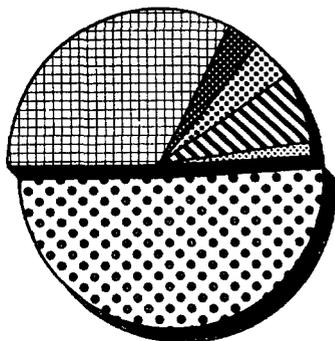


EUROPEAN FILE

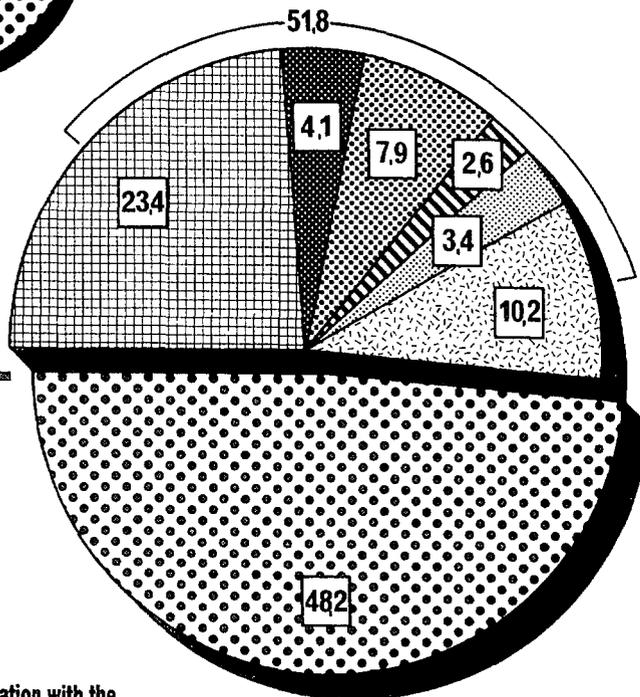
EUROPE AND THE THIRD WORLD

Community development policy: an unknown quantity?

Community expenditure on cooperation (%)



1980



1988

BUDGET APPROPRIATIONS



Food aid



Financial cooperation with the Mediterranean countries



Financial cooperation with Asian and Latin American countries



Measures in exceptional circumstances (emergency aid, etc.)



Cofinancing with non-governmental organizations



Miscellaneous

EUROPEAN DEVELOPMENT FUND



(African, Caribbean and Pacific countries)



Opinion surveys in the Member States of the European Community have come up with two apparently contradictory conclusions: most Europeans believe that cooperation on the development of Third World countries is one of the fields in which the Community should be given greater responsibilities, but they know little about what the Community is doing for the Third World, or if they do, they have a low opinion of it. They favour a more European approach to relations with the South, but they think so poorly of what the Community is actually doing in this field that they put more confidence in other forms of aid (bilateral, multilateral, non-governmental organizations, etc.).¹

It is commonly forgotten that:

- the Community has been actively involved in giving development aid ever since its inception. Under the provisions of the Treaty of Rome the first European Development Fund was established in 1958. The first cooperation agreement was signed in Yaoundé in 1963 with 18 African countries following their independence.
- Since then cooperation agreements have been negotiated by the Community with most of the developing countries in all the regions of the Third World: besides the Lomé Convention, which involves 69 African, Caribbean and Pacific countries, there are the agreements with the countries of the southern Mediterranean, with the Gulf countries, with the countries of the Andean Pact and of Central America, with the Asean countries and with many other countries of Latin America and Asia.
- Besides these agreements, the Community has equipped itself with various aid instruments which enable it, among other things:
 - To encourage the trade of the countries of the South, through the Community system of generalized preferences and through trade promotion activities.
 - To promote rural development and regional integration.
 - To combat food shortages, through a food-aid policy.
 - To assist in emergencies (famine, disasters, etc.).
 - To promote small development projects, through non-governmental organizations, etc.

Similarly, though Europeans usually know that the Community devotes large sums of money to agriculture, they are not aware that the amounts allocated for

¹ This file replaces our No 15/87. Manuscript completed in April 1990.

development aid are far from negligible, representing the fourth heading for Community expenditure: 5.3% of the total, compared to a maximum of 3.3% in the national budgets of Member States.

