



**European
community**

BACKGROUND INFORMATION

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BACKGROUND INFORMATION

THE COMMON MARKET BEFRIENDS THE "THIRD WORLD"

As the third United Nations Conference on Trade and Development (UNCTAD III) drew to a close in an atmosphere of confusion and accusations, the European Common Market stood firm on its record of helping developing countries.

In response to Soviet allegations, the Director of the Community's UNCTAD Division Mattia di Martino also pointed out on May 15 that the Common Market had not discriminated against socialist countries' exports. On the contrary, he noted, the Community's imports from Soviet bloc countries rose from \$680 million in 1958 to almost \$2.8 billion in 1970 (excluding East Germany).

It was "hypocritical," Mr. di Martino added, for the socialist countries to take issue with the Community's "Third World" policies when the socialist countries desired increased trade not with the poor but with the rich nations.

Common Market Is World's Largest Importer of Third World Products

The Community, on the other hand, has contributed more to the growth of developing countries' exports than either the Soviet bloc, the United States, Japan, or the European Free Trade Association (EFTA). The Common Market's imports from developing countries grew from \$6 billion in 1958 to more than \$16 billion in 1971. The Community has consistently run a trade deficit with the Third World -- over \$4.7 billion in 1971.

As the world's largest importer of basic commodities, the Community buys a third of all tropical countries' exports. In relation to its gross national product, the Community is also the world's most generous donor of financial aid to developing nations. (See Table I.) In the case of the 25 poorest nations listed by the United Nations, the Community is the greatest source of aid, even in absolute terms. (See Table II.) By 1975, through the Yaounde Convention alone, the Community will have loaned and granted more than \$2.6 billion (1972 dollars) to African countries.

The Community instituted the first system of generalized tariff preferences for developing countries' manufactured goods; it partially or totally removed import tariffs on tea, tropical woods, cashew nuts, gum, certain spices, and many other commodities.

Mansholt's Return Engagement

European Commission President Sicco L. Mansholt's second appearance at UNCTAD III, together with Community initiatives to include developing countries in future GATT negotiations on non-tariff barriers, similarly helped clear the air at the five-week Santiago, Chile, conference.

During his first appearance, in April, the Commission President gave his support to the proposal to set aside allocations of Special Drawing Rights (SDR's or "paper gold") for the developing countries: these SDR's would compensate for reserve losses in last year's international monetary crisis. He also stressed the need for international commodity accords to stabilize world markets.

Mr. Mansholt made his unexpected return visit to Santiago on May 16 in a last-minute personal bid to achieve positive results -- consistent with his unorthodox ways and oft-expressed concern for the Third World. He spent the remainder of the week at UNCTAD attempting to work out a common position among the delegations of Community member countries. UNCTAD III,

Mr. Mansholt said, showed the importance of thorough preparation for the Community's summit meeting this fall. Aid to the Third World will be a major topic on the agenda.

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TABLE I

1970 Aid to Third World

	<u>Total Financial Development Aid (in billions of dollars)</u>	<u>Total Net Resource Flows As Per Cent of GNP</u>
Belgium	.294	1.23
France	1.805	1.24
Germany	1.409	0.80
Italy	.724	0.79
The Netherlands	<u>.440</u>	1.42
COMMUNITY TOTAL*	4.672	
Denmark	.094	0.61
Norway	.063	0.59
United Kingdom	<u>1.238</u>	1.06
CANDIDATES TOTAL*	1.395	
United States	5.393	0.61

* Comparable data are not available for Luxembourg or Ireland which do not belong to the Development Assistance Committee of the Organization for Economic Cooperation and Development, the source.

TABLE II

Public Aid to the 25 Least Developed Countries*

(in millions of dollars)

	<u>Yearly Average 1960-67</u>	<u>Yearly Average 1968-70</u>
BILATERAL AID		
<u>European Community:</u>		
Belgium	10.9	18.5
Germany	23.4	35.2
France	27.1	59.7
Italy	15.3	25.2
The Netherlands	0.2	1.2
TOTAL	<u>76.9</u>	<u>139.8</u>
<u>Applicants:</u>		
UK	77.7	51.6
Denmark	0.3	5.2
Norway	0.6	1.9
COMMUNITY OF TEN**	<u>155.5</u>	<u>198.5</u>
<u>Other Donors:</u>		
United States	145.3	101.7
Japan	2.2	4.7
TOTAL BILATERAL AID	<u>309.5</u>	<u>334.1</u>
MULTILATERAL AID		
European Community Institutions	21.0	39.3
World Banks	14.9	43.2
Regional Banks	- 3.2	- 2.7
United Nations Agencies	17.8	43.7
TOTAL MULTILATERAL AID	<u>50.5</u>	<u>123.5</u>

* Designated by the United Nations: Burundi, Dahomey, Upper Volta, Mali, Niger, Rwanda, Somalia, Chad, Botswana, Lesotho, Malawi, Ethiopia, Guinea, Sudan, Afghanistan, Butan, Laos, Maldives, Nepal, West Samoa, Sikkim, Yemen, and Haiti.

** Comparable data are not available for Luxembourg and Ireland.