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Report

drawn up on behalf of the Committee on Development and Cooperation

on an attempt to neutralize certain international price movements for the most affected developing countries

Rapporteur: Mr R. SANDRI

PE 37.231/fin.

By letter of 26 April 1974, the Committee on Development and Cooperation requested authorization to draw up a report on an attempt to neutralize certain international price movements for the most affected developing countries (Doc. SEC(74) 1121 final).

By letter of 16 May 1974, the President of the European Parliament authorized the committee to draw up a report on that subject. The Committee on Budgets was asked for its opinion.

The Committee on Development and Cooperation appointed Mr Sandri rapporteur on 24 May 1974.

It considered this draft at its meetings of 6 and 25 June 1974 and unanimously adopted the motion for a resolution and explanatory statement on the latter date.

The following were present: Mr Achenbach, chairman; Mr Knud Nielsen, second vice-chairman; Mr Sandri, third vice-chairman and rapporteur; Mr Broeksz, Sir Douglas Dodds-Parker, Miss Flesch, Mr Glinne, Mr Härzschel, Mr James Hill, Mrs Iotti, Mr Seefeld and Mr Spénale.

The opinion of the Committee on Budgets 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 communication from the Commission to the Council concerning an attempt to neutralize certain international price movements for the most affected developing countries

The European Parliament,

- having regard to the communication from the Commission of the European Communities to the Council concerning an attempt to neutralize certain international price movements for the most affected developing countries (SEC(74) 1121 final),
 - having regard to the communication from the Commission of the European Communities to the Council on the forms and financing arrangements for Community participation in a special international operation to aid those developing countries most affected by recent international price movements (COM(74) 815),
 - having regard to the report of the Committee on Development and Cooperation and the opinion of the Committee on Budgets (Doc. 177/74);
1. Welcomes the initiative taken by the European Community to organize a special international operation to aid those developing countries most affected by recent international price movements;
 2. Stresses that the participation of the other industrialized nations and potential donor countries is an absolute prerequisite for the success of the operation to be undertaken;
 3. Expects the Community to play an active part in the international bodies responsible for deciding the lines on which action is to be taken;
 4. Requests the European Community to continue, if necessary and if possible, and in close cooperation with the other partners, its efforts beyond the initial 12-month period currently planned;
 5. Instructs its President to forward this resolution and the accompanying explanatory statement to the Council and the Commission of the European Communities, and, for information, to the Secretary-General of the United Nations Organization.

EXPLANATORY STATEMENTI. INTRODUCTION

1. The recent oil crisis has highlighted a situation already well-known in the quarters concerned, that is to say, the ever-increasing gap between the under-equipped countries and those developing countries whose economic take-off has already begun.

The energy crisis is attended by considerable price increases for other products, such as fertilizers and pesticides, agricultural products (in particular wheat), and manufactured and semi-manufactured products in general. The resulting deterioration, at a constant rate, in the terms of trade of all developing countries between 1972 and 1974 can be put at 7.7 thousand million dollars. For the 25 to 30 countries most affected by price increases, the net deterioration in terms of trade over 12 months amounts to approximately 3 thousand million dollars. Approximately 50% of this amount can be attributed to the cost of petroleum products and roughly 25% to the cost of food products.

2. To give an idea of the size of the problem, it should be noted that this loss of 3 thousand million dollars represents 60% of the value of the exports of the countries concerned in 1972 and is almost twice the amount of the aid they received from the public sector.

This situation has aroused the concern of various international bodies dealing with development cooperation. They have calculated that for the least developed countries the situation is likely to become catastrophic owing to the lack of currency required for imports of basic necessities. It is not just a problem of an imbalance in their balance of payments, it is a simple question of survival.

II. THE COMMISSION'S PROPOSAL

3. On 20 March 1974 the Commission of the European Communities forwarded to the Council a communication in which it made proposals for an attempt to neutralize certain international price movements for the most affected developing countries (Doc. SEC(74) 1121 final).

The Commission proposes that the Community should take the initiative in appealing to all rich countries to set up a world fund of approximately 3 thousand million dollars. The fund's resources would be distributed to the most affected countries. Not only the usual donor countries, but also other countries - particularly the oil-producing countries - should participate.

