

# The Community and developing countries

## European File

'Development cannot be simply a question of handing over a tool, however impressive it may be. It must be a question of ensuring that a country, a region or a city needs that package and that this need will itself generate the desire for development and the ability to control it.' It was with these words that Mr Edgard Pisani, EC Development Commissioner, presented a memorandum on Community development policy on 30 September 1982. Mr Pisani called for a relaunch of European development policy in the wake of the crisis in the Third World, citing demands that aid programmes of the wealthier countries be strengthened.<sup>1</sup>

Admittedly average earnings per head for more than a thousand million men and women in some Third World countries have nearly doubled in real terms in the last 20 years. In these countries, expectation of life has increased sharply from 53 years in 1969 to 61 years in 1979. Literacy has also increased. Development is succeeding, but unevenly. The gulf within the Third World between countries moderately well-off and those which are very poor is widening. The failure of large parts of the globe to develop economically can be summed up by a few figures:

- For more than 2 000 million people, real earnings per head have increased by less than 70 dollars a year in the last 20 years. In developed countries the average growth has been more than 5 000 dollars a head.
- Earnings per head in poor African countries shrank by 0.4% a year in the last decade.

<sup>1</sup> This leaflet updates and replaces our No 6/81.

- In 1980 750 million people were living or rather existing in a state of abject poverty.
- Cereal imports by developing countries increased from 25 million tonnes in 1960 to 80 million tonnes in 1980. By the turn of the century they are expected to top 200 million tonnes.
- Poor countries have been the worst casualties of the international economic recession. Their trade balance with industrial countries – the value of their exports against necessary imports – worsened by 16% in the 1970s.

The question is sometimes asked: why help developing countries? The best reply is another question: how could Europe do otherwise? How could Europe stand and watch as millions of human beings died of hunger? Apart from this fundamental moral imperative, there are a number of other justifications for Community aid to the Third World:

- If the gulf between rich and poor widens it will inevitably lead to a global conflict in which Europe would be particularly vulnerable.
- The economic crisis appears to reduce Europe's capacity to help poor countries. But it is also evident that there can be no end to the crisis until the economic growth of developing countries is restored. The Community is more dependent on poor countries than other world powers:
  - Europe imports more than half its energy, mainly from the Third World.
  - The Community depends on the Third World for about 90% of its raw materials, including coffee, cotton, copper and manganese.
  - The economic crisis has obliged industrialized countries to seek new markets for their exports. The Third World is not only the main supplier but also the main customer of the Community, taking more than one third of its exports. Third World development creates valuable new markets for European machinery and other equipment.

From its inception, the European Community has operated an independent aid programme for poor countries. This programme seeks to complement rather than duplicate the efforts of Member States. The customs barrier surrounding the Community gives it a separate identity on the international scene.<sup>1</sup> Decisions are taken at Community level on, for example, customs concessions to Third World countries.

For historical reasons and to cope with its special problems, the Community gives particular attention to Africa. But European aid is not reserved for one continent; the Community has gradually developed a cooperation policy which embraces the whole of the Third World.

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<sup>1</sup> See *European File* No 2/82: 'The European Community in the World'.

## The global policy

- North-South dialogue: the European Community takes part in all international negotiations which aim to establish a new balance between rich and poor in the world economic order. Increasingly, the Community speaks on behalf of all its Member States at such meetings.
- Generalized preferences: in July 1971 the Community became the first world industrial power to implement the recommendations of the United Nations Conference on Trade and Development (Unctad) which sought to promote industrial advances in the Third World through customs concessions. As a result, all developing countries export industrial goods to the Community customs free. Duties have been abolished or reduced on more than 300 processed foodstuffs. Quotas are fixed for some products but the least developed countries are exempted.<sup>1</sup>
- Food aid: the Community sends hundreds of thousands of tonnes of cereals and dairy products to countries which ask for aid in coping with serious food shortages. In 1982 this Community aid was worth more than 765 million ECU<sup>2</sup> at world prices and including transport costs.
- Emergency aid: in 1982 the Community gave 95 million ECU to associated and non-associated countries which had suffered natural disasters or other catastrophes.
- Aid to non-governmental organizations: Community contributions to the development work of these organizations increased from 2.5 million ECU in 1976 to 28 million ECU in 1982.

