

## EUROPEAN PARLIAMENT

# Working Documents

1982-1983

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3 November 1982

DOCUMENT 1-784/82

## Report

drawn up on behalf of the Committee  
on Development and Cooperation

on the communication from the Commission of the  
European Communities to the Council concerning  
special action in favour of the economic and  
social development of Central America (COM(82)257  
final) and the proposal from the Commission of the  
European Communities to the Council (Doc. 1-559/82 -  
COM(82) 481 final) for a decision completing the  
general guidelines for 1982 concerning financial  
and technical aid to non-associated developing  
countries

Rapporteur : Mr V. MICHEL



By letter of 9 August 1982 the President of the Council of the European Communities requested the European Parliament, pursuant to the Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a decision completing the general guidelines for 1982 concerning financial and technical aid to non-associated developing countries (COM(82)257 final) and COM(82) 481 final).

On 16 August 1982 the President of the European Parliament referred this proposal to the Committee on Development and Cooperation as the committee responsible and to the Committee on Budgets for an opinion.

At its meeting of 23 September 1982 the Committee on Development and Cooperation appointed Mr Michel rapporteur.

The committee considered the Commission proposal and the draft report at its meetings of 29 September and 20 October 1982.

At its meeting of 20 October 1982 the committee unanimously adopted the motion for a resolution as a whole.

The following took part in the vote : Mr Poniatowski, chairman; Mr Bersani and Mr Kühn, vice-chairman; Mr Michel, rapporteur; Mrs Castellina, Mr Cohen, Mrs Dury, Mr Fellermaier, Mr Ferrero, Mrs Focke, Mr Fuchs, Mr Irmer, Mrs Herklotz (deputizing for Mr Enright), Mr C. Jackson, Mr Johnson (deputizing for Mr Pearce), Mr Lemmer (deputizing for Mr Wawrzik), Mr Lezzi, Mr Narducci, Mrs Rabbethge and Mr Sherlock.

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

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a decision completing the general guidelines for 1982 concerning financial and technical aid to non-associated developing countries

The European Parliament,

- having regard to the proposal from the Commission to the Council for a decision completing the general guidelines for 1982 concerning financial and technical aid to non-associated developing countries (COM(82)481 final)<sup>1</sup>,
  - having regard to the communication from the Commission to the Council concerning a special programme for Central America (COM(82)257 final),
  - having been consulted by the Council pursuant to the EEC Treaty (Doc. 1-559/82),
  - having regard to the report of the Committee on Development and Cooperation and the opinion of the Committee on Budgets (Doc. 1-754/82),
- (a) having regard to the European Council decision of March 1982 that aid granted by the Member States of the European Economic Community and by the Community in its own right to Central American and Caribbean countries should be coordinated and increased as far as possible,
- (b) having regard to the basic regulation governing non-associated developing countries, the main objective of which is to make a practical contribution to rural development in these countries, which are among the poorest in the world,
- (c) having regard to the resolution (adopted by the European Parliament) on economic relations between the European Community and Central America adopted by the European Parliament on 14 October 1982,<sup>2</sup>

<sup>1</sup> OJ No. C 223 of 27.8.1982, p.5

<sup>2</sup> OJ

- (d) having regard to the Pisani action programme, the main aim of which is to combat hunger in the world by tackling rural development (COM(82)320 final),
  - (e) having regard to the Community memorandum of September 1982 on the Community's development policy and, in particular, to the desire expressed by the Commission to seek a political dialogue with the governments of countries receiving Community aid covering more than just negotiations on projects to be financed (COM(82)640 final),
  - (f) having regard to the above memorandum and, in particular, to the Community's determination to continue its development activities in Central America, concentrating on areas where it can help to combat poverty and hunger by providing financial and technical assistance to the poorest developing countries and, in particular, the neediest groups of people,
  - (g) having regard to the priorities laid down on several occasions by the Council in the course of past and current budgetary debates whereby the Community lays stress on the fight against hunger and rural development in the developing countries,
1. Strongly supports the Commission proposal and hopes that the Council will decide without further ado to implement it, as any additional delay would threaten its effectiveness and psychological impact in Central America and would call into question the Community's credibility in this part of the world;
  2. Approves the two facets of the programme proposed by the Commission as they meet the two-fold need to provide immediate assistance by means of an aid programme designed to maintain import capacity and to carry out action in depth, particularly with those countries in the process of implementing agrarian reforms;
  3. Requests that the appropriations proposed for this purpose, i.e. 65 million ECU, be committed as soon as possible so that the projects to be financed can be given substance without delay and immediate financial assistance can be provided for the economies of the countries concerned;

