

THE COMMUNITY'S  
DEVELOPMENT POLICY:  
THE VIEW FROM INSIDE

Notes prepared for  
A Conference of Europeanists  
convened by  
The Council for European Studies

Washington D.C.  
Oct. 25, 1980

by Corrado Pirzio-Biroli

---

These notes do not necessarily reflect  
the views of the European Commission.

## 1. The Shaping of the EC's Development Policy

The Community's development cooperation policy took shape after the 1972 Paris Summit of the nine heads of state and government, which gave it an overall mandate in that area.

The Community's development approach concentrated at first on neighbouring developing countries but soon moved into the world wide arena.

Its main chapters are: the adoption of the GSP (1971), the 3 billion dollars emergency fund for the MSA countries (1974) the start of the Euro-Arab dialogue (1974), the signing of the two Lome Conventions (1975, 1980), the signing of cooperation agreements with Israel, the Maghreb (Algeria, Morocco, Tunisia) and Mashreq (Egypt, Syria, Jordan, Lebanon) agreements (1975-1977), trade cooperation agreements with India (1973), Mexico (1975) and Brazil (1980), the cooperation agreements with The ASEAN countries (1979), the signing of the World Food Convention (the EC provides US \$600 million food aid worth annually), and the programme of aid for non-associated countries (which started in 1976 and reached an annual figure of \$190 million in 1980).

Today, the Community alone commits some US \$2.5 billion in ODA (of which 1.2 billion is contributed by the Member States for Lome), which amounts to about 20% of total ODA commitments by the EC and its nine governments. The latter together contribute 39% of total ODA (U.S. 16% (1)) and 0.5% of their GNP (U.S. 0.2%). Overseas aid is the fifth highest item in the EC budget.

---

(1) i.e. less than the Arab oil exporting countries, and just four times the tiny Kuwait (all above are 1979 figs. from the World Devpt. Reports and EC Commission.)

By 1976, the record was such that the Trilateral Commission concluded a study on international institutional reform by stating that the European initiatives "are the most effective route on issues concerning North-South relationship.

## 2. The Lome Convention

### 2.1. Content

The pièce de resistance of the Community's regional approach to the Third World is the Lome agreement. The Trilateral Commission defined it "a political event of international significance". It is a five year renewable global contract binding together a Community of Nine (soon Ten) industrial countries and an increasingly integrated group of sixty developing countries in Africa, The Caribbean and The Pacific (ACP). representing all together more than 500 million people.

Lome's main features are:

- Free market access, without reciprocity, to the ECM for 99.5% of the goods exported from the ACP and originating in these countries.
- The right to financial compensation (mostly on a grant basis) when any of 43 agricultural exports (plus iron ore, temporarily) of the ACP to the ECM provide foreign exchange earnings falling below prescribed reference levels. The relevant system, called STABEX, differs from a compensatory financing mechanism in so far as it is a trade mechanism, on a product by product basis (and not on a balance-of-payments basis).

- An accident insurance scheme for six minerals (or groups thereof), called SYSMIN, whose aim is the safeguarding of the existing mining potential. When natural disasters, grave political events or economic factors (price collapse) cause a substantial ( $>10\%$ ) fall in the production or export capacity of any of the six minerals by an ACP country, the Community is committed to make a special (1% interest - 10 years of grace, 40 years amortization) loan to reestablish the original mining conditions.
- A commodity agreement on raw sugar, according to which the ACP and the EC commit themselves to respectively sell and buy 1.4 million tons of sugar at prices close to the Community's domestic sugar prices (quasi-indexation).
- Industrial and technological cooperation, which can benefit from a jointly-managed Centre for Industrial Development, aimed at promoting a better international division of labour on lines advantageous to the ACP. A reinforced trade consultation mechanism aims at providing mutually greater transparenance of market prospects, notably on sensitive sectors or product groups.
- Investments promotion and protection provisions according to which any investment agreements entered into by an EC member with an ACP country must be extended to other EC members asking for it and ready to subscribe to the same obligations.  
Moreover, specific agreements with rights and obligations may be sought by governments and firms concerning energy or mining projects.
- Cooperation in the area of agriculture - for which a jointly-managed technical Centre for Agricultural and Rural Cooperation has been set up.

