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**EUROPE'S RELATIONS WITH
THE THIRD WORLD
AT A TIME OF RECESSION**

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FOREWORD

On 29 September 1982 the Commission of the European Communities adopted a memorandum on Community development policy, which was subsequently presented to the Council and the European Parliament.

The aim of the memorandum was to set out the broad guidelines for relations between the Community and the Third World over the next ten years.

Relations with the developing countries are already an important part of the Community's activities, and aid comes second only to agricultural spending in the Community's outgoings. The Community and its Member States together are the world's major source of development aid, and the Community is the trading power that offers developing countries the most in the way of trade preferences. It does a larger proportion of its trade with the Third World than any other important trading power. The Community has, over the years, forged this wealth of trade and aid relations into a unique pattern, symbolized most notably by the Lomé Convention, but also in its dealings with the southern Mediterranean countries. It has worked within its own capacity to establish a more equitable, stable North-South order sheltered from the chill winds of East-West rivalry.

However, the enterprise is being jeopardized by recession, the stalemate in the North-South Dialogue which has soured relations between the two sides, and the hitherto disappointing results of development efforts, which have led to a feeling of hopelessness and apathy.

In spite of - or perhaps because of - these things, the Commission is calling now for a renewed European development drive.

We asked journalist Jean Tanguy to explain and comment on the Commission's proposals.

What's the point?

As soon as the question of aid to the Third World comes up, the reaction tends to be: "What's the point?" Before lavishing aid - often apparently squandered - on countries, many of which seem if anything to be moving down rather than up the development ladder, would it not be better to do more for our own crisis hit areas? With over ten million unemployed in the ten Community Member States, it hardly seems logical to help these countries to develop into our direct competitors. Surely if Europe followed the maxim that "charity begins at home", it would be in a better position to help the Third World than if it continued to decline?

These questions can perhaps best be answered in terms of enlightened self-interest rather than the brotherhood of man - the ledger rather than the gospel. As any shopkeeper knows, you can do better business in a prosperous high street than in a decaying back alley. Similarly, as developing countries are the Community's best customers (taking over a third of its exports), it is in the interests of all Community businessmen that the Third World's import capacity should if anything increase rather than diminish.

In calling on the governments of the Ten to beef up the Community's development policy, therefore, the European Commission said quite frankly that the Community's economic interests and the security of its raw material supplies deserved to be taken into consideration: "it is becoming increasingly plain that only economic revival in the developing countries ... can pull Europe out of its crisis", noted the Commission in its memorandum to the Council of the European Communities.

As we will see further on, the Commission's proposals would involve a substantial increase in the funds earmarked for Community aid to developing countries. But though they may attract the usual short-sighted objections on grounds of economic self-interest, they are actually less extravagant than they might seem. Despite appearances, public opinion in the Community has become distinctly less anti-aid than it used to be. There may be opposition to certain types of aid, but not to the basic principle. Television brought the full horror of the 1974 famine in the Sahara and Ethiopia into our sitting-rooms and showed people what poverty in these countries could be like. In one of the Member States a political party has explicitly included a promise of substantial aid increases in its election manifesto without scaring off the voters.

So when the Commission calls for an all-out campaign to promote agricultural development in the Third World in order to eradicate hunger, it has public opinion on its side.

Twenty years of development aid: the poor get poorer and the rich get richer

There would be no need for this change of tack now if past aid policy had been more widely successful. But in all honesty, while not overlooking some positive achievements, the Community had to ask itself objectively how much progress had really been made.

Worryingly, it emerged that the results had been particularly disappointing in black Africa, where the Community had prided itself on being most active in the development field. Mr Edgar Pisani, the Member of the European Commission responsible for development policy and the man behind the memorandum, pointed out that none of these countries had managed to "take off" economically, in contrast to several more successful developing nations which had received little or not Community aid.

In the countries of black Africa as a whole per capita incomes have fallen by an annual 0.4% over the last ten years; in stark contrast, people in the industrialized countries have increased their incomes by an average \$ 5080 in the last twenty years.

This is not to say that Community aid is more ineffectual than that from other sources. We took on the hardest cases - the least-developed countries of Africa - and have had to cope with hopelessly adverse circumstances, such as the persistent drought in the Sahel region and elsewhere. In the Cape Verde islands there are ten-year-old children who have never felt a drop of rain.

