The European Community and the developing countries

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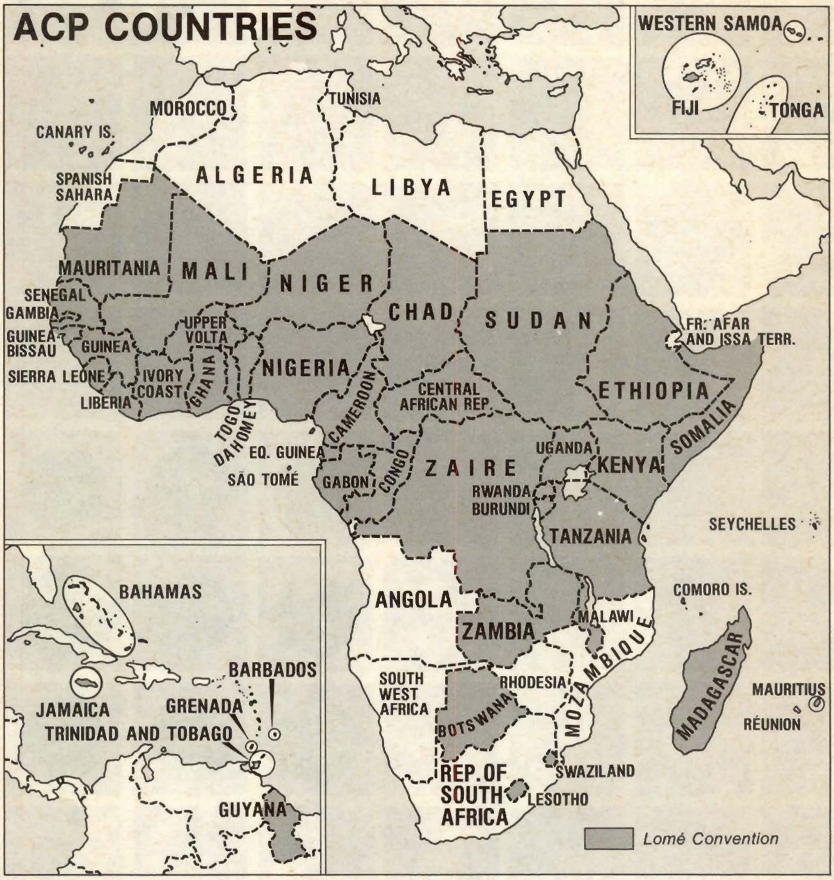

ACP Countries = African, Caribbean and Pacific States (Lomé Convention, February 28, 1975).

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The European Community and the developing countries

The oil crisis, the recent rise in raw material prices and the threat of a shortage of certain foodstuffs have provoked a rethink in the field of international relations and, in particular, relations between rich and poor countries.

The emphasis now is upon development cooperation and here the European Community has already made an important start. In March 1974, it took the initiative of coming to the aid of the countries most seriously affected by the rise in raw material prices. The Community paved the way to development cooperation by concluding with over forty Third World countries an agreement embodying an entirely new system of guarantees for their export earnings. Finally, it was the Community that launched a dialogue with the Arab countries in an attempt to conclude specific agreements with them.

The fundamental progress made by the European Community in conceiving and implementing its development aid policy is not due to pure chance. From its creation, the Community has sought to associate itself with the economic and social development of the Third World countries, starting with those geographically nearest to it. This policy, which has now assumed world-wide proportions, takes many different forms: food aid programmes providing immediate assistance to countries afflicted by natural disasters; since 1971, a system of generalised preferences—that is, tariff concessions—has promoted Community imports of finished and partly processed products from the developing countries; under conventions and agreements negotiated with those developing countries that have special ties with European countries there are technical, industrial and financial cooperation programmes which enable development projects to be carried out. Moreover, in addition to the development aid programmes which are specifically Community-based, the Member States have laid the foundations for the harmonisation of their development cooperation policies to make them more substantial and coherent.

Since 1957, the year in which the Treaty of Rome was signed, the Community's development aid policy has expanded in two ways:

it has been extended to more and more countries, and a growing number of aid instruments has been developed.

Enlarging the Community's zone of interest

1. The EEC-AASM Association

When the Treaty establishing the European Community was signed in 1957, certain States—in particular France and Belgium—had special relations with a number of overseas countries. Accordingly, a section of the Treaty of Rome was devoted to their association with the nascent Community.

After these countries became independent states, a Convention governing their association with the Community was signed in 1963 in the capital of Cameroon. This, the first Yaoundé Convention, founded the Euro-African Association. It was followed by a second Convention of the same name, which entered into force in July 1969 and expired on January 31, 1975. This Euro-African Association was organised around three main features:

— *Free trade areas* were established between the EEC and each of the eighteen (subsequently nineteen [1]) Associated States, and customs duties were thereby eliminated in trade between these countries and the Community. However, a number of exceptions were made to the application of this principle: it was possible for the nineteen Associated States to protect their economies in case of need against imports from the Community by introducing or maintaining quantitative restrictions or customs duties. The Member States of the Community, wishing to protect their farmers, did not for their part grant completely duty-free access for certain agricultural products originating in the AASM. Even so, these products enjoyed more favourable entry treatment than that accorded by the Community to other countries.