Besides the lack of information on Community development policy, the surveys show a very hazy understanding of the motivation for that policy and for the various cooperation policies. The moral and humanitarian imperative is widely mentioned, but North-South interdependence is still not properly understood.

- The importance of economic and financial links between the Twelve and the developing countries is rarely taken into account. People realize that the Third World needs Europe, but they rarely imagine that the opposite is equally true: that Europe's economy needs the raw materials and markets of the South.
- Likewise the need to narrow the gap between the rich and poor countries, in order to preserve peace in the world, is still not appreciated by most people as the principal justification for North-South cooperation.

For this ultimately is the foundation of the policy to which the Community is committed. Its aim is not only to enhance Europe's economic potential and ensure its prosperity, but also to contribute to stability and peace in the world. It is hardly necessary to add that the new responsibilities devolving on the Community as a result of the changes in Central and Eastern Europe do not take the place of its responsibilities *vis-à-vis* the South: both sets of duties are to be fulfilled together.

Community development cooperation in figures

- How much does the Community spend on development aid?*
 - In 1988 the money (payments) channelled by the Community into development aid amounted to ECU 2 240 million,¹ of which 1 040 million came from the Community budget and 1 200 million from the European Development Fund, which is outside the budget and financed by contributions from the Member States.
 - This figure, though representing a significant share of Community expenditure, is still a relatively small proportion (5.67% in 1988) of public aid worldwide. But it is 13.7% of global aid from the Twelve (bilateral and multilateral aid).

¹ ECU 1 (European currency unit) = about UKL 0.72 or IRL 0.76 or USD 1.22 (at exchange rates current on 30 June 1990).

□ *Community and Member States: what is the Twelve's global effort?*

- If all aid from the Community and the Member States is taken into account, the Twelve are the principal source of public development aid. It provided 47% of total aid in 1988, outstripping the United States of America (20%) and Japan (17.8%). The proportion of national wealth (GNP) devoted to development cooperation is also higher in Europe: an average of 0.5% in 1988, compared with 0.21% in the USA and 0.32% in Japan.
- These figures are enough to show the decisive policy role which Europe can play in regard to aid for Third World development, provided Community policy and bilateral policies work together.

□ *Who are the recipients of Community aid?*

- Sub-Saharan Africa is, and has always been, the principal beneficiary of Community aid (57% in 1988). African countries constitute the majority of the ACP States which have signed the Lomé Conventions and receive most aid from the European Development Fund; they also get significant support in other ways, particularly through food aid.
- It should be noted that:
 - Black Africa, because of its underdeveloped state, is the first priority for most donors — though not always in such a marked fashion.
 - There are countries in other regions which figure among the 17 main beneficiaries of Community aid — countries such as India, Thailand, Egypt, Bolivia and Bangladesh.

□ *What is Community aid used for?*

- Community aid consists essentially (97%) of grants rather than loans. The approach is decidedly more liberal than that of industrialized countries in general.
- Most of the grants are allocated to development projects or programmes. Food aid, however, is still a significant element, though decreasing as a share of the total (23% in 1988).
- There is aid for projects in all aspects of economic and social development, but agricultural and rural development predominates, accounting for more than 50% of sectoral allocations.

African, Caribbean and Pacific countries: the Lomé policy

Though the Community's development cooperation policy extends to all of the Third World, the Lomé policy is still its best-known aspect, no doubt because it is the oldest and most complete.

- The first Lomé Convention was signed in the Togolese capital in 1975, between the European Community after its first enlargement and 46 African, Caribbean and Pacific (ACP) countries. This agreement followed from the two Yaoundé Conventions which since 1963 had governed cooperation links between the original Community of Six and 18 States (African countries and Madagascar). The first EEC-ACP Convention did, however, represent a major change in Community cooperation policy, by virtue of the number of partners involved as well as of the major innovations it contained.