So there is nothing for the Community to be ashamed of. The real complaint, perhaps, is that with such outstanding instruments of cooperation as the Lomé Convention at its disposal, it has done no better than anyone else.

The rice bowl versus the oil drum

The Community is acutely aware of its responsibilities in a world where 750 million people are living - or rather surviving - in the most abject poverty.

It has responded to this grim situation by providing emergency food aid wherever and whenever it is needed, and in so doing has undoubtedly saved tens of thousands of lives. But food aid is a mixed blessing if the recipients come to rely on it too much; eating habits are changed, the "free" food takes the place of local farmers' crops, and the country eventually comes to depend on produce from the affluent countries. The figures are eloquent: in the early sixties the developing countries imported 25 million tonnes of cereals a year; by 1978-79, they were importing over 80 million tonnes, while by the year 2000, imports could have climbed to 220 million tonnes. Many countries are going to be faced with a choice between food and fuel, the rice bowl or the oil drum; some already are.

The poorest countries are already unable to meet both their oil and food import bills, and have had to borrow. Today the scale of their indebtedness is a major international problem; developing country debt increased sixfold during the seventies, and the cost of debt servicing increased tenfold. And it is the poorest countries, naturally, which have been hardest hit by the deterioration in the terms of trade.

The outsiders

Diagnosing the problem is one thing, explaining it another. What went wrong? There is no doubt that the big 1973-74 and 1979 oil shocks had a particularly devastating effect on developing countries, but we also need to consider whether the way in which development aid has hitherto been provided has not also been a major, albeit unquantifiable, source of the trouble. "One might be forgiven for thinking", comments the Pisani memorandum, "that the point of aid is not to put an end to intolerable hardships, but to fund the safest, most profitable investment."

As the memorandum points out, countries which have a sound economic and administrative infrastructure (and, one might add, sound domestic policies) to start with have been better at absorbing development aid, the reason being that such aid is too often concentrated on major "western-style" works projects which depend for their success on administrative, technical and other skills still in very short supply in the least-developed countries. The effect of aid on countries lacking the necessary trained workforce and some minimum capacity for independent administration may be simply to keep them in wretchedness. "Below a certain threshold of effectiveness and relevance," concludes the memorandum, "aid becomes an evil, for it nourishes illusions and encourages passivity. There are countries that are being driven outside the community of nations in this way, with no real hope of ever joining in, yet no doubt they too have potential which, if rightly exploited, could transform their prospects."

The inconsistency of development policies

One reason for the frequent bias in favour of the big projects is that they generate juicy contracts for large firms in the industrialized countries, thus ensuring that some of the money spent on aid finds its way back home. This lowers the cost of aid to the donor country's economy and renders it more "acceptable". The more dispersed "soft" grassroots projects such as well-digging, small-scale irrigation schemes, or the building of dirt tracks, on the other hand, have such a low profile, in terms of economic value to the richer countries, that they tend to go virtually unseen.

But the blame cannot all be attributed to the rich countries; donors would rightly retort that the authorities in the developing countries are often the first to pass over grassroots schemes and opt instead for the big dams and sophisticated industrial complexes, which have to be run by expatriate staff but are seen by too many young countries as symbols of progress and modernity.

Other criticisms which can be levelled against the authorities in quite a few developing countries are inefficient management of aid, an overriding preoccupation with the machinery of the state, uncritical acceptance of the ideal of an élite trained in the ways of the industrialized countries, and a bias in favour of the towns at the direct expense of the countryside. Third World governments, comments the memorandum, "have frequently sought special relationships with powerful partners and tried to model themselves on those partners rather than looking to themselves, their land, culture, neighbours and human resources for the means to fashion their future".

There are a few developing countries where industrialization has striking successes to its credit. But for most of the newly-independent states it has proved a snare and a delusion - almost invariably so in cases where it has been "imported" wholesale. In eighteenth century Europe it was the development of agriculture and the increasing sophistication of trades and crafts which paved the way for the industrial revolution. Too many developing countries have attempted to skip the early stages and industrialize from scratch, heedless of the lessons of economic history. Bitter disillusion has all too often been the result, and plant proudly commissioned only a few years ago is now standing half-idle, with broken windows and rusting machines.

