

## EUROPEAN PARLIAMENT

# Working Documents

1980 - 1981

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5 September 1980

DOCUMENT 1-341/80/ANNEX I

## Annex

to the report of Mr FERRERO

on the European Community's contribution to the campaign against  
hunger in the world

### I. Opinions <sup>(1)</sup>

- of the Political Affairs Committee:  
Draftsman: Mr C. JACKSON
- of the Committee on External Economic Relations:  
Draftsman: Mrs WIECZOREK-ZEUL
- of the Committee on the Environment, Public Health and  
Consumer Protection:  
Draftsman: Mrs SQUARCIALUPI

### II. Working documents drawn up by

Mrs FOCKE  
Mr SABLÉ  
Mr SIMMONDS  
Mr VERGEER

members of the working party set up by the Committee on  
Development and Cooperation

### III. Resolution on hunger in the world adopted by the European Parliament on 16 November 1979

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(1) The opinion of the Committee on Agriculture will be published at a  
later date in an Annex II

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POLITICAL AFFAIRS COMMITTEE

OPINION

for the Committee on Development and  
Cooperation

on the European Community's contribution  
to the campaign against hunger in the world

Draftsman: Mr C. JACKSON

In September 1979 the following four motions for resolutions were referred in plenary sitting to the Committee on Development and Cooperation as the committee responsible and to the Political Affairs Committee, the Committee on External Relations and the Committee on Agriculture for their opinions:

- motion for a resolution (Doc. 1-358/79) of 27 September 1979 tabled by Mr PAJETTA, Mr GREMETZ, Mrs CARETTONI ROMAGNOLI, Mr DENIS, Mr FERRERO, Mr GALLUZZI, Mrs POIRIER and Mr VERGES on behalf of the Communist and Allies Group on world hunger - opinion requested on 27 September 1979;
- motion for a resolution (Doc. 1-355/79) of 26 September 1979 tabled by Mr GLINNE on behalf of the Socialist Group on world hunger - opinion requested on 27 September 1979;
- motion for a resolution (Doc. 1-327/79/rev.) of 24 September 1979 tabled by Mr KLEPSCH, Mr VERGEER and Mrs CASSANMAGNAGO CERRETTI, on behalf of the Group of the European People's Party on the problem of hunger in the world - opinion requested on 24 September 1979;
- motion for a resolution (Doc. 1-322/79/rev.) of 25 September 1979 tabled by Mrs BONINO, Mr COPPIETERS, Mr PANNELLA, Mr CAPANNA, Mrs CASTELLINA, Mr GENDEBIEN, Mr BLANEY, Mr CECOVINI, Mrs SPAAK, Mr de GOEDE and Mrs DEKKER on world hunger - opinion requested on 26 September 1979.

On 16 November 1979 the European Parliament adopted a resolution on this subject tabled by the Committee on Development and Cooperation. The European Parliament instructed this committee, 'together with the other parliamentary committees, to take, as highest priority, the initiative in developing such a policy in which concrete measures will be proposed and which would include food aid policy, a financial and technical aid policy in the agricultural and development sector, and a policy aimed at guaranteeing food supplies not only in the developing countries but throughout the world and to present the report to the Parliament'.

On 31 October 1979 the Political Affairs Committee appointed Mr Christopher JACKSON draftsman of the opinion.

It was adopted on 28 February 1980, with 10 votes for and six against.

Present : Lord Bethell, acting Chairman; Mr Christopher Jackson draftsman; Mrs Baduel-Glorioso (deputising for Mr Amendola); Mr Bettiza, Mr Blumenfeld, Lord Douro (deputising for Mr Fergusson); Mr Habsburg, Mr Hänsch, Mrs van den Heuvel, Mrs Lenz (deputising for M. von Hassel); Mrs Lizin (deputising for M. Friedrich); Mr Lomas, Mr van Minnen (deputising for M. Schieler); Mr Pannella (deputising for Mrs Hammerich); Mr Rey, Mr Romualdi Mr Scott-Hopkins.



## World Hunger

### Background

1. This opinion is written in the context of Parliament's October debate on world hunger, and of Resolution 1-480/79 passed on 16th November 1979 which, inter alia, called on the Committee for Development and Cooperation to prepare a report by February 1980. Since then the Preliminary Report of the Presidential Commission (U.S.A., December 1979), the 1979 Report of the Court of Auditors (December 1979) and the Report of the Independent Commission on International Development ("North South", the Brandt Commission, February 1980) have become available. The Committee on Development and Cooperation has also organised a Public Hearing, and another is planned. It is understood that their report is now unlikely to be available before June 1980.
2. This opinion makes certain recommendations, but is also intended to contribute to the dialogue on the vital issues involved in the problem of World Hunger. It concentrates on the political and general issues which are the particular concern of the Political Affairs Committee. The Opinion is based on the premise that World Hunger cannot be considered in isolation from the whole question of economic development. While some countries may become self sufficient in food others require to develop economically so that they can afford to purchase food they cannot grow.
3. Despite record harvests, per capita food production in the poorest developing countries has been in decline. Serious problems also exist in food distribution where great losses occur. Thirty years ago the developing countries were net exporters of cereals, but in 1980 they are likely to import over 80 million tons. Population is increasing fast in many developing countries; it is estimated by the World Bank that world population will reach 6000 million by the year 2000 AD and that of these between 470 million and 710 million will be living in absolute poverty.
4. Statistics purporting to show world numbers of deaths through "starvation" should be viewed with suspicion. WHO statistics contain no such category. However, severe malnutrition either urban or rural decreases resistance to diseases which are often the direct cause of death. "Starvation" is often associated with areas of natural disaster or political upheaval and war.
5. United Nations estimates in 1978 indicated that about 450 million people, one quarter of the population of the Developing Countries (DCs) (excluding China) were malnourished. 1974 estimates relating to children indicated that 10 million suffered from severe malnutrition; 80 million from medium malnutrition and 120 million from 'slight' malnutrition.

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<sup>1</sup>World Health Organisation

6. The tables in Appendix A show the relationship between EEC aid to developing countries and bilateral aid by member states. Budgeted EEC + EDF aid accounts for about 10% of the total aid from the Community and its Member States, and of this 10 %, about one third is food aid.

7. The relationship between aid from the Community and Member States and other States is shown in appendix B.

Aid from the Nine amounts to 0,45 % of GNP while aid from USA is 0,27 % from Japan is 0,23 % and from Russia only 0,03 %.

8. While aid from the Nine is large in relationship to GNP compared to most other states, EEC aid forms only a small part of the total, and an important part of EEC aid is food aid.

OPINION FOR THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Need for a second report

9. The scale of world hunger is immense and despite years of international effort it is increasing. Together with the extent of absolute poverty it constitutes one of the major problems facing the world and moves towards a solution have considerable political implications, both within the Community and in terms of the Community's relations with other countries. We believe the moral imperative for the richer countries of the world to provide effective help for those in hunger and absolute poverty is clear. The Political Affairs committee believes that against this background Parliament should not restrict itself to one report prepared in haste, but should make an initial report now covering those items on which it is reasonable to reach speedy conclusions, and a second report at the end of 1980 or early in 1981 on other important matters requiring deeper thought. There should be a clear distinction between 'short term urgent' matters and 'long term important' matters.

Human rights

10. It is considered important that the Community should wherever possible act to help those suffering from hunger. However, where regimes that do not respect human rights are concerned aid should be restricted to food aid, medical aid and possibly rural development aid. This aid should in all cases go directly to those being assisted. Particular steps should be taken to avoid misuse of such aid for example by sale of food to third parties, through corruption, or through diversion to other uses.

Aid criteria - an explicit statement

11. As aid funds are limited and since taxpayers who provide those funds rightly require that their money is not wasted, aid should preferentially be provided to those countries that not only use it for the purpose for which it was intended but also use it effectively. The Community should generally insist on greater freedom of inspection, making use of the Court of Auditors where required.

12. The Community should reconsider its aid criteria in the light of Parliament's debates and of the reports now being made, and should make an explicit statement of the criteria used, and of the sorts of policies and programmes that appeal to it.

## Aid effectiveness

13. The Community's primary aim must be to help the developing countries to achieve food self sufficiency or an economic position that enables them to afford appropriate food imports. However, among experts there have been growing reservations about the effectiveness of financial and food aid. Food aid itself is clearly only a palliative and can even restrict production or cause damage in the recipient country.

14. The Commission's limited ex-post evaluation of aid effectiveness have already produced valuable results. A greater proportion of available funds should be spent on this work; it is vital to know that aid funds are producing good results as well as being correctly spent. This point can be taken up in the revised budget.

15. Because of the importance of aid effectiveness and the doubts in this area the Commission should be asked as a matter of priority to institute an external objective review of the proven effectiveness or lack of it of the general aid methods in use, with particular reference to promotion of rural development and increasing food production.

## Expenditure on aid

16. In its resolution on world hunger the European Parliament asked that special efforts be made to ensure that at least 0.7% of GNP is set aside in the form of public aid for development purposes, but in parallel with these efforts the Political Affairs Committee believes it vital that greater public confidence is engendered in the effectiveness of aid. Current economic circumstances make a 45% increase in total aid expenditure, which 0.7% of GNP implies, an unlikely priority at national levels and it is worth recalling that Community aid is only some 10% of all aid given by the Nine. It may well be that in the short term the most effective additional help that the European Community can give the developing countries will be in terms of political action (for example, leading international negotiations relating to security of world food supplies) and increasing effectiveness of aid, including the provision of technical and educational assistance, and not measured in the strictly financial terms of an aid budget.

## The political dimension of aid

17. The Political Affairs Committee was not convinced that increased aid can be justified on the basis that world catastrophe may result from great gaps in wealth between rich and poor countries. However, this major issue requires further study. As it is perceived by the Committee the case for relieving absolute hunger and poverty is primarily a moral one.

18. However, as development proceeds the risk of disturbance or revolution increases and we must recognise a political dimension in our aid. The interests of world peace, of the citizens of developing countries, and of the European Community are best served by encouraging regimes which respect human rights and democracy. Our aid criteria referred to in paragraph 11. should reflect the Community's intentions in this respect.

#### A new economic order?

19. The Community is the world's largest trading group, and the Nine are already the world's largest aid donor. There is a clear interdependence between the developing countries and the Community: they need our markets for their raw materials, some of which are vital to us: we need their markets for our technologically based products. But the relationship is unbalanced because the developing countries require in addition technical and sometimes financial help and will require increasing access to Community markets for the products of their own industrialisation. For the Community strengthened economies of Third World countries could bring the important long-term advantage of substantially larger markets for Community products.

20. Many developing countries call for a "New Economic Order" designed to redistribute wealth from the richer countries. Such an arrangement would probably, though interpretations of it differ, increase the cost of raw materials, substantially increase aid and open Community markets still further. There is no example among democracies or communist states of such a new economic order. While Lome II is the most advanced such agreement in the world, the Community should plan for a more broadly based relationship including other developing countries in the future. Concessions, however, should not be all one way and as developing country markets expand the Community must have access to them.

#### Institutional problems

21. One institutional problem is clear, namely the limitation imposed by the annual budgeting process. Methods should be sought of guaranteeing longer term programmes particularly for food aid and rural development.

22. Community aid is at present small in relation to that of the Member States and we question whether in terms of aid financed by our citizens the best balance between Community aid and Member State bilateral aid had been reached. This subject will require further study.

## Political actions

23. The Political Affairs Committee has asked itself what political actions the Community could initiate or support in the international context and it recommends that further attention be given to the following:

1. Aid for population control

a wide diversity of views on this was expressed within the Political Affairs Committee, with a majority taking the view that the Community should be prepared to support suitable national programmes in the developing countries

2. A World Food Bank

this was recommended by the World Food Conference, and a Wheat Reserve Agreement was nearly concluded in 1979. The aims of such a "Food Bank" would include provision of strategic reserves of food and smoothing of commodity price fluctuations.

These are important and difficult topics which require deep study and which could perhaps be the subject of new Community action at an international level

3. Encouragement of private investment in developing countries

In addition to public investment, private investment is also a suitable method for helping less developed countries. Yet in many developing countries there are grave obstacles to such investment. To help the developing countries to help themselves, the Community should ensure greater security for foreign private investment in developing countries. This should be included in the criteria applied by the Community. It should not, however, be forgotten that in individual cases the promotion of private investment can lead to growth problems and one-sided economic dependence.

## Conclusion

The Community should concentrate on making aid effective

24. There is no doubt that world economic problems, resulting primarily from increases in oil prices, reduce the ability of the richer countries to respond to the developing countries' needs and desires. There is a profound difference between the Community sharing some of the fruits of an increase in wealth as it occurs, on the one hand, and asking its citizens to suffer a real decrease in their standard of living to provide increased aid now. It is a fact that while Community countries are themselves struggling with high unemployment and low growth their peoples are unlikely to be so willing to make concessions to the developing countries. For the Community to return to fast economic growth should thus be to the advantage of developing countries.

25. In the present circumstances, therefore, there is every reason for the Community to concentrate on making current levels of aid even more effective. Such effectiveness should be sought both in direction, that is, the items and programmes selected for expenditure, and in use, that is, the efficiency with which a given programme is executed. New and perhaps unorthodox aid methods may be tried.

26. As referred to in paragraph 14, there is a strong case for the Community to spend more on aid administration than it does at present. This case is emphasized by the recent report of the Court of Auditors for such investment can be repaid many times in increased aid effectiveness.

Increased expenditure on ex-post evaluation (checking the true effectiveness of past projects as a guide to future expenditure) and probably on project control and audit are recommended. These proposals have important political implications, for allegations of ineffectiveness, waste and corruption in the field of development aid have a profoundly adverse effect on the willingness of the Community's taxpayers to support increased levels of help.

27. The primary spur to faster development must come from the developing countries' own efforts, but there is no doubt that the Community must aim to give more effective help in the context of a long term strategy. This strategy should, subject to the criteria previously mentioned, concentrate on the poorest regions, and on aiding rural development.