The Community could contribute to this fund a sum of about 500 million dollars. It should be considered as special aid additional to the amount to be contributed in any case as development aid.

4. A special session of the United Nations' General Assembly dealing with the problems of raw materials and development was held in April 1974. During the session, the German Minister, Mr SCHEEL, speaking on behalf of the European Community, expressed the Community's desire to study at an early date, together with all states and international organizations concerned, the most effective means of undertaking an international aid operation of an exceptional nature. In addition, the Community and its Member States announced their readiness to take an active part in the efforts taken to overcome the difficulties faced by less developed countries and to make a substantial contribution provided that the other members of the international community were prepared to join them.

At this special session the United Nations launched an emergency operation, inviting the industrialized nations and other potential donor countries to announce - before 15 June 1974 - the amount of their contributions to this operation.

5. An ad hoc committee of 36 members of the United Nations General Assembly was formed to supervise the various bilateral and multilateral measures taken to assist the most affected countries. The UN Secretary-General appointed Mr PREBISCH, a person enjoying considerable prestige, to coordinate the operation and meet the various potential donors. By telegram of 16 May 1974 addressed to 44 countries - including the 9 Member States of the Community - he also launched an appeal confirming the arrangements of the special programme (see Annex 1).

6. The Commission of the European Communities was instructed by the Council at its meeting of 30 April 1974 to inform it as soon as possible of the forms and financing arrangements for Community participation. This was done in the communication from the Commission to the Council of 29 May 1974 (Doc. COM(74) 815). In this communication, the Commission confirms its initial estimate of the immediate needs of the countries most affected by international price movements occurring since 1972. It compared its figures with those arrived at by other international organizations which had carried out similar work (BIRD, OECD and the UN).

The Commission proposed that the following countries should be regarded as developing countries :

- those which had suffered a serious deterioration in their terms of trade between 1972 and 1974,
- those which were the poorest (annual per capita income lower than \$300),

- those so deeply in debt that they cannot borrow or benefit from the special facilities offered by the IMF.

7. In its communication of 20 March 1974, the Commission assumed that the international aid operation would be shared equally between the industrialized nations and other donors. At the extraordinary meeting of the United Nations' General Assembly, Iran officially made such a proposal. On this basis the amount to be contributed by the industrialized nations would be 1,500 million dollars. The Community had announced its intention of making a 'substantial contribution' - the Commission estimates this at 500 million dollars over a period of 12 months.

The Community effort could take different forms. In particular, the Commission mentions :

- financial aid in cash
- aid in kind (food supplies, manufactured products such as fertilizers, pesticides and equipment).

The precise ways in which this aid should be used would be decided largely in discussions at international level.

It is proposed that the EEC contribution should be 205 million u.a. for 1974, a further 210 million u.a. being added in the 1975 budget. The total Community contribution would thus be 415 million u.a. over the coming 12 months, or 500 million dollars at the current rate¹.

At its meeting of 25 June 1974, the Council of the European Communities decided on its reply to the letter of 15 March 1974 from the Secretary General of the United Nations. In its letter, the Community confirms the statement made on its behalf by President Scheel, and in particular, specifies the form of its participation. The EEC reaffirmed on this occasion its willingness to contribute to an emergency fund, under the following conditions.

- the contribution by the Community would be 1/6 of the total sum with a ceiling of \$500 million;
- the industrialized countries as a whole must contribute one-half of the total, 1/6 being paid by the EEC and 2/6 by the other industrialized countries;
- the other half would be paid by the oil-producing countries.

Supposing the fund to be \$3 thousand million, the contributions would be as follows:

- industrialized countries: \$1.5 thousand million, including \$500 million from the EEC
- oil producing countries: also \$1.5 thousand million.

¹ See also Written Question No. 88/74 of 24 April 1974 by Mr LAUDRIN.

III. COMMENTS AND CONCLUSIONS

8. Your committee welcomes the initiative taken by the Commission, and in particular by the Commissioner responsible for development aid, Mr CHEYSSON. It needed courage and perspicacity to make this proposal in the situation created some months ago as a result of measures taken by the OPEC members. Your committee wishes to commend the work carried out by the Commission, which has enabled the Community to play a part commensurate with its responsibility in the world and its place in international trade and economy.

