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O P I N I O N

of the

Committee on Relations with African States and Madagascar

for submission to the Political Affairs Committee

on

ACTION TAKEN BY EUROPE
TO INSTITUTE A POLICY IN FAVOUR OF
DEVELOPING COUNTRIES

(by Mr. BERSANI)

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The Committee on Relations with the African States and Madagascar was instructed in a letter of 15 June 1970, from the President of the Parliament, to give the Political Committee an opinion on European action for a policy of support for developing countries with a view to the debate with the Council of Europe on the theme "The future of European unification and action by Europe for a policy to benefit the developing countries".

On 3 July 1970, the Committee on Relations with the African States and Madagascar appointed Mr. BERSANI Rapporteur for opinion.

The opinion set out below was discussed by the Committee at its meeting on 3 September and unanimously adopted.

Present: Mr. ACHENBACH, Chairman
Mr. BERSANI, Vice-Chairman and Rapporteur
Mr. FELLERMAIER, Vice-Chairman
MM. AIGNER
ARMENGAUD
BRIOT
COLIN
DEWULF
GLINNE
HABIB-DELONCLE
HEIN
HUNAULT
LAUDRIN
SCHUIJT
SPENALE

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I. MAIN ECONOMIC AND SOCIAL PROBLEMS IN
THE DEVELOPING COUNTRIES

(1) General features

1. Originally "development aid" meant assistance to under-developed countries to enable them, once they had become independent, to raise themselves to the level of the more developed nations. Before the second world war, no country would have thought of giving freely part of its own resources to developing another country or the colonies of another country. Furthermore; no country possessing colonies would have administered territories under its jurisdiction other than in its own interests. In such a context, therefore, the term "development aid" would have been quite unsuitable. Although there were a number of independent countries before the second world war whose standard of living was inferior to that of the industrialised countries, there was no question in the terminology then used, of developing those countries, but rather of utilising their resources. The utilisation of resources, however, signifies the exercise of political influence by material means. At that time, churches and private voluntary organisations, as part of their missionary or social activities, came closest to the present idea of "development aid".

2. It is only since the end of the second world war - when many former colonies in Africa and Asia have become independent and sociological and political economy research have been concentrating increasingly on the various aspects of economic and social development - that wide sections of public opinion have become aware of the problems raised by development aid on a world scale.

3. At present, the evolution of relations between the industrialised and developing countries is at a delicate stage, characterised by an improved knowledge of the real nature and dimension of development problems, a better understanding of those populations which have already reached a quantitatively satisfactory level of development and an awareness - now widespread and deeply rooted in the countries of the third world - of the fact that in the face of their needs the industrialised countries have a specific responsibility and possibilities of action within the framework of an economic and social development policy of joint interest to all peoples. Today we can see how modest are the results obtained after approximately twenty years of effort in the development sector, and note the continuing presence of economic machinery - in investment, trade and technical co-operation - which prevents a

reconciliation of the conflicting interests of countries which are developing rapidly and of those which have stopped on the threshold of modern civilisation; we see, above all, the urgency of certain problems of underdevelopment, such as hunger, which are resulting from the population explosion and the instability arising out of social inequality. The modest efforts made and the very real obstacles are the less justifiable if we consider the fabulous amounts put into arms stockpiling and military preparations. The problem of disarmament is still in evidence as one of the factors conditioning any effective development policy based on just international utilisation of all available resources.

Particularly in the light of the increasingly acute conflict between north and south, i.e. in the light of the ever more marked disparity between the standard of living of the highly developed and rich countries and that of the underdeveloped and poor countries, as well as of the burning problems resulting therefrom, urgent attention must be given to the various questions connected with the economic and social development of the economically weak countries. Today development aid means the assistance given by the industrialised countries to the developing countries for reasons of solidarity, in order to improve their living conditions and economic situation and to guarantee their independence.

Development aid requires from the donor countries a new outlook on relations with the beneficiaries, and ability to adapt to the existing situation. The "rich" countries must export not only technology and capital but - while respecting the autonomy and independence of the beneficiary country - a whole body of technical and organisational know-how which will allow all human and natural resources to be fully developed.

4. In the developing countries existing production capacity is not fully utilised, and as a result productivity is low and the level of the per capita national product modest. Available production capacity would allow of a far greater national product, if production factors were not so disproportionate, that is to say if there were not a relative abundance of labour with a relative scarcity of capital. The problem of underdevelopment can only be solved by improving the relationship between the various production factors.

Economic and social underdevelopment is conditioned by numerous criteria; this does not mean that these apply equally in all economically weak countries. Generally

speaking, however, the social and economic situation of states or regions commonly considered as belonging to the underdeveloped parts of the world have the following characteristics:

- low per capita income, resulting in inadequate nutrition, typical deficiency diseases, primitive and unhealthy housing conditions, a low life expectancy and a high birth rate;
- a "socio-economic dualism", that is to say, the existence of sectors and regions with a market economy, side by side with others with a subsistence economy, as well as extreme inequality in income distribution. This "socio-economic dualism" results in poor economic integration and inadequate supplies for the population, both obstacles to the creation of markets capable of stimulating economic growth;
- lack of savings and consequent low capital formation. The result is an inadequate rate of investment which cannot be compensated for - or only to a minor extent - by foreign capital contributions;
- concentration of production in the primary sector (i.e. agriculture and the extraction of raw materials, with constant deterioration in the terms of trade). Moreover most of the developing countries have an inadequate material and intellectual infrastructure. Consequently it is difficult for administrations to draw up and implement coherent development plans.

(2) Some specific aspects

Moving on from agriculture to secondary and tertiary activities

5. It needs to be known to what extent a rational promotion of the economy - beginning with agriculture and the progressively developing industry and trade - can benefit the economic development of the countries concerned.

(a) Agriculture

In the interests of the economic development of the developing countries it would seem opportune, in the first place, to strengthen existing production. While any reasonable industrial policy should be encouraged, it would be wise not to expect too much from it. The change-over from mono-culture to a programme of mixed production

(diversification) in the agricultural sector, together with an improvement of production structures and extension of the range of products offered, are more constructive measures. Once the infrastructure has been improved, a water supply assured and vocational training improved, the essential conditions for the rationalisation of production will have been created.

There then remains the essential problem of reducing the risk for the developing countries constituted by acute price fluctuations on raw material markets and of setting up adequate marketing machinery. Moreover, the programme of agricultural production requires that exports of raw materials and agricultural products from those countries should not be hindered by protective tariffs. The essential aim of all agricultural policy must be to eliminate existing deficiencies and improve agricultural structures, thus increasing the contribution made by agriculture to the national income.

A productivity increase in agriculture could do much to improve the situation, particularly as regards employment of labour, the demand for non-agricultural products and services, balance of payments, capital accumulation, ensuring supplies for an ever increasing population and, finally, supplies for the processing industries.

(b) Industrial development

The establishment of a viable industry of a size which would allow the living standard to be noticeably improved, is also an essential objective for the developing countries. Industrialisation and the promotion of agriculture are not alternatives as regards the strategy to be adopted. On the contrary, the improvement of agricultural structures is a necessary, though not always sufficient, condition of industrial development.

Appropriate expansion of industrialisation in developing countries should be viewed in the context of an increase in national income, a diversification of production structures - particularly in the export products sector, in order to stabilise or increase the existing income from exports - improved organisation of trade outlets and, finally, efficient utilisation of the underemployed agricultural and urban labour potential.

In the light of the present situation of the developing countries, the currency contribution consequent upon industrialisation is an extremely important factor in preventing or at least limiting an increase in this debt to the industrialised countries consequent on their huge capital requirements.

(c) The problem of capital formation

6. The implementation of development programmes of whatever kind, always requires extensive capital. The countries at present in the process of developing are characterised by a shortage of technically advanced capital equipment; this means that many natural resources cannot be properly utilised. The essential problem of the developing countries is thus the formation of liquid capital. But experience has shown that voluntary savings are very small in the developing countries because of the low level of real income. The one remaining possibility is, therefore, the transfer of capital, technical know-how and labour from the developed to the developing countries. This raises the delicate and complex question of investment risks and possible multilateral or international guarantee systems.

II. THE ASSOCIATION OF THE AFRICAN STATES AND MADAGASCAR WITH THE EUROPEAN ECONOMIC COMMUNITY

(1) The African Association - a positive development in relations between Europe and Africa

7. When the six European states prepared in 1957 to found a European Economic Community, several of them still had overseas possessions, while others had special relationships with newly independent states. When the EEC Treaty was drawn up, these situations were the subject of thorough study. Finally it was decided to reconsider all the undertakings and relations of the various European states within the context of the EEC.

The Association of the African States and Madagascar with the EEC, at the beginning undeniably tainted with neo-colonialism, was later transformed into a real international partnership with the Community. And what started as a treaty of association between member states and African overseas territories, most of which were not then independent is now - its content having been subsequently developed and formulated in the Yaoundé Convention - an international relationship, regulated by a treaty in which the African and Malagasy states participate on a footing of equality.

Although the Association enjoyed no spectacular economic successes during the first five years, it nevertheless proved itself politically, since it did not disintegrate when most of the African states became independent. In spite of their very diverse political situations, the African states succeeded in maintaining the Association. In 1962, when the first five-year Convention ended, negotiations

were immediately started for the purpose of concluding a new Convention, this time however with independent states. Thus it was that on 1 June 1964, the Yaoundé Convention came into force and that again at Yaoundé, on 29 July 1969, a Convention extending the Association for a further five-year period was signed between the EEC and the eighteen African and Malagasy states.

8. The favourable conclusion of negotiations for the renewal of the preceding Convention of Association (which had expired on 31 May 1969) and the signing at Yaoundé, on 29 July 1969, of a new Convention of Association, constitutes an undeniable success for the European Economic Community.

In spite of the divergences which came to light and were gradually solved during the negotiations, the six member states of the Common Market never questioned the need to maintain the Association, thus proving that they were fully aware of the political importance of the privileged relations established with the associated states. It should be noted that although the EEC member states had the possibility of so doing, they did not yield to the temptation to make the Association's fate dependent on the solution of other, frequently serious and delicate problems with which the Community had to deal during long months of negotiations with the African states.

Co-operation with the African countries is not of equal economic interest for all the member states. On the other hand, solutions had to be sought in line with community policy for all developing countries. In view of this and the implied extra financial effort, the new Convention should be judged favourably. The African countries - which at the beginning of the talks made far higher demands than they finally agreed to - showed political realism in gradually adopting a more flexible attitude in the course of the negotiations, since they understood the very real difficulties the Community would have had to face in order to meet their requests.

