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## Report

drawn up on behalf of the Committee on Development and Cooperation

on the Community's overall development cooperation policy

Rapporteur: Mr G. BERSANI

PE 38.219/fin.

By letter of 4 July 1974 the Committee on Development and Cooperation requested authorization to draw up a report on the Community's overall development cooperation policy.

Authorization was given by the President of the European Parliament in his letter of 11 July 1974. The Committee on External Economic Relations was asked for its opinion.

At its first meeting on Wednesday, 9 January 1974, the working party set up to study this question appointed Mr Dewulf rapporteur. It also met on 23 January, 20 February, 20 March, 8 May, 27 June, 13 September, 2 October, 27 November, 18 December 1974 and 8 January 1975. After Mr Dewulf's departure, Mr Bersani was appointed rapporteur (on 27 June 1974). The Committee on Development and Cooperation considered the draft report at its meetings of 5 February, 4 and 20 March and 22 April 1975 and unanimously adopted the motion for a resolution and the explanatory statement at the latter meeting.

Present: Mr Deschamps, acting chairman; Mr Sandri, third vice-chairman; Mr Bersani, rapporteur; Mr Broeksz, Mr Hürzschel, Mr Kasperoit, Mrs Kelle-Bowman, Mr Lagorce, Mr Laudrin, Mr Brøndlund Nielsen, Lord Reay, Mr Schwörer, Mr Seefeld, Mr Walkhoff and Mr Zeller.

The opinion of the Committee on External Economic Relations is attached.

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The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the Community's overall development cooperation policy

The European Parliament,

- having regard to the resolutions and to the recommendation of the Council on development cooperation on a world scale<sup>1</sup>;
  - having regard to the communication from the Commission to the Council on development aid (Doc. 430/74);
  - having regard to the communication from the Commission to the Council on the harmonization and coordination of development cooperation policies within the Community (COM(75) 94 final);
  - having regard to the memorandum from the Commission to the Council concerning the various forms of Community development aid agreed upon, being negotiated or at Commission proposal stage and their estimated cost (COM(74) 800 final);
  - having regard to its resolution of 4 July 1972 on the memorandum from the Commission on a Community cooperation and development policy<sup>2</sup>;
1. Considers that the resolutions and recommendation adopted by the Council can form a proper basis for a future Community development policy;
  2. Requests the Commission and the Council respectively to elaborate proposals and adopt decisions to broaden still further the scope of the Community's development cooperation policy;
  3. Stresses that, with regard to its geographical distribution, aid should be granted first and foremost where it is most required; such aid should however also be granted on the basis of the following criteria:
    - the capacity to make effective use of increased aid;
    - the assent of the recipient country to endeavour to ensure that all strata of the population can benefit to a greater extent from the advantages of progress;
    - the amount of aid received by such countries from other sources;

<sup>1</sup> Bulletin of the European Communities 7/8-1974

<sup>2</sup> OJ No. C 82, 26 July 1972

and further stresses that the Community and the Member States, in granting aid to developing countries, should on no account interfere in the internal political affairs of such countries;

4. Considers it essential if a Community development policy is to be brought into being to bear in mind the possible repercussions on other sectors of Community policy of each measure to be taken;
5. Recommends that consideration be given to the taking of compensatory measures for restructuring those regions and sectors of the EEC experiencing the greatest repercussions from the development policy carried out by the Community and the Member States;
6. Believes that only if the public is properly informed and appreciates what is involved will it be possible to pursue a development cooperation policy which has the support of the whole population in all the partner countries - a prerequisite for success;
7. Repeats that for this purpose it is also necessary to maintain continuous consultation with the social partners - both employees' and employers' organizations or other professional organizations;
8. Stresses the necessity to lay down priorities for Community action on the basis of the data provided in the Commission communication on development aid, with particular regard to:
  - improving generalized preferences;
  - increasing technical assistance for sales promotion;
  - extending industrial, scientific and technological cooperation;
  - encouraging the conclusion of international agreements on raw materials;
  - increasing financial cooperationand also underlines the need for broader measures on more of a Community basis to resolve the food problem;
9. Asks the Commission to carry out a detailed evaluation of the operation and efficacy of the Community generalized preferences scheme in promoting exports from the developing countries benefiting from them and also asks the Council and the Commission to give consideration to the abolition of non-tariff obstacles to trade;
10. Hopes that the stabilization fund to be set up under the new EEC/ACP association agreement will be a useful and constructive experiment in the area of primary commodities;

11. Believes that the severe famine in some parts of the world necessitates rapid establishment of the Community food aid programme for 1975 and its intensification according to needs;
12. Stresses the need to encourage agricultural investment in the developing countries, to expand supporting services for farmers and to use technological methods that can be adopted to the socio-economic conditions in these countries;
13. Hopes that the European Community will gradually succeed in consolidating its development cooperation policy;
14. Stresses also the value and importance of bilateral contributions from Member States, which have proved their worth;
15. Underlines the need to harmonize and coordinate Member States' bilateral policies with the Community's development cooperation policy, to ensure a better prepared and more effective development policy on the part of the Community and the Member States;
16. Stresses the necessity of incorporating in the budget financial resources for non-governmental measures to supplement EDF initiatives, and asks the Commission to submit proposals on this as soon as possible;
17. Notes that, apart from the appropriations entered under the European Development Fund for the financial year 1975, all the appropriations concerning development cooperation have been included in a single title of the budget and that this lends clarity to Community efforts in this field;
18. Welcomes the Council's intention to react favourably to requests for aid from developing countries in the process of setting up or consolidating machinery for economic cooperation or regional integration;
19. Asks the Council and the Commission to allot a specific amount for financial and technical aid to non-associated developing countries and taking account of the Community's capacity and of the needs of the non-associated developing countries;
20. Also emphasizes that the overall cooperation policy should in no way detract from the pursuit and development of cooperation with the ACP countries, with whom an agreement has recently been concluded, and which include a number of the world's poorest countries;
21. Urges that the Community as such play an active and constructive part in current work within the United Nations on the definition of a new economic order;

22. Asks the Commission to make new specific proposals for an overall Community development policy in line with the above observations as soon as possible;
23. Instructs its appropriate committees to keep a watching brief on Council and Commission activities in this field and to report on them in due course;
24. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. INTRODUCTION

1. Since the Treaty of Rome contains no clear provisions on an overall development cooperation policy on a world scale, such a policy has been practically non-existent until now. Only in individual sectors, for example commercial policy and association policy, are there more or less specific provisions. Consequently, the common policy, insofar as it has been laid down, has up to now been but one aspect of other parts of Community policy. Often - particularly in the case of the conclusion of various kinds of preferential agreements with developing countries - circumstances have obliged the Community to take a decision, so that a Community policy, however inadequate, has until now come about more as a result of external circumstances than through a political initiative by the Community.

2. Since development cooperation as such is not a specific objective of the Treaty of Rome, policy in this sector has developed only very slowly. Moreover, within Member States development cooperation largely forms an integral part of foreign policy, and it is well known that foreign ministries are usually very jealous of their traditional prerogatives. In the years following the last world war, when the concept of development cooperation was slowly emerging, a certain conflict could, nevertheless, be observed at national level between development cooperation ministers and foreign ministers in those cases where the two posts were separate. Then again, relations with finance ministers, who are responsible for granting the necessary funds, have not always been easy. In various Member States, even now, there is no special minister for development cooperation.

Part of the Community's development cooperation policy has taken the form of an association policy with the 18 - and later 19 - Associated African States, Madagascar and Mauritius, as well as with various overseas countries and territories of relative importance both from a geographical point of view and from the point of view of the size of their populations. This too had its reasons, which were accurately described by the Commission itself<sup>1</sup>:

'The initially "regional" approach was mainly due to the historical situation prevailing at the time when the Community was set up - a situation which was recorded in the Treaty of Rome - and to the Member States' reluctance to lay down a broader policy right from the start.'

This policy developed a new and wider dimension in 1973 when negotiations were opened for a new association agreement with more than 40 African, Caribbean and Pacific countries (ACP countries).

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<sup>1</sup> Doc. COM (74) 800 fin., para. 2, first sub-paragraph.