As to the participation of the oil-producing countries, your committee would quote a statement by Mr KHEME, representing the oil-producing countries at the First World Symposium on Energy and Raw Materials which took place in Paris on 6-8 June 1974. Mr KHEME stated that the oil-producing countries had already placed 1% of their GNP at the disposal of poor nations without any oil resources and that they were even more disposed to cooperate with the rich nations in helping the countries of the Third World to discharge their previous debts.

Your committee considers that, given the extremely serious situation, the most important thing is to find the money. As regards the arguments put forward on this matter by the Commission, it would refer to the comments of the Committee on Budgets, consulted for its opinion.

The Commission of the European Communities points out that as regards the machinery for dispensing aid and the list of recipient countries there is need for some circumspection.

9. The Secretary-General of the United Nations is currently studying the machinery and procedures and will submit proposals as soon as possible. Further, the viewpoints of the other potential donor countries cover a wide spectrum at present. It is therefore normal - and approved by your committee - that the Community should wait with its formal proposals and see how the discussion of this matter develops within the UN ad hoc committee. It has at all events stated its desire to play an active part in the bodies responsible for deciding on the ways in which the operation is to be carried out (see para. 9 of Doc. 815).

Finalizing the list of recipient countries is likely to raise a number of problems, witness the difficulties encountered when the list of the most backward developing countries was drawn up at the last UN Conference on Trade and Development.

10. As the Commission noted in its last communication, it is not for it alone to draw up the sad list of the 25-30 countries concerned. The international bodies responsible for coordinating the operation in agreement with the countries concerned - both the donors and the recipients - must deal with this question in due course. It is nevertheless clear that the emergency operation should for the most part be devoted to Asia, in particular the Indian sub-continent, whose development is severely hindered by its population problems.

The criteria used by the Commission in drawing up the list of recipient countries (see para. 5 of Doc. 815) are more precise than those adopted by the UN, and are moreover different (see Annex I, third recital).

The Commission has, for example, retained as its third criterion the debts of countries likely to receive aid. Only those countries whose debts are such that they could not consider having recourse to borrowing or to the special facilities of the IMF would be considered. For countries whose debts are less substantial, provision would be made for special terms, particularly as regards access to the 'improved' financial market of the International Monetary Fund, and for facilities to enable them to pay for their oil imports.

Furthermore, it should be noted that the criteria listed by the Commission of the European Communities in paragraph 5 of Doc. 815 should be considered only as the wishes of the Commission. As stated in paragraph 9, the Community is at present merely putting forward proposals to be discussed later with the contributing and benefiting countries.

11. The Commission has already made clear the way in which it plans to undertake the emergency operation. Your committee considers that the ideas put forward by the Commission are likely to make a genuine contribution to the improvement of the situation in the least developed countries. It goes without saying that these are emergency measures, and only a thorough restructuring of the world economy can produce lasting results. It must also be stressed that, like financial aid, aid in kind - and more particularly food aid - will be supplementary to aid due to be given in any case by the Community.

Your committee is confident that the Commission will ensure that the food aid will be provided with all the care that such aid requires.

The third paragraph of the resolution adopted by the UN General Assembly at its special session lists a whole series of measures by which the donor countries could improve the situation of the poor countries. It is clear that some of these measures go beyond the legal framework within which Community action is undertaken at present. Your committee would nevertheless like to know whether the Commission intends to submit further proposals on this matter at a later date. It would also like to know in what form and to what amount the Member States of the Community would take part in the United Nations' special programme.

12. This special programme represents a short-term policy - covering the next 12 months - but also mentions a longer-term policy (see the first recital and paragraphs 8, 9 and 10). It is clear that the measures proposed under the special programme for the next 12 months can only provide emergency aid enabling the poorest countries to overcome their immediate difficulties. Only a restructuring of the international economy will make it possible to gradually change their situation.

Your committee hopes that the Commission will evince the same courage and imagination, when the time comes to reform the international monetary system, for example, or to make proposals on the market organization for primary products. Meanwhile, it approves the Commission's communications proposing emergency action.