## ODA DISBURSEMENTS 1976 - Millions \$ \*

	ODA Total	Bilateral ODA	Multilateral ODA	ODA Total	Bilateral ODA	Multilateral ODA
<u>EEC</u>	804.6 **	684.8 (of which 193.8 Food aid)	119.8 (all food aid)			
<u>BELGIUM</u>	536.1	310.4 (of which 5.4 food aid)	225.7 (of which 22.6 food aid)			
<u>DENMARK</u>	387.6	217.3 (of which 3.4 food aid)	170.3 (of which 22.3 food aid)			
<u>FRANCE</u>	2,705.3	2,350.6 (of which 24.1 food aid)	354.7 (of which 54.7 food aid)			
<u>GERMANY</u>	2,418.4	1,560.7 (of which 52.2 food aid)	857.7 (of which 106.4 food aid)			
<u>ITALY</u>	175.4	22.3 (of which 6.0 food aid)	153.1 (of which 38.7 food aid)			
<u>NETHERLANDS</u>	1,073.5	789.2 (of which 60.0 food aid)	284.3 (of which 58.7 food aid)			
<u>UNITED KINGDOM</u>	1,472.4	825.5 (of which 28.7 food aid)	619.9 (of which 51.9 food aid)			

\* 1 \$ = 1.27 ECU

\*\* of which EDF 414.9, EIB 36.1, Non-associated 17.4, NGO 7.4, Emergency aid 4.0, Regional Dev. fund. 2.7, Soc. Dev. Fund. 8.6

☒ Food aid

Source : DAC Annual Review 1979  
D.I. 5.12.79



ODA in relation to GNP

Disbursements 1978 - amounts in million \$

	ODA total	Payments to EEC included in (1)	ODA total as % of GNP
	(1)	(2)	(3)
<u>Member States - total</u>	8,768.7	536.4	0.45
of which - Belgium	536.1	35.0	0.55
Denmark	387.6	12.3	0.75
France	2,705.3	118.2	0.57
Germany	2,418.4	160.2	0.38
Italy	175.4	73.3	0.07
Netherlands	1,073.5	51.4	0.82
United Kingdom	1,472.4	85.5	0.48
<u>USA</u>	5,663.5		0.27
<u>OPEC</u>	3,700.7		1.11
<u>JAPAN</u>	2,215.4		0.23
<u>RUSSIA</u>	+ - 300.0		0.03
<u>Total - all DAC countries</u>	19,881.8		0.35

Source : DAC Annuar review 1979  
5.12.79

Community Budget expenditures for food aid since 1975 (1)

1975	1976	1977	1978	1979
187,8 Muc	437,8 Muc	295,2 Muc	517,7 Muce	644,1 Muce (crédits inscrits au budget)

(1) Price of products inside the Community (chapter 92 : aid in world price + budgetary line of title 6 corresponding to restitutions).

COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

OPINION

for the Committee on Development and  
Cooperation

on the European Community's contribution  
to the campaign against hunger in the world

Draftsman: Mrs WIECZOREK-ZEUL

On 20 December 1979 the Committee on External Economic Relations appointed Mrs Wiezcorek-Zeul draftsman.

It considered the draft opinion at its meetings of 22 and 29 January, 25 February, 24 April, 29 May, 6 and 17 June 1980 and at the last of these meetings adopted section I and part A (II - IV) with three abstentions. (No vote took place on part B).

Present: Sir Fred Catherwood, chairman; Mrs Wiezcorek-Zeul, first vice-chairman and draftsman; Mr Van Aerssen, second vice-chairman; Mrs Agnelli, Mr Almirante, Mrs Caretti Romagnoli, Mr Delatte (deputizing for Mr Louwes), Mr Deschamps, Mrs Dienesch, Mr Ferrero (deputizing for Mr Galluzi), Mr Giummarra, Lord Harmar Nicholls (deputizing for Mr de Courcy Ling), Mr Jonker, Mr Kellett-Bowman, Mr Sayn-Wittgenstein (deputizing for Mr Lemmer), Mr Schnitker (deputizing for Mrs Lenz), Mr Seeler, Mr Welsh.

## I. Background

The causes of world hunger are closely connected with the causes of underdevelopment in Third World countries, and with the economic structures inherited from the colonial era. Therefore all proposals to combat hunger in Third World countries must be made in the context of a strategy to overcome underdevelopment, poverty and exploitation, and seek to promote the creation of a new, more equitable international economic order.

1. Your draftsman has proceeded on the assumption that the main aim, apart from eliminating acute cases of starvation in specific parts of Africa and Asia, is to combat the insidious advance of the food crisis. This crisis is characterized by chronic malnutrition among the poorer members of the population in certain regions, though there is no general agreement as to precisely which developing countries are most affected.

The situation is particularly menacing in the majority of African developing countries, where between 1970 and 1977 the annual growth rate of food production fell to 0.8% while the population increased each year by 2.7%. There was thus a fall in per capita production of 1.9% per annum.

In the same period Latin America, with a growth in population of 2.8%, succeeded in increasing food production by 3.2%. The net overall result, however, is a modest improvement in per capita production of 0.4% per year. And in major Latin American countries, such as Chile, the Dominican Republic, Ecuador, Mexico and Peru, the growth in food production lagged behind the growth in population. The same is true of the majority of the Central American countries.

For the Asian countries, e.g. India, Indonesia, Bangladesh and Pakistan, the situation also deteriorated between 1970 and 1977, as compared to the situation in the '60s. Here, an increase in population of 2.5% was accompanied by an increase in food production of 3.1% per annum giving a net increase in per capita production of merely 0.6% per annum. Population control is therefore urgently needed in these countries in the fight against world hunger.

2. It is the lowest income groups in these countries which are threatened by hunger and malnutrition because they simply cannot afford all the food they need. Studies in Hyderabad, Pakistan, for example, have shown that the children of poor families receive approximately only half as many calories and protein as the children of more affluent families. Children of families with low incomes consumed only 1,376 calories per day, compared with 2,485 calories for children from families with a high income<sup>1</sup>.

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<sup>1</sup> UNWFC Transnational Institute, report on world hunger in : Technologie und Politik 3, Reinbek 1975

The preliminary report of the American Presidential Commission on World Hunger also identifies poverty as the major cause of hunger<sup>1</sup>.

3. The inadequate level of food production in the developing countries has led to a corresponding increase in the need to import food. Taken as a whole the developing countries were net exporters of grain before the Second World War, but have since become net importers<sup>2</sup>. World hunger can, therefore, only be effectively combated by exploiting resources more efficiently and increasing agricultural production in the developing countries themselves.

4. There are, however, a multitude of different obstacles and vested interests preventing the eradication of poverty, malnutrition and hunger in the developing countries. These include the existing patterns of earnings distribution and restrictions on access to production factors, such as land and capital, which apply to large sections of the population in the developing countries. This applies not only to Africa and Asia, but in particular to Latin America where this problem is causing renewed unrest at the present time.

In countries where land is distributed among a small group of large landowners on the one hand and a vast number of small farmers, smallholders, tenant farmers or landless labourers on the other, the scope for increasing food production by the use of technological improvements and attaining a satisfactory distribution of products is extremely limited. Intensive food production can only succeed on the basis of an agricultural reform from which the vast bulk of the agricultural population benefit and which groups small and medium-sized landholdings into rational units<sup>3</sup>.

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<sup>1</sup> Preliminary Report of the Presidential Commission on World Hunger, December 1979, Jackson Place, N.W. Washington DC 20006

<sup>2</sup> See also Statement on World Hunger and the EC delivered by Arturo Tanco, President of WFC and Minister of Agriculture of the Philippines, at the hearing of the EP on 18 February 1980 in Brussels; p.4

<sup>3</sup> See also the statements by Mr Chonchal, former Chilean Minister, at the hearing of the European Parliament on world hunger on 19.2.1980 in Brussels.

5. Until the early 1970s, the developing countries concentrated on achieving industrialization along the lines of the highly developed countries, whose example they sought slavishly to emulate. This, however, led to their neglecting agricultural production and to a mass migration from the countryside which in turn led to the rapid growth of conurbations in which the problem of malnutrition among the poorer classes grew steadily worse.

6. As a result of their considerable dependence on imports, the developing countries are particularly hard hit by increases in the prices of agricultural products and food. (The price of wheat, for example, rose from US\$ 63 per tonne in 1970 to US\$ 154 per tonne in 1979.) Increases in food prices affect a far larger section of the population in developing countries than in industrialized countries because in the former consumers spend practically their entire income on food, whereas in the latter the corresponding proportion of expenditure only amounts to a fraction of overall income, depending on country and social group<sup>1</sup>.

7. The developing countries' terms of trade are steadily deteriorating: while they are forced to pay ever higher prices for imports of consumer goods from the industrialized countries and for oil, their revenue from their agricultural products and commodities is rising more and more slowly<sup>2</sup>.

8. The protectionist agricultural policies pursued by most industrialized countries, including the Community, prevent any significant increase in the modest percentage of agricultural imports from developing countries. Greater scope for exports of agricultural products from developing countries to the developed nations, in particular the European Community, would not only encourage a more profitable exploitation of the natural features and cost advantages

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<sup>1</sup> This is exacerbated by a levelling-off of per-capita consumption of food in developing countries and a constant increase in the industrialized countries. Thus by the end of this century 16% of the world's population will be consuming as much food as the remaining 84%.

- See statement by Mr Diouf, Minister for Scientific and Technological Research of Senegal, at the hearing of the European Parliament on world hunger on 19.2.1980 in Brussels, p.5

<sup>2</sup> A World Bank analysis of the terms of trade for 34 export products from developing countries in the period 1950 to the boom year of 1974 (which however also includes non-agricultural products) shows that the purchasing power of the developing countries has declined considerably: in 1974 the index (100=1973) reached 116 compared with 125 in 1950 and 127 in 1954.

of the developing countries, but also improve the structure of income distribution and eliminate hunger and poverty in the developing countries concerned<sup>1</sup>.

9. All over the world, but particularly in the industrialized countries, there is an increasing trend towards the formation of oligopolies on the agricultural commodity markets.

This applies both to domestic produce and to exports and even to transport, storage, and other stages of distribution. In view of such developments there is an added danger that prices will be fixed without regard to the developing countries' domestic food needs and in a manner which will prevent their governments from pursuing an independent agricultural policy.

10. In the light of the above observations and considerations your rapporteur believes that the European Community's policy towards the developing countries whose economic structures are less highly developed should aim to support their efforts to achieve a greater degree of collective-self reliance. In so doing, the European Community must accept that the developing countries will devote greater attention to those sectors of the world market from which they can derive benefits for the development of their own economic structures while at the same time protecting their economy and loosening ties in other areas in which they are less competitive.

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<sup>1</sup> While approximately one fifth of all Community imports (approx. US \$ 51,000,000) are accounted for by agricultural products, only just under half (US \$ 25,000,000) comes from developing countries. In recent years, however, only about two thirds (approx. US\$ 16,000,000) of these Community agricultural imports from developing countries consisted of food. This only represents about one sixth of total imports (approx. US \$ 97,000,000).

- See also 'Europe - Third World, Development', Commission of the European Communities, Directorate-General for Information, July 1979.

A: Specific recommendations for Community policy

II. Implications for changes in Community policy on trade in food and agricultural products with developing countries

11. If effective steps are to be taken to combat world hunger, the main requirement is to increase production capacity and improve the living conditions of the sections of the population most severely affected in the developing countries. The greatest scope for financing is available to the developing countries from trade in those products which they can produce at the lowest cost. But it is precisely these products namely agricultural products, which they are at present unable to supply to the industrialized countries because of protectionist measures. If the Community wishes to offer better access to its markets for agricultural products and foodstuffs from the developing countries, it must undertake a radical reform of its agricultural policy, abolish protectionist measures and introduce a cautious price policy.

The aim should, of course, be to persuade the other major agricultural trading nations, namely the USA, Japan and the eastern European states, to adopt the same approach as otherwise the Community would have to bear the burden alone. A more cautious agricultural price policy of this kind could than also have repercussions on the prices for agricultural products on the world markets which are to some extent artificially low. The Community's attitude when determining its policy on sugar will represent a test case for the seriousness of its resolve. The Community must resist efforts to bring about further increases in Community production<sup>1</sup>.

<sup>1</sup> See Doc. 1-37/80: in paragraph 49 of its resolution on the Delatte report of 26.3.1980, however, the European Parliament opposed a reduction in the current high production quotas.



12. As the GATT and Lomé II negotiations have just been completed, it would seem more judicious, in formulating new proposals for improving access to the market for agricultural products, to concentrate on changes to the GSP, which expires in 1980 and for which new guidelines for the post-1980 period are currently under discussion.

The Commission proposals contained in its communication to the Council, however, provide for no improvement for agricultural products; the Commission emphasizes that: 'given the constraints of the common agricultural policy ..... and the possibility of the accession of new countries, it would be inappropriate to widen the present product coverage'<sup>1</sup>.

The Commission has pointed out<sup>2</sup> that agricultural imports from developing countries to the EEC in 1978 amounted to 14,500 million EUA; of these 8,500 million EUA were accounted for by those developing countries which do not benefit from any special preferences. The imports subject to levies, such as wheat, sugar, beef and dairy products etc., and which do not benefit from the GSP, represent approximately 1,000 million EUA. The Commission observes that approximately 900 million EUA of agricultural imports could in principle be incorporated into the GSP; the main products concerned would be raw tobacco, orange juice, pineapple, horsemeat, beef, potatoes, fruit, fresh and processed fish, fresh and preserved vegetables etc.

It stresses however that such inclusion would tend to favour those developing countries which have already reached a certain level of development.

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<sup>1</sup> 'Guidelines ..... ' - see above

<sup>2</sup> Commission replies to the rapporteur's questionnaire of 26.3.1980.

13. Two criticisms can be made of the Commission proposals. Firstly, the estimate of the potential volume of products for inclusion in the GSP for the first time totally ignores the potential ability to supply agricultural products which even in the case of the less-developed countries might be built up if a more liberal system were in operation. This is particularly true in view of the time-scale planned for the new GSP (the Commission proposes 20 years). The volume of potential agricultural imports, therefore, is likely to be considerably higher than these 900 million ECU. Secondly, inclusion of the products mentioned could certainly also be of benefit to the less-developed countries, for example, those in the Sahel region.

Your rapporteur takes the view that the GSP should be extended to take account of the points of view and products mentioned above. The principle according to which it is necessary to maintain quantitative restrictions for sensitive (processed) products, which also include food and agricultural products, also needs to be reviewed, as it deters the developing countries from gearing their market to increased production and processing of agricultural products.

The Commission itself is forced to admit that utilization of the GSP will remain limited (on average 55-60%) as long as quantitative restrictions apply mainly to the sensitive goods for which the level of utilization is highest. Similarly, the application of the EEC protective clause on agricultural and food imports deters the developing countries from long-term planning of their production and processing of food.