3. In the framework of the Community's commercial policy, various measures have been taken which, without specifically aiming at establishing a practical development policy, nevertheless had favourable consequences for the developing countries. An example of this is the reduction by the Community of Common Customs Tariff duties (Dillon Round and Kennedy Round), and the suspension of customs tariffs, which was a goodwill gesture to those who, in renewing the association agreement, preferred an overall Community development policy to a regional policy. Within the framework of UNCTAD, the Community introduced a system of preferences for products originating in developing countries.

For some years now, the Community has contributed considerable amounts in the form of food aid to the developing countries. These amounts are constantly increasing; in 1974 the Community will be spending 265 million u.a. on its food aid programme and it is estimated that within the foreseeable future 400 to 500 million u.a. per year will be allocated to Community projects. This represents more than twice the amount currently paid to the AASM under the Association Agreement.

4. The Community has just launched an important new stage in development policy: as part of the talks on a new association agreement, negotiations have been held with 46 developing countries. On 28 February this year the convention between the EEC and the ACP countries was signed in Lomé. It is to enter into force once it has been ratified by the EEC states and two thirds of the ACP countries. Meanwhile transitional measures are to apply. The convention is to be valid until 1 March 1980. Even after the conclusion of the Lomé Convention the focal point of the Community's development policy will still be in Africa, but the aid system will be appreciably improved and extended.

Finally, the Community has played a leading role - thanks to the courageous perseverance of Mr Cheysson - in the special United Nations programme of aid to the countries most affected by the recent price increases on the world market. The first instalment, amounting to 150 million dollars, has been paid by the Community. Of this sum, 30 million dollars have been paid into the special UN account and 120 million given directly by the Community to the hardest hit countries, under the UN emergency programme. A second instalment (100 million dollars) is to be made available later. It is intended that this fund should ultimately reach a level of 3,000 million dollars, 500 million of which will, if certain conditions are met, be contributed by the Community and the Member States. Most of this aid will go to the developing countries of Asia.

5. The cue for a general exchange of views on a Community development policy was given by the Commission in July 1971 when it published a Memorandum on a Community Development Cooperation Policy<sup>1</sup>.

This was developed later in February 1972 in the 'Programme for Initial Actions'<sup>2</sup>.

This programme was discussed by the European Parliament and by the Parliamentary Conference of the Association on the basis of reports presented respectively by Mr Vredeling<sup>3</sup> and Mr Aigner<sup>4</sup>.

It was a long time before the Council reacted to these. The ministers for cooperation and development of the Member States eventually met in September 1972 for the first time in the history of the Community. The Paris Summit Conference of October 1972 laid down a series of general policy directives and thus established the political basis for initiating a Community policy on development cooperation. The final declaration of the Summit Conference stated, inter alia:

'11. The Heads of State or Government are convinced that the Community must, without detracting from the advantages enjoyed by countries with which it has special relations, respond even more than in the past to the expectations of all the developing countries.'<sup>5</sup>

6. After the first hesitant start, the Council paid more attention to development aid in 1973 and 1974. Various initiatives were taken on the basis of preparatory work carried out by the working party on development cooperation, consisting of senior officials of the Member States and the European Commission. The European Parliament, for its part, set up a working party on development cooperation, which kept the work of the above-mentioned working party under close review.

Following the Commission, the nine resolutions and the recommendation approved by the Council may be broken down into the following main objectives:

A - Amplification of the policies conducted by the Community with respect to the whole of the third world;

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<sup>1</sup> Bull. EC No. 9/10-1971, Supplement 5/71

<sup>2</sup> Bull. EC Supplement 2/72

<sup>3</sup> Vredeling Report Doc. 63/72, 26 June 1972

<sup>4</sup> Aigner Report Doc. 47, 28 March 1973

<sup>5</sup> See PE 31.175/Annex, paragraph 11

B - Coordination and harmonization on a Community basis of national and Community development cooperation policies at both the planning and implementation stage;

C - Development of new Community cooperation policies, and especially the creation at Community level of further instruments for financial and technical cooperation<sup>1</sup>.

7. Before doing so, however, your committee wishes to consider for a moment the new situation which has arisen as a result of recent international price movements. These include sharp increases in prices of raw materials, and also of agricultural products. The table in Annex IV gives some indication of these trends.

Under the Lomé Convention between the Community and the ACP countries a fund is to be set up to stabilize the revenue of ACP countries from the export of specified products. The list of products was drawn up after long and arduous negotiations. Some twelve products have been provisionally decided on<sup>2</sup>. The list is open to review 12 months after the Convention comes into force, at the earliest. It is expected that this system (for which 375 million u.a. has been allocated) will considerably improve ACP revenues.

8. The Committee on Development and Cooperation realizes that it was not possible for the Council to take the above-mentioned price increases into account in its deliberations. However, it is in a position to do so, and as it is convinced that the new economic situation must have a dramatic effect both on the Community's capacity for providing aid and on the aid requirements of the developing countries, attention will be devoted to this point later.

9. As far as the Community is concerned, your committee feels that the criterion for granting Community aid should be as follows: aid should be granted if it is economically possible and necessary and if there are no objections for political reasons. With regard to the first condition, your committee considers that, although decisive in itself, this criterion should not prevent certain other factors from being taken into account, a number of which are closely linked. For instance, the answer to the question of whether the Community can be reasonably expected from an economic point of view to give a certain amount of aid will be partly determined by the answer to another question, namely how much is being contributed by the other countries whose development and prosperity level qualify them for the granting of aid. In the past, the Community has repeatedly stressed that it would not allow the answer to the latter question to be a determining factor whenever it was necessary to play a significant role in the field of international aid. The Community has put forward some constructive proposals on basic commodities,

<sup>1</sup> See Bull. EC No. 7/8-1974, p.5

<sup>2</sup> These are groundnuts, cocoa, coffee, cotton, coconuts, palm kernels, hides, timber, bananas, tea, sisal and iron ore, and certain products processed from these materials.

although the United States have always opposed any attempt to conclude agreements aimed at stabilizing raw material prices. The Community was one of the first to implement a system of generalized preferences and it did so in spite of the fact that OECD agreements concluded by industrialized countries on this matter clearly stipulated that the other major industrialized countries should participate in this form of aid. It is a well-known fact that neither the Soviet Union nor the United States<sup>1</sup> have ever displayed much eagerness in this field. Finally, thanks to the courageous initiative of Mr Cheysson, the Community has already made a start towards contributing, under certain conditions, a considerable, non-refundable amount to the UN emergency programme for countries most affected by recent international price movements. That it should have done so in spite of the precarious balance-of-trade situation in most Member States and notwithstanding the fact that the contributions from a number of other countries taking part in the emergency programme are not in the nature of a gift is further proof of the fact that the Community is determined to pursue a development policy worthy of its international standing.

10. Having said that, it should nevertheless be noted that the balance-of-payments deficit of most Member States considerably reduces the financial latitude of the Community. In such a situation, even greater efforts should be made to ensure through the medium of an effective policy that the Community does not dissipate its aid and that what is available is used in the best possible way. In this new situation, lack of solidarity on the part of the other countries qualified to give aid is even less tolerable than before. This applies both to the other industrialized countries and to the oil-producing countries. Under present circumstances, international solidarity is more essential than ever. This means that the industrialized countries and the oil-producing countries must all contribute according to their individual means.

11. At the Paris Summit of October 1972, the Community stated clearly that the overall development policy to be laid down by the Community must not detract from the advantages enjoyed by countries which have special relations with the Community. The committee feels that this is right, not only in view of the historical situation, but also and especially in view of the fact that a large number of the currently associated states have the dubious honour of figuring on the UNCTAD list of the 25 least developed countries for which a special policy is required.<sup>2</sup> Your committee considers that this fact also presents practical advantages. It is clear that the Community especially in the new situation resulting from the energy crisis, must be more careful than ever with its development funds. This means on the one hand that greater care must now be taken to ensure that the funds available are properly used and on the other that the Community, in view of its limited means, will only be able to pursue an effective policy in those developing countries where

<sup>1</sup> A generalized preferences system is to be introduced in the near future.

