

# THE EEC AND THE DEVELOPING COUNTRIES: OUTSIDE THE LOMÉ CONVENTION AND THE SOUTHERN MEDITERRANEAN

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THE EEC AND THE DEVELOPING COUNTRIES:  
OUTSIDE THE LOMÉ CONVENTION AND THE SOUTHERN MEDITERRANEAN.

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Introduction

Created in 1957 with the signing of the Treaty of Rome, which gave it the right to contribute collectively to the development of its overseas territories but no mandate for an overall policy towards other developing countries, the European Economic Community has slowly but surely worked out its own particular relationship with the Third World.

Focusing initially on its former colonies, the early 1960s saw the European Community of Six negotiate an association agreement - the often quoted Yaoundé Convention - with 18 of its former colonies in Africa and Madagascar (or the Associated African States and Madagascar). The first Yaoundé Convention signed in 1963 and providing for cooperation between the two regions on the basis of equality and partnership, was followed in 1969 by Yaoundé II. Similarly, trade agreements were negotiated between the Community and two Maghreb countries, namely Morocco and Tunisia (Algeria had yet to become independent) as well as Lebanon and Egypt.

The enlargement of the Community in 1973 to include three new member states - Denmark, Ireland and particularly the United Kingdom - brought the European Community into direct and privileged contact not only with the English-speaking countries of Africa, but also with countries of Asia, such as India, Pakistan, Sri Lanka etc.

One direct result of this widening of the EEC's horizons was the conclusion of the Lomé Convention, a new contractual agreement which replaced the Yaoundé Convention and was signed between the nine member countries of the EEC and 46 countries belonging to the African, Caribbean and Pacific regions.

This phenomenon of growing EEC relations with the developing countries was not limited, however, to countries in Africa. It coincided with a number of fundamental changes in the Third World, spearheaded by the organisation and grouping of developing countries in international organisations (the creation of the group of 77) and the formulation of specific demands focussing on a new international economic order including claims for better access for their exports on Western markets, facilities for industrialisation and rural development etc. Increasing food requirements of growing Third World populations was another phenomenon, which became particularly acute in the late 1960s and the 1970s.

Faced with these developments, the European Community, the leading economic entity in international relations, could not remain unmoved. Beginning (1968) with the fragmented and isolated instruments such as food aid, the generalised system of preferences (1971) etc., the Community tried to contribute to the solution of some of the unnumberable problems confronting the Third World. A broad and clear mandate for working out a "global cooperation and development policy" was finally given by the Paris Summit held in 1972, and the Community's development cooperation policies really got underway.

Almost at the same time, requests for the signing of commercial cooperation agreements with the EEC came in from various countries in Asia and Latin America, the EEC put together a global cooperation policy with the countries of the Maghreb and the Mashreq and launched the Euro-Arab Dialogue.

It soon becomes clear that the Community's development cooperation policy today covers two closely associated and complementary aspects:

- the continuation and extension of cooperation with developing countries in a regional context, i.e. the Lomé Convention and cooperation agreements with the countries of the Southern Mediterranean
- the progressive implementation of an overall policy at world level, including such instruments as the generalised system of preferences, food aid and financial assistance etc. The present document focuses on these aspects, namely access to Community markets and transfer of resources from the Community to the Third World.

The Community is also active in a number of international organisations such as UNCTAD, UNIDO, and other aspects of the wide-ranging North/South Dialogue.

"To each according to his needs, bringing all our means to bear"

The quotation taken from the Commission's "fresco" on development policies written in 1974, stresses the diversity of situations and needs existing in the Third World. "With certain countries", notes the Commission, "it is a question of providing them for an unspecified period of time with the resources necessary for their survival, principally in the form of gifts". As regards other countries, "financial aid will have to be progressively supplemented by trade arrangements designed to facilitate the sale of their exportable products, and by industrial and technological cooperation".

"Non-associated" developing countries generally fall into these two categories: those with small exportable surpluses and a level of development which requires financial and technical assistance from the industrialised countries and those with relatively developed economies which are dependent on the exports of commodities and are currently seeking better market access for their products in the industrialised world. The Community's development instruments are designed to solve the specific problems facing both categories of countries. Its financial assistance and food aid programmes are primarily directed towards the least developed of the developing countries, while its generalised system of preferences and trade promotion activities help the more advanced of the developing countries to develop their trade in manufactured goods, although new improvements in the Community's GSP include a package of measures for the Least Developed Countries.

## 1. Access to markets

Developing countries, fighting for a new international division of labour which will no longer confine them to producing raw materials for Western-based industries have repeatedly called for the opening up of markets in the industrialised countries to their exports of manufactures and semi-manufactures. Access to Community markets for developing countries' exports is facilitated by the EEC's Generalised System of Preferences (GSP) and the conclusion between the EEC and several developing countries of commercial cooperation agreements. While the GSP grants tariff preferences to Third World exports to EEC markets, the commercial cooperation agreements, using a variety of instruments, work to promote trade between the two partners.

### a. The Generalised System of Preferences

As a basic element in their strategy for development, developing countries have been seeking for many years to diversify the structure of their economies away from an over-dependence on the export of primary products - demand for which is not very elastic but prices of which are often highly unstable - and to enter into the more profitable export fields for processed and manufactured products. However, developing countries have also claimed that they were often not in a position to compete on equal terms with already industrialised countries and that they therefore needed preferential access to the markets in the developed world, in particular by a dispensation from the application of the "most favoured nation" rule, enshrined in GATT under which international trade had been traditionally conducted. The concept of tariff preferences in favour of developing countries was finally agreed in principle at UNCTAD II in New Delhi in 1968 with the objectives of helping developing countries

- a) to increase their export earnings;
- b) to encourage their industrialisation; and
- c) to speed up their rate of economic growth.

On 1 July 1971, the European Community, taking the lead among the developed countries decided to bring into operation a scheme of generalised preferences, being followed in the same year by Japan and Norway, in 1972 by Finland, Sweden, New Zealand and Austria, in 1974 by Australia and Canada, and finally in 1976 by the USA.

The various schemes of generalised tariff preferences are all based on the following principles : the preferences are

- a) generalised - they are granted by all developed countries;
- b) non-discriminatory - they are supposed to be accorded to all developing countries without distinction ;
- c) autonomous - they are not the outcome of negotiations with the beneficiary countries, who may, however, be consulted ;
- d) not reciprocal - the beneficiary countries are not required to make any tariff concessions in return.