- A framework for bilateral fishery agreements in which the Community provides concessions in exchange for fishing rights (several such agreements have already been signed), and increased coordination as regards conservation and utilization of fishery resources.
- Cooperation in sea transport.
- Reciprocal undertakings to guarantee to the nationals of any of the signatories of the Convention residing legally in any signatory state the same working conditions, pay and job-related social security benefits as nationals of that state.
- Financial and technical assistance amounting to EUA 5,227 million (equivalent to US \$7,500 million) for the duration of the Convention, of which some 80% are in the form of grants and the rest is concessional assistance. This includes EUA 600 million for regional aid, EUA 200 million for emergency aid, EUA 550 million for the STABEX, EUA 280 million for the SYSMIN, EUA 685 million in loans from the European Investment Banks. It excludes up to EUA 200 million that the EIB is committed to make available for projects of mutual interest in mining and energy in the ACP.
- Common Institutions. The administration of the Convention is the responsibility of the ACP-EC Council of Ministers assisted by a Joint Committee of Ambassadors. An ACP-EC Consultative Assembly - composed on a basis of parity of members of the European Parliament and of representatives designated by the ACP, holds periodical meetings with the aim to provide political impulse and advice to the ACP-EC Council (other common institutions have been mentioned above.)

## 2.2. Significance

Lome does not represent a pilot scheme- as some have said - but a new model of international relations. Its main innovations are relevant to the discussions on a NIEO:

1. The establishment of stable contractual relations between groups of countries, thereby enhancing regional cohesion.
2. The joint management of these relations on the basis of ad hoc institutions, so as to ensure a better respect of the sovereignty of the weakest, i.e. reduce the risk of interference.
3. A global approach, which consists in a package of different measures and responses to the specific needs of individual partner countries.
4. Free market access for poor LDCs without reciprocity (the LDC partners may favour imports from other LDCs over those from the EC; LDC's are exempted from cumulative rules of origin).
5. Recognition that the free play of market forces is imperfect, which may require guaranteeing a minimum income (Stabex) or indexing it (case of poor Commodity producers) or resort to subsidization (Sysmin).
6. Redistribution of resources to LDCs on the basis of firmly committed amounts over multi-year periods and with flexible procedures.

## 3. The EC's Mediterranean Policy

The Paris Summit of 1972 pronounced itself in favour of an overall Mediterranean policy of the EC. This became a reality in the mid-seventies. The policy has been agreed with seven Arab coastal states

and Israel. The agreements are all global cooperation agreements of the Lome type.

The main differences with respect to Lome are:

- a) on the negative side: more limited access to the ECM, the lack of a STABEX or SYSMIN system or of any arrangement along the lines of the Lome sugar agreement and smaller amounts of aid (about US \$ 1 billion for five years up to 1981). Moreover, "reverse preferences" exist with Israel, and the mutual liberalization of trade remains the ultimate objective with the other partners also.
- b) on the positive side: unlimited duration - which notably means free access to the ECM for an unlimited period (whereas the finance aid protocols need periodical renewal). These agreements were also the first to include clauses on social security for migrant workers moving to the EC and provisions for cooperation in relation to energy supply - which have both extended to the Lome partners since.

Also Yugoslavia has received EC mediteranean treatment

including financial assistance through the European Investment Bank.

The reasons of the differences between the mediteranean agreements and Lome are their greater geographic proximity and greater economic strength and competitiveness (compared to those of the ACP).