<sup>2</sup> It is cause for satisfaction that the Lomé Convention also includes special provisions for the least developed, land-locked and island countries of the ACP.

aid is most needed. An overall development policy does not mean a policy favouring all developing countries, but rather and above all that the Community's development policy must comprise all instruments of development aid. Seen in this light, it is right that the Community should concentrate its policy on the associated countries so that what has been successfully tried there can subsequently also be applied in other developing countries. Thus a situation will arise in which the associated countries will always be ahead, as far as the Community's development policy is concerned, of the other developing countries. This has been the case in the past and present developments point again in this direction. One example is the financial and technical aid which was confined for years to the associated States and which will now be granted also to other countries. Mention should also be made of the Community's plans to grant technical aid to non-associated countries for regional integration purposes. Thus the Community's experience in a limited geographical area can be used as a basis for a broader development policy which will ultimately comprise all the instruments of development aid.

## II. RESOLUTIONS APPROVED BY THE COUNCIL

12. The following factors have gradually given a new world dimension to the existing policy:

- (a) improvement of the generalized tariff preferences;
- (b) agreements on primary commodities;
- (c) food aid, which is being increasingly harmonized with the aid provided by other international organizations, in particular the UN.

On item (a) above, the Community, after becoming on 1 July 1971 the first major industrialized area to introduce the system of generalized preferences, has improved this system each year. From 1 January 1974, the three new Member States adopted the system of Community preferences. It should be noted that, although the benefits of the generalized preference scheme (GPS) are considerable, it is difficult to assess their exact value because of the practically complete lack of statistical data. In the case of imports into the Community of finished products and primary commodities from all countries it is known that only a relatively small proportion of total imports of products to which the preferences apply is in fact imported under the scheme. The figures, running into thousands of millions of units of account, for the volume of trade in the products covered by preferences are liable to be misleading. It is in any case already known that many of the countries for which the GPS was set up do not make use of it. The committee therefore concludes in the first place that a more detailed study must be made of the reasons for such limited utilization of the system and, in the second place, that measures to promote manufacturing projects in the countries which are less developed industrially should be intensified through appropriate application of the available instruments and also of new techniques. In addition the overall preferen-

tial tariff reductions must be stepped up, particularly in the case of agricultural products. The committee is convinced that an improvement in favour of these products - together with better preferences in the textile sector - and of other sensitive products would be of great importance to the developing countries. It is cause for satisfaction that, in its communication to the Council of 3 February 1975 (COM(75) 17 fin.) on the future development of the European Community's generalized tariff preferences, the Commission shed some light on various points. At the beginning of March the Council decided that the generalized preferences system would be retained after 1980. Much will depend, however, on the measures which the Community is able to adopt with a coherent policy to prevent the burden of the Community development policy from falling on certain groups and areas of the European population which are already often in a difficult situation. The Community's preferential tariff policy is one of the few areas of development aid in which it can act directly. It is therefore important to take advantage of this to show that such a situation in fact increases the effectiveness of the aid granted.

Since the European Parliament indicated its opinion once again on 17 October 1974 on the Community's system of generalized preferences the committee considers that it can confine itself to the above observations.

On item (b), the text of the resolution concerned stresses the urgent need for far-reaching changes but only gives practical indications in very general terms.

Our Parliament and in particular our committee have always confirmed their great interest in and support for international agreements and conventions on primary commodities. The disruption of the world markets in the past 18 months dramatically confirms the validity of the evidently far-sighted ideas put forward by us since the Abidjan meeting in 1966. It is above all through a new organization of international trade that some of the basic requirements for development can be met in a concrete and positive manner. The third paragraph of the resolution referred to above indicates that voluntary contributions by the consumer countries could improve the operation of existing agreements. Most of the Member States have not, however, drawn the logical consequences from this observation and are therefore not in any way contributing at present (through voluntary contributions) to the improvement of the existing agreements on primary commodities.

13. As early as the Kingston Conference a decision of principle was taken to guarantee, through a stabilization fund, the income accruing to the ACP countries from exports of certain primary commodities. This may be taken as an important symbol of the new concept of economic and commercial relations referred to above. It is gratifying that the originally rather limited list of products has subsequently been extended, and that a number of processed agricultural products has also subsequently been added to the list (see para. 7). Your committee welcomes the fact that the Community has now become the first to take practical

measures regarding primary commodities. In itself the system is a sort of insurance and not a regulation of the market, but it is clear that the experience the Community and the ACP countries will accumulate from it will be of value for any subsequent market organization for these products.

Quite different regulations are to apply to sugar. Contrary to the situation in the past, a tendency has recently emerged in the case of sugar to ask the countries concerned to undertake actually to supply the quantities of goods in respect of which a guarantee is given. This is undoubtedly due to the new situation created by the shortage of many primary commodities on the world market. A developing country will, however, be able to supply additional quantities to compensate for what another country is unable or unwilling to supply, while in cases of force majeure (for example if production is substantially reduced by a bad harvest) the developing countries must be considered to be relieved of their obligation to supply. Your committee is especially pleased at the fact that the price the Community is prepared to pay for the sugar to be supplied is linked to the Community price, since this provides some security against inflation.

Your committee expects the Community to use as quickly as possible the experience gained in this respect in the context of the new association, and to submit to the appropriate international organizations proposals for the application of a system of this type in favour of all the developing countries. The Community is certainly not able to organize on its own the necessary action and should therefore not hesitate to confront the other industrialized countries in good time with their responsibilities. The shortage on the world market has led to high prices. Experience shows that it is often easier to reach fundamental agreements in circumstances such as these than in a situation characterized by surpluses and low prices. The need for assured supplies for some partners and for reliable markets at fair prices for the others is likely to lead to a convergence of interests in the emergency situation now facing so many countries of the world, and a number of different circumstances seem to favour at present the conclusion of basic agreements offering a real likelihood of an effective contribution to the stabilization of world trade. Action by the Community should therefore be much more incisive and determined than in the past.

14. On item (c), the Council has undertaken to reconsider the Commission's proposal on a new policy in this sector. Since the European Parliament has already formulated its opinion on this matter<sup>1</sup> it does not seem desirable to deal with the subject again in detail here.

Your committee simply wishes to point out a number of key factors on which it believes the common policy on food aid should be based<sup>2</sup>:

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<sup>1</sup> See Seefeld report, Doc. 171/74, 9 July 1974

<sup>2</sup> See paras. 4, 5 and 15 of Seefeld report, Doc. 171/74, 9 July 1974

- greater aid also offers political advantages since it would represent an important component of an overall European policy for development and peace and would strengthen the moral prestige of the Community in the world, thus contributing to the achievement of the aims and compliance with the obligations of the second development decade;
- food aid policy must above all be based on humanitarian considerations and development policy criteria;
- food aid is not a final solution and must be granted only until the cause and effect relationship between unemployment, poverty, low level of demand, low food production and malnutrition has been eliminated.

In view of this situation the existence of which the Council and the Member States also recognize your committee is disappointed by the fact that the Council has reacted negatively to the proposals made by the Commission for the financial year 1975. The Commission also shares some blame for this, since it submitted its proposals for implementing the 1975 food aid programme too late,<sup>1</sup> allowing the Council to use the fact that the proposals had not yet been submitted as an excuse for postponing the earmarking of the necessary funds. The Council too should clearly recognize that an increase in food aid represents, for certain developing countries, a precondition for providing their population with a minimum level of subsistence; this fact takes such priority that the less favourable economic situation prevailing at present cannot possibly justify a reduction in food aid. The dramatic reports which continue to come in from vast areas of the world (consider the tragedy in Bangladesh for instance) reflect a situation which is so serious as to warrant the full commitment of all available resources.

15. The World Food Conference organized at Rome by the UN on 5-17 November 1974 once more clearly showed that food requirements will rise sharply in the next few years. The food shortages expected in the few months before the new harvests are largest in India (2.2 million tons), Bangladesh (1.8 million tons), Pakistan (1 million tons), the Sahel area (300,000 tons), Tanzania (265,000 tons), the Ivory Coast (212,000 tons) and Sri Lanka (174,000 tons). The supply of the 7.5 million tons of grain needed requires an amount of 1.8 thousand million dollars.

The decisions taken in Rome can be summarized as follows:

- Creation of an agricultural development fund. This fund is to be formed from voluntary contributions. Favourable reactions to this proposal of the oil-producing countries came in particular from the Netherlands, Australia, Norway and the United Kingdom.