The tariff preferences operate by means of tariff reductions on the MFN (1)

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(1) MFN = most favoured nation

rate of duty, which may descend to completely duty-free entry. Preference is, however, subject to compliance with the importing country's Rules of Origin, which lay down criteria to obtain the status of originating product, the procedures for certification and to be followed in shipment to the receiving country. In the EC's system of generalised preferences there are parallel but separate annual schemes for industrial and for agricultural products.

In the industrial sector, the EC has from the outset offered a total suspension of customs duties on all manufactured and semi-manufactured industrial products (Chapters 25 to 99 of its Common Customs Tariff) some 3000 items in total - but within annually fixed quantitative limits, the strictness of whose administration varies according to the sensitivity of the equivalent product produced by the EC's own domestic industries. The value of the GSP offer has grown from about 1000 million in 1972, the first full year of operation, to 2800 UA in 1974 following enlargement of the EC to 6,150 EUA in 1979. At the same time the administration has been significantly liberalised by reducing the number of sensitive products apart from textiles from 53 to 13 (plus 3 ECSC products).<sup>(1)</sup>

For agricultural products tariff reductions ranging from 20 % to 50 % and for 73 products duty-free entry are now offered on 310 products in chapters 1 to 24 of the Common Customs Tariff. With the exception of 6 items - soluble coffee, cocoa butter, Virginia tobacco and canned pineapples in cubes and in slices and cigar wrapper tobacco - all these products can enter the EC without quantitative limitations. The value of the EC's offers had grown from 100 million UA in 1972 on a list of 147 products, to 450 million UA in 1974 on 187 products to 1,350 million EUA in 1979.

#### The 1979 Scheme and a special package for Least Developed Countries

The EC's 1979 GSP Scheme represents a balance between two opposing tendencies. On the one hand a further effort to open its market to developing countries and thus to honour the pledge given by the Council of Ministers on 27 June 1978 that a further improvement of the GSP - although its status remained formally autonomous - would contribute to the global results of the Multilateral Trade Negotiations. This line was endorsed by both the European Council and the Western Economic Summit in July 1978. On the other hand, the overall economic situation within the EC and the structural problems facing a number of key European industries necessitated a more cautious approach in certain areas.

Taken as a whole it is estimated that the value of the EC's offer has gone up to about 7,500 EUA compared to 6,800 UA in 1978 (Note: the EUA has been introduced in the 1979 scheme in place of the UA on a 1:1 basis but with certain changes in the conversion rates in to national currencies).

In the agricultural sector: following the considerable contribution which the EC has already made to the MTN by bringing into effect in 1977 its tropical products offer, it was felt that there was comparatively little room for major new improvements. Nevertheless for 1979 three extra products have been added to our coverage - hilsa fish (whole or in fillets) and concentrated grapefruit juice, while there have been further reductions in the preferential duties on 11 products already included - a wide range of shell-fish and cigars. In addition two products - raisins and raw coffee - have been brought in with zero duties for the benefit of Least Developed Countries only.

In the industrial sector there has been no change in the structure of the EC's scheme. In accordance with the established rules, the use of 1976 trade figures in the supplementary amount element in the EC's formula for calcula-

(1) Such as soluble coffee, cocoa butter, tobacco, shellfish....

ECSC: European Community for Steel and Coal

ting ceilings has resulted in the offer being raised from 4.600 million UA to 5.200 million EUA, an increase of about 12.6 %, although within this total the increases have generally been greater for non-sensitive and semi-sensitive products, and indeed the EC has been unable to apply the formula for a number of crisis industries such as steel and footwear.

On textiles, where there has always been a somewhat special regime, the Commission had proposed that consequent upon the renegotiation of the Multifibre Agreement and the conclusion of bilateral agreement with most of the EC's suppliers of textiles among developing countries, it would be possible also to recast the system of preferential imports with a view to bringing the GSP provisions and the overall quantitative arrangements into harmony. The Commission's proposals envisaged that since the flow of imports had been brought under control by the bilateral agreements a significant increase in the volume of the imports receiving preference could be accepted but that access to GSP benefit should be conditioned by having signed such an agreement, with thereafter exporting countries receiving guaranteed shares in the overall ceilings. At the same time the MFA categorisation of products would be adopted.

Because of the complex technical problems involved in bringing in a scheme of this kind, the Council of Ministers decided, however, in the first instance to extend the current arrangements for a further six months until 30 June 1979 with a 5 % pro rata increase in the volumes of the quotas and ceilings but otherwise virtually unchanged to give the EC institutions in the meantime a further period in which to try to work out a new and improved GSP scheme on the basis of the proposals earlier put forward by the Commission.

Rules of Origin are intended to ensure that the benefits of preferential treatment are received on goods genuinely produced or manufactured in the beneficiary countries and therefore to exclude goods which are essentially the product of developed or other third countries. Specific rules have therefore been drawn up to cover situations where in the process of manufacture it has been necessary to use imported elements and to lay down the types of stages of processing which has to be carried out in the developing country for it still to qualify for GSP treatment.

The Community has, however, adopted a benevolent attitude towards the efforts of developing countries in various parts of the world to form regional economic groupings and has tried to encourage these forms of regional integration by agreeing to derogations from its normal rules of origin to allow a system of cumulation of origin when goods are processed or manufactured in more than one member country of a regional grouping. For GSP purposes, the regional groupings recognised are the Central American Common Market, the Andean Group and ASEAN.

### Utilisation

Although both the volume of the GSP offer in the EC's GSP schemes has increased several fold since 1971 and its utilisation has also risen substantially and more or less pro rata, nevertheless so far the main benefits of the GSP have been obtained by a relatively small number of countries which repeatedly figure well up in any analysis of utilisation. Thus in 1974 no more than 10 (1) countries succeeded 71,5 % of the utilisation of the EC's scheme, and in 1977 the top 10 countries took 70,3 %, 9 (1) of them having been on the previous year's list. Similar results have been experienced in the schemes of other donor countries. This is due not to any basic fault in these schemes but because the GSP being intended to encourage above all industrialisation, it has been inevitable that in the first years of its operation, it is those countries such as Yugoslavia, Hong Kong, South Korea, Singapore, Mexico, Brazil and India

(1) Yugoslavia, Hong Kong, South Korea, Singapore, Mexico, Brazil, India, Rumania, Pakistan (not in 1977), Argentina.

which already possessed a broader industrial base and had the necessary or potential range and volume of goods to offer, should have led the way in the utilisation of preferences.

