EUROPE UNDERMINED: THE LOME RESPONSE AN EVALUATION OF THE EEC-ACP NON-FUEL MINERALS ARRANGEMENT

By

Cecil RAJANA *

The purpose of this paper is to offer a critical, multifaceted evaluation of the non-fuel minerals arrangement established between the European Economic Community (EEC) and the African, Caribbean and Pacific Group of States (ACPs) under the terms of the Convention of Lomé. Before embarking on this task, brief comments on the Convention of Lomé, an outline of non-fuel minerals in the relationship between Europe and the Third World, and a review of the changing EEC non-fuel mineral demand and investment pattern are proferred in way of background.

The Convention of Lomé, or Lomé I, was concluded in 1975, followed by a successor agreement, or Lomé II, in 1979 which runs to March 1985 *(1)*. Both were signed in Lomé, the capital city of Togo from which the convention derives its name. The Lomé Convention is largely a product of the EEC association policy which is enshrined in Articles 131–136 of the Treaty of Rome *(2)*. Essentially the Lomé Convention consolidates and improves upon the Yaoundé Convention, the Commonwealth System of Preference, and a host of lesser agreements between the ex-colonial powers and mainly their former dependencies. Further, it governs a more extensive range of economic ties than the foregoing agreements between sixty ACPs and the nine member states of the Community. Among others, these include aid, trade, industrial restructuring and raw materials-chiefly non-fuel minerals which are the sole concern of this paper.

Title III, which covers non-fuel minerals, has been proclaimed the most outstanding feature of Lomé II *(3)*. Claus MEYER, Director General of the Development Directorate of the EEC (DG VIII), termed it 'highly innovationary' and 'a real breakthrough' in the growing interdependence between the North and the South*(4)*. A breakthrough of a sort it unquestionably is, but as *New African* observes «... this main innovation is one which will finally be of more interest to the EEC than the ACPs» *(5)*. Neither the mineral insurance scheme (MINEX) nor the mineral investment programme (MINIV), which are the two principal features of Title III, are what the ACPs fought for during the negotiations of Lomé II. Before analysing Title III, it is instructive to review briefly the significance placed on mining and minerals by the EEC and the ACPs, and the specific demands and counter-demands made by the two parties during the negotiations.

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* *Department of Political Studies, Queen's University, Kingston, Canada.*
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By the end of World War II Europe had seriously depleted the indigenous raw materials which fueled its industrialization. From the late 40's it had come to rely heavily on distant non-fuel mineral supplies. Moreover, cheap and secure supplies were seen as a 'state of nature' or were taken for granted. This attitude was only interrupted twice, during the Korean War in the early 50's which sent prices rocketing briefly, and during the Suez Crisis of 1956, which temporarily disrupted supplies. However, both interruptions were short lived, and non-fuel mineral production and trade quickly settled back into the orderly post-World War II pattern. By the early 70's both the ACPs and the non-ACP LDCs were denouncing this pattern as unequal or inegalitarian.

With the decolonization process well underway, it was inevitable that once the emergent regimes had consolidated their political power, they would turn to economic reconstruction. When they did so in the late 60's, the mineral-dependent exporters found that their efforts were being thwarted, both by changes in their terms of trade and by the erratic fluctuation in the prices of their exports, and hence in their foreign exchange income. Naturally, they came to see stable and rising prices for their exports as the key to orderly domestic economic progress. Appeals for help on the issue of export prices and income occasionally resulted in balance of payments assistance on increasingly stringent terms, but produced no stabilization measures. Helplessness bred radicalism. Many LDCs, foremost among them the Commonwealth-ACPs, came to see the establishment of sovereignty over their resources, and producers' associations as an alternative.

As a result, in early 1973 Zambia instigated the reactivation of the Conseil Intergouvernmental des Pays Exportateurs de Cuivre (CIPEC). The CIPEC made its first significant decision to slash production by 15 percent between 1974–1973, with a view to pushing copper prices upwards. In mid-1973, negotiations commenced on the establishment of the International Bauxite Association (IBA), the Association of Phosphate Producing Countries (APPC), the Association of Tungsten Producing Countries (ATPC), and the Association of Iron-ore Exporting Countries (AIEC). By 1975 all of these producers' associations, except the APPC, had been formalized. Such ACPs as Guyana, Jamaïca, Guinea and Surinam came to play leading roles in the IBA, not unlike Zaïre and Zambia in CIPEC. Similarly, Senegal and Togo, Mauritania and Sierra Leone, Rwanda and Zaïre became active members of the APPC, AIEC and ATPC respectively *(6)*. In fact, the ACPs featured most prominently in the LDCs efforts to augment and exercise sovereignty over their resources. Stephen KORBIN, of the Massachusetts Institute of Technology, has undertaken an exhaustive study of forced divestment acts in the LDCs between 1960–1976. His conclusion shows that of the twenty-two LDCs which refrained from acts of nationalization, only four were ACPs. About 36 percent of the acts of nationalization occurred between 1973–1975, and about 67 percent between 1970–1975. However, since 1976, there has been a marked decline in acts of nationalization *(7)*. Significantly, none has occurred in the ACP states since late 1975. There has also been a notable cooling off on their part towards producers' associations.

The spate of forced divestments and producers' associations was not conceived by the ACPs as an attack on European direct foreign investment (DFI) in the mining sector *per se*. Kenneth KAUNDA, whose liberal political convictions are scarcely in doubt, conveyed this as follows:

> *It is myth to think that we are nationalising for the sake of nationalisation, ... or that we seek to strengthen CIPEC for some sinister or socialist purpose... Our actions are taken in the sole hope that we might be better placed to influence the price we obtain for our exports in order to regularise our foreign exchange earnings (8).*

It is hard not to sympathize with KAUNDA's concerns, but his hope was misplaced, as indeed was that of the ACPs as a whole. Forced divestment and producers' associations cannot necessarily yield export price/income stability, or improvements in terms of trade. Indeed, they could be counterproductive. The success of OPEC cannot be readily replicated. This the ACPs painfully discovered when their action (forced divestments and producers' associations) failed to prolong the price boom of 1973–1974. Worse, from late 1975 the prices of their non-fuel mineral exports began to tumble, as Table I illustrates.

This downswing, allied with the ACP actions in 1973–1975 did serve to dramatize their claims regarding the terms of trade and export price/income fluctuations. By 1975, the effects of these on the ACPs' development were no longer being questioned by the EEC *(9)*. Studies by the United Nations Conference on Trade and Development (UNCTAD), the International Bank for Reconstruction and Development (IBRD) or World Bank), and the EEC between 1975–1977, have concluded that the terms of trade have swung against non-fuel mineral exporters, despite the price explosion of 1972–1975. For example, the World Bank index (based on 1973 = 100) rose to 116 in 1974; but this compares unfavourably with 125 in 1950 and 127 in 1954 *(10)*.

Parallel to the erosion of their purchasing power, Table I indirectly details the price movements on ACP non-fuel mineral exports, now covered by MINEX, for the period 1970–1978. It highlights the sharp increases in export prices between 1973–1975, which largely explains the ACP failure to press for the inclusion of minerals in the Export Income Stabilisation Scheme (STABEX) or Title II of Lomé I. Table I likewise underlines the slump in export prices from the end of 1975. The ACPs, which as a group account for a disproportionate number of non-fuel mineral dependent LDCs, *(11)* were severely affected by the decline. In the case of copper, prices had plummeted by 1977 to about two thirds of their 1974 level, and in the case of phosphate, by approximately half compared to 1975. In both cases the principal ACP exporters, e.g., Zambia and Zaïre, Senegal and Togo were forced to sell their output below the unit cost of production. In 1978 there were no significant price improvements, despite the large scale closure of copper and bauxite production facilities in Zaïre and Guyana respectively as a result of domestic political unrest. Further, the ACP's hopes for the adoption of the 1976 UNCTAD Integrated Program for Commodities (IPC) were dashed, as it became apparent that no progress was likely on

non-fuel minerals. Finally, the substantial income stabilisation payments Mauritania had obtained (33.3 million units of European account (mua) from the STABEX fund following the shortfall in the iron ore export price) in 1978 could not go unoticed by the other ACPs *(12)*. The above developments created a firm resolve amongst the ACPs – knowing the EEC opposition in principle to price stabilisation – to have their non-fuel minerals

TABLE I

ACPs Export Price Index of Non-Fuel Minerals

1975 = 100

	1970	1972	1973	1974	1975	1976	1977	1978	1979
All Non-Fuel Minerals.	35	39	51	73	100	96	92	87	96
Iron Ore	57	55	70	80	100	96	92	87	102
Chrome Ore	36	41	37	45	1y0	109	109	109	109
Manganese Ore	39	44	54	83	100	103	105	99	96
Non Ferrous Metal	69	77	122	150	100	112	117	127	172
Copper	82	87	145	167	100	114	106	111	161
Bauxite	78	81	128	152	100	128	112	116	135
Cobalt	94	65	71	143	145	161	174	195	212
Nickel	61	67	74	84	100	109	115	113	146
Tin	49	55	70	118	100	112	159	189	223
Phosphate	21	21	23	72	1–0	60	51	48	43
Manufactures *	100	113	133	162	182	183	199	225	238

Note: * *1970 = 100. The unit value index of exports of manufactures is included for reference.*

Source: *Handbook of International Trade and Development Statistics: 1979*, UNCTAD, UN, NY, 1979, pp. 69–70; *Monthly Bulletin of Statistics* (UN), 1980, Vol. XXXIV, No. 5, p. 162; *Investment in the Mining* Sector of the ACP States, *African Institute for Economic Development,* Dakar, 1979, Table IV.

covered by the STABEX scheme. Hence, this became the key demand on their agenda for the renegotiation of Title II of Lomé I.

A secondary, but nonetheless important ACP demand stemmed from their perceived need to infuse new capital into the mines (taken into domestic ownership in the early 70's) and to expand the sector in keeping with the new prominence it was being accorded in their overall development strategy. The attainment of this goal called for the inflow of large scale European investment. To encourage this, the ACPs demanded a blanket guarantee from the Community to cover all EEC–based mining investment in the associated states. This they reasoned, would give the European mining companies the requisite safeguards to revive their capital flows to the ACPs *(13)*.

ACP DEMANDS AND THE EEC REACTION

Sensing beforehand that the EEC might not view their demands favourably, particularly that concerning the expansion of STABEX, the ACPs began to mobilize support amongst the Nine. Thus, when Chancellor Helmut SCHMIDT visited Africa in 1978, he was lobbied in Lusaka to support the inclusion of minerals in STABEX. However, he explicitly favoured only copper *(14)*. Accordingly, in late 1978, the Federal Republic of Germany (FRG) did submit a Memorandum to the Commission urging the creation of a separate chapter in STABEX or Title II to cover copper *(15)*.