<sup>1</sup> The Commission submitted proposals on supplying grain as food aid in 1974-75 on 27 November 1974. Proposals on food aid in the form of milk powder and butter oil are to be made shortly.

The Federal Republic of Germany, France and Japan adopted a negative stance, and the United States declared without beating about the bush that it did not intend to participate in this fund.

- Increase in food aid.

At the moment the industrialized countries are giving 6 or 7 million tons of grain to the developing countries. According to the conference this should be 10 million tons as from 1975. This means, at current market prices, an expenditure of 2,000 million dollars. If a resolution proposed by Peru to reduce military expenditure by 10%, adopted by the conference were implemented, this alone would yield 30,000 million dollars for food aid, whereas FAO experts estimate 5,000 million dollars annually as the amount required to ensure that in 10 years there will no longer be anyone starving in the world. China, however, declared at the conference that it considered the Peruvian proposal completely unrealistic.

Neither the United States nor the EEC gave the impression at the conference of being prepared to make an extra contribution to food aid. The same impression is given by the Council's attitude till now to the budget for 1975. Since then, however, both the Community and the US have adopted a more positive attitude.

- Stocks policy.

If stocks of 60 million tons of grain could be set up, the risk of starvation in poor harvest years could be coped with. However, the major grain producers, i.e. the United States and the EEC, are not agreed as to the way such a policy could be implemented. In the EEC's opinion, such a policy could only be created by an international agreement which would have to organize international trade in grain on a broader basis.

- Institutional coordination of international cooperation.

The industrialized countries, particularly the United States, considered - in contrast to a country like Algeria, which acted as spokesman for a number of developing countries - that the members of the World Food Council due to be set up should be chosen not by the UN General Assembly but by ECOSOC. The General Assembly should merely confirm their mandate.

This Council is to meet at fixed intervals, and the industrial countries wish its secretariat to be handled by the FAO.

16. The world food shortage which is expected to continue in the future clearly calls for continued efforts by the EDF to improve agriculture. The EDF already has some achievements to its credit in this area. During the first period of the Association, almost 144 million u.a. were voted to modernizing agriculture, while the second development fund has already ear-marked 313 million u.a. for this.

The first Fund spent this money on laying out 30 thousand ha. of plantation, seven factories for processing agricultural products, 2227 draw wells and 383 other wells, the equipping of 13 animal health centres, slaughterhouses and the construction of 54 dams. The supply of water to 199,000 ha. of land was regulated. During the second period of the Association 150,000 ha. of plantations were laid out, 23 silos were built, a large number of beasts acquired and the rinderpest campaign carried out, as well as other projects.

The third EDF had on 30 June 1974 earmarked almost 195 million u.a. for developing and modernizing agriculture.

The EDF's field of action has been further extended in the last period, notably by devoting a considerable percentage of the money to so-called integrated agricultural products, and the setting up of cooperatives was also promoted.

Your committee considers that the EDF should continue along these lines, both in view of the food scarcity situation which has arisen in some associated countries and in order to step up AASM food supplies in general.

17. On the subject of harmonization and coordination, the Council has adopted four texts concerning:

- (1) the volume,
- (2) the conditions,
- (3) the geographical distribution of development aid, and
- (4) the debt burden of the developing countries.

Resolutions IV, V, VI and VII on the four above items are preceded by resolution III on the harmonization and coordination of the Member States' cooperation policy. In your committee's view, that is one of the most important resolutions. Admittedly, as is usual, reservations are expressed on certain points, but proper application of this resolution could provide the basis for a substantial improvement in the common development policy. Your committee considers the first point (see item(a) of resolution III) to be above all of fundamental importance; it concerns the exchange of information and experience on development policy. At present there are in fact enormous differences between the policies pursued by the Member States. These differences are all the more important as there seems to be no direct link between the efforts made by the individual Member States and the level of their gross national product per capita. For instance, the Netherlands contribution is, in percentage terms, substantially higher than that of certain other OECD countries which have a considerably higher per capita gross national product (the two countries with the highest income

figures, namely Sweden and the United States, only come in tenth and eleventh place in terms of their overall contribution, taking the public and private sectors together). It would be desirable to determine why one country can achieve something which, whatever the reasons may be, is not the case in others. Through good information and development of public awareness it is undoubtedly possible to make the population conscious of the need for development aid. It is unreasonable to expect the people of Europe to consent to sacrifices when they doubt the value of development aid and are not familiar with the results of any such sacrifices.

Item (d) of resolution III recommends mutual consultation on positions to be adopted by the Member States and the Community in international bodies. In this context the Community had in the past shown a surprising lack of unity. Suffice it to mention the Community's behaviour at the last UNCTAD Conference in Santiago, or the differing positions of the Member States at the recent world food conference in Rome<sup>1</sup>. The Commission should be asked about its experience of mutual consultation under the provisions of the Yaoundé Convention.

18. The purpose of harmonization and coordination must not be to reduce with the passage of time the Member States' direct contributions, but rather to ensure better preparation and provide scope for Community aid. Without eliminating the specific contribution of each Member State, the aim must be to adapt the instruments of development policy to the new Community development policy which must, wherever possible offer a solution to the problems of each country. At the same time the limitations on the means available to the Community and its Member States must always be borne in mind, especially in the new situation now prevailing. It will also be necessary to ensure that harmonization and coordination do not lead to a policy which represents the lowest common denominator of the national efforts.

The resolution on the harmonization and coordination of the Member States' cooperation policy also has the shortcoming - as was perhaps inevitable at the present stage - of being excessively general. It is pointed out that harmonization must take place 'gradually' and that 'the fullest possible account' will be taken of the recommendations adopted by the international bodies. The call for mutual consultations on the positions to be adopted in international organizations appears insufficient, since there is no suggestion that every possible effort should be made to

<sup>1</sup> On 12 February 1975 the Commission forwarded to the Council a Communication (COM(75) 45 final) on the preparation of the Community contribution to the Second General Conference of the United Nations Industrial Development Organization in Lima (12-26 March 1975). Although the Council considered this at length at its meeting of 3/4 March last, and despite coordination attempts in Lima itself, the Member States failed to agree on major points: for instance, the Federal Republic of Germany, Belgium, the United Kingdom and Italy abstained from voting on the final declaration and the plan of action for development and industrial cooperation.

arrive at a Community position. The validity of this resolution will therefore depend in large measure on the way in which it is given practical effect. Endeavours must be made towards a rapprochement of the various development policies of the Member States, on a basis of common principles. Bilateral aid will always be necessary, but the accent should be gradually put more and more on Community aid.

The Commission has now forwarded to the Council a Communication on the harmonization and coordination of development cooperation policies within the Community (COM(75) 94 fin.). Given the text of the Council Resolution on this subject of 16 July 1974, the Commission could do little more than advocate further intensification, the exchange of information and experience, mutual consultation and consolidated study of projects of interest to the Community as a whole. The Commission also realises that the implementation of the Council Resolutions calls, above all, for action by those who can influence the quantitative and qualitative objectives referred to in the Resolutions, i.e. in the first instance the Member States themselves (see paragraph 3.1.1. of the Commission document). It proposes that the programme of work for the coordination of policies should provide for a periodic examination, normally once a year, of the progress made by Member States in this sphere. Your committee believes that this examination should take place at least once a year and that, above all, the results should be published and forwarded to, inter alia, the European Parliament. In this way it would at least be possible to exert some influence via public opinion on those Member States which do not follow, or only partly follow, the guidelines set out for the future policy.

The Commission proposes, with regard to new issues and as an initial step, the harmonization and coordination of preparations for the numerous international conferences. It observes that on-the-spot coordination meetings are not enough to dispel the often major differences between the Member States. The Commission would like to see before and during every important session of each of the international organizations concerned, coordination meetings to draw up the basic guidelines for on-the-spot coordination between the delegations of the Member States and of the Community (see paragraph 3.1.2.1.). Your committee's impression is that system followed so far has not in practice produced any very satisfactory outcome, either during the World Food Conference held last year in Rome or during the UNIDO meeting held in Lima in March of this year. It does however agree that in the present circumstances it would be unrealistic to ask more of the Member States and therefore considers the Commission's pragmatic approach to be an appropriate basis for Community policy in this field. It hopes and expects, however, that if the Member States prove to have less sense of political realities than the Commission, the latter will not hesitate to propose stricter provisions to the Council.

