

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 332 final.

Brussels, 18 June 1979.

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

on the level of Community aid under the Food Aid Convention

from 1979/80 onwards

COM(79) 332 final

Food Aid Convention - Community commitments from 1979/80 onwards

Introduction

1. The UNCTAD negotiating conference on cereals, having failed to reach agreement on the contents of a new Wheat Trade Convention, adjourned on 14 February 1979 with a resolution (text annexed at Annex 1) advocating the further extension, pending the resumption of the conference at an appropriate time, of the Wheat Trade Convention and the Food Aid Convention which together comprise the International Wheat Agreement, 1971.
2. As regards the Food Aid Convention, paragraph 3 of the resolution recommended that this be extended "in the light of the work accomplished at the conference".
3. The texts of Protocols of Extension for a further two years were established at a conference held in London for that purpose on 22 March 1979. The conference adopted at the same time a resolution (text annexed at Annex 2) recommending, inter alia, "that with a view to taking appropriate decisions at the next meeting of the Food Aid Committee, ways be explored to bring into operation from 1979/80 the increased levels of aid and other provisions as envisaged in the draft Food Aid Convention now before the UN Conference". The next meeting of the Food Aid Committee has been fixed for 25 June 1979, with the possibility of a further meeting in the same week, if required.
4. A Community position is required to be established for these meetings.

Background

5. The USA has already announced its intention to raise its minimum annual obligation with effect from 1 July 1979 to the 4.47 million tonnes it pledged in the new draft Convention, regardless of whether the new Convention comes into force or not. Of the other donors, only Sweden (40 000 tonnes) has so far followed suit.
6. The Community, position, on the other hand, has so far been based on the need to make parallel progress in both the trade and aid aspects of the negotiations. In consequence, the Community has maintained that its food

aid commitment remains at the old level (1.287 mio tonnes) unless and until a new cereals agreement, including a new Food Aid Convention, is successfully negotiated.

7. The prospects for successful resumption of the negotiating conference depend on finding solutions which will bridge the wide disparities on price levels sought by exporters (particularly the USA and Canada) and the importers (particularly the developing importers), not to mention the disparities on reserve stock levels and special provisions for developing countries. This may take a considerable time.
8. Meanwhile there are political pressures on the Community, as well as other donors, to raise the level of their food aid commitments in the near rather than in the distant future. These
will certainly be in evidence in London at the June meetings.
9. In these circumstances the Community needs to reappraise its attitude to the maintenance of parallelism between the trade and aid conventions, particularly as regards timing.
10. The Community emerged from the third round of the negotiations with a good deal of political credit, particularly among developing countries, for its moderate and practical stance. The USA was in the contrary situation. These positions would be reversed, to no advantage to the Community, if it continues to insist that it will not increase its food aid level unless there is a new trade convention. This could not succeed in bringing the developing countries to accept the USA-Canadian price proposals and would be seen as a rather inept attempt at blackmail.
11. If, on the other hand, the Community could put forward a reasonable proposition to solve the aid problem in a practical way, while maintaining its general position on the contents of the trade conventions, its political credit would be still further enhanced.
12. The two main outstanding issues in the draft Food Aid Convention were

- (a) the wording of the objectives. Certain developing countries still insist that this should imply an obligation on signatory donor countries to meet the whole of the 10 million tonne aid target; and
- (b) the link between the Food Aid Convention and the Wheat Trade Convention.

These remain politically sensitive issues, which it would be unwise to resolve by unilateral decision on the part of the donors. It would be equally unwise, however, to give too much scope to developing countries to continue hard-line tactics on these points.

13. These considerations point to the rejection both of (a) any proposal for the Food Aid Committee to turn itself into a conference to establish the text of the new Food Aid Convention unless the two issues referred to in paragraph 12 above had been resolved with developing countries beforehand; and (b) any proposal for a new UN Conference to deal with the Food Aid Convention in isolation from other issues.

