



EUROPEAN  
ECONOMIC COMMUNITY  
COMMISSION

AFRICA AND  
THE COMMON MARKET

Address by M. Heinrich Hendus, Director General for Overseas  
Development, to the meeting of ambassadors of the Congo  
Republic at Leopoldville on 25 January 1963

Your Excellencies,

Every government, at intervals, calls its ambassadors together to review the major international problems with them. Having myself represented my country, I am familiar with the kind of gathering at which you listen to all sorts of brilliant speeches by the Minister and senior officials at the Ministry of Foreign Affairs or by other leading personalities. You listen carefully and try to learn from the experience of others. You think things over and discuss them together, and sometimes there emerges some new idea, some different line of approach which may be of use in the formulation of the foreign policy of the country you are representing. I should therefore feel quite at home if, instead of being here, I were sitting among you, as an attentive listener.

But you chose to arrange matters differently. You have put me at the speaker's table so that in a few minutes' time you will be able to fire your questions at me. You have asked me to review an important topic which affects us all: Africa and the Common Market. I will readily discuss this with you because I somehow feel at home here, among people doing the same kind of job, following the same career as myself. I shall undoubtedly find it easier to make myself understood.

As a diplomat, conditioned through experience and by instinct to give first consideration to the political aspect of things, I am struck by the political importance of this subject. In 1950, there were only four independent states in Africa: Egypt, Ethiopia, the Union of South Africa and Liberia. In 1963, the remaining dependent territories appear on the map as no more than a few isolated spots.

If we take only those countries associated with the Common Market, we find that their political evolution has been even more rapid. When the Treaty of Rome was signed in 1957, all these countries were associated through their mother countries. In 1962, although eighteen of them had become fully

independent, they remained associated with the Common Market of their own free will, after negotiations in which they took part as equal and sovereign partners.

Africa is now coming into its own, less than a century after having been divided haphazardly between the great powers of Europe as the result of conquest or exploration. The massive influx of new African states into the United Nations has enabled them to play an important part whenever major international problems come to the fore. History has taught us to regard the second half of the nineteenth century as the age of industrial revolution and the rise of European nationalism; it will perhaps consider the second half of the twentieth century — our century — as the nuclear age and that of Africa's emergence on the international scene.

I repeat: Africa has emerged on this scene and has not forced its way on to it; the difference appears most important from the political point of view. In Africa, at least south of the Sahara, the process of decolonization has generally been peaceful. Acts of violence have spoilt the picture here and there, but these have been exceptional. The price of political independence has been considerably lower in Africa than in the countries of North and South America and in parts of Asia and Europe. There, the sudden and often bloody rupture of ties has long weighed on relations between former colonies and the countries which had ruled them.

The comparison is worth pondering over. How different has African decolonization been, both in the way it came about and in the results it has had! Matters have been settled between Africa and Europe in the space of two or three years and at the conference table rather than to the sound of cannon. The former status of dependence may have left — quite naturally — some unpleasant recollections, some rancour and a few complexes. But all this is far from the hatred and xenophobia that often accompany violent separation. Europe is also presenting a new face to Africa — a witness to the great upheaval that has occurred in its structure. Yesterday, a patchwork of rival states, Europe today has reorganized and is on the path of integration. Including former colonial powers and countries with no colonial past, it offers, within the framework of association, Community assistance of a practically supranational character.

So the climate is quite different, and in such a climate the opportunities for sincere co-operation between Africa and Europe appear very real. In the first place, what are the reasons and conditions for such co-operation? And in the second place, what are the practical means involved?

## I. REASONS AND CONDITIONS OF CO-OPERATION BETWEEN AFRICA AND EUROPE

The two partners in this venture are economically and politically far apart.

On the one hand there is Africa, second largest continent in the world – four times as large as the USA – but with an extremely diverse population of only 225 million. Between Mediterranean Africa in the north, where remnants of Roman civilization are still to be found, and South Africa, which may be considered a relatively developed country, there lies the area which is of concern to us here – tropical Africa.

And tropical Africa – 70% of the continent's area, with 175 million inhabitants – shows all the signs of economic underdevelopment:

It is an area in transition between subsistence and barter economy levels;

Income per head is generally between \$50 and \$60 a year;

70% of the land is under subsistence crops;

Foreign trade accounts for some 3% of the total trade of the free world;

Energy consumption per head is normally between 2 and 7% of the average consumption of the free world.