Your committee also believes that the Commission's commendable approach (see also paragraph 4) both with respect to the general aspects of development policy and the practical aspects of coordination, provides the Council with a

real opportunity to achieve results which would represent a considerable improvement on the present situation.

Several Member States already provide financial aid to private foundations for development aid, especially for welfare projects. These bodies have in the main already been working for decades in the developing countries, have accumulated a lot of experience and are highly respected there. The EDF has already on several occasions brought private non-governmental organizations into the implementation and supervision of projects it finances. Experience of this, as the Commission stated, has been good. Your Committee therefore considers that this line should be pursued, and that money should be allocated to it in the budget, as in the European Parliament's proposal, unfortunately rejected by the Council. It asks the Commission to submit specific proposals on this to the Council as soon as possible.

19. In regard to point (1) (see para. 17) this resolution will not be easy to apply. The Council has established that the Member States will attempt to achieve at the earliest possible date an annual flow of public aid to the developing countries equivalent to 0.7% of their GNP. Data provided by certain Member States suggests that we are still far from this level and it may therefore be necessary to examine in detail the reasons for the difficulty in achieving this aim.

The figures recently published by the OECD for 1973 show that the overall contribution expressed as a percentage of the gross national product of the Member States (taking public and private aid together) has fallen from 0.82% in 1972 to 0.78% in 1973. This latter percentage is one of the lowest to have been observed since 1960 (the highest percentage, 0.95%, was recorded in 1961, and the lowest, 0.71%, in 1966). In 1964 only three of the Community Member States reached the target of 1%, i.e. Belgium (1.04%), France (1.18%) and the Netherlands (1.55%).

We are still far from the target of 0.7% of GNP for public aid fixed in the context of the international development strategy for the second decade. In 1973, the percentage was about 0.30%.

As we have seen, because of the circumstances and the many escape clauses included in resolution IV (the resolution is full of expressions such as 'as soon as possible and as far as possible'), it is unlikely that the Member States will reach the set target at an early date.

Although point (b) of resolution IV makes an exception for Italy, Ireland and Luxembourg, mention is made of the suggestion contained in the Vredeling report that the percentage of GNP may be calculated as a function of the GNP of the Community as a whole with a view to ensuring compensation between the richest and weakest countries of the Community, thus offering an international image of the Community which will be closer to the total volume of its commitments.

20. In connection with point (2) on the conditions of public aid, unanimity was reached on a whole series of principles. The Community and the Member States will therefore apply the financial conditions laid down in the DAC recommendation of 17 November 1972. An interesting proposal is also made for the Member States and the Community to grant aid to the 25 least developed countries in the form of gifts or loans on particularly favourable terms, although your committee considers that even loans on particularly favourable terms may be too onerous for the countries in this category.

In 1972 (when the recommendations for 1969 were still valid), the Member States represented on the Development Aid Committee of the OECD were not all able to comply with this proposal. The OECD report comments as follows on the subject<sup>1</sup>:

'There are three possible ways of complying with this Recommendation:

- (i) A country complies with it if its commitments by way of aid to the developing countries contain at least 70% of donations. Seven countries (Australia, Austria, Belgium, Denmark, France, Norway and Sweden) met this criterion in 1972. Canada almost met the target with 68%.
- (ii) A country also complies with this Recommendation if, in the case of at least 85% of its aid to developing countries, each transaction contains a minimum donation component of 61%. Of the countries which failed to meet the prescribed percentage of donations, Canada, Germany, Switzerland, the United Kingdom and the United States met this second criterion.
- (iii) Finally a country complies with the Recommendation if, in the case of 85% of its aid to developing countries, the average donation component is at least 85%. All the countries which met either of the two previous criteria also met this third requirement; in this way the Netherlands also met the statistical targets in respect of the financial conditions of the DAC Recommendation of 1969 on aid conditions.'

Table 3 shows the extent to which the Member States satisfied the above recommendations. The new recommendations<sup>2</sup> were applicable from 1 January 1973. The figures for last year are not yet available but, in view of the abovementioned tendency for the volume of aid to contract, it is unlikely that there will be a substantial improvement in the situation as regards the conditions.

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<sup>1</sup> See OECD report for 1973, p.56 (French version)

<sup>2</sup>Cf. Annex II to OECD report for 1972

21. As to point (3), in 1972 the European Commission prepared a working document on the geographical distribution of public aid provided by the Community countries. Although this document is far from complete and certainly not up to date, it still gives a first impression of the geographical distribution of the aid granted.

Tables 1 and 2 summarize the geographical distribution of the aid granted by the Member States. Recently there has been a tendency for a balance to be achieved in the granting of Community aid. Thus the document referred to above does not confine itself to the concept of geographical equilibrium (between the associated and non-associated States) but also points to a conclusion, based on additions, that half the available funds are destined for the associated countries and the other half for non-associated countries. Your committee fails to recognize the value of such calculations but considers that Community aid should go above all to those countries whose needs are the greatest. If that is what the Council means when it states in point (b) of resolution VII that it is desirable to take account of the widely differing situations resulting from important economic historical and political factors, your committee concurs fully.

22. On point (4), the resolution contains three recommendations which are sometimes formulated in rather vague terms.

Your committee feels that this problem is serious and that the Community and its Member States must take steps internationally to reduce the level of the developing countries debts. Above all the Member States should define criteria for the granting of loans to the developing countries on a bilateral basis. This also applies to loans granted by industries established in the Member States. Too often it is found that, through ruthless competition, the parties who grant loans exclude each other from the market.

While this situation does not cause severe damage to the developing countries, it is certainly such as to warrant a measure of coordination on the part of the Member States.

From the final paragraph of this resolution, formulated in rather vague terms, your committee concludes that the Member States are only willing to discount the debts of the developing countries in cases of extreme necessity. In principle this is not unjustified, but we must not have too many illusions on the subject. The situation is at present such that a great many developing countries are unable to honour their own debts.

Your committee suggests that the Commission of the European Communities should prepare recommendations with a view to harmonizing the conditions for granting loans. In this connection the distribution of developing

countries proposed by the Commission could be used. The Member States should undertake to grant aid to a specific category of developing countries only on conditions appropriate to the situation of that category of countries.

23. The final part, that is to say the development of new forms of Community cooperation policy, was reflected in three resolutions concerning

- (i) regional integration between developing countries,
- (ii) promotion of exports from developing countries,
- (iii) financial and technical aid to non-associated developing countries.

The contents of the resolutions are the result of long negotiations. Since this is a kind of cooperation policy which the Community has not yet applied on a world-wide level, it was not easy to reach agreement. Moreover, it is quite possible that some Member States do not have an opinion on the resolution on financial aid to the non-associated developing countries.

On points i and ii: these are two measures in sectors in which the Community already has a certain amount of experience at regional level. It is natural for the Community to put into practice first of all, extending them to its overall development policy as well, those principles which it has already applied in the association with the African countries.

On regional integration, one of the aims is to help certain countries like those of the Andean Pact, to set up a common market organization, while the encouragement of exports from developing countries is a logical consequence of the tariff preferences granted by the Community.

Your committee warmly welcomes the fact that the Community has indicated its readiness to grant aid in the context of regional integration between the developing countries. This is a concept to which we have always subscribed wholeheartedly, even if developments have not up to now corresponded to our hopes. The very nature of the problem is such as to force the Community to adopt a waiting attitude in this sector, supplying aid only when it is requested. This policy should, however, be developed in the basic interests of the recipient countries.

24. The above observations certainly do not apply to resolution IX (point ii). Your committee is convinced that appropriate implementation of this resolution will provide an essential complement to the policy of generalized preferences advocated by the Community for some years now. There is also a close link between the two sectors. The system of generalized preferences is often too complex to give immediate practical benefits. The Community

should therefore also assist the developing countries through information and technical aid to enable them to derive the maximum advantage from the system of generalized preferences.

In the sector of export promotion in the strict sense of the term, fairly profitable work has been done in some Member States. Your committee expects these initiatives on the part of individual countries to be better coordinated by the Community. It might also be desirable to grant subsidies to bodies in Member States responsible for promoting exports from the developing countries.

