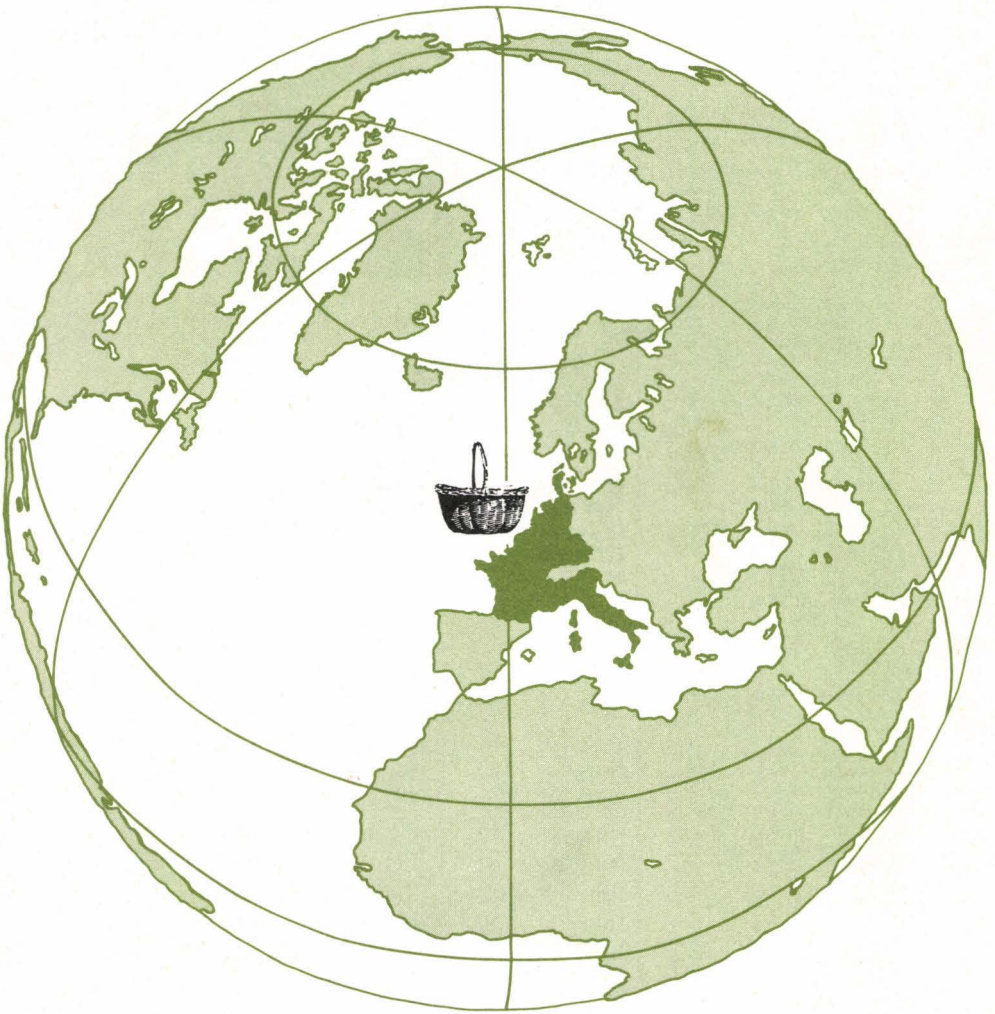
# European Community

No. 5 June 1977



# Food prices in a hungry world



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Politics

# Food prices and the CAP

## Roy Jenkins gives the facts

The CAP is responsible for only a small fraction of British food price rises, Roy Jenkins told a London audience on May 9, 1977. In the eight months since August 1976, when Phase 2 began, the food price index as a whole had gone up by 18 per cent; but CAP products had risen by only nine per cent — and most of that increase was independent of the CAP. Here are key extracts from his speech:

It is time to put the record straight. The common agricultural policy has *not* been responsible for anything like the major part of food price increases in this country.

The price in Britain of products covered by the common agricultural policy has gone up less than other food prices and less than prices in general. In the eight months from August 1976, when Phase 2 began, the food price index as a whole went up by 18 per cent. But the products covered by the CAP — which include meat and dairy products, but by no means all the food and drink we consume — went up in price by 9 per cent on average. Of that 9 per cent only a small fraction was due to increases in farm price support; the greatest part was due to higher manufacturing and distributive costs, and the withdrawal of consumer subsidies. Meanwhile, the products not covered by the CAP, which include fruit, vegetables, potatoes, tea and coffee, went up in price by no less than 26 per cent.

Those figures put into perspective some of the wild things which have been said recently about food prices and the CAP. Let me mention also some of the suggestions which have been made about the cost of food imports.