9. The Association has thus been a success for both contracting parties. Combining territories throughout the African Continent, the Association and its institutions today represent a factor of stability and progress for the whole of Africa. Thanks to the principle of equality and the Association's basic objective, it has gradually rid itself of the neo-colonial taint of the early days and is making headway towards a true partnership. The argument of the opponents of this Association, who maintained that African association with the EEC amounted to a sort of neo-colonialism, has always been energetically rejected by the Africans. The

sincere efforts of both Africans and Europeans have helped to make this Association an instrument for the protection of the specific interests of the African partners.

This striking political development, a basic factor in the success of the African Association, is brought out by the fact that other African states, formerly bitter critics of the Association, have either become active members or, at least take a favourable view of it. Today the Association is seen increasingly both by the associated African states and by other developing countries as a typical form of regional co-operation between a group of developing African countries and the Europe of the Six.

The European states must do their best to improve and render more stable the continuity of the Association. The long negotiations for the renewal of the Convention of Association and the slow procedure of ratification by the national parliaments of the Six have delayed its applications - a fact which the associated African states find it hard to understand. That is why the European Parliament asked that the new Convention should be concluded for a period of 7 years, so that the associated states could work out long-term development plans and, in the light of past experience, avoid the drawbacks of fresh negotiations at excessively short intervals (1). Authoritative voices have also repeatedly been raised in favour of a Convention of unlimited duration, whose detailed administrative and financial provisions could be periodically revised.

The pursuit and strengthening of association with the African countries is in the interests of the peaceful development of Black Africa and in the political and economic interests of the European Economic Community.

(2) Background

10. Chronology

- 1 January 1958: Treaty of Rome which in part IV and in the Convention of Application regulates specific relations between the EEC and the overseas countries and territories (OCT);
- 1960 - 1962: The 18 African and Malagasy States become independent; they declare their intention of continuing the EEC relationship - legal and political adaptation of relations.

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(1) Cf. Resolution on the renewal of the Yaoundé Convention of 2 October 1968, JO No. C 108 of 19 October 1968

- 20 July 1963: Signing of the Yaoundé Convention (Yaoundé I).
- 1 June 1964: Entry into force of Yaoundé I (expiry date: 31 May 1969).
- 3 April 1968: Communication from the Commission to the Council regarding the renewal of the Convention.
- 23 July 1968: The member states undertake to start negotiations before 31 December 1968.
- 19 December 1968: First meeting of the Contracting Parties at ministerial level. Decisions taken: the meeting is followed by several meetings at expert level, 7 meetings at ambassadorial level and 3 more meetings at ministerial level (26 March, 29 May, 26-27 June in Luxembourg).
- 28 June 1969: The text of Yaoundé II was approved.

(3) Development of the Association from 1958 to date

11. At the accession of the African countries to independence in 1960, two different concepts prevailed as to the nature of the CEE/AASM association.

- some maintained that the Association represented a temporary solution, justified by the dependence of the territories concerned on the mother countries in Europe and that this dependence would disappear with the accession of these countries to full political and economic sovereignty;
- others maintained that the Association was an instrument of lasting co-operation between Europe and Africa, based on a permanent "offer of association" which was binding on the six member states of the EEC by virtue of Part IV of the Treaty of Rome.

To a large extent, the adjustments and changes in the Association over the years have resulted from the confrontation of these two concepts.

The 1958 system of association was based on the "Convention of application" annexed to the Treaty of Rome. It was changed by the first Yaoundé Convention (1963) on the following lines:

- in regard to trade the horizontal links between the 18 associated countries were dissolved and the system of free trade with mutual tariff preferences, between the EEC and the 18 states was alone maintained;

- community preferences applying to the tropical products of the associated states were, however, reduced in certain sectors; this reduction was made up for by the advance application of the common external tariff to the products concerned. A special system was provided for African products similar to and competitive with European agricultural products; the interests of the associated states were taken into account in the elaboration of the joint agricultural policy (Article 11 of the first Yaoundé Convention);
- the system of "guaranteed" prices hitherto in force in France for tropical products from French speaking Africa was cancelled and the associated states undertook to adapt progressively to world market conditions. This disadvantage was, however, partially offset by the institution of a system of aid to production which permitted a degree of price support for certain sensitive products (the total amount that could be devoted to price support was 137 million dollars, but the actual expenditure was around 33 million dollars, the balance being used for structural transformation of the economy);
- the financial aid, already fixed at 581 million dollars for the 5 years from 1958 to 1962, was increased to 800 million dollars and took the form of gifts (620 million dollars), of special loans (46 million dollars), or ordinary loans from funds of the European Investment Bank (64 million dollars). A major innovation was that of technical assistance in all its forms, which had not been provided for under the 1958 agreement;
- an important innovation of the first Yaoundé Convention, which corresponded to the legal and political evolution of the countries concerned, was the establishment of institutional machinery for the Association consisting of:
 - a council of ministers, assisted by a standing committee of ambassadors;
 - an annual parliamentary conference, prepared by a standing committee with equal representation;
 - an arbitration court of the Association.

(4) The economic balance sheet of the Association

12. With the expiry of the first Yaoundé Convention (31 May 1969), there ended a period of international co-operation which provided a valuable example in the sphere of economic history, world economy and development policy. Moreover, the results of the Conference on World Trade, UNCTAD and the Kennedy Round were to modify, together with the increasingly strong tendency to establish multilateral, financial and technical assistance relations, certain prior considerations underlying the Yaoundé Convention of Association. Thus it was that the industrialised countries of the EEC found conflicts arising between the undertakings they had given at the Conference on World Trade and those they had entered into with the associated African states in the matter of preferences.

While opponents and supporters of the Convention of Association are unanimous in recognising that thanks to the first and second European Development Fund decisive results have been achieved in the associated states, it nevertheless became evident during negotiations for the renewal of the Association (Yaoundé II) that the second Convention would have to contain certain new components.

As has repeatedly been said, the aim of the Association is "economic independence" with, in consequence, possibility of integration into the expansion process and unification of world economy.

How, in fact, does the economic balance sheet stand at the beginning of the third Convention of Association?

(a) Financial aid by the EEC

13. The financial and technical assistance given to the associated states is intended to make their products more competitive, to develop essential infrastructures, to train specialists in all sectors, to intensify trade relations and to change structures.

The specific instrument of the Association's financial policy is the European Development Fund (EDF) (1). The third Development Fund has been furnished with 918 million units of account. The amount to be placed to the credit

(1) Cf. Metzger Report on the financial and technical co-operation situation in the EEC/AASM Doc. 89/1968/69: see also European Development Fund, from the beginning of the project to its implementation, Commission of the European Communities, 818/2/VII/1966/5.

of the Fund was the subject of keen debate during negotiations for the renewal of the Convention. The African countries demanded financial compensation for the UNCTAD preferences granted by the Community to other developing countries for finished and semi-finished products. However, at the Conference on World Trade at New Dehli (from 1 February to 23 March 1970), the associated African states decided, after long hesitation and after again demanding financial compensation, not to oppose world regulations on preferences, and asked instead that the amount to the credit of the third Fund be doubled and fixed at 1.5 thousand million dollars. They alleged that the loss of their preferential position on the EEC market called in question the very *raison d'être* of the Association.

The European Parliament maintained that the amount contributed to the third Development Fund should be 200 million units of account a year (i.e. 1,000 million units of account in five years) (1). Finally the actual increase in absolute value was 25% (the Fund having been credited with 730 million units of account in the context of the preceding agreement), an amount which certainly merits consideration (2).

14. Various factors, however, suggest that the credits of the third EDF should have been higher:

- the population growth in the associated states which has resulted in a reduction of the per capita assistance at present envisaged;
- the increase in the prices of industrial products bought by those states from the industrialised countries, in particular the Community;
- inflationary tendencies, combined with a relative reduction in bilateral assistance granted to the AASM in recent years. In any case if the increase in the Community gross national product (approximately 5% per year) is taken into account, it must be admitted that an additional increase in assistance would be both necessary and possible.

(1) Cf. resolutions of the European Parliament of 2 October 1968, JO No. C 108, 19 October 1968 and 4 June 1969, JO No. C 79 of 21 June 1969; Thorn Report on the renewal of the Yaoundé Convention, Doc. 137/1968-69

(2) The second Fund had been increased in relation to the first in roughly the same proportion, its capital having been raised from 581.25 million units of account to 730 million units of account.

Moreover, it is regrettable that a fraction of public opinion tends to consider the financial aid given in the context of the Association as returnable in the form of orders for the benefit of the donor country's own economy. Every member state has, as a result of its adherence to the Community, an interest in participating in the African Association market under correct and non-discriminatory competitive conditions, particularly since this market is supplied thanks to EDF investments. Here the fact that after years of serious imbalance, resulting mainly from the privileged competitive position acquired by the former colonial countries in the course of history, a trend towards more balanced relations is in evidence, must be accounted a positive factor. Moreover, part of the bilateral aid by member states should be transferred to the EDF, or should at least be co-ordinated with Community aid. The only organs capable of co-ordinating bilateral and community assistance - with the exception of assistance in the form of foodstuffs from the Community, the first and only assistance activity at Community level which is not regionally restricted and which is based on a Community undertaking in the context of the international cereal agreements - would be an EEC working party to be responsible for technical assistance and regular consultations between the Commission and the various member states.

There have been proposals to set up a "Steering Committee" at European level to deal with the co-ordination of all Community assistance, on the one hand, and bilateral assistance by member states on the other. Such a body should not be content with co-ordinating financial assistance, nor confine itself to certain regions. The decisive factor in improving and co-ordinating Community and bilateral assistance thus remains the political will to do so.

(b) The trade problem

15. An analysis of the resolutions of the European Parliament and of the Parliamentary Conference of the Association, shows that the two parliamentary institutions take a generally favourable view of the functioning of development aid and financial assistance institutions. As regards trade nearly all the resolutions emphasise the need to seek jointly ways and means of increasing trade between the EEC and the Associated States and of eliminating obstacles to the marketing of African products on EEC markets. The development of trade which, together with the EDF, is one of the pillars of the Association, is, in effect, far more important for developing countries than financial aid from abroad.

An examination of trade between the EEC and Africa certainly shows that African exports to EEC countries have increased; however, this increase in volume has been accompanied by a considerable fall in prices. Moreover, EEC imports from certain other groups of countries have shown a greater increase than imports from the Associated States. This can be mainly explained by:

- the discrepancy between the value and volume of exports, due essentially to the drop in world market prices for export products and, to a lesser extent, to a deterioration in the quality of certain products;
- the difficulties of the AASM in selling their products on the markets of EEC member states with which they did not or do not have traditional links and whose prices - despite the tariff advantages granted in the EEC - can often not compete with the prices offered by third states. Within the framework of the Association measures (such as market research, participation in trade fairs) to facilitate the penetration of all Community markets by AASM products have recently been prepared;
- competition between products originating from the AASM and third countries on the markets of member states where the law of supply and demand prevails, in many cases favouring member states, whose trade and marketing possibilities are more highly organised, or traditional trading relations which existed with member states prior to the conclusion of the Treaty of Rome and the Yaoundé Convention.