In formulating the ACP proposal, the STABEX scheme of Lomé I, with all its existing parameters, was used to determine the range of products that were to be included. This involved establishing *a priori* which ACPs were dependent on which minerals for a 'significant' share of their total export earnings: 'significant' being defined in terms of the 7.5 percent export dependence (to all destinations) threshold in the STABEX scheme. As a result of this exercise eighteen ACPs – fourteen African, three Caribbean and one Pacific – were identified as dependent on ten minerals altogether. These included copper, bauxite, iron, manganese, tungsten, zinc, tin, chrome, diamond and phosphate.

At the start of the negotiations on Lomé II in September 1978, the ACPs presented both proposals to the EEC *(16)*, but these were subsequently rejected. Regarding the demand for a Community investment scheme, the ACPs were told that it was up to them

> *... to provide such guarantee as part of a wider package of measures aimed at creating the appropriate investment environment to inspire private capital inflow.*

Since it was the ACPs who stood to benefit the most in the Commission of the European Community's (CEC or Commission) view, the CEC stressed that they should bear the costs *(17)*. The demand for the inclusion of minerals in STABEX was disallowed on three grounds. The Commission contended that:

First, the economic interests involved in minerals – the parastatals and the multinationals – are different from those in the agricultural products covered by STABEX (18).

Secondly, the price instabilities of minerals were the result of fluctuations in world demand and not of variations in supplies, as is the case with STABEX agricultural products (19).

Thirdly, the cost of the proposed scheme was deemed prohibitive. To cover copper alone, the Community claimed, would cost more than the entire STABEX scheme (20).

No one can doubt that price instabilities are a function of the market structure. But this in itself is not an argument against inclusion of minerals in an income stabilisation scheme. After all, the International Monetary Fund (IMF) compensatory finance scheme does cover a number of minerals. More importantly, the inclusion of iron ore in STABEX has demonstrated that a workable scheme is possible.

By contrast the production and distribution structure of minerals pose basic problem to their inclusion in an income stabilisation scheme. Unlike STABEX products, in the case of minerals, a small number of large parastatals and multinational corporations (MNC) account for the bulk of output and marketing. Hence, they could easily exploit this controlling position to trigger any scheme into effect, or to use it as an element in their pricing and marketing strategy. Even if they were to refrain from such 'unfair' actions, adoption of the proposed scheme would have entitled the MNCs, (largely US), to about a third of all possible transfers – given the share of ACP mineral production and marketing they control. This the Community could hardly have countenanced. Further, the MNCs and the parastatals could have also colluded with ACP governments, to perhaps divert exports away from the EEC, thereby producing a reduction in company revenues and in government tax receipts, in respect to exports to the EEC. This would allow the ACPs concerned to qualify for income stabilization transfers, while continuing to receive revenues regarding exports to non-EEC destinations.

The main EEC objection was, however, cost, although no detailed cost estimates in support of this position were offered. At best this claim was highly exaggerated. A rough estimate can be put together to give an idea of the likely cost of the ACP proposal. Two studies undertaken by the Commonwealth Secretariat to aid the ACP negociations are instructive in this connection *(21)*. Using the 7.5 percent price fluctuation threshold below the reference level (of the Lomé I STABEX), they calculated the number of transfer payments the EEC would have had to make between 1975-1977, had the ACP proposal been part of STABEX under Lomé I. The transfers payable for 1975 would have been in the order of 85 to 100 million US dollars; in 1976, 60 to 100; and in 1977, 100 to 125. Applying the computation method outlined in Professor Walter Cainer's study to the 1978 and 1979 data, the following transfers are derived: *(22)* in 1978, 50 to 75 million US dollars; and in 1979, 5 to 10 million US dollars. The low 1979 figure is due to the upturn in prices on practically all

ten minerals contained in the ACP proposal. Between 1975–1979 the total transfers would have been 300 to 400 million US dollars or 240 to 325 mua. This is far less than the cost of STABEX during Lomé I, i.e., 382 mua. In addition, copper would have accounted for not more than half of the transfers *(23)*. There are no special reasons to suppose, that had the Community agreed to the ACP proposal based on STABEX parameters, its implementation would have cost any more than the present STABEX scheme, i.e., 550 mua. Hence the Community's rejection of the proposal on the grounds of cost is untenable. It probably played only a minor part. Concerns about the parastatals, the MNCs and the ACP governments abusing the proposed scheme would have weighed heavily in the EEC decision *(24)*. Also, the Nine, especially the FRG, was worried about setting a dangerous precedent during a sensitive phase in the negotiations on the ICP. A final consideration was the EEC position, taken from the inception of the negotiations, that Lomé II would simply consolidate the gains made by the ACPs in Lomé I, and not extend them.

Having had both of their demands turned down, the ACPs were confronted with completely different counter proposals. Before examining these, it is necessary to make a quick foray into the background factors which shaped them.

THE NINE AND THE ACP MINING SECTOR: INVESTMENT AND DEPENDENCE

As Europe outgrew its raw materials base it became increasingly reliant on non-fuel mineral imports from the Sixty. This reality was recognized in the Council of Europe's Strasbourg Plan in the Early 50's, which called for a redefinition of Europe's relations with its colonial territories in order to secure its base material supplies. Yet the attendant association arrangement which emerged in 1958, based on the Implementing Convention, did not address itself to securing the requisite supplies. Rather, it focussed on strengthening the EEC's access to the market of the associated territories, as did the succeeding Yaoundé Conventions.

Meanwhile, as the decolonization process accelerated, the emerging regimes' and the European mining houses' perceptions of the role of large-scale mining investments in the LDCs were coloured by a major post-World War II development – the Congo Crisis. Both saw the conflict as being essentially one over mining interests. Many of the new regimes viewed the companies' direct involvement in the conflict as replicable in their own mineral-dependent countries, and hence as posing a threat to their independence. The power of the mining companies, they concluded, had to be curbed. However, no concrete action was immediately taken or proposed. In turn, the Belgian mining firms, chiefly the Union Minière du Haut Katanga (UMHK) and its European allies, saw Lumumba's regime as a direct political threat to their extensive mining holdings. Not only did they oppose the new regime, partly as a lesson to others, but they subsequently came to regard the spread of independence in Africa and the Caribbean as synonymous with instability to the fiscal regimes governing the operation

of their investments. The emerging governments were perceived as intent on unilateral alteration of these regimes for narrow short-term political gains *(25).* This questionable perception of the impending widespread instability was deemed incompatible with continued investment in mineral production and exploration. Such investments, they correctly stressed, require stable fiscal regimes because of the long period involved for the gestation of capital. Consequently, the European mining houses began to shift their investment progressively out of what was to become the ACP region. While they maintained their existing stock of investment there, retained profits were being diverted to the so-called 'safe' and 'stable' countries – i.e., Canada, Australia, the Republic of South Africa (RSA) and the United States. There, from about 1962, they began to make most of their large-scale investments in non-fuel mineral production and exploration.

TABLE 2

Changing Distribution of EEC Investments in Non-Fuel Mining and Explorations

(In Millions of Current US Dollars and in Percentage)

MINING	EEC		ACP		LDC		USA/Australia RSA/Canada		TOTAL
	Vol.	Per.	Vol.	Per.	Vol.	Per.	Vol.	Per.	Value
1960	23.0	5.2	42.3	9.5	190.6	43.1	92.0	20.4	441.5
1965	70.4	19.6	25.5	6.4	87.3	21.9	188.1	49.1	339.2
1970	23.2	5.9	19.3	3.5	190.0	34.7	178.1	32.5	548.3
1975	63.7	16.4	16.4	4.2	98.8	25.4	203.3	52.2	389.6
1976	49.3	11.0	12.7	2.8	89.8	20.0	189.5	42.1	450.0
1977	70.2	13.8	.....	......	126.3	24.8	226.3	45.3	509.5
1978	67.1	11.9	3.4	3.4	163.5	29.0	249.3	44.2	563.8
EXPLORATION									
1960	12.6	14.1	9.1	10.2	32.8	36.8	28.5	32.0	89.1
1965	14.2	16.0	7.3	8.2	31.3	24.8	30.6	34.4	88.9
1970	19.3	19.0	5.4	5.3	18.2	17.9	56.9	55.9	101.7
1975	21.0	31.0	2.1	1.7	12.5	15.3	39.2	48.3	81.1
1976	33.1	33.2	0.4	0.3	9.9	14.2	28.3	40.7	69.6
1977	24.5	29.7	1.9	1.8	10.0	12.1	33.0	40.4	82.5
1978	19.4	21.6	3.5	3.7	12.4	11.2	34.5	38.4	89.8

Note: *Mining includes Smelting.*

Source: *Groupement Europeenne des Entreprises Minières,* Bruxelles, 1978 Table V; *European Investment in the Mining Sector of the ACP States,* Scandicanian Institute for African STudies, Uppsala, 1979, Tables XV and XIV.

Table 2 details the changing pattern of the Nine's investment in both mining production (including smelting) and exploration in general, and both in the ACPs and the 'safe' countries in particular. In the case of the ACPs, investment fell in both absolute and percentage terms between 1960 and 1977. Investment in production declined from 42.3 million US dollars, or 9.5 percent of all production investment in 1960, to 25.o million or 6.4 percent in 1965 and then to 19.3 million US dollars or 3.5 percent in 1970. By 1976 it had slumped to 12.7 million US dollars or 2.8 percent. The same pattern can be observed for exploration investment in the ACP states, but the decline is more dramatic. From 9.1 million US dollars or 10.2 percent of the Nine's total exploration expenditure in 1960, this investment dropped to 5.4 million or 5.3 percent in 1970, then plummeted to 0.4 million US dollars or 0.3 percent in 1976. By that year, European investments in mining and exploration in the ACP states had almost come to an end. Significantly, the rate of decline there was higher than in the LDCs as a whole, as Table 2 illustrates. This could partly be explained by the higher incidence of forced divestments by the ACPs and their prominence in the movement for producers' associations in the early 70's.

By contrast, European investments in the 'stable' countries rose in absolute and percentage terms, as can be seen in Table 2. In production it rose from 9o million US dollars in 1960, or from 20.4 percent of total investment to 203.3 million or 52.2 percent in 1975. Similarly, exploration investment rose from 28.5 million US dollars or 32 percent in 1960, to 39.2 million or 48.3 percent in 1975.

The changed investment pattern of the mining houses carried two overriding consequences for Europe. The first is that exploration in the 'safe' countries, given existing technologies, had by 1970 ceased to generate new discoveries at a rate consistent with the projected growth in the EEC demand for non-fuel minerals in the 80's. Significant increase in exploration expenditure might have increased the discovery rate, but the resulting mines would unlikely have been commercially viable. Clearly, the continued emphasis on investment in mining production and exploration in the 'stable' countries has become incongruent with the geological location of available non-fuel minerals.