## The Lomé Convention

The second Lomé Convention, linking the Community to over 60 African, Caribbean and Pacific (ACP) countries, came into force on 1 January 1981. It was preceded by other agreements, dating from the creation of independent States in Africa.

These conventions have broken new ground in four ways. They gave secure cooperation terms with a basis in law; they established a contract between two parts of the world which excluded economic or ideological manipulation or discrimination; they set up common institutions, such as a joint consultative assembly and a council of ministers, advised by a committee of ambassadors; and they extended cooperation to a broad range of issues. Sector by sector, the Lomé Convention operates as follows:

- Trade cooperation: the ACP countries can export almost all products to the Community duty-free, although similar rights are not granted to European exports. A special protocol gives ACP sugar producers an export guarantee at prices equivalent to those given to European producers.

<sup>1</sup> See *European File* No 9/81: 'Generalized preferences for the Third World'.

<sup>2</sup> 1 ECU (European currency unit) = about £ 0.62, Ir.£ 0.69 or US\$ 0.98 (at exchange rates current on 13 January 1983).

- Stabilization of export earnings: this mechanism is the most original creation of the ACP-EEC agreements. It operates as a kind of insurance policy against lean years. 'Stabex' guarantees the ACP countries minimum earnings from their exports to the EEC of various raw materials. 'Sysmin', created in 1981, is a similar mechanism which guarantees a set level of production and exports for a variety of minerals.
- Financial and technical cooperation: the European Development Fund (EDF) and European Investment Bank (EIB) contribute financially to the development of ACP countries in close collaboration with the governments concerned. Community aid is directed to five main areas: rural and social development; industry; mines; and economic infrastructure. The five-year investment of the Community rose from 3 500 million ECU in Lomé One to 5 700 million in Lomé Two, including about 2 000 million ECU in loans.
- Industrial and agricultural cooperation: the second Lomé Convention augments efforts in this area and should lead to a growing interdependence between EEC and ACP countries. Funds available to the joint industrial development centre were increased and a technical centre for agricultural cooperation was set up.

### **Mediterranean policy**

The Community has signed agreements with most countries in the Mediterranean basin. These were negotiated individually during the 1960s and updated in 1972 as part of an overall Mediterranean policy.

- Turkey, Cyprus and Malta are linked to the Community by association agreements which are intended to lead to customs union and in Turkey's case full membership of the EC.
- The Maghreb countries (Algeria, Morocco and Tunisia) and Mashreq countries (Egypt, Jordan, Syria and Lebanon) as well as Israel and Yugoslavia have signed industrial, commercial, technical and financial cooperation agreements with the Community.

Although they vary in political scope, all these agreements give the Mediterranean partner countries customs-free access for industrial goods to the Community market. They also give various concessions for agricultural produce and financial aid, including grants and EIB loans, expected to reach 2 300 million ECU by 1986.

### **Agreements with Latin America and Asia**

Agreements between the Community and the countries of Latin America and Asia are less extensive:

- Latin America: non-preferential agreements have been signed with Brazil, Mexico and Uruguay. A number of other agreements have been reached with other countries

involving trade in textiles and craft goods. The Community hopes to extend its cooperation with the countries of the Andean Pact.

- Asia: non-preferential agreements have been concluded with the countries of the Indian sub-continent (Bangladesh, India, Pakistan and Sri Lanka) as well as with China and the ASEAN (Indonesia, Malaysia, Singapore, the Phillipines and Thailand). A variety of sectoral agreements cover trade in textiles and craft goods.

In addition, the poorest Latin American and Asian countries are given financial and technical aid, covering agricultural and other projects. Although limited, this aid is growing rapidly. Starting at 20 million ECU in 1976, it had climbed to more than 250 million ECU by 1982.