— *Financial and technical aid*, given for the most part in the form of grants, made it possible to support the economic development of the Associated States. This aid was channelled through the European Development Fund (EDF), and, since 1964, it has been supplemented and reinforced by loans from the European Investment Bank (EIB). Comunity aid can be broken down as follows:

[1] In 1971, Mauritius joined the eighteen AASM (Associated African States and Madagascar): Burundi, Cameroon, Central African Republic, Chad, Congo, Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta and Zaire.

		(million u.a.)[2]	
		Yaoundé I	Yaoundé II
EDF	Grants	620	748
	Special loans	46	80
Total		666	828
EIB	Loans	64	90
Total for five years		730	918

The experience acquired during these 15 years of operation has made it possible constantly to improve Community aid and to widen its scope. At the beginning of the Association, the emphasis was on basic infrastructure projects (roads, ports, etc.). Subsequently, the Community concentrated more on the development of production in both agriculture and industry.

In addition to Community aid, the AASM received bilateral aid from the Member States, which accounted for approximately 60 % of the financial and technical aid granted (with Community aid accounting for 20 %).

— *Joint institutions* enabled a continuous dialogue to take place between the Associated States and the Community for the purpose of administering the Association. The Council of Association, composed of Ministers, had powers to inform, consult, resolve, recommend and decide. It delegated some of its powers to a Committee of Association, composed of ambassadors. The Parliamentary Conference of the Association and the Arbitration Court of the Association completed the institutional framework.

2. Lomé: A new enlarged Agreement

In 1960, a special agreement was concluded with three Commonwealth States—Kenya, Tanzania and Uganda. Known as the Arusha Agreement, it established an Association (partial free trade, joint institutions) but did not involve financial and technical cooperation.

The Treaty concerning the accession of the United Kingdom to the European Community, signed in Brussels on January 22, 1972, provided for the opening of negotiations between certain Commonwealth countries and the EEC for the establishment of special relations. It was on this basis that the Nine, on the one hand, and 46 African, Caribbean and Pacific (ACP) States, on the other, began negotiations in October 1973 with the aim of concluding a new agreement enlarging and renewing

[2] The Community's unit of account, equivalent to US$1 until 1971, is now (june 1975) worth $1.30 or £0.572133. The value of the unit of account is fixed according to a "basket" of all Community currencies.

the Yaoundé Convention. The two sides signed a five-year Convention in Lomé on February 28, 1975. The 46 ACP countries, which include all of independent black Africa and have a combined population of almost 270 million, comprise the nineteen AASM countries that signed the Yaoundé Convention, twenty-one Commonwealth States [3] and six other African States. [4]

This new Convention, known as the Lomé Convention, has some of the basic features of the Yaoundé Conventions—duty-free access, financial and technical cooperation—but in an improved form. It also contains some fundamental innovations—stabilisation of export earnings, for example—which reflect the new policy of the Community towards the Third World produces of raw materials. The main provisions of this Convention can be summarised as follows:

— *Trade arrangements and trade cooperation:* Almost all products originating in the ACP can enter the Common Market duty-free. Reciprocity is no longer a condition, and all the ACP have to do in return is guarantee the EEC the benefit of the most-favoured-nation clause, which prohibits discrimination in relation to other trading partners. Furthermore, as this duty-free access cannot be used by developed countries trying to avoid the Community customs tariff by routing their products via the ACP, the EEC has made the rules relating to the origin of products considerably more flexible, in particular by agreeing to consider the ACP as being one territory.

— *Stabilisation of export earnings:* This is without doubt the greatest innovation in the Lomé Convention since it should at least provide the poor countries with a guarantee against fluctuations in commodity prices and thereby put them in a better position to plan their development. The following are covered by this scheme, provided they represent a certain percentage of the export earnings of the ACP countries: groundnut products, cocoa products, coffee products, cotton products, coconut products, palm and palm nut and kernel products, raw hides, skins and leather, wood products, bananas, tea, raw sisal and iron ore. Where a country's earnings from exports to the EEC of one of these products fall below an agreed reference level, a compensation fund advances the difference, which the country in question must repay if the situation improves,

[3] *In Africa,* the signatories to the Arusha Agreement (Kenya, Uganda and Tanzania), Botswana, Gambia, Ghana, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland and Zambia; *in the Caribbean:* Barbados, Guyana, Jamaica, the Bahamas, Grenada, Trinidad and Tobago; *in the Pacific:* Fiji, Western Samoa, Tonga.

[4] Ethiopia, Guinea, Guinea-Bissau, Equatorial Guinea, Liberia and the Sudan.

though the poorest countries will not be obliged to do so. This system of insurance against bad years should protect the ACP from economic disasters resulting from the international economic situation or from adverse climatic conditions. The ceiling for aid under this system has been set at 375 million units of account.

