

COMMISSION
of the European Communities

**Memorandum from the Commission
on a Community policy
on development cooperation**

Programme for initial actions

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INTRODUCTION

1. In July 1971, the Commission adopted its synoptic document on a "Memorandum on a Community policy on development cooperation"¹. This included two further volumes containing a detailed analysis of twelve years of cooperation with developing countries, and general and statistical documentation. At the same time the Commission also announced its intention to produce a third document which would permit the transition to be made from the general guidelines contained in the synoptic document to a programme of action.

2. The Commission explained that the aim of the synopsis is both to initiate a dialogue amongst the Institutions of the Community and the Member States on the general guidelines for a Community policy on development cooperation, and also to instigate a procedure which will quickly lead to a number of concrete achievements.

In this document the Commission hopes to give a more detailed picture of an initial series of practical measures by choosing certain ones from the activities set out in the synopsis; this does not mean to say, however, that those omitted from this document have been abandoned by the Commission. All the actions laid down in the synoptic document, and the spirit in which they were conceived, remain on the agenda.

3. The Commission's choice illustrates its desire to concentrate on the concrete development of proposals which forms this initial series of actions. Some of these can also be developed at Community level within the framework of the third UNCTAD programme.

4. Independently of the discussion on guidelines and the preparation of initial practical measures, the Commission reserves the right to announce at the appropriate moment the political developments made necessary by the problem of relations between an enlarged Community and the developing countries. The forthcoming Summit Conference of the Heads of State of the Community will be devoting a great deal of time to these problems.

5. The Commission's initial selection of actions was inspired by the following considerations:

- some of the actions described in the synoptic document originate from earlier decisions or are linked with dates in the near future. All of these will be the subject of detailed Commission proposals in the light of dates

¹ See Supplement 5/71 — Annex to EC Bulletin 9/10-1971.

which are, or will be, determined for them. There is therefore no point in setting them out here;

- since a discussion of certain actions is still premature there seemed no point at the present stage in developing ideas on these actions;
- it did, on the other hand, seem an opportune time to concentrate on those problems which have been sufficiently discussed in the international organisations and within the Community to justify the initiation of action.

PROGRAMME
FOR
INITIAL ACTIONS

I. MEASURES TO BENEFIT EXPORTS FROM DEVELOPING COUNTRIES

SECTION 1 : COMMODITY AGREEMENTS

I. 1973 International Coffee Agreement

A. One must first of all emphasise the importance of this product for developing countries since, with the exception of petroleum, it is the main commodity by value in international trade. The international organisation of this market has been operating for about ten years since the first agreement to bring together the majority of developing producer countries and industrialised consumer countries dates from 1962.

This organisation does not limit itself to the creation of a short-term equilibrium by means of quotas and prices; it also seeks a medium and long-term equilibrium by means of a policy of diversification. A Fund for the financing of the latter was set up by the International Coffee Organisation (ICO).

B. The present agreement expires in October 1973 and the ICO will begin working on its renewal in 1972.

Disruption in market forecasts resulting from the reduction in Brazilian production are going to present difficult problems in sharing out the world market between the producer countries by means of basic quotas to be written into the agreement. Production targets, the programmes of the Diversification Fund, and the relations between the different categories of coffee will most likely be called into question.

It is clear that concrete action by the Community in this field is connected with its effective participation in renewal negotiations and then in a new agreement as already proposed to the Council by the Commission.

Disregarding the actual problems of defending the interests of the consumer countries in this agreement, the importance of which cannot be denied, it is within the framework of development cooperation of all the developing countries concerned, of which this agreement is an essential instrument, that the possibilities of concrete action by the Community are raised here.

The search for a long-term balance between production and consumption should become the ultimate objective of Community policy, and this by laying emphasis on the various possible means of action existing in the present agreement, but which have hardly been applied yet. It would therefore be less suitable to amend the agreement than to make better use of the various mechanisms existing in the new 1973 agreement:

- revision and harmonisation of the plans for controlling production, of the objectives laid down in 1969 and the diversification programmes,

- improvement of export standards in order to raise the quality of certain kinds of coffee and to arrest the downward trend or the tendency to consumption stagnation in the developing countries,
- search for forms of aid tailored to meet the difficulties of small and medium sized producers who belong to the ICO and are amongst the least advanced of developing countries whose economy depends mainly on coffee.

The present instrument, the Diversification Fund, should have its rôle extended and its aims widened in order that it might carry out activities other than those linked directly with the limitation of production, storage infrastructure, installations for preparing and packaging the product, improvement in marketing structure, diversification of outlets etc.