The announcement by the Commission that GSP concessions should be graduated so as to be more generous for the least-developed beneficiary countries is in principle to be welcomed.

There is reason to doubt whether there would be any point in extending the duration of the GSP to a period of 20 years given that it would contain virtually no new concessions as regards food imports from developing countries. This would have the effect of consolidating the present structures over far too long a period of time.

There would also appear to be some justification for making the GSP a contractual system rather than a legally autonomous one as at present and although this is contrary to the Commission's new proposals. The advantage would be that the developing countries would have a far greater say in laying down the relevant principles and rules. On the other hand this might lead to the development of an excessively cumbersome mechanism.

14. Experience with the GSP and with the trade promotion proposals in the Lomé Convention show that measures to improve access to markets are relatively ineffective for the particularly disadvantaged developing countries. As Mrs Focke said in her introductory report, 'the rule of free access is meaningless for countries which, at the present stage, because of their production structures, have practically nothing to export to the Community'<sup>1</sup>. It is important that trade concessions be linked to development aid measures and internal reforms in the least-developed countries, which are the most severely affected by hunger.

In the light of the above, the following two proposals may be made for future Community policy:

- the first, which given developments to date is the less realistic of the two is that the countries most severely affected by hunger, particularly in Asia (Bangladesh, India etc.) and which have not so far acceded to the ACP Convention should, if they so desire, be allowed to join the Convention and be granted the relevant benefits. They could, thus, for example, benefit from the measures designed to promote agricultural development, the special aid for particularly disadvantaged countries, and the compensatory payments under the export stabilization scheme.
- the other proposal is that the Community should develop a long-term strategy providing for trade and development aid to the least-developed countries and those particularly affected by hunger both within and outside the Lomé Convention<sup>2</sup>. Suitable proposals from the World Food Council to take account of the specific situation in each of the developing countries concerned as part of its World Food Strategy should be combined with:
  - support for land reform measures in developing countries designed to increase productivity in farming and for measures to increase the purchasing power of the lower income groups in developing countries,
  - complete freedom of access to Community markets, particularly for the agricultural products of these developing countries,
  - attempts by the Community within the North-South dialogue to secure an international agreement on the implementation of a system of financial compensation for exports from developing countries (possibly analogous to the STABEX system under Lomé).

<sup>1</sup> Introductory report by Mrs K. Focke

<sup>2</sup> A proposal along these lines was made at the European Parliament second hearing on world hunger on 1/2 April 1980 by Mr Lipton, of the Institute of Development Studies, University of Sussex, Brighton.

III Implications for changes in Community policy on trade in food and agricultural products by private firms

15. The Community should draw up its own legally binding code of conduct for multinational companies with a registered office within the EEC which would lend greater transparency to their economic activities. At the same time an attempt should be made to put a stop to certain undesirable trading and business practices by agricultural firms, e.g. manipulation of transfer prices or restrictive business practices.

The EEC guidelines on the protection of private investments in developing countries, which the Community wishes to see incorporated into agreements with individual states or groups, and into individual action programmes to promote European investments, should be modified<sup>1</sup> in such a way that the protection and promotion of private investments are linked to compliance with the terms of the EEC code of conduct suggested above.

16. At the same time a new range of Community instruments needs to be created to ensure that private investments in developing countries are geared far more closely to development policy objectives. These would have to include the following:

- specification of the capital investments to be protected with particular reference to development policy considerations (e.g. repercussions of production technology on the developing country's market),
- an obligation on firms to report on the economic and social consequences of investments,
- the creation of a special fund guaranteeing capital investments in developing countries, with allocation, amounts of premium and period covered linked to development criteria.

17. National companies in the developing countries can also play a positive role by forming their own associations for the production and international marketing of food or other agricultural products. Similar initiatives aimed at creating multinational trading and production companies among the developing countries have already been proposed by the Group of 77.

<sup>1</sup> Communication from the Commission of the European Communities to the Council on the need and guidelines for Community measures to promote European investments in developing countries, EC. Doc. S/249/78 (GCD 10)

IV. Implications for changes in Community policy and proposals to strengthen the trading autonomy of the developing countries

18. In its replies to the rapporteur's questionnaire, the Commission notes that the International Sugar Agreement provides for special terms to be negotiated which ultimately should allow the Community to accede to the agreements. The Commission stresses that informal talks are already taking place on this within the International Sugar Organization. It is to be hoped that these talks will lead to an Agreement in accordance with the opinion of the European Parliament of 26 March 1980.

With regard to the wheat agreement, the Commission notes that the problems which led to a breakdown at the London conference mainly related to the level of stocks and the fixing of prices.

At the forthcoming negotiations in June, the Community should make every effort to ensure that the consumer countries obtain reasonable prices, that the USA in particular accepts such proposals and that an agreement on wheat is finally concluded.

The Community should also be urged in this context to insist on as much concentration and organizational coordination to avoid unnecessary duplication of work in the various organizations - World Wheat Council, FAO, World Food Council, etc.

19. The Commission notes in its comments that international agreements with binding economic provisions can play an indirect part in combatting world hunger by creating greater market balance, a degree of price stabilization and thus more regular production and availability of products.

The Community should therefore be urged to play an active part in bringing about new commodity agreements and to utilize the forthcoming North-South dialogue, due to resume in June, for this purpose.

20. The only food products covered by the UNCTAD IV (Nairobi) integrated programme for commodities and of interest to the matter under consideration here are meat, sugar, bananas and nine agricultural products, one of which is coffee. The Commission also regards this programme as an extremely important element in combatting world hunger, since it could assist in stabilizing prices and lead to the more effective and more predictable operation of the markets.

The Commission should attempt to ensure that further agreements are incorporated into the integrated programme. The inclusion of products from both the industrialized and the developing countries could institutionalize a certain amount of pressure towards equalization.

21. The Common Commodities Fund which represents a key instrument in this programme, is particularly important for the countries most severely affected by hunger. There is provision in the relevant agreement for direct contributions from the participating countries of \$400 million to be paid directly to finance buffer stocks set up under international commodity agreements and for further contributions to assist measures to improve market mechanisms for primary commodities.

But, in addition to these measures, the fund has also other functions of particular importance for the poorest countries - research and development measures, improvement of productivity, marketing measures and others aimed at greater diversification and gearing production to the processing of products in the developing countries themselves.

The second group of measures, known as the 'second window', is particularly important because it not only assists the developing countries which already export agricultural raw materials or products but also provides for the further development of the economies of those developing countries which have no export potential.

The Community should therefore be urged to increase its present contribution in the near future.

22. One resolution at UNCTAD IV in Nairobi called on the industrialized countries to support the developing countries' efforts to extend economic cooperation between each other and to strengthen their trading autonomy.

Some progress has already been made in a number of ways towards greater collective self-reliance among developing countries and greater economic and trading cooperation between them, with a corresponding increase in their bargaining power vis-à-vis the industrialized nations. This has taken the form of, for example, 'producer communities', which however can only succeed where there is a relatively high proportion of exports in the developing countries, as for example in the case of coffee, tea or bananas, etc.

23. One important initiative which the Community should encourage is the formation of regional economic communities among developing countries. A large number of such organizations already exist, e.g. SELA, ASEAN, the Andean Pact, CARICOM, ECOWAS, etc, and have met with greatly varying degrees of success. Depending on the nature of the association, these groups of developing countries grant each other tariff preferences, seek to abolish barriers to trade in general and adapt their policies on the basis of joint financial agreements.

24. Other measures include proposals for the creation of transport and accounting agencies, so that the developing countries are better able to monitor imports and exports (one such body is the Multinational Programming and Cooperation Centre of the UN Economic Commission for Africa, established by sixteen African States within their preferential trade area).

In the same connection there are proposals for two or more developing countries to establish joint firms to expand production and technological capacity and to promote mutual trade relations between the developing countries.

The Community should support the developing countries in these fields by means of additional measures, including technical and financial aid. The UNCTAD IV resolution on 'economic cooperation among developing countries' calls on the developed countries to abstain from adopting any measure which could adversely affect the actions taken by the developing countries to strengthen their economic cooperation and to diversify their production structures. The developed countries are also urged to support the developing countries' multinational marketing companies and preferential agreements concluded between developing countries. Technical assistance is to be provided so that state import and export companies can be set up.

B: Analysis and explanatory statement

The draftsman of the opinion based her recommendations on the following. No vote took place in committee on this section as it constitutes a personal explanatory statement by the draftsman.

V. Structure and operation of the major food markets

25. The industrialized countries' agricultural policy of protecting their domestic markets from world trends has resulted in world agricultural markets becoming residual markets. The structure of the world agricultural and food market is oligopolistic and is determined by the agricultural trading policies of a few countries or groups of countries, such as the USA, Canada, Australia, Argentina, the European Community and the Eastern European countries.

Competition between producers is distorted, indeed directed, by the subsidy and protectionist policies of the countries concerned. Whereas trade in non-agricultural products has been increasingly liberalized within the framework of GATT, agricultural trade has more or less been excluded from this trend.

The countries, or groups of countries, mentioned above maintain their prices for agricultural products at an artificially high level in some cases and seal themselves off from the world market. The wide price variations on the world market, however, are often largely the result of speculative or politically motivated dealings.(eg.wheat). Such fluctuations mainly affect the developing countries producing agricultural goods which do not have sufficient financial resources to protect their farmers in a similar manner. At the same time this reduces the potential volume and value of their agricultural exports because of the pressure on world market prices. 'Competitiveness in respect of agricultural exports depends increasingly on a country's ability to "out-subsidize" its competitors. The developing countries are just as unable to participate in this form of "competition" as they are unable to afford costly internal support measures'.<sup>1</sup>

<sup>1</sup> The former director general of the FAO, A.H. Boerma, quoted in Matzke, Otto: 'Die gemeinsame Agrarpolitik' - Belastung für das Nord-Süd-Verhältnis Talk given to the Th.-Heuss-Akademie, Gummersbach, November 1979.



26. In the dairy sector the major exporting countries are the European Community (second place among its agricultural export commodities) followed by the USA, Canada, Australia and New Zealand. All these countries subsidize their prices heavily, invoking their obligation to guarantee the earnings of large numbers of farmers. In the case of the European Community, this policy has led to a situation in which the prices for butter and milk powder are four or five times the world market price<sup>1</sup>. As the Community's rate of self-sufficiency has risen enormously, for example for butter, as a result of this high-price policy<sup>2</sup> the Community seeks to rid itself of its surpluses by granting refunds on exports to countries outside the Community. At the same time levies are used to protect Community prices. Enormous stocks of milk powder have been accumulated in a similar manner (and, on occasion, have amounted to over 60% of total world stocks). It has been estimated that the Member States' and Community expenditure on milk market support amounted to approximately \$ 20,800 million in 1978<sup>3</sup>.

27. The industrialized countries in the West account for 45% of world meat production, the developing countries 18% and the countries with centrally planned economies 35%. But the industrialized countries as a whole have a 75% share of all world exports while developing countries have only 11%. Meat products occupy fourth place among Community agricultural export commodities.

Community prices for beef and veal are approximately twice as high as the world market price as a result of the high price policy; in 1976 the rate of self-sufficiency was 99%. While the second Lomé Convention contains special arrangements which practically exempt beef from Botswana, Madagascar, Swaziland and Kenya from customs duty, it is important to bear in mind the quantities involved: total annual exports from these countries to the Community represent approximately one day's consumption in the Community.

The USA, the largest meat market in the world, also protects itself against imports. The lack of accessible markets and the existing high import barriers for beef and veal represent an obstacle to trade for all developing countries, which are capable, or could become capable, of supplying these markets. This applies, for example, to Zambia, Somalia, Botswana, Lesotho, the countries in the Sahel region and also the Sudan.

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<sup>1</sup> Community prices as percentage of world market price 1976/77: butter:401%, skimmed milkpowder: 571

<sup>2</sup> Rate of self-sufficiency in butter in 1976: 107

<sup>3</sup> UN World Food Council, Doc. WFC/1979/5/Add.2 of 23.7.1979

28. The same applies to grain, where the major producers and exporters have heavily-protected domestic markets. The world's most important grain supplier is, and always has been, the United States, which accounts for 50% of all wheat exports and almost 60% of all grain exports. Under the provisions of public law 480, the USA reduced its large grain stocks in the 60s by means of subsidized exports, some of which went to developing countries. One of the consequences was that some developing countries were discouraged from cultivating grain themselves and are today dependent on grain imports.

The Community compensates for the difference between the threshold price and the world market price by means of levies (in 1976/77 the Community wheat price, for example, was more than twice the world market price: rate of self-sufficiency 101). The Community, therefore, has to pay substantial export refunds in order to 'subsidize down' grain exports to the world market level. It has been estimated that the Member States in the Community spent approximately \$4,800 million to support the wheat market in 1978<sup>1</sup>. Grain represents the third largest Community export. The basis for trade in grain is, therefore, completely artificial in the same way as for milk and meat and determined by internal Community factors. The main danger for the developing countries which are dependent on grain imports is that since the world market is barely operative minor fluctuations in supplies can lead to disproportionately large rises or falls in prices.

29. Sugar is a product for which most developing countries, particularly the tropical countries, possess ideal local conditions. The developing countries, therefore, account for 75% of all world exports. Sugar imports into the Community are controlled by means of quotas which are related to previous levels of production. The Community regulation on sugar-cane derived from the second Lomé Convention provides for annual purchases of 1.3 million tonnes by the Community at more or less Community prices, which are generally far higher than world market prices (in 1976/77 the price of white sugar in the Community was 76% higher than the world market price). Domestic prices in the Community have been raised on several occasions and sugar production has also increased. In the three sugar years 1975/1976, 1976/1977 and 1977/1978 there were surpluses of 1.6, 1.9 and 2.9 million tonnes respectively. These surpluses were dumped on the world market with export refunds. These exports contributed to a drop in prices and thus further reduced the earnings of the sugar-exporting developing countries.

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<sup>1</sup> Doc. WFC/1979/5/Add.2 of 23.7.1979

Thus the world market price for sugar fell from £650 per tonne in 1974 to £77 in 1978. Despite the current situation, in which the sugar price on the world market has come closer to the high internal Community price, this underlying trend has not been halted.