Table 3 outlines the ACP's share of known world reserves, and of production of minerals vital to the EEC. It also details the share of Southern Africa – that is, Namibia, Angola, Mozambique and Zimbabwe – separately. This group of countries is included for two reasons. One, all are likely to become members of Lomé. In fact, Zimbabwe recently did so on the 1st of September, 1980. Two, together they constitute an invaluable source of supply of rare minerals, which complements the bulk minerals of the ACP states. Combined, they provide an unrivalled range of minerals to which the EEC will potentially have access within the Lomé framework. With respect to bulk minerals, the ACPs account for 53 percent of the world's bauxite reserves and 40.2 percent of its production. Their respective percentage shares of cobalt are 43.0 and 63.0; copper 26.0 and 17.5; iron ore 15.5 and 4.9; and manganese ore (inclusive of Southern Africa) 14.0 and 22.0. As for rate minerals, the ACPs and Southern Africa account for 84.3 percent of the world tantalum reserve and 28.5 percent of its total

production. Their respective percentage shares of germanium are 41.0 and 45.7; chromium 33.0 and 10.0; uranium 15.0 and 15.1; platinium 12.0 and 6.5; titanium 9.0 and 5.1; and vanadium 7.0 and 3.8.

TABLE 3

Distribution of World Production and Proven Reserves of Key Minerals to the EEC

	The Share of the LDCs.		The Share of the ACPs.		The Share of Namibia, Angola, Mozambique & Zimbabwe.	
	Reserve	Product	Reserve	Product	Reserve	Product
Bauxite:	62.0	54.2	53.0	40.2	....	....
Aluminum	–	8.5	–	2.1	....	....
Alumina		23.1	–	15.0	....	....
Copper	46.0	50.5	26.0	17.5	2.0	1.0
Cobalt	58.0	70.0	43.0	63.0	....	....
Phosphates	55.0	25.0	3.0	5.1	....	....
Manganese	19.0	25.0	6.0	12.0	8.0	10.0
Tin	36.0	70.8	7.0	6.4	2.0	1.0
Iron Ore	18.0	19.0	15.5	4.9	....	....
Asbestos	6.5	6.1	0.3	0.1	5.0	5.0
Cadmium	4.8	3.0	1.5	1.0	3.2	1.9
Chromium	61.0	24.3	2.0	......	51.0	10.6
Columbium	90.0	88.9	8.0	5.8	....	....
Germanium	43.0	48.0	23.0	35.7	18.0	10.0
Lead	10.0	13.0	......	......	1.0	....
Nickel	19.0	9.1	–	–	3.0	2.5
Platinum	14.6	8.0	–	–	12.0	6.5
Tantalum	98.0	60.0	76.3	18.6	8.0	10.0
Titamium	11.0	5.9	9.0	5.1	....	....
Tungsten	10.0	11.0	2.0	...	....	....
Vanadium	9.0	8.0	–	–	7.0	3.8
Uranium	17.0	16.0	6.0	10.0	9.0	5.1

Notes: Data for this Table are either for the year 1975 or 1976 as available. The share of the LDCs includes that of Namibia.

Sources: Phillip Crowson and Sylvia Francis, *Non-Fuel Minerals and Foreign Policy*, Royal Institute of International Affairs, London, 1977, Annex A; and – *European Investments in the Mining Sector of the ACP States*, Scandinavian Institute for African Studies, Uppsala, 1979, Table IV.

This list is by no means exhaustive. Moreover, the reserve levels mentioned above date back to the late 50's. Since that time, no significant non-fuel mineral exploration work has been conducted. Should this resume, one can expect additional reserves and new minerals to be discovered. The significance of the above minerals to industrial and defence applications in Europe is sufficiently well known not to be recounted here. Further, the range of ACP minerals, and particularly the rare minerals of Southern Africa, make them a viable alternative (for the Community), to reliance on minerals from South Africa and/or the Centrally Planned Economics (CPE). Above all, the data in Table 3 indicate that production levels are well below those of reserves in the ACPs,, whereas the converse is true for the 'safe' states. In short, ACP and Southern African minerals are presently under-exploited as a result of the shift in European investment patterns. Moreover, the stepping up of output levels at existing production/reserve sites requires a minimum – in mining terms – of capital outlay on plant expansion and/or infrastructure. This, plus low wage rates, high ore quality *(26)*, and often, highly subsidized electricity and transport, makes investment in increasing ACP mining capacity cost-efficient. By contrast, continuing high investments in the 'safe' countries represent, in rational economic terms, a misallocation of resources.

The second of the two overriding consequences of the changed investment pattern is that it significantly and unnecessarily increased the Community's dependence – not least on the ACPs. As Table 4 illustrates, declining European investments did not reduce the import dependence of the Nine on ACP and Southern African supplies. On the contrary, between 1965–1975 their share in Europe's total imports rose for all but two of the listed minerals. Among the bulk minerals only the share of tin remained unchanged, while in the case of rare minerals, tantalum declined significantly.

Moreover, the rising dependence on ACP minerals was compounded by a significant increase in the role of foreign-owned MNCs, largely US, as suppliers. Whereas in 1962 they accounted for 17.4 percent of the Nine's total non-fuel mineral imports, by 1974 their share had risen to 36.1 percent. This came both from their own mines in the associated states, and from the ACP divested mines or parastatals whose output they were now largely responsible for marketing. In fact, by the early 70's, the non-EEC MNCs completely controlled the supplies of certain bulk (bauxite and phosphate) and rare (tungsten and germanium) minerals to the Community *(27)*. This prominence has had two implications. First, being subject to domestic legislation, the foreign MNCs could be made, in the event of shortages, to supply their home markets before meeting the Community requirements. Secondly, shifting corporate interests could dictate modifications of their supply policies to the EEC. Indeed, the case of oil in the 1973–1974 crisis served as a clear reminder of the latter possibility. The above developments certainly compounded Europe's vulnerability.

Clearly, the change in the pattern of European DFI in the early 60's had two serious repercussions. First, investment did not take place as geological and economic realities dictated. The flight of capital to the 'safe'

TABLE 4
The Import Dependence of the EEC, the USA and Japan; And the Significance of the ACPs in the Import Dependence of the EEC

Minerals	Japan	USA	EEC	ACPs' Share in the EEC's Import Dependence 1965	1970	1975
Bauxite	100	86	60	29	28	33
Aluminum	100	85	61	36	37	40
Cobalt	100	96	100	58	51	67
Copper	88	6	80	43	42	49
Manganese	86	98	99	12	17	24
Phosphates	100	...	99	3	5	15
Iron Ore	94	30	80	3	4	17
Tin	93	87	90	7	6	7
Zinc	68	63	60	...	...	5
Cadmium		...	36	...	...	8
				Southern Africa Only.		
Asbestos	100	83	100	12	10	16
Chromium	100	91	100	12	16	24
Columbium	66	...	...	...	...	5
Germanium	...	35	100	55	42	71
Lead	70	26	70	...	...	...
Nickel	100	72	100	...	1	5
Platinum	100	80	100	3	5	15
Tantalum	...	95	100	61	58	56
Titanium	...	...	100	...	...	...
Tungsten	99	68	98	...	5	8
Uranium	...	...	59	3	7	20
Vanadium	...	36	99	...	...	...

Notes: Import dependence is the share of import in domestic consumption. Percentages are founded. Import dependence data are either for 1975 or 1976 depending on availability. Southern Africa includes Namibia, Angola, Mozambique and Zimbabwe.

Sources: *Critical Imported Materials,* Council on International Economic Policy, Washington, 1974; Phillip Crowson and Sylvia Francis, *Non-Fuel Minerals and Foreign Policy,* Royal Institute of International Relations, London, 1977, Part II.

countries, as Wolfgang HAGER has shown, *(28)* was no alternative to investments in the LDCs and the ACPs. This has created the prospect of physical shortages for the Community of vital non-fuel minerals in the mid-to-late 80's. Second, the change led to the ownership of, and control over production and marketing of supplies to Europe passing into the hands of foreign-owned MNCs. This has deepened the EEC's dependence and increased its vulnerability.

However, it took a cluster of events in the early-to-mid 70's to dramatize both the dangers for the Community that were inherent in the above changes, and the urgent need for policies to bring European investment into line with economic and geological realities in a way that would reduce Europe's dependence. These events included the Club of Rome Report in 1972 *(29)* – which rekindled fears, dormant in Europe since the Korean War, about the imminent exhaustion of mineral resources. The boom in raw material prices between 1972–1974, and in particular, the oil price hikes in later 1973 and 1974, fueled European apprehension. In addition, the proliferation of forced divestment acts, and the creation of producers' associations by the LDCs, and particularly the ACPs, did not help matters; nor did the ensuing rivalry between the USA, Japan, and the Community over access to raw materials. Finally, developments in and around the 'safe' countries made them no longer 'stable', which compounded the European fear and sowed seeds of confusion. These developments completely transformed the international raw materials scenario. However, the initial fear and confusion it engendered soon gave way to more sophisticated anxieties, to sober analysis of the new realities and to practical responses.

The Community rightly came to the conclusion that the 'limits to growth argument' was unduly alarmist, and that the price boom was unrelated to the actions of the LDCs *(30)*. The latter stemmed from the unprecedented leap in demands for minerals from 1971, caused both by commodity speculation as a hedge against inflation and by expanding industrial activities. However, due to insufficient investments in the preceding years, supply could not respond immediately. In consequence, prices rocketed and this in turn contributed later to the slowing down of economic growth and to rising inflation and unemployment.

Above all, the Community realized that the so-called 'safe' countries were far from safe. Canada and Australia, having encouraged European investments in the 60's, began in the early 70's to unilaterally alter the fiscal regimes governing mining investments. For example, twice in 1972 both countries unilaterally altered their tax laws. One change was aimed at coercing the mining companies to undertake local processing. The other was to syphon off what both governments deemed to be windfall profits. Such tax revisions eventually resulted in one copper company in British Columbia and one nickel company in Western Australia – both European, incidentally – having to pay 136 percent and 103 percent of their declared profits in 1974, to satisfy the combined royalty and tax demands of the provincial/state and federal governments *(31)*. In addition, jurisdictional disputes between federal and provincial/state governments over minerals since the early 70's have introduced an element of instability in domestic resource policy in both countries. Further, in 1974 the Australian Industrial

Development Corporation was set up – like its counterpart the Canada Development Corporation – to obtain local majority ownership in foreign owned resource companies. Moreover, by 1975, Australia had joined the CIPEC, AIEC, AIPC and the IBA *(32)*. While Canada adopted an ambiguous position towards these ACP inspired producers' associations, Ottawa nonetheless intended to reap whatever price benefits resulted. Worse, both sought to exploit the Community's dependence on their minerals, particularly on uranium, to extract economic and political concessions from the Nine. For example, in 1974 Australia came to link uranium supplies to modifications of the EEC Common Agricultural Policy (CAP), to facilitate its beef exports. In 1977 Canada imposed an embargo on uranium supplies in order to increase its leverage over reprocessing by France, which like Euratom was not a signatory to the Non-Proliferation Treaty (NPT). Such actions, Crowson has argued, are no different in their effects from the Arab oil embargo on the EEC *(33)*. Hence, from about 1975 onwards the Community had come to see Australia and Canada as politically unreliable suppliers of its key minerals *(34)*. Similarly, the European mining houses began to view both countries as unstable-albeit marginally less so than the African, Caribbean and Pacific Group of states.