The need to take an active role in improving utilisation of the GSP both in raising the proportion of the annual offer taken up and to achieve a wider distribution among beneficiary countries has been recognised from the outset. The Commission has each year organised a programme of seminars on the GSP in beneficiary countries, in earlier year to explain and publicise the principles and detailed rules of the EC's schemes but more recently with emphasis switched to making contact directly with businessmen directly involved in various industrial sectors in exporting to Europe and with officials responsible for customs administration, issue of certificates of origin and trade promotion. In addition the Commission has since 1976 published an annual "Practical Guide" to the GSP which explains in layman's language and in schematic form the formal regulations on which the GSP is embodied.

#### Future of the GSP

By a Resolution of the Council of Ministers of March 1975, the Nine were the first of the donor countries to recognize that it would be necessary to continue the GSP for a further period beyond the initial 10 years authorised under the original waiver from GATT. This position was subsequently adopted by the other donor countries in a resolution at UNCTAD IV in 1976 and reaffirmed in the agreed conclusions at the end of the North-South dialogue in 1977. There was also agreement to continue to improve the various schemes and to try to tailor more closely to the needs of the developing countries, with particular emphasis on the problems of Least Developed Countries as well as efforts to raise utilisation further. The Commission itself had now begun a detailed review of what the experience of the GSP has meant so far both as beneficiary countries are concerned and the impact on its own industries. It is hoped to announce early next year the broad lines of the Commission's ideas for the GSP after 1980.

#### b. Commercial cooperation agreements with Asian and Latin American countries.

As part of its action at world level, the Community has signed commercial cooperation agreements of various kinds with 4 Asian and 4 Latin American countries. (1) The first of these came into force in 1969.

At the time of its enlargement in 1973 to include the United Kingdom, Ireland and Denmark, the Community undertook a special responsibility, expressed in a "Joint Declaration of Intent" annexed to the Treaty of Accession, to extend and strengthen relations with the developing Commonwealth countries of Asia. In line with this Declaration, commercial cooperation agreements have been signed by the Community with India (1974), Pakistan (1975), Bangladesh (1976) and Sri Lanka (1975). These agreements provide an institutional framework designed to develop trade and economic relations between the partners. But relations between the EEC and these countries are also moving forward, the European Commission has forwarded proposals to the EEC Council of Ministers calling for the conclusion of a wider-ranging trade and economic cooperation agreement with India. The main improvements expected in the new agreement concern the extension of economic cooperation between the two sides beyond trade to include cooperation in the scientific and technological sectors. A separate protocol would extend the provisions of the agreement to the European Community for Steel and Coal (ECSC).

(1) - Bangladesh, India, Pakistan, Sri Lanka  
- Argentine, Brazil, Mexico, Uruguay



Various sorts of textiles agreements have been concluded by the Community with Bangladesh, Hongkong, India, Indonesia, Iran, Laos, Malaysia, Pakistan, the Phillipines, Singapore, Sri Lanka and Thailand.

#### Moving forward in relations with ASEAN

To promote closer commercial and economic links with the five ASEAN countries - Indonesia, Malaysia, Singapore, Phillipines and Thailand - and the European Community, a Joint Study Group was initially established in 1975 to look into the ways and means of enlarging and reinforcing cooperation between the two sides. A great deal of progress has been made since then. Following the setting up of a "dialogue" at ambassadorial level with the Nine in 1977, the two sides held a ministerial meeting in November 1978. Talks are currently underway for the conclusion of a commercial cooperation agreement with the ASEAN countries.

#### Latin America

Non-preferential trade agreements have been signed between the Community and Argentina (1971), Brazil and Uruguay (1973) and Mexico (1975).

In addition, an EEC/Latin America ambassadorial dialogue was initiated in Brussels in 1970, as a means of reinforcing cooperation between the two sides. Programmes of cooperation with Latin American organisations for regional integration, such as the Central American Common Market, the Andean Group and the Latin American Free Trade Association have also been installed. The Community is also seeking to develop links with the Latin American Economic System (SELA), an organisation which groups all 22 Latin American countries and works to coordinate action undertaken by its members at world level.

#### c. Trade Promotion

The opening up of markets as under the GSP is not always sufficient to enable developing countries to make full use of the opportunities provided by the EEC under its GSP. This is essentially because tariff barriers are not the only barriers to the expansion of Third World trade. Developing countries also suffer from deficiencies in their marketing networks, lack of adequate information and contact between firms and finally, insufficient knowledge of consumers' requirements. Marketing and trade promotion schemes are therefore necessary to help overcome such barriers and are an essential complement to "market access" measures provided by the generalised system of preferences.

The Community is the only industrialised entity to implement trade promotion schemes to help developing countries sell more efficiently on their markets. Between 1974, when the scheme was first introduced, and 1978, the Community has helped developing countries participate in some 448 trade fairs, has sent 126 experts to the developing countries and has organised visits to Europe for some 120 Third World exporters' missions. The Community budget for trade promotion activities in 1979 is 5.5 million EUA (In 1978 it was 5 million).

Community action in this sector was initially limited to the organisation of training courses and seminars, but has been greatly diversified since then.

It includes:

a) organising trade missions from the developing countries to the Community with the assistance of specialised bodies in the Member States. These missions are normally composed of 9 to 10 professional businessmen from the non-associated developing countries who come to Europe for a three-week hardselling trade mission. 35 such trade missions were organised by the European Commission during 1977 and 1978 and about the same number are in the pipeline for 1979. The cost of each mission is put at 30,000 EUA.

b) the Commission also finances Third World participation in specialised trade fairs held in Europe, and sometimes outside Europe. Approximately 120 such fair participations are organised by the Commission each year. Emphasis is put on participation by developing countries in specialised rather than general trade fairs. Trade fairs of particular importance to the developing countries and where participation is ensured by the Commission include the Cologne Food Fair, fairs held in Paris, Brussels and Milan etc. In each case, the Community finances the construction and fitting out of stands etc, while the developing country finances other expenditures.

c) the Commission also organises "workshops" or marketing seminars in the developing countries to help Third World exporters learn about the export opportunities existing for different products on EEC markets. These seminars are partially financed by the Commission and the host developing country.

d) the Commission is also currently helping developing countries in setting up individual trade promotion centres in EEC Member States. A number of such centres are currently in the pipeline, including a trade promotion centre for India in Brussels, for ASEAN, Bangladesh, Pakistan and Sri Lanka in Rotterdam and Copenhagen. Similar trade centres have been requested by Latin American countries.