- This Convention was renewed for the fourth time in December 1989. It now involves 69 ACP countries, among them all of sub-Saharan Africa, including Namibia. While the preceding conventions were concluded for periods of five years, Lomé IV will run for 10 years: confirmation, if such were needed, of the permanence of the EEC-ACP relationship.

Each convention brought improvements and additions to the preceding one, but the essential characteristics of the original — often referred to as a unique example of North-South cooperation — have been preserved:

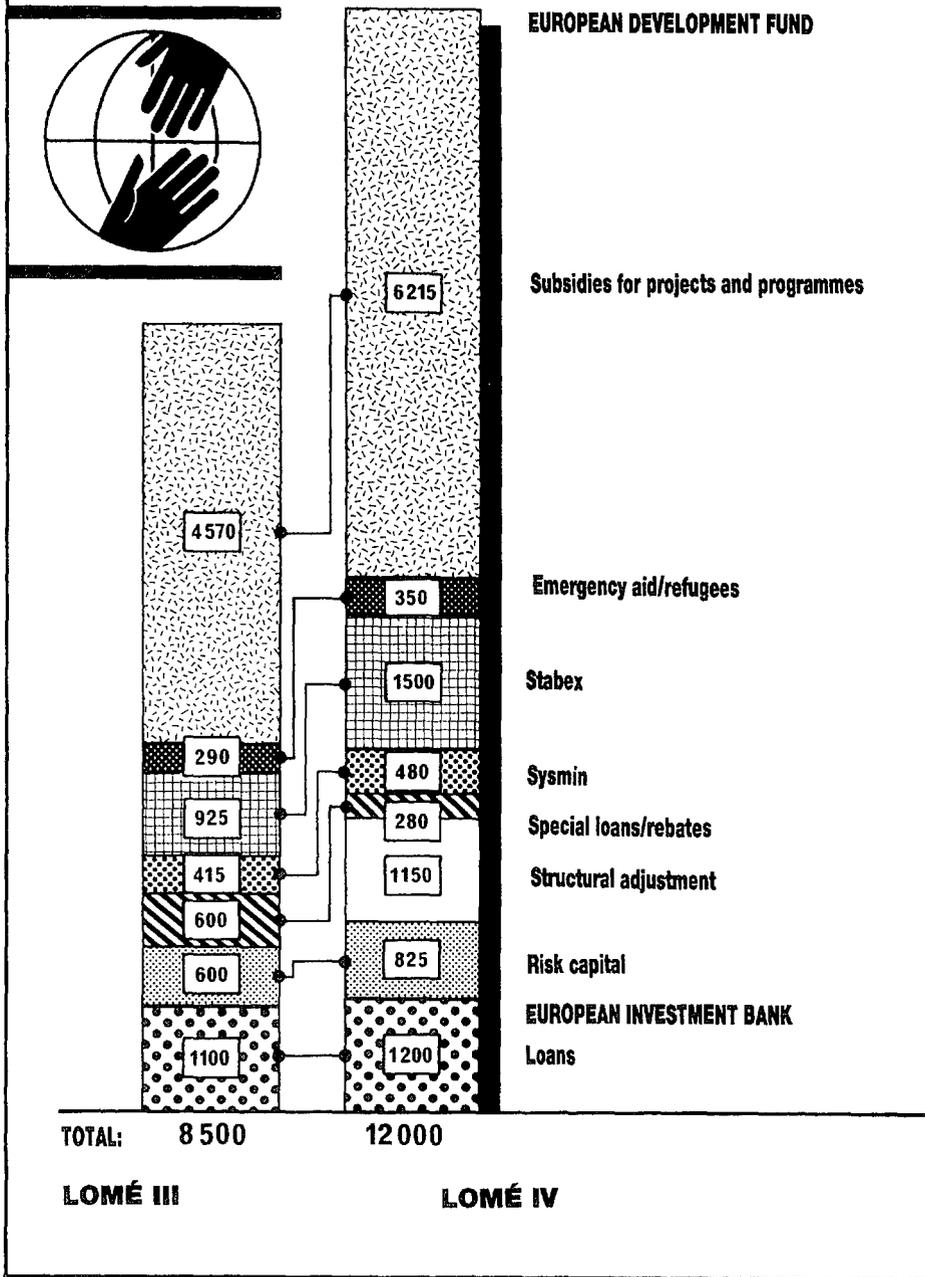
- The security of cooperation links based on a system of rights resulting from a freely negotiated contract.

