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NOTE ON SPECIAL SESSION
OF THE
ACP COUNCIL OF MINISTERS
(Montego Bay, 7-10 July 1980)

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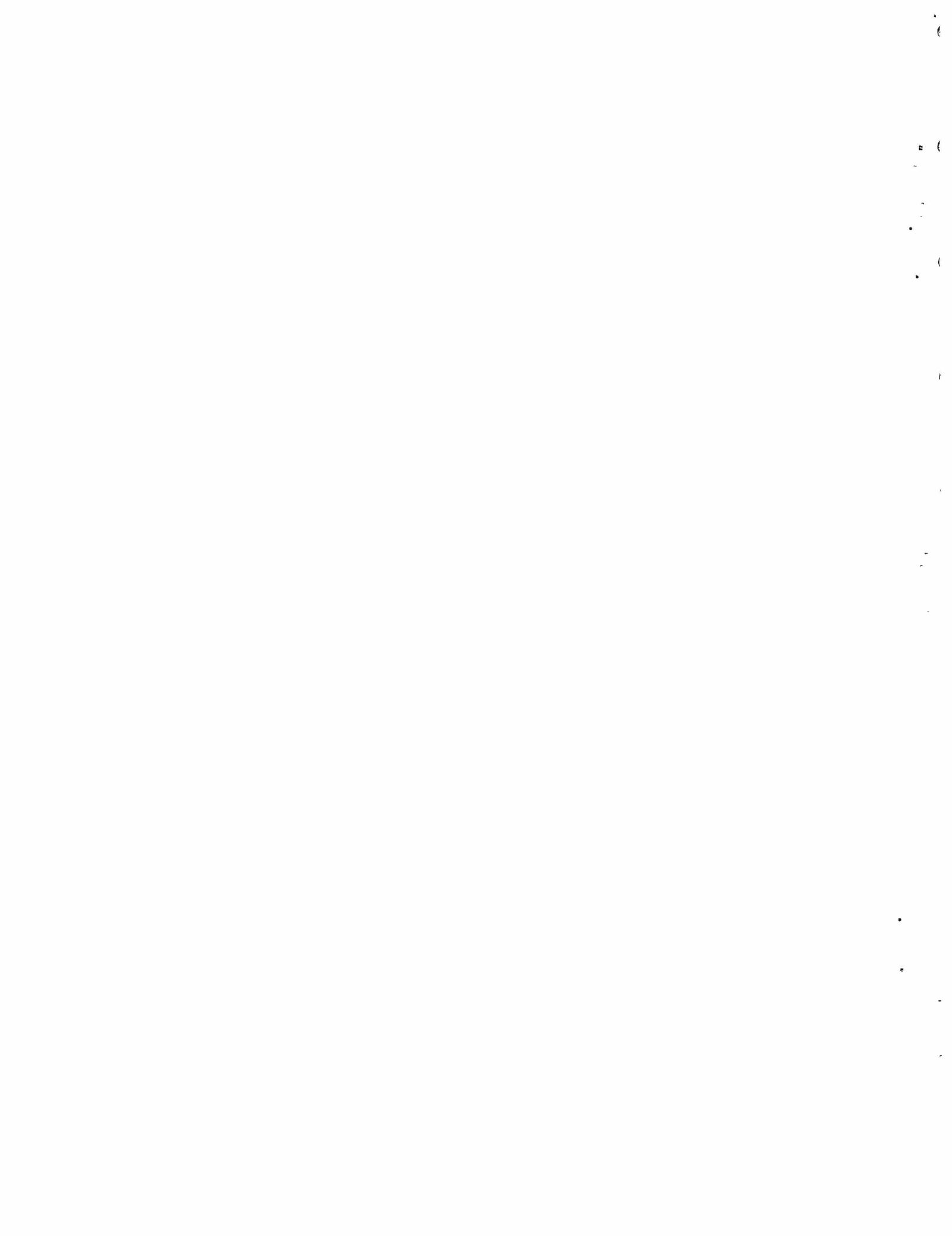


Foreword

The ECLA Office for the Caribbean which serves as CDCC Secretariat has had no previous direct involvement in the activities of the Organization of African, Caribbean and Pacific (ACP) Group of States. Previous involvements with ACP activities have been entirely in terms of assisting Caribbean Community (CARICOM) countries to formulate their common Caribbean approach within the ACP Group towards negotiations with the European Economic Community (EEC) for the Lomé I and Lomé II Conventions.