But the Community must bear a share of the responsibility for these fiascos. It has failed to warn the authorities of Third World countries energetically enough against misguided courses of action; it has restricted access to its markets for exports from the very factories it helped build.

The Community's great fault has been inconsistency; it has never seriously thought through the implications of its internal policies - the CAP, industrial policy, energy, the European monetary system and so on - for its development policy, and vice versa. Not enough thought has been given to the objectives and the actual quality of aid, points out Pisani. Because the "heavyweight" projects are easier to identify, monitor and quantify in the medium term, the Community has neglected the enormous long-term problems which need to be solved if development policy is to be a success. It will take at least fifty years to halt the spread of the Sahara desert, for instance, which is crucial to the very survival of the Sahel countries. Yet the Lomé Convention on which those countries depend runs for a mere five years. The same applies to energy policy, the protection of the environment and other fields as well.

Food, foresight, cooperation

Having acknowledged these past failings, the Commission now seeks, in the memorandum, to define a better approach. Hunger is widespread in the Third World: so priority must be given to helping the developing countries feed themselves. The Community's aid instruments need to be put on a more permanent footing. Besides, it is often difficult for individuals

and administrations in the developing countries to make the best use of aid if no "instructions for use" have been supplied: so the Commission proposes to concentrate on the development of "human resources" to increase these countries' self-reliance.

What does such a change of course imply?

Priority for food production

Priority for food production is the continual refrain; it comes up on practically every page of the memorandum. It has long been known that food production is failing to keep pace with population growth in the developing countries. In 1980, sub-Saharan Africa had a population of 190 million; by the turn of the century there will be 330 million mouths to feed, in countries where per capita food production has been declining by an average of 1% a year. Yet according to Pisani, there has been no real attempt to tackle the problem at all. "The lack of attention to the development of food production in the world in the last twenty years is an historic scandal! ... For whatever reasons of self-interest or prestige, we're neglecting people's ability to feed themselves, and storing up problems for which no solution is in sight".

In putting its proposals to the governments of the Ten, the Commission has behind it the weight of public opinion, for this is a "problem" - a notable understatement - whose time has come. Carping at food aid is not enough: are we supposed to let millions of people die rather than expose them to the risk of acquiring "western dietary preferences"? In the last few years, people have been coming round instead to the view that food aid, properly planned, should be incorporated over a period of years in a sound policy aimed at eventual self-sufficiency.

This view is the result of a long, hard look at the problem. In many developing countries, the catastrophic decline in food production is attributable to one of the mistakes alluded to earlier: the imprudent featherbedding of town dwellers, who include not only the rising bourgeoisie but also a politically volatile sub-proletariat. Cheap food has to be provided for the inhabitants of the shanty towns, therefore, and this had led to a short-sighted policy of low producer prices designed to keep down consumer costs. Derisory farmgate prices set by officials or politicians in the towns have gradually removed all incentives for the tens of millions of peasant farmers, who often now elect to grow only what they need for themselves, sometimes with a little surplus which they can sell for cash to buy a few tools or household utensils. We are witnessing a return to the subsistence economy.

Strategies against hunger

This state of affairs has to be tackled literally at the roots, by a rise in producer prices. But obviously, any sudden rise in retail prices would be unacceptable in the towns. This is where the idea of the multiannual food aid programme comes in, as a way of cushioning the shock of rising

consumer prices. Food provided free of charge by the Community would be sold in the marketplace; the proceeds ("counterpart funds") would then be used to subsidize local farming. These subsidies would be phased out over a period of years, and would be discontinued once consumers had got used to paying a realistic price for their food to ensure a fair return to the producers.

This will be backed up by various other measures including the establishment of village or local storage facilities, the reorganization of distribution channels, supplies of seed and the creation of a network of agricultural advisers.

The word "strategy" is appropriate; an all-out attack is to be mounted on the problem of inadequate food production. But the Commission does not necessarily see the type of scheme described above as a universal remedy: the problem may take different forms in different places. In some countries the collapse of agriculture may be due to the disruption of communications rather than low producer prices; elsewhere it may be attributable to mistaken technocratic or ideological approaches to rural organization. There is no single "food strategy"; the term must be taken as generic.