4. Underlines the positive role which the Community can play in this region , a role which reflects the wishes of the countries concerned, and will give a new dimension to relations between the Community and these countries;
5. Endorses the realistic financial and strategic approach adopted by the Commission in selecting rural development as the sector on which to concentrate its long-term activities and thus recognizing that, taken together, the current economic problems in Central America necessitate financial assistance in excess of the Community's present financial resources;
6. Also approves the priority given by the Commission to the implementation of the agrarian reforms necessary for the economic and social development of these countries and, above all, for the welfare of their people;
7. Underlines the specific and original character of the proposed Community action, as support for agrarian reforms will complement other programmes launched in this region which have different objectives and procedures;
8. Approves the regional character of the initiative which means that all the non-associated countries in the area, i.e. the countries of the Central American Common Market (El Salvador, Honduras, Guatemala, Nicaragua, Costa Rica and Panama) and those on Hispaniola (Haiti and the Dominican Republic) will be eligible;
9. Supports the granting of aid on the basis of objective criteria as proposed by the Commission, since account should be taken when granting aid, of the principles and criteria governing cooperation in the field of development and of the demonstration by the governments concerned of a genuine desire to carry out agrarian reforms;
10. Welcomes the Commission's intention to coordinate three financial instruments to finance the special programme, namely appropriations earmarked for the programme itself, the appropriations available for technical and financial assistance to the non-associated developing countries, and the counterpart funds for food aid; requests that all the necessary guarantees be given that the resources will be used in a manner consistent with the objectives of these funds;

11. Notes that, despite the many declarations by the Member States of the Community and the Council resolutions, there is still no coordination between the Community's development policy and the various bilateral policies of the Ten;
12. Recognizes that the lack of coordination is due in particular to the fact that the Community and its Member States are pursuing different objectives in the countries concerned and hopes that fresh efforts can be made within the framework of the special programme to seek ways of establishing such coordination, notably by co-financing pilot projects, which is a promising possibility;
13. Welcomes the fact that the special programme has been inspired by the action programme to combat hunger in the world, since its objective is to reduce food shortages in a region where undernutrition is an ever-present reality;
14. Stresses that any agrarian reform must be based on a more equitable distribution of land, and that practical action must also be taken to enable the peasants to farm the land allocated to them;
15. Is convinced that any agrarian reform imposed from above without the active participation of the peasant farmers concerned would be doomed to failure and, in this connection, endorses the Commission's intention to finance a pilot project designed to establish cooperatives in each recipient country;
16. Stresses the prime importance of training, a sector in which the Community has a decisive role to play, as the continuous training of peasant farmers and encouragement of the local population are preconditions for any genuine progress;
17. Is convinced that, notwithstanding the present economic crisis, the main effects of which - the fall in world prices for raw materials, and the drop in external demand caused by world recession - are outside the control of the countries concerned, sustained Community action should be planned in the context of the programme to help the non-associated developing countries;

18. Points out that the main objectives of the action should be:
  - (a) to restructure their economies,
  - (b) to improve and diversify their food and agricultural production so that they can achieve self-sufficiency in foodstuff,
  - (c) to promote the process of industrialization, notably by on-the-spot processing of their agricultural products and raw materials;
19. Urges the Community once again to play a positive role in international fora, particularly the International Monetary Fund, and in the establishment of a common fund within the framework of UNCTAD;
20. Instructs its President to forward to the Council and the Commission the proposal from the Commission as voted by Parliament and the corresponding resolution as Parliament's opinion.

B.

EXPLANATORY STATEMENT

I. THE EEC AND CENTRAL AMERICA : THE MAKINGS OF A CLOSER RELATIONSHIP

1. The proposed Special Action in favour of the economic and social development of Central America should not be seen as a bolt from the blue, but rather as a considered response to a rapidly deteriorating economic and social situation in a part of the world which has been both the object of increasing concern in the Community's institutions and an important recipient of EEC development aid.

2. Central America has been discussed with growing frequency and urgency by the Council and the Foreign Ministers meeting in Political Cooperation. The European Council's decision to strengthen and coordinate Community aid to the region must be seen against this background, as the Community has been seeking ways to translate its desire to play a positive role into practical policy terms for some time.