### Imports

A group of Cambridge economists recently based a study on the assumption that, if it was not for the CAP, we would be importing New Zealand butter and Commonwealth sugar at the world price. That is a false premise. Before joining the Community, all our sugar imports were made at a fixed price, often well above the world level, under the old Commonwealth Sugar Agreement. We paid a higher price partly to ensure security of supply and partly to help the economies of the countries dependent on cane sugar. Those arrangements have been taken over by the Community under the ACP agreement. I do not believe for a moment that, inside or outside the Community a British government would be paying less for Commonwealth sugar.

Similarly with butter. The myth is that, before joining the Community, we imported it freely. We did not. It was controlled by import quotas. Under the Community system, we pay a special price to New Zealand

for the quantities purchased — which are still, incidentally, more than 100 thousand tonnes. Far from offering to sell this butter more cheaply, the New Zealand Government wants a higher price to cover cost increases. Their Prime Minister made that point clear on his recent visit to Europe.

The truth is that so-called world prices, below the costs of production, are no longer a basis for regular food supplies from primary producers. They are disposal prices for limited quantities, not a basis for production. In a world where, even if urgent action is taken, the present population of 4,000 million will rise to 8,000 million next century, the value to Europe of a productive agricultural industry is not to be underestimated. Britain's access to European food reserves in 1974, when world prices rocketed, was of major importance. We may easily face similar situations in the future.

## Improvement needed

Of course, I do not claim that the CAP as we have it is perfect. There are many areas where it needs improvement. We have a persistent surplus of milk, which is threatening to become worse. The Council of Ministers has failed to take decisive action, and has often delayed or rejected Commission proposals. As a result, we have to dispose of butter not only inside the Community, with expensive consumer subsidies, but also by subsidised exports — and of course the available export markets are mostly in Eastern Europe. Unless and until the Council agrees to right the balance on milk, we are condemned to take these steps which are either expensive or unpopular and sometimes both at the same time.

It is no secret that the decisions taken in the Council of Ministers of Agriculture have tended to reflect the special interests of the farm Ministers involved. The volume of spending on agriculture from the Community budget has inexorably increased, not least, I am sorry to say, with the recent decisions which included much higher prices than we proposed for milk, and at the same time an expensive subsidy for butter.

The agricultural policy is not fixed and frozen. It will evolve to meet the needs of Europe as a whole. It is, after all, a young policy, little more than ten years old. It can and will develop, with the aid of enlightened criticism. I use the word enlightened, because that is the spirit in which we must approach it: it is no use saying the policy is wicked, wrong and foolish and therefore must be demolished. A policy which involves the livelihood of a large section of Europe's population, for which there are now no alternative jobs available, and the security and stability of our food supplies, is too important, both for Britain and for our Community partners, to be treated as an object of ill-informed dispute. Our common interest is to improve what we have.

## Quotation of the Month

'I strongly favour, perhaps more than my predecessors, a close interrelationship among the nations of Europe, the European Community in particular.'

*President Jimmy Carter, in* Europa, *May 3, 1977.*

News

# The month in Europe

## Parliament mourns Kirk

Members of the European Parliament stood in silence to mourn Sir Peter Kirk, former Chairman of the Conservative Group, who died at the age of 48. Tributes were paid by the Parliament's President, Sig. Emilio Colombo, by Mr Richard Burke for the Commission, and by Lord Reay on behalf of the Conservative Group. Mr Geoffrey Rippon will take Sir Peter's place.

## Community tourism

Visitors from other Community countries spent £455 million in the UK in 1976, £82 million more than UK visitors spent in the rest of the Community. A total of 4,263,000 Community visitors came to Britain — 40 per cent more than in 1975 — and their spendings were 44 per cent more. British visitors to other Community countries numbered 4,512,000 — a 2 per cent drop on 1975 — but in sterling terms they spent 12 per cent more than in that year.

## Production up

Industrial production in the European Community in January 1977 showed a 1 per cent rise over the figure for December 1976: the index (1970 = 100) rose to 120. This continues a trend observed since September 1976.

## Britain's EEC trade up

British exports to the rest of the European Community in the first quarter of 1977 were 5 per cent higher, and her imports from the rest of the Community 3 per cent higher, than in the last quarter of 1976.

## Germans buy British

British sales in Germany in 1976 totalled DM 8,540m, an increase of 23 per cent on 1975, according to the British-German Trade Council in Bonn. Nearly three-quarters of the total consisted of manufactures, with motor vehicles in first place.

## Cash for Britain

Recent loans and grants for the UK include:

☐ An ECSC loan of £19 million to the National Coal Board for powered roof supports;

☐ an ECSC loan of £7.7 million to the British Steel Corporation for blast-furnace improvements at Ravenscraig;

☐ an ECSC loan of £4.5 million to BSC for power plant at the Appleby-Frodingham works in Scunthorpe;

☐ an ECSC loan of £18 million to the NCB for underground plant;

☐ a £7.5 million loan from the European Investment Bank for water supplies in the North-East of England;

☐ a series of research studies to be aided with £60,593.