Your committee will follow attentively all matters concerning the UN special programme, to which it intends devoting, if appropriate, a second report.

ANNEX

Special programme, including particularly emergency measures to mitigate the difficulties of the developing countries most seriously affected by economic crisis bearing in mind the particular problems of the least developed and land-locked countries¹

The General Assembly,

Considering that:

(1) The sharp increase in the prices of their essential imports such as food, fertilizers, energy products, capital goods, equipment and services, including transportation and transit costs, have gravely exacerbated the increasingly adverse terms of trade of a number of developing countries, added to the burden of their foreign debt and, cumulatively, created a situation which, if left untended, will make it impossible for them to finance their essential imports and development and result in a further deterioration in the levels and conditions of life in these countries. The present crisis is the outcome of all the problems that have accumulated over the years: in the field of trade, in monetary reform, the world-wide inflationary situation, inadequacy and delay in provision of financial assistance and many other similar problems in the economic and developmental fields. In facing the crisis, this complex situation must be borne in mind so as to ensure that the special programme adopted by the international community provides emergency relief and timely assistance to the most seriously affected countries. Simultaneously, steps are taken to resolve these outstanding problems through a fundamental restructuring of the world economic system, in order to allow these countries while solving the present difficulties to reach an acceptable level of development.

(2) The special measures adopted to assist the most seriously affected countries must encompass not only the relief which they require on an emergency basis to maintain their import requirements but also, beyond that, steps to consciously promote the capacity of these countries to produce and earn more. Unless such a comprehensive approach is adopted there is every likelihood that the difficulties of the most seriously

¹ Source: United Nations General Assembly
Ad hoc Committee of the Sixth special session
Doc. A/AC.16/L51, 30 April 1974

affected countries may be perpetuated. Nevertheless, the first and most pressing task of the international community is to enable these countries to meet the shortfall in their balance of payments positions. But this must be simultaneously supplemented by additional development assistance to maintain and thereafter accelerate their rate of economic development.

(3) The countries which have been most seriously affected are precisely those which are at the greatest disadvantage in the world economy: the least developed, the land-locked and other low-income developing countries as well as other developing countries whose economies have been seriously dislocated as a result of the present economic crisis, natural calamities, and foreign aggression and occupation. An indication of the countries thus affected, the level of the impact on their economies and the kind of relief and assistance they require can be assessed on the basis, inter alia, of the following criteria:

- (i) Low per capita income as a reflection of relative poverty, low productivity, low level of technology and development.
- (ii) Sharp increase in their import cost of essentials relative to export earnings.
- (iii) High ratio of debt servicing to export earnings.
- (iv) Insufficiency in export earnings, comparative inelasticity of export incomes and unavailability of exportable surplus.
- (v) Low level of foreign exchange reserves or their inadequacy for requirements.
- (vi) Adverse impact of higher transportation and transit costs.
- (vii) Relative importance of foreign trade in development process.

(4) The assessment of the extent and nature of the impact on the economies of the most seriously affected countries must be made flexible keeping in mind the present uncertainty in the world economy, the adjustment policies that may be adopted by the developed countries, the flow of capital and investment. Estimates of the payments situation and needs of these countries can be assessed and projected reliably only on the basis of their average performance over a number of years. Long-term projections, at this time, cannot but be uncertain.

(5) It is important that in the special measures to mitigate the difficulties of the most seriously affected countries all the developed countries as well as developing countries should contribute according to their level of development and the capacity and strength of their economies. It is notable that some developing countries, despite their own difficulties and development needs, have shown a willingness to play a concrete and helpful role in ameliorating the difficulties faced by the poorer developing countries. The various initiatives and measures taken recently by certain developing countries with adequate resources on a bilateral and multilateral basis to contribute to alleviating the difficulties of other developing countries are a reflection of their commitment to the principle of effective economic cooperation among developing countries.