3. Most of the Community's links with Central America and the two Caribbean countries of Haiti and St. Domingo which are included in the Special Programme have taken the form of development aid, the bulk of which has been granted under the terms of Technical and Financial Cooperation programme for the Non Associated Developing Countries. However the basic regulation is too rigid to allow the EEC to use it to make its desired contribution to alleviate the present situation in Central America. In addition, since it sets certain sectoral priorities, in particular with respect to the agricultural and rural sector, it would not enable the Community's action to have the intended immediate impact. In view of the fact that it also allocates fixed shares of the total funding available on a geographic basis, the Commission felt it was appropriate to put forward a proposal for a new programme, involving increased appropriations.

Central America has also received substantial food and emergency aid and support for trade promotion and regional integration.

4. Thus the Commission's proposal seeks to tread a narrow path between bringing immediate financial relief to economies, reeling from the combined

effects of world recession and falling commodity prices, and to promote a long-term programme of implementing agrarian reforms, as economic and social imbalances are at the root of the region's deeper ills.

5. The Commission has clearly stated, and this would be highly desirable, that the proposed special action programme for Central America does not preempt the nature of a future policy vis-à-vis this area. But it could be argued that by concentrating the bulk of its resources on the financing of pilot projects for agricultural restructuring in the countries involved, this programme does lay a sound basis, in terms of political good-will and the increased welfare of local populations, for a more developed policy in future.

## II. THE ECONOMIC AND SOCIAL CONSTRAINTS

6. The economies of Central America and those of the Caribbean Basin are particularly vulnerable to adverse trends in the world economy. While this holds true for small countries in general, because the limited size of their domestic market leaves them no choice but to concentrate on exports, their dependence on the world market is aggravated by the fact that these are agriculturally based economies, relying almost exclusively on the export of one or two agricultural commodities. Other commodities account for only a smaller share of total commodity exports in one or two countries in the area.

7. Prices on the world commodity markets are the lowest they have been in thirty five years, affecting metals and virtually the entire range of agricultural products. World prices for grain, cocoa and sugar, to cite three examples, are currently well below the cost of production. The price of sugar, one of the staple export products for these countries, has fallen from £ 310/tonne in January 1981 to £ 118/tonne in July 1982.

Commodity price movements are erratic in the best of times, and notoriously volatile in the worst - this applies in particular to another basic export commodity from this area, coffee. The traditional price pattern for commodities has involved slumps, caused by excess supplies or a fall in demand, followed by production cuts, and boom conditions as soon as there is a pickup in demand. However, in the present juncture, the real culprit for the deep price slump is the world recession, which has brought about a corresponding

decline in industrialised countries'demand for raw materials. This is the first factor in the present crisis which is beyond developing countries' control.

8. These countries have been dealt a further body blow by the quadrupling of the price of oil. Already faced with the problem of falling export revenues, they have had to divert scarce financial resources to pay for the oil imports necessary to keep their economies going. This is the second factor over which they have no control.

9. The third major problem is the massive debt overhang. Having borrowed heavily on world financial markets in the favourable economic climate of the '70s, a growing share of their declining export revenues are swallowed up by debt service payments. There is no short-term prospect of present high interest rates climbing down. Some countries will have no choice but to reschedule their debt. One, Costa Rica, has already done so. More countries will have to turn to the IMF as the lender of last resort.

10. It is the peculiar conjunction of these three factors, against the sombre background of a deepening world recession, which has given rise to economic ills which are not always of the making of the countries in this area. To cite the best known example that of Costa Rica, that former island of economic stability and growth is faced with a \$600m balance of payments deficit, and has negotiated a stand-by credit with the IMF which comes to 450% of Costa Rica's IMF quota.

Falling export revenues, higher oil bills, and a growing share of export receipts going to service their debt have served to virtually eliminate any margin of manoeuvre they might have to find a way out of the present economic crisis and have given rise to massive balance of payments problems. Pursuite of misguided economic policies, such as overvaluing exchange rates, has aggravated export problems. Finally, rates of inflation range from 11-65%.

11. In fact however that margin of manoeuvre is further diminished because of the agriculturally skewed nature of their economies, which have a very narrow industrial base. It is being eroded by the financial crisis, for these

countries lack the money to pay for the necessary inputs - machinery, capital equipment, spare parts, pesticides, etc. - to keep their industry and large scale agriculture afloat.