# The new farm prices

## Cutting 'lakes' and 'mountains' down to size

**On April 25 and 26, 1977, the Council reached agreement on agricultural prices for the 1977/78 year. The package of measures which was finally agreed included a subsidy of 8½p a lb on butter prices in Britain which will be payable entirely from EEC funds. The subsidy will be paid in full until March 31, 1978, to be phased out by the end of 1978. The UK Government will finance the subsidy on New Zealand imports. Butter prices will not rise significantly this year in Britain.**

**The Council changed the value of the 'green £', the special exchange rate used for calculating Community prices in national currency, with a devaluation of 2.9 per cent. This slightly reduces the subsidies payable on agricultural imports into Britain and makes British farm exports rather easier. The new rate is £1 = 1.70463 ua, to apply at the start of the season for each product except pigs (May 1) and milk, where application of the new rate is postponed.**

**The average increase in EEC farm support prices amounts to about 3½ per cent — one of the smallest increases for several years. Various measures have been agreed to cope with the problems of the dairy sector, including the introduction of a levy on producers, aid to help people leave dairy farming, possible provision of cheap milk in schools and a special sale of butter stocks in member States except Britain.**

**Below, Michael Berendt examines the other factors that enter into British food prices.**

## The Broader Background

Recent comments on the level of food prices in Britain and the effect of the common agricultural policy have somewhat exaggerated the impact of the policy on prices in the shops. Certain additional considerations may also be worth pointing out:

☐ British food prices are not generally higher than prices in other industrialised countries;

☐ with or without a common farm policy Britain would not be open house to world supplies; some protection would undoubtedly be applied to prevent dumping on the UK market, even without the CAP;

☐ the farm gate price of food represents roughly only half the price to the shopper;

☐ long-term agreements with food suppliers demand prices a good deal higher than the lowest prices on world markets;

☐ the advantages of stability in sup-

plies and prices is not to be underestimated in a world whose growing population will in the long term greatly increase the need for food.

## Prices

The current level of prices for most foodstuffs in Britain is not high by world standards. Given the present rate for the Green £ (1.70463 ua = £) imports of pig products from outside the EEC are actually subsidized to keep the prices down; small import levies apply on maize, poultry and eggs; larger levies on wheat, sugar, beef and milk products. The two transitional steps and the decisions reached on, April 25 and 26, 1977, by the Council will raise the general level of support at January 1, 1978, by about 15 per cent, adding some 2 per cent to the retail price index.

## Levies

The variable levies, which raise the price of non-Community imports to the Community level, are calculated on the lowest offer prices on world markets, often for relatively small consignments. For many products they do not give a reliable indication of the price at which long-term supplies would be available in large quantities. They show the lowest selling prices on the world market, but certainly not the prices at which suppliers would want to agree long-term contracts.

## Some protection

Estimates of the 'extra' food costs to Britain of applying the common agricultural policy (for instance the £200m estimate in the Cambridge Economic Review) imply that if the UK were not applying the EEC policy the food trade would be free to take up the very cheapest offers on world markets and sell at these price levels in Britain. In fact the British market has not been open house to world suppliers for many years. It has been protected by levies, tariffs or quotas.

## Unlikely

To remove such protection would mean either:

☐ that producers would be entirely subject to world price movements, which would be a recipe for severe fluctuations in price and supply, which in turn would discourage home production, or

☐ that guaranteed payments would be made to farmers by the taxpayer to bridge the gap between the guaranteed price and world prices which could fall — or be depressed — to extremely low levels.

It is unlikely that a British government would choose either of these options. Some degree of protection would be applied even if deficiency payments were used, although the tougher the constraints on public expenditure, the higher the level of protection against imports would need to be.

## Agreements

The Cambridge Economic Review suggests in its analysis that for sugar and butter Britain could meet its needs at a low 'world' price. The price levels obtained in current long-term agreements cast doubt on this suggestion. At present there are two long-term agreements on foodstuffs from outside the Community:

☐ Sugar — imports of 1.3m tonnes annually from developing countries at £190 per tonne, about the same as the price guaranteed to domestic producers.

☐ Butter — imports of 130,000 tonnes in 1977 from New Zealand at £855 per tonne, subject to a levy which raises its price to just over £1,000 per tonne in Britain.

## Green £

In both cases the supplying countries have been pressing for higher returns under these contracts; in each case they are protected from any fall in the value of the £ by the operation of the green £ system.

## Sugar

Some commentators have suggested that because the world price for sugar is currently depressed, the Community should be buying on the open world market and allowing home prices to fall. The Community's prices are fixed under long-term contracts with developing countries and annual contracts with EEC beet sugar producers, ensuring regular supplies in industries which involve long-term capital investment. Trade on the open world market accounts for only about 7 per cent of total world trade, and as a result is highly volatile; the world market price is currently about two-thirds of the EEC level, whereas 18 months ago — at the time of the sugar shortage — it was nearly three times as expensive as EEC supplies.