— *Financial and technical cooperation:* Two principles were applied here: there was to be no reduction in the Community's financial effort vis-à-vis the countries already associated (the AASM) and the other states had to be placed on an equal footing with the latter. Accordingly, the total amount provided for in the new Convention is 3,390 million u.a. made up of: 2,100 million for grants, 430 million for loans on special terms, 95 million for risk capital and 375 million for the stabilisation of export earnings. A further 390 million will be available for loans from the European Investment Bank's own resources. The ACP will participate to a greater extent in the administration of this aid and there is provision for special measures for the least developed countries.

— *Industrial cooperation:* The Community is determined to make a special effort to develop and diversify ACP industrial production. The countries benefiting will in particular be those at a more advanced stage of development. Various types of action are proposed: development of research and technology, information exchanges, studies, establishment of contact between firms, etc. These activities will be directed by a Committee on Industrial Cooperation assisted by a Centre for Industrial Development.

— *Institutions:* These are of the same type as those established by the Yaoundé Convention. The administration of the Convention will be the responsibility of a Council of Ministers assisted by a Joint Committee of Ambassadors. There is also provision for a Consultative Assembly, composed on a basis of parity of members of the European Parliament and of representatives designated by the ACP. Lastly, a special sugar Protocol was negotiated between the Community and the ACP producers. Under this agreement, which was reached with great difficulty, the Community has undertaken to buy (and the ACP to sell) 1.4 million tons of sugar annually at a price which will be negotiated between the ACP exporters and the Europeans consumers but which may not be lower than the price guaranteed by the EEC to its own producers.

3. The Mediterranean countries

Special historical, economic and cultural links have led the Community to conclude a number of agreements with countries of the Mediterranean basin. As a result of differences in political regimes and particularly in levels of development, the Comunity has over the years negotiated different agreements with the majority of the Mediterranean countries.

Association Agreements

On the European side of the Mediterranean, Association Agreements have been signed with Greece and Turkey. They entered into force in 1962 and 1964 respectively and prepare the way for eventual accession. Preferential trade agreements have been signed with Spain and Portugal, and a non-preferential agreement with Yugoslavia.

To the South of the Mediterranean, Association Agreements based on trade (without financial and technical cooperation) were concluded with Tunisia and Morocco in 1969. Negotiations are currently taking place for the signing of a more comprehensive agreement, including in particular economic, technical and financial cooperation. Similar negotiations are also under way with Algeria.

Association Agreements providing for the progressive establishment of a customs union have been concluded with Malta and Cyprus.

Preferential trade agreements have been concluded with the Lebanon, Egypt and Israel.

An overall Mediterranean policy

Given the highly diversified nature of the policy outlined above, the need was felt for a coherent framework, especially in view of the similarities between the Mediterranean countries. The Commission accordingly proposed in 1972 that an overall Community Mediterranean policy be defined and that more comprehensive agreements be signed with the Mediterranean countries aiming at the progressive establishment of free movement of goods and the promotion of more widely-based cooperation. The Nine accepted the principle of this overall policy and defined its geographical scope. It would cover the countries with a Mediterranean coastline: Spain, Yugoslavia, Albania, Cyprus, Malta, Syria, Lebanon, Israel, Egypt, Libya, Tunisia, Algeria and Morocco, plus Jordan and Portugal. Negotiations have been concluded with Israel and are currently in hand with the three Maghreb countries and with Spain and Malta. Other countries have recently shown their interest in a cooperation agreement with the Community, namely, Syria, Jordan, Lebanon and Egypt.

The Euro-Arab dialogue

At the close of the Copenhagen summit in December 1973, the Community heads of state "confirmed the importance of entering negotiations with oil-producing countries on comprehensive arrangements comprising cooperation on a wide scale for the economic and industrial development of these countries' industrial investments, and stable energy supplies to the member countries at reasonable prices". Despite the political difficulties facing the establishment of this Euro-Arab dialogue—here the United States' objections spring to mind in particular—the Nine have succeeded in defining a common position on the procedure for, and content of, the negotiations, which should lead to economic, technical and cultural cooperation in industry, agriculture, energy and raw materials, transport, science and technology, financial cooperation, the training of supervisory and managerial staff, etc.