A joint approach

However, whatever the particular features of each case, the way in which the strategies are worked out and implemented will be the same. The crucial point is that they will be the fruit of a joint effort by the Community and the individual country concerned, whose representatives must get together to thrash out the causes of inadequate production and agree on the best way to tackle them. Then, provided the recipient country's government undertakes to carry out the common strategy in accordance with an agreed procedure and timetable, the Community will promise in return to provide the agreed resources.

It should be pointed out that the idea of food strategies did not originate with the Pisani memorandum. Preparatory work has been going on for a number of years, and three countries (Mali, Kenya and Zambia) have already decided to implement strategies, while preliminary talks are going on with a number of other African countries.

The Commission is not expecting an overnight miracle. "But if we can get millions of peasant farmers in the Third World to increase their output just a little each year, we will have achieved more overall than any huge, multi-million dollar project could do".

A choice of strategies ...

Food strategies have been dwelt on at some length because they will be the prototype of the new kind of development operation the Commission hopes to carry out under the policy defined in the memorandum. Food strategies could serve as a model of industrial strategies, energy strategies and so on.

The crucial point is not the field to which the method is applied, but the guiding principles: concerted action, contractual commitment and forward planning.

... freely entered into

As far as concerted action is concerned, this is something of which the Community already has wide experience under the Lomé Convention. Aid allocated to the ACP countries is not "granted" at the discretion of remote bureaucrats in their air-conditioned Brussels offices, to suit their own preconceived ideas. When the successive Conventions (Lomé I and Lomé II) came into force, "programming" teams were sent out to each ACP country to find out its economic priorities and establish Indicative Programmes outlining how Community aid was to be allocated over the five-year lifetime of the Convention. The yearly meetings of the ACP-EEC Council of Ministers and the presence of Commission Delegations in ACP countries also serve important coordinating functions. Critics of Community aid also tend to overlook the fact that the projects supported by the European Development Fund have been drawn up by the governments of the recipient countries themselves.

However, the Community is of course entitled to reject projects which it considers ill-conceived, uneconomic or too extravagant; the ACP countries propose, the Community disposes. There is a happy medium between rejection of the ACP countries' ideas out of hand and uncritical acceptance, in the name of "national sovereignty", of whatever they care to propose.

This is the path which the new aid policy aims to follow. The food strategies are an example of this approach: donor and recipient will sit down together to discuss thoroughly, in advance, not simply how best to integrate Community aid with settled, non-negotiable national priorities, but actually what those priorities should be.

One point must be made absolutely clear: the Community has no intention of trying to impose its own views on the ACP or anyone else, but it feels it should have the right, in the words of the Pisani memorandum, to participate with governments "in a dialogue concerning the effectiveness of the policies which they ask the Community to support, and the relevance of such policies." In other words, the recipient country's development policy or plans will have to be compatible with the new guidelines set out in the memorandum. The Community will not support

against its will a policy lacking "effectiveness" or "relevance". The term "concerted action" is meaningless unless both sides are able to say so.

Economic development contracts

However, the idea is that the dialogue between the Community and the developing country should culminate in the conclusion of a contract. Once the recipient country and the Community have reached agreement on aims, methods and a timetable and the Community has indicated how much it is able to contribute to the enterprise, then a contract can be concluded, provided the recipient country is willing to undertake a definitive commitment to work steadily in the direction jointly mapped out. In return the Commission will provide instruments which "have the necessary flexibility and can react with the necessary speed to cope with the reality of a policy in the making". What this means is that for the purposes of performance of the contract, practical factors - the rate of progress, any delays or setbacks, external problems outside the parties' control - will be taken into account.

Here the memorandum again stresses the need to develop the recipient country's capacity to rely on itself. (Perhaps one should speak of the "contracting party" rather than the recipient country.) This implies a determined drive in the field of training and, last but not least, an effort to build up the civil service in developing countries so that it can cope with aid administration. Experience has shown that aid is most often wasted or mis-spent because of the shortcomings of local bureaucracies - in many cases not the fault of the developing countries themselves, but the legacy of colonialism.

The Community as such will rarely be the only developed partner in development contracts, so where other donors are involved - EEC Member States, for instance - it would offer to coordinate operations.

Forward planning

The third of the basic principles underlying the new development strategies is the importance of being able to plan ahead (the word used in the Commission's memorandum is "predictability"). This is vital when what is contemplated is not simply a handful of big projects but the sort of long-term operation already mentioned - the control of desertification, food or energy strategies and so on. It is equally important when it comes to putting into practice some of the other ideas in the memorandum such as coordination between the Community's internal economic policies and its development policy, particularly on the industrial side.