12. Central American economies present an additional feature which is peculiar to the area. In some countries, production of key agricultural commodities, such as bananas and sugar, is virtually in the hands of multinationals who control every step of the production process, and in addition handle transport and marketing. Their holdings are very large and highly mechanised, leading to a situation where there is a large demand for labour during the harvest (two or three months of the year) but virtually no employment opportunities the rest of the year. The small peasant farmer has no choice but to engage in labour intensive subsistence farming, which caters only to immediate needs and does not generate surplus food production. The area thus also suffers from a food deficit, and malnutrition is widespread. It also means that peasant farmers have no opportunity to acquire any know-how or expertise on the job, which they could apply later on, should a different set of circumstances apply.

Thus these economies are further characterised by unemployment and chronic underemployment of truly major proportions: from 25-40% of the labour force in many countries.

13. The productive base in many Central American and Caribbean basin countries, already unable at the best of times to provide employment and to produce enough to meet basic needs, has now come under extraordinary pressures. Policies to release productive capacity now lying dormant, and to tap one of the area's virtually unused resources - labour - as well as land presently not farmed, are needed.

Present economic difficulties are compounded by patterns of land ownership which have often led to chronic neglect of human and land resources.

Landownership has traditionally been concentrated in the hands of a few families, taking the form of latifundia, or large farming estates.

It is clear that in order to get at the basic imbalance in their economies, these countries need to alter the present system of land distribution.

Most of them have already enacted agrarian reform bills, but only a few have actually enforced such legislation.

14. The Commission's proposal for the creation of a special action programme in favour of the economic and social development of Central America seeks to address itself both to the short-term economic difficulties faced by these countries, and to the long-term need to implement existing agrarian reform laws, where the political will to do so exists.

### III. THE SPECIAL ACTION IN FAVOUR OF THE ECONOMIC AND SOCIAL DEVELOPMENT OF CENTRAL AMERICA

15. The Commission's programme is based on a two-pronged approach. The first, involving measures aimed at mitigating the effect of insufficient import capacities, is designed to bring immediate economic relief; the second, where financial and technical support for the implementation of agrarian reform programmes is to be provided, involves the financing of rural development projects which will last an average of five years.

#### A Community Initiative to Help Rural Structures

16. Virtually all the countries in this area have agrarian reform legislation. However, the fact that only a few countries have made major headway in actually implementing these laws, is not only due to political and economic difficulties. Most governments implementing such laws are starting from scratch, and soon come up against the major obstacle standing in the way of land reform everywhere in less developed countries; the peasant's lack of general expertise, equipment, and of access to credit. Thus, even where a genuine will to implement social reforms does exist, governments are often chary of breaking up large estates because of the inevitable fall in productivity and output.

17. The projects the Commission intends to support in Central American countries, are understood to involve distributing land situated in specific parts of the country to small "marginal" peasant farmers, either individuals or organised into cooperatives.

Such projects have a twofold purpose:

- by concentrating on the cultivation of basic cereals, which often have been neglected for the benefit of export commodities, they would boost food production and alleviate the food deficit;
- providing technical assistance and expertise to both the government ministries concerned and to the area where the project is located, they would integrate other small farmers in the rural development programme, thus ensuring that the area as a whole benefits from it.

It is understood that these programmes would involve:

- the distribution of land to peasant families as well as their relocation on the land;
- the providing of general back up services for production such as basic farming equipment, both for animal drawn and mechanised farming,
- the providing of supplies such as seeds, fertilisers, etc.
- infrastructure, such as storage facilities, roads and tracks, service facilities, etc.

18. It is clear that this kind of programme can only work if governments are actively interested in its implementation. This highlights what is one of its most original features, for it requires a high degree of government involvement in its planning and execution, as well as close collaboration with the Community. It is for this reason that it may be regarded as a variant of the approach now being pursued in the context of food strategies.

#### Recipient countries

19. It is equally clear that even though the Commission has stated that it has adopted a regional approach, and that objective selection criteria for recipient countries apply, such a programme will have to be carefully tailored to the prevailing situation as well as to the needs in each country.

An actual desire on the part of the government to proceed with land reform appears to be the fundamental criterion. The countries in the area

fall into two categories as far as their agrarian reform legislation is concerned:

- those countries that have fully fledged agrarian reform legislation allowing for the expropriation of uncultivated land, and for its distribution (with or without payment) to small farmers either on an individual or a collective basis when they are organised into cooperatives. This applies to El Salvador, Nicaragua, and Honduras;
- countries such as Costa Rica, Santo Domingo and Guatemala whose legislation is less comprehensive and radical, but which do enable the government to take dissuasive action and to influence agricultural infrastructure and production. In the case of Santo Domingo, the government does not wish to alter the present setup of sugar plantations, as it feels this would harm efficiency. The government does however distribute marginal lands. While sugar plantations do not fall within the ambit of legislation, there are upper limits on land ownership where rice is cultivated. In Costa Rica the government negotiates the purchase of land at the market price when it expropriates.