The development of definitive programmes of intra-ACP co-operation brings into focus further needs for co-ordinating CDCC programmes, in this case with extra-regional activities. The CDCC members that are also members of the ACP are Bahamas, Barbados, Dominica, Grenada, Guyana, Jamaica, St. Lucia, St. Vincent, Suriname and Trinidad and Tobago. The substantive areas in which intra-ACP co-operation programmes are being developed coincide with some of the ongoing CDCC activities.

This note with its Annexes is therefore oriented towards giving as comprehensive appreciation of the institutional background and scope of considerations as the circumstances allow. Specific comparison of the intra-ACP programmes as they are developed with CDCC programmes, and determination of the particular co-ordination needs, will have to be done as a separate exercise.



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SPECIAL SESSION OF THE
ACP COUNCIL OF MINISTERS

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Background to the Special Session

1. The Council of Ministers of the African, Caribbean and Pacific States (ACP) met in Special Session to consider intra-ACP co-operation. There had been a series of preparatory meetings, some at the level of the Committee of Ambassadors of ACP States, and others within the framework of the intra-ACP Committee, which had prepared the reports that were the inputs for the Special Session.
2. The orientation was that within the context of the implementation of the Suva Declaration and Programme of Action, the ACP Council would examine the possibilities for co-operation in:
 - the development and promotion of trade;^{1/}
 - transport, communications and other services;^{2/}
 - a proposal for creation of an ACP Federation of Chambers of Commerce;^{3/} and
 - recommendations for the establishment of a Trade and Investment Bank for the ACP States.^{4/}

In addition there was to be exchange of views on: (a) the scheduled UN Special Session on the preparation and adoption of a new (the third) International Development Strategy; (b) the resumption of the global round of negotiations for a New International Economic Order; (c) co-operation in Elimination of Hunger in the ACP States; and also consideration of ACP budgetary and organizational matters. The Agenda adopted by the Council is attached as Annex I.

1/ Report of the Nairobi Conference on Trade

2/ Report of the Bangni Conference on Transport and Communication

3/ Togolese proposal

4/ Report by the UN experts on ACP Bank

3 Both the Chairman of the Committee of Ambassadors, and the Chairman of the intra-ACP Committee, made statements summarizing the steps leading up to the Special Session. In essence, the mandates for intra-ACP co-operation derived from the Agreement on the Organization of the African, Caribbean and Pacific (ACP) Group of States concluded at Georgetown, Guyana, 6 June 1975. In its Preamble and also in its Objectives, the Guyana Agreement mentions the development of greater and closer trade; exchange of information in the fields of trade, technology, industry and human resources; and the strengthening of the links between the respective regional and sub-regional organizations to which ACP States belong. The text of the Agreement is attached as Annex II.

4. The Suva Declaration and Action Programme (Fiji, 14 April 1977) identified six major sectors for co-operation among ACP countries:

- i) transport, communications and other services;
- ii) trade;
- iii) development of intra-ACP Enterprises and co-operation in production;
- iv) development finance;
- v) technology know-how and technical assistance;
- vi) cultural, scientific and educational co-operation.

In the Suva Declaration (the text of which is attached as Annex III), it was envisaged that under each of those major areas a specific programme of action would be evolved and implemented. These programmes were to increase the self-reliance of the ACP Group of countries, and complement the special arrangements with the European Economic Community (EEC) defined in the Lomé Convention. The Special Session was to focus on the three areas where action had already been initiated.

5. The Bangni Conference on intra-ACP co-operation in Transport and Communications (1978) had resulted in an identification of problems and possible programmes in those sectors. The Nairobi Conference on the Development and Promotion of ACP Trade (7-16 November 1979), had formulated

recommendations on trade between the ACP and the EEC, and also trade among the ACP countries. As regards Development Finance, only one project had so far been identified, namely the establishment of an ACP Bank for Trade and Investment. A United Nations Group of Experts had undertaken an evaluation study of the project and concluded that the Bank was both desirable and feasible.