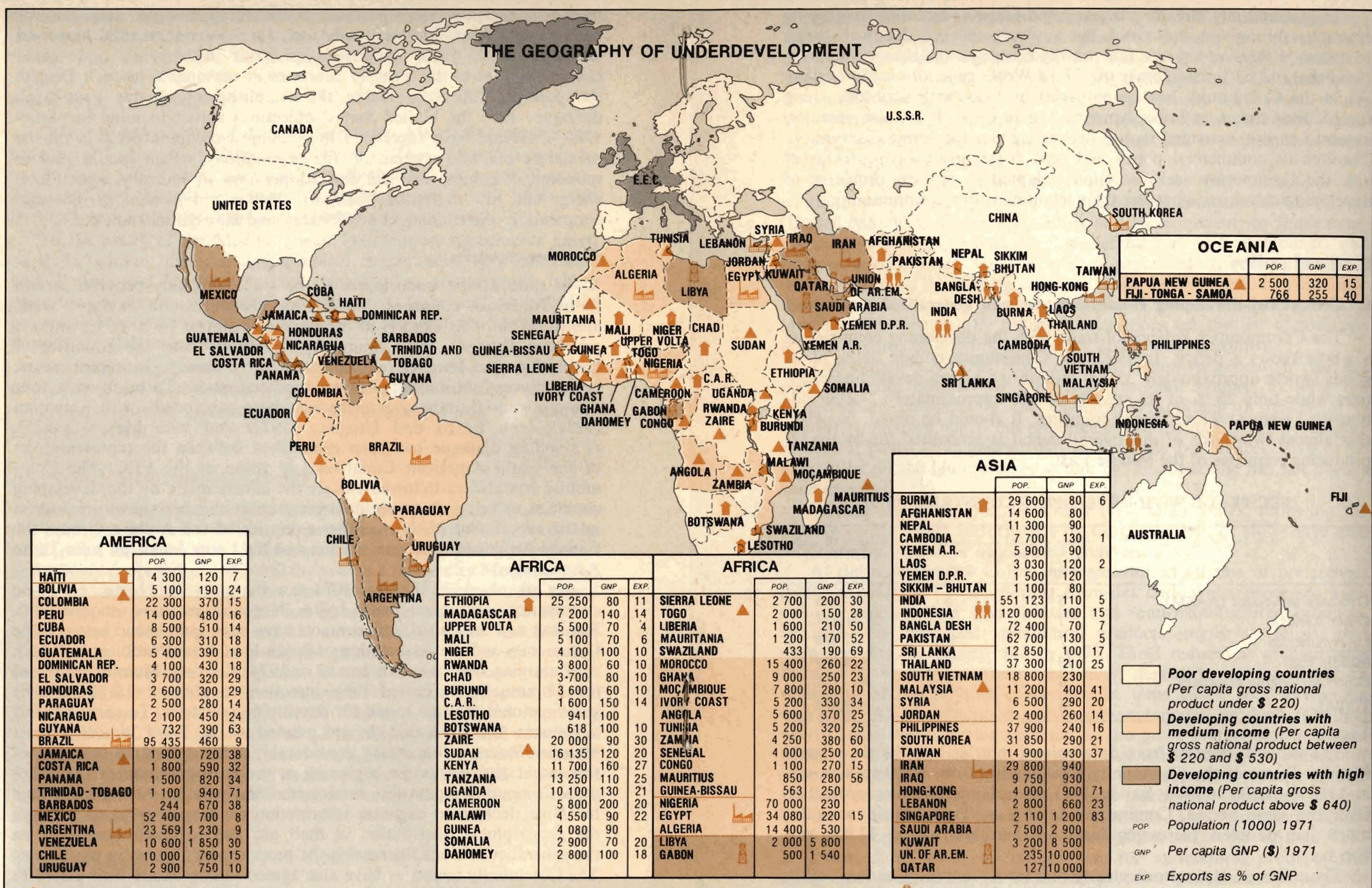
4. Other countries

In spite of the importance of the trade relations between certain Latin American countries and Europe (Argentina for example sends almost 50 % of its exports to the Nine and almost 60 % of its imports are from Europe), the Community's relations with the countries of Latin America have developed only fairly slowly. In recent years, however, very substantial progress has been made. To begin with, four non-preferential trade agreements have been concluded—with Argentina (1971), with Brazil und Uruguay (1973) and with Mexico (1975). A standing dialogue has been established between the representatives of the Latin American Countries and those of the EEC. The Community has always followed closely the efforts made by the developing countries to bring about regional integration and has shown its interest in the experiment of the member countries of the Andean Group, the Central American Common Market and the Latin American Free Trade Association.

As regards Asia, the year 1974 saw the entry into force of a trade cooperation agreement with India. Negotiations have started with Pakistan and Sri Lanka, and contacts have been established between the Community and the Association of South-East Asian Nations (ASEAN).

Enlarging the means of action in 1974, the nine Member States of the Community expressed their intention to allocate 0.7 % of their gross national product to aid for developing countries. To carry out this agreement will mean that the aid granted to the Third World by most Member States will increase considerably. This setting in common of this target also marks the beginning of the harmonisation of the European Community countries' development aid policies. At the same time the Nine decided to organise information exchanges so as to improve the geographical distribution of their aid and to reach agreement on the general conditions (increasing the proportion of grants in particular). The Community countries have also agreed to coordinate their activities in international forums and to give non-associate countries technical assistance in the fields of trade promotion and regional integration.