(6) The response of the developed countries which have by far the greater capacity to assist the affected countries in overcoming their present difficulties must be commensurate with their responsibilities. Their assistance should be in addition to the presently available levels of aid. They should fulfil and if possible exceed the targets of the International Development Strategy on financial assistance to the developing countries, especially that relating to Official Development Assistance. They should also give serious consideration to the cancellation of the external debts of the most seriously affected countries. This would provide the simplest and quickest relief to the affected countries. Favourable consideration should also be given to debt moratorium and rescheduling. The current situation should not lead the industrialized countries to adopt what will ultimately prove to be a self-defeating policy aggravating the present crisis.

Recalling the constructive proposals made by His Imperial Majesty the Shahanshah of Iran and His Excellency President Boumediène of Algeria,

1. Decides to launch a Special Programme to provide emergency relief and development assistance to the developing countries most seriously affected, as a matter of urgency, and for the period of time necessary, at least until the end of the Second Development Decade, to help them overcome their present difficulties and to achieve self-sustaining economic development;

2. Decides as a first step in the Special Programme to request the Secretary-General to launch an emergency operation to provide timely relief to the most seriously affected developing countries as defined in paragraph 3 of the preamble with the aim of maintaining unimpaired essential imports for the duration of the coming 12 months and to invite the industrialized countries

and other potential contributors to announce their contributions for emergency assistance or intimate their intention to do so by 15 June 1974 to be provided through bilateral or multilateral channels, taking into account commitments and measures of assistance announced or already taken by some countries and further requests the Secretary-General to report the progress of the emergency operation to the twenty-ninth session of the General Assembly through the Economic and Social Council at its fifty-seventh session;

3. Calls upon the industrialized countries and other potential contributors to extend immediate relief and assistance to the most seriously affected countries which must be of an order of magnitude that is commensurate with the needs of these countries. Such assistance should be in addition to the existing level of aid and provided at a very early date to the maximum possible extent on grant basis and where not possible on soft terms. The disbursement and relevant operational procedures and terms must reflect this exceptional situation. The assistance could be provided either through bilateral or multilateral channels, including such new institutions and facilities that have been or are to be set up. The special measures may include the following :

- (i) Special arrangements on particularly favourable terms and conditions including possible subsidies for and assured supplies of essential commodities and goods;
- (ii) Deferred payments for all or part of imports of essential commodities and goods;
- (iii) Commodity assistance, including food aid, on grant basis or deferred payments in local currencies, bearing in mind that this should not adversely affect the export of developing countries;
- (iv) Long-term suppliers' credits on easy terms;
- (v) Long-term financial assistance on concessionary terms;
- (vi) Drawings from special IMF facilities on concessional terms;
- (vii) Establishment of a link between the creation of SDRs and development assistance, taking into account the additional financial requirement of the most seriously affected countries;
- (viii) Subsidies, provided bilaterally or multilaterally, for interest of funds available on commercial terms borrowed by most seriously affected countries;
- (ix) Debt renegotiation on a case-by-case basis with a view to concluding agreements on debt cancellation, moratorium or rescheduling;

- (x) Provision on more favourable terms of capital goods and technical assistance to accelerate the industrialization of the affected countries;
- (xi) Investment in industrial and development projects on favourable terms;
- (xii) Subsidizing the additional transit and transport costs, especially of the land-locked countries;

4. Appeals to the developed countries to consider favourably the cancellation, moratorium or rescheduling of the debts of the most seriously affected developing countries on their request as an important contribution to mitigating the grave and urgent difficulties of these countries;

5. Decides to establish a special fund under the auspices of the United Nations, through voluntary contributions from industrialized countries and other potential contributors, as a part of the special programme, to provide emergency relief and development assistance, which will commence its operations at the latest by January 1975;

6. Establishes an ad hoc intergovernmental committee of 36 Member States, to be appointed by the President of the Assembly, taking into account the purposes of the special fund and its terms of reference, to :

- (i) make recommendations on the scope, machinery, modes of operation etc. of the special fund, taking into account the need for :
 - (a) equitable representation on its governing body;
 - (b) equitable distribution of its resources;
 - (c) full utilization of the services and facilities of existing international organizations;
 - (d) the possibility of merging the United Nations Capital Development Fund with the operations of the special fund;
 - (e) a central monitoring body to oversee the various measures being taken both bilaterally and multilaterally;

and to this end, bearing in mind the different ideas and proposals made at the sixth special session, including those contained in documents A/AC.166/L.15 and A/PV.2208 and comments thereon and the possibility of utilizing the special fund to provide an alternative channel for normal development assistance after the emergency period;

