, for instance, the FRG, which accounted for 34 p.c. of all contributions, obtained only 7 p.c. of the orders while France, with an equal contribution share, received 43 p.c. of all orders placed. In the second EDF period the share of the FRG rose to 22 p.c. of all Fund spending, which appears to be quite satisfactory, considering that French firms enjoy traditionally a privileged position in AASM countries and equality of contribution and return would be contrary to the character of multilateral aid.

The main objectives of the European Development Fund and the European Investment Bank are diversification of the African economy, increased industrialisation in AASM States and encouragement of supra-regional co-operation.

Adjuncts to Own Efforts

Emphasis is laid in the second Yaoundé Convention particularly on industrialisation as a means of "decolonising" the economies, i.e., freeing them from one-sided dependence on only a few export commodities. An indispensable prerequisite of purposive industrialisation however is (especially in Africa) the creation of larger supra-regional markets, and this is to receive more encouragement in future. These and similar measures however cannot do more than supplement the economic efforts made by the developing countries themselves.

² An automatic offset for the difference between world market prices and fixed reference prices.