

INFORMATION

COOPERATION AND DEVELOPMENT

EEC - ALGERIA

120/76

The agreement signed in Algiers on 26.4.76 marks a significant step forward in the relations between Algeria and the European Community. The numerous problems to be solved led to long and sometimes difficult negotiations. This did not however, undermine the willingness of the Algerians and Europeans to strengthen the existing links in order finally to succeed in concluding a cooperation agreement.

As the EEC/Algeria agreement contains financial provisions, it cannot enter into force until after ratification by the national parliaments.

In the meantime the trade provisions of the agreement will come into force on 1 July 1976 as both sides have concluded an interim agreement enabling the advanced implementation of these provisions.

So after a number of years of contacts and discussions, an agreement has been finalised.

It thus opens the way for a vast cooperation policy between both sides of the Mediterranean, with the Maghreb countries as well as with the Machrak (Egypt, Jordan, Lebanon and Syria). It is also the first milestone in the Community's policy with respect to the Mediterranean area which was launched in November 1972.

This cooperation takes note of the interdependence which exists between the countries in the region each of whom wants to make it a zone of peace and prosperity. It comes at a time when the Euro - Arab dialogue is beginning to take shape and will thus complete the picture in an opportune way.

It constitutes, in other respects, an essential pillar in cooperation between Europe and developing countries in the same way as the Convention of Lomé which brings together the Nine Member States of the EEC and forty six African, Caribbean and Pacific States.

It finally serves as an example for the negotiations currently going on in the framework of International Economic Cooperation between the industrialised countries of the northern hemisphere and the developing countries of the southern hemisphere (North - South Dialogue).

A long road

When Algeria became independent in July 1962, it expressed its desire to continue to benefit from the commercial arrangements which it had enjoyed on the Community market since 1957, while awaiting the start of negotiations to establish new links between an independent country and the Community.

The Algerian authorities have since 1963, expressed their wish to begin discussions with a view to concluding a global agreement. These negotiations should have begun at the latest by 1972.

In the meantime, trade arrangements between Algeria and the EEC evolved in an anarchic way. In 1968, Italy decided to apply to Algeria the same regime that it applied to third countries. On the French market, Algerian products - with the exception of wine as of 1971 - continued to enter duty free but within certain specific provisions for sensitive products : calendar limitations with a minimum import price for some early produce, tariff quotas or special quotas for a certain number of tinned produce. In Germany and the Benelux, Algeria benefitted from the tariff reductions existing in the Six original members of the EEC in 1962.

Algeria, for its part abolished, on 1 January 1973, the tariff preferences which it had continued to grant to European products. The application of this series of unilateral arrangements contributed to maintaining a division between the European markets for Algerian products. This produced an obstacle for the diversification efforts of Algeria to distribute its exports better between the European markets. The temporary nature of the tariff advantages on the French market could not but convince them to establish clearly defined links with the Community.

In 1972 the Community authorities decided to open negotiations with Algeria on the basis of an offer concerning solely trade arrangements. In November of the same year, they defined the "global approach to the Mediterranean" under which the Nine sought to work out a perspective for the development of all their relations with the Mediterranean countries and to specify as a result the essential elements of agreements to be concluded with the countries concerned. In the framework of this policy, priority was given to financial and technical cooperation to be established with Algeria, Morocco and Tunisia.

Global cooperation

This new approach of the "Nine" approved by the Heads of Government at the Paris summit meeting in October 1972, enabled them to start negotiations on the basis which the Algerian authorities had always hoped for.

The discussions between Algeria and the EEC began in July 1973 and ended on 17 January 1976.

Due to various difficulties it took two and a half years to finalise certain parts of the agreement - notably in the agricultural sector - which necessitated long discussions and a certain amount of internal adjustment on the part of the Community.

The EEC/Algeria agreement provides first of all for free access to the Community market for industrial products, with the exception of cork products and refined petroleum products. It also provides for free access for products covered by the European Coal and Steel Community (ECSC).

In the agricultural sector the Nine accord concessions which cover most of Algerian exports to the European market.

But this is not the main point about the agreement between the EEC and Algeria. It should be emphasised that this agreement has been signed for an unlimited period of time.

It also includes an important section on financial and technical cooperation which both sides consider will, in the future, constitute a pillar of the EEC/Algeria cooperation agreement.

It contains moreover provisions concerning Algerian workers employed in the EEC. This has the merit of making the social advantages of Algerian workers applicable throughout the Community, whereas previously there were different systems in the Member States.