In the case of South Africa, the Community faced a different dilemma. The liberation of Angola and Mozambique, the independence of Zimbabwe, and the intensification of the struggle for statehood in Namibia altered the Southern African geopolitical scenario. This, combined with mounting political agitation within, and the Third World's threat to seek UN sanctions against South Africa, had by the mid-70's rendered that country unstable from the point of view of the Nine and their mining houses. Consequently, by 1974 the latter had begun to reduce their investments in South Africa, *(35)* as they were to do in the case of Australia and Canada from 1976 *(36)*. Moreover, the view came to prevail in Europe that, in the event of a crisis in South Africa, the Community could and would have to do without its rare minerals *(37)*.

The realization that South Africa had become unstable, that Canada and Australia were unsafe, and the dependence on US MNCs was growing, along with the other aforementioned factors, compelled the Community to adopt a more realistic strategy—a strategy whose twin overriding objectives in the changed international raw material scenario were:

(1) to ensure current European supplies, and

(2) to secure Europe's future needs.

All the European actors—the Nine, the Commission and the mining houses—were agreed on the primacyy of the two goals. Their implementation was eventually pursued on three levels. On one level, individual governments began from early 1975 to adopt a variety of measures, including stockpiling, as in the cases of Germany and France. Germany and Italy also embarked on aggressive investment promotion policies in the LDCs. On a second level, the Nine, under French leadership pioneered the North-South dialogue on raw materials. They also worked against a confrontation between the LDCs and the USA, and extended qualified endorsement of the UNCTAD-sponsored IPC in 1976 *(38)*. Thirdly, at the Community level,

the Commission began to reflect on the direct measures required to realize the above two objectives through the Lomé framework. However, before examining these, it is instructive to briefly review Lomé I in relation to ACP mineral supplies to the EEC.

LOME I : EEC ACCESS TO ACP MINERALS

Lomé I did address itself to the issue of raw materials vital to the EEC both directly and indirectly. It did so directly through STABEX. This scheme in effect penalizes ACP exporters, in the sense of forfeiting part of their guarantees, for switching exports away from the EEC. Hence an element of supply guarantee for Europe is inherent in the scheme *(39)*. But with the exception of iron ore, STABEX is restricted to agricultural products only – not all of which are vital to the EEC *(40)*. However, no comparable direct supply guarantee scheme was built into Lomé I regarding minerals. As Peter TULLOCK has pointed out, Lomé I was not specifically designed to ensure the EEC's access to ACP minerals *(41)*. Coincidentally though, the convention did link the Community institutionally with many of its key raw material suppliers. Further, contrary to Coppens' claim *(42)*, certain provisions in Lomé I, did have (a) specific bearings on the ACP mining sector; (b) while others were made to operate in support of EEC mining investment in, and in securing EEC supplies from the associated states. The first (or 'a') is examplified by Article 46 of Title V on Financial Assistance. Article 46 set some 94 mua of European Development Fund (EDF or Fund) resources aside in the form of risk capital to be administered by the European Investment Bank (EIB or Bank). A large portion of this was intended as loans for ACP governments to acquire holdings in new mining ventures. In theory, the opening up of new mines with the aid of risk capital could have led to the increased export of vital materials needed in the Community; which is a stated aim of Table I on Trade Cooperation (of Lomé I). In fact in 1978 the EIB did extend two risk capital loans totaling 3 mua to SOMIRWA, the mining parastatal of Rwanda, for the expansion of both wolfram and tin production *(43)*. Also a I mua loan was extended to Senegal in late 1978 to develop a phosphate mine. The output of the three ventures is all intended for Europe. However, since the Senegalese loan, no other one has been granted. Clearly, this has not been due to any lack of viable project proposals from the ACPs. Chief Peter AFOLABI, the Nigerian Ambassador to Brussels, contended that it has been due to European mining interests, and particularly to the European Group of Mining Enterprises (EGME) blocking such credits *(44)*. By late 1976 the EGME came to the conclusion that risk capital was an incentive for the ACPs to strengthen domestic control over natural resources. This, the EGME fiercely opposed, and prevailed upon the EIB to refrain from using the EDF credit facility. As a result, despite its potential, Article 46 has not led to any significant expansion in the ACP mining sector during Lomé I.

The second (or 'b') is examplified by the EDF funding of major transport projects. These have had important implications for EEC mining investments and mineral supplies. An illustration of this is the integrated Trans-Gabonese Rail and Port Network (TGRPN), which an EDF-led European Consortium is financing. When completed, the rail system will link the manganese mines of Moanda with the uranium deposits in Mounana and make possible the development of the recenly discovered iron ores in Batuala. In addition, the TGRPN is being driven straight through the Boove rain forests. This will make possible the exploitation of its tropical hardwoods which will be transported with the TGRPN's varied cargo to the port of Owendo for shipment to Europe *(45)*. The TGRPN is not isolated project. There are others in the Cameroon, and in Guinea being funded by the EDF which are opening up new mineral deposits. Whatever the EEC motive for aiding such ventures, they certainly have enhanced the EEC's access to key ACP minerals. They have equally encouraged European investments in the ACP mining sector by absolving interested companies from having to make exorbitant outlays on infrastructural development, prior to the commercial exploitation of specific deposits. Already PECHINEY of France and PREUSSAG of Germany have taken advantage of the EDF-funded transport network in Gabon and Guinea to develop manganese and bauxite deposits respectively *(46)*.

Clearly, both European investment in and supplies from the ACPs were, to an extent, indirectly facilitated by the operation of certain specific and general provisions of Lomé I. These provisions are to continue to operate under Lomé II and to the Community's advantage. But most importantly, Lomé II makes good a significant omission of its predecessor. It faces head on the twin issues of dwindling European investments in, and diminishing control over, non-fuel mineral supplies from the ACP states. Of course, the EEC perception of the causes of these determined the prescriptions the Nine sought to have embodied in Lomé II. To a large extent the Community perception has been influenced by the European mining lobby. A brief analysis of this influence is instructive to an understanding of the EEC rejection of the ACP proposals on non-fuel minerals, the EEC counter-proposals and the outcome of Title III of Lomé II itself.

EEC COUNTER-PROPOSALS AND ACP MINERALS

In relation to Lomé, the central lobbying body of the European Mining Industry Association (EMIA) has been the EGME, which was set up in January 1976 and is comprised of the large mining houses with considerable interests in the ACP states and Southern Africa. The first important statement by the EGME on ACP-EEC relations was made in a *Submission* to the President of the EEC in 1976 *(47)*. In that document the EGME admitted that the present investment pattern was at variance with the long term mineral needs of the EEC, and, not surprisingly, then blamed the ACPs for this. Further, they outlined the volume of investment required in order to secure future supplies. However, they stressed that such investment is unlikely to take place in the ACP states because:

> *The Present danger for a mining company of having its operating agreement abrogated or seriously eroded is a fundamentally new order of political risk.*

Specifically, what the companies feared was expropriation and/or the erosion of previously agreed benefits or 'spolation' as termed in the *Submission.* To counter these, the EGME concluded that:

> *Active Community support is crucial... such support would, of course, be very much more potent than the support of a single nation acting alone (48).*

Community support should take three forms. First, the Community should conclude framework investment protection agreements with the ACP states to govern the fiscal operation of mining agreements. Specific mining venture agreements will derive from the framework agreement, and hence would acquire the standing of an intergovernmental agreement. In the event of an untoward act by a party in the ACP states towards the specific agreements, the European mining company can look to the European Community for protection. If the matter cannot be settled amicably between the parties to the specific mining agreement, the Community would take the matter up under the intergovernmental agreement. At this point, all aspects of the EEC's economic relations with the offending ACP country would come into play as negotiating countries. Secondly, the Community could, through the EDF and the EIB, make financial contributions, or provide guarantees to mining projects. Such contributions or guarantees could be linked with supply contracts for the products of the mines in question. Loans could also be extended to ACP governments as subscriptions for national equity in projects. Such credits should be subject to (behaviour of) good conduct under the operating agreement, and otherwise should be repayable only with devidends from the project(s). Thirdly, a fund should be established from which European investors, largely MNCs, would be compensated for losses related to approved investments, resulting from political action by the host ACP governments. Contributions to the fund could be made by investors in proportion to their investment, by consuming countries, and by the Community representing the public interest in securing new raw material sources. This system could be designed to complement existing national investment insurance schemes.

The adoption of the above measures by the Community and their enforcement in relation to the ACP states, the *Submission* emphasized, is the key to aligning European investment with the Community's future needs for non-fuel minerals. Indeed, it appears that high Commission officials were wholly persuaded by the EGME's arguments. Claude CHEYSSON, in a speech at the Guild-hall in the City of London in early 1977, endorsed the tenets of the *Submission (49).* Later that year Roy JENKINS' Cyril Fletcher Lecture at St. Anthony's College, Oxford, entitled 'Europe – Third World Relations', was permeated by the ideas expressed in the EGME *Submission (50).* Adoption of the three recommendations were seen by both CHEYSSON and JENKINS as the only way of reducing the Community's dependence, and hence vulnerability, on foreign supplies in the future.