20. In fact, it is not those countries whose agrarian reform legislation is the most advanced, such as El Salvador with its land-to-the-tiller law, which have made the most headway in distributing land. The country which has distributed the most significant amount in Costa Rica, where 500,000 ha. purchased at the market price have been distributed to small farmers and/or cooperatives.

In El Salvador, the government has recently shelved its land reform programme for one crop cycle, which lasts one year for most crops but is four years long for sugar. It has done so at the behest of its new President, Alvaro Magana, who has argued that sugar and cotton planting by land-owners had fallen drastically because of the threat of expropriation.

Finally, the case of Haiti is a very special one. Owing to the local inheritance laws, in this country the main problem is the minute fragmentation of the land, with 80% of the population farming plots, and engaging in subsistence farming. What is needed in Haiti is to group land holdings into larger units. The main problem is the lack of a land register, with ownership being defined on the basis of "customary law", or on what is a de facto

rather than a dejure basis. There is little the special action programme can achieve in Haiti, if there is no desire on the part of the government to parry this major shortcoming.

However, given that the country is the poorest in the area, there is a very strong argument for seeking every possible avenue for implementing small projects in the field, especially in cooperation with NGOs.

21. It is clear that Community action alone cannot bring about a major improvement in the recipient countries as far as rural development is concerned. That is not the Commission's intention. It is intended for the pilot programmes to act as catalysts, to showcase how agrarian reform can be successfully implemented in the field, if the social and economic context is fully taken into account. By choosing this very specific sector of activity, the Commission has providently sought to gain maximum impact in spite of having limited funds available at hand.

However, since these projects will not have an effect in the short-term, the other part of the Commission's special action programme is designed to have an immediate impact.

#### Measures aimed at mitigating effects of insufficient import capacities

22. The implementation of the rural development projects will involve substantial costs in local currencies. It is envisaged therefore to combine both parts of the special action programme to reduce such costs, and help maintain import capacities.

The Commission intends to provide factors of production which are currently imported free of charge; their value would correspond to the local costs for each development project. These inputs would have to come from the EEC, as the current trade flows in Central America Common Market are very low. Their sale on the domestic market would give rise to counterpart funds, which would be deposited in a blocked account with the Central Bank. Such counterpart funds would provide a sort of rolling fund for the financing of the rural development projects.

The Rapporteur understands that the Commission intends to receive strict

guarantees to ensure that these funds will be put to their intended use.

#### IV PROSPECTS FOR A CONTINUING EEC ROLE

23. The proposed programme, in light of its limited financial scope, can hope to have only a marginal effect on the overall economic situation prevailing in these countries. Its significance does not however lie exclusively therein. It constitutes a tangible sign of European concern and solidarity with those governments in the region who can subscribe to the Special Action's objectives.

The Community is making use of development policy instruments to help defuse an increasingly polarised situation in Central America. It needs to be pointed out that a country such as Nicaragua has not received any U.S. aid since March 1981, and is not scheduled to do so under the Caribbean Basin Initiative. In May of this year, Nicaragua signed a five year agreement with the Soviet Union involving \$166.8M in technical assistance and credits for Soviet-built projects; Nicaragua's President has gone on record as describing his country's relations with the URSS as "exemplary" because this assistance is being "given without conditions".

24. The rapporteur strongly feels that since there is general agreement on the aims of the special programme, recipient countries should not be selected on the basis of considerations of a different nature. This would run counter to the philosophy underpinning the proposal.

25. But there is the more general question of what the Community's role can and indeed should be in this part of the world in addition to its continuing contribution to alleviate suffering, in particular that of the swelling ranks of refugees, by providing food and emergency aid.

Two main points need to be made.

26. The first is that these countries do not have any important natural resources and are totally dependent on oil imports. They are at a particular disadvantage in the world economy, and there is no likelihood of this changing in the near future.

However there is scope for helping them achieve the following:

- diversify their agricultural production;
- achieve food self-sufficiency;
- industrialise by developing a domestic agro-industry.

At present there is little point to granting duty free entry to their industrial products, since they have little to export.

27. Secondly, the EEC's initiative is not the only one underway to help relieve the plight of these countries. May it be underlined yet again, however, that it is the only one providing material support for the long-term rural development of these countries.