THE GEOGRAPHY OF UNDERDEVELOPMENT



OCEANIA

	POP.	GNP	EXP.
PAPUA NEW GUINEA	2 500	320	15
FIJI - TONGA - SAMOA	766	255	40

AMERICA

	POP.	GNP	EXP.
HAÏTI	4 300	120	7
BOLIVIA	5 100	190	24
COLOMBIA	22 300	370	15
PERU	14 000	480	16
CUBA	8 500	510	14
ECUADOR	6 300	310	18
GUATEMALA	5 400	390	18
DOMINICAN REP.	4 100	430	18
EL SALVADOR	3 700	320	29
HONDURAS	2 600	300	29
PARAGUAY	2 500	280	14
NICARAGUA	2 100	450	24
GUYANA	732	390	63
BRAZIL	95 435	460	9
JAMAICA	1 900	720	38
COSTA RICA	1 800	590	32
PANAMA	1 500	820	34
TRINIDAD - TOBAGO	1 100	940	71
BARBADOS	244	670	38
MEXICO	52 400	700	8
ARGENTINA	23 569	1 230	9
VENEZUELA	10 600	1 850	30
CHILE	10 000	760	15
URUGUAY	2 900	750	10

AFRICA

	POP.	GNP	EXP.
ETHIOPIA	25 250	80	11
MADAGASCAR	7 200	140	14
UPPER VOLTA	5 500	70	4
MALI	5 100	70	6
NIGER	4 100	100	10
RWANDA	3 800	60	10
CHAD	3·700	80	10
BURUNDI	3 600	60	10
C.A.R.	1 600	150	14
LESOTHO	941	100	
BOTSWANA	618	100	10
ZAIRE	20 000	90	30
SUDAN	16 135	120	20
KENYA	11 700	160	27
TANZANIA	13 250	110	25
UGANDA	10 100	130	21
CAMEROON	5 800	200	20
MALAWI	4 550	90	22
GUINEA	4 080	90	
SOMALIA	2 900	70	20
DAHOMEY	2 800	100	18

AFRICA

	POP.	GNP	EXP.
SIERRA LEONE	2 700	200	30
TOGO	2 000	150	28
LIBERIA	1 600	210	50
MAURITANIA	1 200	170	52
SWAZILAND	433	190	69
MOROCCO	15 400	260	22
GHANA	9 000	250	23
MOÇAMBIQUE	7 800	280	10
IVORY COAST	5 200	330	34
ANGOLA	5 600	370	25
TUNISIA	5 200	320	25
ZAMBIA	4 250	380	60
SENEGAL	4 000	250	20
CONGO	1 100	270	15
MAURITIUS	850	280	56
GUINEA-BISSAU	563	250	
NIGERIA	70 000	230	
EGYPT	34 080	220	15
ALGERIA	14 400	530	
LIBYA	2 000	5 800	
GABON	500	1 540	

ASIA

	POP.	GNP	EXP.
BURMA	29 600	80	6
AFGHANISTAN	14 600	80	
NEPAL	11 300	90	
CAMBODIA	7 700	130	1
YEMEN A.R.	5 900	90	
LAOS	3 030	120	2
YEMEN D.P.R.	1 500	120	
SIKKIM - BHUTAN	1 100	80	
INDIA	551 123	110	5
INDONESIA	120 000	100	15
BANGLA DESH	72 400	70	7
PAKISTAN	62 700	130	5
SRI LANKA	12 850	100	17
THAILAND	37 300	210	25
SOUTH VIETNAM	18 800	230	
MALAYSIA	11 200	400	41
SYRIA	6 500	290	20
JORDAN	2 400	260	14
PHILIPPINES	37 900	240	16
SOUTH KOREA	31 850	290	21
TAIWAN	14 900	430	37
IRAN	29 800	940	
IRAQ	9 750	930	
HONG-KONG	4 000	900	71
LEBANON	2 800	660	23
SINGAPORE	2 110	1 200	83
SAUDI ARABIA	7 500	2 900	
KUWAIT	3 200	8 500	
UN. OF AR.EM.	235	10 000	
QATAR	127	10 000	

Poor developing countries *(Per capita gross national product under $ 220)*

Developing countries with medium income *(Per capita gross national product between $ 220 and $ 530)*

Developing countries with high income *(Per capita gross national product above $ 640)*

POP *Population (1000) 1971*

GNP *Per capita GNP ($) 1971*

EXP *Exports as % of GNP*

Countries with small exportable surplus

Highly populated countries with large domestic market

Countries with economy dependent on commodity exports

Countries becoming industrialized

Oil-producing countries with low absorption capacity

Source: Development aid - Fresco of Community action tomorrow (Commission Communication of 5 November 1974, Bulletin of the European Communities, Supplement 8/74).

