

*To be published in the  
"American Banker"*

September 1, 1976

## EEC POLICY AND THE DEVELOPING WORLD

by

Jean-Claude L. EUDE \*

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Initially, when the treaty establishing the EEC was signed in 1957, countries such as France, Belgium insisted to have provisions concerning their special relations with a number of overseas developing countries mostly in Africa. This was the beginning of a regional approach to be later enlarged with the addition of Commonwealth countries by the time the U.K. joined the EEC and refined into the most complete system ever set up to contribute to development, i.e the Lomé Convention, negotiated during 1974 and 1975 between the Nine, on the one hand and 46 African, Caribbean and Pacific (ACP) States.

Such a policy is based on the use of a variety of means of action, however tailored to the specific situation and needs of each country according to a very extensive joint decision-making.

In a similar way this regional and integrated approach also applies to some countries around the Mediterranean where historical, economic and cultural links have justified it most (Maghreb countries so far while similar agreements are under negotiation with a few countries in the Mashrek).

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\* Adviser to Claude CHEYSSON, Member of the Commission of the European Community, responsible for development aid and Community budget.

Parallel to the emergence and widening of such policy the Community and the Member States gradually continued to advance and steadily unfold a global cooperation policy on a world scale.

It is not however mere coincidence if the European countries have in the last decade or so increasingly joined in a large common effort vis a vis developing countries. The Community of the Nine is heavily dependent on the outside world both for its exports and imports and particularly vis-à-vis developing countries. It represents roughly 25 % of world trade while comparable figures are 12 % and 7 % for the United States and Russia respectively. Europe with a limited space ( $1/6$  of that of the US and  $1/15$  of that of the USSR) has very limited supplies of raw materials and its energy needs are met through imports by as much as 60 %. Moreover with a population density of 167 inhabitants per square km (only 22 in the US), 75 % of Europe's imports originate from the outside while the comparable figure is only 15 % for the US. Clearly Europe, more than other countries or groupings, needs a close relationship with the outside world which can provide space, raw materials and offer new markets.

Faced with such a challenge the Nine Member States of the Community have increasingly recognized that it could not only be met by national efforts but called for a comprehensive, imaginative and rather generous policy on a larger scale at Community level.

We shall review briefly what is being done and contemplated world wide and then concentrate on the salient features of the regional cooperation policy.

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A / AT WORLD LEVEL

As of July 1971 the Community was the first to adopt a general system of preferences GSP whereby 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.

The preferences are non reciprocal, non discriminatory and they apply to all developing countries though with some restrictions on products and volumes. The results are already important and an enlargement of the scheme has recently been proposed by the EEC Commission for 1977.

Processed agricultural products that can be imported with a tariff reduction or total exemption have gradually come to include some 200 items and the value of these preferences was estimated at some 800 millions of dollars in 1975. Under the current proposal for 1977 the number of products would increase by 50 % with a total annual import value of 1,5 billion of dollars.

All manufactured and semi-manufactured goods from developing countries are given preferential treatment under the GSP and it has been possible to gradually raise the ceiling of authorised duty free manufactures up to 3 billions of dollars a year.

Altogether the \$ 8 billions in total concessions envisaged for next year far exceeds the use which developing countries are expected to make out of the scheme. Improvements for a better use of the system still need to be devised and the Community - for its part - makes special efforts to inform the countries concerned, organising seminars and providing technical assistance.

An increasingly large food aid program is also an important feature of world wide EEC development policy. Between 1968 and 1974 the Community and the Member States together granted over 1 billion of dollars worth of food aid to Third World countries in case of natural disasters, for purely nutritional or development purposes.

In order to meet growing needs of food imports in developing countries, the Community is embarking into an ambitious program which would ensure continuity of supply from one year to the next by means of a triennial indicative program based on firm annual commitments.

Although the Community world wide policy vis a vis the third world is becoming rather coherent and substantial, it does not strike as being very different from what other industrialised countries are doing themselves.

Much more striking is the unique integrated approach vis-à-vis certain regions i.e Africa and the Mediterranean, where historical and political as well as economic common interests have led to a much bolder and imaginative policy.

B / THE LOME CONVENTION AND THE MEDITERRANEAN POLICY

2) The five year international agreement between the Nine of the European Community and 46 African, Caribbean and Pacific countries (the group ACP) was signed in February 1975 and after parliamentary ratification came into force on April 1, 1976.

This contractual commitment is unique between a group of industrialised countries and developing countries and offers a combination of different means of action so as to meet the various specific development needs of each country.

Trade is an essential component since the EEC is the principal trading partner of the ACP countries. Free access to the Community market was granted for over 99 per cent of ACP exports and the Community did not ask for reciprocity on account of differences in levels of development.