Non-tariff barriers to trade are, as is well known, one of the main causes of dissatisfaction among our partners. The Community could provide substantial aid to the developing countries by committing itself to more concrete action to eliminate or alleviate these barriers. Our committee has already had occasion to indicate its own basic concepts and put forward practical proposals on this matter, which it reiterates in full now. In this sector, too, adequate information could help to lessen the difficulties encountered by the developing countries in effecting exports.

25. On point (iii), this is undoubtedly one of the most important resolutions and the most recent to have been adopted (16 July 1974).

Your committee agrees that priority should still be given in future to maintenance of the EEC/AASM association. The laudable initiative of Mr. Cheysson on Community participation in the United Nations emergency fund means that some 500 million dollars will be spent in the immediate future, mainly for the benefit of non-associated developing countries. An important part of Community food aid will also go to those countries. Your committee approves this line (see above) provided that food aid also constitutes a real component of Community development policy. This means, among other things, that the Commission should in future exercise effective control over the use of the counterpart funds by the developing countries which receive food aid.

It seems reasonable to expect that, after the United Nations emergency action, the Community will continue to give its financial aid to the non-associated developing countries through programmes of its own. Your committee believes that, in view of the needs of a number of non-associated developing countries, the Community should grant financial aid of its own to the least advanced among them. It should first ascertain what bilateral action Member States are taking for the benefit of these countries. In the case of the more favoured developing countries (cf. distribution proposed by the Commission in its document) other means might be used, such as generalized preferences, export promotion and, for the advanced countries, trade, industrial or technological cooperation agreements.

All this means that eventually a fund for financial and technical aid to non-associated developing countries will have to be set up. The size of the fund and the various other details will of course require further consideration. On 5 March 1975 the Commission forwarded to the Council a Communication on Community financial and technical aid to non-associated developing countries 1976-1980. For its comments your committee refers to the report on this Communication submitted by Mr Härzschel to the European Parliament<sup>1</sup>.

The Dutch delegation made a statement to the effect that the aid in question should be given from the end of 1975, regardless of the progress made towards economic and monetary union.

### III. CONCLUSIONS

26. The Committee on Development and Cooperation believes that the nine resolutions at present approved by the Council and the Council recommendation can provide a reasonable basis for a future common policy on development. The political guidelines laid down by the Commission in its communication on actions to be undertaken by the Community in future, represent a valuable supplement in this area. The Council discussed this Communication on 22 January 1975 and requested the Commission to submit practical proposals for a Community action programme.

The only objection of the parliamentary committee to these resolutions is that they are still couched in terms which are too vague on a number of points. The committee accordingly believes that the Commission has an important part to play here and that it should submit, at the earliest possible date, specific proposals to the Council to ensure that it draws the logical consequences from the principles now laid down.

The members of the committee consider that the action of the Commission and Council should be focussed on three quite separate sectors.

(a) Coordination of development policy and policies pursued by the Community in other sectors

27. If the Community really intends to meet its international obligations and wishes to participate effectively in future development cooperation through greater financial contributions and a better distribution of work at the international level, it must draw the appropriate conclusions for its activity in the sector of internal policy. If the main objectives of development policy are to be achieved, some aspects of the Community's economic policy will have to be reviewed. In adopting provisions on development cooperation, the Community must also bear in mind their repercussions on other forms of Community policy. And conversely, whenever Community policy decisions are taken, their possible repercussions on developing countries should also be borne in mind. The experience of the Netherlands should be noted here. That country proposed to earmark a specific percentage of development aid for the restructuring of the sectors liable to be most affected by the impact of the development policy pursued by the Community and its Member States.

<sup>1</sup> Doc. 75

The lack of a Community approach in certain areas prevents the Community from setting up a genuine development policy. Stress should, however, be placed on the evolution of Community policy in certain areas which have points of contact with development policy. Mention must obviously be made here of the armaments industry and the complete lack of a common approach in a sector which, in both economic and general terms, casts a negative shadow on relations between the industrialized and developing countries.

(b) Informing the people

28. Such a policy clearly requires more serious attempts to provide information and develop a public awareness. As the economic and monetary policies of the Member States proceed towards integration the possible negative consequences on certain regions of the Community should be adequately compensated by other regions or countries which are not affected by these consequences or better endowed with resources for their development.

29. Even if all the measures referred to above are applied, the Community will still not be able to grant aid in all the cases where it is needed. In the first instance therefore an order of priorities must be established and, in this context, the data compiled in Doc. 430/74 represents - in the view of the Committee on Development and Cooperation - an adequate basis. The European Commission should also apply all the legal provisions and exploit all the possibilities offered by the EEC Treaty<sup>1</sup> to compel the Council to take appropriate decisions. To this end, in addition to a list of priorities, the Council should also lay down a programme under which Member States will undertake to adopt certain decisions by specified dates.

Experience has shown that development aid is always relegated to one of the last places in the budget. The present difficult economic and financial situation certainly does not help to rule out the risk of diminished activity in the development sector. The Council should therefore give evidence of sufficient political determination to adopt the necessary decisions. The Commission should invoke, to a greater extent than in the past, the possibilities offered by Article 235 of the EEC Treaty. Under the terms of this article it may present to the Council, when the Treaty does not provide the means of action necessary for a particular purpose, proposals designed to achieve one of the aims of the Community. In the preamble the Community had clearly evidenced its intention to confirm the links of solidarity between Europe and the overseas countries and the desire to ensure the development of their prosperity according to the principles of the United Nations Charter. It is evident from the above observations that development cooperation also represents for the Community and its Member States an obligation deriving from the EEC Treaty. Development cooperation is now structured in three main areas of intervention

<sup>1</sup> See for example Article 116 of the EEC Treaty, which lays down that Member States shall proceed by common action in international organizations of an economic character.

and cooperation: (a) the associated states, on the point of expanding from the present 19 to 46, with more than 250 million inhabitants; (b) the groups of developing countries with which there are commercial or ad hoc agreements, especially in the Mediterranean area, Latin America (cf. Bogota conference in July 1974) and some of the principal Asian countries (India etc.); (c) developing countries in general, implying generalized measures on an international scale with special reference to the 25 countries classified by UNCTAD as the poorest. For each of these major areas, the EEC now has an extensive body of basic principles, operational criteria, instruments of intervention, techniques and methods which are constantly evolving. They must, however, be better coordinated, more effectively structured, more consistently financed and better supported by public opinion and the main political, moral and social forces which constitute the living reality of the Community. In this sense the committee's proposals are certainly a step in the right direction: but the gravity of the problems requires of us a commitment equal to our responsibility to mankind.

TABLE 1

ANNEX I

Geographical distribution of bilateral public aid to developing countries  
(percentages of mean annual net payments 1960-66 and 1968-70)

									of which		
		Europe	Africa	America	Asia	Pacific	Unclassified	TOTAL	AASM	OCT/OD	Associable Commonwealth countries
EEC - Six	(1960-66)	5.4	59.8	10.6	17.4	1.6	5.2	100.0	27.5	13.3	1.1
	(1968-70)	8.4	45.1	15.7	23.1	2.2	5.5	100.0	22.0	18.7	3.4
EEC - Ten	(1960-66)	5.7	56.9	9.8	21.3	1.7	4.6	100.0	21.4	10.2	10.2
	(1968-70)	8.0	44.0	14.2	25.9	2.6	5.3	100.0	17.8	15.0	10.3
UNITED STATES	(1960-66)	9.5	13.5	16.6	56.9	0.3	3.2	100.0	1.4	0.0	2.0
	(1968-70)	3.0	9.2	21.2	61.7	1.5	3.4	100.0	1.4	0.0	3.4
Japan	(1960-66)	0.0	0.3	2.8	96.7	-	0.2	100.0	0.0	-	0.0
	(1968-70)	8.3	2.8	5.2	79.0	0.0	4.7	100.0	0.9	-	1.2
Total DAC	(1960-66)	7.7	27.7	13.7	45.5	1.9	3.5	100.0	7.9	3.3	5.1
	(1968-70)	5.3	21.1	15.4	50.3	3.6	4.3	100.0	6.9	5.0	5.7
<u>Note:</u>											
Communist countries	)USSR	5	29	3	63	-	-	100	2	-	3
average com-	)East Eur.	-	37	10	53	-	-	100	1	-	5
mitments	)China	-	43	-	57	-	-	100	8	-	15
1954-68											