SUMMARY OF PROCEEDINGS

Development and Promotion of ACP Trade

6. While the Nairobi Conference had considered and made recommendations on:

- ACP - EEC Trade,
- intra-ACP Trade,
- ACP Trade with other developing countries,

only the latter two categories were considered by the Special Session, the first category of recommendations having been passed to the ACP Sub-committee on Trade (which deals with ACP-EEC trade matters associated with the implementation of the Second Convention of Lomé) and the Joint ACP-EEC Council of Ministers.

7. Among the measures recommended for immediate action were:

- formation of regional unions of Chambers of Commerce;
- "accelerated" trade promotion arrangements;
- arrangements for short and long-term bilateral purchase and sales agreements;
- setting up of national exporting financing and guaranteed institutions through Central Banks and commercial banks;
- setting up of an ACP trade information system;
- inclusion of intra-ACP projects of technical assistance and training in the work programmes of regional and international organizations;
- specific development of ACP shipping services and development of their energy resources;

- regularization of consultations between the ACP Secretariat and the ACP regional organizations to co-ordinate and monitor progress on intra-ACP trade co-operation.

8. Other aspects that would require preliminary studies were identified as:

- trade promotion measures relating to new institution building;
- trade co-operation measures including restricted trade preferential arrangements and stabilization schemes for major export products;
- financial co-operation measures including multilateral reciprocal credit arrangements for the ACP Group;
- co-operation in production including proposals for joint ventures, multilateral production and marketing entities and the harmonization of industrial and agricultural policies.

A synoptic table of the recommendations from the Nairobi Conference is at Annex IV.

9. The main points that emerged in the discussion centred round the need to proceed bilaterally, regionally and then at the wider ACP level. The current limitations presented by lack of adequate: statistics of exports and imports, customs procedures, marketing conditions especially in packaging and shipping, in addition to the uncertainties of market prices, were stressed by several speakers. Some considered that the laws and regulations affecting intra-ACP trade were not only archaic but in fact inimical to that trade, having been formulated originally in the interests of ACP metropolitan trade. In addition to making those procedural changes the ACP countries should seek to find their raw materials within the ACP Group, especially because by sending from one ACP country to others they could gain cumulative origin advantages in European markets.

10. On the whole, while the body of recommendations was seen as generally acceptable, it was felt that countries would need to select items for implementation from among the various measures according to their experience, taking into account such aspects as differences in levels of development. Beyond those choices of measures were the actions

that would need to be taken to overcome traditional deterrents to trade not just between ACP countries but also between developing countries generally. These included actions in respect of: the vested interests that would act to impede ACP trade, the basic weaknesses of translating decisions into operational actions, the lack of operational links between the trading departments and bodies of ACP countries.

11. The establishment of operational links between ACP countries was seen as a measure that was very necessary, also because there was the need to accept the recommendations on preferences in addition to considering safeguards for the protection of revenue.

12. There was consensus that ACP trade cooperation could not be "globalised". Instead it had to be built up on the cooperation that could be generated among the sub-regional groups. It was within such framework that the complementarities in raw materials needed to be examined, and mechanisms established to exploit the possibilities. This it was felt would require an export development section operating within the ACP Secretariat. Another aspect of this exercise should be exchanges of indigenous technologies among ACP countries, as those were more relevant to the levels of development; and also that the exchanges should involve the sharing of experiences and expertise.

13. Most delegations underlined the need for trade financing but reserved their remarks for the discussion on the ACP Bank proposal.

Proposal for ACP Chamber of Commerce

14. The Togo proposal for the creation of an ACP Chamber of Commerce was discussed in conjunction with trade. The proposal was in effect to create a "federation" of the Chambers of Commerce in ACP countries, with a General Assembly meeting every two or three years, and a Permanent Secretariat which could create its own technical divisions.

The twenty-five objectives proposed included:

- fuller development of production in ACP states;
- creation of ACP markets by eliminating trade obstacles:

- promotion and expansion of trade with neighbouring countries;
- strengthening regional cooperation and integration;
- assistance to professional organizations in ACP countries aimed at improved production and marketing;
- evaluation of needs of ACP states in qualified personnel, financial management and methods of working;
- product-research, transformation, guarantees, quality control, product presentation;
- development of auxiliary infrastructures including transport and storage facilities;
- publicity for products to be marketed.

15. Some delegations felt that the matter should be studied in depth first at regional levels. Others were of the view that the size was inimical to efficient operation, when account was taken that the ACP Group embraced sixty countries many with several Chambers of Commerce.