16. Trade between the Community and the Associated States is regulated by free trade area principles. Since 1 June 1968 all AASM products are imported duty free into the Community; this general rule is, however, subject to certain important exceptions (1). In spite of the free trade area and of preferences from which they have drawn considerable and irreplaceable profit, the AASM have, generally speaking, achieved the hoped for results only in part. The European Parliament has, on various occasions, spoken in favour of other trade measures in connection with the AASM and they have recently adopted, for example, a resolution whereby the Community would grant more favourable import terms than formerly to agricultural products from the Associated States which are similar to and compete with European agricultural products (2). At the same time it concentrated on establishing a link between the initiatives taken in connection with the AASM and the overall policy of aid to the Third World; it also noted that the provisions of the new Yaoundé Convention neither preclude the establishment of generalised world preferences in favour of finished and semi-finished products from the developing countries, nor prevent the Associated States from benefiting thereby. According to the European Parliament, the institution of such generalised preferences should be conditional upon the granting to the AASM of advantages at least equivalent to those they enjoy at present.

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- (1) Cf. in this connection the explanations given in the Achenbach report on the Association Agreement between the EEC and the Associated African States and Madagascar, Doc. 176/1969-70.
 - (2) Cf. Resolution of 9 December 1969, J.O. No. C2 of 8 January 1970.

Despite the many measures jointly agreed by the Community and the AASM, the basic trade trends between the Community and the Associated States are not entirely satisfactory: the latter's exports to the EEC have increased annually by approximately 3.4%, that is to say more slowly than their exports to all the industrialised countries, which have increased by 3.6%. The continuous international deterioration in the terms of trade increasingly justifies the urgent need, emphasised repeatedly by the European Parliament, for an equitable regulation of raw material markets. It remains to be seen how prices and markets can be guaranteed and a stabilisation fund instituted for tropical products (1).

In its capacity as the biggest partner in world trade, the EEC has a growing international responsibility in these matters; already the EEC accounts for the largest share of world trade, namely 17%. After its expansion, its share of world trade will increase to 25% and if, as is hoped, a preferential policy is implemented in the Mediterranean Basin, it would appropriate more than 45% of the world's trade. The following figures may be given by way of comparison: the share of the United States amounts to approximately 15% and that of the USSR to 4%. It is easy to imagine the important consequences of this for UNCTAD.

17. A few other figures will cast further light on the problem. The Associated States have a total population of some 65 millions, a figure which subsequent associations concluded with other African states have increased to approximately 120 million (2).

Black Africa as a whole has approximately 230 million inhabitants (7% of the world population), whereas the total population of all the developing countries is 1,300 million. These figures show clearly that the immense problems raised by development aid can only be solved in a world context. The first trade power in the world has responsibilities which mean that it cannot lend an ear to the associated African states alone, although the latter must continue to benefit by preferences, justified by the particularly critical situation in Africa as a whole.

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- (1) The European Parliament has several times voiced an opinion on this basic problem in proposals relative thereto, namely following the Armengaud report presented at the Parliamentary Conference of the Association held in Strasbourg in 1967 (Doc. 20 CPA of 20.12.67).
 - (2) In chronological order they are: Nigeria, the East African Community (Tanzania, Kenya, Uganda), Tunisia and Morocco.

The opponents of association with Africa have concluded from this that the system of regional preference for Africa is out-dated and should therefore be discontinued. Such a solution must of course be rejected, above all because no clear idea exists on how to assist the countries concerned in the meantime and also because no world agreements have yet been concluded. One fact is certain, namely that preferences granted to the AASM have not hindered the development of Community trade with other developing countries. Our concern must be not to discontinue the Association or to cancel existing preferences, but to suggest how the Association can, without upheaval and while respecting its specific character, be fitted into a world programme for development aid. This accordingly again raises for Europe the urgent problem of the Mediterranean Basin and Latin America.

(5) Some special aspects of the new Yaoundé Convention

18. The general structure and organisation of the Convention of Association has remained largely as in the preceding one. The content has nevertheless been modified in respect of certain sectors.

Of the 64 Articles of the first Convention, 27 have remained unchanged. Several of the 27 Articles have merely required editorial adjustments, the new de facto situation having been accepted.

It will be noted in particular that all the provisions regarding institutions and procedures have remained unchanged. The new Articles 59 and 60 have, however, been slightly modified. The former concerns the duration of the Convention (5 years from the date of its entry into force but with the expiry date set at 31 January 1975); the latter deals with the renewal of the Convention itself. From now on negotiations must start 18 months prior to the expiry date instead of 1 year as stipulated in the preceding Convention.

It is also interesting to note what has changed in the new Convention as compared with the preceding one.

19. A. In the first place regard has been had to the need for a coherent EEC policy at world level (in UNCTAD) and at regional level has been taken into account. To this end:

- EEC customs duties have been reduced for a number of tropical products (for coffee from 9.6% to 7%; for cocoa from 5.4% to 4%; for palm oil from 9% to 6%) in order to emphasise the open character of the Community and the lack of all foundation in fact for the accusations of protectionism brought against it;

- it has been agreed that the provisions of the new Convention shall not preclude the institution of a general system of preferences and shall not hinder participation therein by the Associated States (Protocol No.4 to the Convention); the problem of compatibility between the regional preferences of the Association and the general preferences proposed by the countries of the Third World at UNCTAD level and adopted in principle at the World Conference in New Delhi has thus been constructively solved.

20. B. Moreover a new trend is evident in the second Convention in the encouragement of inter-African co-operation enunciated in the following provisions:

- confirmation and even accentuation of the freedom of the Associated States to co-operate with each other within the framework of customs unions, free trade areas and sector agreements, as well as to conclude economic co-operation agreements with other African countries (Articles 12 and 13);
- the Community renounces the benefits conferred by the most favoured nation clause, when it is a question of organising regional co-operation between the Associated States and other African countries;
- regional co-operation will also be stimulated by financial and technical assistance (Article 19);
- provision has been made for initiative on the part of regional and inter-state organisations as regards the presentation of requests for financing (Protocol No.6).

21. C. In accordance with its first Article, the new Convention aims at consolidating the economic structure and independence of the Associated States and at furthering their industrialisation. With a view to strengthening the production, particularly in the industrial sector, in the African countries, numerous provisions of the first Convention have been changed, mainly as regards investment policy, and, to some extent trade arrangements, in order, above all, to protect local and new industries. In particular:

- each Associated State may maintain or introduce customs duties or taxes of equivalent effect in respect of the EEC to meet its development requirements or to fund its budget (Article 3);
- the Associated States may maintain or introduce quotas for imports of European products in order to meet development requirements or in the event of difficulties with their balance of payments (Article 7). In certain cases they may even entirely discontinue imports of a specific product for a limited period (Article 4 of Protocol No.3);

- the financial assistance techniques of the EDF have been adapted and improved. In particular, provision has been made for the taking up of shares by firms at their own risk (Article 9 of Protocol No.6), the utilisation of local development banks as financial liaison bodies, in particular for the promotion of medium and small industries (Article 6 of Protocol No.6) and the improvement of the system of interest concessions, with the possibility of reducing the loan rates of the European Investment Bank by up to 2% (Article 8 of Protocol No.6). The new financial regulations of the Fund have also provided for greater flexibility in the procedure for accepting tenders for work whose cost does not exceed 500,000 £, in order to guarantee a certain preference to local firms; this preference may amount to 15% for supplies of material and equipment.

Furthermore it will be noted that for years the need to give increasing encouragement to the direct production sectors has been intensified. While the first Development Fund (1958-1963) devoted approximately half its action to the transport and communications sector and less than 20% to rural production, the second Fund (1964-1969) invested over 40% of its available resources in rural production, some 10% in the industrial sector and less than 30% in transport infrastructure.

For further details of the total financial aid given by the EEC to the AASM and the break-down of assistance by nature of the action and by beneficiary countries, see the Laudrin Report to the Parliamentary Conference of the Association held at Hamburg (Doc. 29 of 17 December 1969, pp. 10-15).7

22. D: Among the new departures contained in the Yaoundé Convention, we should mention the greater emphasis on the responsibility of the Associated States for development policy. A number of new provisions come under this heading, namely:

- the Associated States are asked to give priority to establishing an economic development programme and, in particular, to accompany their request for financial assistance by a development programme (Article 22);
- the Associated States have undertaken to ensure proper maintenance of works financed by the Communities (Article 28);
- a number of trade promotion schemes have been provided for in the form of technical co-operation, surveys, etc. (Article 4 of Protocol No.6), in addition to the

initiatives already taken in the past (programmes of participation by African states, as well as trade fairs and exhibitions in Europe):

- assistance to production in the form of price support has been abandoned. Nevertheless a form of assistance has been retained to meet exceptional situations which will allow special operations to be carried out up to a maximum of 80 million dollars (Article 20); these can be dealt with case by case, particularly if the drop in the world prices of raw materials seriously endangers the economy of an Associated State;
- as regards agricultural products similar to and competing with European agricultural products, the Community has undertaken to grant more favourable conditions to exports from Associated States than to those from third countries (Protocol No.1). A number of draft regulations have already been examined and adopted by the Parliament in this connection; they will introduce a system distinctly more favourable than the one hitherto in force. The products in question are essentially fats, beef, rice and processed cereal and rice products, as well as processed fruit and vegetable products;
- finally, in Article 29 of the new Convention, the Parties have retained the provisions of Article 27 of the first Yaoundé Convention providing for the participation of the ministers of the Associated States in defining the policy of the European Development Fund on the basis of an Annual Report presented by the European Commission in Brussels, which is responsible for the administration of the Fund.

(6) Prospects for industrialisation in Africa

23. The developing countries are today doing all they can to raise themselves to the level of modern industrial states.

The key concepts of any industrial policy and of progress are the following: the gross national product, the growth rate, the movements of the balance of trade and the per capita income. These economic variables are today known to be bound up with social and political processes, the more obviously so the more dynamic those processes are.

In the particular case of the African states associated with the EEC, we are dealing with some of the poorest of the developing countries. It follows that the problems of industrialisation are that much more serious and that the efforts made by the Community must be in keeping with the needs, which are considerable.

The African and Malagasy states in the Association cover an area ten times as large as the six EEC countries. Whereas the population of the Six is over 180 million, that of the Associated African States and Madagascar is only 65 million. In Europe, 10% of the population live by agriculture. In the Associated States, only a million workers are employed in sectors other than agriculture. 80% of the population depend on a primitive economy; money is unknown and natural products are bartered.