Source: Commission of European Communities, Doc. VIII/965(72), July 1972

TABLE 2

Geographical distribution of Community aid<sup>1</sup> (EEC of Six) and bilateral aid

- mean annual net public payments 1960-66 and 1968-70 -

	Europe	Africa	America	Asia	Pacific	Unclassified	Total
I. Community aid <sup>1</sup>							
in \$ m (1960-66)	6.13	59.18	2.87	0.59	0.31	1.06	70.14
(1968-70)	34.70	125.17	7.07	10.37	2.16	4.43	183.90
as % (1960-66)	8.7	84.4	4.1	0.8	0.4	1.4	100.0
(1968-70)	18.9	68.0	3.8	5.7	1.2	2.4	100.0
II. Community and bilateral aid							
in \$ m (1960-66)	79.60	869.54	147.41	236.82	22.78	69.47	1,425.60
(1968-70)	178.60	897.04	274.81	405.41	39.99	95.04	1,890.89
as % (1960-66)	5.6	61.0	10.3	16.6	1.6	4.9	100.0
(1968-70)	9.5	47.4	14.6	21.4	2.1	5.0	100.0

<sup>1</sup>EDF + EIB + Food aid

TABLE 3

ANNEX III

## 1969 SUPPLEMENT TO RECOMMENDATION ON CONDITIONS FOR PUBLIC DEVELOPMENT AID

## POSITION OF MEMBER STATES VIS-A-VIS THIS RECOMMENDATION, 1970-1972

Data on commitments

Country	Different means of complying with recommendation									Total development aid as % of GNP		
	Donation criteria: donations as % of development aid (Norm: 70%)			(Variant A) Donations and loans including donation component of at least 61% as % of development aid (Norm: 85%)			(Variant B) Donation component included in 85% of development aid on most liberal conditions (Norm: 85%)					
	1970	1971	1972	1970	1971	1972	1970	1971	1972	1970	1971	1972
Belgium	92	91	90	98	99	98	100	100	100	0.58	0.59	0.63
Denmark	92	70	76	100	100	100	100	96	97	0.40	0.67	0.54
France	74	76	79	74	76	79	93	95	97	0.88	0.81	0.92
Germany	54	54	53	84	91	90	87	89	87	0.44	0.44	0.44
Italy	54	25	49	54	43	49	76	58	67	0.20	0.31	0.15
Netherlands	64	70	60	89	86	75	91	94	91	0.66	0.64	0.68
United Kingdom	50	47	60	90	88	90	90	88	93	0.43	0.52	0.59
Total DAC countries	63	59	63	85	82	84	94	92	93	0.41	0.43	0.46

Source: 1973 Survey  
Development Cooperation (OECD)

TABLE 4  
PRICE TRENDS FOR SOME AFRICAN PRIMARY COMMODITIES<sup>1</sup>

(1960/61/62 average = 100)

	1972	1973	First two weeks of September 1974	First eight months of 1974 against 1972, %	Change since January 1974 Aug/Jan. 1974 %
Robusta coffee	202	246	279	+ 50	+ 1.88
Arabica coffee	132	198	204	+ 65	- 1.01
Cocoa	134	258	408	+ 183	+ 52.83
Cotton	137	192	216	+ 90	- 30.20
Groundnut oil	154	195	414	+ 175	+ 6.17
Palm oil	108	177	-	+ 198	+ 22.02
Tea	92	93	132	+ 46	+ 17.89
Rubber	73	128	117	+ 108	- 35.97
Sugar	252	310	1033	+ 193	+ 98.50
Sisal <sup>2</sup>	104	221	510	+ 365	+ 6.90
Copper	164	270	247	+ 135	- 15.07
Tin <sup>3</sup>	159	240	387	+ 123	+ 33.40
Aluminium	116	118	170	+ 23	+ 41.21
Phosphates <sup>4</sup>	100	117	525	+ 294	+ 50.00
Cereals	111	233	-	+ 196	- 13.00
Rice	107	238	-	+ 302 <sup>5</sup>	+ 11.00 <sup>6</sup>

<sup>1</sup> Except for South Africa, Rhodesia, Botswana, Lesotho and Swaziland<sup>2</sup> In £ terms<sup>3</sup> In \$ terms<sup>4</sup> 1972 = 100<sup>5</sup> First 6 months of 1974 against 1972<sup>6</sup> June 1974 against January 1974

Source: Commission of the European Communities

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman of the opinion: Mr E. MULLER

On 2 October 1974, the Committee on External Economic Relations appointed Mr Emile Muller draftsman of the opinion.

It considered the draft opinion at its meetings of 9 and 24 January 1975 and adopted it unanimously at the second of these meetings.

The following were present: Mr de la Malène, chairman; Mr Boano, Mr Fellermaier and Mr Thomsen, vice-chairmen; Mr Emile Muller, draftsman; Mr Brégégère, Mr Delmotte (deputizing for Mr Behrendt), Sir Douglas Dodds-Parker, Mr Dunne, Mr Kaspereit, Mr Lange, Mr Nyborg, Mr Pintat, Mr Rivierez, Mr Schulz, Mr Thornley and Mr Vandewiele.

1. The final communiqué issued at the end of the Paris summit conference of 19 and 20 October 1972 called upon the Community Institutions and the Member States for the first time to establish an overall development co-operation policy on a world scale.

Up till then the lack of such a policy - not envisaged by the authors of the Treaty establishing the EEC - had left the Community, as the Commission wrote in 1971 in its Memorandum on a Community Development Cooperation Policy, 'with no means of cooperating in the rapid progress of all the developing countries'.

2. Although there was no real overall approach, the Community had gradually adopted certain features of this policy; a policy of association with the countries of the Yaoundé and Arusha conventions, tariff concessions granted in bilateral arrangements on a regional and world scale, food aid programmes implemented since 1967, establishment of a Community system of generalized preferences applicable since 1 July 1971 and gradually extended.

3. However, each Member State retained its sovereign right to fix the amount and determine the allocation of public resources for technical and financial cooperation, to define objectives governing the use of these resources, and to introduce measures (credit, taxation, investment guarantee) to encourage private capital to contribute to the development of the third world countries.

4. The coherence and effectiveness of the aid granted by the Community or individual Member States were the first victims of this situation.

Following the initiative of the Heads of State or Government in 1972, a working party on 'development cooperation' was set up by the Council to define the principles and aims of an overall, coherent development cooperation policy on a world scale. This work has been continuing since then.

5. On 5 November 1973, the Council held for the first time a wide-ranging debate on the form and details of an overall development cooperation policy. At further meetings on 30 April, 25 June and 16 July 1974 it adopted a series of resolutions concerning in particular technical assistance for regional integration between developing countries and promotion of their exports, the problem of the developing countries' debts, generalized preferences, agreements on primary commodities, financial and technical aid to non-associated developing countries, and the harmonization and coordination of Member States' cooperation policies.

6. Parallel with this world-wide approach to the problems of the developing countries, the Community opened negotiations, in July 1973, following on the

enlargement of the EEC, with 45 associated and associable African, Caribbean and Pacific countries (ACP) on the content of the agreements to govern relations between the two parties from 1 February 1975.

The ministerial conference at Kingston, on 25 and 26 July 1974, marked an important step in defining these future relations.

7. Further progress made since then has enabled new meetings to be held at ministerial level in January 1975.

8. A brief opinion such as this is not the place to consider in depth the content and practical details of the Communities' development aid policy which is now being drawn up. We shall confine ourselves to a few general considerations on the principal aims :

9. (a) There is a growing awareness of the pressing need for an overall Community development cooperation policy. However, it has developed at a time when, as a result in particular of the upheaval caused by the increase in the price of oil and certain other primary commodities, the united third world which emerged at Bandoeng, is systematically breaking up into three groups of countries<sup>1</sup>: the rich countries which are major oil producers and sparsely populated (Saudi Arabia, Libya, Kuwait, the Emirates of the Persian Gulf ...); the emerging nations, capable of getting their economies under way successfully (Iran, Algeria, Mexico, Brazil ...), and finally, the overpopulated 'fourth world' countries, which far from making economic progress are the first to suffer the dramatic consequences of the rise in oil prices (India, Pakistan, Bangladesh, and many of the associated and associable countries).