It has been estimated that in 1978 the Member States and the Community spent \$4,300 million to support the sugar market<sup>1</sup>. The nature of the Community's high price policy has hitherto prevented it from acceding to the International Sugar Agreement which entered into force provisionally in 1978 and the objective of which was to raise prices to a reasonable minimum<sup>2</sup>.

30. Vegetable fats and oils are a particularly important export product for developing countries, particularly the countries of Latin America and some Asian countries. Vegetable oils are subject to Community external tariffs but these were reduced considerably under the GSP. Oilseeds may be imported free of duty. The Community is one of the most important importers of these products<sup>3</sup>. At the same time the Community's price policy has also encouraged production of oilseeds in Member States with the result that these compete with imports from the developing countries.

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<sup>1</sup> Doc. WFC/1979/5/Add. 2 of 23.7.1979

<sup>2</sup> Estimates show the Community to be the largest supplier with annual (subsidized) exports of 3 million tonnes out of a total of some 18 million tonnes on the entire free world market.

The volume of sugar on the free market amounts to only about 10 to 15% of total production.

<sup>3</sup> Rate of Community self-sufficiency in vegetable fats and oils in 1976: 26%

VI. Community policy on trade in food and agricultural products with the developing countries

31. In the past, Community agricultural exports policy has relied mainly on what are known as export refunds to control the volume and nature of exports. The Commission itself emphasizes<sup>1</sup> that in the case of grains, sugar and beef it tries to draw up a programme for exports one year in advance geared to estimates of demand and available supplies. In the case of other products, there is no programming of exports. The precise criteria which determine the programming of exports of grains, sugar and beef, however, are extremely obscure and require further clarification, for Community policy in this area may have repercussions on the supplies available on the world market and their prices and thus directly affect the developing countries. According to the Commission's communication, export contracts are normally concluded on a purely private basis. Community participation is restricted to export refunds and the power to fix volumes in advance. The volume of exports depends in practice on the support measures and is not the outcome of a separate, specific decision. Although the Community does not have at its disposal the range of state and semi-official instruments for intervention in agricultural trade which exist, for example, in the USA, Canada or even Australia, it too has developed a series of mechanisms which, as it diplomatically puts it, 'can be used to counteract the factors of uncertainty arising from its export policy and the risks inherent in world trade'<sup>1</sup>.

Such mechanisms have been introduced, for example, at the level of the management committees by the advance fixing of export refunds, monetary compensatory amounts for external trade transactions, and the graduation of export refunds for different countries of destination and sectors.

32. It would appear that the ever-increasing problems of Community agricultural policy are prompting proposals in certain Commission quarters which would entail the creation of additional interventionist instruments for Community agricultural export policy which would tend even more to transfer the Community's agricultural problems to the world market at the expense of the developing countries. This should be borne in mind when assessing the Commission's proposals for the introduction of such additional instruments on the ground that Community measures are necessary because of the instruments at the disposal of the other major exporters (USA: the Commodity Credit Corporation Federal agency, export grants, Public Law 480, multi-year trade understandings etc.; Australia: Australian

<sup>1</sup> Semi-official document 'Draft communication from the Commission to the Council : Reflections on Community export policy in the agricultural sector', October 1979

Wheat Board, Australian Dairy Corporation, Sugar Board, Australian Meat and Livestock Corporation, to name but a few).

These demands are for:

- formation of buffer stocks,
- short- and medium term loans (1 to 3 years) similar to the provisions of PL 480 for agricultural exports and exporters,
- proposals for an outline agreement on multi-annual supplies.

The Commission stresses this necessity with regard to the latter two proposals as follows: 'such instruments could be used in the battle against world hunger if they were put into operation by the Community'.<sup>1</sup>

Your rapporteur does not share this view. She does not believe such proposals would represent a sound means, in terms of development policy, of combating world hunger in the long term. This is particularly true of the demands for credit facilities for agricultural exporters because they would encourage the Community to maintain its present agricultural policy without any reform and would thus run counter to the long-term objective of encouraging food production in the developing countries themselves.

33. The results of the latest GATT agreements are most unsatisfactory for the developing countries as far as agriculture is concerned. They are far less positive than the results achieved for industrial products. The developing countries complain in particular that the results were particularly disappointing for those agricultural products which they are especially keen to export. The demands of the developing countries were also only partially fulfilled as regards tropical products<sup>2</sup>.

For this reason no other developing countries, apart from Argentina and Jamaica, have as yet added lists of their concessions to the Geneva GATT protocol of 1979.

<sup>1</sup> Commission replies to the rapporteur's questionnaire of 26.3.1980

<sup>2</sup> See the report of the FAO Committee on Commodity Problems October 1979 - in its final report on the GATT multi-lateral trade negotiations (COM(79) 514 final of 17.10.1979) the Commission comments:

'The Community's offer on tropical products obviously did not meet all the requests; it was nevertheless a very substantial one, especially since it was not accompanied by a request for immediate partial reciprocity from the recipient countries as a means of encouraging them to assess the scope of the offer and to propose an appropriate contribution when the time was ripe.

34. The General System of Preferences which was introduced by the Community in accordance with the recommendations of UNCTAD in 1971 and which grants developing countries unilateral import advantages, has, it is true, resulted in an increase in the agricultural products covered from 187 in 1974 to 310 in 1979 and the volume of the trade involved has risen from 450 million to 1,350 million EUA<sup>1</sup>.

But all goods for which a Community market organization exists are totally excluded from the preference system. While in the industrial sector monthly monitoring is confined to imports of 'sensitive' goods, all agricultural imports are subject to monthly monitoring and a protective clause provides for the normal customs tariff to be reintroduced at any time. These provisions make it an extremely risky undertaking for developing countries to gear their production to the Community market.

The developing countries rightly point out that the extension of the list of agricultural products covered by the preference system has, as yet, not led to any major improvement in access to Community markets for developing countries and that the Community has, to a certain extent, only granted 'sham' concessions<sup>2</sup>.

Moreover, the GSP offers virtually no assistance to the least developed countries, which are the ones most likely to be affected by hunger. In its communication to the Council, the Commission itself has to admit that 'preferential advantages have been used mainly by a limited number of beneficiary countries whose economy was already relatively more developed or diversified and has involved a limited number of products, in respect of which there was already a traditional flow of exports to the EEC'<sup>3</sup>.

35. It is true that the developing countries which are a party to the Lomé Convention receive greater advantages than those contained in the GSP. For example, agricultural products for which there is no market organization, such as coffee, tea, and cocoa are exempt from customs duty. Other goods such as vegetables, fish and vegetable oils are subject to reduced levels of customs duty. Products for which levies exist, such as grain, beef and

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<sup>1</sup> Guidelines for the European Community's Schema of Generalized Tariff Preferences for the post-1980 period (Commission communication to the Council)

<sup>2</sup> See Commonwealth Economic Paper No 12: 'The Lomé Convention and the Common Agricultural Policy', London 1978

<sup>3</sup> See 'Guidelines .....

processed vegetables are largely exempt from customs duty. But in the case of these products a protective clause can be applied if Community producers are at risk, though the Lomé II Convention provides that EEC-ACP consultations must take place first. It is important to stress, however, that this protective clause has so far never been applied.

From the point of view of the developing countries, the concessions for processed products in Lomé II are inadequate.

The rapporteur of the Committee on Development and Cooperation notes on the basis of the experience gained with Lomé I and an assessment of Lomé II<sup>1</sup>, that there was not the anticipated increase in the volume of trade to the benefit of the developing countries under Lomé I and that the agreements tended more to favour the trade of the Member States of the Community. As ACP exports to the EEC continue to consist mainly of agricultural products and Lomé II provides no major changes, it is likely that Lomé II will not produce any substantial shifts in favour of the volume of trade of the developing countries.

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<sup>1</sup> Introductory report by Mrs K. Focke on the results obtained under the First Lomé Convention in the light of the forthcoming entry into force of the Second Lomé Convention, Arusha 25-28.2.1980

VII. Private firms involved in trade in food and agricultural products

36. No study of food and agricultural product markets would be complete without a brief look at the role of private traders in the agricultural sector. Here there is a growing trend towards vertical organization and concentration which results in private firms practically controlling the entire chain of production in the developing countries concerned from the production of the primary commodity to the supply of food to consumers in the industrialized countries. Two examples of this are the marketing of vegetable oils and fats by Unilver (this group also displays all the elements of horizontal concentration, which, however, we are not concerned with here) and vertical integration in the banana market (United Brands etc.).

37. Unilever and its multitude of subsidiary companies are the principal consumers of vegetable oils and fats in Western Europe. The primary products (palm oil, peanuts, soya beans), which come mostly from plantations in tropical Africa and South-East Asia, are processed to produce vegetable oils in the company's own capital-intensive processing plants or those of affiliated companies<sup>1</sup>. In its processed form, the oil represents one of the basic ingredients of margarine and other edible oils and fats. Other components of the oil are used for cleaning materials and soap. Oilcake, the by-product, is used as a feedstuff by cattle and poultry breeders. Unilever owns or controls the export channels, marketing and distribution in all these sectors.

In recent years Unilever has increasingly tended to buy its primary products either from the farmers or at a later stage from the state marketing boards instead of maintaining its own plantations. This yields advantages in terms of cost for the company due to its greater freedom when choosing the basic produce and fixing prices. At the same time, however, this tends to make the supplying countries more dependent and weakens their bargaining position vis-à-vis the company, which is able to switch from one oil to another and from one country to another. For many developing countries often only supply one or two types of oil. This applies for example to countries in Africa and south-east Asia.

38. Within world trade as a whole, trade in bananas represents only a modest item, but for many developing countries it is an important source of foreign exchange, creates jobs and provides incomes. Within the world's banana trade, which is organized on vertical lines, three US

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<sup>1</sup> United Africa Company Limited and Niger France are Unilever's major operators in Africa.



multinational companies (United Brands, Castle & Cooke Incorporated and the Del Monte Corporation) control production and export in almost all producing countries and distribution and marketing in the importing countries. The oligopolistic structure of the market and the enormous influence of these companies on price formation make the world's banana market a typical example of the increasing concentration in the agricultural and food sector. A distinctive feature of these firms is that they are involved not only in the banana trade but also in other sectors of the economy (e.g. in tinned foods and in the non-food sector). These three multinational companies together supply over 70% of all the bananas on the world market. The banana trade represents a large share of the GNP of developing countries: bananas account for approximately 12% of the entire GNP of Honduras. In the Windward Islands a quarter of the total workforce and 60% of all agricultural workers are employed in the banana industry<sup>1</sup>. United Brands is currently the largest private landowner in Central America and the largest banana producer in the world<sup>2</sup>. The three big groups largely control exports. The firms responsible for transport are partly integrated into these export companies.

From the point of view of the multinational companies, long-term charter contracts with the major shipping companies are more advantageous than building and maintaining their own fleet, as they thereby avoid the cost of maintenance. The major banana companies are therefore showing a growing preference for charter agreements. Once the refrigerated ships have been unloaded, the goods are transported to ripening depots, which in some cases work hand-in-hand with the big companies.

Given the vertically integrated structure of the banana trade, transfer prices can easily be manipulated, especially as three multinational companies share control over most of the sales network.

At the same time vertical integration permits maximum trading margins, with the three big firms pocketing 90% of the final sales price and only 10% remaining in the producer country<sup>3</sup>.

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<sup>1</sup> UNCTAD 'The marketing and distribution system for bananas'  
Geneva 1974

<sup>2</sup> Gerling, P. quoted in: Jutta Eschenbach: Multinationale Unternehmen am Weltmarkt für Bananen

<sup>3</sup> Transnational Institute report on world hunger.

39. The grain trade provides a further example of the way in which food markets may be influenced. Surpluses from developed countries, mainly wheat, are sold in those parts of the world where there is a food shortage. Grain differs from bananas and sugar in that its production has not led to the emergence of big companies. Most of the grain is still produced by medium-sized commercial undertakings. The purchase and sale of grain are generally not directly related to its production. Five groups - Cargill, Continental Grain, Cook Industries, Bunge and Dreyfus - dominate the world grain trade. They control 85% of US grain exports. The companies carry on their trade by means of a system of contracts extending right from the farmers in the producing countries to the foreign customers in the developing countries. In the country of origin they control local granaries, silos, special container trucks, barges and storehouses at the ports. They operate charter companies which control distribution to all parts of the world and which own port installations and processing plant in numerous countries. The companies' main interest resides in the speculative features of the market, e.g. future trends in grain prices. Even before the harvest, grain worth several thousand million US dollars has been sold. The prices at these pre-harvest grain sales, concluded on the basis of forward contracts, are based on the sellers' and purchasers' estimates of the value of the grain at the time of delivery. Such deals presuppose the availability of the fullest possible marketing information, to which the major grain firms, of course, can more easily gain access.

The international freight market also offers scope for speculation as do other commodity markets, in particular through the conclusion of long-term charter contracts or the more risky practice of chartering transport through the spot market. Other opportunities include changing the destination of unsold goods at sea, when a number of alternative ports are possible.

Because of their power to influence market trends, the grain companies are also opposed to the creation of international grain stocks which could stabilize prices. They prefer markets which can fluctuate freely, since these provide the major part of their profits. On the other hand their activities are strongly influenced by the policies of individual states, whose decisions predetermine their profit situation.

40. Multinational agribusiness firms currently also control not only 'traditional' export products such as coffee, sugar and cocoa, but also products which until now were produced in Europe or the United States,

such as vegetables, strawberries and meat etc. This often leads to an extensive exploitation of land in the developing countries, for example the clearing of ground for the cultivation of fruit or vegetables in Senegal or Mexico or, as in Brazil, for the breeding of cattle for export.

The multinational companies also dominate the agricultural inputs market. This includes control over the growing and selection of seed or the use of fertilizers. For example, anyone who controls supplies of seed or the relevant gene banks is more or less in a position to dictate which varieties are marketed.

41. This account of the involvement of private firms in agricultural trade has shown that there are dangers in the extent to which private firms can influence and exploit trade. While certain practices are rational from the individual firm's point of view, they are only possible if they are tolerated by the political authorities in the industrialized and developing countries. But an analysis of the reasons for hunger, malnutrition and under-development cannot ignore these dangers or be confined to assessing the processes involved from the point of view of private enterprise; indeed it is the responsibility of the political authorities in the Community to prevent private agribusiness firms from pursuing practices harmful to the populations of third world countries and their support must be given to those in the developing countries who are trying to combat some of these trading practices.