Although initially financed to a large extent by the European Community, these trade centres are expected to become self financing in about two years. They are an example of "triangular cooperation" existing between the Community, Member States and the developing country which puts in the request.

e) the Commission also organises straight-forward purchasing missions to the developing countries. These are complemented by missions of European marketing and design experts. 20 such purchasing missions were sent to the developing countries in the years up to 1978 and more are expected to be organised in 1979.

f) finally, the Commission also helps developing countries in the publication of marketing brochures and guides about Third World exports etc.

#### Beyond trade: EEC/ASEAN investors conference

It is worthwhile to mention the organisation of an EEC/ASEAN investors conference in Jakarta, Indonesia, in January 1979.

The conference, co-sponsored by the European Commission, four European banking groups and the ASEAN governments, was attended by some 300 European bankers and businessmen. It was the second of its kind organised by the Commission for the ASEAN countries, the first being organised in 1976 in Brussels.

## 2. TRANSFER OF RESOURCES:

Financial assistance from the European Community to the developing countries takes two distinct but interrelated forms: food aid and direct financial and technical assistance for specific projects, essentially in the rural development sector, undertaken by the developing countries.

### a) Food aid

Food aid, initiated by the Community in 1968, without any specific warrant from the Treaty, is recognised today as an important instrument of overall EEC development policy. Its importance is growing given the current food shortages and the growing requirements for food in the Third World.

The European Community's food aid is given in the form of donations directly to states or through international organisations. It falls into two categories: emergency aid and normal food aid. Emergency aid is reserved for famines following natural catastrophes (drought, floods, earthquakes etc). In such situations, the Community takes responsibility for supplying the goods, the cost of transport and free distribution to the affected population.

Normal aid consists of food aid supplied free of charge and sent to the Community's ports or to the border of the recipient country in exceptional cases. The cost of transport and distribution is the responsibility of the beneficiary country. The products supplied are destined either for free distribution by the government concerned or for sale at the local markets. In the latter case, the government has to use the ('counterpart') funds it receives from the sales to finance development projects.

### Objectives of food aid

the objectives of Community food aid are as follows:

- to raise the standard of nutrition of the beneficiary populations;
- to help in emergencies;
- to contribute towards the economic development of the beneficiary country.

The criteria for granting EEC food aid include:

- basic food needs in the developing country or the existence of a food shortage;
- an annual per capita income of less than 520 dollars;
- the existence of a balance of payments deficit.

The European Commission has repeatedly called for a triennial aid programme which would ensure developing countries a continuity in food aid. Proposals for increasing the existing food aid programmes have also been made by the Commission but Member States are reluctant to commit themselves to a long-term policy in this area. Food aid from the Community therefore continues to be a yearly affair, particularly in the dairy sector, with the major exception of "flood II" (see below)

### EEC Aid in Cereals

The European Community has been involved in food aid operations in the cereals sector since 1968, that is since the Food aid Convention annexed to the International Wheat Agreement, one of the offshoots of the Kennedy Round talks, entered into force. The EEC's contribution was fixed at 1,035,000 tonnes, that is 23 % of the total, as against 42 % for the USA.

Under this agreement, Community deliveries rose to 1,161,000 tonnes in 1972/73 and 1,287,000 tonnes in 1973/74 when three new Member States (1) joined the Community. The 1,287,000 figure is still valid in 1979, but Member States are willing to raise the contribution to 1,650,000 tonnes as from 1980 in the framework of the new Food Aid Convention to come.

(1) United Kingdom, Ireland, Denmark

Convention to come. The Community share of the contribution has, however, risen from 40 % or 580,000 tonnes in 1973/74 to 56 % or 720,000 tonnes currently. In 1978, cereals from EEC were sent to 36 countries and 6 international organisations (above all World Food Programme). Today the remaining 44 % are provided by Member States on individual basis.

### Aid in dairy products

In April 1969, the Council decided to include dairy products in the Community's food aid programme. The primary and avowed reason for this was the financial burden of maintaining stocks of these surplus products in the Community. But it cannot be denied that increasing demands for food aid from the developing countries played a role in the Community decision.

This form of food aid which was supplied for the first time in 1970, independently of any international commitment and as stocks became available on the Community market, initially lacked the continuity and regularity characterising food aid in cereals. It has, however, become more regular since 1976 as the Commission's policy has taken firmer shape (see table n° 3).

Aid in milk powder increased from 60,000 tonnes in 1972 to 150,000 tonnes currently. EEC aid in butteroil rose from 15,000 tonnes in 1972 to 45,000 tonnes currently.

In 1978, 39 countries and 9 international organisations received milkpowder, whereas butteroil went to 29 respectively, 8 beneficiaries.

### Criteria for food aid in dairy products

In drawing up its proposals for food in dairy products, the Commission keeps the following three factors in mind:

- applications received by the Community. These have been rapidly growing in the past few years as developing countries fully realise the nutritional and economic advantages of developing their dairy sectors. This is reflected in the large number of requests for aid in skimmed milk powder and butteroil addressed to the Community by the developing countries.
- The Community market situation (output, public and private intervention stocks, internal consumption, export opportunities) which is carefully examined to see how much of the products can be given in aid.
- the developing countries needs.

Unlike aid in cereals, that in the form of dairy products was initially supplied primarily through international bodies such as the World Food Programme, the International Red Cross Committee and UNICEF etc. From the beginning of 1973, the Community decided to apportion a greater share of aid directly to beneficiary countries.

### First contribution to comprehensive longterm rural development: "Operation Flood".

The most striking example of the Community's food aid programme in the dairy sector, is its long-term commitment to contribute to the second phase of the "Operation Flood" programme undertaken by the Indian authorities. "Operation Flood" which started in 1970 has proved to be not only the largest project of this type but also one of the most comprehensive rural development

projects undertaken anywhere in the Third World.