Development aid is offered in a number of forms : some \$ 4 billions in soft financial assistance are being provided during a four year period by the European Development Fund and the European Investment Bank, trade promotion and industrial cooperation facilities are also provided as they are clearly needed as a complement if developing countries are to make a full use of access to a market and financial assistance.

The so called "Stabilisation of export earnings" or STABEX is an important innovation in the Lomé Convention. It may be best described as an insurance scheme against bad years, it protects the ACP from large falls in world prices and from adverse climatic conditions. It applies to 12 products groups and their derivatives which have been chosen for the instability of their market prices as well as for their importance for the national economies concerned.

STABEX is a limited attempt to guarantee nominal export earnings for a few commodities sent to the Community by the ACP countries ; it is neither an overall solution to the world problem of raw materials, nor a disruption of market forces. Nevertheless it is a positive first step towards an

overall policy on primary products. Its first year of operation was just completed, all justifiable demands could be met and some \$ 100 million were paid out to some 15 countries.

The cooperation agreements signed in the Spring of 1976 between the Community on <sup>the</sup> one hand, Tunisia, Algeria and Morocco on the other, are based on the same principles as Lomé, i.e opening of the European market, financial and technical assistance, industrial cooperation, joint institutions. However these agreements do not reflect merely a widening of the area of privileged cooperation. The Maghreb countries are closer to the European market, their economies are rather industrialized, export orientated therefore more competitive : close cooperation with such countries will in fact mean the building up of interdependence, an ambitious goal with far reaching implications on our european economies.

#### C / CONSEQUENCES OF A POLICY OF INTERDEPENDENCE

Indeed aid to development viewed as a conjunction of such diversified means ceases to be marginal in terms of economic life. When aid to developing countries entails the opening of our market, guarantees and preferences and the beginning of integration of economic spaces, then we have to admit that there will be direct effects on our internal policies.

Such an evolution cannot be only of interest to Governements, all those responsible for economic and social development must be also associated with this effort : governments in the first place but also operators (industrialists and bankers) representatives of social forces, trade unions, parliamentarians, public opinion. This is why institutional provisions are important in the Lomé Convention as well as in the three separate cooperation

agreements with Tunisia, Algeria and Morocco. They provide for regular meetings with our members of Parliament and they ensure that frequent talks are being held with trade unions so that representatives of the workers know what is planned, and may influence economic and social decisions needed as a consequence of economic restructuring. Our experience with trade unions so far has been rather encouraging and they are receptive to changes provided the necessary adjustments in the economic and financial field are being taken.

The role of industrialists and bankers becomes central in this search for integration, in this effort to combine our interests in Europe with theirs in the developing world, our experience with their economic possibilities. Industrial cooperation which we see as a help to produce, to manage, enter in joint ventures, is clearly in the hands of industrialists, bankers, traders, service companies etc which are the only ones to know what is feasible in terms of production, available markets, risks as well as profits. Moreover the transfer of technology should also be seen in the same perspective : it is essentially a matter of practical knowledge, management techniques and control, market forecasting etc, all matters which again are in the hands of the "operators". This eminent role of operators has been recognised in the Lomé Convention itself as well as in the Maghreb agreements. It is first reflected by institutional links but also by frequent consultations, exchanges of views being held on a permanent basis between "professionals" in the economic and financial field and government representatives from Europe and the developing world. Since certain risks cannot be borne by the entrepreneurs, it is the responsibility of public authorities to offer them guarantees, possibly some financial assistance as an incentive and more generally define a framework within which entrepreneurship can best operate.

This belief is undoubtedly that of Lomé and calls for a common effort of business and public authorities. Much will depend, however, on the capability of our liberal economies to progress along such lines. This is not only true regarding our relationship with the third world but also at home when it comes to the restructuring of our own industrial complex.

The task is not easy, that of reconciling free enterprise as the only progressive force which can lead to structural changes with the necessary controls over a liberal economy. This enlarged field of thought confirms that we are entering a new order, one which will possibly give a chance to third world countries to become full partners in growth, provided public authorities and the entrepreneurs agree to work closer together towards this common goal.

European countries, vulnerable as they are with their limited geographic space, insufficient supplies and markets at home must particularly seek to find an order of improved cooperation with the southern part of the world.

There is in Europe a growing awareness of the need for such changes. Adjustment policies, however, still need to be largely devised and their cost integrated in economic policy planning.

The European Governments for their part have started moving in the right direction when signing the Lomé Convention and the agreements with 3 countries in North Africa. At world level the task will be even more difficult but there again Europeans will play an active part as shown by their leading role in the Paris "North-South Dialog".