As I have said, this Africa plays an important political part on the international stage. Nevertheless, it is deeply divided internally. Independence has been won in many cases at the price of balkanization. The colonial powers had grouped their territories into federations that in many cases constituted effective economic and even political units. These groupings have split up, and the centralized structure of the Congo almost shared the same fate. New groups are continually being formed. Some of them have been short-lived – such as the Federation

of Mali, which did not last a year. Some are purely political in content, others have a more economic or technical structure: the African and Malagasy Union (UAM), the African and Malagasy Organization for Economic Co-operation (OAMCE), the Council of the Entente, various customs unions, the Casablanca Group, the Monrovia Group, the Ghana-Guinea-Mali Union, the Commission for Technical Co-operation in Africa (CCTA), the Foundation for Mutual Assistance in Africa (FAMA), the Economic Commission for Africa (ECA). Africa has entered the world of blocs and abbreviations. I admit that it is a bit confusing and that all this does not constitute unity, but it does emphasize the fear of isolation.

Now, in view of the struggle to develop Africa, this situation appears particularly grave to many economists. Co-ordination of transport, transport policy itself, becomes impossible in a continent which, in view of the enormous distances involved, depends on the solution of its transport problems. Industrial development, the big hope of Africa that has long been subject to the fluctuating profitability of single-crop economies, is being pursued in conditions of almost complete anarchy, each state or even each province wanting its own oil refinery, its own brewery, its own shoe factory or its own textile plant. To sum up, at a time when the modern world is turning to large units as the economic optimum on the national and international planes, African countries are attaining political independence only through weakening, in some cases even by destroying, some of the economic units already in existence. I must be quite blunt on this point: this is not progress.

Europe, on the other hand, at least the Common Market, presents exactly the opposite picture.

The Europe of the Six certainly has its own underdeveloped regions, and the European Investment Bank was set up precisely to remedy this situation. But on the whole, in terms of national product, industrial output or external trade, the Six with their 170 million inhabitants are clearly the world's second economic power, after the USA but ahead of the USSR. The Community is the world's biggest importer and biggest exporter: the value of its trade exceeds \$40 000 million per year.

For us Europeans, Europe is not only the "Common Market" which is all public opinion sees because the abolition

of customs barriers seems to be its most spectacular aspect. Europe is also an economic union and, what is more, a Community within which co-operation between national governments and supranational institutions is producing common policies in most of the important sectors of economic and social life: agriculture, transport, commerce, currency, free movement of persons, services and capital, labour, social security, vocational training, competition, and so on. They are beginning to talk about a common planning policy! For us Europeans, Europe also has a political content, since the Treaty of Rome, in spite of being an economic text, is political in its ultimate purpose and effects. Whatever vicissitudes or disputes arise on the subject of this political Europe, the fact remains that the delegation to a supranational executive of powers hitherto reserved to national governments constitutes in itself a supremely political act which will have consequences as yet undreamed of. The fact that Europe has finally called a halt to the feuds which, twice in twenty-five years, led to world disaster constitutes a revolution the importance of which I need not emphasize.

This outline of the different processes that have formed us, you Africans and us Europeans, will make it easier to understand why we must co-operate and on what terms this is possible. As I wish to stick to essentials, I shall concentrate on two major ideas and on these two alone. The first concerns us, whereas the second is more your business than ours.

I think the real reasons for co-operation between Africa and Europe must be looked for in the dynamism of the Common Market. By joining together, by integrating, by creating within our borders economic units in which technical specialization and productivity may operate under more rational conditions, we have increased our prosperity, our wealth, our power. In consequence, we have a responsibility, a duty to allocate part of this prosperity to help those who, far from experiencing as dynamic a development, tend – if not exactly to become poorer (for I believe that with some exceptions this is not the case) – to grow richer much less quickly than we do. This responsibility, this duty, is moreover in accordance with our own interests, and it would be naive, if not dishonest, to deny it. The more a country develops, the greater its need to trade with others; and economic history shows that trade is always greater with developed than with underdeveloped countries, with

industrialized than with raw-material-producing countries; development always engenders development, and I have always thought that it was in Europe's own interest to contribute to the development of backward countries.

My second idea affects you, because you are the only ones capable of providing us with one of the essential conditions for the establishment of co-operation between partners on the same footing, if not between equals. At the moment, there is too great a discrepancy between united Europe and disunited Africa. Now that the states of Africa have their political independence, they must join forces and work for unity in order to ensure their economic independence.