Taking into account, on the one hand, the Community's activities over the past ten years in certain producer countries—both members of the ICO and those associated with the Community—within the framework of the European Development Fund, and on the other hand taking into account the fact that short-term equilibrium is inseparable from medium and long-term equilibrium which can only be achieved by means of diversification of structures, the Community should be able to play an active part in the implementation of this policy, aimed at achieving lasting stability on the world coffee market.

The Community would be given the possibility of concrete action to influence the guidelines to be followed and to facilitate coordination between the various concepts and sources of finance for the diversification aid, if it could play a significant rôle in the Diversification Fund of the ICO. At present only two Member States have decided to make a financial contribution to this Fund.

Provided that the ICO Fund is converted into a true instrument for achieving balance between supply and demand, it is quite possible that the Community will participate in it by the granting of loans.

II. Negotiations for an international cocoa agreement

Although cocoa is less important than other commodities for the economies of developing countries in general, it is still an essential product in the economy of several developing countries in Africa and Latin America. The chronic instability on the world market explains the many attempts over the past ten years to conclude an international agreement; these have, as yet, met with no success.

Should the Conference on the conclusion of an agreement get under way once more, the Community, considering its dominant rôle on the market, should, starting with the consumer countries, continue to follow up the initiatives taken during the UNCTAD negotiations of 1971, so that the basic questions remaining may be set out clearly and negotiable solutions may be proposed.

The main problem is still the price level to be laid down in the agreement and the defense mechanism for minimum and maximum prices by means of the imposition of export quotas and stock regulating.

The other problems remaining connected with, or subject to, the solving of this basic problem should not constitute any major obstacles during the negotiations.

1972 should be a decisive year because the main countries concerned—both producers and consumers—can neither afford to allow the negotiations to fail yet again nor to continue fresh consultations each year. The political desire to conclude a viable agreement should be quite evident, and this on bases which are acceptable to the two groups of countries.

Should it not be possible to conclude an agreement in 1972, the Community should envisage cooperating in the implementation of the limited agreement planned between the main producer countries where the objectives of this agreement, especially in the prices sector, were considered acceptable from the point of view of the legitimate interests of the consumer countries. One should not therefore exclude the possibility of an international agreement being concluded without the immediate participation of all the consumer countries.

The taking up of such a position by the Community is of particular importance in the light of the enlargement of the Community and its association policy.

III. Consideration of the interests of developing countries producing sugar

A large number of the developing countries depend heavily—indeed virtually entirely—on their sugar exports. In order that more attention is paid to the interests of these countries the Community has already stated that, once Enlargement has been completed, one of its main aims will be to safeguard the interests of the whole of the AASM and all developing countries of the Commonwealth whose economy depends largely on exports of sugar, and this without underestimating the importance of this product for other developing countries. The Community sugar policy, therefore, should be based on the following guidelines:

- after the enlargement of the Community, its sugar production should remain lower than its consumption, the difference between the internal production and Community consumption being fixed in terms of contractual commitments towards certain developing countries and the situation in other developing countries which export the product in question;
- the measures which the Community will have taken with the AASM and the developing countries of the Commonwealth with regard to sugar

- will constitute an important element of its participation in the international sugar agreement;
- at the same time the Community should also take other steps to promote the consumption of products containing sugar. A decrease in domestic tax on these products would especially help to increase the Community's consumption, and would be of great benefit both to the developing producer countries and those producer countries in the Community.

SECTION 2 : TRADE PROMOTION

In the present day and age, when commercial competition is very keen, it is not enough to simply remove tariff and non-tariff barriers which still stand in the way of exports from the developing countries in order to ensure "Ipso facto" a reasonable share of the markets in industrialised countries for their produce.

The developing countries themselves must make increasing efforts to make the marketing of their goods more dynamic and more effective. Otherwise the measures of encouragement taken by the industrialised countries regarding the tariffs and regulations run the risk of failing in their aims.