- (ii) Monitor, pending commencement of the operations of the special fund, the various measures being taken both bilaterally and multilaterally to assist the most seriously affected countries;
- (iii) Prepare, on the basis of information provided by the countries concerned and by appropriate agencies of the United Nations system, a broad assessment of :
 - (a) the magnitude of the difficulties facing the most seriously affected countries;
 - (b) the kind and quantities of the commodities and goods essentially required by them;
 - (c) their need for financial assistance;
 - (d) their technical assistance requirements, including especially access to technology;

7. Requests the Secretary-General of the United Nations, the Secretary-General of the United Nations Conference on Trade and Development, the President of the International Bank for Reconstruction and Development, the Managing Director of the International Monetary Fund, the Administrator of the United Nations Development Programme and the heads of the other competent international organizations to assist the Ad Hoc Committee in performing the functions assigned to it under operative paragraph 6, and help, as appropriate, in the operations of the special fund;

8. Requests the International Monetary Fund to expedite decisions on :

(a) The establishment of an extended special facility with a view to enabling the most seriously affected developing countries to participate in it on favourable terms;

(b) The creation of SDRs and the early establishment of the link between the allocation of SDRs and development financing; and

(c) The establishment and operation of the proposed new special facility to extend credits and subsidize interest charges on commercial funds borrowed by Member States bearing in mind the interest of the developing countries and especially the additional financial requirements of the most seriously affected countries;

9. Requests the World Bank Group and the IMF to place their managerial, financial and technical services at the disposal of Governments contributing to emergency financial relief so as to enable them to assist without delay in channelling funds to the recipients, making such institutional and procedural changes as may be required;

10. Invites the UNDP to take the necessary steps, particularly at the country level, to respond on an emergency basis to requests for additional assistance which it may be called upon to render within the framework of the special programme;

11. Requests the Ad Hoc Committee to submit its report and recommendations to the Economic and Social Council at its fifty-seventh session and invites the Council, on the basis of its consideration of this report, to submit suitable recommendations to the General Assembly at its twenty-ninth session;

12. Decides to consider, within the framework of a new international economic order, as a matter of high priority the question of special measures for the most seriously affected countries at the twenty-ninth session of the General Assembly.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman for the Opinion: Mr de la Malène

At its meeting of 19 June 1974, the Committee on Budgets appointed Mr de la Malène draftsman.

It considered the draft opinion at its meeting of 2 July 1974 and adopted it unanimously.

The following were present:

Mr Durand, acting chairman
Mr de la Malène, rapporteur,
Mr Fabbrini, Mr Maigaard, Mr Pêtre,
Mr Pounder, Mr Radoux, Sir Brandon Rhys-Williams,
Mr Schmidt and Mr Terrenoire.

INTRODUCTION

1. This proposal forms part of the re-assessment of the Communities' policy for the developing countries currently being undertaken which includes the basic renegotiations of the Association Agreements, the new proposals for food aid and this particular proposal to provide a buffer for the developing countries against the effects of soaring inflation in specific commodities. Your draftsman had just received further information giving more details of the procedure for financing the Community's contribution to this action.

THE COMMISSION'S PROPOSALS

2. The Commission recognizes that the main problem lies with three sectors - oil, cereals and essential industrial products such as fertilizers and that the total effect of these price increases is to add about 15,000 million dollars to the import bills of the developing countries - of which two-thirds can be accounted for by the oil sector alone.

3. The Commission seeks to divide the developing countries into three categories: the first where the situation is serious but nevertheless provides sufficient time for the countries to adjust to the changing circumstances themselves; the second group of countries, which the Commission believes, have sufficient resources to enable them to make the adjustment process by use of loans or their own exchange reserves. It is the third group of countries, in South-East Asia, Central America and the Carribean, plus certain tropical African countries, where the effects are extremely serious and where according to certain studies the effect of the price movements has been to add approximately 3,000 million dollars to the import bill of these countries. In the view of the Commission these countries have no real means of protecting themselves from this crisis and face a major setback in their economic development.