You will see – and I personally attach great importance to this point – that there is nothing, absolutely nothing, in the Association Convention just initialled in Brussels that puts any legal, economic or political impediment in the path of progress towards African unity, the need for which has been understood all the better by Europeans since they have felt its necessity for themselves. From the economic point of view, the associated States do not form a customs union with the Member States of the Common Market but simply a free-trade area. So their external frontiers are not closed by a common external tariff, and they retain full tariff and commercial freedom, subject only to consultation within the Association institutions. Similarly, one of the articles of the Convention formally grants the associated States the right to set up customs unions or free-trade areas among themselves or with other, non-associated countries, wherever this would not be incompatible with the Association itself. Another article gives the Convention an open character and foresees the possibility of other states becoming associated, provided the states already associated are consulted and the advantages promised them in the field of financial and technical aid are not diminished.

So the door remains open for a regrouping of Africa, not only among the states already associated but also with non-associated African countries. It is up to you to decide whether you are going to take this opportunity of establishing a better balance of co-operation between Africa and Europe. How this co-operation is to be realized in the next point I should like to examine.



## II. PRACTICAL MEANS OF REALIZING CO-OPERATION BETWEEN AFRICA AND EUROPE

We find ourselves, Your Excellencies, in a period of transition.

A few weeks ago we closed the accounts of our first five years of association. We have drawn up the balance-sheet. Of the \$580 million made available during these five years, we have spent a little over \$510 million, or nearly 90%. The contract has been fulfilled.

Also a few weeks ago, the morning after a long night terminating a whole year of negotiations, we concluded negotiations with eighteen independent states of Africa for a new five-year Association Convention, the text of which was initialled by the Ministers present. This time, over a period of five years, \$750 million will be made available instead of \$580 million. But the contract has still to be fulfilled.

Between the immediate past and the rapidly approaching future, we have thus reached a point where one job is done and the next looms large ahead of us. This is the time for drawing up balance-sheets, or rather for making forecasts. It is the time to examine our consciences, but above all to make plans for tomorrow.

This, I think, is one of the main lessons to be drawn from the fundamentally pragmatic nature of our association: it obliges us periodically to submit our original doctrine to the test of experience, to draw up each successive contract in the light of the lessons learnt from the difficulties that obstructed the implementation of the previous contract.

This is really what I should like to do here today, by analysing, in the three main fields of co-operation (institutions, trade, financial and technical assistance), our experience of

the first Association, the difficulties we encountered and the outlook for the future of the new Association.

### *A. Institutions*

In the articles establishing the first Association, there was an almost complete absence of institutional provisions. The overseas countries and territories were associated only by virtue of the close ties they then had with their respective mother countries. In all cases, therefore, their relations were maintained via these mother countries. There was no provision for direct contact.

However, the force of events led us to establish direct contacts as, in and after 1960, eighteen of these countries gained their independence. Moreover, the new states made their formal confirmation of association dependent on two conditions at least, which were accepted on the European side: the right to submit the files on their development schemes direct to the European Development Fund; and the right to set up missions to represent their interests with the European Communities. Almost all the associated States have in fact established such missions, and their ambassadors have become the permanent and competent advocates of their Governments with the Community. In very many cases they have facilitated our task and have saved us precious time.

In addition, the negotiations for the renewal of the Association Convention have led to almost daily contacts since the end of 1961. Because, make no mistake about it, this was real negotiation, organized in full diplomatic form from the lowest level (three groups of experts for institutions, trade, financial and technical assistance) to the highest (five successive conferences at ministerial level) via the Steering Committee whose job it was to guide the experts back onto the right lines when they tended to stray, as experts sometimes do.

This institutional co-operation, however, remained incidental even though it was detailed. Under the new Convention, 11

on the other hand, it will be organic, and that is the big difference. We now really can talk about institutions when we have:

a) an Association Council, the highest of the organs, at ministerial level;

b) an Association Committee, with powers delegated from the Council, at ambassador level;

c) an Association Secretariat, with administrative functions;

d) a Court of Arbitration, for the settlement of disputes;

e) a Parliamentary Conference, composed of members of the European Parliament and of the legislatures of the associated States.

As for the powers of these institutions, I shall give only one example, from Article 27 of the Convention. This concerns the Association Council, which is to lay down the general pattern for financial and technical co-operation in the light of an annual report to be submitted to it by the organ responsible for administering the Community's financial and technical aid, which means the Commission.

In my opinion this is an extremely important function, for it concerns the policy of aid itself. I do not think there are many international organizations, much less national ones, which agree to discuss the general lines of their aid policy on an equal footing with the recipients of aid.

### **B. Trade**

We cannot say that trading arrangements have been much changed basically by the new Convention. They remain based on the principle of reciprocity and on the gradual establishment of a free-trade area between the Member States of the Common Market and the associated States. This free-trade area is to be realized by the gradual abolition of customs duties and quantitative restrictions hampering the free movement of goods.