It is, therefore, not only in the fields of tariffs and regulations that the Community must act, but also in the implementation of other measures to help the developing countries gain access to the Community market. In this respect Community action, in order to be of significance, could be motivated especially by certain actions it takes to help the AASM. One must note here, however, that the AASM are some of the most backward of the developing countries and that actions to help them should not be extended haphazardly to all developing countries, if only because many of the latter have already adopted very refined, successful sales promotion techniques. It would seem, therefore, that to start with the Community could provide the developing countries with useful aid by concentrating on the following actions:

- advanced vocational training of people in the production and export sectors, both public and private, in order to improve their knowledge of the Community market, especially of the trade circuits from the import to the consumer stage. This training could be given during short seminars organised in the large commercial centres of Europe;
- encouragement to Member States, other than the Netherlands and Germany, to set up centres or bureaux for trade cooperation with developing countries (the Netherlands and Germany already have agencies fulfilling this function). Community cooperation between these centres themselves would also be useful, especially so that their working methods could be harmonised and that more benefit may be gained from the individual experience in relations both with the public export agencies of the developing countries and the private companies.

One of the functions of such a body would be to ensure that trade advisers to the developing countries stationed in the Member States receive regular supplies of information so that they always know of the latest developments in legislation and regulations on imports. The information should also help them to solve concrete problems and even guide their activity towards new possibilities for the expansion of trade in their respective countries.

Similarly, the Commission is planning to hold seminars shortly to enable exporters from the developing countries to benefit as much as possible from generalised preferences:

- technical assistance in order to improve the standard of products. On the request of the developing countries, experts could be sent out to them to suggest methods of sorting, classifying, processing, labelling and packing certain products. Intervention in these sectors could make it possible in certain cases to adapt the products to the standards applicable in the Member States, on the one hand, and to the tastes and habits of European customers on the other.

The Commission feels that the field of trade promotion lends itself especially well to encouraging an increase in exports from developing countries. It reserves the right to make detailed proposals on this matter; the above ideas are simply an outline of these.

SECTION 3 : GRADUAL ABOLITION OF EXCISE DUTIES ON TROPICAL PRODUCE

The Treaty setting up the EEC leads to the harmonisation of indirect taxes and thus also of taxes imposed on the consumer; amongst the latter are excise duties which are at present imposed in certain Member States on foodstuffs originating from developing countries (coffee, tea, bananas, cocoa). In order to achieve this harmonisation the Commission is drawing up a definitive version of a general programme for the harmonisation of taxes at consumption level.

This internal requirement coincides with longstanding demands from the developing countries for the abolition of these excise duties by industrialised countries. Indeed, even though there may be no grounds for believing that a study of the price elasticity of the demand for these products can lead to results acceptable to everyone, it is still true that one feels instinctively that people assume that a decrease in the price of these products would create more favourable sales conditions.

The Commission could contribute to this by gradually abolishing these excise duties when measures are taken to harmonise indirect taxes; this would be very significant proof that the Community wants to take the interests of the

developing countries into consideration when drawing up and implementing its common policies, in this case its policy on tax harmonisation.

However, it would be unreasonable to expect the sudden abolition of these taxes; the most important tax — the one on coffee — represents almost one percent of budget receipts in Germany and Italy. The whole thing must be done gradually, therefore, in order to lessen the impact of the decrease in receipts and to enable the Member States to find alternative sources of revenue.

SECTION 4 : PROTECTION OF THE GUARANTEE OF ORIGIN OF FOODSTUFFS

As with general abolition of excise duties on tropical produce, the protection of the guarantees of origin of foodstuffs originating from developing countries shows that there are problems in which the requirements of Community policies or the interests of the Community consumer coincide with the interests of developing countries. Indeed, as regards consumer protection, the criteria followed up to now in the Community has been that of the non-toxicity of products, irrespective of their origin. But consumers are attaching more and more importance to the quality of life, which leads them to search for natural products and also to differentiate between these in terms of quality.

In this context, the Community should act both with regard to the protection of the definition of products of interest to developing countries, and the classification of the different products in one category according to a quality scale which is as objective as possible.

The protection of the definition of these products can be assured within the Community by means of Community legislation on foodstuffs. But such a measure taken by the importing countries is not sufficient in itself to promote the sale of the goods in question. The producer countries must also provide serious guarantees on the authenticity of these products and on their hygienic state. Representatives of the developing countries have also made it clear in different international organisations, and especially in the Food Register that they urgently need technical assistance to establish a network of testing stations complete with the appropriate equipment and qualified staff.

Such assistance could be given by the Community and would greatly extend the openings for agricultural produce from developing countries.

In order, on the other hand, to comply with the wishes of those consumers who are expressing with increasing vigour the desire to be fully informed on the nature, origin and composition of the products which are suggested to them, there will be a case for making it obligatory to put this information both on the external and internal packaging.