- The collective nature of the contract concluded between two sets of countries, which rules out discrimination of a political nature between members of the group. This is a truly 'non-aligned' form of cooperation.

- The establishment of common institutions which provide for permanent dialogue between the partners: a Joint Assembly, in which members of the European Parliament meet with representatives of the ACP countries, an EEC-ACP Council of Ministers and a Committee of Ambassadors.

- Finally, and most importantly, a global approach to cooperation, which means that the ACP countries have at their disposal a very wide range of instruments for promoting trade (trade cooperation), guaranteeing export earnings from raw materials (the systems known as 'Stabex' and 'Sysmin'), and — of course — the financial instruments for supporting development projects and programmes in the various sectors of economic, social and cultural life.

From Lomé III to Lomé IV: financial resources (million ECU)



The fourth Lomé Convention (1990-2000)

- The Convention is geared once again to *long-term development*. The key role of rural development is confirmed. A new emphasis is put on problems of demography and the environment. There is also a particular insistence on the promotion of small businesses and of private investment.
- To the existing instruments has been added a *new mechanism*, with special funding of ECU 1 150 million, for rapid economic assistance. This will enable the Community to help preserve social stability and make an original contribution to the structural adjustment policies which are needed.
- The new Convention has a budget of ECU 12 000 million for the period 1990-95, a nominal increase of 40% on Lomé III. 90% is to consist of grants and the remaining 10% of European Investment Bank loans and risk capital.
- The opening of the Community's market to exports from the ACP countries is consolidated and extended under Lomé IV (more than 99% of ACP exports already had free access to the Community). The stabilization systems for export earnings (Stabex and Sysmin) are reinforced.

From the Mediterranean to Asia and Latin America: a network of agreements

Lomé policy is only a part of Community cooperation policy. Year after year the Community has woven together a network of agreements which now covers most of the countries of the South. The 'collective' approach which characterizes EEC-ACP relations has not been possible in all cases, but the Community has tried everywhere to foster that approach and to encourage regional cooperation.

□ *The Mediterranean*

The first agreements go back to the 1960s, but it was from 1975 onwards that the Community, in the framework of a global approach to its relations with the countries of the Mediterranean basin, negotiated agreements with most of the countries of the region — particularly with those of the Maghreb (Algeria, Morocco, Tunisia) and Mashreq (Egypt, Jordan, Libya, Syria) and with Israel.

Like the Lomé Convention, these agreements combine trade cooperation with financial and technical cooperation, with the aim of maintaining the trade flow between these countries and the Community — their principal market — and, at the same time, developing their economic potential. The agreements were concluded for an indeterminate period, with the amounts available for financial aid being fixed by protocols lasting five years: for the period 1986-91 the amount is ECU 1 618 million.

With new protocols about to be concluded, the Community is preparing to redefine its Mediterranean policy. Because of geographical proximity and the intensity of all kinds of trade, the stability and prosperity of the Mediterranean basin are key factors for the Community's own stability and prosperity. This policy 'renewal' should be based particularly on:

- stepping up external financing, especially private financing, and reducing indebtedness;
- more sustained measures to promote food self-sufficiency, training and regional integration.

□ *The Arab world*

Apart from its agreements with the Arab countries bordering on the Mediterranean and with those which are parties to the Lomé Convention (Djibouti, Mauritania, Somalia, Sudan), the Community concluded in 1984 a non-preferential framework agreement with North Yemen, which also benefits from certain Community aid programmes, and in 1988 an agreement with the Gulf Cooperation Council (Saudi Arabia, Kuwait, Qatar, United Arab Emirates, Oman and Bahrain). The latter is a trade agreement — non-preferential at this stage — and a cooperation accord covering in particular industry, agriculture, energy and investment promotion.