In July 1977, the Indian Government requested Community aid for the second phase of the project covering 1978 to 1985. An estimated 186,000 tonnes of milk powder and 114,000 tonnes of butteroil were requested by the Indian authorities for the seven year period. Proceeds from the sale of the products - some 270 million dollars - should cover half the total cost of the project, the balance being covered by a loan from the World Bank (36 %) and by national resources.

These funds will be allocated by the Indian Dairy Corporation to the dairy federations in the form of grants or loans. The main aims of the project are to improve living conditions by 1985 for 10 million milk producers' families by building up an efficient dairy industry; to create a distribution network to cover 142 large towns with a total population of 150 million and to create the infrastructure needed for the dairy industry in India.

In 1978, the Community supplied the project with 31,000 tonnes of milk powder and 12,700 tonnes of butteroil for a total cost of 83 million EUA. Similar contributions will be made by the Commission for the coming five years of the project.

The scheme, according to the European Commission, illustrates the potential of a food aid policy that makes a direct contribution to the rural development of the recipient country, thus going beyond the short-term solution of meeting the immediate food requirements of the populations. The project also shows that the integration of food aid operations with development programmes would be made much easier if the Community accepted multi annual commitments such as the Commission has been proposing since 1974.

#### 1979 food aid programme

The 1979 programme relates to quantities covered in the 1979 budget: 720,500 tons of cereals (+ 566,500 tons bi-lateral actions of Member States); 150,000 tons of milk powder and 45,000 tons of butteroil. The cost of these programmes is put at 540 million EUA (1), including about 57 million EUA for transport and communication costs.

As regards cereals, crop failures in two major importing countries, Pakistan and Vietnam, have put an additional strain on the programme while other major importing countries like Bangladesh and Egypt still have similar or greater needs than in previous years. There has therefore been a sharp increase in the amounts requested: 3,226,000 tonnes this year, as against 2,680,000 tonnes last year.

#### Aid allocations

Cereals: 140,000 to be allocated to international organisations or institutions (World Food Programme, UNRWA, UNHCR etc.) and 524,300 tonnes to countries, the largest quantities being sent to the South Asian countries and Egypt. There is a reserve of 56,200 tonnes for emergency utilisation.

Milk powder: organisations are to receive 66,800 tonnes (of which 30,000 tonnes to the World Food programme and 25,000 tonnes to non-governmental organisations). Direct allocations amount to 78,800 (of which 31,000 tonnes to India).

(1) at internal prices. (1 eua = european unit of account = approx. 1.34 USD)

Butteroil: organisations to receive 13,200 tonnes. Direct allocations worth 31,300 tonnes, the largest quantities going to South Asia and the Middle East.

#### Aid for Palestinian refugees

Since 1973, when the Commission signed a triennial Convention with the United Nations Relief and Works Agency for Palestinian Refugees (UNRWA), EEC has provided yearly contributions of some 6,000 tonnes of sugar for distribution to countries providing shelter for Palestinian refugees.

#### b. Financial and technical assistance

In addition to food aid programmes, the Community, since 1976, has implemented a programme of direct financial and technical assistance for the "non-associated" developing countries of Asia, Latin America and Africa.

It was in March 1975 that the European Commission submitted proposals to the EEC Council for an action programme for "non-associated" developing countries for the period 1976/80. The programme called for about 900 million USD in financial and technical assistance to be concentrated on measures to improve agricultural output, the promotion of rural development, and regional cooperation etc. As a first step the Community earmarked 25 million USD in the 1976 budget for financial and technical assistance to help six countries (Sri Lanka, Bangladesh, India, Indonesia, Pakistan and Bolivia) and international organisations. A sum of 60 million USD was set aside in 1977, 90 USD in 1978 and finally 145 million USD in 1979.

Meanwhile, the broad outlines of a Commission proposal on the modalities and principles of financial and technical assistance to the "non-associated" developing countries was adopted by the EEC Council last year and is expected to enter into force once the concertation procedure between the European Parliament and the Council comes to an end. Working on the basis of an ad hoc procedure in 1979, the Commission will once again decide the distribution of its aid programme and will inform the Council of its decisions.

Despite pressure from some Member States to reduce the budgetary appropriations suggested by the Commission for aid to "non-associates", the European Parliament has consistently supported Commission efforts for an increased sum and a longer-term policy in this area.

The draft regulation which formed the basis of the Commission's programme in 1978 suggests the following general guidelines for the granting of aid to non-associates:

- aid shall be in grant form and directed towards the poorest developing countries, to help improve the living conditions of those sections of their populations that are in the greatest need;
- the aid shall be aimed at developing the rural areas, with particular emphasis being placed on the improvement of food supplies;
- a smaller proportion of this aid may be directed towards regional projects;
- a limited proportion of this aid (7 % was originally suggested for 1978) should be set aside for long-term reconstruction projects following natural catastrophes;
- aid shall be granted by the Community either directly or through co-financing with EEC Member States or with multilateral or regional bodies.

(1) 1 eua = 1,34 USD

### 1978 programme

Community aid was divided between the regions as follows: Asia: 74 %; Latin America: 21 %; Africa: 5 %.

The 37 projects selected by the Commission focus on an increase in the production and availability of food stuff commodities and an improvement in the living standards of rural populations, especially in the least favoured areas. 19 of the projects are to be co-financed with Member States or other international organisations, while 18 will be financed autonomously by the EEC (see table n° 4).

The Indian sub-continent absorbs close to half the aid included in the 1978 programme, while, India, the largest single beneficiary receives almost one-quarter. In comparison with the 1977 programme, four new countries appear in the list of direct beneficiaries: Laos, Haiti, Mozambique and Angola. Two of the regional integration organisations ASEAN and OLADE (The Latin American Energy Organisation) appear for the first time on the list.

### General guidelines for the 1979 programme

As for 1978, some 7 to 10 % of the Community's financial and technical assistance resources will be reserved for reconstruction measures intended to deal with natural catastrophes. Once again, Angola and Mozambique are to receive EEC aid, and it is expected that once independent, Namibia will also be on the list. Asia, with the largest number of developing countries as well as the poorest and the most populated is once again to receive the dominant portion of the aid. Geographical distribution will therefore be more or less similar to 1978, with Asia receiving 73 %, Latin America 20 % and Africa receiving 7 % of EEC aid.