Lastly, those products which are interchangeable amongst themselves may vary greatly in quality. One often finds that the good reputation of high class products has been abused to the benefit of other products of lower quality. In the interests of both the producer and consumer the introduction of as clear a differentiation as possible in the designation of different products is entirely justified. One thinks here of products such as rum, tapioca, cassara starch, food oils etc...

Taking into account the above facts, the Commission will suggest that advantage be taken of the harmonising of national legislative provisions at present being carried out in the Community in order to implement the necessary measures. Once these measures have been taken in the framework of new legislation on this subject, the public should be fully informed by means of publicity in the press and especially through consumer organisations.

II. OTHER MEASURES FAVOURING ECONOMIC DEVELOPMENT OF DEVELOPING COUNTRIES

An initial series of other measures favouring the economic development of developing countries must be taken especially in order to:

- intensify public aid¹ and ensure its regularity,
- ease the financial conditions attached to aid,
- institute Community untieing of public aid¹,
- harmonise aid action,
- encourage regional cooperation between developing countries.

SECTION 1 : INTENSIFICATION AND REGULARITY OF PUBLIC EFFORTS IN AID

I. Conclusions

A. Between 1960 and 1970 the percentage of the GNP devoted by Member States to public aid to developing countries has decreased. The only exception is in the case of the Netherlands². A granting of 0.7% of the GNP to public aid which France exceeded regularly until 1967, has not been achieved by any Member State since 1968. In relation to its aid capacity, therefore, the Community has considerably reduced its efforts with regard to public contributions between 1960 and 1970.

The failure to achieve the aim of a net financial contribution of 0.7% of GNP from public sources will make it impossible to achieve the aim which was sought when it was recommended at international level as a sub-division of the overall target of a net contribution of at least 1%³ of GNP from public

¹ The concepts of public contributions or public aid mentioned in the developments in these actions are to be understood as "official development aid" as defined in Volume 4, Annex 1, sec. 2, a, i.

² Development aid from public sources as a percentage of GNP.

	Belg.	FRG	France	Italy	Netherlands	EEC	GB	USA
1960	0.88	0.49	1.38	0.30	0.31	1.08	0.56	0.45
1969	0.52	0.35	0.69	0.17	0.55	0.53	0.39	0.35
1970*	0.48	0.32	0.65	0.16	0.63	0.42	0.37	0.31

³ Total aid to developing countries as a percentage of GNP for 1960 and 1969.

	Belg.	FRG	France	Italy	Netherlands	EEC	GB	USA
1960	1.59	0.88	2.15	0.85	2.11	1.66	1.22	0.75
1969	1.12	1.33	1.24	1.03	1.36	1.24	0.97	0.49
1970*	1.17	0.76	1.24	0.78	1.44	0.98	1.00	0.55

* Excluding direct aid from private charities.

and private sources. This would reverse the present trends towards stagnation in net public and private contributions to the developing countries and towards a rapid increase in the debts of these countries, and would enable them to finance their deficit in 1975 by means of current transactions without further increasing their external debts.

B. These public contributions have seen their unit purchasing power decrease consistently during the period mentioned, as a result of the general decline in the purchasing power of currencies. The fact that the aim of an annual transfer of 1% of GNP refers to GNP at current prices constitutes a certain corrective factor, because this makes it possible to incorporate both the growth of GNP in real terms and the increase in prices.

C. Lastly, the Member States increased their contributions by varying amounts and especially at frequently varying rates. The continuity of financial contributions is indispensable to the beneficiary countries in order for them to be able to programme their development in accordance with what is generally expected of them by the countries and organisations granting them assistance. It is therefore only normal that these same countries and organisations make provisions to ensure that the developing countries receive more regular public aid in the form of a "long-term continual flow" as requested of them in Article 47 of the "international strategy for the United Nations Second Development Decade".

II. Aims and proposed actions

A. Achievement by 1975 at the latest of the aim of an annual net transfer to developing countries of net public aid corresponding to at least 0.7% of GNP for each Member State.

The achievement of the same aim by all of the Member States would help to eliminate some of the disparities caused by the aid structure of the different Member States and which impair the effectiveness of the assistance.

The Commission therefore feels that each Member State should undertake to achieve by 1975 at the latest, the aim of an annual transfer to the developing countries of net public aid corresponding to at least 0.7% of its GNP.

B. Programming of public development aid within the framework of the medium-term economic policy.

In the Community this programming could be carried out within the framework of programmes for the medium-term economic policy in which the policy of development cooperation could appear as a new dimension of Community activity.