On the institutional level, the new agreement establishes a Council of Ministers which is responsible for managing the agreement and for facilitating cooperation and contacts between the European Parliament and the National Assembly of Algeria.

Contribute to the economic and social development of Algeria

"The Community shall participate, within the framework of financial and technical cooperation, in the financing of measures such as to contribute to the economic and social development of Algeria."

Such is the wording of the first article of the protocol dealing with financial cooperation between Algeria and the EEC. The intention can appear ambitious when compared with the sums allocated to the State to finance development activities. The Nine are granting Algeria a financial envelope of 114 million units of account (about 456 million dinars) over a five year period, divided up as follows:

- 70 million u.a. (280 million dinars) in the form of loans from the European Investment Bank (EIB) accorded from its own resources at normal conditions of the financial market.

- 19 million u.a. (76 million dinars) in the form of loans on special terms: for a period of 40 years with a grace period of 10 years and at a rate of interest of 1%.
- 25 million u.a. (100 million dinars) in the form of grants; these subsidies could serve as interest rebates (as a general rule 2%) for loans accorded by the EIB. Part of the sum (12 million u.a.) will be allocated to the reconversion of Algerian vineyards.

These sums, although modest, are of prime importance to the spirit between the two partners as they should have a spill - over effect on other external financings in favour of development projects in Algeria. The agreement also expressly provides for the co - financing of these operations:

"Aid contributed by the Community for the execution of certain projects may, with the agreement of Algeria take the form of co-financing in which, in particular, credit and development bodies and institutions of Algeria of Member States or of Third States or international finance organisations would take part".

So the cooperation section of the EEC/Algeria agreement would obviously favour joint action between the Nine and Algeria but also with the participation of other countries notably with the oil exporting countries.

In order to achieve the cooperation referred to in the EEC/Algeria agreement account is taken of the following: -

- The objectives and priorities of Algeria's development plans and programmes:
- The importance of realising integrated actions by using regional cooperation between Algeria and other states (this of course concerns in the first place the other Maghreb countries).

As far as the objectives of this cooperation are concerned, the actions of the EEC must be complementary to the efforts of Algeria to diversify the structure of its economy, notably in the framework of the industrialisation and modernisation of the agricultural sector of the country. It must also promote industrial cooperation enabling Community participation in the realisation of industrial development programmes, the organisation of contacts between firms on both sides and the acquisition on favourable terms of patents by Algeria.

It also explicitly provides for cooperation in the energy sector. It favours the participation of EEC firms in the programmes for exploration, production and processing of Algeria's energy resources as well as the proper performance of long term contracts for the delivery of petroleum products. This is of particular importance when one considers that Algeria is an important producer of oil (nearly 50 million tons in 1974).

The new agreement also provides for cooperation in the scientific field and the fishing sector.

Finally it contains provisions which aim at favouring the participation of Algerian firms in the execution of work financed by Community funds. Provision is made for an accelerated procedure for issuing invitations to tender involving shorter time limits for the submission of tenders for work contracts which could be mainly of interest to these firms.

This procedure can be applied to tenders where the cost involved is less than 1 million units of account (4 million dinars).

A single territory for Algerian workers

The new agreement enables Algerian workers employed in the EEC not to be discriminated against in so far as working conditions or remunerations are concerned, in comparison to European workers. They must also have the same social advantages in all the nine Member States of the Community. They will benefit from all periods of insurance, employment or residence completed in the Nine in so far as pensions and annuities in respect of old age, death and invalidity, and also medical care for their families resident in the territory of the EEC, are concerned. This would not have been possible if an agreement in this sector had not been made at the Community level.

This "globalisation " certainly constitutes the most positive aspect of the provisions concerning Algerian labour employed in Europe. It also applies to family allowances for Algerian workers whose families are resident in the Community. They are also allowed to freely transfer to Algeria pensions, annuities in respect of old age, death and work accidents, illness and invalidity.

Annexed to the agreement is an exchange of letters between the two parties on the subject of Algerian workers. In these documents the Community authorities commit themselves to an exchange of views on the possibility of examining improvements to the conditions of life and work of Algerians residing in the EEC.

These improvements could concern notably socio - cultural problems which confront Algerian workers.

These provisions are of particular importance when one considers that about 500,000 Algerian workers are employed in the Community: over 400,000 in France, 3,000 in Belgium and 1,400 in Germany.