Proposed Course of Action

14. Unless the early resumption of the cereals negotiating conference is decided at the meetings in London, during the week beginning 25 June 1979, the Community should propose the adoption of a resolution by the Food Aid Committee which would declare the intention of the donor countries to carry out their obligations under the Protocol of Extension as though the provisions of Article III of the draft Food Aid Convention were in force, with effect from 1 July 1979. These provisions provide not only for the higher level of aid commitment, but also re-define all the operational mechanisms of the Convention (the cash-equivalence and the rice-equivalence formulae, the procedure for triangular operations, the evaluation of transport costs beyond f.o.b. borne by donors, etc.) in line with the Community's negotiating mandate.
15. Since none of these points is in dispute, the developing countries could not object that their views were being over-ridden; while the donor countries could justly say that they were fully implementing the spirit of

paragraph 3 of the resolution of 14 February 1979. From the point of view of the Community, this formulation would have the advantage of bringing into effect the operational improvements on which Member States place importance at the same time as the higher level of aid. In addition, the door would be left completely open for an overall solution through the resumption of the general negotiating conference, whenever that should prove practicable, without imposing undue pressure to resume the conference prematurely simply to resolve the food aid issue.

Financial implications

16. The level of the Community's total food aid obligation would rise by 28.2 % with effect from 1 July 1979. The cost increase to be borne by the Community budget would depend on decisions as to how this obligation should be distributed between the Community as such and the Member States, as well as on prevailing market price conditions. It is not proposed to seek further budgetary appropriations for 1979.

Conclusions

17. The Council is requested to approve that, if the resumption of the UN negotiating conference for cereals is not decided upon at the meetings in London in the week beginning 25th June 1979, the Commission, on behalf of the Community, shall propose the adoption of a resolution by the Food Aid Committee which would declare the intention of signatory donor countries to carry out, with effect from 1st July 1979, their obligations under the Protocol of Extension of the Food Aid Convention as though the provisions of Art. III of the draft Food Aid Convention which was before the UN negotiating conference were in force. Therefore the attention of the Council is drawn to the fact that, as a consequence of the application of such Resolution, the Community's aid commitment will be raised to 1,650,000 tonnes and the definitions of operational mechanisms contained in the draft Article III will be applied with effect from 1st July 1979.

ANNEX I

RESOLUTION ADOPTED BY THE
UNITED NATIONS NEGOTIATING CONFERENCE

The United Nations Conference to Negotiate an International
Arrangement to Replace the International Wheat Agreement,
1971, as Extended,

1. Decides to adjourn;
2. Recommends that the International Wheat Council extend the Wheat Trade Convention, 1971;
3. Recommends that the Food Aid Committee extend the Food Aid Convention, 1971, in the light of the work accomplished at the Conference;
4. Requests the UNCTAD secretariat, in consultation with the Executive Secretary of the International Wheat Council, to prepare a document reflecting the present status of the work of the Conference, with a view to a resumption of the negotiations;
5. Requests the International Wheat Council, once it is satisfied that the necessary conditions exist for a resumption of the negotiations, to request the Secretary-General of UNCTAD to fix a date for the reconvening of the Conference.

11th meeting
14th February 1979

ANNEX II

1. Resolution adopted by the Conference for the establishment of the texts of the 1979 Protocols for the fifth extension of the International Wheat Agreement, 1971 (London, 21st - 22nd March 1979)

In establishing the texts of the 1979 Protocols for the extension of the Wheat Trade Convention and the Food Aid Convention, 1971, for a period of two years (to 30th June 1981), the Conference draws to the attention of all Governments the necessity, in the interests of

- contributing to the fullest extent possible to the stability of the international wheat market;
- contributing to world food security, especially safeguarding the interests of developing members;
- moderating extreme price fluctuations of wheat;
- increasing the level of food aid

to resolve as quickly as possible the outstanding questions of substance still impeding the conclusion of an international arrangement in order to prepare the ground for the resumption of the United Nations Negotiating Conference.

In relation to food aid in particular, the Conference recommends that, with a view to taking appropriate decisions at the next meeting of the Food Aid Committee, ways be explored to bring into operation from 1979/80 the increased levels of aid and other provisions as envisaged in the draft Food Aid Convention now before the UN Conference to negotiate an international arrangement to replace the International Wheat Agreement, 1971, as extended.

2. Resolution adopted by the International Wheat Council at its Eighty-sixth Session (London, 20th - 22nd March 1979)

The Council authorizes the Chairman and the Executive Secretary of the Council, in association with the Chairman of the United Nations Negotiating Conference, to initiate immediately the process of consultations and contacts with a view to implementing the resolution adopted by the Conference for the establishment of the texts of the 1979 Protocols for the fifth extension of the International Wheat Agreement, 1971. The Council requests the Executive Secretary to report on these consultations at the next session.