Cooperation in Transport and Communications

16. The recommendations coming forward from the Bangni Conference covered all forms of transport - maritime, roads, rail, inland waterways and air services, as well as postal services and telecommunications. Further, those recommendations anticipated that certain responsibilities would fall on national governments, others on regional institutions of the ACP group, some on international organizations and some on the ACP Secretariat. The strategy would be that the activities performed at the various implementational levels would "... remain as part and parcel of the whole intra-ACP programme for collective self-reliance ...". Further, among the recommendations were some actions already being implemented. Two important points stressed were:

- i) that of the forty-five signatories to the "UN Convention on a Code of Conduct for Liner Conferences" twenty-one were ACP countries; and the Convention could not come into effect until it was signed by the European countries as the minimum tonnage condition of 25% of world total was needed to make it operational;

ii) that the problem was under-utilization of opportunities rather than lack of opportunities, as only 29% of the fourth EDF had been used; and it must be taken into account that Lomé II included a joint EEC/ACP Declaration on sea transport.

17. The specific recommendations for immediate action included:

- setting up of regional Ministerial conferences to deal with shipping matters (while noting this already done in some regions, e.g. the Caribbean);
- setting up of national and regional shippers councils;
- establishment of national trade facilitation committees to simplify shipping administrative formalities;
- coordination within each region of activities of national shipping lines to optimise capacity;
- setting up of Liner Conferences;
- harmonization of maritime laws;
- facilitation of transit operations of land-locked and semi land-locked states;
- air link-ups between ACP states;
- creation of national boards to facilitate trade exchange and simplify and standardise transport procedures;
- accession of ACP states to international conventions on rail and road transport;
- determination on ACP postal code;
- study of telecommunications needs.

The qualification was added that given the wide differences in situation and development of the ACP states, particular measures urgent for some countries and regions may not be wanting in others. A synoptic table of the recommendations from the Bangui Conference is at Annex V.

18. Several delegations speaking in general support of the recommendations pointed out that they needed more detailing in terms of what each country and each region was doing, so that the programmes for road, sea and air transport could be balanced between the regions (road, e.g., the trans-Africa route for the African region, sea transport in the Caribbean).

They pointed out too that in broad areas of transport and communications, there was the need to involve the transnationals, for the choice was either to deal with them or to create transnational companies within the ACP group. Notwithstanding that consideration, it was necessary to reduce the pre-eminence of the transnationals, and much of this could be achieved by promoting national bodies.

19. Most delegations made specific reference to the Convention on the Code of Conduct for Liner Conferences, in the terms that ACP and EEC countries be urged to ratify the Convention which East Europe has already done and which should be recognised. They stressed the importance that the code should come into operation.

20. The general view was that there should be arrangements for pooling of resources, (particularly as regards air transport, e.g. pilot training). Some speakers stated that multi-national networks, particularly air and shipping lines, were more practical given the current economic situation. They saw better harmonization of transport with neighbouring countries as the necessary starting point to rationalise the regions; and that parallel with this there was the need for reviews of the existing institutions in transport and communications. This aspect was seen as being vital to land-locked countries, in which cases harmonization of legislation with neighbouring countries for handling cargo at ports and in transit from ports was essential. The valid point was also made that rates charged for sea freight by coastal states was a factor in the economic development of the neighbouring land-locked states.

21. Some delegations felt that the proposals on transport, approved at Bangni two years ago, were in need of up-dating as many of the measures were either in process of implementation or completed in various regions. Others pointed out that regional and sub-regional assessments needed to be made of the projects that could be carried out and that priorities should be attached to them. In addition, there should be some indications of the finance implications.

22. There was general support for preliminary coordination at the level of regional shippers councils; coordination of the activities of air transport authorities of ACP to provide link-up through all ACP states; special arrangements for cooperation in postal tariffs and training facilities for senior postal officials; expert groups in telecommunication to study routing patterns and traffic densities, and also to assist with establishing more coordinated maritime telecommunications systems. There was emphasis on the need for direct routes to the countries and regions of the ACP so as to avoid transiting through metropolitan countries.