Meanwhile, the Commission notes that the resources available, even though expected to increase, are still totally inadequate to meet requirements of the eligible countries. In certain circumstances it may turn out to be preferable to "concentrate" EEC aid, one year in one country, the next in another, so as to give each a significant contribution, rather than intervening in a larger number of countries with a relatively modest contribution which may not permit the implementation of sufficiently large projects. As regards the sectoral distribution, the agricultural sector will continue to receive priority.

The Community's aid programme for the "non-associated" developing countries thus differs considerably from the actions of the European Development Fund within the context of the Lomé Convention. EDF aid is contractual and multiannual while aid in favour of the non-associates is on the basis of Community decisions taken on a yearly basis.

### c. Emergency aid

The Community is also in the position of helping out developing countries which are the victims of natural disasters and catastrophes. Under article 950 of the Community budget some 3 million EUA have been set aside by the Parliament for actions in this field, compared with 900,000 EUA in 1978 and 800,000 EUA in 1977. This aid covers first aid measures, such as supply of medicines, tents, covers and blankets, basic food necessities etc. It is always channelled through international organisations.

Aid from the Community can also include help in national efforts for economic recovery during the six-month period which follows a natural disaster. This includes supplies of such essential goods as fertilisers, agricultural equipment, seed, vehicles, fuel needed for restoring economic activity and carrying out reconstruction work.

The European Commission is also currently responsible for coordinating aid granted by Member States and the EEC in order to avoid duplication of aid and ensure a larger and more concerted aid effort.

So far, emergency aid has been granted to the following countries:

- 1975 Vietnam, Turkey, South-Africa (Angolan refugees)
- 1976 Guatemala, Lebanon, Mozambique
- 1977 Rumania, Cape Verde and India
- 1978 Lebanon, Vietnam, Burmese refugees in Bangladesh, Angola, India, Vietnam, Nicaragua, Phillippines, Thailand, Sri Lanka, Laos.
- 1979 South-east Asian refugees in Thailand, Malaysia, Indonesia, Philippines, Hong Kong, Mozambique, South-African refugees in Angola/Mozambique, Yemen Arab Republic, Portugal, Yugoslavia, St. Vincent, Paraguay, India, Nicaragua, refugees from Nicaragua in Costa Rica and in Honduras, Angola, Cambodia.

The Community's efforts to help victims of disasters are backed up by the provision of food aid and financial and technical assistance programmes.

### 3. NON-GOVERNMENTAL ORGANISATIONS (NGO)

Cooperation between the Community and non-governmental organisations in the EEC Member States is currently an important complement to the operations being conducted by the Community in the field of development cooperation with all developing countries. Community appropriations earmarked for cooperation with NGOs have grown from 2.5 million EUA in 1976 to 15 million in 1979.

Projects undertaken by the NGOs in the developing countries are on the small or medium scale for which direct action by public donors including the Community, does not appear to be suitable for various reasons. For example, because the administrative cost for small scale projects financed exclusively from public funds are very high, or because the administrative procedures relating to public funds are too cumbersome and take too much time. These projects are however of great economic, social and political value, and have the particular merit that there is close involvement, at all stages, of the grass roots beneficiary. European NGOs are also active as regards the information and education of European public opinion and participate in the distribution of emergency and food aid of EEC.

Since 1976, when cooperation between the Community and the NGOs was first initiated, the European NGOs, in close conjunction with the local authorities and populations, have made increasing use of the financing opportunities they have been offered. A total of 364 projects (76 in 1976, 113 in 1977 and 175 in 1978) have been co-financed by the Community with 84 NGOs in 176 developing countries, involving a total amount of 18.5 million EUA.

NGO projects have focused essentially on the agricultural, educational and health fields (see table 5 et 6).



#### 4. REGIONAL INTEGRATION AND TRAINING

In addition to aid for regional integration in the developing countries under the financial and technical cooperation programmes, the Community has also set aside small amounts (5,5 millions eua in 1979) for direct and specific assistance in this sector mainly provision of experts and vocational training in Europe for a number of regional integration groups in Latin America. The two chapters are in fact a survival from the days when the Community action in favour of the "non-associated" developing countries was rather limited.

#### 5. MEMBER STATE AID EFFORTS

The financial cooperation of the EEC Member States passes both through bilateral channels and via multilateral financing bodies, including the Community's financial instruments (EDF, the budget and the EIB). (1)

The total value of public and private financial resources transferred by the Member States to the developing countries in 1977 was 22.300 million dollars, marking thus an annual rise of 10.5 % since 1975. Since this growth has been more rapid than that of the Member States' combined GNP, it has resulted in a considerable rise in the ratio of total flows to GNP from 1.14 % in 1975 to 1.43 % in 1977. This means that Member States have become the chief source of financial flows to the developing countries: they account for 47 % of the total provided by the members of the OECD's Development Assistance Committee (DAC) and 35 % of total flows from all sources.

However, in 1977, only 31 % (6.300 million dollars) of these total financial resources were from the public sources and 69 % of private origin (16.000 million).

Official Development Assistance (ODA) provides the bulk of flows of public origin from the Member States. Also in this field Europe has always been the developing countries' main source of aid, with their ODA in 1977 accounting for 43 % of the total aid from the DAC countries and 31 % of aid from all sources. The volume of Member States' ODA in 1977 was 6,300 million dollars in net disbursements or approximately 9 % more than the preceding year (see table 7 et 8). The terms of the Member States' ODA are particularly favourable with a 93 % grant element.

Nearly half of the ODA goes to developing countries in Africa (46 %), followed by Asia (32 %), Latin America (18 %) and Europe (4 %).

Although the proportion of bilateral aid still predominates in the Member States' total ODA, it is tending to decrease in favour of aid channelled via multilateral bodies and the Community's own financial instruments. In 1977, this multilateral aid amounted to 1,700 million dollars or 27 % of total ODA. Roughly one third of this (600 million) was channelled through the Community, in other terms, about 10 % of the total ODA of the Nine.

(1) EDF = European Development Fund (Lomé Convention)  
EIB = European Investment Bank

## 6. LOOKING TO THE FUTURE

Meanwhile, the Commission is continuously trying to widen the scope of the EEC's activities in various international fora such as UNCTAD, the United Nations itself and other meetings with the Third World.