The main dangers are as follows:

- Speculation, for example in relation to grain prices, reinforces certain market trends. Thus, for example, an artificial shortage due to goods being withheld from the market in anticipation of higher prices, can lead to a genuine shortage. Given the importance of grain for food supplies to developing countries, this can have disastrous consequences on food supplies to the population of developing countries.
- The marked export orientation of certain agricultural products in developing countries together with the low incomes of consumers in those countries can lead to a situation in which the major factors of production - land, capital, labour and technology - are used for the production of exports while little is done to solve the food problems of the undernourished population.
- The fact that the multinational companies with their vertical concentration are able to transfer the profits earned abroad back to the industrialized countries means that the developing country is deprived of part of the profits made in that country.

- The exploitation of land to produce and export agricultural products for the sole benefit of private enterprise increases the risk of drought and other harmful ecological changes in the developing countries concerned.
  
- The fact that developing countries, as producers of one or two commodities, are up against multinational agribusiness firms which enjoy far greater flexibility as regards choice of produce and marketing possibilities reinforces the superior position of these companies in the face of developing countries' demands and prevents the developing countries from pursuing an independent agricultural policy adapted to the needs of the local population.

VIII. International commodity agreements and their bearing on the solution to the problem of world hunger

42. Any study of the ways in which Community external economic policy can alleviate or eliminate world hunger must also consider the importance of international commodity agreements for the future pattern of international trade in commodities and the role of the Community.

The foreign trade structure of most developing countries, which evolved during the colonial period, is concentrated on a single area. Thus approximately 75% of their foreign trade is conducted with the western industrialized countries, some 5% with the eastern European states and about 20% with other developing countries. Trade in primary commodities is of central importance for the developing countries, accounting for over 60% of their exports (excluding oil).

In connection with the specific structure of the developing countries' foreign trade, it may generally be said that:

- exports of commodities are of vital importance to developing countries,
- trade between developing countries is on a negligible scale compared with trade between industrialized countries,
- the steady rise in the prices of finished goods which the developing countries import cannot be offset by a corresponding increase in their commodity export prices (except for oil) and thus leads to a deterioration in their terms of trade.

43. This shows why the developing countries are so concerned to achieve orderly international trade in commodities with reasonable prices. International commodity agreements play a central part in this. They are intended as a means of regulating the market and ensuring a balance in the medium or long term between supply and demand for certain products on the international market.

International commodity agreements are mostly applied in situations where there is considerable imbalance between production and consumption or when wide price fluctuations occur. They are normally designed to:

- (a) contain price fluctuations over a relatively long period of time and reduce stocks to a reasonable level;
- (b) revalorize production, i.e. increase prices for the benefit of producer countries, most of which are developing countries.

Since the end of the Second World War, matters relating to basic products and the conclusion of international commodity agreements have been the responsibility of the UN. The following international agreements on agricultural commodities were concluded under its aegis and are still in force today, following certain revisions, renewals or extensions:

44. (a) The International Wheat Agreement has been in existence since 1949. Formally it still applies today, although it no longer contains any binding economic provisions. The International Wheat Council, as the supreme body, offers consumers and producers the opportunity of exchanging useful information on production, trade and stockholding.

The most important feature of this agreement is the agreement on food aid in which the contracting parties undertake to supply developing countries with a minimum annual tonnage or its equivalent value in cash (annual Community commitment: at least 1,035,000 t grain). The remaining provisions in the agreements are valid until 1981 and are applied by the Community on a provisional basis;

- (b) The International Sugar Agreement was concluded for the first time in 1953 (the present agreement was concluded in 1978 and is valid until 1982). There is provision for a combination of export quotas and a special store (buffer stocks total 2.5 million t). The aim is to stabilize market prices within a certain spread (11-21 US cents per lb) and there is also a special fund to finance stockholding.

The EEC is not yet party to this agreement and only has observer status.

- (c) The International Coffee Agreement (first agreement 1962) is in force from 1976 to 1981. It seeks to influence the market by export quotas, price margins, an advertising fund, a policy on production and stocks and a special fund to implement the provisions of the agreement.

The Community has signed the agreement and is a full member.

- (d) The International Cocoa Agreement (first agreement 1972) ran from 1975 until expiry in 1979. The Community was a full member. Negotiations on a new agreement broke down at the end of March 1980 in London. There was disagreement not only on the level of new floor and ceiling prices, but in particular on the overall economic

framework and use of buffer stock funds. The US \$200m fund which the producer countries had accumulated until this time is to be wound up and the money paid to these countries.

Other agreements exist for agricultural products which in some cases provide for a far more flexible form of market discipline, namely:

- tea (a semi-official agreement under FAO patronage provides for export quotas),
- dairy products, beef and veal (new agreements on minimum export prices negotiated at the 1979 Tokyo Round of GATT),
- olive oil (concluded for the first time in 1963. Provision for exchange of information and an advertising fund to promote sales),
- cotton (first agreement 1962; following its first extension the GATT Multifibre Arrangement applies to all textile products until 1981. Provisions include the elimination of import restrictions, specified protection measures, possibility of voluntary restraint agreements with exporting countries. In accordance with this, the Community has negotiated such agreements on a bilateral basis with forty supplying countries).

Of the agreements mentioned above, those of the greatest relevance to a study on world hunger are the agreements on wheat, olive oil, sugar and dairy products, which, by guaranteeing a reasonable level of prices in development countries, help to create adequate export earnings, to raise the standard of living and improve the earnings of producers while at the same time assisting food supplies.

Estimated number of persons with food intake below the critical minimum limit : developing regions (excluding Asian centrally planned economies)

Region	Total population		Percentage below 1.2 BMR <sup>1</sup>		Total number below 1.2 BMR <sup>1</sup>	
	1969-71	1972-74	1969-71	1972-74	1969-71	1972-74 (revised)
	Millions					
Africa	278	301	25	28	70	83
Far East	968	1 042	25	29	256	297
Latin America	279	302	16	15	44	46
Near East	167	182	18	16	31	20
MSA	954	1 027	27	30	255	307
Non-MSA	738	800	20	18	146	148
Developing countries	1 692	1 827	24	25	401	455

<sup>1</sup> BMR = Basic Metabolic Rate

Source : FAO "The Fourth World Food Survey"

ANNEX I



Percent contribution of various food groups to daily per caput calorie supply in developing regions

Food group	Africa		Latin America		Near East		Far East	
	1961-63	1972-74	1961-63	1972-74	1961-63	1972-74	1961-63	1972-74
Number of calories	2 076	2 110	2 400	2 540	2 292	2 440	2 010	2 040
	Percent							
Vegetable products	93.6	93.7	83.4	61.2	90.3	90.5	91.6	94.2
Cereals	48.0	48.6	39.7	39.4	64.8	62.3	66.2	69.5
Pulses, nuts & seeds	7.6	7.2	6.5	5.9	4.6	4.3	9.0	6.4
Roots and tubers	21.9	20.5	7.2	6.6	2.4	2.1	3.6	3.3
Sugar	3.7	4.6	16.0	16.7	6.6	8.6	7.8	8.0
Vegetables and fruit	5.2	5.0	5.7	6.1	6.8	6.3	3.1	3.1
Vegetable oils and fats	5.4	5.7	5.3	6.6	4.7	6.3	4.2	4.1
Other vegetable products	1.8	2.1	3.0	2.9	0.4	0.6	0.7	0.8
Animal products	6.8	6.3	15.5	15.8	9.7	9.5	5.4	5.8
Milk	1.9	1.8	5.0	5.0	3.5	3.3	2.6	2.7
Eggs and fish	0.8	0.9	1.1	1.3	0.4	0.5	0.7	0.9
Animal oils and fats	0.7	0.8	2.1	1.9	2.3	2.3	1.1	1.1
Meat and offals	3.0	2.6	8.4	7.5	3.4	3.4	1.1	1.2
All food groups	100	100	100	100	100	100	100	100

Percent contribution of various food groups to daily per caput protein supply in developed and developing countries and the world

Food group	Developing countries						Developed countries				World	
	Developing market economies		Asian centrally planned economies				Developed market economies		Eastern Europe and the USSR			
	MSA countries		Non-MSA countries									
	1961-63	1972-74	1961-63	1972-74	1961-63	1972-74	1961-63	1972-74	1961-63	1972-74		
Protein (grams)	52.8	51.1	53.8	57.1	53.5	62.9	89.8	95.4	94.5	103.3	65.4	68.5
	Percent											
Vegetable products	55.0	55.5	22.1	21.3	29.2	29.3	46.3	41.4	59.7	51.2	66.9	64.2
Cereals	29.9	33.3	43.5	49.6	49.4	50.8	30.8	26.2	45.9	37.9	45.4	44.6
Pulses, nuts and seeds	13.2	14.8	12.7	11.5	20.8	19.2	5.3	5.1	3.6	3.5	12.1	10.9
Roots and tubers	1.6	1.7	4.8	4.2	5.1	5.0	3.6	3.0	6.5	5.1	4.1	3.7
Sugar	0.5	0.5	0.1	0.1	-	-	-	-	-	-	0.1	0.1
Vegetables and fruit	3.8	3.9	4.6	4.6	4.2	4.0	4.6	4.9	3.2	3.6	4.1	4.3
Vegetable oils and fats	-	-	-	-	-	-	0.1	0.1	-	-	-	-
Other vegetable products	1.0	1.2	1.4	1.3	0.2	0.3	1.9	2.1	0.5	1.0	1.1	1.3
Animal products	14.0	14.6	27.9	28.7	20.3	20.7	53.7	58.6	43.3	48.8	33.1	35.1
Milk	7.0	7.3	7.0	7.2	1.1	0.9	18.3	17.9	16.1	18.2	10.6	10.4
Eggs and fish	2.8	3.2	5.6	7.5	8.1	10.0	11.1	12.2	8.0	10.8	7.4	8.9
Animal oils and fats	-	-	0.1	0.1	-	-	0.1	0.1	0.2	0.2	0.1	0.1
Meat and offals	4.1	4.1	15.2	14.0	11.1	9.8	24.1	28.4	15.9	19.5	14.9	15.8
All food groups	100	100	100	100	100	100	100	100	100	100	100	100

Source : FAO "The Fourth World Food Survey"

Grain production, demand and surplus/deficit by products,  
estimated average aggregate for 90 countries

	volume (millions of tonnes)					growth rate annual percentage		
	<sup>1</sup>					1963-75	1980-90	1990-2000
	1963	1975	1990	2000	2000			
wheat								
production	49	83	131	164		4.4	3.4	2.2
demand	64	115	174	229		5.0	3.3	2.8
imports	18	34	48	73		5.4	2.7	4.3
exports	4	3	5	8		-3.6	0.4	3.9
balance	-14	-32	-43	-65		6.9	3.0	4.3
level of self-sufficiency, percentage	77	72	75	71				
rice (milled)								
production	97	129	205	261		2.4	3.4	2.4
demand	97	131	205	259		2.6	3.2	2.3
imports	5	6	5	9		1.2	-2.6	5.5
exports	5	3	5	11		-3.1	4.1	7.2
balance		-2		2				
level of self-sufficiency, percentage	100	98	100	101				
secondary grains								
production	112	149	243	350		2.4	4.0	3.7
demand	108	147	252	374		2.6	4.1	4.0
imports	3	11	31	66		11.8	6.3	7.8
exports	7	12	22	42		5.1	6.1	6.8
balance	4	2	-9	-24		-7.5	7.0	10.0
level of self-sufficiency, percentage	104	101	96	93				
all grains								
production	258	360	579	775		2.8	3.6	2.9
demand	268	393	631	862		3.9	3.6	3.2
imports	26	51	85	143		5.8	3.4	5.8
exports	16	18	33	61		1.4	4.6	6.3
balance	-10	-33	-52	-88		10.0	2.7	5.4
level of self-sufficiency, percentage	96	92	92	90				

<sup>1</sup> the various individual items may not yield the exact totals since these have been rounded up.

Source: FAO 'Agriculture - Horizon 2000'

Official Development Aid - Commitment for Agriculture<sup>1</sup>

mio \$

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
<u>1. DAC and EEC countries:</u>								
EEC Member States	295.8	549.9	641.9	733.0	956.3			
Australia	22.5	53.0	30.8	6.6	85.7			
Canada	61.2	87.1	54.5	116.6	134.7			
Japan	97.1	233.7	210.1	89.3	338.7			
Sweden	42.4	61.3	18.9	88.3	240.5			
U.S.A.	258.3	500.0	505.0	363.4	414.6			
others	31.7	72.1	113.3	60.9	92.0			
DAC total	809.0	1557.1	1574.5	1458.1	2262.5	3009		
<u>EEC</u>	101.2	143.6	62.7	168.1	291.6	254	(249) <sup>4</sup>	
EEC total plus Member States	397.0	693.5	704.6	901.1	1247.9	3263		
<u>2. Multilateral organizations</u>								
	725.0	1001.0	1056.0	1164.0	1569.0	2297		
<u>3. OPEC countries</u>								
	34.0	133.0	446.0	273.0	365.0	276		
<u>4. Grand total</u> <sup>2</sup>	1.3 <sup>3</sup>	1669.2	2834.7	3139.2	3063.2	4488.1	5836 <sup>4</sup>	

1 OECD broad definition

2 no figures available for state-trading countries

3 no breakdown available

4 provisional figure

Sources: OECD

EEC Commission statistics

BREAKDOWN OF COMMUNITY AGRICULTURAL EXPORTS  
BY TYPE OF COUNTRY

	Trend 1973-1978 (thous.mill.EUA)					% share in 1978	
	1973	1974	1975	1976	1977	1978	
<u>All countries</u>	6.8	8.6	8.7	9.8	11.5	12.5	100 %
<u>Industrialized countries</u>	3.7	4.5	4.2	4.9	5.4	5.9	47.2%
of which USA	1.2	1.3	1.1	1.4	1.5	1.8	14.4%
Western Europe	1.6	1.8	1.7	2.1	2.3	2.4	19.2%
<u>Developing countries</u>	2.4	3.3	3.9	4.1	5.3	5.8	46.4%
of which ACP countries	0.5	0.7	0.8	1.0	1.3	1.4	11.2%
Asia	0.8	1.2	2.2	1.0	1.6	2.0	16 %
<u>State-trading countries</u>	0.6	0.7	0.5	0.7	0.7	0.8	6.4%
<u>Mediterranean and Portugal</u>	0.9	1.5	1.6	1.5	1.6	1.8	

BREAKDOWN OF EEC AGRICULTURAL EXPORTS

Products or groups of products	as % (in 1978)	
. dairy products	14.1	
of which cheese		3.4
. grain and grain based products	12.0	
of which grain (incl. flour)		9.6
. meat	8.7	
of which beef (incl. processed beef)		2.6
pork		4.2
poultry		1.9
. sugar	6.3	
. rice	0.6	
. eggs	0.3	
. tobacco	3.2	
. coffee, tea, spices, cocoa	2.9	
. fresh fruit and vegetables	4.8	
. processed fruit and vegetables	1.6	
. food, drink and tobacco products	8.9	
. fresh and processed fish	3.3	
. horticultural products	2.3	
. beverages	20.0	
. fats	5.0	
. seeds	1.6	
. other	4.0	

COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND  
CONSUMER PROTECTION

OPINION

for the Committee on Development and  
Cooperation

on the European Community's contribution  
to the campaign against hunger in the world

Draftsman: Mrs V. SQUARCIALUPI

On 4 June 1980 the Committee on the Environment, Public Health and Consumer Protection was authorized to give an opinion to the Committee on Development and Cooperation on 'Hunger in the World'.