Cooperation in Development Finance

23. The recommendations contained in the report by the UN experts, May 1979, for the establishment of a trade and investment bank for the ACP states, was the only aspect under consideration. The experts had concluded that:

- the project of the ACP trade and investment bank was both desirable and feasible mainly given the need to finance trade;
- there was an institutional gap in the existing facilities offered by the financial and banking institutions in the area of trade, financing and promotion, and the gap should be filled;
- to strengthen their solidarity and promote cooperation among themselves and other developing countries it was necessary for the ACP group to establish their own ACP-led financial institution;
- the project could materialize only on the initiative of ACP countries themselves;
- the report would have to be supplemented by further analysis before it could be launched effectively;

24. The functions the experts saw for such a bank were:

- i) trade promotion including its financing along with financing of commercial transactions and market development services;
- ii) project identification, formulation and partial or complete financing, including identification of technical and financial partners, negotiations for technical, management and collaboration agreements and purchase of equipment;

- iii) insurance and guarantee to importer/exporter thus providing easier access to credit needed for international trade;
- iv) multi-lateral clearing arrangements aimed at dealing with currency conversion problems;
- v) provision of management and corporate finance training and advisory services for establishment of national export credit insurance institutions.

25. The ACP Committee of Ambassadors had brought to attention various areas that had so far not been dealt with. These included: preparation of articles of association with guidelines for policies and procedures for governmental participation in the ownership and control of the Bank; the desirable policy-making system of the Bank defining relationships with Central Banks and Ministries of Finance; formulation of the equity participation of non-ACP bodies and governments; the system of management of the Bank; location of the Bank; indicative budget and actual financing of the Bank. The synoptic table of recommendations on the ACP Bank for Trade and Investment is at Annex VI.

26. Various delegations remarked that what had so far been done was in the nature of pre-feasibility and that further study was necessary to determine among other things how an ACP bank would relate to existing regional banks. They generally accepted that the missing link was banking facilities for the development of trade, particularly import and export financing. But they also stressed that as regards export promotion there were already several bodies most of which were not properly operational. In addition, the added finance implications for the countries would have to be carefully considered given their current circumstances.

27. The view was expressed too, that essentially, what the experts postulated for an ACP bank was that the countries should maintain the same view of development as for the last twenty years, which has not much worked. Also, that in fact there was not yet much justification for an ACP bank, and the recommendations should have been more in terms of better using what the ACP already had. The question was asked - what does Africa do if it gets more dollars? And the point made that there are several development banks that all reproach the countries with there being many sources of funds that are only partly utilized.

28. The broad feeling was that while the proposal was not new, having originated in 1975, the only thing so far established was the need for ACP to establish an instrument to facilitate trade (which in fact could be some sort of consortia), and along with it a finance function. In this context, there was need for a financial intermediary as against commercial and concessionary capital that could assist in formulating joint ventures, and advise ACP countries on how to diversify and expand their sources of external capital. In any event the financing function should be something additional rather than substitutional for it could be justified only if it can mobilise new resources. This should also be seen in the light that many sources available remain untapped or undisbursed due to the lack of project preparation.

29. Several delegations were in favour of the report of the Experts being sent to ACP governments for their financial institutions to study. They stressed the need for national and regional financial experts to be involved before the matter came back to the ACP council. They felt it was important not just to examine the recommendation for an ACP bank, but that at the same time existing facilities of national and regional financial institutions should be examined; and they even considered a possibility may be to call a meeting of ACP central bankers to review the proposal in depth.

Elimination of Hunger

30. The main points in the presentation were that:

- much food was imported into ACP countries at higher cost than it could be obtained from neighbouring countries, which also involved high wastage due to spoilage;
- the ACP should fully review food production and needs to decide on and implement action to ensure that what is not produced in one country is produced in another;
- the related problems of marketing, transport and establishment of suitable intermediaries be an integral part of the review;
- account be taken also of the needed food security of the ACP countries in terms of production and storage, the vagaries of international market prices and the payments problems of the countries.

31. In the discussion it emerged that during the re-negotiation of the Lomé Convention, a request had been made to include in the Convention provisions for the supplying of surplus food at concessionary prices. Also that taking into account many ACP countries spend 30% of their export earnings on food, it should not be overlooked that for many developed countries food was a political weapon. The delegates also considered that other aspects such as desertification (or need for re-afforestation) would need to be taken into account.