## Stability

The effect of allowing market prices to fall was well illustrated in Britain in 1974, when all support measures were removed from the beef market, resulting in price collapse and the widespread slaughtering of calves which would otherwise be coming to the beef market about now. Beef production is of course a long term business. Although world prices are at present much lower than prices in the Community including the United Kingdom, following the slump in world prices after the 1973 oil crisis a stable pricing system is needed to protect long-term supplies.

## Surpluses

The sale of subsidized butter to Eastern Europe has produced a hostile reaction conspicuously sharp only in the United Kingdom. Some other countries see this as the cheapest, quickest way of quitting this costly surplus. The system of such sales is now under a new system of control. In fact the milk sector and wine are the only two commodities currently out of balance; wine by 16 million hectolitres because poor quality wine is still being produced by growers who have no readily available alternative employment; and milk (butter surplus, 190,000 tonnes, skimmed milk powder surplus, 960,000 tonnes) because at last year's price review the Council of Ministers agreed on a price for milk far beyond that proposed by the Commission.

## Stocks

Sugar at 744,000 tonnes, is a planned stock representing 10 per cent of production and is not a surplus; the same applies to barley, rye and soft wheat where stores are planned and will disappear by the end of the season. There is also a stock of hard wheat for pasta which, because of extraordinary growing conditions, is not good enough to be used for pasta and will be disposed of some other way, possibly as animal feed.

Economic Affairs

# A teeming, hungry world

## The stark background to Europe's food problems

The following are extracts from a Cabinet Office discussion paper, *Future World Trends,* first published in 1976, which helps to set the CAP in its wider future context:

### Population

Worldwide, by far the most important factor in the future will be the growth in population, occurring overwhelmingly in the developing countries and the consequent problem of providing adequate food. In the absence of famine, war or other disaster a steep rise in the world's population for the next two generations is inevitable and by the end of the next century the figure may well be in excess of 12 billion. . .

Even if fertility rates were to be reduced to replacement level *now*, the existing age structure of the world's population would ensure continuing growth for another two generations. . .

Unless current fertility rates can be cut in the immediate future the population of the developing countries alone could in theory rise to 6 billion by 2000 and 15 billion by 2025, but widespread famine with all the political unrest which this would create would almost certainly prevent this in practice. . .

### Food

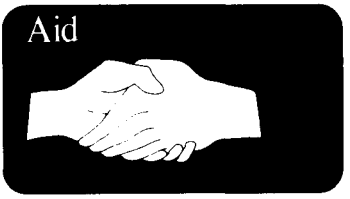
In terms of purely physical factors it is theoretically possible to meet the food needs of the estimated population of the world for the next 30 to 40 years, without resort to unconventional agricultural techniques. . .

Provided that global food requirements are met by an extension of food consumption according to existing dietary patterns, rather than, say, a general shift towards those of the developed world, it is likely that overall protein supplies will also be adequate. But it must be emphasized that these statements take no account of the enormous economic, social and political problems involved in increasing food production to these levels. . .

Greatly increased international effort will be essential even for the maintenance of the present precarious balance between food and population. . .

Market forces will probably work against the equitable distribution of food because of income disparities. Moreover, resource costs, particularly that of energy to produce fertilizers and for transport, will be so large that a major proportion of the world population is unlikely to have either food or the income to buy it at prices which would cover the cost of production. . .

Unless there are resource transfers on a scale many times greater than at present, the effective check to world population will be the Malthusian trilogy of war, famine and disease.




# Food for the Third World

## The Community's 1977 programme

The European Community's 1977 food aid programme in cereals and dairy products will total just over £76 million, if the Commission's latest proposals are approved by the Council of Ministers.

In February, the Council agreed on a cereals food aid programme involving 1,287,000 tonnes, intended for 42 countries and six international bodies, at a total cost of just over £33.8 million. Now, the Commission has proposed food aid in dairy products, covering 150,000 tonnes of milk powder, worth just over £23 million, and 45,000 tonnes of butteroil, worth nearly £19.6 million.

## Dairy products

For dairy products, the Commission proposes distributing the aid either directly to the recipient countries or through international organizations, with a reserve for emergencies. Of the milk powder, 44,310 would be distributed directly, 41,000 would go through international organizations, and 14,690 would be held in reserve. For butteroil, the respective figures would be 19,900, 22,000 and 3,010.