In a wider context, a 'Euro-Arab dialogue', in which all the countries of the Arab League participate, was launched in May 1976. Despite progress on many aspects of economic cooperation, the enterprise ran into trouble over the difficulty of agreement on the delicate questions of the Middle East. In 1989, however, new meetings were held in order to get this great project under way again.

□ *Asia and Latin America*

Though the Community first developed a partnership of neighbours with Africa and the countries of the Mediterranean, it quickly established its cooperation policy on a worldwide basis. It was in 1972 that the European Council for the first time proclaimed the need for a global cooperation policy on a world scale.

This was realized in the form of various new instruments (see below) and by the extension of cooperation agreements to Asia and Latin America. The big growth of agreements in these two zones came in the 1980s:

- *Asia*: in the 1970s, the first trade agreements with India, Pakistan and Bangladesh. In the 1980s, cooperation agreements with India and Pakistan and the first regional cooperation agreement with the Asean countries

(Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand). In 1985, a framework cooperation agreement with China.

- *Latin America*: after the strictly commercial agreements concluded with certain countries in the 1970s, there were framework cooperation agreements with Brazil (1982), the Andean Pact countries (Bolivia, Colombia, Ecuador, Peru, Venezuela — 1983), the countries of Central America (Costa Rica, Guatemala, Honduras, Nicaragua, Panama and El Salvador — 1985) and Argentina (1990).

There are variations in these framework agreements, but they are all of the same type: they do not provide for trade preferences, but aim to promote trade and establish cooperation in various economic, scientific and technical sectors. The cooperation provided for is an evolving thing: new ways for it to be applied can emerge from the continuous dialogue in the joint committees. There are no provisions for financial aid, but this can none the less be granted to some of the countries under various Community programmes.

A whole range of instruments

Apart from the contractual arrangements instituted by the various agreements, a range of instruments which the Community itself has established is available to it for development cooperation.

- *Trade promotion*. Since 1971 the Community has applied a system of generalized preferences for Third World countries, which gives their products access to the European market free of customs duty or at reduced duty. This regime has of course been regularly revised and improved. The EEC also finances trade-promotion activities to enable the countries concerned to take proper advantage of the possibilities of the European market.
- *Raw materials*. The Community and its Member States participate actively in the many meetings under the aegis of Unctad (United Nations Conference on Trade and Development) aimed at concluding international agreements on raw materials. We know that, for want of consensus between the producing and consuming countries, this multilateral approach — though indispensable — has not produced the expected results. The Community has had to fall back on partial solutions, such as Stabex for the ACP countries; in 1986 it decided to apply a similar system for less-developed countries which are not members of the ACP group.
- *Security of food supply*. Food aid is a traditional instrument of Community assistance. It can be given to any developing country, regardless of cooperation agreements, provided the country has a structural food shortage or has to cope with an emergency. However, in recent years the Community has reoriented its activity, with the principal aim of better integrating food aid with the development of the recipient countries' own food production.

- *Emergency aid.* The EEC has a special budget which enables it to intervene rapidly in all disaster situations (natural disasters, famines, conflicts) to bring help to the stricken people. Community action, coordinated with that of Member States and assisted operationally by various humanitarian organizations, enables thousands of lives to be saved every year.
- *Cooperation with non-governmental organizations (NGOs).* This is not confined to emergency aid. It also applies to the development activities of NGOs 'on the ground' in the Third World, as well as to programmes of development education in Europe. With a budget of ECU 90 million in 1980, the Community is a partner of prime importance for the NGOs.
- *Rural development and regional integration.* For countries that have concluded with the Community agreements not including financial aid, provision has been made for a special budget to finance projects in two priority areas: rural development and regional integration. This is the framework within which the EEC implements its development programmes in Asia and Latin America.
- *Industrial cooperation.* This subject is covered in all cooperation agreements. An *ad hoc* instrument was created in 1988, known as the 'Cheysson facility', the aim of which is to give financial support to *joint ventures* between European firms and firms from Asia, Latin America and the Mediterranean countries ■

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For further information:

- The Europe-South dialogue
- The Europe-South dialogue in practice

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