The average annual per capita income of these 65 million people is 24,000 CFA francs (1). To improve their national product and raise the per capita income, the Associated States have four problems to solve: the cost of transport in sparsely populated areas is very high; the national frontiers, in certain cases, form customs barriers; the import of the most elementary consumer goods weighs unfavourably in the balance of payments; lastly, industrialisation on any scale requires a change in the living and working habits of the people.

Even if the geographical features cannot be altered, customs barriers can at least be eliminated by economic agreements; this has already been partly achieved.

24. In developing countries the setting up of an industry for the production of current consumer goods requires, above all, the investment of European capital, since private savings in those countries are too small. In any case, if the attempt to produce more current consumer goods is successful, the standard of living of the people will rise gradually. The governments could then use their currency to import goods for heavy industry. The increase in tax revenue would also provide the Associated States with more resources for the development of infrastructures, so that in time they would come to depend less and less on development aid.

European experts have also examined the economic viability of industrial concerns in Africa. One of their conclusions was that present production capacity is not used to the full because customs barriers prevent the extension of national markets. To mention only one example, the new bicycle factory which has to be built in Congo-Kinshasa will only be able to operate economically if the neighbouring states of Ruanda and Burundi do not set up competitive concerns, but obtain their supplies from the Congo under a

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(1) Cf. Consolidated report of the Commission of the European Communities, General Directorate of Overseas Development: Possibilities of industrialisation in the African states and Madagascar, 13.086/VIII/B/66, June 1967.

regional economic agreement. Parallel to the indispensable stepping-up of agricultural production foodstuffs processing industries and sub-contracting firms should also be set up.

The European Community is fully aware of the problems and of the necessity for industrialisation in the associated African territories. It has not only made plans for industrialisation, but has even agreed expressly to promote it. The first Yaoundé Convention referred to the desire to further the industrialisation of the Associated States and the diversification of their economies, with a view to enabling them to strengthen their economic independence and stability. The second Yaoundé Convention lays still more stress on this objective when it states that by its provisions, the Contracting Parties intend to develop their economic relations, strengthen their economic structure and independence, promote the industrialisation of the Associated States and encourage regional co-operation in Africa (Article 1).

The Parliamentary Conference of the Association dealt thoroughly with the question of industrialisation and the joint committee presented the conference with an interesting and well-documented report by Mr. Dewulf on the problems of industrialisation of the associated states and the means to be employed to accelerate it (1). At the two annual meetings, one at Tananarive (10 to 15 January 1969) and the other in Hamburg (12 to 14 January 1970), the Parliamentary Conference adopted a resolution on the problems of industrialising the Associated States (2). In these resolutions, the Conference requests the European member states to co-ordinate bilateral and multilateral aid and to create a system of multilateral guarantees for private investments so as to hasten in industrialisation as much as possible.

A further point of particular importance is balanced development as between the various associated states. Investigations already carried out show that the discrepancies between the growth of incomes in the different population groups in the developing countries vary considerably. The "poor" countries become poorer and the "rich" countries get rich more quickly. This is to be expected: the most advanced countries receive more funds (especially from the private sector) because their capital utilisation capacity is higher. It follows that the more favoured developing countries succeed, owing to the foreign currency credit and to the

(1) Cf. Report on the problems of industrialisation of the Associated States and the means to be employed to accelerate it. (Rapporteur Mr. Dewulf), Doc. 31, 10 January 1970).

(2) Cf. Resolution of 15 January 1969 (Tananarive), J.O. No. C 13, 5 February 1969; resolution of 14 January 1970 (Hamburg), J.O. No. C 15, 5 February 1970.

investments correlated therewith, to develop more quickly than the poor countries, whose situation worsens because of their steadily growing debt. Because of this disparity, it would seem necessary to differentiate the conditions for granting development aid more than in the past.

(7) The significance of the enlargement of the EEC for the Associated States

25. If Great Britain becomes a member of the EEC, this will have tremendous consequences for a large number of developing countries, since the Community is already the biggest market for their products.

The first opinion submitted to the Council by the Commission concerning the applications for membership received from the United Kingdom and other countries stated that: "A new member of the Community would be required to maintain with the developing countries relations identical with those now maintained with them by the Six" (1). The revised opinion submitted in 1969, endorses this view but adds: "in any case, the accession of new members should provide a new impetus and enable a broader development policy to be drawn up (2)".

At its session on 11 and 12 May 1970, the Council defined the "common bases for negotiation" with the countries applying for membership. The points which were settled included the relations between the enlarged Community and the Commonwealth countries. The Council divided these countries into six groups, of which only the fifth concerns us at present, namely the African countries of the Commonwealth. In the opinion of the Council three possibilities were open to these countries:

- membership of the EEC-AASM Association,
- the conclusion of ad hoc agreements,
- the conclusion of ordinary trade agreements.

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(1) Cf. The Opinion submitted by the Commission to the Council concerning the applications for membership by the United Kingdom, Ireland, Denmark and Norway, COM (67) 750, Brussels, 29 September 1967 in: Bulletin of the European Economic Community, 11/1967.

(2) Cf. Opinion submitted by the Commission to the Council. COM (69) 1000, Appendix, Brussels, 6 October 1969, Bulletin of the European Community, 9-10/1969; Supplement, p. 96.

A long discussion ensued on the nature and character of the future association between the AASM and any Commonwealth countries which decide to accept the regulations. A sort of declaration of intent stresses that the enlarged Community is willing to apply its policy of association both with regard to the AASM and to the African countries of the Commonwealth wishing to participate. An enlargement of the Association should not have the effect of loosening the ties and relations with the states at present associated and, as in the past, the Community is pursuing its objective of preserving what has been acquired up to now, as well as following its major guiding principles in this matter.

26. On the question of the EEC-AASM association and general trade preferences, two conceptions emerged in the Council. According to the first, defended by France, the EEC-AASM Association, in its present form, represents a constant factor in the Community whose fundamental principles are definitive and cannot be called in question each time new negotiations are started. According to the second conception, represented mainly by the Netherlands, the development of relations between the industrialised countries and the developing countries on a worldwide scale must be the deciding factor for the future of the EEC-AASM Association.

The Community's conventions of association are based on the free trade area principle, although the degree of reciprocity differs from one case to another. Also, the association arrangements with the independent countries are based on the principle of equal institutional rights as between the Community and the various groups of associated countries. The institutions of these various association arrangements have a number of points in common; the most elaborate machinery is that laid down in the "parent" convention, namely the Yaoundé Convention. There could be no difficulty for the countries applying for membership, or for the Commonwealth countries who wish to be associated, in accepting the obligations deriving from these institutional structures.

The EEC has negotiated several agreements or conventions of association with the independent African states. These are: the Yaoundé Convention, remodelled in 1969, with the eighteen African and Malagasy states (this is the widest in scope); the 1966 Lagos agreement with Nigeria, which has never come into force; the Arusha agreement of 1968 and 1969 with Kenya, Tanzania and Uganda (1); and lastly the agreements with Tunisia and Morocco. The countries associated in the Yaoundé Convention are not the only independent states to receive financial aid from the Community.

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(1) The duration of the second Arusha Convention is the same as that of the Yaoundé Convention, which expires in 1975.

If Great Britain, Ireland, Denmark and Norway were to become members of the EEC, these countries would be required to accept all the agreements and conventions concluded by the Community. The direct consequence of membership for Great Britain would be a partial geographical redistribution of its development aid which at present goes mainly to the developing countries of the Commonwealth and is granted in roughly equal proportions to Africa and Asia. In addition, Great Britain and the other countries would certainly have to accept the Development Fund programme for the period 1970 to 1975.

27. It is well known that the Community has association arrangements not only with African countries but also with the French and Dutch overseas territories in the Indian Ocean, the Pacific and the Caribbean. The enlargement of the Community would imply, for the neighbouring Commonwealth territories with similar characteristics, problems comparable to those which arise for the adjoining African territories which are associated with the EEC or are members of the Commonwealth.

28. The entry of Great Britain into the European Community would have strong repercussions on trade relations between Great Britain and the developing countries of the Commonwealth. This applies particularly to Commonwealth preferences. For certain developing countries of the Commonwealth, a solution could perhaps be found within the framework of the protocol on Morocco. It would not however, be realistic, in these circumstances, to expect any significant exemptions from the common external tariff, since the volume of trade concerned is much too large. Commonwealth sugar production raises a special problem. If Mauritius, Fiji and the Caribbean islands of the Commonwealth were not allowed special regulations for their sugar exports, it is probable that their whole economic structure would collapse. The Sugar Agreement concluded within the Commonwealth, applicable at least until 1974, could offer guarantees for a short period. A long-term solution could perhaps be found in the form of an association between these countries and the enlarged Community.

One thing is henceforth certain: the more the preference area increases, the more attention will have to be paid to the special interests of the present members of the Association. Another important question is how the Association will develop politically once countries like Nigeria, with such special characteristics, belong to it. In any case, their interests do not seem to coincide with those of the present regions, mainly because the latter appear to direct their attentions more to the world market.

The associated African states are urgently requesting the EEC to maintain the present Association and are continually stressing its political significance. Any weakening of the Association could have serious social and political consequences. Moreover, it is a fact that the present Association, as already stated, has had no adverse consequences for third countries.

The Six must therefore see to it that the interests of the Associated States are not harmed by the membership of the European states or by the association of other developing countries. Trade relations must not be compromised and the admission of new associates must not lead to a reduction of the financial aid granted by the Community to the AASM. Also, the Six are required to keep the Associated States regularly informed of all aspects of the negotiations for membership.

One must not lose sight of one advantage of the association of the African Commonwealth countries, namely, that British membership of the EEC would probably have the effect of bringing the ex-British and ex-French African territories closer together, and would favour the more general inter-African process, with the regional agreements it implies, which the EEC has always considered as an objective to be pursued by constructive action and, where possible, by a series of institutionalised contacts.

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III. POLITICAL ASPECTS OF THE ECONOMIC
RELATIONS BETWEEN INDUSTRIALISED COUNTRIES AND
DEVELOPING COUNTRIES - OBJECTIVES AND RESULTS

(1) The First Development Decade

29. The United Nations named the sixties the First Development Decade. The purpose was to awaken the world's conscience and draw the attention of public opinion the world over to the development of the southern hemisphere as a problem of primary importance to our age. An appeal was sent out to all countries, their governments and peoples and in particular to the industrialised countries, urging them to make every effort to find an effective solution to the increasingly active world food problem and to prevent any further widening of the intolerable gulf between the rich and poor sections of humanity.