In order to achieve this all the Member States will have to draw up a medium-term programme of their commitments towards developing countries by establishing, as some of them already do, their own programmes of legislation covering a number of years.

These programmes of legislation should also be the subject of a Community confrontation with the aim of achieving a progressive harmonisation of their general aims and the periods which they cover. In this way it should be possible to make the national policies more coherent amongst themselves and with the Community cooperation policy, and to make them more compatible with the other common and Community policies.

This was the nature of the standpoint adopted by the Commission in a communication to the Council concerning a letter from the Chairman of the Medium-term Economic Policy Committee in which he dealt with the problem of developing, general and coherent medium-term strategy in the field of relations with developing countries.

SECTION 2 : RELAXING OF FINANCIAL CONDITIONS ATTACHED TO AID

I. Conclusions

A. *The growing debts of the developing countries*

1. Since the Fifties the external debt of the developing countries and the cost of servicing it have multiplied to such an extent that, according to certain forecasts, a large number of the developing countries may well find themselves ten years from now, having to pay more for the amortisation of the capital and for the interest than they receive if transfers to them continue to be made at the same rate and under the same conditions as they do at the moment. According to the BIRD the debts of the developing countries will have totalled 67 thousand million dollars by the end of 1970 — double the amount six years ago. It has been estimated that by the end of 1970 the servicing of this debt will cost about 6 thousand million dollars¹ — a figure which must be considered in relation with the exports of the developing countries for 1970; these have been put at about 55 thousand million dollars.

These general facts hide considerable differences between the various developing countries, certain of which have over the past few years found themselves in such serious situations that they have had to ask consortia of creditors to step in.

2. The excessive debts incurred by a large number of the developing countries are due generally to inadequate use being made of credits granted to the countries. These credits had been used to finance unprofitable, scattered or

¹ However at the end of the last decade the rate of increase in the costs of servicing the debt, which at the beginning had been quite rapid, began to slow down because there were more favourable conditions for public loans, brakes had been put on overbidding in guaranteed private credits, and debts had been adjusted.

remote projects. The debts are also due to the fact that the countries have increasing recourse to supply credits. In this field, the industrialised countries overbid in order to increase their exports, especially to developing countries. This overbidding results particularly in the extension of the duration of credits which, together with the severe financial conditions arising from the present economic situation, considerably increases the debts of the developing countries.

B. *The great diversity in financial conditions attached to Community public aid*

1. The financial conditions attached to public aid from Member States and the Community vary greatly from one source of aid to the other, so that projects of a similar nature and profitability are financed under very different conditions without this being justified by the relative debt capacity of the beneficiary countries. Indeed, the same countries are handled in very different ways, depending on the source of the aid, even if the projects to be financed are very similar.

The diversity in financial conditions involves very understandable reticence on the part of the most liberal of donors, especially when the projects must be financed jointly with others. Those who tend to give very favourable financial conditions do not wish thereby indirectly to subsidise the interest paid to the more rigid donors; they are therefore tempted to align their conditions on those imposed by the latter, much to the detriment of those developing countries receiving the aid.

2. The attitude of Member States towards the proportion of public funds which they give out bilaterally in the form of grants is very different from that towards which the proportion is given in the form of loans¹. In Belgium, France and the Netherlands the amount given in grants is usually higher than that given in loans, although the proportions may vary. In Germany and Italy the opposite is the case. This is due partly to the nature of the actions financed by each state and especially to the relative importance of technical assistance given²; the latter is given almost solely in the form of grants.

¹ Percentage of grants and loans in the bilateral public contributions for 1958, 1969 and 1970.

	Belg.	FRG	France	Italy	Netherlands	EEC	GB	USA
1958	89/11	58/42	91/9	38/62	87/13	85/15	61/39	79/21
1969	91/9	45/55	81/19	30/70	59/41	66/34	59/41	52/48
1970	93/7	45/55	77/23	48/52	55/45	64/36	50/50	49/51

² Technical assistance as a percentage of public bilateral aid.

	Belg.	FRG	France	Italy	Netherlands	EEC	GB	USA
1969	53	33	50	12	29	41	29	23
1970	55	41	49	23	25	44	27	21

On the whole, the percentage of grants in total public aid from the Community decreased considerably between 1958 and 1969/70.

As regards the conditions (duration, rate of interest, interest-free period) of the public loans, here too, one finds great differences.