### **New orientations for the future**

'A comprehensive review of Community development policy and its achievements is necessary so that we can reaffirm its aims and geographical scope and look afresh at methods and resources.' With these words the European Commission introduced its September 1982 memorandum on the Community's development policy. Such a review is needed for a number of reasons:

- Achievements in the first two decades of development suggest that resources were insufficient or badly used.
- The duration of the deepening international economic crisis and the extent of unemployment in Europe call into question the ability of the Community and its Member States to increase and improve their aid to the Third World.
- The forthcoming enlargement of the Community to include Spain and Portugal means that the EC will be called upon to undertake two tasks at the same time. It will have to narrow the economic gulf between its own regions whilst contributing to the development of Mediterranean and other Third World countries.
- The crisis in multilateral cooperation arrangements, demonstrated by the failure of numerous international gatherings, gives added urgency to consideration of future, direct relations between the Community and the Third World.
- The Lomé Convention lasts until the end of 1985 but negotiations on its successor are due to begin in September 1983.

The new orientations suggested by the Commission cover the methods, scope and resources of development policy.

- Methods: the Community should encourage a self-supporting and durable development of Third World countries, especially the poorest of the poor. First priority should be given to an active rural development policy. This is the key to rolling back hunger and

poverty. It is also the first step towards building an economic framework capable of sustaining the kind of advances made possible by external aid. Efforts are also needed to tap the human potential of the Third World and exploit natural resources, whilst respecting and restoring ecological patterns. Development should also concentrate on creating an independent capacity for scientific research in Third World countries.

To be truly effective such a concentration on the well-springs of development must be linked to a change of method. The Community, while seeking to increase the quantity of its aid, should not ignore ways of improving its quality. To this end, the Community must seek a new form of political dialogue with Third World leaders. This dialogue must go beyond mere haggling and technical discussions of which projects to finance. It must lead to a genuine development 'contract' between rich and poor countries. This is not a question of attaching conditions to aid. Third World governments have a sovereign right to determine their own priorities. It is a question of achieving more coherence between external aid efforts and internal policies.

The Community should examine with its Third World partners ways of improving aid management and fitting aid programmes into the pattern of priorities established for national development. The Community embarked on this path in 1982 when it helped a number of African countries to launch trial improvements to their food strategies.<sup>1</sup>

Advances in the rural economy and food production are the top priorities for a self-supporting development of the Third World. But the mutual advantages to be gained from development are perhaps clearer in other areas. Examples quoted by the Commission memorandum include fisheries, mining, energy and industry. Europe's own industrial policy should increasingly take account of the development needs of the Third World.

- Scope: the Community should continue to be active within the North-South dialogue. It must also pursue its independent aid programmes for groups of countries and the Third World as a whole.
- North-South dialogue: the Community must continue to support efforts to achieve a better economic balance between the northern and southern hemispheres. Its prime objective must be to resolve those differences which have prevented serious negotiation of the major issues: energy, raw materials, food and agriculture, industrial restructuring, trade links, and the financing of development programmes.<sup>2</sup>
- Cooperation with particular regions: the Commission hopes to extend its network of contractual links with the Third World. Fixed contracts with particular regions will permit groups of countries to prepare their cooperation strategy on the basis of agreements negotiated and managed on equal terms which give firm guarantees about the future.

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<sup>1</sup> See *European File* No 14/82: 'The European Community and world hunger'.

<sup>2</sup> See *European File* No 14/81: 'The Community and the North-South dialogue'.

Thus, the Commission plans to negotiate with ACP countries, if they approve, a framework convention of indefinite duration. The aim would be to promote activities essential to development which operate over a long time-scale. Periodic reviews of the functioning and finances of the convention would be necessary. It should also be possible to elaborate policies tailored to national needs within the terms of the framework convention.

The Commission also recommends that the Community should 'declare its readiness to propose that all Mediterranean countries participate in a collective contract as soon as circumstances permit.' In the meantime, the Community should reaffirm existing commitments, notably in the trading field.<sup>1</sup>

Finally, in Asia and Latin America, the Community should step up its aid to the least developed countries, achieve better balanced cooperation with the others and support moves towards regional integration.

- Global cooperation: the European Commission envisages the continuation and improvement of all facets of Community development and cooperation policy. It stresses, in particular, the need to adopt a new approach to food aid. Emergencies apart, this should be given in future only as part of an overall food strategy aiming at self-sufficiency. It should not be used as an end in itself which threatens to discourage local food production. In the trading field, Community frontiers are already the most open to the Third World of any industrial bloc. The Community must continue to ensure that its Third World trade policy guarantees the utmost certainty about future trade flows. At the same time the Community should pursue its efforts to bring stability to the market for raw materials.
- Resources: aid from the Community and its Member States represents about half of the West's public aid to the Third World. It totals 0.5% of the gross national product of the Member States, compared to the current target of 0.7%. Direct Community aid represents 0.05% of GNP. The Commission is calling for a gradual increase to 0.1% over 10 years. It is also recommending that the Community should make greater use of its borrowing capacity to channel finance into the Third World, notably through the European Investment Bank. The Commission also wants all Community development and cooperation finances grouped in a single budgetary framework, to represent the coherence of its policies in this area.