The proposed target was to raise the growth rate of the gross national product from an average of 3.5 per cent to 5 and 6 per cent. This target being impossible without large-scale technical and financial aid from the industrialised countries, the latter were invited to contribute at least 1 per cent of their national income. However, in view of the vast international trade of the developing countries, the United Nations considered it necessary to take appropriate preliminary steps in the field of external economic policy. The share of the developing countries in world trade had to be raised to 28 per cent, and the terms of trade improved. This solution seemed to be the only one capable of guaranteeing the satisfaction of the demand for consumer goods, rising exceptionally steeply during development, as well as the payment of interest and the repayment of loans.

In Geneva in 1964 and in New Dehli in 1968, in the framework of the World Conference on Trade (UNCTAD), the developing countries made their requirements known. They requested an increase in the contributions of the industrialised countries up to 1 per cent of their gross national product, the stabilisation of the export prices of raw materials, preferential treatment for importing finished and semi-finished products into the industrialised countries and new regulations for international sea transport.

The trends over the last decade have good and bad aspects. During the sixties, the average growth rate of the gross national product of the developing countries was 5 per cent per annum. The rapid rate of population increase prevented the growth rate of the per capita income from exceeding 2.5 per cent per annum. However, compared with earlier figures, even this 2.5 per cent represents remarkable progress.

On the basis of experience gained, we are in a better position than 20 years ago to understand the process of economic development. We are more aware of the promises held out by success and the consequences of failure. The developing countries should all benefit from this experience, since underdevelopment is today merely a vicious circle.

30. The problem of food supplies is more grave and more urgent than ever. The external debt, owing partly to the terms attached to the supply of capital, has become so heavy that the repayment of loans absorbs a large part of the income from exports, with a corresponding reduction in imports vital for development.

It is certain that the problem of development could not be solved in a single decade, but the industrialised countries, their governments and their peoples are largely responsible for the unsatisfactory progress in this sphere in the past 10 years. While it is true that the industrialised countries have increased their contributions to an absolute value of 12 thousand million dollars per year (1), these contributions have nevertheless remained approximately one-third lower than the foreseen minimum. The rate of contributions having slowed down, the percentage has fallen still lower, even though it also includes the private capital and loans floated abroad on market terms, which cannot be considered as "aid" in the true sense. Moreover, the increasing amounts to be repaid each year have appreciably reduced the net contributions. Quite often the new funds are only just enough to cover the payment of profit, interest, and repayments due.

The situation is the same, if not worse, in the field of trade relations. The share of the developing countries in international trade is falling further and further below the planned targets. Although in absolute terms income from exports has increased, this increase has not been as rapid as that of import needs and of liabilities in the shape of the repayment of development loans. In certain countries this situation is made still more acute by a further deterioration of the terms of trade. The prices of imports have gone up and no price stabilisation agreements have been concluded.

In the developing countries, the diversification of economic structure was interrupted in its early stages owing to the inadequacy of home demand. Even where appreciable progress has been made, it has not been sufficient to overcome increasing under-employment or to contribute in any notable way to raising income from exports.

(2) Changes in international attitudes

31. In 1961, when the idea of the "First Development Decade" was launched, it was hoped that with the aid of the donor countries and their direct intervention, the developing countries would increase their gross national product by 5% per annum in the seventies. Although that target appeared over-optimistic to many, it has on the whole been attained.

(1) See table 1.

In the less developed countries the population has nevertheless increased at a more rapid rate than in the rich countries (2.5% compared with 1.2%).

All of these factors have meant that the per capita income has increased by 2.5% per annum in the developing countries compared with 3.6% per annum in the industrialised countries.

Consequently, if the population growth rate in the poor countries does not fall off, or if production does not increase by 6 to 7 % per annum, the difference in living standards between rich and poor countries, instead of diminishing, will tend to widen. These disquieting twilight zones nevertheless reveal a few patches of light. For example, encouraging results have been recorded in the agricultural sector, where production has increased at a more rapid rate in the poor countries than in the rich countries, keeping the spectre of world hunger slightly more at bay. Industry itself has made a good start in the developing countries; lastly, significant changes in living conditions have occurred during this period.

The present causes for alarm include the population explosion (it is forecast that between 1970 and 1980 the population of the developing countries will increase by at least 705 million); under-employment, with millions of unqualified unemployed people in the towns (if present trends continue, Calcutta, according to the Pearson Report, will have a population of about 35 million by the year 2000); the lack of export drive; the increasing load of debt; lastly, the unequal development of the poor countries, since average growth rates of 10% per annum in some countries are paralleled by stagnation or even regression in others.

These are grave problems, but their very nature proves that most developing countries are beyond the stage at which their main problem was to create an initial income.

32. In all under-developed countries - and this is a fundamental problem - the population thus increases more rapidly than the opportunities for employment and it is forecast that this phenomenon will become worse during the coming years. There are at least two reasons for this. The first is that agriculture, which already occupies between 60 and 80% of the working population, will itself employ fewer people and thus be unable to absorb all the surplus labour.

The second is that industry, if it is to be competitive in international markets, will be obliged to adopt western techniques, which are characterised by the predominance of capital or at least its increasing concentration.

External trade is itself, as we have already said, a cause for concern. Thanks to the expansion of the volume of exports of traditional products during the years from 1960 to 1967,

the value of the exports of developing countries increased by 6.1% per annum in spite of the fall in the prices of raw materials. The rich countries have nevertheless recorded a higher growth rate for their exports (8.8%), with the result that the share of the low-income countries in world trade went down from 27% in 1953 to 19% in 1967. This explains the relative scarcity of strong currencies and the vicious circle of debt.

In order not to compromise their process of development, certain developing countries are thus led to contract short-term trade debts to finance their deferred return investments. Furthermore, the scarcity of foreign currency obliges these same countries to seek new loans in order to repay the previous ones, and so on until bankruptcy. The problem is made still more acute by the fact that the terms of the loans obtained from the governments of rich countries or from multilateral agencies are seldom generous. It is enough to recall that the interest rate charged by the World Bank increased gradually from 4.25% towards the end of the 40s to 7% in 1969. The repayments plus the interest on the loans obtained by the developing countries amount to 17% per annum. Realising this, the experts of the Pearson Commission recommended "that aid-giving countries consider debt relief a legitimate form of aid".

33. The results obtained during the First Development Decade would have been more conclusive if a common strategy had been defined and followed. "We have seen a development decade", says Racul Prebisch, "devoid of any development policy".

The efforts made, both bilateral and multilateral, have been inadequate, misguided and poorly co-ordinated. Even the organisation for development aid set up by the United Nations has proved incapable of implementing a specific co-ordinated policy.

According to the Pearson Commission, it is important to give aid unaccompanied by any feeling of mistrust. True, the development of the depressed countries will come about whatever happens: that is part of the unfinished revolution.

The choice, the Pearson Report says in effect, is between organised and relatively rapid development with our assistance, or disorganised development which could be slow but which will come about regardless of our wishes.

(3) The Second Development Decade

34. In view of the experience of the past years, the states are at present trying to define by mutual agreement an international strategy for the Second Development Decade, that is to say for the seventies. It is in the framework of the United Nations that an attempt is being made to agree on a list of objectives to promote the expansion of developing countries. (To obtain noticeable results, the real rate of economic expansion would have to be between 5 and 6% per year, taking account of population growth.)

The Second Development Decade must be worked by a stronger international partnership between the developing countries and the industrialised countries if the development policy is to give better results at the end of this period than those obtained during the first decade. For this reason, developing and developed countries alike must, at the beginning of the second decade, set about defining the needs and future objectives of development policy and work out a systematic, coherent development strategy. Development aid policy must not consist, as it has hitherto, of a series of piecemeal measures. The task of developing countries, being primarily responsible for future progress in the economic and social sectors, is therefore to intensify their efforts in this field and to make their own conceptions known. But the industrialised nations are also called upon to put forward specific ideas concerning their future economic, financial, political and cultural relations with the developing countries.

The most important aspect of the contribution made to the third world by the industrial countries is financial and technical assistance for development. This assistance began by a series of isolated projects, with no programme and no long-term objectives. Today, however, development aid is better organised, and the projects are better chosen, prepared and carried out than they were during the previous decade. The experts who are today consulted by other countries and who bear the responsibility for development aid have the benefit of better training.

Next to public development aid, private aid in the form of capital is acquiring increasing importance. During recent years, this aid represented roughly 30 to 40% of total aid, and was even as high as 50% in 1968. The opportunities for the governments of donor countries to exert a direct influence on the export of private capital are somewhat limited. They can, however, lessen the political risk by government guarantees, offer tax concessions and give advice to industries investing in the third world.

35. Certain donor countries are tending more and more to draw up their development aid programmes several years ahead. These countries include the Federal Republic of Germany, the Scandinavian countries, Canada, the Netherlands and, more recently, England. This long-term programming avoids overlapping and makes it possible to define a proper long-term strategy. Thus the industrialised countries are able, in the framework of consortia and advisory groups, to give their approval to long-term financing schemes, which can be a deciding factor in improving the programming of such projects.

However, total government aid to development and total investments of private capital constitute only a tiny fraction of the national income of the industrialised countries. It must therefore be accompanied by commercial concessions,

that is to say by an agricultural and industrial policy guaranteeing the developing countries easier access to the market. The industrialised countries must not refuse the developing countries the chance of selling the few products which would make them competitive in their markets simply because they consider themselves unable to pay for the necessary structural adaptation, although it would, in the long run, serve their own interests.

Although the foreign currency reserves of developing countries may be strengthened by external aid as well as by new opportunities for trade, these two sources are not interchangeable.

The first makes a net contribution to the available funds, whereas the second merely makes it possible, at least in the short run, to trade more home products for foreign products. However, as long as the scarcity of foreign currency continues to be a fundamental obstacle to the expansion of the large majority of developing countries, trade and development aid will have to be considered as being directly complementary. In fact, they are also closely linked in another fashion. Since a large proportion of the capital flowing into the developing countries consists of government funds, the possibility for these countries to continue to absorb capital in this form will depend on their ability to achieve, at a given time, surplus exports capable of financing the increasing burden of interest and loan repayments.

36. According to a recently published report by the United Nations Commission for Development Programming, the importing capacity of a developing country should grow at a rate at least 1% faster than the expected expansion rate of the GNP. On this basis and having regard to the United Nations targets for the Second Development Decade of a GNP growth rate of 6%, the exports of the under-developed countries should rise annually by at least 7%. To reach this target in the seventies will be a considerable undertaking, bearing in mind the pressures that will be brought to bear on the tendency to expansion of a certain number of important products, in particular tropical products and agricultural commodities.

After oil, the developing countries' greatest source of currency is coffee which, in recent years, has brought in an average of 2.3 million dollars. In the United States, which accounts for 45% of total world coffee imports, demand has scarcely varied in the last ten years. Even taking account of a considerable rise in consumption in other countries, it is unlikely that world demand will rise more, in the long term, than by 2 or 3%.