C. *The large percentage of export credits in the total Community contributions to the developing countries*

One must still emphasise the large rôle played by the Member States in the supplying of export credits (guaranteed or not) to their less developed customers who thereby run the risk of accumulating a dangerous amount of debts.

II. Proposed actions

A. Regular concerted action must be instigated within the Community in order to gradually achieve harmonisation of the criteria used by the various kinds of public aids, both bilateral and Community, in determining financial "modalities" of comparable actions in development, and this by taking into consideration their nature and the situation of the beneficiary country.

B. Since the Development Assistance Committee (DAC) has fixed definite aims with regard to financial conditions attached to aid,¹ the Community as a whole will have to help in the realisation of these aims. For this purpose, the Member States, the Commission and the European Investment Bank would have to study the development of the general financial conditions of their public aid every year in order to make sure that at least the set aims are achieved every year by everyone.

¹ The supplement to the 1965 recommendations on the financial conditions and modalities of aid which were adopted in 1969 by the DAC, but which must be reexamined and, if necessary, amended in 1972, stipulates that the countries belonging to the DAC must, in order to fulfil the aims:

- either grant at least 70% of their Official Development Aid (ODA) in the form of grants or contributions similar to grants;
- or supply at least 85% of their ODA commitments in such a way that each individual transaction has a grant element of at least 61%.

Example of loans with a 61% grant element:

<i>duration</i>	<i>interest-free period</i>	<i>rate of interest</i>
30 years	8 years	2.5%
38 years	10 years	3.-%
25 years	7 years	2.-%

- or make sure that 85% of its ODA commitments contains a grant element of at least 85%.

Programmes containing this kind of average grant may be made up as follows:

52% grants and 33% loans with a duration of 30 years, with 8 interest-free years and 2.5% interest rate.

57% grants and 28% loans at 25/7/3%.

65% grants and 20% loans at 20/5/4.5%.

The grant element is defined as being the nominal value of financing which has been undertaken, less the present value (updating rate of 10%) of future payments for amortization and relevant rates of interest. Whilst bearing in mind how much the donor countries conform with these aims, the volume of aid was also taken into account; it is not considered that a country has fulfilled the above aims if it has only contributed a percentage of the GNP which is considerably lower than the average of the DAC.

C. In its work on private credits being carried out by the Coordinating Group for Credit Insurance, the Community should also take into account the interest of developing countries in order to find, in the case of private credits being granted to the developing countries, a better balance between the interests of European exporters and those of developing countries, so that the credit conditions (rate, duration) gradually conform with those rules which are essential if one is to avoid excessive debts being incurred by the borrowing countries. These rules should mainly ensure that the use of the supplies covered by the credit results in a clear financial (or at least economic) profitability of currency, which is greater than the interest burden, and a useful economic life which is at least as long as the period allowed for the repayment of the loan.

At the same time as it steers the policy in the direction described, the Community will have to try and make other industrialised countries accept these guidelines both to increase the protection of the developing countries and to make sure that its exporters are not ousted from developing countries and so benefit exporters from other industrialised countries.

SECTION 3 : GRADUAL UNTIEING OF AID AT COMMUNITY LEVEL

I. Conclusions

A. Roughly, one can say that the tying of aid consists of the obligation imposed on the beneficiary¹ to use the aid it receives in the country that provides it. In bilateral relations between industrialised countries and developing countries one almost always finds tied aid. In agencies of multi-lateral cooperation the general rule is untieing between the members of the organisation; these are sometimes joined by developing countries. As regards the Community, EDF aid is made unconditional amongst nationals of the Member States, the AASM and the OCT.

B. The reasons for tied aid are numerous. It especially:

1. makes cooperation with developing countries possible without creating problems concerning the balance of payments;
2. makes cooperation more acceptable to public opinion in that it procures orders for individuals and corporate bodies of the donor countries;
3. makes it possible to eliminate the obstacle constituted by unequal competitiveness of the industrialised countries by virtue of which unconditional aid would be found especially in those countries in the strongest competitive position.

¹ The aid may be tied *de jure*. This happens when the cooperation agreements stipulate it expressly. It may often be tied *de facto*: even if the agreement is a tacit one, or an international call for tenders is envisaged, the specifications may be such that the tying is implied, or then again the implementation of the agreement may still be subject to political pressure.

C. However, since tied aid limits the suppliers choice, it is less effective than unconditional aid because it is more expensive and because it reduces the use that is made of certain technical solutions which would meet the needs more effectively.