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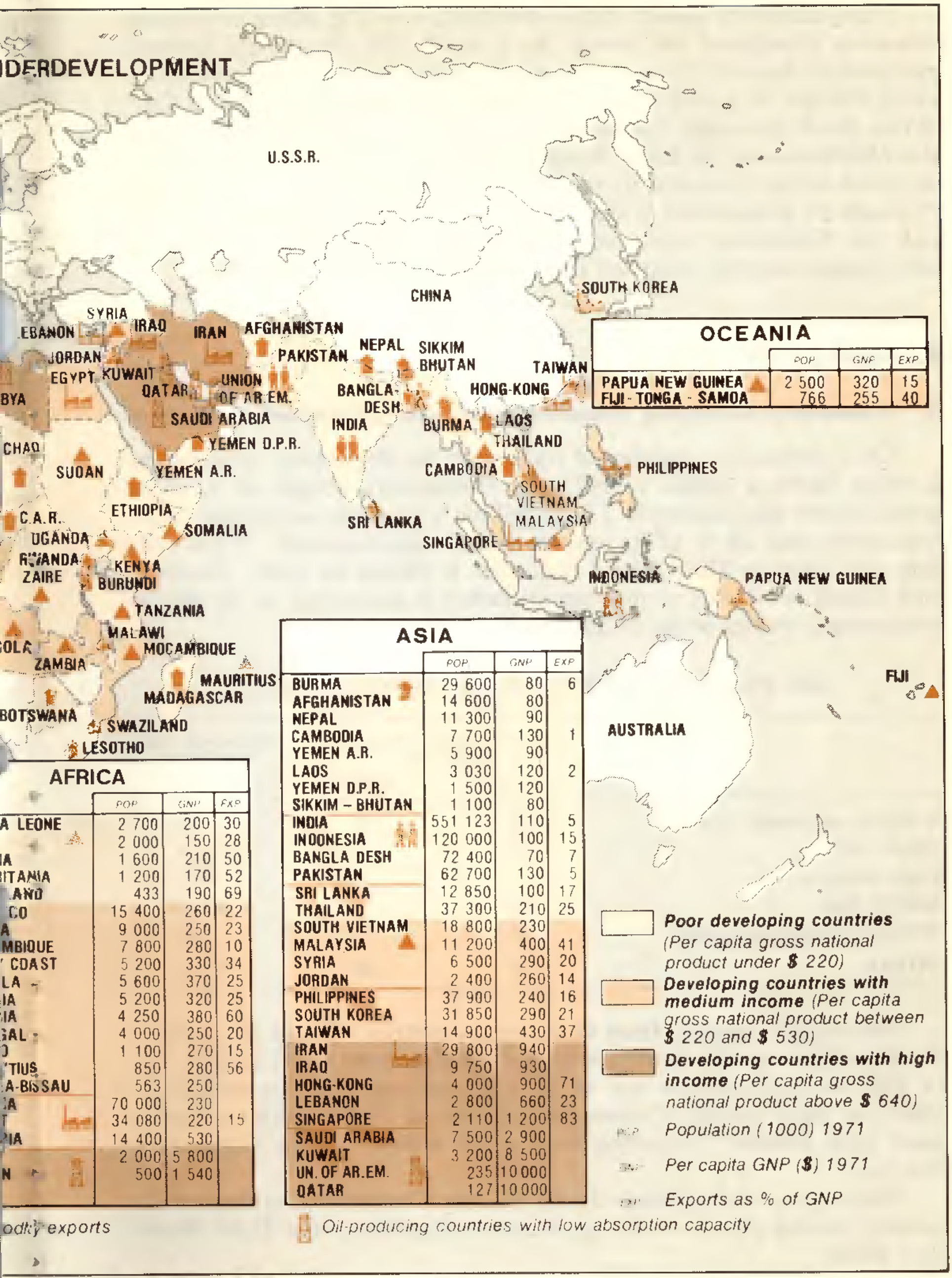

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A	9 000	250	23
MBIQUE	7 800	280	10
COAST	5 200	330	34
LA	5 600	370	25
IA	5 200	320	25
IA	4 250	380	60
GAL	4 000	250	20
O	1 100	270	15
TIUS	850	280	56
A-BISSAU	563	250	
A	70 000	230	
T	34 080	220	15
IA	14 400	530	
	2 000	5 800	
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odity exports

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opean Communities, Supplement 8/74)

The Community already plays an important role in aiding developing countries throughout the world. As a result, the old debate between partisans of massive aid to a few priority countries and those who advocated that aid be spread across the Third World generally is out of date. While the Community has strengthened its links with countries along the Mediterranean, in Latin America and in Asia, it has also recently, as noted earlier, extended its ties overseas under the Lomé Convention. Through its commercial policy and new, constantly evolving forms of aid, the Community seeks solutions adapted to specific problems of developing countries, whatever their relations with the Community.

General policy

1. Community-developing countries trade, and generalised preferences

The Community's balance of trade with the developing countries as a whole shows a deficit. In 1973, the Community bought 38 % of its goods (worth approximately 33,700 million u.a.) from developing countries while only 28 % of its exports (worth approximately 24,100 million u.a.) went to Third World countries. It should be noted, however, that almost two-thirds of this overall deficit is accounted for by the oil producing countries of the Middle East.

EEC TRADE WITH DEVELOPING COUNTRIES (1973)

	Share of total Community trade (%)		Balance of trade (1,000 u.a.)
	Imports	Exports	
Overseas associates (AASM)	5	5	− 86
Other African	7	6	−1,674
Latin America	7	6	− 997
Middle East	13	6	−6,100
Other developing countries	6	5	− 757
TOTAL	38	28	−9,614

The value of imports from developing countries into the six original Member States of the Community rose steadily from 4,800 million u.a. in 1958 to 9,100 million u.a. in 1971 (petroleum products excluded). Over the same period, Community exports to Third World countries more than doubled, increasing from 6,100 million u.a. to 12,900 million u.a.