The Commission's endorsement of the *Submission* was an indication of the kind of proposals DG VIII would later put forward in the renegotiation of Lomé I. Before these commenced, the Commission dispatched to the Council of Ministers of the EEC a *Communication* in January 1978, outlining guidelines for reversing the declining of European investment in the ACP mining sector *(51)*. Among other measures, it called for:

(1) *framework agreements between the EEC and the ACPs to stabilize the conditions governing large-scale mining investments;*

(2) *the financial participation by the Community through the EIB in mining projects; and*

(3) *a Community scheme for investment guarantees to cover European mining companies and other investing institutions, including the EIB, against political risk.*

The similarities between the *Submission* and the *Communication* are remarkable. However, the Commission guidelines, and particularly item «3», came up against stiff opposition from member states largely on the grounds of cost. It was stressed that the size of such a scheme would be difficult to determine, because of the uncertainty regarding the likely number and the size of the bankable and viable projects in the ACP states. The *Communication* also came to the attention of the ACPs and was rejected, largely because it failed to address itself to their primary short-term concern of income stabilization of their mineral exports. *(52)*

This set-back did not deter either the EGME or the Commission. In a July 1978 Memorandum, the EGME called upon the President of the EEC to ensure that the framework agreement was approved by the ACPs in the negotiations of Lomé II *(53)*. Later, having rejected the ACP proposal for the inclusion of non-fuel minerals, plus uranium, in the STABEX scheme the Commission dispatched to Council two *Communications* (in January and March), containing its counterproposals. The January *Communication* outlined the Commission's proposals for ensuring the EEC's short-term, non-fuel mineral, supplies *(54)*. This was to be accomplished via the accident insurance scheme called MINEX, which was approved by the Council. MINEX was soon to be portrayed by the EEC as the answer to the ACP demand for an extension of STABEX. The March *Communication* dealt with the Community's long-term supplies and advanced four measures to secure these *(55)*. They included:

(1) *aid for the building up of ACP technological capability in mining and for mineral exploration activities;*

(2) *mineral production investment promotion;*

(3) *investment protection guarantees aimed at stabilizing fiscal regimes; and*

(4) *a scheme of Community guarantees against political risk.*

Measures «2» to «4» were expounded both in the 1976 EGME *Submission*

and in the 1978 Commission *Communication.* However, measures '1' although new, proved acceptable to the Nine, as did measures '2' and '3'. As for '4', member states remained opposed to it. In addition to cost, they now contended that such a scheme would encroach on national competence and that the national schemes of member states were not as inadequate as was being made out. It was therefore dropped but not forgotten by the EEC – particularly since Brussels was now in agreement with the EGME's position that the proposed scheme could also be used to block the ACP countries from attempting, as the Andean Pact states have done, to regulate capital and technological flows more effectively to their own advantage *(55a).*

In May 1979 the ACPs were confronted with the two sets of EEC proposals which they were compelled by circumstance to accept, but only after forcing important modifications to the proposed investment protection agreements. Such agreements, if concluded, were not to be linked to other aspects of their economic ties with the Community as the EGME desired. Further, they successfully argued that these should be worked out on a case by case basis. Only after a number of specific mining ventures had been concluded could their salient features then be abstracted to form a framework agreement applicable to subsequent cases *(56).*

Some observations are in order at this point on both the Commission's attitude to the *Submission* and on the EGME's key proposal for framework agreements to stabilize investment regimes. It is understandable that the Commission should align itself with the *Submission.* High officials were cognizant of the EGME's strong connection with national governments. Commission officials propably reasoned that identifying with these proposals would increase the chances of them being endorsed by the Nine. In turn, such approval would have significantly augmented the Commission's power and role in industrial and development cooperation policies. The widening of the Commission's competence in these fields is a known concern of CHEYSSON, JENKINS and DAVIGNON. This is not to say that Commission officials felt that the measure espoused in the *Submission,* and later in the 1978 *Communication,* could not realign European investment with the long-term non-fuel mineral requirements of the EEC. Indeed, the reverse is true.

What is amazing is that the Commission has endorsed the EGME perception of political risk as being a new ACP threat. This, it has asserted, is the principal cause of declining European investment in the ACP mining sector, and the major deterrence to new investments. Of Course, this view is remarkably similar to that adumbrated by the Union Minière du Haut Katanga (UMHK) in the aftermath of the Congo Crisis in 1961 *(57).* And clearly, like the earlier UMHK's perception, that of the CEC and the EGME is highly exaggerated. If not, then both the EGME and the Commission need to advance a defensible explanation as to why both Japanese and US investments in non-fuel mineral production and exploration in the ACP states rose steadily from 1961, as Table 5 illustrates. At best, political risks could have been a contributory factor to the post-1960 European Investment pattern; and one that applied with diminishing force. Since 1975 'spoilation' has eased considerably in the ACP states. Acts of forced divest-

ments have plummeted since 1976, as Stephen KOBRIN has demonstrated *(58)*. Similarly, Raymond MIKESELL has conclusively shown that fiscal regimes governing mining contracts have stabilized dramatically since 1975 *(59)*. Also, the US OPIC, which the Commission used to model

Table 5

EEC, USA and Japan Investments in Non-Fuel Mineral Exploration and Production in the ACP States, (in Millions of Current US Dollars and as a Percentage of their Total Investments).

	EEC		USA		Japan	
	Vol.	Per.	Vol.	Per.	Vol.	Per.
Exploration –						
1960	9.1	10.2	6.4	8.2	1.5	16.5
1965	7.3	8.2	5.1	6.6	1.9	14.4
1970	5.4	5.3	4.8	5.7	3.0	11.0
1975	2.1	1.7	8.2	5.8	4.8	12.5
1976	0.4	0.3	...	...	...	...
1977	1.9	1.8	...	...	...	...
1978	3.5	3.7	9.8	6.9	6.7	12.9
Production –						
1960	42.3	9.5	60.1	15.4	7.4	11.0
1965	25.5	6.4	60.0	14.1	8.8	10.4
1970	19.3	6.4	55.4	12.5	12.9	11.6
1975	16.4	5.2	48.6	11.3	18.4	14.0
1976	12.7	2.8	19.8	9.2	....	.....
1977	....	....	.....	....	21.5	13.3
1978	19.1	3.4	60.2	19.5	24.8	14.1

Note: Excluding uranium and oil. Includes only the 58 ACP members as of July 1979.

Source: *Instruments of Mining and Energy Cooperation with the ACP Countries,* EEC, Brussels, 1979, COM (79)/130 Final, Table VI; *European Investments in the Mining Sector of the ACP States,* Table IX; Groupement European des Entreprises Minières, Bruxelles, 1978, Table II.

its own proposed investment guarantee scheme, has not had to make any payment for political risk connected with non-fuel minerals in the ACP states since its establishment in 1974 *(60)*. Consequently, the inordinate emphasis placed on political risks by the EGME was unwarranted. As Paul CHEESERIGHT, Mining Editor of the *Financial Times* notes, «it deals with fears which are perceived rather than actual» *(61)*. It resulted from the companies' incorrect analysis of their own particular difficulties. This has obviously detracted from more constructive reflections on the underlying causes of the world-wide tendency of governments to revise fiscal regimes governing large scale mining investments.

Political risk was premised on the notion that the ACP regimes were delinquent and always irresponsibly seeking to revise established investment regimes to satisfy their greed. This explains the prescription advocated by the EGME, namely, that if host governments did not behave satisfactorily, they ran the risk of provoking an intergovernmental conflict. One consequence of this might be the cutting off of Community resource flows. Such action does have some roots in legal theory. The concept of counternationalization, as expounded by George Schwarzenberger, does offer a jurisdictional basis for transforming a conflict over foreign investment contracts into an intergovernmental dispute between the host government and the parent government of the company affected *(62)*. However, in practice there has yet to be a case where this has clearly happened, and proved to be effective *(63)*. This is not surprising. It is inconceivable, for example, that a member state would enter into an investment stabilization agreement limiting its sovereign right to act in relation to any form of investment, when such action is deemed to be in the national interest. Indeed, the Nine and particularly the British, the Dutch and the Norwegians, are notorious for their continuous unilateral revision of the fiscal terms governing investment in their hydrocarbon resources. These revisions have included changes in tax and ownership rules *(64)*. Yet the EGME conspicuously failed to call for an extension of the measures they sought to have incorporated in Lomé II, to cover the conduct of their own national governments.

Clearly, governments are unlikely to accept the principle of counternationalization. At any rate, the ACPs, have demonstrated their unpreparedness to do so. Even if the EGME and the Commission has succeeded in forcing the framework agreement on the ACPs, it certainly would not have contributed to a significant expansion of mining investments there. Since their perception of the cause of the decline of European investment was incorrect the solution could, at best, have been of limited help and, at worst, been pernicious. Regime instability, though on the decline, is a factor of the modern mining sector, as Mike FABER and Ronald BROWN have shown *(65)*. It is induced by changes in objective conditions rather than by the subjective caprice of nationalist leaders. The EGME will have to accept this and work further towards a definition of rules which will facilitate orderly changes in regime. In turn, the ACPs will have to uphold the resultant regime changes and when need be, after appropriate periods, seek orderly changes.

THE MINING ARRANGEMENT

Title III seeks to accomplish two objectives. One is to ensure current supplies via a scheme widely known as MINEX. The other is to secure future supplies, via what is termed MINIV.

MINEX. It seeks to achieve its goal by making certain that the requisite ACP production, hence capacity to export to the EEC, is maintained intact. In the event of discruption, the Community will step in with financial aid to restore the damages. MINEX is thus an accident insurance scheme. The scheme covers:

- bauxite (Guyana, Guinea, Jamaïca and Surinam);
- copper and cobalt (Papua New Guinea, Zaïre and Zambia);
- iron ore (Liberia and Mauritania);
- manganese (Gabon);
- phosphate (Senegal and Togo); and
- tin (Rwanda).

The case of iron ore is complex. Mines that were exporting to the EEC under Lomé I will continue to be covered by STABEX, until 1984, and likewise by MINEX. Thereafter all iron ore will be covered by MINEX only. The above list of minerals can be extended, but only by decisions of the EEC Council of Ministers (Article 50), and only if the applicant state can prove that the mineral in question is vital to its economy, and that its production capacity has, or is being, damaged.

Already 280 mua has been set aside to cover accidents to capacity. It is to be divided into five annual installments. No single ACP state is entitled to more than half of the yearly allocation. Payment takes the form of 'special loans' involving a 1 percent interest rate. Reimbursement is spread over forty years with a ten year grace period (Article 51).

As with STABEX, there is a dependency threshold. To qualify for assistance, the mineral in question must have accounted over the preceding four years for at least 15 percent of the applicant's export earning (10 percent for the less developed, land-locked and island countries – LDLLIC) to all destinations. If a country finds that it is prevented from restoring at a 'normal' rate, or from maintaining its production, and hence export capacity to the Community as a consequence of

(1) a collapse in export prices – as happened in Zambia's case in 1977 – such as to endanger the profitability and preservation of an otherwise viable production potential, or of

(2) a fortuitous occurrence of two classes: (a) national disaster and (b) political turmoil such as in Zaïre in 1978, which impairs production,

then it is entitled to aid. However, to obtain aid the damage must be significant, entailing a drop of no less than 10 percent in production or export. Only then are the ACPs entitled to apply to the Commission for MINEX rehabilitation aid. This does not preclude them from also requesting EDF emergency aid, as provided for under Article 137. Provisions do exist

(Article 35) for the EEC to come to the immediate assistance of an affected state by making advances in a form the Commission deems appropriate. Such advances will form part of a programme or project to restore the impaired capacity in question.