The very ambivalence of the Community's position as competitor and

at the same time privileged partner of its mediteranean neighbours has indeed been at the root of the difficulties long standing in the way of a coherent Community policy in the area. The enlargement of the EC towards the European south is compounding the existing problems, notably by making the enlarged Community of twelve self-sufficient for a number of mediteranean agricultural products and aggravating its surplus in some manufacturing sectors such as textiles and shoes.

The signing of the EC-Mediterranean agreements is an important step by these partners towards taking greater responsibilities in the area. As obviously the EC cannot employ power politics in the mediterranean, its fundamental aim is to create a new economic balance among mediterranean states so that it can develop into an area of peace and prosperity.

#### 4. Wider Implications

Lome is a step towards reshaping the present international disorder and a proof of the latter's existence. Its not an answer to all problems.

Its background has international dimensions; increasing misery, notably food deficits, deteriorating terms of trade and mounting indebtedness for the LDCs; the lack of a dialogue between oil consumers and producers as well as between developed and developing countries.

It appears inevitable that all elements of a N-S dialogue, which are interdependent, will have to be discussed within a global framework.

A greater coherence is necessary : if we ask the oil producers to

ensure the forecastability of oil supplies and prices, we cannot refuse to do the same for wheat and cocoa. If we want a dialogue with the oil producers, we must be ready to discuss the conditions of their investments abroad, i.e. international monetary reform.

The increasing interdependence among nations (through international trade and capital movements) has led to a situation in which the international system can no longer be effectively regulated without a strengthening of appropriate decision-making powers.

In this connection recent experience has proved that there is scope for action at all levels, international, inter-regional as well as inter-regional, these levels being open to overlaps.

Collective management of the world economy can actually take many forms which, despite conflicts, may virtually reinforce each other towards the objective of a new stable and growing international economy.

Bold steps in some areas by some (e.g. LOME), can stimulate advances in other areas, or create new decision-making structures that may change the ball game entirely. The ECM proved this in the trade area (Kennedy Round). The European Monetary System - phase II - may prove it in the monetary area.

In fact, the very existence of the E.C. demonstrates that it is possible to establish rules and institutions that are capable of strengthening the decision-making process beyond the national level among increasingly organized and interdependent regional (or functional: OPEC) groupings.

There is indeed ample evidence that regional groupings can encourage a global but pragmatic approach to international relations, away from the rhetoric of extremes which often characterizes bloc to bloc (East against West, Group B against G.77) and nation to nation relations.

Blocs can thus be replaced by mosaics which may require patience to be dealt with, rather than brute force.

Regional groupings should normally be less inclined than nations, at some stages of their history, to take messianic approaches and therefore to identify heretics, to believe in churches and devils, to be drawn into mass phenomena like fascism, Stalinism or McCarthyism.

The seventies, it seems to me, have indicated that a certain division of responsibilities has appeared in the West, with the U.S. caring primarily about Western Security and Europe caring primarily for development cooperation (not military aid) with the poorest countries. This does of course not mean that the U.S. are not in the aid business, nor that the Europeans are out of the security business (see their participation in the Helsinki and Belgrade security conferences). Besides, the borders between the two areas have

have become blurred in times of economic warfare for political motives. International conflicts are indeed fed by widening disparity of income, which leads to resource cartels, block voting at the U.N., economic warfare and other forms of "militantism".

An example of the increasing overlap between "high-politics" and "low-politics" is the Palestinian question. The abstention of the E.C. on the Pro-Palestinian resolution in the U.N. General Assembly last July, rather than a move antagonizing its greatest ally the U.S., reflects the hope to play "a middleman" role in the Middle East conflict by showing evenhandedness in this matter. It also reflects the belief that without peace in that area, no deal can be made with the LDC's on major international economic issues.

In spite of its internal differences, Europe basically needs and wants a meaningful North-South Dialogue. So do most other countries. It is therefore vital that the U.S. join in, or they will face tensions with their industrialized partners.

I believe that Europe increasingly understands the influence it can exert on world affairs, and will act to strengthen it in those areas like ~~North-South~~ that are particularly suited to a civilian power like the E.C.

---