It cannot be denied that the procedures for an international call for tenders exert great pressure on the prices offered. However, one might well wonder whether traditions, habits and the composition of stocks would not go some way to offsetting this removal of conditions and so partly allay the fears of its opponents.

II. Proposed action

The advantages of untied aid show why this problem has appeared on the agendas of numerous international organisations and is still the subject of many studies. Those undertaken by the DAC are temporarily suspended because of the difficulties raised by the general economic situation.

In a Community striving for economic and monetary union, the division perpetuated by the tying of aid loses its meaning as the divisions between the different economic activities of the Member States disappear and a Community solidarity develops at the external payments level. It would be more in keeping with this development if one were to envisage a gradual Community untying of bilateral aid from the Member States, starting with loans¹. This would extend this untying operation to a relatively modest amount of aid since in 1970 public development loans amounted to 650 million dollars, two thirds of which were already untied by law.

However, experience has shown that not all untyings laid down by law are carried out. One must first of all make sure that the removal of conditions is effective. The most appropriate way of doing this is to insert a clause in all loan agreements even those which are already untied by law, making express provision for untying at Community level.

In accordance with Community practice this clause must also stipulate that individuals and corporate bodies of the recipient developing country will also be eligible for the contracts to be financed by the loan in question.

Lastly, the clause must be completed by an appropriate provision consisting of a system of publicity, a procedure for examining the specifications, etc. so as to ensure the effective functioning of this clause.

¹ Once the loans have been untied one should study the possibilities of untying those grants which are suitable for this type of treatment. The progress made by that time in economic integration may have made the problem far less acute than it is at the moment.

A certain number of precautions must be taken because of the differences in the structure and amount of aid from the Member States. The greater the proportion of loans in a Member State's aid, and the greater their value, the more that state will be affected by the untying of bilateral public loans. It will therefore be necessary to work out a way of implementing the system gradually so as to ensure a balance between the burdens caused by the untying for the various Member States.

SECTION 4 : COORDINATION AT COMMUNITY LEVEL OF AID AND TECHNICAL ASSISTANCE

I. Conclusions

The balance sheet drawn up of the policies of cooperation of the Member States and the Community shows important differences between the various aids and measures of bilateral and Community technical assistance both in the specific aims of the aid and in the methods used to implement this aid. This lack of harmonisation in the various aids applied to the same developing countries or regions results in a definite reduction in the effectiveness of the aid because it is quite clear that the assistance is only completely effective if its implementation follows the same aims and by convergent methods. The result is overbidding, double usage and gaps which local resources do not manage to fill.

The Commission has therefore had to seek other solutions which help to lessen these disadvantages. Its efforts have been concentrated in two fields:

- bilateral coordination of Community aid organised by the Commission and aid from Member States for the AASM and OCT has been instigated. This coordination should gradually become complete thanks to the application of the provisions of the internal financial agreement of 29 July 1969 (Art. 17) which states that each Member State must provide the Commission with all useful information on the aid which it plans to grant, or has granted to associated States, Countries and Territories and to French départements overseas; the Commission must also receive the same information from international institutions and other sources of aid. Comprehensive information is, in fact, the essential basis for operational coordination which is a prerequisite for decisions on aid.
- At its meeting of 19 October 1960 the Council set up a Technical Assistance Group to promote active cooperation between the Member States and the Commission, and to find common solutions to the particular problems posed by technical assistance for developing countries. The Group's main tasks are to exchange facts about the activities of the Member States and the Commission, to study the requests for technical assistance from developing countries with the special aim of finding the best ways of fulfilling them, and to examine, later on, the possibilities of taking

the initiative in joint actions concerning technical assistance. The Commission reserves the right then to present proposals for including this Group in the talks and cooperation procedure with Latin America.

II. Proposed action

The Commission's past experience with regard to aid to the AASM and OCT has led it to propose an extension and generalisation of reciprocal information within the Community on the subject of requests for aid, action intended with regard to them, and the decisions taken; this information is required when the request comes from a developing country which is associated with the Community or is receiving a considerable amount of aid from at least two Member States and possibly from the Community (including food aid).

This information would be passed on by the Commission; it would highlight the double uses or possible gaps between the aid, and the possible divergencies between the specific aims as well as the methods of achieving the latter which might reduce their effectiveness. The coordination of aid from the Member States and from the Community as such, carried out on the basis of this information, should enable each source of aid to programme its own concrete actions for each country receiving aid within a wider Community framework, which should be created and reviewed periodically — once every year, for example.