However, unlike STABEX payments, MINEX aid is not automatic, and it is the Community which decides whether to approve, or reject a request, and it also determines the amount to be granted. This, in theory, is done in light of the rehabilitation plan prepared by the affected ACP state, and of the possibilities for cofinancing. Negatively, this means that some claims can be simply disregarded, if the Community's interests are better served by so doing. The EGME could persuade the Commission, for example, that excess production capacity in the ACP states is the cause of slumping prices for a given mineral *(66)*. One way to resolve the problem would be to refuse the aid requested and cause the closure of the 'unwanted' capacity. Positively, MINEX will enable the EEC to act promptly to restore damaged capacity as required. For example, it could have enabled the EEC to finance special measures to keep Shaba copper and cobalt flowing during the Zaïre political crisis *(67)*.

Quite clearly, the intention behind MINEX is to ensure the orderly flow of vital ACP minerals to the Community. Moreover, there is no reason why the scheme should not succeed in attaining its objective. If it fails it will not be as a result of design, but rather of the inadequacy of the financial facility. 280 mua amounts to only 56 mua per year. The political turmoil in Zaïre alone required 265 mua to restore the mining capacity to the pre-crisis level. Similarly, after the 1977 copper price collapse, Zambia had to subsidize its mines by 134 mua. Given the order of these financial outlays, it is doubtful whether the MINEX allocation will be able to cope satisfactorily with major crises in the future. If it fails, then the stability of ACP mineral flows to Europe could be threatened – considering that no provisions exist in Lomé II for increasing the MINEX allocation.

MINEX is restrictive also in terms of the range of products covered. It insures only seven of the ten minerals that the ACPs fought to have included under STABEX *(68)*. Moreover, MINEX aid is discretionary, not automatic, as with STABEX. This gives the EEC complete control over the scheme with no effective say for the ACPs. Contrary to the Community's claim, MINEX is no answer to the ACP's demand for income stabilization coverage of their non-fuel mineral exports. Doubtless there are definite benefits in MINEX for some ACPs, particularly those prone to political instability, as Michael SOMARE, the Prime Minister of Papua New Guinea, has emphasized *(69)*. It will also help many others to mitigate the hardships caused by occasional price collapse. However the ACPs will continue to bear the bulk of the adjustment cost to ensure that Europe is adequately and orderly supplied in the short run.

MINIV. This scheme aims at securing the Community's long-term supplies by reviving European investment in the ACP mining sector. To accomplish this goal, Lomé II will extend financial and technical aid for:

(1) the strengthening of scientific and technical capability in the field of geology and mining in accordance with the ACP's research and exploration programmes;

(2) the establishing of national and regional exploration funds in the ACP states; and

(3) the carrying out of feasibility studies and related measures to the pre-investment stage of a mining project.

Some outright grants will be made available to facilitate the above measures. However, the bulk of the required funding will take the form of risk capital in conjunction with capital contributions from the ACP states concerned, and from other conventional sources as outlined in Article 105.

The measures visualised under MINIV will absolve the mining companies of certain traditional functions ranging from exploration to pre-investment financing. These have become increasingly time consuming and costly, and have added immeasurably to the risk companies have had to face in the mining sector. Shifting the risks and costs away from the European mining companies poses a serious problem. The extent to which the ACPs might prove ready to cooperate with the EEC in ensuring the success of MINIV, will ultimately hinge on the share of the redistributed cost and risk they are asked to bear by the EEC. True, some of the ACPs' initial outlay will be defrayed by EDF–EIB funding – which will be largely in the form of risk capital. But, the fact remains that this aid will have to be repaid (on terms similar to the aforementioned 'special loans'), whether or not it results in the discovery of commercially exploitable deposits. This would deter ACP states from proceeding with the outlined measures on a scale commensurate with the Community's future needs. There perhaps should have been a way of writing off loans connected with unsuccessful exploration, and related pre-invested activities, as is the case with the UN Revolving Fund (UNRF) for non-fuel mineral exploration *(70)*. This would have provided a stronger incentive for ACP cooperation. Further, the Community has not made clear how much risk capital it intends to provide in support of the measures visualised under MINIV. While this makes for flexibility, it also fails to convey a sense of the order and the gravity of the task the scheme is meant to tackle.

Now that MINIV has to an extent absolved the mining companies of some traditional responsibilities, they should be able to organize funding for large scale ventures more readily. In this regard, Article 59 of Title III calls upon the EIB to offer leadership and capital to revive European investment in the ACP mining sector. Unlike Lomé I, Lomé II will subsidize ordinary EIB loans for ACP mineral projects. An unspecified portion of the 685 mua of EIB funds (Article 95) will be made available to companies registered in the ACP states. It is not clear whether state-owned ACP mining companies will qualify for Bank loans discounted by 3 percent. As yet the ACP states do not have viable private mining firms. Hence, by incorporating locally, the European mining companies could be the principal beneficiaries of the low cost EIB credits. These are estimated to be in the order of 30 mua yearly.

More importantly, the EIB has been allocated 200 mua. Half of it is intended for energy projects and the remaining for non-fuel mineral development. In accordance with its statutes, the EIB is free to commit the 100 mua on a case by case basis to ventures recognized by the EEC and the ACPs, as being of mutal interest.

The role the Community expects the Bank to play during Lomé II is identical to that played since 1978 by the IBRD in non-fuel minerals world-wide *(71)*. In fact, the Community need not have looked to the World Bank for guidance. The EIB has a longer, and satisfactory record in spearheading European investments in the mineral sector of the associated states. Under Yaoundé II the EIB extended 60 mua to six large scale projects costing well over 850 mua. It was thus instrumental in generating about 14 ua of investment for every one of its own. The respective benefiting companies included the Congo Potash Company and GECO Copper Mines Limited, the SLN Company and the *Société Métallurgique de Nickel* in Mauritania and New Caledonia *(72)*. By contrast, during Lomé I the Bank played a low key role with regard to mining investment. The EEC now intends to reverse this in the course of Lomé II.

As the Community sees it, the Bank's role is, above all, to offer leadership and assurance to investors, to generate cofinance, particularly from Arab sources, and to spearhead large scale investments. Important as these functions are, the EIB's success will ultimately be determined by the resources at its disposal. It has only 20 mua annually to spend from the 100 mua special allocation, and 30 mua of risk capital plus its «own resources» - which altogether is 60 mua. Assuming that the Bank again succeeds in mobilizing cofinancing at the ratio of 14 to 1, this could yield a total annual investment of 840 mua. However, the 14 to 1 ratio is optimistic in the present investment climate. The ACP Secretariat argues that a ratio of 7 to 1 is more realistic *(73)*, which yields a potential yearly investment of about 420 mua. Whichever estimate is used, the amount falls far short of the projected investment required in the ACP states to secure the Community's future supplies. Drawing on EGME data the African Institutes for Economic Development has calculated that 1.3 billion ua of investment is needed in the ACPs yearly, between 1980–1985 *(74)*. (This contrasts with the EGME estimate of 2.1 billion ua for the LDCs as a whole *(75)* which is low compared to the U.N. estimate of 3.5 billion ua) *(76)*. Should the EIB succeed in generating the 840 mua annually, 460 mua will still be needed. Given their declining income from mineral exports the ACPs are unlikely to be able to make any new, substantial investments themselves. Some of the shortfall will possibly be met by the non-European MNCs, largely US owned, which will continue to be a source of concern *(77)*. However, the necessary 1.3 billion ua of investment projected is unlikely to be fully met. Hence, the danger of shortages of vital non-fuel minerals in the EEC in the mid-80's remains a serious one. Should MINIV, and for that matter MINEX, fail to accomplish their set goals, the EEC would have only itself to blame for not having made enough resources available. Yet should the Bank succeed in generating the expected 840 mua of annual investment in the ACPs, dependence on intermediary suppliers will certainly

decline. More importantly, the Community will have succeeded in reversing its shrinking investment, which undoubtedly would give the EEC more substantial control over its future supplies that has hitherto been the case.

As for the EGME, on balance, the firms involved are not unhappy with the outcome of Title III. MINEX is, of course, of marginal and indirect interest to them. Insurance payments will be made to ACP governments. Receipts of such transfers by the companies will depend on whether their particular production capacity has suffered damage. The framework agreement called for in the 1976 *Submission* has not been reflected in Title III itself, although a joint ACP-EEC declaration appended to Lomé II urges the conclusion of specific agreements. Evidently, the EGME no longer regards these to be of primary importance to the restoration of European investment in the ACP states.

By contrast, the MINIV scheme is very similar to the second of the EGME's three proposals, with one exception. It does not link MINIV (or, as matter of fact MINEX) aid to the required ACP good conduct *vis-à-vis* European mining interests. However, it does provide for EIB's assistance and involvement in new capital projects. Further, MINIV will shift the burden of exploration and related pre-investment activities onto the ACPs. This will reduce the companies' risks and enhance their ability to raise productive investment. Consequently, the EGME has publicly expressed satisfaction with MINIV at a recent meeting between high officials of the CEC and the EMIA. The early October 1979 meeting, which incidentally predates the signing of Lomé II, was intended:

> *... to discuss the development prospects of mining companies in the ACP states ... with firms likely to have specific projects there ... At the meeting Mr. Claude Cheysson explained the possibilities offered by the next Lomé Convention in the mining sector. Mr. Etienne Davignon, Commissioner of Industrial Affairs, gave details about the links between the developing of the mining sector in the ACP states with the EEC's industrial policy ... Mr. Le Portz, President of the EIB explained the role which the Bank will be playing in the developing of the mining sector. (78)*

While the EMIA is happy that ACP-EEC relations are now moving in the «right direction», it nonetheless felt impelled to restate the urgent need to adopt a Community investment guarantee scheme against political risk – similar to that espoused by the EGME in 1976.

The ACPs, however, have had less cause to be as happy with Title III. Both of their key proposals for inclusion were rejected. There is a remote chance that if continued, simultaneous ACP and EGME pressures on the EEC, might later result in a Community guarantee scheme to cover European investments in the ACP mining sector. By contrasts, there is no possibility of the ACPs reopening meaningful discussion on the enlargment of STABEX to include non-fuel minerals. A unilateral ACP declaration appended to the Lomé II text reflects their disappointment,*(79)* and the last ACP-EEC *Annual Report* goes through the motions of calling for an urgent re-examination of Title III:

> ***... in such a way as to enlarge it and to take into account the effects of the instability of export earnings from mineral products, this being of vital importance to countries whose economies are largely dependent on such earnings. (80)***

As far as the ACPs are concerned, Title III has failed to deal with the most crucial issue facing their mining sector – instability of export earnings.