Requests for milk powder have come from 42 countries, and for butteroil from 41. The allocations proposed by the Commission are as follows:

| | tonnes Milk powder | tonnes Butteroil |
|---|---|---|
| **Latin America** | | |
| El Salvador | 200 | — |
| Honduras | 1,000 | 300 |
| Jamaica | 500 | — |
| Peru | 1,500 | 500 |
| Uruguay | 500 | — |
| **Africa** | | |
| Botswana | 30 | 20 |
| Burundi | 250 | 300 |
| Cape Verde | 650 | 250 |
| Central Africa | 150 | 150 |
| Ghana | 2,000 | 200 |
| Guinea | 600 | 200 |
| Guinea Bissau | 100 | 200 |
| Lesotho | 30 | 20 |
| Liberia | 200 | — |
| Mauritania | 1,000 | 1,000 |
| Mauritius | 550 | — |
| Mozambique | 1,000 | 550 |
| Rwanda | 1,000 | — |
| Senegal | — | 200 |
| Somalia | 2,000 | 1,350 |
| Sudan | 4,000 | 4,000 |
| Tanzania | 2,000 | 200 |
| Uganda | 500 | 200 |
| Zambia | 900 | 550 |
| **Middle East** | | |
| Egypt | 10,000 | 2,500 |
| Jordan | 1,500 | 1,000 |
| Syria | 1,000 | 500 |
| Yemen Arab Republic | 1,500 | 700 |
| P.D.R. of Yemen | 650 | 700 |
| **Asia** | | |
| Afghanistan | 300 | 200 |
| Indonesia | 1,250 | — |
| Pakistan | 2,000 | 2,000 |
| Philippines | 2,750 | — |
| Sri Lanka | 2,000 | 200 |
| Vietnam | 5,000 | 2,000 |
| **Other Countries** | | |
| Malta | 200 | — |
| Portugal | 500 | — |
| **Organizations** | | |
| ICRC | 2,500 | 500 |
| League of RC Societies | 500 | 500 |
| WFP | 27,000 | 10,000 |
| UNICEF | 11,000 | 2,000 |
| UNHCR | — | 2,500 |
| UNWRA | — | 3,200 |
| **Reserve** | 14,690 | 3,010 |

The existing cereals programme was allocated as follows:

## 1976/1977 Implementation Plan

in thousands of tonnes

| Recipient countries and bodies | Total aid | Community projects | National projects |
|---|---|---|---|
| **Latin America** | | | |
| Honduras | 1 | 1 | |
| Peru | 8·5 | 7·5 | 1 |
| Bolivia | 2·5 | 2·5 | |
| Haiti | 3 | | 3 |
| **Africa** | 42 | | 42[1] |
| Angola | 11·5 | 10[2] | 1·5 |
| Benin | 2·5 | 2·5 | |
| Botswana | 0·5 | 0·5 | |
| Burundi | 4·5 | 1 | 3·5 |
| Cape Verde | 9·5 | 8·5 | 1 |
| PR Congo | 3 | | 3 |
| Ethiopia | | 2·5 | * |
| Ghana | 3·5 | 3·5 | |
| Guinea-Bissau | 4·5 | 3 | 1·5 |
| Guinea-Conakry | 6·5 | 3·5 | 3 |
| Lesotho | 0·130 | 0·130 | |
| Liberia | 3 | 3 | |
| Mauritius | 6·5 | 3·5 | 3 |
| Mozambique | | 15 | * |
| Rwanda | 5 | 2·5 | 2·5 |
| CAS | 1 | 1 | |
| Sao Tome and Principe | 1·5 | 1·5 | |
| Senegal | 11 | 8 | 3 |
| Somalia | 34 | 25 | 9 |
| Sudan | 3·5 | 3·5 | |
| Tanzania | 15 | 5 | 10 |
| Tunisia | 26·5 | 3·5 | 23 |
| Zaire | 15 | 15 | |
| Zambia | 6 | 6 | |
| **Middle East** | | | |
| Egypt | 150 | 100[3] | 50 |
| Jordan | 21 | 18[4] | 3 |
| Yemen Arab Republic | 6 | 6 | |
| P.D.R. of Yemen | 7 | 6 | 1 |
| Lebanon | 32·5 | 25[5] | 7·5 |
| Syria | 5 | 5 | 7·5 |
| **Asia** | | | |
| Bangladesh | 142 | 100[6] | 42 |
| Indonesia | 31·5 | 10 | 21·5 |
| Laos | | | * |
| Pakistan | 49 | 25 | 24 |
| Philippines | 10·5 | 7·5 | 3 |
| Sri Lanka | 69·5 | 30 | 39·5 |
| Vietnam | | 30 | * |
| **Other Countries** | | | |
| Malta | 5·5 | ·1 | 4·5 |
| **Organisations** | | | |
| WFP | 154·1 | 55 | 99·1 |
| ICRC | 15 | 15 | |
| UNICEF | 18 | 15 | 3 |
| UNRWA | 42·5 | 35 | 7·5 |
| League of RC Societies | 5 | 5 | |
| Catholic Relief Service | 15 | 15 | |
| **Reserve** | 183·97 | 78·370 | 105·6 |
| **Total** | 1,287 | 720·5 | 566·5 |

[1] To be allocated at a later date.
[2] Via the UNHCR.
[3] Including 25,000 tonnes as a special reserve to be released depending upon the situation.
[4] For Palestinian refugees.
[5] Special reserve for Lebanon which the Commission has been empowered to release in whole or in part depending upon developments.
[6] Including 30,000 tonnes as a special reserve to be released following a further examination of the situation.
* National projects to be specified or allocated subsequently.