Increase Algerian exports to the EEC

For raw materials and industrial products including ECSC products the Nine accord Algerian exports free access into the Community market meaning exemption of customs duties and also quantitative restrictions.

As far as agricultural imports from Algeria are concerned, they benefit from a substantially improved regime. The tariff concessions offered by the Community cover between 80 and 90% of Algerian exports of agricultural products. Moreover Algeria can continue to benefit from privileged access in the French market for products not covered and for some products covered by the agreement. This is a temporary measure enabling Algerian exporters to apportion their sales better between the Member States.

These sales are at present essentially made on the French market and concern notably fruit and vegetables. The cumulated advantages thus accorded should end in the opinion of the EEC, on 1 January 1979.

The desire of the Community authorities to increase the volume of Algerian exports on the European market is clearly expressed in Article 8 of the agreement:

"in the field of trade, the object of the Agreement is to promote trade between the contracting parties, taking account of their respective level of development and of the necessity to ensure a better balance in their trade, with a view to increasing the rate of growth of Algeria's trade and improving the conditions of access for its products on the Community market."

The attainment of this objective is a necessity for Algeria which needs the receipts drawn from its foreign sales to finance its economic development.

To do this, it is obliged to buy its capital goods from abroad, a large part of which are supplied by the Member States of the Community.

The new agreement should enable first of all the stabilisation and then the increase of agricultural exports of Algeria to the EEC. These have often been subject to significant fluctuations from one year to the next.

It should also increase the export of industrial products to the Community markets, which have tended to stagnate in relation to total sales of Algeria to the EEC.

In the end Algeria should consolidate the equilibrium of its trade balance with the Nine which reached the following heights in 1974, for the first time since 1969 (due to the increase in the price of oil). The table on the following page gives the details.

External trade of Algeria with the EEC (1969 - 1974)

	1969	1971	1972	1973	1974
	1000ua. %	1000ua %	1000ua %	1000ua %	1000ua %
Imports	685896	864841	973732	1217331	1961562
Exports	875185 100	697678 100	856845 100	1051532 100	2031037 100
Agricultural products	153074 17.5	45221 6.5	49463 5.8	86047 8.2	52271 2.6
Raw Materials	665107 76.0	588424 84.3	679799 79.3	838459 79.7	1845666 90.9
Industrial products	57004 6.5	64033 9.2	127583 14.9	127026 12.1	132100 6.5
Balance	+189288	-167163	-116887	-165799	69475

Source : Statistical Office of the European Community
1 u.a. = about 1.20 dollars

Community exports to Algeria benefit from most favoured nation treatment. Provision is made for some exceptions in favour of other developing countries notably in the framework of the economic integration of the Maghreb. In other words Algeria can accord advantages to developing countries without according them to the EEC.

Moreover the agreement does not include the immediate obligation of reciprocity on the part of Algeria. This country commits itself to consolidating the existing regime, but at the same time preserves its right to reinforce its customs protection in the light of its industrialisation and economic development. But free trade is still the objective of the agreement: measures are envisaged as the gap between the levels of development is progressively reduced.

Industrial products : only two exceptions

There are two exceptions to the Community's concessions to Algerian exports of industrial products. Until 31 December 1979, EEC imports of refined petroleum products and of cork from Algeria will be subject to an annual ceiling system which will be increased by 5% for the former and 3% for the latter every year.

Within these ceilings these products will enter free of customs duties. Above these thresholds the EEC reserves the right to reimpose customs duties written into the Common Customs Tariff (CCT).

As of 1 January 1980, this type of restriction will be abandoned and refined petroleum products and cork products will be able to enter the Community freely, at of course zero duty.

Import arrangements in the EEC for refined petroleum products and cork from Algeria until 31 December 1979.

	Zero duty on the following volumes (in tons)	Above these volumes CCT duty
Refined petroleum products (1)	1,100,000	2 to 17.5% depending on the category of products
Natural cork	50	8%
Articles of natural cork	150	16%
Agglomerated cork	2,000	16%

(1) Algerian production of these products is currently of the order of 5 million tons.

It should be noted that most of Algerian exports to the EEC comprise sales of crude oil (90% in 1974).

In 1974 the Community absorbed over 21 million tons of Algerian oil exports at a value of 1,827 million u.a. For this product no customs duty is written into the CCT.

The interest of the agreement is also linked to the progressive industrialisation of Algeria and in particular to efforts accomplished and the EEC will participate in these - to develop the means of processing raw materials on the spot.