These figures demonstrate clearly that the Community, as the world's greatest trading power, could not dissociate itself from the Third World as a whole.

Initially, the Community's Common Customs Tariff, although more liberal than those of other great industrial powers, was nevertheless too high for Third World countries. The latter can only develop if they are able to process their raw materials themselves in the knowledge that their finished products will subsequently enjoy easy access to the world market. High customs duties on manufactured and semi-manufactured products prevent such easy access and consequently inhibit Third World development.

In 1971, the European Community was the first to honour the commitment entered into by the industrialised countries at UNCTAD (United Nations Conference on Trade and Development) by implementing a system of generalised tariff preferences: semi-manufactured and manufactured products and a number of processed agricultural products originating in all developing countries could be imported duty-free into the Common Market. Since then, the Community has gradually improved the system—by reducing restrictions on the list of products and the volume of imports eligible for preferential treatment.

The system has three basic rules: it is non-reciprocal in that the poor countries covered by the system are not obliged to offer the industrialised countries of the Community anything in return; it is non-discriminatory, since the preferences are granted to all developing countries; lastly, it is generalised, because the preferences have to be granted by all the industrialised countries. This last rule has not always been observed.

Canada since July 1st, 1974, and the United States, following the passing of the Trade Reform Bill by Congress early in 1975, have also introduced a system of generalised preferences.

At the moment, the Community generalised scheme of preferences (GSP) extends to 104 developing countries and covers processed agricultural products and manufactured and semi-manufactured products. In 1974, 194 processed agricultural products (preserves, juices, etc.) were included, as against 147 in 1973. Tariff reductions granted vary from 20 % to 10 % of the normal duty, depending on the degree of sensitivity of the product concerned. In some cases, total exemption is granted. All manufactured and semi-manufactured products (totalling nearly 2,000) from developing countries are given preferential treatment under the GSP. In line with the growth of world trade, the volume of goods admitted to the Community market is expanded yearly. Quotas are applied to some highly sensitive products. Special conditions prevail for cotton textiles and jute and coir products. The theoretical volume of goods imported qualifying for concessions under the GSP in 1975 is estimated at some 600 million u.a. for agricultural products and about 2,850 million u.a. for industrial products—equivalent to approximately 10 % of dutiable Community imports. In practice, however, only about half of these imports have entered the Community under the GSP.

The European Commission intends, therefore, to improve the system, in particular by ensuring that the beneficiairies are better informed, simplifying procedures and pressing on with the harmonisation of the various schemes operated by the different trading powers.

2. Stabilisation of raw material markets

Sudden fluctuations in the prices of raw materials can have harmful effects on Third World producing countries. Where there is a tendency for prices to go down, such fluctuations can mean considerable financial losses. In any event, they introduce an element of uncertainty which constantly hampers the work of planning the economy and developing the country, especially where one or two commodities take the lion's share in external trade. The European Community is accordingly taking an active part in international efforts to control the market in major commodities essential to the economies of developing countries, and more especially the cocoa, coffee and sugar markets. After fifteen years of frequently interrupted international negotiations, the International Cocoa Agreement was signed in January 1973, despite the abstention of the United States. After long hesitation, Germany joined the group of consumer countries—an action received with some relief. Without Germany—which represents 12 % of the world cocoa market—the Agreement ran the risk of failing to bring together 70 % of the market, the percentage necessary for its implementation. The Community signed as a body. The Agreement, which currently groups together 15 exporting and 28 consuming countries, is based on a system of annual export quotas fixed every year and adjusted to price levels. A minimum and a maximum price have been set in order to stabilise prices in an orderly manner.

In terms of value of international trade, coffee comes second in line after oil and provides certain poor countries with the bulk of their export earnings. The International Coffee Agreement, which expired in 1973, was extended until 30 September 1975 and then until 30 September 1976. The negotiations for a new agreement seemed to be marking time in 1974 with producer and consumer countries unable to find a concrete basis for discussion. For its part, the European Commission considers that measures should be taken under the International Agreement in the fields of storage, preparation and marketing of coffee.

3. Food aid

Between 1968 and 1974 the Community and Member States granted about 1,000 million u.a. worth of food aid to Third World countries where natural disasters occurred or where the problem of undernourishment is particularly acute. EEC aid was first given in the form of cereals as part of the Food Aid Convention, which was concluded in 1967 at the close of the Kennedy Round and entered into force in 1968. At that time, the Community undertook to supply 1,035,000 tons of cereals a year as food aid. Because of the enlargement of the Community, this contribution rose to 1,287,000 tons during 1973/74. The total value of this cereal aid amounts to 720 million u.a. Subsequently, the Community extended the range of its aid to include other agricultural products: milk products (skimmed milk powder, butter oil), egg products and sugar, totalling 261 million u.a.