At its meeting of 23 and 24 June the Committee appointed Mrs Vera SQUARCIALUPI draftsman of an opinion and adopted its opinion by 10 votes to 2.

Present: Mr Collins, chairman; Mr Johnson, vice-chairman; Mrs Squarcialupi, draftsman; Mr Adam replacing Mrs Weber, Mr Bonaccini replacing Mr Wurtz, Mr Ceravolo replacing Mr Segre, Mrs Maij-Weggen, Mr Provan replacing Mr Newton Dunn, Mrs Pruvot replacing Mr Hamilius, Mrs Schleicher, Mrs Seibel-Emmerling and Mr Sherlock.

Owing to the lack of time available for it to submit an opinion the Committee decided to concentrate only upon one particular aspect of the topic - that of medicine and contraception in the Third World.

The Committee requests the Committee on Development and Cooperation to take into account the following points :

- (a) The lack of medicines suitable for treating the diseases typical of underdeveloped countries is, together with undernourishment, one of the major causes of the high rates of mortality particularly amongst children;
- (b) As medical requirements in the Third World are often different from those in the West, certain Western medical and health practices cannot be exported to the developing countries unless appropriate health education is provided, particularly for women;
- (c) The high cost of medicinal products, including contraceptives, can make them inaccessible to very low income populations such as are found in developing countries;
- (d) Unfortunately, in many cases the medicines sent to Third World countries are too old, ineffective, or even harmful;
- (e) The problems of population growth in many developing countries exacerbated the pressures on food supplies and other resources.

The Committee would like the following specific requests to the Commission of the European Communities to be incorporated in the motion for a resolution :

The Commission of the European Communities is requested :

- (a) to extend the interventions of the European Development Fund beyond infrastructure and supplies of medical equipment to cover the training of staff specialized in the pharmacological and contraception problems encountered in specific areas of the world, if necessary in cooperation with the World Health Organization and other agencies;



- (b) to make a study of the present-day market in medicines in Third World countries, the prices of the products and the possibilities of commencing independent production - at least of certain medicines - so as to begin a gradual disengagement from international markets;
- (c) to encourage further by means of suitable action programmes Community producers and others to undertake research into medicines and vaccines which will cure and prevent endemic diseases;
- (d) to seek out new forms of cooperation in the implementation of health education programmes, including family planning, especially amongst women since they can have an important influence on the health of the population particularly by helping to reduce infant mortality;
- (e) to encourage greater support by the European Community as such, and by the Member States, to countries requesting assistance in the field of health and family planning, such assistance to be given either through bilateral aid programmes or by increased contributions to multilateral aid agencies such as the World Health Organization and the United Nations Fund for Population Activities.

COMMITTEE ON DEVELOPMENT AND COOPERATION

Working Party on Hunger in the World

WORKING DOCUMENT

on

An effective food aid policy that takes into account the  
needs of hunger-stricken countries and peoples -  
emergency aid

drawn up by Mrs K. FOCKE

## INTRODUCTION

The European Community's food aid policy is still dictated by agricultural interests rather than any intention to promote development; it is an inefficient way of distributing European surplus production to the poor countries, associated with high costs, countless mishaps, delays, wrangling over responsibility and bureaucratic obstacles; there is scarcely any control over how it works and what effects it achieves and, to the extent that it actually involves aid, it is the balance of payments or the budget that is aided more than anything else.

Any attempt to hold it up to scrutiny leads to a radically different suggestion: confine food aid to emergency aid and otherwise replace it with financial assistance.

This would be a more direct way of helping the developing countries to reduce their import deficits and to buy the food they need more cheaply on markets that are closer at hand. Transport and administrative expenditure would be cut back and a more reasonable relationship established between cost and benefit.

The whole exercise, however, would have to be linked with a world cereals agreement combining storage arrangements and adequate price margins in a bid to achieve steady prices and supplies; it would also imply setting up reserves and normal stocks in the developing countries as well as freer trade.

This radical suggestion stands no chance of political acceptance in the foreseeable future. The Community budget for 1979 included appropriations of 640 million EUA for the agricultural sector and surpluses - to which we must add spending on cereals from the Member States, the ratio being 44%: 56%. Even if roughly half this amount is accounted for by refunds - which would remain a charge on the EEC budget with or without food aid - we are left with an approximate figure which, if experience with the 0.7% target is anything to go by, could not be allocated overnight to direct supplementary financial aid.

The improvements suggested in this document therefore come within the existing system. Food aid is and will long remain a compromise between the agricultural interests of the donor countries and the needs of the developing countries. Our task is to work steadily to shift the balance of compromise gradually to the side of the developing countries. There is a growing awareness in the world that hunger must be fought more purposefully, that security of food supplies must be more effectively increased and that both must be brought into the ambit of North-South cooperation; this represents at once a challenge and an opportunity for the European Community and its food aid policy.

## FOOD AID AGREEMENTS AND WORLD CEREALS AGREEMENTS

The Food Aid Agreement within the framework of the World Cereals Agreement is the basis for the European Community's food aid. The agreed quantities to be supplied by the parties to the agreement - and thus by the European Community - represent a guaranteed minimum aid in the form of cereals for the developing countries. They also provide the Council with a floor reference for its annual decisions on food aid.

It is significant that in the first reading of the 1980 budget the Council kept to the previous cereal quantities which are still contractually valid until the new Food Aid Agreement enters into force on 1 July 1980. It has not taken up the Commission's proposal to increase the quantities of its own accord in anticipation of the new agreement. The new Food Aid Agreement which has been ready for signature since 11 March and is to enter into force on 1 July sets the minimum target for world cereal aid at 10 million tonnes in accordance with the demands expressed by the 1974 World Food Conference. However, the contributions promised so far by the contracting parties only add up to 7,592,000 tonnes. Of that quantity, the EEC (Community plus Member States) has pledged 1,650,000 tonnes. This represents 16.5% of 10 million tonnes or 21.7% of 7,592,000 tonnes. The Agreement expressly provides for the possibility of buying cereals for food aid in developing countries and not just on donor country markets. It stresses the need to pay attention in purchases to quality, favourable prices, quick delivery and the specific requirements of the recipient countries.

The agreed contributions represent a minimum commitment. Voluntary contributions over and above those amounts (and further mandatory contributions from future prospective contracting parties) are, however, implied in the 10 million tonnes target. In the event of a critical world shortage, the committee constituted under the agreement must meet and invite the contracting parties to increase their contributions.

So far there has been a close contractual relationship between the Food Aid Agreement and the World Cereals Agreement which has been extended provisionally until 30 June 1981. The negotiations for a new world cereal agreement were adjourned sine die in February 1979. The new Food Aid Agreement expires on 30 June 1981 but provides for extension in the event of an extension of the present World Cereals Agreement or for the term of a new World Cereals Agreement. In the event of there being no world cereals agreement in force from July 1981, there is much to be said for dissociating the food aid agreement from the world cereals agreement. On the other hand there is in the nature of things a link that cannot be ignored between an effective food aid policy and sufficient world availability of cereals at stable prices. This should be fostered by a new World Cereals Agreement containing provisions on buffer stocks, price margins and emergency reserves. The partners in the negotiations are obviously just as divided in their interests on the question of dissociating the two agreements as on their contents.

Conclusion:

The European Parliament should urge the Council and the Commission to do their utmost to ensure that the new Food Aid Agreement containing the abovementioned provisions comes into force on 1 July 1980. At the same time, they should press for a resumption of the negotiations on a new World Cereals Agreement. The question of whether the two agreements should be dissociated should be linked with the negotiations and can, at any rate, be held over until 1981.

THE DISPUTE OVER RESPONSIBILITY

Community food aid is slow and cumbersome, a fact that has often been criticized, also by the Court of Auditors. The reason is to be found in a procedure, which the Commission, in its memorandum on EEC food aid policy describes in the following terms:

'The existing procedures consist of two phases. First, the Council takes a decision offering food aid to certain developing countries and international organizations. This decision allows opening of negotiations with the country concerned. Normally, such a decision is implicit in the Council's acceptance of an annual food aid programme, but in case of emergency, it is taken on an ad hoc basis as and when the emergency occurs. Secondly, the Council must also approve the terms of every agreement, after its negotiation with the recipient country and international organizations, including such details as the nature of product, conditions of its distribution, the proposed use of counterpart funds, etc... As a result, several months may pass before the Council's decisions can be effectively implemented. In effect, after completing negotiations with the recipient country and international organizations concerned, it is necessary, according to the present practice, to bring the matter once again before the Council to obtain a decision authorizing the definitive conclusion of the agreement'.<sup>1</sup>

<sup>1</sup> COM(74) 300 final of 6 March 1974, Sections 50 and 51

Even more striking is the bureaucratic maze illustrated by the attached summary of procedure despite the 1975 streamlining removing the two-stage procedure in the Council, abolishing the formal agreement system and replacing it by official correspondence and giving the Commission limited powers to approve emergency aid measures in the event of national disasters.

In its 1974 memorandum, the Commission urged that the administrative procedure be simplified and expedited. It was not until 1978, however, that it submitted a draft regulation, in the same year - and this is surely not a complete coincidence - in which the Court of Auditors, in its annual report for 1977, for the first time put forward critical questions and comments.

At the urging of the European Parliament<sup>1</sup>, the Commission submitted a new amended food aid proposal in January 1979<sup>2</sup>. The Council has still not taken a decision on the matter.

There are obviously still appreciable differences between the Member States, relating not only to the relationships between the Commission and the Food Aid Committee (in 1978 the European Parliament came down strongly on the Commission's side), but also to transport costs, milk product supplies, processed foodstuffs, and the ratio of Community aid to national cereals aid. The most serious obstacles are the opposition in some quarters to any extension of the Commission's responsibilities and the call for unanimous Council decisions in the future<sup>3</sup>.

The Commission's proposal would substantially improve the administrative procedure. It would limit the Council's responsibility to basic decisions on products, the annual total quantities, the general guidelines for food aid, the amount to be channeled through international organizations, the size of the reserve for emergency aid and the breakdown between national and Community cereals aid. All other decisions would be in the hands of the Commission<sup>4</sup> (backed by a food aid committee whose members comprise representatives from the Member States); the decisions on the sharing of products between countries and organizations, on the form of aid (sale proceeds, project-related, school meals etc.), and on the funding of transport come into this category. Above all, however, the Commission alone would have the authority to take decisions and action on emergency food aid in cases which are clearly defined in the regulation.

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<sup>1</sup>See LEZZI Report, Doc. 414/78 of 31 October 1978

<sup>2</sup>COM(79) 1 final of 11 January 1979

<sup>3</sup>The proposed regulation is not simply based, as hitherto, on Article 43 of the EEC Treaty (agriculture), which requires majority decisions, but also on Article 235 (new Community tasks, i.e. development policy), which many Member States basically associate with the requirement for unanimous decisions.

<sup>4</sup>Corresponding to Article 205 of the EEC Treaty, paragraph 1 of which reads: 'The Commission shall implement the budget... and within the limits of the appropriations'.

At least as important as improved new rules of procedure are substantive provisions which confer on food aid, not simply from the legal but also from the practical point of view, a stronger development emphasis. These include:

- Three-way transactions. While keeping to the rule that products must be procured on the Community market, the option should be introduced, either in emergencies or whenever the required products are unobtainable on the Community market, of purchasing elsewhere, particularly in the developing countries.
- Stock formation. The Commission could supply food aid for storage in developing countries.
- Multiannual programmes or commitments could be given a more important place in food aid, particularly where project-related.

There are signs that, in anticipation of the regulation, moves are being made in this direction. The decision taken by the Council of Ministers on 22 March 1977 basically introduced the option of purchasing in developing countries for emergency food aid purposes and one case of this was recorded in 1978 and several more in 1979. A multiannual decision has been taken by the Council for the Flood Project in India. Food aid for storage purposes in developing countries is becoming a practical necessity: the current drought and hunger in the Sahel area are compelling facts as far as the Community is concerned.

The food aid regulation proposed by the Commission would not only improve the procedure but would also make it easier to place a development emphasis on food aid and bring this out as a political intention.

#### Conclusions

1. The European Parliament should urge the Commission to stick to its proposal in its present form and not to accept any further compromises.
2. The European Parliament should urge the Council in the strongest possible terms finally to adopt the regulation. In this connection, the Committee on Development and Cooperation should request an explanation of the delay from the President of the Council himself.
3. The European Parliament should as soon as possible resume the conciliation procedure with the Council broken off in 1978<sup>1</sup> and in this connection work out new proposals together with the Commission for a way out of the impasse.
4. In the meantime the Commission should be urged to use every possibility and take every measure in practice to plan food aid in anticipation of the outstanding regulation.

<sup>1</sup> The issue at stake was the relationship between the Commission and the committee in the regulation (still not adopted) on cooperation with the non-associated countries. A break-through here would at least prevent the same problem from arising with the regulation on food aid.

## THE ADMINISTRATIVE JUNGLE

Organizational reform within the Commission is also required. Stage 3 of the food aid procedure<sup>1</sup>, and also of the emergency aid procedure, is fraught with bureaucratic obstacles and delays.