The North/South Dialogue

32. The Council of Ministers decided that the two subjects for exchange of views - (i) the UN Special Session on preparation and adoption of a new International Development Strategy; (ii) resumption of the global round of negotiations for a New International Economic Order (NIEO) should be taken together.

33. The purpose for the exchange of views was stated as being to complement and reinforce the Group of '77 on the Development Strategy and the NIEO, so there should be an identification of those aspects that are of interest to the ACP, and a communication of those aspects to the Group of '77.

34. The subject areas that attracted most attention in the discussion were: Commodity Agreements, Stabilization Fund for Commodities, Energy, Balance of Payments and Monetary questions including debts repayments

35. Reference was made to the prior discussion concerning the need for trade financing, which was directly related to Balance of Payments support. In this regard the view was that the ICRD and the IMF were geared to the requirements of the developed world. In particular IMF conditionality has been based on the purposes of the developed countries, and the customary measures like currency devaluation and reduction of public sector expenditures have worked adversely to the interests of ACP countries. The ACP countries should therefore press for waiver of IMF conditionality. Part of this package should be the re-scheduling of debt repayments.

36. Those views on monetary problems were further elaborated by the identification of some immediate aspects as distinct from more long term ones. Immediately the prospect was that in the 1980's the developing countries would have some \$70-80 billion shortfall in balance of payments, and ways had to be found to finance the shortfall on terms the countries could afford. Oil and debt servicing together already for some developing countries accounted for more than 100% of normal export earnings, leaving nothing for fertilizers and other imports for agriculture, materials for industry or the necessary inputs to the social sectors. If the deficit was not financed then the developing countries would not be able to produce and sell and the recession could worsen.

37. In the long term the question would be the operation of the international monetary system. It was clear that the current manner of operation was irrelevant and even harmful for the developing countries. The evidence was: that those countries which follow the prescriptions end up with civil disorders; that devaluation works contrary to the needs of the developing countries; and that the old prescriptions become increasingly irrelevant and anachronistic to countries that need to plan.

38. Regarding commodity agreements which was seen as a main plank in NIEO, it was observed that the Cocoa Agreement had been allowed to lapse because agreement could not be reached over a few cents. The EEC stand on the Cocoa Agreement was seen as contrary to its stand in Lomé within which the Stabex scheme operates, so that the correct solution would seem to be effective commodity agreements. Such agreements it was considered should operate co-jointly with a stabilization fund for commodities. Without protection of raw materials prices the strategy could not be of benefit to the developing countries.

39. As regards energy, the view was put forward that it may be desirable for energy product prices to be indexed to raw materials prices.

40. From the more comprehensive analysis of the global situation the view emerged that the timing was not propitious for negotiating NIEO. There was escalation of world tensions, new cold war rhetoric, polarization of East and West; and the worst casualty was the South, as the East and West focus on their own processes of confrontation. The effects have been that as arms spending increased, what remained available for development was reduced, and technical and human resources become more employed in the confrontation process.

41. Furthermore with the imminence of elections in the developed countries, the policies and actions move at the pace of the one going most slowly. The developed countries have emphasised their elections as an excuse for delay, even though within their own economies unemployment and stagnation have been manifested. They have ignored the growth potential of the developing countries introduced protectionist policies, and shown impatience with the North/South dialogue. One result has been that within the Group of '77 there has been a growing feeling as to whether the dialogue is worth continuing. "It is the dialogue of the deaf".

42. In such circumstances it seemed necessary to look at the negotiating strategy, the area in which the Group of '77 had fallen short, for perhaps parallel negotiations under the UN bodies dealing with specialist areas would be more an effective formula. Such parallel negotiations however would need to be under the wider UN umbrella which can push and stimulate and identify the trade-offs in, for example, monetary matters, energy - which were matters of overriding importance and must be on the agenda at the UN Special Session.

43. It was also severally stated that the UN Special Session should cover all aspects including the South/South dialogues within the framework of global reform for trade and development and revision of the international monetary system. However, ACP countries also had to consider the role of the Lomé Convention in the NIEO as some things that could be decided might have adverse effects on the Lomé Convention arrangements. On the other hand, it was felt, that while there was some truth in the statement that the Lomé provisions was a model for relations between developed and developing countries, there was an "attitude gap between what is in the Convention and the treatment that is actually experienced."