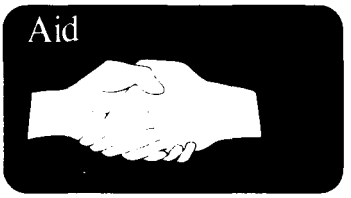
# Statistic of the month

### The National Debt

Per capita central government debt (September 1976)
(September 1976)

| Country | in national currency | in Eur[a] |
|---|---|---|
| Federal Republic of Germany (Federal Government + Länder) | DM 3.442 | 1.069 |
| France | FF 2.813 | .449 |
| Italy | Lit 816.600 | .758 |
| Netherlands | Fl 4.107 | 1.153 |
| Belgium | Bfrs 109.700 | 2.254 |
| Luxembourg | Lfrs 52.870 | 1.087 |
| United Kingdom | £st .963[b] | 1.508[b] |
| Ireland | £ir .848[c] | 1.386[c] |
| Denmark | Dkr 3.695[b] | .488[b] |

[a]The rates used for conversion of the national currencies into Eur are as follows: Eur 1 = DM 3.22; FF 6.27; Lit 1.077; Fl 3.355; Bfrs 48.68; Lfrs 48.68; £st 0.639; £ir 0.612; Dkr 7.578. [b]March 1976. [c]December 1975.




# A year of Lomé

## Fiji meeting marks progress of ACP Convention

The Council of Ministers of the Lomé Convention linking the European Community with 49 — soon to be 52 — African, Caribbean, and Pacific countries held its second meeting on April 13 and 14 in Suva, Fiji. It was chaired by Ratu Sir Kamisese Mara, KBE, Prime Minister of Fiji; the Community delegation was led by the Rt Hon. Edmund Dell, MP, UK Secretary of State for Trade; and the Commission was represented by M. Claude Cheysson. At the end of the meeting, Mr Dell declared: 'We leave Fiji in the knowledge that the Lomé Convention is in good shape.'

Since July 1, 1975, *over 99 per cent of ACP exports have had free access to the Community market.* In addition the Community has done its best to safeguard the essential interests of the ACP producers when a difficult situation on the Community market has made it necessary to take safeguard measures for a particular product such as beef and veal.

The first transfers under the *system for the stabilization of export earnings* (Stabex) were made in July 1976: 18 ACP countries, 13 of which are among the poorest, have benefited from this insurance against losses incurred in 1975.

The special arrangements for *sugar* have been in force since 1975. The results of their operation in 1976/77 have confirmed the advantages of such a mechanism for a product whose prices on the world market are subject to sudden fluctuations.

In May 1976, a few weeks after the entry into force of the Convention, the first financing decisions under the *European Development Fund* were taken: since then a total of £235.4 million have been committed (of which £30.4 million under Stabex), to which should be added the first contributions of the European Investment Bank — a further £21 million.

In December 1976 the Centre for Industrial Development (CID) — the instrument for cooperation — started functioning.

In Fiji, the Council reviewed the various fields of application of the Lomé Convention since it came into force on April 1, 1976, and focused on: the system for stabilizing export earnings (Stabex); sugar; industrial/financial and technical cooperation; commercial and customs cooperation; relations with the ACP-EEC Consultative Assembly; and various other specific items.

It was agreed that the President of the ACP Council of Ministers and the President of the Council of the European Communities would attend the next meeting of the Consultative Assembly due to be held in Luxembourg in June 1977.

On the suggestion of the EEC it was proposed that the next meeting should take place in Brussels on March 13-14, 1978.

*The ACP's exports to the Community represent,* on average, in the latest years for which information is available, approximately 50 per cent of their total exports (as against 15 per cent for example to the USA).

This average percentage is often a great deal higher where exports of individual products (such as coffee and cocoa) from a given country are concerned. In certain cases, almost all the sales, except for intra-ACP trade, are on the European market (for example: groundnuts, palm oil, bananas, hides and skins). The Community's purchase undertaking in respect of sugar represents some 60 per cent of ACP exports.

## Stabex in brief

☐ *Appropriation:* £156.25 million for the duration of the Convention, divided into five annual instalments of £31.25 million each with an automatic carry-over of the balance to the following year. The annual authorized amount may be increased in certain circumstances.

☐ *The products covered:* Twelve commodities (groundnuts, cocoa, coffee, cotton, coconut products, palm and palmkernel products, raw hides, skins and leather, wood products, bananas, tea, sisal and iron ore) and certain of their by-products.

☐ *Dependence threshold:* For any one of these products to be taken into consideration, it must have represented at least 7.5 per cent of total exports to all destinations in the preceding year. This percentage is reduced to 5 per cent for sisal, and to 2.5 per cent for all the least developed, landlocked and island ACP countries.