If the Community is to undertake medium or long-term commitments to developing countries, it will also have to know in advance more or less

what resources are going to be available for some time ahead. The Commission is thinking in terms of a ten-year horizon.

The Member States of the Community would undertake to pay 0.1% of their gross national product into a development kitty; at the moment, only 0.05% of the Ten's GNP (about 10% of their total aid to the Third World) goes into the Community's development effort.

One-thousandth of GNP

A thousandth part of GNP sounds ridiculously little, but it would represent a doubling of the share of Member States' total aid channelled through the Community; also, the Ten are providing 50% of all official development assistance from the industrialized world as it is.

This is something they are not going to be slow in pointing out over the next few months. In the present economic climate, not all Member States are feeling particularly generous, and they tend to be keener on bilateral aid in any case because it comes clearly marked with the donor's name and is thus better "PR" than Community aid.

The Commission is well aware that its proposals are ambitious, but says firmly that they are not unrealistic.

However, even if the Commission does achieve its "ambitions" it may well find that its increased resources are not enough, and with this possibility in mind it is suggesting a number of measures on the financial front. Among other things, the Community itself, and participating Member States, should increase their influence in various international financing institutions - the International Monetary Fund, the World Bank and so on. This will mean projecting an identifiably European attitude on these bodies, as distinct from the blinkered monetarism of some of the other participants. The memorandum also suggests that the Community should make more extensive use of the European Investment Bank, use its borrowing capacity on behalf of developing countries, and help those countries gain access to international capital markets 'since the poor are only able to borrow when they have a rich backer!').

International monetary instability is another serious problem for many Third World countries. Accordingly, the Commission suggests that they might use the ECU (ECU stands for European Currency Unit, the unit of account of the European Monetary System) as an exchange rate reference, which would cut down the amount of fluctuations between currencies individually linked to it.

In order to discharge its new responsibilities, the Commission will need "a budgetary framework reflecting the unity and cohesion of the Community's development policy". This is something it currently lacks; the European Development Fund is made up of special contributions from the Member States and is not part of the Community budget (though the Commission is accountable for it).

A special effort for Africa

Around half of all development aid provided by Western countries comes from the ten Community Member States; it represents an average 0.52% of the EEC's combined gross domestic product (compared with a figure of 0.25% for the United States). The Netherlands and Denmark have actually exceeded the UN's aid target of 0.7% of GDP, and the Community as a whole is slowly moving in that direction.

Nevertheless, the Ten are in no position to provide aid to the whole of the Third World. The Community will be continuing to concentrate on specific areas and the obvious candidate for its attention, on geographical and historical grounds, is Africa. The Community is all too well aware that the poorest countries in the world are in Africa, and that no other continent could benefit so much from food strategies. Also, the next ACP-EEC convention will cover all of ex-colonial Africa south of the Sahara, which should make aid operations that much easier.

A new-look Lomé III

Sixty-three Third World countries known as the ACP (African, Caribbean and Pacific) States are currently members of the Lomé Convention, ranging from Tuvalu, with its 6000 inhabitants, to Nigeria, whose population probably exceeds 100 million. There is no doubt that the first Lomé Convention inaugurated a form of cooperation more consistent with the real needs and the dignity of newly-independent countries. It also opened up the European market to exports from the ACP countries, and pioneered new schemes such as Stabex¹, still unparalleled elsewhere after eight years of Lomé. When Claude Cheysson had the development portfolio at the Commission, his retort to criticisms of Lomé was along the lines of "Show me a better deal"!

Nevertheless, the passage of time has shown up the weaknesses in Lomé I and its successor, some of which we have already seen, and while the problems still remain to be tackled, the eight-year old Convention is showing its age. A change of format is called for.