Of course, the ACPs did succeed in blocking some aspects of the EEC counterproposals. For example, they managed to revise and relegate the EEC demand for a framework agreement to an Annex *(81)*. But this is a small consolation. Title III is stacked against them. For instance, in the case of MINEX, they have no effective say in which products are included in the scheme, when and how payments are to be made, and in the final choice of corrective measures. Similarly, in the case of MINIV, it appears that the EEC will effectively decide when projects are of mutual interest, and hence which projects will, and will not receive EIB aid. The projects which are accorded assistance will inevitably be export-oriented to the Community market. *(82)*

Notwithstanding the above, some ACPs will derive some concrete benefits from Title III. It gives the mineral-dependent ACPs a direct line of credit to restore production capacity in the event of accidents. Moreover, the massive investment envisaged, approximately 3.5 billion ua between 1980-1984, will generate considerable income, employment and foreign exchange over the short term. Lomé I, not to mention Yaoundé, provided no such opportunities. In fact, no other group of LDCs has such guaranteed access to accident insurance aid of the MINEX type. By contrast, the LDCs as a whole, do have recourse to the IBRD and UNRF assistance for non-fuel mineral development. However, this aid is restricted in scope and is spread thinly. Hence, it lacks the coherent focus of Lomé Title III. Further MINIV is a more flexible investment instrument than either agency presently has to offer. This is probably why the inter-American Bank (IAB) now plans to adopt MINEX and MINIV as the basis of its proposed scheme for Latin America and the Caribbean *(83)*. This, it is reasoned, will boost minerals output in the countries concerned and assure future U.S. supplies in the same way Lomé will for Europe.

Encouraged by its potential for securing and expanding EEC supplies and investments the EEC has begun to project Title III as a model for global negotiations. In fact, the Commission has hailed it as an alternative to the measures outlined in the Action Programme *(84)* for solving the raw materials problem in the North-South context *(85)*. In reality, Title III comes no where close to the Action Programme measures endorsed by the General Assembly of the UN in 1974 as essential to the establishment of a new international economic order (NIEO). These include Northern recognition of Southern sovereignty over natural resources, acceptances of producers' associations, indexing of raw material prices to manufactures, and most importantly, the stabilization of export prices and incomes (i.e., adoption of the IPC). However, Title III does not address itself to these key ACP and non-ACP LDC concerns.

In fact, the lack of reference to the above measures, and particularly the IPC, is seen by the Nine as «one of the strongest points of Lomé II». More specifically, the EEC contends that:

> *The Convention successfully deflects emphasis away from an exclusive preoccupation with stabilizing prices on earnings to creating mechanisms which encourage the development of mineral production. (86)*

Overall, Title III is regarded as a major breach in the South's common front and as a serious blow to the Action Programme. It is thus viewed as a very favourable outcome for the mineral dependent West, particularly in the light of the failure of the North South dialogue to produce results *(87)*. By contrast, the deflection of attention away from the ACP proposal on income stabilization is seen by the Sixty as the fundamental weakness of Title III. Moreover, the EEC action does not auger well for the inclusion of non-fuel minerals in the more far reaching IPC.

Outcome and Impact: Dependency and Interdependence

The outcome of Title III to both parties and its likely impact on the vulnerability of the EEC and the ACPs cannot be satisfactorily explained by either the dependency or interdependence approaches which predominates in analyses of the Lomé Convention.

The contention of Gruhn and Zartman that in ACP-EEC relations outcomes are a function of bargaining style *(88)* does not hold in the case of Title III. Observers of the negotiations do not fault the ACP bargaining style for the EEC rejection of the ACPs' mineral proposals. The briefs containing the ACP submissions on export income stabilization and investment guarantees were expertly prepared by specialists of impeccable calibre in conjunction with the Commonwealth Secretariat. Also, ACP representatives were highly experienced in inter-regional negotiations. They were no less astute and competent as negotiators with the EEC than their Lomé I predecessors *(89)*. Similarly, the opposing dependency contention of Amoa and Antola *(90)* that structural power is the sole determinant of outcome, is also inadequate to explain Title III. By their own admission, minerals constitute an issue area in which the ACPs are strong in terms of structural power *(91)*. This power derives from the fact that traditionally they have been the most important non-fuel mineral suppliers to the EEC. By virtue of this position Antola contended in 1976 that the weak ACP states could even link the issue of minerals to successful outcomes on other issue areas. Needless to say, this did not occur. Moreover, the outcome of minerals was even less favourable to the ACPs than the outcomes of aid and trade – issue areas on which the ACPs were almost powerless.

The failure of both dependency and interdependence analysts of Lomé to predict the outcome of Title III derives from the fact that outcomes are a function of both bargaining and structural power. They are also significantly influenced by context. Under conditions of asymmetrical dependence (which characterize relations between strong and weak states, as Hirschman, Holsti and Waltz have argued) *(92)* overall structural

power is often the final but not the sole determinant of outcomes. This certainly was true of ACP-EEC relations in 1979. Hence, during the negotiations on Title III the Community successfully stuck to its initial declaration of not yielding to ACP demands *(93)*, largely because the overall balance of power favoured the Nine. *(94)*

Had the Community been prepared to negotiate in a spirit of compromise – then potential ACP power on the issue area of minerals could have been used to effect a favourable outcome for the weak. Such an outcome depends on an accurate evaluation of power in the given context and its effective conversion into leverage. Antola and Brown assumed away the latter and exaggerated the former, as dependency theorists are prone to do. Power is context-specific as the Sprouts have argued and hence context is crucial to outcomes *(95)*. Had Title III been negotiated in 1974, as part of Lomé I and hence against the backdrop of mounting European anxiety about imminent raw material shortages, the ACPs could have obtained concessions. However, by 1979 this anxiety had abated. More importantly, the potential power, which inheres in the ACP position as *the* principal supplier of non-fuel minerals to the EEC, was significantly diminished as a result of short-term developments. Slumping prices, overcapacity, production surplus and falling investments, which characterized the mining sector in 1979, momentarily plunged the ACPs into a position of weakness.

Parallel to this development, the EEC was able to split the ACPs during the negotiations. It engineered a rift between the predominantly agricultural and mineral exporting ACPs. Further, concessions were made to select non-fuel mineral exporting ACPs (such as Zaire and Rwanda) on other issue areas which engendered friction among the mineral-dependent ACPs *(96)*. These EEC manœuvres seriously eroded ACP unity and resulted in the «malconversion» (to borrow Baldwin's term) *(96)* of their diminished structural power into effective leverage upon the Nine. Even if the Community had been ready to compromise in 1979, the above developments would have prevented the Sixty from wresting any substantive concessions from the Nine on minerals – not to mention concessions on other issue areas. A readiness on the part of the strong to compromise, efficient conversion of power and effective bargaining by the weak, and a favourable context are prerequisites for outcomes advantageous to the weak on specific issue areas under conditions of asymmetrical dependence. Clearly, these factors did not favour the ACPs in 1979 on the issue area of minerals.

As with outcomes, dependency and interdependence approaches provide no helpful insight into the likely impact of Title III on ACP-EEC dependence and hence vulnerability. This could be attributed to the assumed modal characteristics underlying the above contending approaches. It leads the dependency analysts to conceive vulnerability as unidirectional or restricted to the ACPs, and the interdependence analysts to ignore its existence altogether. In reality, ACP-EEC dependence is asymmetrical. When viewed from this perspective one can ask the key question of Lomé, namely how will Title III affect the vulnerability of the ACPs and the EEC? Clearly the foregoing analysis of the mineral arrangement indicates that it will reduce the Nine's vulnerability. MINEX and MINIV will make EEC supplies more secure, both in the short and medium term. By contrast, Title III is likely

to attenuate the vulnerability of the associated states. This contrasting potential impact gives some credence to the dependency claim that Lomé will reinforce ACP dependence, but in no way provides vindication. Dependency theorists tend to overlook the important fact that the ACPs have already succeeded in re-dividing the surplus generated by the existing mining sector much to their advantage *(98)*. One would expect surplus exproriation from future mining investments to be significantly less than in the past. Hence, Title III is unlikely to reinforce underdevelopment, but neither will it lead to ACP industrial diversification. This will not occur unless the ACPs succeed in coupling the expected large-scale mineral projects in the course of Lomé II with the desired expansion of their own downstream operations. This course of action is not beyond their capability, although Title III itself makes no allowance for it. By virtue of this omission, its developmental impact will be minimal and it is unlikely to reduce ACP dependence.

Another assertion which must be briefly dealt with here, is that Lomé represents a new divison of labour. This contention is akin to that of interdependence, but in implication it is closer to that of dependency. Champions of this position include Lynn Mytelka *(99)*. Drawing upon the early works of Stephen Hymer *(100)* Mytelka contends that the European MNCs are using the Community, in the context of Lomé to restructure global production and distribution. However, the fore-going analysis of Title III indicates otherwise. The large mining companies, for example, have had to ally themselves with the EEC to fight a rearguard action to maintain their old investment and production pattern, against the ACP onslaught to alter these. The Hymer-Mytelka thesis, which portrays the nationalist regimes as unconscious tools in the MNC-inspired restructuring process, has no substance. The same is true of the Marxist version of this thesis as represented by Christian Palloix *(101)*. Certainly, in the case of the ACP mining sector, the European mining houses have been pushed into a reactive role. The deliberate action of the ACP governments in the sphere of divestments, regime changes, and producers' associations have been a principal cause of the shift of DFI away from the mining, to the manufacturing sector in the ACP states. The Hymer-Mytelka thesis, which posits «the logic of capital» as *the* cause of the changing investment pattern in the Third World is not convincing in the ACP case. Equally, the shift has not resulted from mining companies diversifying their investment portfolio (as Palloix suggests), at least not in the case of the European mining companies. They simply reduced their investment in the ACP states drastically from 1960, and dramatically increased it in the so-called «safe» countries. Title III in no way indicates that a new division of labour is emerging between the ACPs and the EEC. Its acclamation by Community officials as the most innovative aspect of Lomé II, is more indicative of its potential for reinforcing the old division of labour.