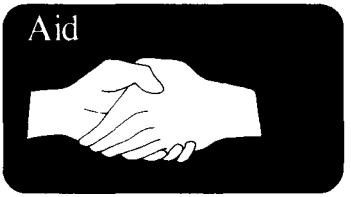
☐ *Trigger or fluctuation threshold:* In order to be eligible for a transfer actual earnings from exports to the Community of a given product must be less than the average of the corresponding earnings over the four preceding years by at least 7.5 per cent in normal cases or at least 2.5 per cent in the case of the least developed, landlocked and island countries.

☐ *Nature of the transfers:* In general they are interest-free loans which are repaid by the recipient States when certain conditions have been fulfilled relating to increased export earnings. In the case of the twenty-four poorest countries, however, the transfers take the form of grants.

**Stabex: Transfers for the 1975 financial year**

| Recipient ACP State | Product | Amount of transfer in £ |
|---|---|---|
| Benin | Groundnuts | 247,952 |
| | Coffee | 627,388 |
| | Cotton | 2,295,963 |
| | Oilcake | 636,036 |
| Burundi | Cotton | 515,631 |
| | Raw hides and skins | 277,708 |
| Cameroon | Wood in the rough | 1,923,160 |
| Central African Empire[1] | Coffee | 188,560 |
| Congo | Wood in the rough | 3,931,135 |
| Ethiopia[1] | Coffee | 4,987,391 |
| | Raw hides and skins | 2,712,914 |
| Fiji | Copra oil | 328,485 |
| Ghana | Wood in the rough | 2,764,202 |
| Ivory Coast | Wood in the rough | 8,010,000 |
| Mali[1] | Cotton | 346,300 |
| Niger[1] | Groundnuts | 2,905,651 |
| | Raw hides and skins | 271,137 |
| Somalia[1] | Fresh bananas | 692,548 |
| | Raw hides and skins | 339,217 |
| Sudan[1] | Raw hides and skins | 885,681 |
| Tanzania[1] | Cotton | 1,007,702 |
| Togo[1] | Coffee | 1,431,293 |
| Uganda[1] | Cotton | 933,930 |
| Upper Volta[1] | Groundnuts | 365,918 |
| Western Samoa[1] | Cocoa | 147,906 |

[1] Least developed ACP States receiving transfers in the form of grants.




# Helping private aid

## Community work with non-governmental organizations

The Community budget of 1976 included, for the first time, an appropriation enabling the Community to collaborate with and assist financially, projects in developing countries operated by non-governmental organizations (NGOs).

Following close consultations with governments and NGOs concerned with development projects abroad, the Commission came to the conclusion that, given some help, these could often supplement Community policies in developing countries by undertaking projects, not only more cheaply, but with much greater flexibility and lack of bureaucratic administration than could the Community itself.

In October 1975 it sent a Communication to the Council suggesting the possibility of joint development projects.

The Council broadly approved the guidelines in April 1976 and immediately afterwards the Commission invited NGOs to submit projects for consideration on the basis of up to 50 per cent Community financial contribution with a ceiling of approximately £42,000 per project.

In less than eight months NGOs submitted a total of 121 projects, 94 of which were admissable and registered on the basis of the General Conditions under the 1976 budget. With a total appropriation of only about £1 million, however, only 76 projects presented by 33 NGOs* from eight member States were actually helped in 1976; another eight were carried over to 1977; others were withdrawn. By mid-March this year, 46 of the projects had been wholly or partially paid for.

### Projects

The NGOs represented a broad philosophical, social and political spectrum; the projects aided were correspondingly diverse. They ranged from the purchase of small items of auxiliary equipment to integrated rural development projects comprising production, training and social infra-structure in connection with agricultural cooperatives to other projects in poor urban areas — e.g. an ironmongery training workshop in Tanzania, day nurseries in Vietnam, homes for the poor in Dacca, irrigation equipment in the Dominican Republic, a live-stock cooperative in Zaire.

**British NGOs participating in the scheme were the African Medical and Research Foundation (AMRF), Catholic Fund for Overseas Development (CAFOD), Christian Aid, Family Planning Association of G.B., Help the Aged, Jospice International and Oxfam.*

## COMMISSION OF THE EUROPEAN COMMUNITIES

# GRANTS FOR RESEARCH INTO EUROPEAN INTEGRATION 1977 - 1978

The Commission of the European Communities will award 15 research grants, each of a maximum of 150000 Belgian francs, during autumn 1977 for research projects dealing with European integration. Priority will be given to research projects on

# THE DIRECT ELECTION OF THE EUROPEAN PARLIAMENT

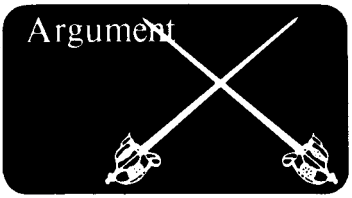
REGULATIONS:

1. The research grants of the Commission of the European Communities are intended for young postgraduate researchers and for lecturers and university teachers at the beginning of their career, who are undertaking individual or team research on European integration, within a research institute or faculty.
2. The application should include:
   — a 5 to 10 page typed presentation of the research project;
   — an estimate of expenses;
   — a completed application form (*);
   } two copies
   — a curriculum vitae;
   — attestations of university degrees and diplomas;
   — a letter of recommendation from an academic authority.
   These papers are not returned to applicants.
3. The age limit is 40 years.
4. Grants are not renewable.
5. The maximum grant awarded is 150000 Belgian francs.
   It is paid in three parts:
   — half upon commencement of study;
   — a further quarter midway through the period covered by the grant, and upon presentation of two copies of a detailed progress report;
   — the final quarter upon reception of the typed manuscript referred to in point 8.
6. Recipients of grants who do not complete their research are required to refund the balance of the grant.
7. Employees of the institutions of the European Communities and their spouses and children may not apply.
8. The study must be written in one of the official languages of the European Communities.
   Two copies of the final typewritten text must be submitted before 31 October 1978.
9. The Commission of the European Communities may also contribute to the publication costs of the study, up to an amount not exceeding 30000 Belgian francs.
10. Decisions to award grants will be taken by 31 October 1977 at the latest.
11. Applications must be submitted before 30 June 1977 to one of the Press and Information offices listed below (*) or to

Commission of the European Communities
Directorate-General for Information
200, rue de la Loi
1049 - Bruxelles (Belgique) - tel. 735.00.40 - 735.80.40

(*) Application forms may be obtained from the University Division, Directorate-General for Information, Commission of the European Communities, Berlaymont 2/01, rue de la Loi, 200, B-1049 Brussels, or from any of the Information Offices of the European Communities listed below:

BONN: Zitelmannstraße, 22, D-5300 Bonn
BRUSSELS: 73, rue Archimède, B-1049 Bruxelles
COPENHAGEN: Gammel Torv, 4, Postbox 144, DK-1004 København-K
DUBLIN: 29, Merrion Square, IRL-Dublin 2
THE HAGUE: Lange Voorhout, 29, NL-Den Haag
LONDON: 20, Kensington Palace Gardens, GB-London W 8-4QQ
LUXEMBOURG: Centre européen, Kirchberg, L-Luxembourg
PARIS: rue des Belles Feuilles, 61, F-75782 Paris Cedex 16
ROME: Via Poli, 29, I-00187 Roma
ANKARA: 13, Bogaz Sokak, Kavaklidere, TR-Ankara
ATHENS: 2, Vassilissis Sofias, GR-Athens 134
GENEVA: rue de Vermont, 37-39, CH-1211 Genève 20
OTTAWA: Spark Street, 350-11th Floor, CN-Ottawa
SANTIAGO: Avda R. Lyon, 1177, RCH-Santiago de Chile, Postal address: Casilla 10093
TOKYO: Kowa 25, 8-7 Sanban-Cho, Chiyoda-Ku, Tokyo
WASHINGTON: 2100 M Street N.W. (suite No 707), USA-Washington D.C. 20037




# Counting the cost

## Extracts from Christopher Tugendhat's controversial speech on May 2

Throughout the European Community, there have been expressions of profound relief that the Agricultural Council of Ministers has at last reached agreement on this year's agricultural prices package.

But the manner in which the member States have chosen to reconcile their differences is one which will grossly distend the European budget, and will therefore impose a severe burden upon European taxpayers.

The original package of proposals put forward by the Commission in February would have meant an average rise in agricultural prices in units of account of only 3 per cent. The package which was eventually agreed last Monday will increase average agricultural prices in units of account by about 3½ per cent. Not much different, you may think. But in addition, the Council modified the Commission's proposals for changes in monetary compensatory amounts. The result is that the average increase in prices in national currencies will be markedly higher, though this is not of course the case in Germany. And it is the prices in national currencies we pay and the farmers receive. Furthermore, milk producers will get their increase from May 1, instead of having to wait, as was originally envisaged, until September 16.

Because these higher national currency prices will, on the one hand, encourage a continued excess in agricultural production (particularly of milk), and on the other, discourage consumption, they are certain to lead to a significant increase in the Community's agricultural surpluses, especially the surpluses of butter and skimmed milk powder.

These surpluses are immensely costly to store and even more costly to dispose of. Consequently even this year, the additional price increases decided by the Council, combined as they are with expensive offsetting measures such as the UK butter subsidy, will add around £87 million to the agricultural budget, over and above the £16 million entailed by the Commission's original proposals.

The result is that instead of costing something like £104 million in a full year to the Community budget, the final agreement will cost about £417 million — or four times as much. An expensive ½ per cent!

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More effective ways must be found for engaging other interests, especially those of the taxpayer and the consumer in the settlement of agricultural prices. I say this because I want the CAP to survive and to continue to be a cornerstone of the European Community. If it is to maintain that position it needs the support of all sections of the public and to be seen to be organised in the interests of all.