10. (b) While development aid policy should be theoretically coherent, it should therefore nevertheless be diversified on the practical level to take account of the increasingly different situations of the beneficiary countries.

Kuwait (which has a per capita income higher than that of the nine Community countries) and Bangladesh are, for example, both beneficiaries under the Community generalized preference system. The anomaly of this situation is self-evident.

Since generalized preferences constitute an essential feature of any development aid policy, it seems desirable, as was indicated in the resolution adopted by the European Parliament (see Kaspereit report, Doc. 285/74), for the criteria used to determine beneficiary countries to be revised and for preferences to be reserved in practice for the least well-endowed countries.

<sup>1</sup> In its Document 'Development Aid ; outline of future Community action' (COM(74) 1720 final) the Commission, taking this analysis a step further, makes a distinction between 8 groups of developing countries.

The present system, improved and extended since its implementation in 1971, permits the relatively industrialized countries to monopolize these preferences to a large extent, whereas the poor countries are unable to use them.

11. On the other hand, the decision by the Council to make, under certain conditions, a Community contribution which could total 500 million dollars to the United Nations emergency programme for the benefit of the countries hardest hit by the energy crisis (Cheysson Fund) seems to respond to this necessity to take account of the real situation of countries benefiting from development aid. The committee therefore welcomes the Council's decision to release 250 million dollars immediately. It also welcomes the decision to add to this sum if, after taking into account bilateral action by Member States and the 1974 increase in food aid, the total still fell short of 500 million dollars.

12. (c) The Community's development aid policy was held back for a long time by the differing viewpoints in the Council of those favouring a 'regional' approach and a 'world-wide' approach. Was this aid to be reserved for States having special historical or geographical links with the Member countries? Or on the other hand should the aid be extended to all developing countries, the only criteria being the real state of underdevelopment? The food aid which the Community has been granting since 1967 gave it an initial opportunity to extend the geographical scope of its cooperation.

Recent developments have, however, revealed the somewhat artificial nature of this controversy, since progress made in recent months by the world-wide policy has not jeopardized the advantages enjoyed by countries with which the Community had special relations.

Beyond this controversy, it appears desirable for Community policy to encourage, as far as possible, the setting up of a regional integration process among the developing countries. Unless there is such a creation of large regional communities (grouping for example the West African countries, Latin American states, South East Asian countries etc.) it will not be possible, in view of the small scale of the populations and economies in each of these states taken separately, to create the conditions necessary for development.

This is also the Council's view, and it has adopted a special recommendation on regional integration between developing countries.

13. (d) Implementation of a global development aid policy creates a need for increasingly varied political instruments. For a long time commercial policy - which has been the responsibility of the Community bodies since the common market entered its definitive phase - has remained the sole instrument of Community policy towards the developing countries.

It still is one of the main instruments and supplementary measures are still needed. In this context there is reason to hope that, pursuant to Article 113 of the EEC Treaty, the problem of harmonization of export credits will come under the exclusive responsibility of the Community. The interests of the developing countries are in fact directly affected by such harmonization, since a large proportion of their imports is financed by export credits granted by the developed countries.

In this connection note has been taken of the desire expressed by Member States of the EEC to conclude with the United States, Canada and Japan an arrangement designed to ensure a measure of international control over commercial export credits.

Similarly, our committee hopes that the 1970 and 1971 Council Directives on the harmonization of export credit insurance systems will be rapidly put into force.

14. However, if an overall development aid policy of this type is to have its full effect, it is essential to move beyond commercial policy into other areas, particularly the financial, monetary, industrial, agricultural, energy, technology, social, health and education sectors.

To achieve such an objective, the Nine must first have established among themselves a Community political order in all these sectors.

We cannot over-emphasize the need for an overall Community policy among the Nine; this is an essential condition for the success of the efforts to aid developing countries.

The persistent attempts of each Member State to solve these problems by means of bilateral agreements covering its own territory are working against the desired objective and are bound to be an obstacle to a common policy in keeping with the needs of our times.

15. Nevertheless, up till now, these different aspects of development aid policy have been the sole responsibility of Member States and were implemented by them with no coordination.

It therefore seems desirable to harmonize through a permanent coordination process these national cooperation policies, both when they are devised and when they are implemented. To this end, it would no doubt be necessary to make provision for coordination machinery similar to that instituted by the development cooperation group.

Alongside this effort to achieve an overall policy of aid to the developing countries, and to give action by non-governmental associations, the initiative for which is often provided by the younger generation, flexibility and speed required to deal with events which often cannot be predicted, a policy

of active support for these associations, together with effective supervision, is recommended to the Member States of the EEC.

In addition to these joint efforts, a whole range of measures should be studied to allow a broad technical aid effort to be implemented for the benefit of the most deprived countries.

In this respect, the resolution adopted by the Council on 'the harmonization and coordination of Member States' cooperation policies', which provides for greater exchange of information and experience on the aims, principles and methods of development cooperation policy seems to be a very positive step. But it is clear that this harmonization and coordination must progressively be replaced by Community decisions in this sector.

16. In this context, we feel that the resolution adopted by the Council on the principle of financial and technical aid to non-associated developing countries is of particular importance, and the committee hopes that the methods of implementing this aid will be decided quickly.

The Commission's fresco of development aid is a first step towards a definition of the size and nature of this aid to non-associated developing countries. It seems preferable, on account of the limited resources available and the needs of the developing countries, to concentrate the aid on priority objectives such as food supplies and the regional integration of developing countries, while leaving open the possibility of action determined by circumstances (following the 'Cheysson plan').

17.(e) The critical economic situation, resulting from the sharp increase in the price of oil products, which most of the Member States of the EEC are facing, could hold up the establishment of a development aid policy. The danger is that the volume of this aid will be the first victim of the budgetary restrictions which the developed countries are now obliged to impose. Our committee hopes therefore that, in spite of these difficulties, the real increase in public development aid - in accordance with the resolution adopted by the Council on the volume of public development aid - can be maintained. It should be noted in this connection that the Member States have undertaken to do everything in their power to reach as soon as possible a target for public aid of 0.7% of the gross national product; this was the aim laid down in the international development strategy for the second development decade adopted by the United Nations.

This appeal for a constant effort on the part of Member States of the EEC would be better understood by the population if the industrialized countries and the other rich nations - major oil-producing countries with small populations, with an annual income per inhabitant ranging from 1500 u.a. (Oman, Bahrein) to 30,000 u.a. (Abu Dhabi) while the average for the EEC countries is about 3,000 u.a. - were prepared to cooperate jointly, as a function of the resources available to them, in a single world effort, to improve considerably the lot of the fourth world countries.

The time has come to mobilize international opinion to ensure that some of the product of the wealth derived from natural resources and that created by industrial development is channelled towards those who on account of their geographical and demographic situation are in a tragic position. There must be a movement of universal solidarity to enable the privileged nations to undertake the coordinated worldwide effort which alone can guarantee the most deprived peoples a life worthy of our age.

18. In the present situation of budgetary cuts, the effectiveness of Community aid must therefore be increased; it must contribute effectively to the development of the beneficiary countries and the wastage of funds criticized in this sector in recent years must be stopped.

19. It might be considered that aid is most effective if it guarantees the developing countries stable and assured income from their exports of primary commodities to developed countries, since the deterioration in the terms of trade throughout the 1960's has more than cancelled out the development aid granted by the developed countries. This could be brought about by the conclusion of international agreements such as those in force at present (or in the past) for a certain number of basic products: cocoa, tin, olive oil, sugar, coffee...

20. We are, however, aware of the difficulties which make such agreements fragile. The failure of many of them bears witness to this. In our opinion, these agreements are, nevertheless, in the appropriate cases, an effective way of stabilizing primary commodity prices.

The Council resolution, encouraging the participation of the Community in such agreements and the improvement of their operation, adopted this approach.

If the conclusion of world-wide agreements proved impossible, the Community could reach agreements in this field with the ACP countries to which all countries concerned, both producers and consumers would be free to accord.