In the first place, the next convention must reflect the new overall thrust of Community aid policy; after all, many of the ideas in that policy were tried out in Lomé. It would be ludicrous if the present format were to be regarded as sacrosanct, thus effectively excluding the ACP States from the operation of the new policy. On the contrary, Lomé is a "natural framework for cooperation" and should be used to pioneer the new methods of concerted action, forward planning and contractual commitment. It will, however, need to be made a lot more flexible than it is at the moment. Lomé I and Lomé II were both detailed blueprints designed to anticipate and regulate every contingency; as is the way with the best-laid schemes, they have come up against problems which were not foreseen. The Commission is therefore proposing that the

¹ See box on p. 17.

next convention, the negotiations for which will start this year, should be a basic "framework agreement" rather than an exhaustive set of prescriptions, mapping out the principles and broad direction of Community-ACP cooperation while leaving the details of practical implementation to be settled in a series of specific protocols. The basic convention would be of unlimited duration, but could be allowed to evolve gradually in response to changing circumstances; the protocols, on the other hand, would be concluded for a limited period, in the light of their function, field of operations and geographical cover.

Being essentially a permanent arrangement, the new ACP-EEC convention would at last make it possible to tackle a number of well-known problems which fall outside the scope of a cooperation which is project - rather than policy - oriented. In this connection, the Pisani memorandum cites the control of desertification, already mentioned, conservation of tropical forests, soil, resource and energy management, the development of independent R&D capacity and the control of the major endemic diseases: "these are not tasks on which the Community and the ACP can embark without allowing themselves a more ample timescale than that of the five-year conventions and without giving themselves scope for action beyond the limits of national frontiers." They are also tasks which reflect the priorities of the new policy: self-sufficiency in food, development of human resources, the encouragement of self-reliance and regional cooperation among developing countries. The last of these aims could be furthered by the creation of regionally-specific instruments. While the new-look convention would be designed to take account of differences within the ACP group (Jamaica's problems are not the same as those of Upper Volta), it should also make it possible to deal with some of their common problems. Major environmental programmes or campaigns against endemic disease can only be undertaken if all the countries in a region work together. Regional operation would also give developing countries a chance to look to themselves or their neighbours for viable development models, and is therefore something which the Community should encourage in general, not just among the ACP countries, by dealing with groups of states rather than individual countries, as it has in fact tended to do in recent years.

One last point: the preference for "grassroots" schemes spread over a wide area does not mean that the Community would refuse to support major projects of whose value it was convinced, but such projects would no longer be regarded as a universal nostrum.

The "Mediterranean Community"?

The second major geographical target of the new Community policy would be what the memorandum calls the southern and eastern Mediterranean countries: in other words, the Arab countries - plus Israel. The Commission therefore confidently anticipates progress towards peace in the Middle East, signs of which are as yet barely perceptible. It also discounts the deep divisions within the Arab world itself - though it is aware of them.

The Commission's feeling is that the time is now right for Europe to offer these "southern and eastern Mediterranean countries" a collective

contract more or less along the lines of the ACP-EEC pact - a sort of "Mediterranean Lomé". With Spain and Portugal as members, the Community will extend along virtually the whole of the northern shore of the "cradle of western civilization", and cooperation with its southern and eastern neighbours will be essential. As Pisani has pointed out, "Marseille has more in common with Algiers than it has with Lille."

North-South cooperation in the Mediterranean region would be a logical extension of the existing arrangements. The Community already has a "Mediterranean policy", and has concluded cooperation agreements with Algeria, Tunisia, Morocco, Egypt, Jordan, Syria, Lebanon, Malta, Cyprus and Israel. Though purely bilateral, all these agreements aim to establish commercial, technical and financial cooperation, so they do in fact form part of a general policy. The Commission's innovation is to suggest a system of region-to-region cooperation. The southern Mediterranean countries would be invited to form themselves into one or more groups, as the ACP States have done, and enter collectively into a cooperation convention with the enlarged twelve-member Community.

There is no prospect of such a convention at the moment; the Commission has no illusions on that score. But it nevertheless wants the Community, "as an act of faith in the future", to espouse the idea and hold out the prospect of a collective contract when circumstances permit. "The Community", it states in the memorandum, "must be tireless in seeking ways of allowing all the Mediterranean countries to overcome their contradictions and cultivate their complementary aspects". What is proposed, then, is a political and indeed historic gesture, as the Community bears major responsibility for keeping a balance in the region and has an interest in seeing it become a "zone of peace".

Asia and Latin America

The ACP States and Mediterranean countries make up around half of the developing world. That leaves the other half - Asia and Latin America - and here too the Community has responsibilities.

Naturally, the Community presence in these parts of the globe is not on the same scale as its activities in Africa and the other ACP countries.