Greater coherence and coordination is also needed between Community development policy and its internal and external policies for agriculture, industry and trade as well as between Community development policies and those of the Member States.

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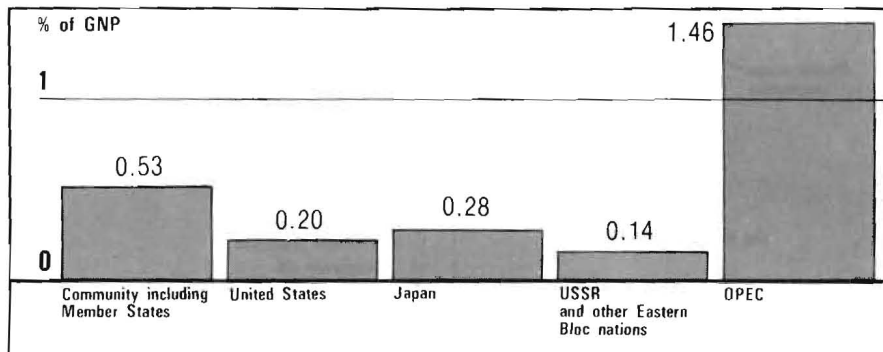
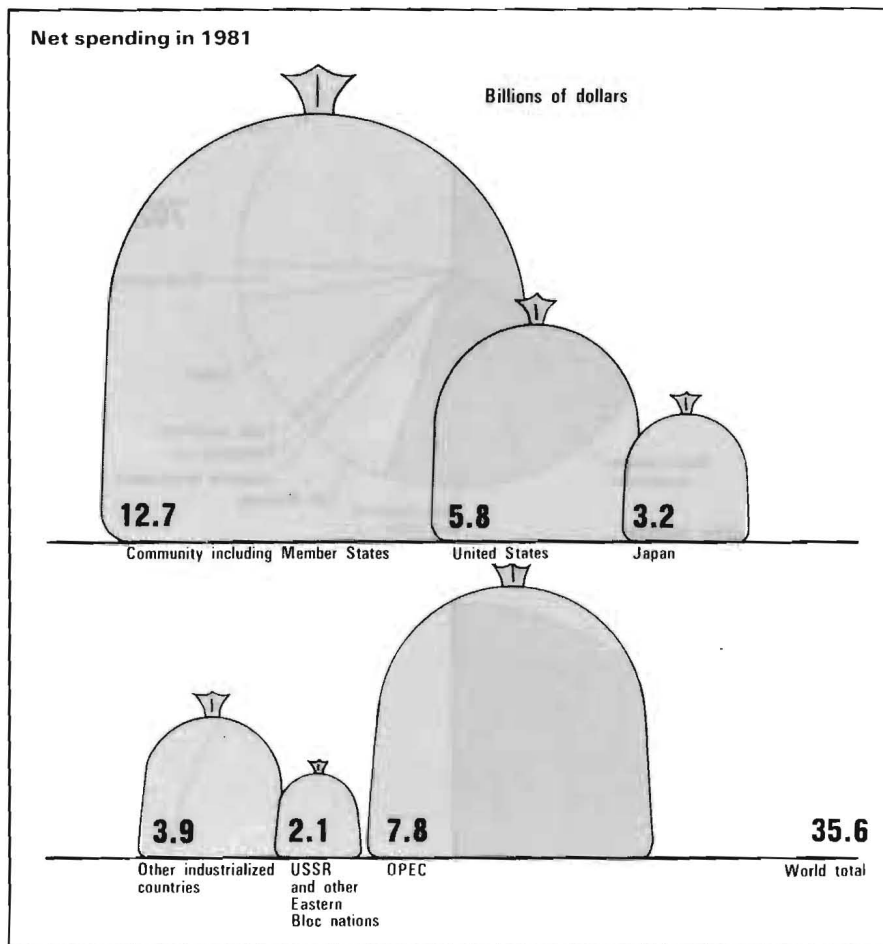
<sup>1</sup> See *European File*, No 19/82: 'The Community and the countries and regions of the Mediterranean'.