Agricultural products : a privileged regime

It is for this reason that the Community's concessions for Algerian exports of agricultural products are so important.

The advantages offered by the EEC to Algeria constitute a complementary means of development even if they cover a relatively small part of the total foreign sales of this country (they fell from 17.5% in 1969 to 2.6% in 1974).

It should be noted here that the fall in Algerian exports of wine as of 1971, the year in which the common organisation of the EEC's wine market came into effect, explains the weakness of this position in the structure of Algerian exports.

Account should also be taken of the results of EEC production and their effect on Community imports of wine from Algeria.

During the course of the 1973 - 1974 season France and Italy had plethoric harvests. The result was a fall in purchases of Algerian wines. 900,000 hectolitres (of a value of over 14 million u.a.) as opposed to 2.7 million hectolitres (44 million u.a.) in 1973.

This explains the difficulty both sides had in reaching a compromise: the EEC wanted to preserve the interests of the producers particularly in this period of crisis for the European wine industry; Algeria wanted to get a certain number of guarantees in view of the fact that a large part of its labour force is employed in this sector.

Finally the compromise reached by the EEC and Algeria largely meets the concern of the latter.

- wines for direct human consumption: tariff reduction of 80% with the obligation to respect the minimum import price (reference price).
- Quality wines : tariff free quota rising from 250,000 hectolitres for the first year to 450,000 hectolitres for the five years of application of the agreement.

The quota will be divided up as follows over the years (in hectolitres).

	<u>in bulk</u>	<u>in bottles</u>	<u>total</u>
first year	190,00	60,000	250,000
second year	180,000	130,000	310,000
third year	170,000	230,000	400,000
fourth year	150,000	300,000	450,000
fifth year	-	450,000	450,000

- wines intended for fortifying: These wines which are used for the manufacture of vermouth will benefit from a tariff reduction of 80% within the limits of an annual quota of 500,000 hectolitres. Moreover during the first four years of the application of the agreement, Algeria only has to progressively respect the reference price applied by the EEC to this category of wine.

For olive oil another relatively important export product (over 5 million u.a. in 1974), the EEC has granted some substantial advantages to Algeria:

A trade advantage in the form of a reduction of the levy of 0.5 u.a. per 100 kg (1 u.a. = about 1.20 dollars) and an economic advantage consisting of an additional reduction of 20 u.a. per 100 kg. on condition that the Algerian authorities apply an export tax of the equivalent amount; this reduction of the levy is composed of a fixed component of 10 u.a. and a variable component of 10 u.a which is periodically revisable in relation to developments on the international market in olive oil.

Below are the concessions accorded to Algeria for other important export products which are sent to the EEC, giving the value of trade with the EEC in 1974:

Products	Rate of reduction	CCT duty	Duty left	Value in 1000 u.a
Dates	100	12	0	7668
Oranges	80	15	3	5558
Mandarines	80	15	3	5204

The EEC/Algeria agreement provides tariff concessions for 80-90% of Algerian products exported to the Community market. These concessions vary between 20 and 100% with a certain number of provisions (quotas - import calendars for early produce - respect of the rules provided for in the Common organisation of the market - safeguard clauses) destined to safeguard the interests of Community producers in the case of disturbances on the market.

It is clear that it is of interest to both sides, to improve the market in agricultural products in such a way that neither Algerian nor EEC producers suffer.

This cooperation should therefore manage to set up a certain complementarity between Algerian and Community production.

Joint management

In order to implement the provisions of the new Algiers agreement and in order to appraise the results, a Council of Ministers assisted by a Committee at ambassadorial level and where required, specialised committees have been created.

The Council has the decision making power to realise the objectives fixed by this agreement. Both sides are committed to taking adequate measures to implement the decisions taken by this joint body.

It can moreover formulate recommendations to assure the good working of the agreement. It is composed of representatives of the EEC Council and Commission on the one hand and representatives of the Algerian government on the other. As a general rule it meets once a year.

The Committee is also composed of representatives of both sides and can meet when necessary to ensure the smooth running of the agreement.

Provision has been made for two meetings to take place to examine the results of the agreement and improvements which could be made to it: the first will take place after 1978 and the second after 1983.

The combination of the various instruments of development within the framework of a contractual type of relationship between equal partners, ensured of a sufficiently long future and relying upon a permanent dialogue are all combined in the declaration in the preamble : "The partners resolved to establish a new model for relations between developed and developing States compatible with the aspirations of the international community towards a more just and more balanced economic order."