However, the pace at which the free-trade area is to be established has been increased considerably, for the free movement of goods between Europe and Africa will be realized well

before the Common Market itself has been completed in Europe. In exchange, the Member States, with the consent of the associated States, have reached agreement on a cut of about 40% in the common external tariff for a number of tropical products. This cut doubtless reduces the preference granted to products from the associated countries on the market of the Six, but the associated States realized that it was certainly more advantageous to have less protection, provided they could profit *more quickly* as a result of the speed-up. Furthermore, this provision now puts the Community in a psychologically better position with respect to non-associated countries, since in all the big international organizations it has been the object of harsh attacks from those who saw the preferences granted to the associated States as discrimination that might lead to distortion of trade at their expense.

I must say that the principle of the reciprocity of commercial advantages gave rise to a very delicate problem in countries such as Congo, Togo, Rwanda, Burundi and Somalia, which under previous international obligations pursued an "open-door" policy giving absolutely equal treatment to all their suppliers. In so far as the principle of reciprocity would have required them to give preference to the Six, and the Six alone, these states would have had to adapt their open-door system, and this implies some transitional arrangements at least. A three-year period of grace was therefore granted them, during which time they will be allowed to maintain their former commercial arrangements, and the Community undertakes not to suspend the financial assistance which is to some extent the counterpart of commercial advantages at any time — even after the specified period. At the end of these three years, the contracting parties will discuss what measures should be taken for a further period.

One major provision was taken over from the first Association Convention and even broadened in scope: the associated States may protect their industries by customs duties and even by quantitative restrictions if the protection afforded by customs duties proves inadequate. This safeguard clause, together with the financial facilities for aid with diversification, which I shall come to later, is intended to give a boost to industrial development in the associated States. Now let us make no mistake about this: industrialization is not only a

political claim that is often brandished like a flag of independence. It is in fact, on the economic plane, one of the most essential conditions for development and structural diversification.

### *C. Financial and technical assistance*

The purpose of the second Association, as of the first, is given in Article 131 of the Treaty of Rome: "the furthering of the interests and prosperity of the inhabitants of these countries and territories in such a manner as to lead them to the economic, social and cultural development which they expect". The best-known instrument of this policy is the European Development Fund, or EDF.

As we have already seen, the EDF had by the end of 1962 committed \$512 million of the \$581 million that had been made available for the first five years of association. At that time, then, the EDF – a truly multilateral body where contributions lose their nationality as soon as they are paid and in whose administration economic, technical and financial considerations alone (objective considerations, thus) are taken into account – had authorized 304 projects in all, 162 of them social (36% in value) and 142 economic (64% in value).

I shall take care, Your Excellencies, not to juggle with statistics in your presence – a favourite pastime of many economists. But let me just indicate very quickly, so that you at least see what is behind these bare figures, something of what has been or is being done with the resources of the Fund: 303 hospitals, subsidiary hospitals and bush dispensaries with more than 9000 beds, 47 maternity homes, accommodation for 2742 primary and secondary modern classes, 20 grammar schools and teacher training colleges, 165 technical training schools, 2720 km. of asphalted roads with the necessary bridges, etc., and 3461 km. of earth roads and tracks, 2955 wells or springs developed.

But the work of the Fund has not been confined to the traditional type of investment in material. That is why we tackled intellectual investment of the type provided by technical assistance. We have financed several schemes for scholarships (totalling 777) and long-term training periods in our administration (37). More than 3000 students, trade unionists

and co-operative leaders have come for frank discussions with us at short seminars and in discussion groups on various aspects of association. Lastly, 160 studies at a total cost of \$15 million have enabled us to give the most varied assistance to the governments of associated States, extending from the mere putting of the final technical touches to an investment scheme to the preparation of a development plan for a given region or country.

I shall not try to hide the fact that, here as in other fields, our work has come up against the difficulties that confront any organization seriously concerned with development aid. There were planning difficulties, in the first place, because we were not presented as often as we could have wished with development plans that would have enabled us to plan our action more effectively. There were also difficulties of implementation, because administrations in Africa and Madagascar are of course subject to the inevitable teething troubles and their staffs are hopelessly inadequate to cope with the complicated nature of modern undertakings. We had not enough training programmes for cadres because neither the Treaty of Rome nor the Association Convention made any provision for technical assistance and we could finance such programmes only from the limited resources of our ordinary budget and not from the EDF. The methods of financing left open to the EDF were inadequate, since it could only grant aid outright and not make loans (a solution which is a *sine qua non* in the technical sphere); this often prevented us from financing excellent schemes because – paradoxical as this may seem – their direct profitability was too evident. Lastly, the Community did nothing in the way of stabilizing commodity prices, although it has been shown that a sudden fall in prices can simply nullify the practical benefits stemming from the investment of capital from abroad.