The Commission would also present an annual report to the Council on discussions which have taken place and other progress made in coordinating the policies of cooperation of the Community and the Member States.

SECTION 5 : ENCOURAGEMENT OF BETTER REGIONAL COOPERATION BETWEEN DEVELOPING COUNTRIES

I. Conclusions

A. There is general recognition today of the need for the developing countries to organise their regional cooperation better by forming economic groupings. Indeed, the present division of their markets prevents natural complementary aspects coming into play and deprives the developing countries of the advantages of specialisation and economies of scale since the markets of many developing countries are too small. This phenomenon has already reached alarming proportions in some developing countries — especially in Latin America; industrialisation — a sector in which compartmentalisation, highly protected on national markets, has proven to be particularly harmful — has often been pushed forward under conditions which are often economically detrimental.

The encouragement of regional cooperation between the developing countries would be an effective means of opposing this trend and would help to speed up their process of development.

The developing countries are becoming more and more conscious of the need for better regional cooperation; this is shown by the existence of numerous groupings set up for this purpose. However, for various reasons only a small number of these groupings seem likely to achieve the aims assigned to them.

B. One could say that the Community, whose economic *raison d'être* stems from the fact that its Member States have become aware of the need for economic integration which is of benefit to all concerned, has a particular duty to help the developing countries in this field and to let them benefit from its own experience. This is a field in which the Community as such could do useful work with relatively small financial resources.

C. As regards this, the Community has also gained a certain amount of experience thanks to the AASM Association whose impact on the increase in cooperation between the AASM cannot be denied. Indeed, the multilateral character of this Association has helped cooperation between these countries.

1. The normal set of institutional provisions, and also the spirit and general atmosphere of the Association, have undeniably prompted the AASM to cooperate with each other. Thanks to the Association the countries have especially got to know each other better. In order to decide on common positions of the AASM on different problems appearing on the institutions' agendas, the AASM have had to organise their cooperation. Lasting and effective coordination has now been achieved.

2. In the field of financial and technical cooperation, the Community has always tried to make a specific contribution to projects concerning several AASM. One can mention here the technical assistance given to regional organisations (CACEU, WACEU etc.), studies of regional interest on industrialisation, stock rearing etc.

II. Proposed actions

Thanks to the principles on which it is based and thanks to its experience with developing countries in general, but especially with determined groups of developing countries¹ the Community is able to give useful assistance to those developing countries that want to embark on regional cooperation or increase the efforts that they have already made in this direction.

¹ The best example of a multilateral agreement with a group of developing countries is the Yaoundé Convention. The Arusha Agreement is another example of cooperation with a group of developing countries that are already linked to each other by mechanisms of economic integration. Contacts with Latin America (Andean Group, etc.) come into the same category.

A. The Community should base its relations with developing countries on the establishment of contacts with regional groupings of the developing countries rather than on bilateral relations with isolated developing countries.

B. The Community should be given the power to adopt measures to grant technical assistance to developing countries in order to help them instigate or improve systems of regional economic cooperation. Depending on the measures available this assistance could take the following forms:

1. Periods of training in its departments for nationals of developing countries who are called, either at national level or in regional organisations, to contribute to the development or implementation of the mechanism of regional cooperation between the developing countries.

2. Seminars organised under its auspices and with the aim of explaining European experience in the commercial, social, economic, fiscal, statistical, legal, institutional fields etc. in order to highlight the choices before the governments of the developing countries.

3. Sending experts¹ selected according to their practical experience in economic integration to the developing countries. These could be independent experts or European officials; if the latter are sent formulae should be drawn up beforehand enabling them to be put at the disposal of regional organisations. Generally, the growing difficulties encountered when trying to recruit experts in regional cooperation — and experts from other disciplines too — makes one wonder whether it would not be sensible for the Community to establish, with appropriate structure and administration, a nucleus of such experts who would give preferential aid to the Community on the basis of an arrangement made by the latter with them.

4. Financing of studies to solve concrete problems of regional cooperation and aimed at:

- a) proposing adequate means and mechanisms for implementing possibilities of regional cooperation;
- b) preparing the Community financing (public aid from Member States, private credit or investment from the Community, EIB etc.) of regional projects to be carried out within the framework of existing groups of developing countries.

¹ The use of these experts raises the general problem of recruitment of helpers, their training, career, the statute to be applied to them etc. This problem already exists on a larger scale within the framework of technical cooperation between the Community and the AASM.