Development policy is a cornerstone of European integration. Much has already been achieved. But the serious situation in the Third World proves that much has still to be done. Greater cooperation between Europe and the Third World is needed to increase the chances, in North and South alike, of peace, economic growth and social and international justice ■

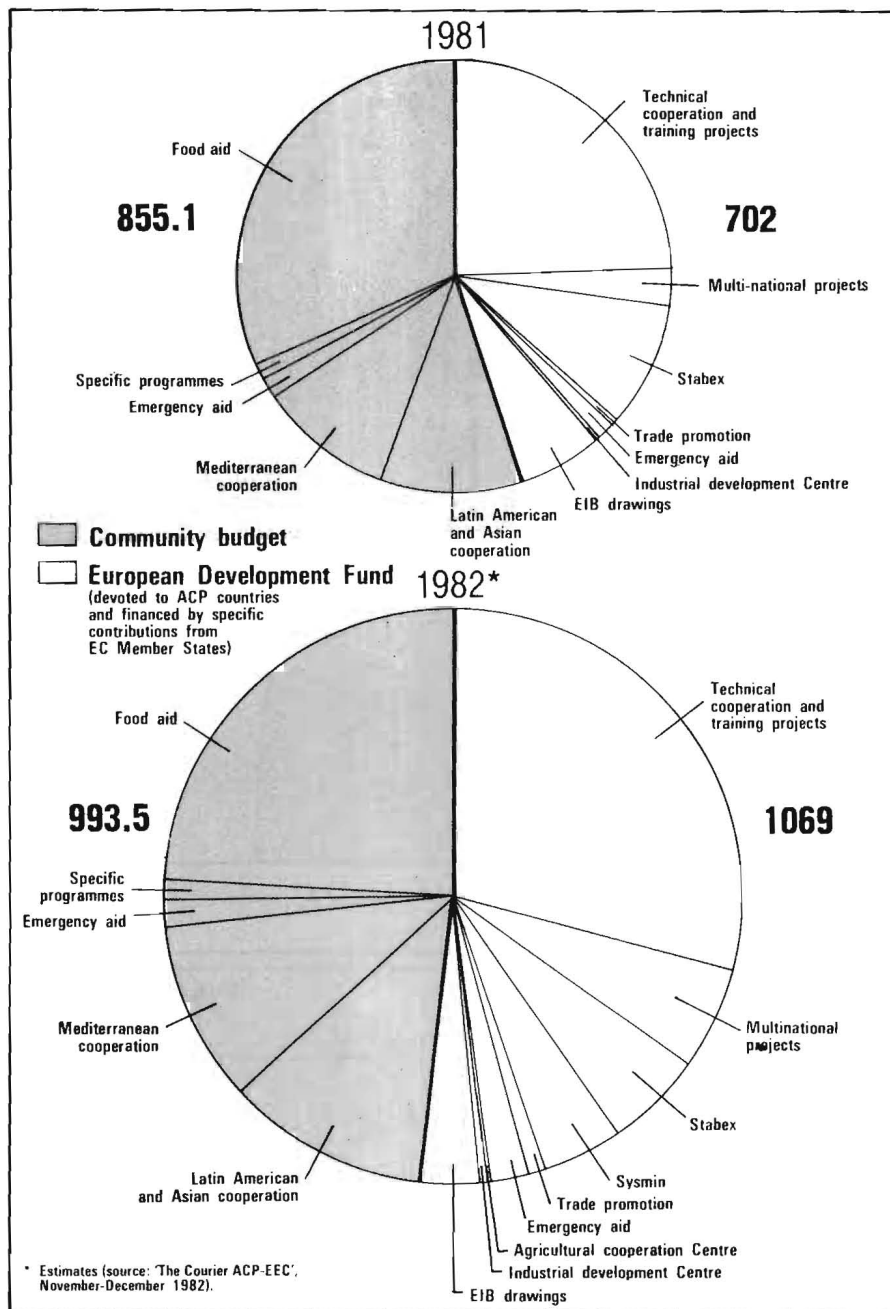


## Public aid to the Third World

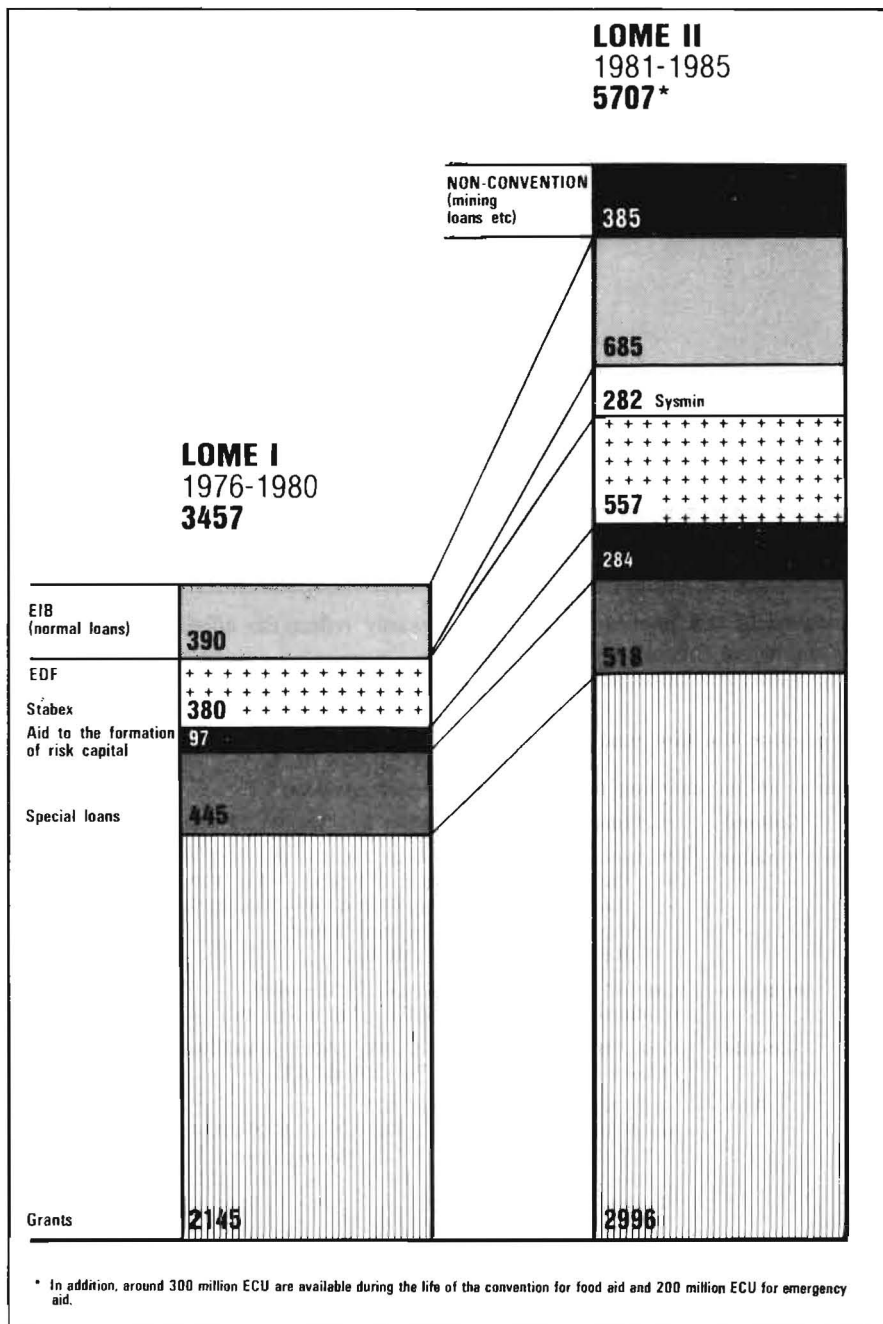


# Community financial aid to the Third World

## Break-down of projects (commitments in millions of ECU)



**Community financial aid to ACP countries**  
(in million ECU)





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The contents of this publication do not necessarily reflect the official views of the institutions of the Community.

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\* Offices also exist in other countries including all Member States.