For the ministerial conference of United Nations Conference on Trade and Development (UNCTAD V, Manila, May 1979), the Community had prepared a series of working papers dealing with different aspects of Third World demands as formulated at the Arusha conference in February 1979. On the whole, the Commission has called for the adoption of a "constructive" outlook - which has borne fruit on recent compromises on such thorny issues as the Common Fund and an international agreement on natural rubber - which would prevent conflict between the Third World and the industrialised countries. In his opening speech Claude Cheysson, European Commissioner for development stressed again the Communities firm commitment against all forms of protectionism inspite of pressure in this sense raised by internal difficulties in certain production sectors. However, the results of this most spectacular of all North-South meetings, UNCTAD V once again did not meet - by far - the aspirations of the "group of 77". Indeed it has appeared more clearly than ever, that the diversity of interests between the different groups, but also inside the groups themselves, did not enable the gap between North and South to be bridged on a world-wide scale apart from some declarations of intent.

In the light of this experience the progress achieved during the renegotiation of the Lomé Convention, which was ended in June 1979, appears all the more important: Beginning in 1980 the EEC and the 57 African, Caribbean and Pacific countries will enter into new forms of cooperation in the crucial fields of industrial, energy and mining cooperation. Financial assistance provided for 5 years will rise by 72 % from 4.300 (1975-1980) to 7.400 million dollars (1980-1985).

The Commission would also like to promote respect of certain international labour standards in developing countries and has proposed the possibility of a link between the advantages offered by the Community to the Third World, particularly in the trade sector, and the observance of international standards by these countries. The four basic standards proposed by the Commission are taken from the conventions of the International Labour Organisation and would work to promote equality of opportunity and treatment in the matter of employment and occupation, limit the duration of the working week in industry, secure the abolition of child labour in industry and look after the health and ensure the safety of children and adolescents at work.

The needs for promoting and developing European investments in the developing countries has also been stressed by the European Commission which has called for the conclusion of investment protection agreements between the Community and the developing countries with a view to guaranteeing European firms against non-economic risks like war and nationalisation etc. If the proposals are accepted by the Council, they should go a long way in stopping up falling European investments in the Third World, particularly in the energy and mining sectors. A first and very significant step in this direction has meanwhile been agreed upon at the final renegotiation session for the Lomé Convention.

Energy is another question which is often stressed by the European Commission as a sector where cooperation with the Third World should be developed. Proposals for launching of a programme of cooperation in the energy sector with a number of developing countries was recently submitted to the EEC council. The first concern, according to the Commission, must be to help the developing countries in their efforts to solve their energy problems in accordance with their economic development plans and to assist them in the systematic prospecting of their resources, both conventional and new. It is in these two areas that the

Commission intends to concentrate its efforts, working initially with countries and organisations which have already expressed interest, namely Ecuador, Nigeria, Venezuela and the Latin American Energy Organisation (OLADE).

The extent to which the Community will really be able to fulfill the objectives laid down in its development policy will depend largely on the capacity of its industries to restructure and adapt to growing industrialisation in the Third World, that is the first steps towards the establishment of a new international economic order, where the fruits of modernisation would be more equally divided between the North and the South.

T A B L E I

EEC/GSP OFFER

P r o d u c t s

| Year | Global<br>value MUC | Industrial |         | Agricultural |         | textile<br>Vol. T | % util. |
|------|---------------------|------------|---------|--------------|---------|-------------------|---------|
|      |                     | Nbre       | Val MUC | Nbre         | Val MUC |                   |         |
| 1974 | 3.250               | 3.000      | 2.800   | 187          | 450     | 68.205            | 65      |
| 1975 | 3.680               | 3.000      | 3.080   | 220          | 600     | 75.323            | 50      |
| 1976 | 5.600               | 3.000      | 4.600   | 241          | 1.000   | 79.131            | 67      |
| 1977 | 6.720               | 3.000      | 5.485   | 296          | 1.235   | 87.725            | 63      |
| 1978 | 6.800               | 3.000      | 5.500   | 305          | 1.300   | 87.725            | n.d.    |
| 1979 | 7.900               | 3.000      | 6.600   | 320          | 1.300   | 120.000           | n.d.    |

T A B L E II

WHAT IS THE GSP WORTH IN PRACTICE ?

THE DEVELOPMENT AND UTILISATION OF THE GSP 1971-1978

| YEAR            | TOTAL QUOTAS AND<br>CEILINGS | RATE OF UTILISATION |
|-----------------|------------------------------|---------------------|
| 1971 (2nd half) | 478 million UA               | -                   |
| 1972            | 1 055                        | -                   |
| 1973            | 1 185                        | -                   |
| 1974            | 3 250                        | 65 %                |
| 1975            | 3 630                        | 50 %                |
| 1976            | 5 600                        | 67 %                |
| 1977            | 6 720                        | 63 %                |
| 1978            | 6 800                        | n.a.                |

TABLE III

## EEC FOOD AID 1968 - 1979

## 1. QUANTITIES (metric tons)

| a) Cereals                        | 1968-1973 (1) | 1974 (2)  | 1975 (2)  | 1976 (2)  | 1977 (2)  | 1978 (2)  | 1979 (2)  | Total<br>1968 - 1979 | Target<br>1980 |
|-----------------------------------|---------------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------|----------------|
| - EEC                             | 1.869.000     | 580.000   | 643.500   | 708.000   | 720.500   | 720.600   | 720.500   | 5.962.000            | 1.135.000      |
| - Member States<br>bi-lateral     | 2.431.600     | 707.000   | 643.500   | 579.000   | 566.500   | 566.500   | 566.500   | 7.060.000            | 515.000        |
|                                   | 4.300.600     | 1.287.000 | 1.287.000 | 1.287.000 | 1.287.000 | 1.287.100 | 1.287.000 | 13.022.000           | 1.650.000      |
| b) Milk and (3)<br>other products | 1970-1973     |           |           |           |           |           |           |                      |                |
| - milk powder                     | 200.000       | 55.000    | 55.000    | 150.000   | 150.000   | 150.000   | 150.000   | 865.000              | 150.000        |
| - butter oil                      | 52.000        | 45.000    | 45.000    | 45.000    | 45.000    | 45.000    | -         | 322.000              | 65.000         |
| - eggs                            | 500           | -         | -         | -         | -         | -         | -         | 500                  | -              |
| - sugar                           | 12.212        | 6.094     | -         | 6.094     | 6.153     | 6.153     | 6.153     | 42.859               | 10.000         |