4. So the Commission proposes a world fund financed by the "rich" countries of 3,000 million dollars which the Commission believes is approximately the figure needed to protect the third category of countries from serious economic dislocation and in certain cases, famine.

5. The Commission believes that this Fund should be created by all developed countries and that the Communities' contribution should amount to about 500 million dollars, this would be on top of specific Community policies for development aid. The Commission proposes that this initiative be launched perhaps by the United Nations but certainly by a world-wide body.

THE FINANCIAL CONSEQUENCES OF THE COMMISSION'S PROPOSALS

6. Your Committee believes that the Parliament will be able to welcome a proposal to take speedy action to help the countries worst hit by the sudden economic crisis caused by rocketing prices of certain raw materials and food stuffs and he understands that given the speed with which this plan has had to be propounded, the details for the plan are as yet extremely sketchy.

The Commission provides for a Community contribution of 500 million dollars equivalent to 415 million u.a. at the present rate of exchange. It is also provided that this action would cover a period of 12 months. The Commission therefore proposes that the Community's financial contribution should be made in two stages:

- 205 million u.a. for the 1974 financial year and
- 210 million u.a. for the 1975 financial year.

7. The Commission has requested that these funds be provided for 1974 by a supplementary budget.

8. During the debate on the plan there seem to be several elements for which precisions should be sought and several points for the Committee on Budgets to emphasize.

9. Judgement on the scale of the proposed plan will clearly have to be suspended until the Commission can make available the studies which it is currently undertaking to evaluate the net effect of international price movements; the figures would have to be carefully justified because the sums involved are so large. This will be important not merely in getting parliamentary and Council approval for the proposal but in also getting the cooperation of other developed nations.

10. It will be interesting to note what response the Commission has had to the initiatives that it must have undertaken with other developed nations. Important in this is the basis of calculation of the share of each nation and groups of nations. Why is it that the Commission has hit upon one-sixth as being the Community share? Can the Commission provide figures which it considers appropriate for the other major countries of the developed world?

11. It is certain that, in view of the size of the Community's contribution, a problem of revenue could arise since, as is well known, there is a ceiling on the Communities' financial autonomy and the available resources are already heavily committed to the main budgetary headings such as the Common Agricultural Policy, the Social Fund, the Food Aid Policy (the cost of which has just been revised upwards quite dramatically) and the proposed Regional Fund.

The Committee on Budgets feels therefore that the Commission should examine closely the problem of increasing the available resources or at least changing the present allocations in the light of these new proposals to help the developing countries most concerned.

For its part, the Commission has already replied in part to this question by specifying that at least part of the requirements could also be met by calling for financial contributions from Member States in 1974 and, if necessary, afterwards.

Your Committee feels that the solution is not to be found in simply increasing financial contributions from Member States especially after the Community budget is financed from own resources.

CONCLUSION

12. Your Committee feels that this proposal from the Commission should be welcomed as it shows great sensitivity to the needs of the developing countries at the present time of crisis but it feels that the Parliament must be consulted about the details of such a proposal which this rather sketchy plan does not provide.

13. The Committee on Budgets has noted that the Commission, in order to make the necessary funds available, had intended to establish a preliminary draft supplementary budget for 1974 so as to include, in an ad hoc chapter, half of the overall appropriations, namely 205 million u.a., set aside for the developing countries most concerned.

It has also noted that the Council, while expressing its agreement in principle to this aid, has not taken the appropriate budgetary steps and established a draft supplementary budget. The Committee on Budgets feels that this attitude does not permit the Community to fulfil its responsibilities in this field. It fears that the partial decision of the Council may jeopardize the implementation of the proposed aid by 1974. In these circumstances it requests the Commission to submit a proposal for transfer which would allow these measures to be financed before the end of 1974, either from unused funds from other chapters, or from funds which would become available in the light of the foreseeable increase in revenue from the common external tariff.

It notes the assurances which the Commission gave to this effect at the meeting at which it adopted this opinion (2 July 1974).