Community food aid is usually given directly to the States or bodies concerned, and comprises three types of action:

— In *emergencies* to relieve famine caused by natural disasters (earthquakes, floods, drought, etc.) or by internal or international conflicts. Into this category fall the EEC aid to the Sahel countries afflicted by drought (112,955 t of cereals) and the EEC contribution to food aid for Nigeria, Bangladesh and Vietnam at the time of their conflicts. Emergency aid usually covers transport and distribution costs in addition to the supply of products themselves.

— For *purely nutritional purposes* where certain categories of the population (children, elderly people, refugees, etc.) are affected by serious food deficiencies. Since 1972, the Community has been making donations to the United Nations Relief and Works Agency for Palestine Refugees under a multiannual programme. Donations are in the form of products (20,000 t of cereals, 6,000 t of sugar, 1,600 t of milk and 2,000 t of butter oil in 1974) and cash (2,172,000 u.a.).

— For *development*. This is the most frequent form of aid for, although it is important to make sure that the poor countries have sufficient food, the main aim is to further their economic and social development. Development aid is granted to those countries which do not have sufficient foreign exchange to import the agricultural products their populations need. In such cases, the governments of the recipient countries must sell the products received on their national markets and use the proceeds to finance development projects chosen by them and approved by the Community.

The Community's food aid policy has often been criticised for following EEC agricultural production trends too closely and for using aid as a means of disposing of surpluses in certain farming sectors.

In the course of the next five to ten years, there is bound to be an enormous increase in the amount of food the developing countries need to import. The FAO estimates that import requirements will increase from approximately 4,000 million u.a. in 1970 to nearly 7,000 million u.a. in 1980. In order to meet this need, the European Commission has drawn up proposals for a more ambitious and coherent food aid policy sponsored by the Community. This would involve:

— ensuring continuity of supply from one year to the next by means of a triennial indicative programme based on firm annual commitments;
— providing aid tailored to meet the nutritional needs of the developing countries and which takes account of available stocks in the Community;
— increasing the present volume of aid.

The Commission has therefore proposed an initial indicative programme (1974/75-1976/77) involving a minimum annual commitment of 1,700,000 t of cereals (2,500,000 t maximum), 80,000 t of skimmed milk powder (120,000 t maximum), 45,000 t of butter oil (65,000 t maximum) and 10,000 t of sugar (40,000 t maximum).

4. Aid to countries affected by the increase in oil prices

For many Third World countries, the rise in the prices of petroleum products is having catastrophic consequences. Where can they obtain the foreign currency to cope with the three-fold increase in oil prices?

In 1974, the European Commission was already proposing that $3,000 million (about 2,300 million u.a.) be channelled into a world fund to help the poor countries most seriously affected by the rise in oil prices. This idea was taken up some weeks later during the United Nations special session on raw materials and development, at the close of which a programme of action was adopted providing for special emergency measures to assist developing countries affected by the economic crisis. In October 1974, the Community's Council of Ministers decided to earmark $150 million for this emergency operation. This was the first instalment of what could be a $500 million contribution (currently known as the Cheysson Fund, after Claude Cheysson, EEC Commissioner responsible for EEC development and cooperation policy). At the same time, when the Community took this decision, the various contributions from industrialised countries amounted to $350 million, whereas those made by the oil exporting countries amounted to at least $1,000 million.

In December 1974, the Community shared out the first instalment of $150 million between the UN special account ($30 million) and seventeen countries affected particularly seriously by the rise in the prices of oil and of raw materials in general. A second instalment of $100 million was committed in April 1975.

5. Financial and technical aid to non-Lomé countries

On March 5, 1975 the Commission submitted to the Council of Ministers a programme of action on financial and technical aid to the developing countries not signatory to the Lomé Convention. These countries, which are mainly in Asia and Latin America, would receive financial aid totalling 730 million u.a. over the period 1976-1980. Of the 100 million u.a. allocated for 1976 (200 million for 1980), 10 million could be used for emergency measures in the event of natural and other disasters, and 5 million for promotion of exports. In general, however, the funds made available would be mainly intended to help these countries to develop their food production and to promote regional integration by financing operations bringing together a number of states. The Commission also proposed that the European Investment Bank be able to extend its reduced-rate loans to the non-Lomé countries.

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The Community policy of development aid has its limitations. But it is remarkable for the fact that it exists and has a record of continuous progress, one of the most recent indications of which is the agreement concluded with the African, Caribbean and Pacific countries. This policy does not rule out differences of emphasis to take account of historical, geographical or economic circumstances, but its characteristic feature today is its global scope. The circle of countries which have concluded agreements with the EEC has widened considerably, for the Community is increasingly paying attention to the Third World as a whole. In both cases, the Community is using a wide range of instruments comprising not only food aid and financial assistance but also the promotion of exports, the stabilisation of the prices of or earnings from commodities, and aid to industrialisation through technical and industrial cooperation.

At a time when it is in everyone's interest that the gap between the industrialised countries and the Third World should be progressively narrowed, it is particularly significant that development cooperation has become one of the linchpins in the building of Europe and one of the fields in which Community action has been most tangibly successful.

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