## 2. VALUE (million EUA) at world market prices

| Products  | 1968/1970-1973 | 1974  | 1975   | 1976   | 1977   | 1978   | 1979   | Total<br>1968-1979 | Target<br>1980 |
|-----------|----------------|-------|--------|--------|--------|--------|--------|--------------------|----------------|
| - Cereals | 475,7          | 244,5 | 173,74 | 178,09 | 146,83 | 158,61 | 171,69 | 1.549,16           | -              |
| - Others  | 321,4          | 114,6 | 97,3   | 149,26 | 91,20  | 134,91 | 152,14 | 946,21             | -              |
| Total     | 797,1          | 359,1 | 271,04 | 327,35 | 238,03 | 293,52 | 323,83 | 2.495,37           |                |

(1) Community of Six = Belgium, France, Germany, Italy, Luxembourg, Netherlands

(2) Community of Nine = previous + Denmark, Ireland, United Kingdom of Great Britain

(3) All actions in common through EEC

T A B L E IV

1978

| Sectorial breakdown of EEC financial and technical assistance to "non-associates" | EEC contribution (m EUA) | Percentage   |
|---|--------------------------|--------------|
| Integrated rural development  | 17.8                     | 27 %         |
| Storage infrastructure  | 15.4                     | 24 %         |
| Irrigation and flood-control infrastructure                                       | 8.7                      | 14 %         |
| Other rural projects  | 3.4                      | 5 %          |
| Fisheries and fish-processing   | 3.0                      | 4 %          |
| Agricultural research   | 3.4                      | 5 %          |
| Studies and technical assistance  |                          |              |
| - rural sector  | 8.3                      | 13 %         |
| - other sectors   | 2.9                      | 4 %          |
| Post-catastrophe reconstruction (administrative costs)                            | 2.0                      | 3 %          |
|   | (0.6)                    | (1 %)        |
| <b>Total commitments :</b>  | <b>65.5</b>              | <b>100 %</b> |

T A B L E V

Breakdown by sector of NGO projects cofinanced in 1978

| Sector                              | Number of projects | Amount in EUA     | %            |
|-------------------------------------|--------------------|-------------------|--------------|
| Agriculture                         | 61                 | 3 374 579         | 28.5         |
| Education                           | 54                 | 2 714 115         | 23           |
| Health                              | 47                 | 2 362 764         | 20           |
| Economy                             | 17                 | 516 631           | 4            |
| Communications (means of transport) | 21                 | 474 893           | 4            |
| Migrants and refugees               | 2                  | 42 385            | 0.5          |
| Welfare                             | 29                 | 2 376 372         | 20           |
| <b>TOTAL</b>                        |                    | <b>11 861 739</b> | <b>100 %</b> |

T A B L E VI

| Breakdown by continent of NGO projects (EUA) | 1976             | 1977             | 1978              | Total             |
|--|------------------|------------------|-------------------|-------------------|
| Africa                                       | 1 145 740        | 1 855 145        | 6 593 042         | 9 593 927         |
| Asia   | 634 704          | 1 523 099        | 3 251 321         | 5 409 124         |
| Central and Latin America                    | 719 556          | 506 453          | 1 796 033         | 3 022 042         |
| Middle East                                  | -                | 115 303          | 221 343           | 336 646           |
|  | <b>2 500 000</b> | <b>4 000 000</b> | <b>11 861 739</b> | <b>18 361 739</b> |

TABLE VII

Total official development assistance: net disbursement

|                     | 1975        | 1976   | 1977    | 1978   | 1975  | 1976 | 1977 | 1978 |
|---------------------|-------------|--------|---------|--------|-------|------|------|------|
|                     | USd million |        |         |        | % GNP |      |      |      |
| Belgium             | 378         | 340    | 371     | 513    | 0.59  | 0.51 | 0.46 | 0.52 |
| Denmark             | 205         | 214    | 258     | 386    | 0.58  | 0.56 | 0.60 | 0.75 |
| France              | 2.091       | 2.146  | 2.267   | 2.689  | 0.62  | 0.62 | 0.60 | 0.57 |
| Germany             | 1.689       | 1.384  | 1.386   | 1.984  | 0.40  | 0.31 | 0.27 | 0.51 |
| Italy               | 182         | 226    | 186     | 240    | 0.11  | 0.13 | 0.09 | 0.10 |
| Netherlands         | 604         | 720    | 900     | 1.072  | 0.75  | 0.82 | 0.85 | 0.82 |
| United Kingdoms     | 863         | 835    | 914     | 1.226  | 0.37  | 0.38 | 0.38 | 0.40 |
| Total Member States | 6.012       | 5.865  | 6.282   | 8.110  | 0.45  | 0.43 | 0.40 | 0.42 |
| DAC countries       | 13.585      | 13.665 | 14.696  | 18.308 | 0.35  | 0.33 | 0.31 | 0.32 |
| OPEC countries      | 5.512       | 5.607  | (5.580) | -      | 2.70  | 2.14 | 1.95 | -    |
| Socialist countries | 750         | 545    | (600)   | -      | 0.05  | 0.03 | n/a  | -    |

TABLE VIII

Share of EEC instruments in total Member States ODA (USd million)

|   | Disbursements (net) |       |       |        | Commitments |       |       |       |
|---|---------------------|-------|-------|--------|-------------|-------|-------|-------|
|   | 1975                | 1976  | 1977  | 1978   | 1975        | 1976  | 1977  | 1978  |
| 1. Member States bi-lateral             | 4.303               | 4.391 | 4.589 | 5.840* |             |       |       |       |
| 2. Multilateral of which                | 1.709               | 1.474 | 1.693 | 2.270  |             |       |       |       |
| 2.1. EEC                                | 735                 | 560   | 598   | 906    | 549         | 949   | 1.238 | 1.298 |
| - budget (mainly food aid)              | (421)               | (170) | (244) | -      | (327)       | (303) | (282) | -     |
| - European Development Fund             | (277)               | (262) | (233) | -      | (121)       | (437) | (759) | -     |
| - European Investment Bank              | (37)                | (128) | (121) | -      | (100)       | (204) | (227) | -     |
| 2.2 Other Multilateral (IBRD, UN, etc.) | 961                 | 914   | 1.095 | 1.364* |             |       |       |       |
| 3. Grand Total                          | 6.012               | 5.865 | 6.282 | 8.110  |             |       |       |       |

\* : estimations

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