The outlook is no more encouraging for agricultural commodities such as cotton, wool, hardwood fibres, jute and natural rubber, where the main problem lies in the pressure from synthetic and substitute products. In the twelve years

from 1953/54 to 1965/66, for example, cotton and wool consumption has risen only by 10%, while the consumption of artificial fibres has increased almost five-fold. In the same period, synthetic rubber consumption has risen ten times faster than that of natural rubber. It is unlikely that in the next ten years the demand for agricultural raw materials will grow by much more than 2%. This raises serious problems for countries whose foreign currency supplies depend chiefly on such products.

37. If the industrialised countries do not keep up a high rate of development, a satisfactory growth rate for the trade of the less developed countries is scarcely to be expected. One of the reasons for this is that for the developing countries the most important markets are in the rich non-socialist countries which, in 1967, accounted for three-quarters of all imports, to a total value of 40,000 million dollars, from the developing countries. In addition, some of the products of the developing countries satisfy the peak demand in the industrialised countries, so that the exports of these countries are particularly sensitive to variations in the growth rate in the more developed countries. The difficulty of overcoming protectionist resistance in the developed countries is likewise serious, more particularly on account of the slowing down of the growth rate of the economy and the competition among imported products.

From this point of view, the developing countries have a real interest in the present discussions concerning the reform of the international monetary system. Changes in the present system, thanks to which countries with an adverse balance of payments would no longer be obliged to look to a radical policy of deflation to save the situation, would have at the same time a favourable effect on the trade outlets for the developing countries.

38. What are the new moves called for in the sphere of international trade policy as we stand on the threshold of the Second Development Decade? Very many of the discussions and much of the action going on in multilateral organisations are concerned with complex but secondary problems, such as the conditions for a general goods agreement, the financing of compensation stocks for periods of emergency or the terms of a general preferential agreement between all the industrialised countries in favour of the under-developed countries. But it is essential to set up machinery to guarantee real and lasting progress towards the simpler and more conventional goal of easy and guaranteed access to the markets of the developed countries for products of special interest to the less favoured countries.

Preferences, trade agreements and regional agreements can make a valuable contribution to the improvement of trade with the developing countries.

The efforts of the development planners will need to be directed towards the raising of the gross per-capita product and the reduction of social inequalities, thanks to policies of reform, full employment, regional development, generalised education, public health, etc. As the chairman of DAC rightly says in his last report, only structural reforms can change lethargy into enthusiasm, and that is so even where they will mean high economic costs.

39. One per-cent of the gross national product of the industrialised countries must be transferred to the developing countries: 0.70% will consist in public aid in the form of gifts and loans on generous terms; the quota contributed by multilateral organisations must rise from 10 to 20%; the financial terms on which the funds are made available to the beneficiary countries must be improved in order not to lay a heavier burden of debt on the poor countries; the practice of planning assistance over a number of years must be generalised, to enable the beneficiary countries to work out coherent and realistic plans.

As regards technical co-operation more particularly, it will not be possible to make a growing number of experts available to the developing countries unless they can be guaranteed the security and prestige of a career. As it is out of the question for a foreign technician to make a career working on a single development project, a system must be set up to provide for such people moving about - without any break in their career - from one place to another, such as university, public administration, developing countries. Not only would such a system do away with the obstacles now preventing many people from going into technical co-operation, but it would also help to improve the human side of the provision of aid in the countries that provide it by encouraging mobility, advanced training and cultural enrichment.

In approaching the problems of technical assistance, we must not forget that the forms in which it is being offered have led to the countries providing it being accused of "neo-colonialism". True, the technical assistance experts work under higher authorities in the developing countries but there is no doubt that they enjoy a measure of power that they can use as they wish and, very often, the local people under them dislike taking orders from a foreigner.

40. Criticism has also been directed at the high cost of experts at advanced levels, at the short time they frequently spend in the countries they are assisting and on their small opportunity for leaving a lasting mark on the conditions and environment of the backward sections of the population.

These criticisms are in marked contrast to the popularity of the assistance given by voluntary technicians at intermediate levels who, by living in contact with the people for long periods, sharing their experience and difficulties,

constitute an effective instrument for the communication of technical skills and culture and stand, particularly as regards human contacts, between outside action and the reactions of the population affected by the phenomena of development.

It is important to recall here the findings of such specialised agencies as UNESCO and FAO, which have made numerous moves to stimulate and support voluntary efforts to carry out agricultural development and basic education projects. Recently the United Nations General Assembly adopted unanimously a resolution presented by Iran concerning the creation of an international volunteer corps to help with development schemes. Similar initiatives have been taken in addition by the Council of Europe, which has frequently exhorted its member countries to develop this type of action.

For many years already at national level, the need for participation through young people in the development efforts of developing nations has led, in many countries, to a large number of public and private schemes for sending volunteer technicians into the field. The following figures are taken from recent international statistics on official action by other governments:

<u>Country</u>	<u>Number of volunteers</u>	<u>Number of volunteers per million inhabitants</u>
Australia	151	14
Austria	12	1.7
Belgium	360	40
Canada	810	44.5
Denmark	200	40
Finland	22	5
France	7,150	143
West Germany	1,834	30.6
Israel	26	10
Japan	248	2.5
Liechtenstein	15	790
New Zealand	105	40
Norway	130	37
Netherlands	290	22
Philippines	143	4.4
United Kingdom	2,593	47
Sweden	125	17
Switzerland	260	47
United States of America	12,000	60

41. In addition to these volunteers, there are many others sent by private voluntary service organisations, whose numbers run to tens of thousands, and have been shooting upwards in recent years.

In spite of numerous difficulties, private voluntary service organisations in 1969 sent 98 young people to work on their own programmes in Africa, Asia and Latin America, thus achieving a remarkable objective of almost 500 units now in service.

However, even counting the spontaneous, independent contribution of private bodies, we are still far from providing the kind of technical co-operation which the needs of the third world countries now urgently impose on responsible statesmen and politicians.

At international level, a commission under the chairmanship of L.B. Pearson set up by the President of the World Bank to study the effects of 20 years' development aid, to investigate mistakes and propose policies for the future, drew the attention of governments to the matter of voluntary aid in its report entitled "Partners in Development" (November 1969, Chapter 9):

"It is too often forgotten that private nonprofit organisations and volunteers make a very substantial contribution to development aid. In this sector, too, problems of efficiency have attracted increasing attention and are, in many respects, of the same character as those we have surveyed in the public sector.

The DAC has placed the present total of resources handled by nonprofit organisations at a figure exceeding \$1 billion annually, of which at least \$700 million is raised from private sources. The balance is acquired in such forms as surplus food, which is distributed by voluntary agencies in many developing countries. The impact of this expenditure is magnified by the very large flow of volunteer, or nominally compensated, labour which accompanies it, both through the more traditional nonprofit organisations (especially religious bodies) and through the more recent volunteer movements. In 1968, for example, some 25,000 people from developed countries were working as volunteers in the low-income countries. This figure has increased five-fold in six years and is now equivalent to nearly a quarter of all technical assistance personnel serving abroad under official programmes.

42. These figures, of course, convey no measure of what nonprofit organisations and volunteers have done in many donor countries to improve the political climate in those countries for government aid programmes. Ultimately, the sense of private obligation to a developing world community, to be expressed in word and action, has been the motive force behind much of the public aid effort.

Emergency relief is probably the best known aspect of the work of nonprofit organisations, but education is probably their largest field of activity, and is certainly the most important

single concern of the volunteer movement. In some countries, especially in parts of Africa, primary and secondary education would, until recently, have been almost nonexistent were it not for the activities of mission schools or of private youth volunteering to serve in a developing country during their period of military service. Much of the teaching is in the traditional disciplines, but an increasing amount is directed specifically at vocational training of various kinds. Many of the voluntary agencies support small agricultural training centres.

Of almost equal importance has been the provision of medical services. In many cases this has been done through the establishment of simple clinics, but in a great number of cases substantial hospitals and medical schools have been constructed.

Support of agricultural research has been a small part, quantitatively, of the total flow of resources from nonprofit organisations. However, it has demonstrated its far-reaching importance in recent years with the successful development of new high-yield seeds for both wheat and rice.

Nonprofit organisations are now becoming increasingly concerned with the need for long-term development. This is particularly true of the European churches. A steadily increasing proportion of the budgets of such organisations is devoted to projects with a basic development impact, and some agencies are also critically examining their project criteria to reconcile them with priorities established by national planning authorities. This awareness of the recipients' national objectives is not yet widespread, but it is growing. Also growing is an appreciation of the need for better co-ordination between agencies, both to avoid unnecessary duplication of effort and to learn from the experience of others. There is no doubt that private nonprofit organisations and volunteer movements can make an even greater contribution to development in the future than they have in the past, and that they should actively seek to relate their activities more closely to long-term development needs. This will not necessarily change the nature of their work, but it implies a more careful appraisal of its relevance and project content.

43. A clearer understanding of the development process among nonprofit organisations will also enhance their ability to help create informed opinion on development in the industrialised countries.

Reappraisal is also going on within the volunteer movement

For some purposes, private and voluntary organisations possess special advantages over both large official aid agencies and private corporate investors. To begin with, they are usually of small size. Because of this they are frequentl

able to provide useful support for vitally important but modestly sized projects, too small to be evaluated by the large national and multilateral aid agencies. Because they have less political prestige at stake than official agencies, private nonprofit organisations are also able to provide support for experimental ventures, such as those employing an 'intermediate' technology, or those where the risk of failure is unusually high. Also, in a number of countries private advisers to governments on over-all development policy have proved particularly effective.

It is often difficult to preserve mutual self-respect in the aid relationship, but it is easier in private aid activities where the altruistic involvement of donor and recipient is great, both in the selection and execution of projects. Private agencies are generally able to work with affiliated groups in recipient countries on a basis which preserves the personal integrity of both sides. Volunteers often work not only under the authority of a host country government department but alongside volunteers from the host country itself. It is not widely known, for instance, that in the developing countries themselves there are some 21,000 'domestic volunteers' with a fairly high level of skill, and, further, 18,000 'civic service volunteers' with a more modest level of skills. It is important that this co-operation should receive all possible assistance.

Nonprofit and voluntary organisations have the psychological advantage of independence from political authorities, but less trust is sometimes accorded to volunteers who are enrolled and supported by the governments of the larger developed countries. There are some institutional safeguards designed to protect government-supported volunteers from involvement in the vicissitudes of foreign policy, but these are not always trusted in host countries."

This section of the report concludes with a recommendation to investigate the possibility of setting up an international body of volunteers, under the sponsorship of the United Nations.

Whilst some reserve should be maintained with regard to an organised "corps" of this kind, it would be desirable to co-ordinate existing laws at European level, and to ask the EEC to take organised steps for the establishment of a systematic dialogue with a high-level group representing European voluntary organisations.