Most of the help being provided in Central America and the Caribbean takes a more traditional form, with the exception of the Oil Facility set up in August 1980 by Mexico and Venezuela under which these two countries have undertaken to provide 50% of the oil requirements of the isthmus countries and Jamaica and Barbados; in addition 30% of the purchase price of the oil is eligible for special financing.

Member states of the Community also provide considerable aid, but most of this intended for infrastructure or for industrial projects with the tenders being offered to EEC firms.

Specialised institutions such as the InterAmerican Development Bank also tend to finance only large infrastructure projects, and projects funded by the World Bank are apt to be bigger than the projects funded by the Community.

Finally, the American Caribbean Basin Initiative consists primarily of financial aid and investment incentives; the scope of trading part of the package, modeled on the EEC's Lomé Convention,, has been considerably restricted. In addition in May of this year, the U.S. imposed sugar import quotas. The main question attaching to the influx of cash is how it will be distributed between the public and private sectors of the economy.

28. Nonetheless there is room for coordination with other sources of bilateral aid, whether EEC or third country, as well as with multilateral aid. Whilst one should not harbour too many illusions on having close coordination across the board, the Commission should actively seek out potential cofinanciers for its development projects.

There is too much activity on the donor front in this particular part of the world for coordination to be regarded as only a secondary priority.

ANNEX 1Central America (8 countries)<sup>1</sup>Basic data

Population (1980) (million inhabitants):	32.7	(Latin America: 329)
Area (million km <sup>2</sup> ):	0.6	(Latin America: 20)

<u>GDP (US \$ million at 1978 prices)</u>	<u>1979</u>	<u>1980</u>	<u>Change %</u>
<u>Total</u>	<u>24 951</u>	<u>25 643</u>	<u>+ 2.8</u>

## of which:

Costa Rica	2 840	2 886	+ 1.6
Dom. Rep.	4 626	4 867	+ 5.2
El Salvador	3 060	2 877	- 6.0
Guatemala	6 916	7 151	+ 3.4
Haiti	1 217	1 216	- 0.1
Honduras	1 947	1 995	+ 2.5
Nicaragua	1 545	1 711	+10.7
Panama	2 800	2 940	+ 5.0

<u>Per capita GDP</u>	<u>1979</u>	<u>1980</u>	<u>Change %</u>
<u>Total</u>	<u>782.2</u>	<u>784.2</u>	<u>+ 0.25</u>

Costa Rica	1 311	1 299	- 0.9
Dom. Rep.	877	896	+ 2.7
El Salvador	690	625	- 9.4
Guatemala	988	1 014	+ 2.6
Haiti	243	245	+ 0.8
Honduras	546	539	- 1.3
Nicaragua	627	634	+ 1.1
Panama	1 488	1 547	+ 4.0

## Trade balance

(8 countries, balance in US \$ million)	-1 558	-2 449
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<sup>1</sup>Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama.

Import cover afforded by gold and foreign exchange reserve (months)	end 1979	end 1980
Costa Rica	2	3
Dominican Republic	3	3
El Salvador	2	2
Guatemala	6	4
Haiti	2	1
Honduras	3	2
Nicaragua	4	1
Panama	-	-
Gold and foreign exchange reserves (except Panama, US \$ million)	1 846	1 564
External debt <sup>1</sup> (The 8, US \$ million)	8 787	10 378

Pattern of foreign trade

Exports:	USA:	41.3%	of the total in value
	EEC:	21.3%	
Imports:	USA:	36.8%	
	EEC:	11.2%	

Private EEC investment (1978 US \$ million)

<u>Total developing countries:</u>	720	= 100%
of which Central America	(CACM 3.78)	Total 8.01 or 1.11%
	(Panama 4.23)	

<sup>1</sup> Figures for end 1979 for Haiti and Nicaragua.

## 1980 - COMMUNITY AID TO LATIN AMERICA AND CENTRAL AMERICA

M ECU

	CENTRAL AMERICA AND THE CARIBBEAN	TOTAL LATIN AMERICA	C.A./L.A. %
<u>Chapter 92 of the budget :</u> Food aid <sup>2</sup>	20.81	52.52	39.6
<u>Chapter 93 of the budget :</u>			
- Art.930 : Financial and technical aid	20.10	29.80	68
- Art.931 : Promotion of ex ports	1.36	3.22	43
- Art.932 : Aid to regional integration	0.05	0.30	17
<u>Chapter 94 of the budget :</u>			
- Art.941 : Training (grants and traineeships)	-	0.04	-
- Art.945 : N.G.O.'s	0.75	2.80	27
<u>Chapter 95 of the budget :</u> Emergency aid	0.65	0.65	100
<b>TOTAL 1980</b>	<b>43.74</b>	<b>84.74</b>	<b>51.4</b>