But it is too often overlooked that already almost 22% of Community aid is allocated outside the "preferential" areas, to "non-associated" countries in Asia and also Latin America. In these regions, the Community concentrates on the poorest countries and its main aim is to increase their "food security", either by providing food aid proper or by financing rural development projects.

Trade or cooperation agreements have also been concluded in recent years. The Community now has trade agreements with Argentina, Uruguay, Mexico and Brazil; the agreements with Mexico and Brazil are in fact to all intents and purposes cooperation agreements. The Ten also work together with various Latin American regional economic integration bodies, notably the Andean Pact.

In Asia the Community is working with ASEAN (the Association of South-East Asian Nations) on a joint study group, and has commercial cooperation agreements with India, Sri Lanka, Pakistan, Bangladesh and Thailand. Also, like all the other non-associated countries¹, Asian developing countries are eligible for "generalized preferences", the system of concessionary tariff arrangements applied by the Community, the United States, Canada, Japan and other western countries to their imports of finished or semi-finished products and some agricultural produce from the developing world.

So there are already cooperation ties between the Community and Asian and Latin American countries. But although they exist and are not negligible, they are still very much on an ad hoc basis. What the Commission would like is to organize "stable cooperation links" with countries in these parts of the world, and also encourage cooperation among them on a regional basis. For the poorest countries, aid will be needed on a par with the effort in Africa; for more advanced countries such as India, Brazil, Mexico or the Asean countries, the aim would be to step up industrial and technical cooperation by "enriching" the contractual content of the agreements and bringing greater predictability to trade arrangements; here again, we find the leitmotif of the memorandum.

Implicitly, therefore, the Commission is acknowledging the limits to what it can do by way of aid; there is no question of its "taking on" China or India. But an awareness of these limitations does not rule out the prospect of enhanced relations with that part of the world.

Europe and the developing countries: interests in common

Everything discussed so far comes under the heading of aid in the more literal sense. But, as has already been pointed out, there is no need to feel guilty about the fact that in helping the developing countries the industrialized countries may sometimes have their own interests in mind as well. The memorandum gives four examples of fields where the two sides have mutual interests.

Fisheries is the first. The situation is that while the Community's own waters have been over-fished, the hitherto underexploited seas off various Third World countries still hold promise of rich catches. Lacking modern fishing fleets, the developing countries are for the moment not in a position themselves to make use of these resources, which could do so much to reduce their dependence on imported food. Meanwhile, veritable

¹ Originally the term "associated countries" was used to refer to the colonies of the EEC founder members. On gaining independence, most of the African ones joined the Yaoundé "association convention", forerunner of the Lomé Convention. Then the term was extended to cover countries which had concluded special cooperation agreements with the Community, as certain Mediterranean countries did. The phrase "associated countries", therefore, like its opposite, "non-associated countries", has post-colonial overtones and is accordingly rejected by the ACP States and others. However, it is still used as a matter of convenience. The Pisani memorandum regards the term as obsolete and calls for an end to the distinction.

armadas of boats from Eastern bloc countries, Japan and some western countries are moving in to clean out this marine wealth. The authorities of the developing countries concerned are powerless to halt these depredations, lacking the means of surveillance.

The Community has therefore attempted to set an example by concluding agreements with several West African countries formally allowing fishing in African waters by Community vessels, which have in fact long been operating there. In return, Community fishermen will have to land part of their catch in the country concerned, and also pay an annual fee. The Community will also undertake the training of African seamen and captains, and if necessary provide fishery patrol vessels to chase off "pirates". The fisheries agreements could provide the basis for a new, mutually-beneficial policy still to be worked out.

Joint mining operations

There is also considerable scope for the exploitation of developing countries' mineral resources. As things stand (a) Europe can produce less than a quarter of the minerals needed by its industry, (b) at least a third of the world's raw material reserves are in Third World countries, (c) the Community could shortly find itself entirely dependent on supplies from the USA, Canada, Australia and South Africa, which account for 90% of the industrialized countries' output and (d) the developing countries' reserves are still to a large extent unexploited because of the enormous cost of prospecting and mining operations.

It would therefore be in the Community's own interests to invest in the Third World, particularly Africa. In practice, however, the big European firms prefer to put their money into the industrialized countries, which they regard as a safer bet.

