

EUROPEAN SUMMIT

BACKGROUND INFORMATION

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350
New York Office: 277 Park Avenue, New York NY 10017 Telephone (212) 371-3804

BACKGROUND NOTE

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EC EMERGENCY AID FOR DEVELOPING COUNTRIES

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The European Community has laid the cornerstone for world rescue efforts to help the 27 poorest developing countries suffering from severe balance-of-payments problems due to the rising prices of food and raw material imports. On October 3, the Council of Ministers decided to help these countries with an initial contribution of \$150 million from the EC budget. The Community will pay \$30 million into the United Nations Emergency Fund (set up this year) and will send the rest directly to the worst affected countries. Direct aid will be made under UN supervision.

The 25-30 hardest hit countries will suffer a \$3 billion net deterioration in their terms of trade over 12 months, Commission January-March studies estimated. The higher cost of oil accounts for half of this \$3 billion figure, while food price increases account for nearly a quarter. Additionally, the net balance of import and export price rises for the developing countries whose terms of trade deteriorated between 1972 and 1974 were estimated at \$7.7 billion at constant volume.

The European Community took the lead in convincing the world's industrialized countries to help the developing countries, as part of its overall development policy. The Community maintains that the industrialized world should share the burden of these trouble ridden countries lest all EC, international, and national efforts to promote their social and economic progress suffer a severe setback. Claude Cheysson, EC Commissioner for development policy, echoed this position at a July 30 Washington press conference: "If this emergency action does not take place, we are going to hear a lot about this [problem] because the sufferings of these countries will very soon be beyond any control."

The Commission provided the incentive for the move toward assisting the poorer nations. Its March 20 communication to the Council proposed that the Community move to encourage the richest countries to set up an emergency fund of \$3 billion. It also proposed allocating up to \$500 million in EC resources to the fund. The Council responded favorably to the communication and German President Walter Scheel (then EC Council President and German Foreign Minister) presented the EC position to the UN General Assembly's special session on Raw Materials and Development in New York on April 11. Scheel said that the Community and its member states were "resolved to study as soon as possible with all states and international organizations concerned the most effective means of implementing an exceptional international aid program with a view to overcoming the difficulties facing developing countries...[They] would be prepared to play an active part and make a substantial contribution providing the other members of the international community are prepared to join them in these efforts."

Iran and Algeria responded favorably to this initiative, thus opening the door for assistance from the oil producing countries as well.

The General Assembly subsequently adopted a special action program to help the developing countries and recommended emergency funding to supplement those countries' usual economic aid receipts. Additionally, an ad hoc Committee of 36 UN members was set up to supervise bilateral and multilateral aid by the donor nations.

In a June 26 letter to UN Secretary General Kurt Waldheim, the EC Council described its plan for giving to the fund. The letter said the Community would pay one-sixth the total amount pledged to the fund, up to \$500 million, if the other contributing nations paid their share. On September 24, the Council tentatively decided to disburse \$150 million immediately, but held off on a final decision until after the September 27 ministerial meeting of donor countries in New York. At the New York meeting, the members of the Organization of Petroleum Exporting Countries (OPEC) agreed to provide about \$1 billion. The industrialized countries, except the United States, offered to give about \$350 million. The American share of the aid has not yet been decided on by the US Congress.

The Community will allocate the \$150 million to the most desperate countries, such as India and Bangladesh, which are also suffering from natural disasters such as famine, floods, or drought. The Council's Committee of Permanent Representatives to the Community will administer the aid and decide what forms it should take (such as cash, food, fertilizer, pesticides, or capital goods).

A decision on the release of the remaining \$350 million in EC aid will be made by the Council during January 1975. The size of the Community's contribution will be contingent on the amount the United States puts into the rescue effort.