<sup>1</sup> Costa Rica, Guatemala, Haiti, Honduras, Nicaragua, Panama, Dominican Republic, El Salvador

## COMMUNITY AID TO CENTRAL AMERICA

1979 and 1980

M ECU

1979	Costa Rica	Dominican Republic	El Salvador	Guatemala	Haiti	Honduras	Nicaragua	Panama	Regional Organizations + joint aid	Total Cent. America
<u>Chapter 92 of the budget</u>										
Food aid	-	0.33	0.93	-	1.33	8.66	5.57	-	-	16.82
<u>Chapter 93 of the budget</u>										
- Fin. and tech. aid	-	-	-	-	5.0	3.20	2.50	-	2.70	13.40
- Promotion of exports	0.11	0.036	0.105	0.101	0.036	0.039	0.039	0.085	-	0.641
- Aid to reg. integ.	-	-	-	-	-	-	-	-	0.10	0.10
<u>Chapter 94 of the budget</u>										
- Training	-	-	-	-	-	-	-	-	0.03	0.03
- N.G.O.'s	-	0.205	0.18	0.082	0.106	-	0.006	0.003	-	0.582
<u>Chapter 95 of the budget</u>										
- Emergency aid	-	0.60	-	-	0.10	-	-	-	0.55	1.25
<b>TOTAL</b>	<b>0.11</b>	<b>1.171</b>	<b>1.215</b>	<b>0.183</b>	<b>6.572</b>	<b>11.949</b>	<b>8.165</b>	<b>0.088</b>	<b>3.38</b>	<b>32.82</b>
<b>1980</b>										
<u>Chapter 92 of the budget</u>										
- Food aid	-	0.97	3.42	-	2.88	6.65	6.89	-	-	20.81
<u>Chapter 93 of the budget</u>										
- Fin. and tech. aid	-	4.00	-	-	4.80	7.80	2.80	-	0.70	20.10
- Promotion of exports	0.237	0.06	0.12	0.225	0.103	0.21	0.205	0.198	-	1.753
- Aid to reg. integ.	-	-	-	-	-	-	-	-	0.05	0.05
<u>Chapter 94 of the budget</u>										
- Training	-	-	-	-	-	-	-	-	0.035	0.035
- N.G.O.'s	-	-	-	0.045	0.195	-	0.491	0.015	-	0.740
<u>Chapter 95 of the budget</u>										
- Emergency aid	-	-	-	-	0.40	-	-	-	0.25	0.65
<b>TOTAL</b>	<b>0.237</b>	<b>5.03</b>	<b>3.54</b>	<b>0.270</b>	<b>8.372</b>	<b>14.66</b>	<b>10.386</b>	<b>0.213</b>	<b>1.035</b>	<b>44.138</b>

FINANCIAL AND TECHNICAL AID TO THE NON-ASSOCIATED DC's (amounts allocated, M ECU)  
CHAPTER 93, ARTICLE 930 OF THE BUDGET

	1976	1977	1978	1979	1980	1981 (Estimates)
<b>CENTRAL AMERICA AND CARIBBEAN</b>						
Dominican Republic .....	-	-	-	-	4.0	2.0 - 3.0
Haiti .....	-	-	0.80	5.0	4.80	5.0 - 6.0
Honduras .....	-	-	2.40	3.20	7.80	2.0 - 3.0
Nicaragua .....	-	-	-	2.50	2.80	4.4 - 6.6
CABEI - Central American Bank of Econ.Integ..	-	1.80	0.43	0.50	0.50	-
INCAP - Institute of Nutrition of Cent.Amer.	-	1.80	-	-	-	-
PAHO - Central America .....	-	-	-	1.10	-	-
CATIE - Tropical Agriculture Research and Training Center .....	-	-	0.56	1.10	0.20	-
Sub-total.....	-	3.60	4.19	13.40	20.10	13.4 - 18.6
<b>LATIN AMERICA, OTHER COUNTRIES</b>						
Bolivia .....	2.0	1.80	1.90	3.0	-	-
Ecuador .....	-	-	-	2.90	-	2.5 - 3.5
Peru .....	-	-	-	2.0	2.4	3.0 - 4.0
Andean Pact .....	-	3.60	2.70	0.30	3.0	3.0 - 4.0
OLADE - Latin American Energy Org. ....	-	-	0.60	-	0.60	-
CFAD .....	-	-	1.80	-	-	-
CIP - International Potato Centre .....	-	-	0.40	0.50	0.60	0.5 - 0.8
CIAT - International Centre for Trop. Agr....	-	-	0.80	1.00	1.10	1.1 - 1.4
IICA .....	-	-	-	-	-	1.5 - 2.0
IDB - Interamerican Development Bank.....	-	-	-	-	2.0	-
Sub-total.....	2.0	5.40	8.20	9.70	9.70	11.6 - 15.7
TOTAL LATIN AMERICA.....	2.0	9.00	12.39	23.10	29.50	25.0 - 34.3
CA/LAX .....	0 %	40 %	33.8%	58%	67.4%	
TOTAL DC's .....	20.0 M ECU	45.0 M ECU	70.0 M ECU	110.0 M ECU	133.5 M ECU	150.0 M ECU
LA/DC's % .....	10%	20%	17.7%	21%	21%	