The administrative jungle that is to be found within the Commission is clearly illustrated by the comments made by the Court of Auditors in its 1977 and 1978 annual report<sup>2</sup>. The Commission's reply does not suggest that it has any intention of changing anything, since it simply 'took note' of the Court's criticism.

In particular, a reallocation of responsibilities is needed between Directorate-General VIII and Directorate-General VI, giving more general responsibility to Directorate-General VIII. The fact that negotiations on the Food Aid Agreement are conducted by Directorate-General VI and not by Directorate-General VIII is something which can only be explained in terms of the historical background and needs to be put right as a matter of urgency. Organizational reform has been prescribed in the Spierenburg Report and one of the main requirements here is for simpler administration of food aid.

Even within Directorate-General VIII thinking is much too compartmentalized. It was not until the European Parliament began to campaign against hunger in the world that a horizontal working party was set up in which the officials responsible for food aid, emergency aid, rural development and general development policy have begun to work together in cooperation. This working party must meet even more frequently, coordinate its efforts more closely, have its membership extended<sup>3</sup> and remain in existence at any rate until such time as the European Parliament's demand for a new direction in food aid policy has been met.

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<sup>1</sup>See Annex: 'Enquiries with the various Commission departments concerned'

<sup>2</sup>In particular the 1978 annual report, OJ No. C 326, page 107, Section 7.6 - 7.8 in which it is stated: 'The Court of Auditors considers that this diffusion of powers is by its nature prejudicial to the administration of the aid programme and of their finances'

<sup>3</sup>To include for example the official responsible for cooperation with the non-associated developing countries.



### Conclusions:

The European Parliament should

- call on the Commissioner responsible for Directorate-General VIII to attend personally to the need for horizontal cooperation within the Directorate-General;
- call on the Commission as a whole to simplify, tighten up and clarify the administration of food aid and assign greater responsibility to Directorate-General VIII. This applies particularly to emergency food aid. The conclusions which the old Commission will have to draw this year from the Spierenburg Report before the new Commission is appointed offer a suitable starting point for this exercise.
- call on the Commission to withdraw its proposal for a regulation to enter expenditure on refunds (in connection with food aid) in Title 9 of the budget. This is not a prerequisite for simpler administration and - we must contradict the Court of Auditors on this point - does not make for greater budget clarity. In point of fact - by shifting the burden of expenditure from the agricultural to the development section of the budget - it is a cosmetic operation designed to enhance European agricultural interests in the food aid sector.

### PROBLEMS OF COORDINATION

A good part of the food aid in cereals, to which the Community as a whole committed itself in the Food Aid Agreements, is provided by the Member States on their own responsibility. Their share in 1979 was 44%. Some Member States voluntarily provide more or supply other products. This raises problems of coordination between the Community and the Member States. The information on coordination provided by Directorate-General VIII is somewhat laconic<sup>1</sup>.

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<sup>1</sup>Written answer to a question from the sub-rapporteur: ' Some coordination, mainly bilateral, of the food aid provided by the Member States takes place when the programmes are adopted. Furthermore, the Member States and the Commission are informed when aid projects are implemented. In a number of special cases (congested ports) shipment arrival schedules have been drawn up, mainly in liaison with FAO services and other donors.

The information provided on coordination with donor countries outside the European Community and international organizations is not much more reassuring<sup>1</sup>. The chief point of criticism here seems to be the efficiency of transport facilities.

The present breakdown of cereals aid between the Community (56%) and the Member States (44%) is probably a matter of historical chance. While the Commission took the view in its 1974 memorandum that the objective should be 100% Community aid, it now considers that a ratio of two-thirds: one-third is reasonable although no justification for these figures could be obtained.

Conclusions:

1. The European Parliament should not ensnare itself in any attempt to establish the 'proper' ratio but bring its full influence to bear on
  - (a) a quantitative increase in the overall commitment of the European Community;
  - (b) bringing about a situation in which increased overall EEC aid leads to a larger Community share in the narrower sense of the term.
2. With regard to coordination problems as a whole, the committee should wait until the special report of the Court of Auditors is available and postpone the attempt to achieve greater clarity.

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<sup>1</sup>Extract from the written answer, referred to on the previous page, to a question by the sub-rapporteur:

'When Community aid programmes are drawn up, account is taken of the information available from the FAO on other donors and also of other known donor programmes (USA PL 480 etc.). Coordination of this kind avoids duplicated effort and shows which countries have the largest deficit.'

## QUANTITIES

The 1974 World Food Conference called for 10 million tonnes of world cereal aid. This figure was based on the forecasts made at the time of the world food situation in the years that lay ahead and a similar figure has been taken as a guide in the new food aid agreement.

Statistics on the actual trend<sup>1</sup> during the six years that have since elapsed as well as updated forecasts for the future make it doubtful whether 10 million tonnes will be sufficient for the next few years and whether a new Food Aid Agreement that will not come into force until 1980 can make do with 10 million tonnes for very much longer, let alone the 7,592,000 tonnes actually promised so far by the donor countries.

The Commission offers no estimates of its own, relying principally on figures published by the FAO and on analytical surveys made by organizations such as the FAO, the World Food Council, the World Bank or institutions such as the International Food Policy Research Institute.

The Commission has not produced, indeed it has not even started work on, a thorough and comprehensive assessment of world food development and the impact of food aid since 1974<sup>2</sup> containing updated figures, prospects and task assignments.

Mention should, however, be made of Commission Document S/851/77 'The food situation in the developing countries - present situation and probable development'. In that document the Commission concludes that:

1. The proper annual target is not 10 million tonnes but 20 million tonnes.
2. The donor countries must be able to give commitments as to multiannual deliveries.
3. Food aid should not be used as a means of dumping temporary surpluses.
4. It must also be possible to give food aid to build up stocks in developing countries.

A new three-year indicative programme covering the period 1980-1982 as a follow-up to the 1977-1979 programme is also lacking<sup>3</sup>.

On the otherhand there are good arguments from the Commission against a new global programme and for specific multiannual programmes in conjunction with projects such as Flood II.

<sup>1</sup>See North-South: A Programme for Survival, Pan Books 1980, p. 91 and p. 102 '...the developing countries have rapidly increased their import of cereals from relatively low levels in the 1960s to 20 million tonnes in 1960/61, to over 50 million tonnes in the early 1970s and nearly 80 million tonnes by 1978/79. On current trends the Third World could be importing 145 million tonnes of food by 1990, 80 million of which would be needed by the poorer countries of Africa and Asia'.

And in Chapter S :

'The World Food Conference in 1975 set a target of 10 million tonnes a year, which has not yet been reached. Indeed more may be needed if all targets are to be met in the near future, and especially if food aid extended to support investment in agriculture and labour-intensive public works programmes'.

<sup>2</sup>See COM(74) 300 final of 6 March 1974

<sup>3</sup>See COM(76) 452 final

The only indication available to Parliament of the food aid requirements taken by the Commission as a planning basis is provided in PE 59.989/Ann. received by the Committee on Development and Cooperation in October and in the section on food aid in the three-year medium-term financial plan covering the period 1980-1982.

These show that the Commission

- 1. for 1985, assumes a requirement of 15 million tonnes (total world cereals requirement according to an FAO estimate);  
for 1980, a requirement of 10 million tonnes (in anticipation of the new Food Aid Agreement) and, as an intermediate reference figure  
for 1982, a requirement of 12.5 million tonnes.
- 2. Sets alternative hypothetical minimum and maximum targets for the Community share which
  - (a) keep to the previous Community share (Community plus Member States) of the Food Aid Agreement total of 16.5% (minimum target)  
or
  - (b) provide for an increase in the Community's share to 25% (maximum target) in view of the Community's role, its responsibility in the matter of North-South relations and the strength of its economy (and also of its negotiating position?).

The Commission has opted for the minimum target of a 16.5% share both in its 1980 preliminary draft budget, which provides for 10 million tonnes, and in its medium-term financial planning for 1982, which refers to 12.5 million tonnes.

In the first 1980 draft budget and also in the final phase of conciliation before the rejection of the budget by the European Parliament, the Council cut back the appropriation to the level of previous years i.e. to 720,500 tonnes in the Community budget. In so doing, it ignored the Commission's proposal that in anticipation of the new Food Aid Agreement, the Community should voluntarily adopt the reference figure of 16.5% of 10 million tonnes i.e. 1,135,000 + of cereals for the Community budget.

In its opinion for the Committee on Budgets<sup>1</sup>, the Committee on Development and Cooperation took the highest target, of the Commissions hypothetical alternative calculation i.e. 25% of 10 million tonnes representing 875,000 tonnes for the Community budget. The Committee on Budgets did not follow suit and voted for the Commission's minimum target of 16.5% of 10 million tonnes. Parliament as a whole voted similarly although for some reason in the end the budgetary appropriation fell so far short of the figure that is amounted to only 1,025,000 tonnes of cereals.

<sup>1</sup> See committee document PE 59.808/fin.

In the meantime the Commission has submitted the second preliminary draft for 1980 which provides for the same quantities as the first: 1,135,000 tonnes of cereals comprising 935,000 tonnes of grain and 200,000 tonnes of rice. This corresponds to the obligation under the new Food Aid Agreement which comes into force on 1 July 1980.

Conclusion:

1. When the 1980 budget is resubmitted, the European Parliament should support the quantities contained in the Commission's second preliminary draft (and the corresponding, carefully calculated appropriation). They correspond to the first preliminary draft for 1980 and the Community commitment in the renegotiated Food Aid Agreement. Considering how much of the 1980 financial year has already gone by, it would be unrealistic to contemplate granting food aid above that amount. In relation to the Regulations on food aid for 1980 adopted in the meantime (COM(80) 57 final), which were intended to guarantee that a start could be made on implementing the programme for 1980 without having to wait for the adoption of the 1980 budget, this means an additional quantity of 415,000 tonnes of cereals, including rice, substantially exceeding the long-standing threshold of 720,000 million tonnes. In the light of the report on the fight against hunger in the world, the Commission will in 1980 be particularly concerned with improving the quality of food aid.
2. The Commission should be urged to pay special attention in the further programmes to be proposed for the additional quantities after the adoption of the 1980 budget to the Community's obligation to build up a world minimum emergency reserve of 500,000 tonnes.
3. Since the figure of 10 (or 7.592) million tonnes in the new Food Aid Agreement may well already fall short of requirements, or will fall short in 1981/82 at the latest, the European Parliament should urge the Council and the Commission
  - to make independently medium-term financial planning and budget arrangements by means of voluntarily increased contributions to ensure at all events that the reference figure for the 1982 Community budget is 12.5 million tonnes.

## CONCLUDING REMARKS ON QUANTITIES

An increase in Community food aid in the form of cereals within the range of the abovementioned reference figures would stand in a reasonable relationship with the Community's total output of cereals which at the present time lies between 100 and 110 million tonnes per annum. The mandatory contribution under the new Food Aid Agreement of 1,650,000 tonnes (Community and Member States) represents approximately 1.5% of cereal production in the Community. An increase to 2% would, on the one hand be consonant with the Community's responsibilities and, on the other, even if the bulk of the grain were procured on the Community market, it could not serve as a pretext for a policy of expanding agricultural exports.

In this context, it should be remembered that, because of refunds, Community cereal prices are high. The following table covering the period 1975-1979 illustrates the widening gap between world prices (all products including milk products and sugar) entered in Chapter 92 (development aid) and budget spending on food aid including refunds.

The figures have since more than doubled.

	1975	1976	1977	1978	1979 <sup>1</sup>
World prices (Chapter 92)	166m UA	241.9m UA	176.5m UA	225.5m EUA	292.3m EUA
Internal prices (Chapter 92 + corresponding budget lines in Title VI)	187.8m UA	437.8m UA	295.2m UA	517.7m EUA	644.1m EUA

<sup>1</sup>The 1979 figures are appropriations.

These figures also argue for wider opportunities for three-way transactions involving purchases from neighbouring developing countries, especially in emergencies.

This report has so far concentrated on food aid in the form of cereals which is far and away the most important, whether from the point of view of the existing agreements, the requirements of the developing countries or the charge on the budget. The special problems of skimmed milk and butteroil will be dealt with in a separate section.

## APPROPRIATIONS

The level of appropriations is dictated by the quantities involved. In the meantime the Commission has submitted its second preliminary draft for the 1980 budget in EUA's. The figures should be carefully checked. This applies as much to the calculation of the effective share of cereals supplies to be charged to the Community budget as to the conversion of quantities into prices. Errors of calculation by the Committee on Budgets should be forestalled. It would also be desirable for the Commissioner responsible to explain his 'own' budget in person before the Committee on Budgets.

### Conclusion on Quantities and Appropriations:

The Commission is requested to take the following action in 1980 for the years ahead

1. To submit a further comprehensive document updating its 1974 memorandum on EEC food aid and Doc. S/851/77 and containing an assessment of experience gained since 1974, complete with quantitative and qualitative surveys of future prospects based on the most recent information and estimates;
2. The Committee on Development and Cooperation should request the Commission to make a report containing a survey of its experience going back over several years and a medium-term preview of estimated requirements in its planning for an emergency food aid reserve. Your rapporteur has the impression that the reserve should be increased and even substantially increased. This will certainly be required once the food aid regulation is adopted so that the Commission is capable of acting without having to consult the Council further, but it is probably still required even under the present rules of procedure.

## STAFFING

The Commission, i.e. Directorate-General VIII needs sufficient staff to handle food aid, especially if provided on an increasing scale. This is most definitely not the case at the present time. Speaking in the debate on hunger in the European Parliament on 25 October 1979, the responsible Member of the Commission, Mr Cheysson, said that the 640 million UA spent on food aid are administered by 7 A grade officials plus a further 2 who were taken from an agency in order to avoid being left completely short-staffed<sup>1</sup>.

The Commission added in reply to a Written Question by the rapporteur that without the extra staff already requested by the Commission (4 A and 6 B plus secretarial staff) priority tasks designed to improve management (eg. either cost or product quality control) as well as the transport and planning aspects of food-aid-related development projects would have to take second place to day-to-day management and immediate delivery of aid supplies.

It is a fact that those responsible for food aid have been living largely from hand to mouth. So far, there has been no opportunity whatsoever for evaluation and assessment. But short-staffing is also advanced as an excuse for the absence of any appraisal, control, planning and the development of new quantitative and qualitative forecasts. The consequences of the failure to carry out the 'priority tasks to improve management' will be dealt with in greater detail below.