We were faced with these difficulties right from the beginning, and since our friends in the associated States were also well acquainted with them (because they were the people who suffered), we joined forces during the negotiations to ensure that provisions were written into the new Association Convention that took account of the experience gained. I believe the result is a big step forward in the methods by which financial and technical assistance will be applied in the future.

There are four main features to the new Association. 15

Firstly, the total amount of aid has gone up from \$581 million in the first period to \$800 million in the second, \$730 million of which will go to the states with which we have just initialled the new Convention. The increase in the total amount of aid is thus 38%.

Secondly, the methods of financing open to the Community have been increased. For instance, the \$730 million allocated to the independent States is broken down as follows:

- a) Outright grants by the EDF: \$620 million;
- b) EDF loans on special terms (very long amortization period, period of grace, low rate of interest): \$46 million;
- c) European Investment Bank loans on ordinary terms: \$64 million;
- d) Interest rebates, compensated by deductions from the total amount available for outright grants, thus enabling the EDF to bring the interest on ordinary EIB loans down by as much as 3%;
- e) Short-term advances to stabilize commodity prices, up to a ceiling of \$50 million, from the cash holdings of the EDF (this is not in addition to the preceding figures).

Thirdly, there has been diversification of the sectors receiving Community aid. Hitherto the Community could finance only capital investments and, on occasion, certain technical assistance schemes. The range of action now possible is particularly wide, and no other international organization seems to have anything to match it at the moment:

- a) The traditional type of capital investment: \$500 million;
- b) Aids to production, including special bonuses so that products can gradually be marketed at competitive prices, structural aids to production, and aids to diversification to remedy weaknesses in single-crop economies: \$230 million;
- c) Stabilization measures to mitigate fluctuations in prices for agricultural products;
- d) Technical assistance (the financing of which is included in the \$500 million earmarked for investment).

Lastly, the fact that the accent is on technical co-operation is an important innovation which finally gives us the legal basis that has been lacking for five years. Experience with the first EDF having shown that sustained activity in this field was imperative, the new prospects open to the Community must be emphasized. From now on the Commission will be empowered to finance, through the EDF, schemes for technical co-operation connected with investments. Such schemes may prepare, run parallel to or follow the main investment. Provision is also made for general technical co-operation (dispatch of experts, scholarships, traineeships, short training periods). Credits from the Commission's ordinary budget have backed interesting experiments in all these sectors in recent years, and the financing by the EDF of such technical co-operation schemes should give them the range and stability consonant with the aims pursued.

Now that I have put the finishing touches to the picture I wanted to paint of our reasons for co-operating and the methods available to us for doing so, I should like to comment briefly, Your Excellencies, on the prospects open to the Republic of Congo itself under the new Association Convention.

As I have said, the Congo has obtained agreement that there should be flexibility in the principle of reciprocity in trade: the Government has a period of grace of at least three years during which it can maintain its open-door trading policy pending the necessary transitional arrangements. So it is up to you, in full freedom and independence, to determine the future course of the Congo's commercial policy.

The Congo's immediate interest is in financial and technical assistance. Very soon your Government must submit to the Common Market a number of large, sound schemes to use up the remains of the first Fund, implement a broad programme of structural diversification (\$15 million have been earmarked for the Congo under this head) and tackle new investment schemes under the second Fund. The Government's difficulties in this respect, which are mainly due to the shortage of cadres, do not seem to have receded recently.

To help the Congo break this vicious circle, and bearing in mind the amounts available to it through the EDF but not yet used, we have decided to put into effect a special technical



assistance scheme. In full agreement with the Minister for the Plan, M. Massa, we shall soon be sending out a mission of some fifteen economists and other experts from the six Community countries. The mission's task will be to draw up, within four months, a recovery plan that will then be submitted for Government approval. As far as possible the plan should include specific proposals for technical assistance and investment schemes that could be submitted to the EDF or to any other financial body, for the Community has no intention at all of monopolizing the Congo.

I am convinced that this mission, in view of the quality of its members and the rapid results it will achieve (we for our part will see to this), will be a milestone in the history of cooperation between Europe and Africa. I would ask you to give them all the help you can: it is for you, and you alone, that the mission will be working.

Now that the clouds have cleared over the Congo, I am happy that the beginning of a new association between Africa and the Common Market may mean a new start for this Republic, which has suffered too much. If we all pull our weight and show goodwill, the success we hope for will surely crown our efforts.