## NET OFFICIAL AID TO CENTRAL AMERICA in millions of USD

Annex 5

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Central America (Total)	Haiti	Dominican republic	TOTAL	Percentage Total DAC
Belgium	0.1	0.2	0.4	0.1	0.9	0.1	1.8	2.3	0.1	4.2	1.35%
Denmark	-	-	-	-	0.9	-	0.9	-	-	0.9	0.28%
France	-	7.4	3.8	-	-	-	11.2	1.2	-	12.4	3.99%
Germany (W.)	6.8	2.2	6.3	3.5	17.8	0.7	37.3	7.2	2.7	47.2	15.20%
Italy	0.6	0.1	0.5	-	1.1	0.1	2.4	0.1	0.1	2.6	0.83%
The Netherlands	2.0	0.8	1.2	1.7	6.4	0.5	12.6	1.5	1.3	15.4	4.96%
United Kingdom	0.9	1.0	-	0.5	0.5	0.1	3.0	-	0.2	3.2	1.03%
TOTAL	10.4	11.7	12.2	5.8	27.6	1.5	69.2	12.3	4.4	85.9	27.6%
EEC	0.1	0.1	-	3.2	5.9	0.1	9.4	0.3	0.1	9.8	3.16%
EEC + Member States	10.5	11.8	12.2	9.0	33.5	1.6	78.6	12.5	4.5	95.7	30.83%
Japan	9.6	4.4	2.0	4.1	5.5	1.3	26.9	-	0.7	27.6	8.89%
USA	9.0	11.0	2.0	26.0	28.0	-9.0	65.0	28.0	61.0	154.0	49.61%
Canada	3.8	0.6	2.3	3.6	-	-3.1	7.2	8.0	-	15.2	4.89%
TOTAL DAC	33.3	27.6	30.1	40.7	72.8	-9.4	195.1	48.5	66.8	310.4	100%

Source : OECD, 'Geographical Distribution of Financial Flows to Developing Countries 1976-9'

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the chairman of the committee  
to Mr Michel PONIATOWSKI,  
chairman of the Committee on Development  
and Cooperation

Strasbourg, 12 October 1982

Subject : Proposal from the Commission of the European Communities  
to the Council for a decision completing the general  
guidelines for 1982 concerning financial and technical  
aid to non-associated developing countries (Doc.1-559/82)

Dear Mr Poniatowski,

At its meeting of 29-30 September 1982 the Committee on  
Budgets considered the above Commission proposal for a Council  
decision.

The communication of 28 May 1982 (COM(82) 257 final)  
referred to in the annex to this proposal states that an  
additional 65 million ECU will have to be entered against  
Article 930 for this purpose. The Commission requested these  
appropriations in its preliminary draft supplementing and  
amending budget No. 1/82 and repeated its request in transfer  
of appropriations No. 30/82. This transfer was approved by  
the Committee on Budgets at its meeting of 22-23 September 1982  
and is currently the subject of discussions involving Council,  
Parliament and Commission.

The Committee on Budgets therefore has no reservations  
with regard to the financial implications of the Commission  
proposal.

Yours sincerely,  
(sgd.) Erwin LANGE

The following took part in the vote : Mr Lange, chairman;  
Mrs Barbarella, vice-chairman; Mr Adonnino, Mr Barbagli,  
Mr Newton Dunn, Mr Langes, Mr Orlandi, Mr Pfennig,  
Mr Schön and Mr Simonnet.