44. The Centre for Development Planning (CDP), under the chairmanship of Professor Jan Tinbergen, a Nobel-Prize winner in economics, is dealing with preparations for launching the Second Development Decade (II DD), within the framework of the United Nations. The Centre drew up an ad hoc report for ECOSOC last January.

The quantitative targets set out in this report fall into two categories: targets for developing countries, and targets for developed countries.

The former include:

- a GNP annual growth rate of 6% for the first half of the decade, and of 6 to 7% over the whole period;
- an annual growth rate of 4% for agricultural production (equivalent to a 3.7% expansion rate for value added);
- a 6% annual growth rate for industrial production during the first half of the decade, followed by a higher rate;
- a population growth rate lower than the present one;
- an import growth rate one point higher than that of the GNP, and greater export expansion;
- a savings rate equivalent to 20% of the GNP during the last year of the decade;
- by 1980, family planning services for 50% of the population in countries where population growth hampers economic development;
- increased expenditure on research and development, which should rise from the present 0.2% of the GNP to 0.5% by the end of 1980;
- regular sample surveys of the labour force in at least 50% of the countries by the end of 1980;
- increased expenditure on education, rising in Africa, from the 1965 figure of 4.7% to 6% of the GNP by the end of 1980; in Asia, from 3.1% to 4.3%; and in Latin-America from 4.2% to 4.7%.

As regards the developed countries, the targets are as follows:

- transfer to developing countries of funds amounting to 1% of GNP by end of 1972;
- public aid amounting to 0.75% of the GNP by the end of 1972;
- provision of 70% of total government aid in the form of gifts (or equivalent aid) by the end of 1970;
- provision of 80% of total government aid in the form of gifts (or equivalent aid) by the end of 1975;

- earmarking of 0.05% of GNP for direct support of science and technology in the developing countries;
- allocation by 1980 of 5% of expenditure on research and technological development to the study of the specific problems of developing countries.

45. As well as setting out these quantitative targets, the CDP report gives guidance on some of the more specifically qualitative aspects. For instance, the report makes suggestions for improving aid distribution methods. The Centre considers that distribution should be based on four main criteria:

- (a) the needs of the developing countries;
- (b) their direct participation in development, both by organising the necessary social, economic and institutional reforms, and by initiating systematic, concerted and continuous development projects;
- (c) their capacity to make productive use of the aid granted, i.e. to make proper use of the funds received for assistance purposes in sectors where the maximum contribution can be made to development;
- (d) their resources and potential; the aim here is to direct the flow of resources towards areas where there is a possibility of harnessing known resources and thus of increasing the resources of the international community available for future development work.

The Second Development Decade should not only concentrate on increasing the growth rate of national income; it should also bear in mind the most crucial problems facing developing countries, such as social structure, inequality, unemployment, and failure to make full use of the human potential.

A particularly difficult subject for the CDP was the question of the Communist countries' contributions to the Second Development Decade.

46. While not making the point explicitly, the Centre was aware of a number of conflicting factors:

- the need for a balance between the contributions of the West and those of the East;
 - the fact that the Communist countries do not yet seem prepared to adopt a more flexible policy than their present one, whereby they are willing to expand their trade with developing countries, but are opposed to setting any aid target;
 - the fact that by insisting on a more substantial contribution from the Communist countries, unanimity within the CDP would be destroyed.
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Whilst admitting that the aid target did not automatically apply to the Communist countries, Mr. Tinbergen insisted that the Soviet Union should clearly specify, in quantitative terms, how far it intended to step up its trade with developing countries. Others have pointed out that the developing countries need help from the countries with socialist economies not only in the form of trade, but also in the form of aid, especially since the United Nations Centre's development model is based on the assumption that the countries of the Communist bloc will be transferring \$5,000,000,000 per annum to the developing countries by 1980.

47. The CDP's recommendations on this subject may be summarised as follows:

- the Communist countries' contribution to the Second Development Decade should be comparable to that of the Western countries, regardless of the particular form that it may take. It is asked that these countries step up their imports from developing countries at a rate sufficient to enable the target for the annual increase in the import capacity of the developing countries to be reached. All the targets and guidelines of the solidarity policy of countries with socialist economies should be set down quantitatively in the different national plans. At the launching of the Second Development Decade, these countries should make public the measures they intend to adopt.

Finally, as regards arrangements for launching the Second Development Decade, the CDP proposes that a general declaration be voted at the 25th session of the United Nations General Assembly, to be held in the autumn of 1970. This declaration:

1. Would proclaim that it was in the common interest of all countries of the world that faster progress be achieved in the developing countries during this decade (and not only in regard to the gross per capita product);
2. Would formulate, for the purpose of reaching this target, undertakings and declarations of intent to be accepted by both the developed and the developing countries. Since many of these undertakings could be expressed only in very general terms in a general declaration, each country would, during the same session of the Assembly, add a unilateral declaration to the general declaration, setting out more specifically what it intended to do. In these unilateral declarations, the different countries should accept, wherever possible, greater commitments than those deriving from the general declaration.

(4) Two basic documents for the study of development aid: the Pearson Report and the Jackson Study

48. The recommendations and aims of the Pearson Report (1) published on 1 October 1969, and the Jackson Study (2) presented on 1 December 1969 must be regarded above all from the economic and social point of view, for both seek to change the situation in those fields for the better. With that end in view, it must be borne in mind, as stated in Chapter 1 of the Pearson Report, that "The widening gap between the developed and developing countries has become a central issue of our time".

The developing countries are now seeking not only political independence but also economic autonomy. They do not intend to remain an economic appendage of the industrialised states any longer. The current President of World Trade Council, Mr. K.B. Asante (Ghana), said at the Council's ninth session (held at Geneva from 2 to 14 February 1970): When I buy a car, the maker fixes the price and I have to pay up or not buy it. If, on the other hand, as an African producer, I want to sell my cocoa, it is the purchaser who establishes the price. All theories of political economy, however good they may be, cannot make us forget this unjust anomaly.

The aim of development aid is systematically to eliminate this anomaly, gradually drawing the developing countries, on a footing of equality, into the world economy as productive units thus enabling them to enjoy satisfactory living conditions. Indeed, as the Pearson Report states, "if the developed nations wish to preserve their own position in the world, they must play their full part in creating a world order within which all nations and all men can live in freedom, dignity and decency". "But", the report asks logically, as do other texts, "can the majority of the developing countries achieve self-sustaining economic growth between now and the end of this century?" The eight authors reply in the affirmative.

49. This conviction is backed up by accurate data on what has been achieved in developing countries over the past 20 years. It is true that the results of economic development between 1950 and 1967 differ considerably from one country to another,

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- (1) The Pearson Report of the Commission on International Development; the Commission is chaired by Lester B. Pearson and comprises the following members: Sir Edward Boyle (United Kingdom), Roberto de Campos (Brazil), C. Douglas Dillon (United States), Wilfried Guth (Fed. Rep. of Germany), W. Arthur Lewis (Jamaica), Robert E. Marjolin (France), Saburo Okita (Japan). Published by Praeger, New York - Washington - London, 1969.
 - (2) A study of the capacity of the United Nations development system, United Nations, Geneva, 1969.

but it is also a fact that the aim of the first decade was achieved: namely an average growth in the sixties of 5% in the gross national product of developing countries (the growth rate in industrialised countries was 4.8%). The technical infrastructure of the third world countries was also considerably developed. About 85% of investments in developing countries were provided by those countries themselves. The average savings rate in all developing countries was 15% of the gross national product in the sixties.

However, the progress made must now allow us to forget the multiplicity and extent of future tasks or the difficulties they will encounter. A large part of the report is devoted to such complex problems. These are particularly problems of internal policy in the developing countries (e.g. the need for various reforms, the paper weighting of political and social objectives), the dilemma of the population explosion, unemployment and urbanisation, agriculture, nutrition, industrialisation, the private investment "climate", research and development, education and outside political pressures. This last part of the report dwells on the importance of foreign currency reserves for development, income from exports, the burden of the debt and the present general apathy in the donor countries with respect to development aid. This last factor finds expression in a drastic drop in public loans on the part of industrialised states in favour of developing countries, a multiplication of private aid and loans to production, the deterioration of the credit terms offered to developing countries and a tightening up of delivery conditions. In 1967 only 16% of official aid was not tied.

50. All these problems are interdependent. For example, a developing country's trade can increase only thanks to greater production and/or improvement in quality. That in turn means training, the purchase of tools and machinery, savings, credits, improvement of the infrastructure, the opening up of foreign markets, etc. This interdependence of problems calls for co-ordinated co-operation between developing countries, industrialised countries, public and private schemes and international organisations in their respective endeavours to find solutions, for which the report submits twelve proposals and sixty-eight recommendations. If aid to developing countries is to achieve maximum efficiency in bringing about a prosperous world economy, the means, methods and measures must be co-ordinated, i.e. a strategy for their application must be drawn up. The essential aims of that strategy are as follows:

- to set up a free but fair international trade system;
- to increase the outside private capital in a manner profitable both to the investors and to the beneficiary countries;

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- to associate the parties to development aid more closely, to specify its aims and to co-ordinate efforts more effectively;
- to increase the volume of aid;
- to solve the problem of the growing burden of debt;
- to make the administration of aid more efficient;
- to give a new orientation to technical assistance;
- to slow down population growth;
- to review aid for education and research;
- to strengthen the system of multilateral aid.

51. The impact of the Pearson Report throughout the world is surprising, for in itself it does not contain any spectacular new ideas.

The authors simply pass in review the battery of instruments existing for development aid and do not arrive at any surprising conclusions. It can even be said that as a whole the report merely confirms the recommendations of the second World Conference on Trade. Its importance, apart from the authority of the organisation which commissioned it, lies rather in its thoroughness and accuracy, the convincing logic of the conclusions drawn from numerous facts, the volume of material consulted and the manifest value of the recommendations based thereon. Its critical objectivity, clarity, logic and the simplicity of its style are also striking.

The Jackson Study is a valuable complement to the Pearson Report. Whilst the latter analyses objectively what has so far been achieved and the experience acquired to date and also puts forward concrete recommendations for the future, the Jackson Study considers (and weighs up) whether the most important of the instruments for the implementation of the Pearson Report's recommendations, i.e. the United Nations development system, is able, technically and from the point of view of organisation, to satisfy present requirements, let alone the ever growing demands of the future. With almost brutal frankness, Jackson writes: "Objectively regarded, the United Nations development 'system' exists only in name", and he explains this in detail in his study.

52. Jackson believes that ten measures are indispensable for reorganising the system with an eye to technical progress, co-ordination and centralisation.

First, the introduction of a programming method which would enable all inputs from the UN development system to be programmed comprehensively at one time in a programme corresponding to the needs and the duration of each country's national development plan.