CONCLUSION

Lomé I did institutionally link the EEC with important non-fuel mineral producers. Some of its provisions did indirectly facilitate the EEC's access to ACP minerals. However, the convention contained no direct instruments to secure, on a systematic basis, the Community's non-fuel mineral

supplies. Lomé II rectifies this «omission». Title III is a bold attempt by the EEC to realign European investment with current geological and economic realities. This involves reviving European investments in the ACP states, and likewise in Southern Africa. Should the EEC succeed, this will give it unique access to most of its bulk and rare minerals over the long term. Lomé II thus has the potential to become a secure arrangement, which the Community's industrial rivals, the USA and Japan, might come to look upon with envy. However, the security of the Community investment and hence supplies from the ACPs and Southern Africa, will not be determined by Title III as it stands even if it were to be successfully implemented. Ultimately, it will depend on a modified title which takes into account the specific problems the ACPs face in relation to the mining sector and the solution or goals they envisage. A revised title must first of all address itself to the underlying twin issues of export price/income fluctuation and the terms of trade of non-fuel mineral exports. Many influential European observers of ACP-EEC relations (and indeed of Europe-Third World ties), including Hager, Noelke and Coopens *(102)*, have agreed that the nexus of the investment and export instability problem faced by Europe derives from market conditions. Hager conveys it as follows:

> ***one of the greatest threats–directly and indirectly–to investments for an expanding raw material supply is the chronic instability of markets. (103)***

Assuming adequate trade measures are worked out, which they must be, the stability and security of EEC investment and supplies will hinge on two additional, but related factors. One is the ownership structure of the large scale mining enterprises themselves, which is likely to be established during Lomé II. It is now well documented that the pattern of ownership is an important determinant of «spoilation» in the mineral sector *(104)*. Regime change tends to be high in the case of outright foreign ownership, and negligible to non-existent in the case of joint ownership. Yet Title III fails to come out forcefully in favour of the latter. The Community has to be careful not to confuse its quest for guaranteed access with the question of who produces the minerals: the latter being the sole concern of the EGME and the EMIA. The other factor is the structure of the mining industry. The Community desires secure access to ACP raw materials, while the EGME and the EMIA are seeking to strengthen their grip over downstream operations such as transportation, marketing and processing *(105)*. At the same time, the ACPs have ambitious and comprehensive plans to substantially increase their role in downstream operations as outlined in a recent UNIDO study *(106)*. As a result, there has already been a number of clashes, such as those between Italy and Liberia over the marketing of iron ore; between Britain and Jamaica over the shipping of bauxite; and between Zambia and European interests over the joint establishment by Pechiney and the Zambia Industrial and Mining Corporation (ZIMCO) of a complex for the manufacturing of copper rods in France *(107)*. This course of action, incidentally, was forced upon Zambia after the Community refused to lower its tariff barrier against imported copper rods. Clearly, some accomodation by the EEC of the ACP's progressive expansion of downstream operations will be an essential condition to the Community's security of access to ACP

non-fuel minerals *(108)*. Title III, however, avoids this issue. Similarly, it denies the Sixty a voice in the management of the MINEX and MINIV schemes, therely contradicting the spirit of Lomé and the repeated Community claim that the convention is a joint arrangement between equals. The EEC must address itself to the above ACP concerns (just as the ACPs must show understanding of the EEC's interests). Not until the Community does so, will both its investment in, and supplies of, ACP non-fuel minerals be stable and enduring. Meanwhile, Lomé II will certainly make a limited contribution to this end, especially if Southern Africa is brought expeditiously into the arrangement.

Concurrently, it is in the Community's own long-term interests not to project the Lomé mineral arrangement as an alternative to that of the Action Programme. That it certainly is not. At best, Title III is a partial-short-to-medium term paliative. Hence, the Nine should work for the realization of the NIEO measures, and especially the IPC. Also, the ACP and non-ACP LDCs will have to review the measures, outlined in the Action Programme – in keeping with the changing international climate. Some of the measures will have to be made more widely acceptable and readily implementable. A lasting solution to the orderly flow of raw materials from the Third World has to be global in nature. Unless progress is made to this end, confrontation, disruption and repetitions of the 1973-1974 OPEC-precipitated crisis cannot be pre-empted over the long run. In the event of such occurrences, Europe stands to lose the most (after Japan) given its dependence. Consequently, it is imperative for the Community to inspire concerted action for a fair global solution to the raw material problem in the North South context and to favourably review ACP demands in the context of the inter-regional Lomé arrangement.

FOOTNOTES

1. *The Lomé Convention and Related Documents*, Brussels, EEC, 1975 and *The Second ACP-EEC Convention and Related Documents*, Brussels, EEC, 1980.
2. *The Treaty of Rome and Related Documents, Brussels, EEC, 1958.*
3. Ruth Weiss, «EEC Helps Mineral Producers to Assure Supplies», *African Business*, 1979, Vol. 3, No. 10, p. 49.
4. Karl Meyer, «Another Step Forward», *The Courier*, 1979, Vol. 10, No. 58, p. 25.
5. «Eying the Mines», *New African*, 1979, Vol. 15, No. 12, p. 63.
6. Helge Hveem, *The Political Economy of Third World Producers Association*, Oslo, Universitetsforlaget, 1978, Appendix C.
7. Stephen Korben, «Foreign Enterprise and Forced Divestment in the LDCs», *International Organization*, 1980, Vol. 34, No. 1, pp. 79 & 87.
8. *European Investments in the Mining Sector of the ACP States*, Scandinavian Institute for African Studies, Uppsala, 1979, p. 12.
9. *Europe, Raw Materials and the Third World*, DG VII, EEC, Brussels, 1974, p. 1.
10. *The Raw Material Dossier*, Information Directorate General, EEC, Brussels, 1976, p. 8.

11. ACPs account for 4 (Liberia, Mauritania, Surinam and Zambia) of the 6 LDCs deriving more than 75 per cent of their export earnings from non-fuel minerals, 2 (Zaire and Jamaica) of the 4 LDCs obtaining between 50 and 75 percent, and 3 (Togo, Guyana and Papua New Guinea) of the 5 LDCs deriving between 25 and 50 percent. See - M. Govett and G. Govett, «The New Economic Order and World Mineral Production and Trade», *Resources Policy,* 1978, Vol. 4, No. 4, p. 239.
12. *ACP-EEC Cooperation, Analysis, Application and Outlook: Draft Report of the ACP-EEC Council of Ministers,* Brussels, ACP Secretariat, 1980, pp. 14-15.
13. *Assessment Report of the ACP-EEC Ministerial Conference Held on the 24, 25 and 26 May 1979 in Brussels,* Brussels, ACP Secretariat, 1979, (ACP/521/79) (Secre).
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15. For an account of the changed German position on STABEX see – Inga Kurgmann-Randolph, «Raw Material Supplies are not a North-South Problem», *Development and Cooperation,* 1979, Vol. 12, No. 1, pp. 22-23.
16. Details are in – *Assessment Report of the ACP-EEC Ministerial Conference Held on the 24, 25 and 26 May 1979 in Brussels,* ACP Secretariat, Brussels, 1979, ACP/ 521/79 (Secre.), pp. 16-18.
17. Henry Joules, *A Review of AAMS-EEC Relations, SIAS, Uppsala, 1980, p. 24.*
18. Forrester, op.cit., p. 26.
19. Claude Cheysson, «Our Experiment has been Converted into a Policy, the Lomé Policy», *The Courier,* 1979, Vol. 10, No. 58, p. 9.
20. José Fralon, et.al., *The New EEC-ACP Convention: From Lomé I to Lomé II,* Brussels, European News Agency, 1980, p. 166.
21. Walter Gainer, *ACP Mineral Product Exports and the STABEX Arrangement,* Commonwealth Secretariat, London August 1978, pp. 1-12; *The Renegotiation of the Lomé Convention: The Implications of Including Minerals in the STABEX scheme,* Commonwealth Secretariat, London, January 1979, pp. 1-14.
22. Gainer, op.cit., p. 4.
23. *The Renegotiation of the Lomé Convention: The Implications of Including Minerals in the STABEX Scheme, op. cit.,* p. 5.
24. Joules, *op. cit.,* p. 16.
25. *European Investment in the Mining Sector of the ACP States, op. cit.,* p. 38.
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45. «EDF Aid for ACP Railways», *The Courier,* 1979, Vol. 10, No. 56, pp. 112-113.
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66. Both the EGME and its parent body, the EMIA, have direct access to high officials in the Commission, and in member states. The bulk of the CECs' information on the mining sector is supplied by the EGME directly, and by EMIA indirectly through member states.
67. Christopher Stevens, «Lomé II Leaves a Feeling of Disappointment», *African Business,* 1979, Vol. 3, No. 12 (December)' p. 20.
68. *Assessment Report of the ACP EEC Ministerial Conference Held on 24, 25, and 26 May 1979 in Brussels, op. cit.,* p. 16.

    The 7 products in question account for approximately 89 percent of the Sixty's mineral exports to the Nine. The ACP claim that their inclusion in the scheme is due to their greater importance to the EEC, is not wholly founded. But it is noteworthy that the 7 minerals concerned are located in the most accident prone ACPs.
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72. «The EIB Loans for the Mining Industry», *The Courier*, 1978, Vol. 9, No. 49, pp. 83-84.

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74. *European Investment in the Mining Sector of the ACP Stages, op. cit.*, p. 28.

75. *Raw Materials and Political Risk: Submission by the European Group of Mining Enterprises to the President of the Commission of the EC, op. cit.*, Table 7.

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RESUME

Dans cet article, l'auteur fait une évaluation préliminaire de l'impact probable des accords ACP-CEE concernant les produits miniers non-pétroliers, accords signés en 1980 dans le cadre de la deuxième convention de Lomé. Mais avant de se lancer dans les détails du sujet, il fait d'abord un bref rappel de la Convention de Lomé et de la place des minerais non-pétroliers dans les rapports entre l'Europe de l'Ouest et le Tiers-Monde. Comme toile de fond il passe aussi en revue l'évolution des besoins en minerais non-pétroliers ainsi que le mode d'investissement des pays de la CEE. L'analyse de l'impact probable des accords concernant les minerais non-pétroliers porte essentiellement sur une évalutation critique de l'assurance «accident» et des plans d'investissement concernant les produits miniers non-pétroliers, tous deux des éléments importants des accords. L'examen de ces accords révèle, dans une large mesure, qu'ils garantiront probablement les investissements des pays de la CEE dans les pays ACP ainsi que leur approvisionnement à partir de ces mêmes pays. Cependant les profits des pays ACP sont moins évidents.

L'auteur essaie ensuite d'expliquer les résultats plutôt opposés pour les pays ACP et ceux de la CEE par rapport à la littérature de dépendance et d'interdépendance. En conclusion l'auteur suggère que l'ultime solution au problème de l'insécurité des investissements et de l'approvisionnement des pays de la CEE réside dans des concessions aux exigences des pays ACP comportant un plan de stabilisation des revenus à l'exportation et d'une manière plus générale, une exécution plus rapide de mesures adéquates pour le Programme Action.