The Commission has already tried to do something about this state of affairs; Lomé II set up a new instrument, Sysmin, designed to help ACP ore producers restore their mining capacity if it has been run down by adverse circumstances. However, Sysmin is not a mining policy as such. The need, as we have seen, is to promote Community investment in the Third World, and the Commission has some ambitious plans, including a suggestion by Pisani that the developing countries' mineral resources could be managed jointly.

A third field of mutual interest is energy. The situation is the same: the developing countries (which consume only 20% of world energy production) have enormous unexplored potential in hydropower, solar energy, coal and oil. Europe, on the other hand, with the exception of the United Kingdom, has no oil, is working out its last coalfields, and has developed all its hydroelectric potential. Cooperation on energy is the only answer, if only it can be put into practice.

The fourth field of cooperation cited in the memorandum is the industrialization of the developing countries. Criticizing past inconsistencies,

the Commission affirms that "what Europe needs is an industrial policy which takes account of the progress in the Third World". In other words, the right hand should now pay attention to what the left hand is doing; we must stop encouraging developing countries to build factories when it is clear that we are going to restrict our imports of the goods they produce in order to protect our own industries. At the same time, we should be trying to steer European industry away from sectors in which the Third World can operate better. This idea of an international division of labour is not only applicable to industry, incidentally; should northern Europe really go on squandering fuel on producing watery greenhouse tomatoes when delicious ones can be grown out of doors in the Third World?

Trade: the door must stay open

The Community is more accessible to developing-country exports than any other market, and it must remain so in its own interest if it wants to continue being the Third World's major supplier as well. The memorandum emphasizes the importance of establishing predictable trade arrangements, particularly for countries exporting products which compete with European goods.

As regards commodities, the Community should continue to press within international forums for measures to try and increase market stability. The sugar protocol to the Lomé Convention is one example of the type of "predictability" needed for competing products. Then there is Stabex, a prototype for the stabilization of developing countries' export earnings. It is currently going through a difficult patch (an attempt will be made during the Lomé renewal negotiations to sort out the problems), but the Commission nevertheless believes a global scheme on the same lines should be considered at the next UNCTAD meeting. The Community and the Member States should be trying to win wider international acceptance for their own views on trade and economic relations based on equality and mutual interest, and should also promote the formation of closer economic ties between the developing countries themselves (sometimes referred to as "South-South" cooperation).

The Commission concludes the memorandum by acknowledging past shortcomings and calling for greater consistency between Community operations and the individual Member States' activities, particularly in the field, where the Community is often involved with members in the same projects. Often it is a case of too many cooks spoiling the broth; a failure to consult leads to the different participants in a venture treading on each other's toes rather than pulling in harness. This state of affairs cannot be allowed to continue, and the Commission intends to formulate proposals designed to ensure the European participation in development work is organized as a combined operation.

A consistent approach is also important in the international forums where the North-South Dialogue is carried on; the Community has managed to

project an identity, but has failed to acquire the influence it might have if the Member States' work were better coordinated.

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Those, in outline, are the main points of the Pisani memorandum. It has been forwarded to the ten Member States' governments by the Commission "true to the effort made by the Community since its inception to promote development, strongly committed to the preferential links to be established between Europe and the Third World, aware of the value of the institutions and instruments worked out through concerted action in the course of time, attentive to the difficulties which the world economic crisis has imposed on the developing countries in particular, conscious of Europe's responsibilities in a world whose balance is threatened".

STABEX

The word Stabex is a contraction of "stabilization of export earnings". The aim of the system is to provide at least partial compensation to ACP countries suddenly faced with serious loss of earnings from their exports to the Community due to reasons beyond their control - natural disasters or a slump in world prices, for instance. Some fifty products are covered, including the ACP countries' main crops. The system provides automatic compensation once a country can show a decline in exports of a particular product equivalent to 6.5% of the previous year's sales to all destinations (the dependence threshold) plus a 6.5% fall in export earnings by comparison with the average for the past four years (trigger threshold). Easier terms are set for least developed, landlocked or island states, with the thresholds set at only 2%.

Stabex transfers to the 35 poorest ("least-developed") countries are in the form of grants; others receive interest-free loans, only repayable two years after exports of the product concerned have recovered.

Until 1980 Stabex managed to meet all justifiable claims in full, but in the last two years the sudden rise in the level of claims has meant limiting compensation to about half of the declared loss of earnings.