Second, effective and prompt execution of approved projects, having recourse, as necessary, to all available methods and resources within and without the system.

Third, controlled evaluation, designed to maintain the accountability of the Administrator of UNDP for the use of all resources contributed to UNDP, to measure results, to judge the effectiveness of the methods used, and to draw conclusions which may be applied with benefit to future operations.

Fourth, effective follow-up conceived as an integral part of each project from the outset.

Fifth, the introduction of an efficient information system.

Sixth, organisational reforms at the country, regional and headquarters level designed to integrate the components of the UN development system more closely. These should combine greater control at the centre with maximum decentralisation to the field level, where the authority of the Resident Representative should be greatly strengthened.

Seventh, proper staffing of the operation at all levels, involving far-reaching measures to attract and retain the best qualified people available.

Eighth, a financial framework designed to ensure the smooth running of the operation, through which the maximum possible amount of funds entrusted to the UN development system for development co-operation should be channelled, the head of the central organisation being held personally accountable for their use.

Ninth, maximum use of all modern managerial and administrative aids and techniques to ensure an effective, expeditious and economical operation.

Tenth, maximum flexibility on the part of governments and the system alike to permit adaptability to changing circumstances and a speedy and effective response to new challenges and opportunities as they arise.

53. Jackson proposes for the aid system the five following planning and programming phases, all of which would be interdependent:

1. The local representative of the UNDP draws up the development plan programme with the country concerned, drawing as necessary on the assistance of representatives of the specialised agencies.
2. During this phase the details of the various projects have to be worked out. Here, the activity of the organisations responsible for carrying out the programme is particularly important and the director of the project in question must be constantly consulted.
3. Implementation of the project.
4. Evaluation of the different operations and assessment of their results. The director of the UNDP must be informed of the findings of both.
5. Finally, the follow-up activities. In Jackson's view these are of capital importance: they show whether the project has succeeded or failed.

Jackson has no illusions about the possibility of translating these proposals into action. He knows that this requires a long time. Five years from now, i.e. towards 1975, it should be possible to bring the system into line with these conceptions. The developing countries would then be able to plan their projects better to make a more profitable use of their own resources and natural wealth as well as exploiting the possibilities of bilateral aid.

The industrial countries would be constantly abreast of how the developing countries were using their resources and could adjust their bilateral aid programmes accordingly.

In conclusion, we can say that the Pearson Report and the Jackson paper provide us, as far as development aid problems are concerned, with a rich catalogue of experience, mistakes, successes, methods, requirements and possibilities. They are sure guides for those concerned with development policy, enabling them to draw lessons from the mistakes of the past and to achieve a stable economic relationship between the developing and the industrialised countries.

IV. FINAL REMARKS

1. Underdevelopment is a general disease, affecting henceforth the entire world community, and calling for a series of equally general measures in the principal sectors (technical assistance, trade finance, economic aid etc.) and for action to put an end to what has been called the "negative multiplier" of poverty.

2. It tends to emphasise a clear antithesis between scientific and technological progress and their possible social applications and to push to extremes the social disparities between the rich and poor peoples of the earth.

On the one hand, the rich peoples are continually raising their standard of living and productivity; on the other, the poor peoples have increasing difficulty in meeting the new social demands consequent on population growth and conditions of freedom.

The result is a split in the international economy which, if it became a permanent feature of the world system, could have dire results for everyone, barring the way to a better distribution of international resources - a prior and indispensable condition of a balanced and peaceful world order.

3. Whatever our point of view, the problem demands that we advance beyond the stage of piecemeal action.

Given the seriousness of the problem and the manifest inadequacy of the methods so far employed, the important thing is to attack the problem of speeding up the implementation of global aid with a new political determination and a realism marked by a sense of the responsibilities involved.

4. For this reason - and also because underdevelopment has so many different faces - one can reasonably expect that, even if the problem is of world dimensions, it will be possible to find concerted solutions which allow for this fact, solutions tending towards a partnership between the rich and the poor nations.

In a regional context too - for example, in the specific case of the EEC-AASM and the EEC-OCT it is possible to give co-operation of the type described above, institutions and means of action which would enable the poor and the rich peoples to collaborate in a real partnership, with mutual respect for one another's freedom.

5. The progressive co-ordination of policies of co-operation with, and aid to, the developing countries can play a large part in helping to forge a common European foreign policy, whose genuineness where democracy and peace are concerned would thus be established by a vast effort to achieve international solidarity and justice. It could also contribute more particularly in this sector, to greater EEC representativity in international affairs and to better adjusted relations between EEC and the United Nations.

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6. Certain special aspects of the problems are of the most pressing urgency today:

- (a) the maintenance and reinforcement of the special features and most authentic trends of the EEC-Africa association as a valuable guide for the solution of other regional problems in the Mediterranean, Latin America, Asia, etc.
- (b) The co-ordination of regional policies - beginning with EEC-AASM policy - with world development aid policy, while checking the repeated attempts made in the framework of UNCTAD to demolish existing preferential measures in the name of rigid dogmatic concepts which, among other things, make no allowance for the depressions peculiar to the African continent;
- (c) The full extension of current EEC action to Commonwealth areas adjoining beneficiary regions as part of the policy of opening the door to Great Britain and the other European candidates for membership;
- (d) A growing awareness of those essential means which more and more are linking up policies of development assistance and international co-operation with other forms of political action directly governing world peace, disarmament and international justice.

Net financial contributions (1) by the member countries of DAC, 1960-68
Net payments (in millions of dollars)

Forms of aid	1960	1961	1962	1963	1964	1965	1966	1967	1968
Total from public and private sectors	8.115	9.249	8.487	8.632	9.142	10.488	10.510	11.364	12.962
I. Public assistance to development (2)	4.718	5.217	5.539	5.889	6.018	6.076	6.293	6.690	6.430
1. Bilateral gifts	3.716	4.031	4.100	4.032	3.868	3.770	3.802	3.676	3.418
2. Bilateral development loans on easy terms	0.463	0.665	0.928	1.489	1.763	1.863	2.014	2.297	2.354
3. Contributions to multilateral institutions	0.534	0.521	0.511	0.368	0.387	0.443	0.477	0.717	0.658
II. Other contributions from the public sector (3)	0.247	0.926	0.496	0.187	-0.076	0.238	0.408	0.460	0.815
1. Bilateral	0.180	0.696	0.481	0.190	-0.069	0.233	0.355	0.441	0.814
2. Multilateral	0.067	0.230	0.015	-0.003	-0.007	0.005	0.053	0.019	0.001
Total from the public sector (I-II)	4.965	6.143	6.035	6.076	5.942	6.313	6.701	7.150	7.245
III. Contributions from the private sector (4)	3.150	3.106	2.453	2.557	3.200	4.174	3.809	4.197	5.717
1. Direct investment	1.767	1.830	1.495	1.603	1.784	2.489	2.185	2.103	2.918
2. Bilateral portfolio investments	0.633	0.614	0.147	0.327	0.416	0.687	0.502	0.809	0.724
3. Multilateral portfolio investments	0.204	0.090	0.239	-0.033	0.141	0.248	0.015	0.306	0.604
4. Export credits (5)	0.546	0.573	0.572	0.660	0.860	0.750	1.107	0.979	1.470

(1) Gross payments less receipts in repayment of earlier loans.

(2) Contributions made primarily to promote economic development and, by definition, on generous conditions (this, in the eyes of OECD, is the category to which the term "assistance" principally refers).

(3) These include export credits from public sources, some of which may be given on generous conditions, as well as sums expended by governments on buying bonds, taking over loans and participating in multilateral agencies.

(4) To these belong direct and portfolio investments, as well as export credits from private sources for terms of more than one year.

(5) This expression covers guaranteed credits, including the non-guaranteed part, but not credits which are not guaranteed by the donor country. The definition of the net aid contribution thereby made varies from country to country. In some cases it represents the variation in the amounts outstanding of the sums guaranteed whilst in other cases it represents the difference between the sums due and outstanding and the credits accorded. Interest due is included in the amounts outstanding, so that the net aid contribution tends to be overestimated if the gross amount of the new credits guaranteed rises, and vice-versa.

TABLE II

NET FINANCIAL CONTRIBUTIONS FROM ALL SOURCES RECEIVED BY THE DEVELOPING COUNTRIES
(in millions of US dollars)

Origin	1960	1961	1962	1963	1964	1965	1966	1967	1968
Member countries of DAC (1)	7.309	8.408	7.722	8.301	9.622	9.792	10.526	11.247	12.903
Other industrial countries (2)	6	5	6	7	11	9	10	15	20
Socialist countries of Eastern Europe (3)	(200)	(300)	(400)	(375)	(375)	(325)	(350)	(350)	(325)
Multilateral organisations (4)	284	252	410	653	790	892	895	1.041	814
TOTAL RECEIVED BY THE DEVELOPING COUNTRIES	7.799	8.965	8.538	9.356	9.798	11.018	11.781	12.653	14.062

(1) Net financial contributions to beneficiary countries from the public and private sectors.

(2) Finland, New Zealand, Republic of South Africa.

(3) Approximate estimates.

(4) Net payments by multilateral organisations to developing countries.

Source: OECD, DAC.

TABLE III

TOTAL NET FINANCIAL CONTRIBUTIONS BY THE MEMBER COUNTRIES OF DAC

Country	1960	1961	1962	1963	1964	1965	1966	1967	1968	1968%
Australia	59	71	74	97	119	137	136	192	187	0.83
Austria	6	20	31	6	21	47	50	48	74	0.87
Belgium	182	164	118	175	164	221	178	165	243	1.46
Canada	145	87	110	131	142	169	267	254	306	0.66
Denmark	38	33	15	11	32	15	24	25	74	0.70
France	1,325	1,406	1,395	1,242	1,360	1,299	1,320	1,341	1,483	1.55
Germany	628	847	609	621	706	724	738	1,140	1,663	1.65
Italy	298	258	390	321	237	266	632	287	550	0.96
Japan	246	381	286	267	290	486	670	798	1,049	0.94
Netherlands	239	200	114	134	118	239	254	228	276	1.49
Norway	10	27	7	22	23	38	17	30	58	0.85
Portugal	37	44	41	51	62	31	40	78	48	1.09
Sweden	47	52	37	53	67	73	108	121	129	0.70
Switzerland	157	211	161	203	110	192	123	134	242	1.70
United Kingdom	881	899	744	721	919	1,028	1,026	841	845	0.97
United States	3,818	4,549	4,355	4,579	4,771	5,524	4,983	5,565	5,809	0.81
TOTAL FROM MEMBER COUNTRIES OF DAC	8,115	9,249	8,487	8,632	9,143	10,488	10,526	11,247	13,036	0.97

Source: OECD, DAC