Although there can be no doubt that there is a severe shortage of staff in the food aid department of Directorate-General VIII<sup>2</sup> and that the officials in the department are highly committed to their work, performing it in what are sometimes extremely difficult circumstances, the question must still be asked whether

1. full use was made of the opportunities to transfer staff in order to provide at least temporary relief in a situation on which the lives of so many people may depend and whether
2. it was right to concentrate staff effort so much on expediting the flow of aid and funds, thereby clearly underestimating the adverse consequences as far as the qualitative aspects are concerned, for these also have an influence, and perhaps even the greatest influence, on the effectiveness of food aid.

<sup>1</sup>See Debates of the European Parliament of 25.10.1979, page 286

<sup>2</sup>Cf. the WEP establishment which administers a similar level of funds with a staff of 200. It should also be pointed out that the scale of budget appropriations for food aid is comparable with the annual expenditure of the European Development Fund if the basis of calculation taken is money spent divided by length of contract.



A question of special importance is whether the Commission should be present on the spot. After making closer enquiries, the rapporteur takes the view that there is no point in setting up a kind of standing task force or flying squad, but other alternatives must be looked for. In the ACP countries, the delegations already in post there can be given the task of implementing and monitoring the food aid programme. According to the Commission, this is what has been done for the past two years or so and the only question is why it was not done much earlier and whether the result has always been a satisfactory improvement in those two areas. If - as indicated in a subsequent section - the delegations are to be given more work in future, partly as a consequence of the linkage of EDF schemes with food aid, the need for additional staff cannot be ruled out in the long run. Before this is done, however, a fresh effort should first be made using the staff which is already available. In emergencies, the services of so-called 'executive agencies' can be used as a backup; action on those lines if organizationally possible, can be funded, even at this stage, from the budget, and has in fact already been taken, with apparent success, at the initiative of one delegation.

The problem is trickier in the non-ACP countries which receive by far the largest share of food aid (75%) and where there are no EEC delegations. Although a substantial amount of EEC food aid (and emergency aid) is provided through the World Food programme and many other international and non-government organizations<sup>1</sup>, the question arises as to whether

1. that is in fact the best solution and is not adopted partly as a means of remedying individual misery, and whether
2. the presence of a Commission representative on the spot would not bring out the Community's willingness to help more clearly and make it easier to monitor the aid provided<sup>2</sup>.

It has also been shown - and Nicaragua is a good example - that in certain circumstances food aid is prompter and more effective and emergency aid only begins to deserve the name when EEC personnel are on the spot to take action and decisions.

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<sup>1</sup>In 1979, 33% of EEC food aid in cereals, 47% in the form of skimmed milk powder and 29% of butteroil aid was provided through these international organizations, including the World Food Programme.

<sup>2</sup>The most recent instance which attracted the attention of the Committee on Development and Cooperation and the European Parliament was food aid provided through UNRWA.

Conclusion:

When the 1980 budget is resubmitted, the European Parliament acting on a proposal from the Committee on Development and Cooperation and the Committee on Budgets, must take a stronger stand than it did first time round in favour of a specified increase in the staff assigned to food aid. The Commission should be requested to submit once more precise facts and figures for this purpose (as already called for by your rapporteur). Points which require particular attention here are the evaluation aspects, emergency food aid, linked planning of technical and financial assistance with food aid, the supervision and monitoring of transport, quality control and more rapid implementation.

EMERGENCY AID

Emergency aid (as opposed to emergency food aid) is entered separately in the budget under Article 950 (and in the Lomé I Convention in Article 59 and Lomé II Convention in Article 137). It must be singled out for particularly close attention in our report on the campaign against hunger in the world. Funds are provided to the recipients in the form of cash (or to international organizations or the Commission's delegations) for the purchase and distribution in the wake of a disaster, of the most urgently needed items (food is frequently very far down the list).

As far as the ACP countries are concerned, Lomé I provides 150 million EUA and Lomé II 200 million EUA, in other words approximately 40 million EUA per annum. So far, this amount appears to have more or less covered requirements (written answer from the Commission to the rapporteur: 'The sum available is adequate').

As regards the other developing countries which are not parties to the Lomé Convention, the Commission's written answer is crystal clear:

'The amount is clearly inadequate: 3 million EUA<sup>1</sup> are earmarked in the draft 1980 budget. While this amount can, of course, be supplemented by means of transfers, as was done in 1979 when the total reached 42 million EUA, the transfer procedure is incompatible with the concept of emergency.

A further shortcoming is that the 2 A grade officials and the 1 B grade official assigned to the management of this type of aid are clearly too few to meet the requirements'.

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<sup>1</sup>This figure covers more than just the developing countries since it also includes other third countries.

Although more money than in previous years was needed in 1979 because of its sorry record, (expenditure was 42 mEUA although the amount actually needed was 60 mEUA), the appropriation earmarked for Article 950 is wholly inadequate; a huge increase is absolutely necessary in the second round of the 1980 budget. Early this year, 10 million EUA in emergency aid were earmarked for Afghanistan alone, and Cambodia can once again be expected to require similar levels of expenditure. The Community would make itself a laughing stock if it again proposed 3 million<sup>1</sup> or 5 million<sup>2</sup> for 1980. Emergency aid is the item in the whole EEC budget which lends itself least to out-and-out parsimony.

Certainly, the Commission has in the past resorted to transfers from other Articles and will have to go on doing so if necessary. But, the transfer procedure is unwieldy and runs counter to the whole concept of emergency. It holds up aid and reduces its effectiveness. It also contradicts the principle of budget honesty and clarity. And in the case of emergency aid - as 1979 if not earlier experience shows - it is no more than an expedient which, also because of the political impact of wholly inadequate budget appropriations, must no longer be continued.

Here again, moreover, the 2 grade A officials and the 1 grade B official in Directorate-General VIII are completely insufficient for the purpose.

The Commission's scope for action, however, and the rules of procedure, which are specific to their purpose and not anchored in a regulation, are much more satisfactory than in the case of emergency food aid. The answer to a Written Question by the rapporteur reads as follows:

'Emergency aid out of the abovementioned appropriations is provided with the necessary speed and efficiency (except when transfers are needed) for the following reasons:

- the decisions are taken by the Commission as far as Article 950 of the budget<sup>3</sup> and Chapter 59 of the Lomé Convention are concerned (under the latter, without the opinion of the EDF committee for aid below 300,000 EUA, following the opinion of this committee for aid above that figure);
- The products may be purchased locally either in the recipient country itself or in neighbouring countries;

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<sup>1</sup>Council draft

<sup>2</sup>Commission preliminary draft and decision of the European Parliament.

<sup>3</sup>Coreper being informed before or after the decision is taken, depending on circumstances.

- the procedure whereby payment is made in cash for the purchase of the whole range of products required in an emergency (medicine, tents, blankets, foodstuffs<sup>1</sup>, logistic facilities, seeds, fertilizers etc.) offers maximum flexibility. With it, the products supplied can be adjusted at any time to changing requirements.

This explains why in recent cases (the Dominican Republic, Uganda, Equatorial Guinea etc.), the Community has succeeded in providing aid with the utmost speed and efficiency'.

Aid above 300,000 EUA under the Lomé Conventions is a sticking point. The delay caused by the need to consult the EDF Management Committee can, in the most unfavourable circumstances make a difference of 14 days. In drafting a new financial protocol to Lomé II, the opportunity should be taken to raise the bottom limit or to arrange for the Management Committee to be informed after the event if it cannot be consulted promptly enough.

#### Conclusions:

1. If the Commission and Council do not take the opportunity offered in the new 1980 budget to adjust emergency aid on the basis of the 1979 experience and the emerging requirements for 1980, the European Parliament should decide on an appropriation of 60 million EUA. This would be consonant with a responsible assessment of requirements and would stand in a fairly acceptable relationship to emergency aid for the ACP countries.
2. Increases must be made in the staff assigned to emergency aid on the basis of details to be provided by the Commission (see previous section).
3. The Commission must propose and the Council decide that in the financial protocol to Lomé II, the threshold below which the Commission can act autonomously be raised to 1 million EUA and/or that - at least when more than 3 days are required to obtain its opinion - the EDF Management Committee should not be informed until later.

<sup>1</sup> Preferably other products than those supplied under food aid.

## MORE FUNDS MEANS FEWER ERRORS

Failing any satisfactory evaluation by the Commission of the aid provided, it is extremely difficult to assess its efficiency or, to put it differently, the frequency with which errors are made, which can be expressed in terms of aid losses. The Commission has not responded to critical surveys made by outside bodies. It is scarcely possible to offer an opinion on the significance of individual instances of blatant mismanagement which have received public attention. The special report expected from the Court of Auditors on the Community's food aid - together with the Commission's replies - will, for the first time, offer a wide opportunity not only to look into the complex administrative structure and the management of budgetary funds but also to consider:

- the delays in drawing up programmes and implementing aid projects,
- the defects in the procurement procedures,
- the problems of transport and
- the inadequate control over the implementation of aid measures and the use of counterpart funds.

The chapter on food aid in the Court of Auditors 1977 and 1978 reports provides a foretaste of the far from simple situation in which the European Parliament will find itself, when partly on the basis of its report on the campaign against hunger in the world, it will be compelled to demand an increase in food aid and - since it takes its control responsibilities seriously - to hold a critical public debate on Community food aid on the basis of the Court of Auditors special report.

The only way out for the Commission and Parliament (as well as for the Council and the Member States) is the way forward: together with an appreciable increase in food aid for the period 1980-82, a determined effort must be made to remove defects, and to increase the efficiency of food aid by making it part and parcel of a development strategy to achieve greater security of food supplies, particularly for the poorest sectors of the population in the most deprived countries.

Before this can be done, it is absolutely vital - and this point must be repeated here - to increase the Commission's staff in a sector in which the Community has so far spent as much annually as on technical and financial cooperation with the ACP countries and in which international organizations like the World Food Programme employ 200 officials.

## SPEEDIER IMPLEMENTATION

The Commission's answers in reply to questions from the Court of Auditors and your rapporteur make it clear that action has been taken in certain areas. The most obvious successes - even if they leave much to be desired - have been achieved in implementing Phase 2 aid measures. The Court of Auditors notes that the speedier implementation of aid measures in 1978 has reduced the delays observed at the end of the previous financial year<sup>1</sup>. Similar progress over 1978 is to be expected for 1979.

Although 'further substantial delays' have occurred<sup>2</sup> in the adoption of the annual programme (Phase 1) for 'normal' 1978 food aid, the Commission claims that 'as far as emergency food aid is concerned..... the time required for decision-making and implementation is now much shorter'<sup>3</sup>.

The general impression is that the attempt made by Directorate-General VIII to concentrate staff effort on speedier implementation, particularly of emergency food aid measures, is gradually beginning to pay.

## TRANSPORT - THE MOST CRITICAL AREA

The transport situation is particularly serious. The incidents noted by the Court of Auditors in the transport of aid products<sup>4</sup> speak volumes. We must also agree with the Court of Auditors' criticisms of the procurement procedure: this operates through the intervention agencies in the individual Member States which issue calls for tender and, by means of advances from the EEC budget, award contracts on the basis of a total price showing no breakdown. The Commission's reply ('the Commission generally agrees with the Court of Auditors' comments. The lack of information, particularly on transport agreements, leaves the Commission and the recipient countries at the mercy of abuses') is a premonition of what the Court of Auditors' special report on food aid will have to say on the subject of transport and transport agreements.

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<sup>1</sup>Section 7.21, paragraph 2

<sup>2</sup>Section 7.20

<sup>3</sup>Answer to a Written Question by the rapporteur

<sup>4</sup>Annual Report for 1978, Section 7.26 - 7.32

The arrangements governing the payment of transport costs to ports in the recipient countries and, where necessary, within the recipient countries, have not yet been spelt out clearly enough. It is however to be welcomed that the new Article 924 will in future show transport costs beyond the FOB stage separately in the budget.

Conclusion:

The Commission should be urged to tackle the issue of transport and transport costs as a matter of priority. The efficiency of food aid as far as the recipients are concerned, its credibility in the eyes of the European tax payer and also the prospects for a new World Cereals Agreement depend on much better regulations than we have had hitherto. The Commission should expedite its work on a framework regulation governing the transport of food aid and tighten its control over the pricing aspects of the procurement procedure.

QUALITY CONTROL

Poor quality and packaging also make tighter control necessary. The Commission entered 1 million EUA for this purpose in the 1980 preliminary draft budget. This appropriation was deleted by the Council and reinstated by Parliament. It must be made sure that it is again included in the second version of the 1980 budget.

WHAT HAPPENS TO THE FOOD PROVIDED?

The inadequacy of Commission control over the distribution and marketing of aid products and over the use of counterpart funds came in for a great deal of criticism and comment by the Court of Auditors. Two on-the-spot sample checks made by the Court of Auditors<sup>1</sup> brought revelations that could not be better calculated to cause high feelings in the donor countries. More on this subject can be expected in the special report.

It cannot be the purpose of this subsidiary report to anticipate the Court's findings in those and in other matters. We have broached the problems of decision-making on and the implementation of food aid measures as well as the defects in quality and transport arrangements in order to forestall in a political sense the criticisms of the Court and to urge or encourage the Commission to adopt a constructive stand towards them by taking appropriate action.

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<sup>1</sup>Annual Report for 1978, Section 7.46 - 7.48 ff.

The Court of Auditors also raised questions on the use to which aid is put<sup>1</sup> and put forward comments on cases in which the requirements of the recipient countries had been wrongly estimated by the Commission<sup>2</sup>. These should provide a spur to the development of new methods of Community food aid that are more effective from a development policy point of view although such aid will remain linked with the Community's agricultural production. It is not enough to relate aid only occasionally or incidentally to other instruments of development cooperation; this must be done systematically so that aid is made part and parcel of a strategy designed to achieve security of food supplies. Owing to the different premises underlying Community action in this sector, a distinction must be made here between the ACP countries and cooperation with the so-called non-associated developing countries which are not members of the Lomé Convention.

Conclusion:

The European Parliament should call on the Commission to submit an annual report on the implementation of food aid (including emergency food aid and emergency aid), setting out the most important developments, taking stock of successes and failures and suggesting improvements that could be made. It would also be in the Commission's interest not simply to react to criticism, particularly from the Court of Auditors, but to submit regular reports of its own accord.

SUPPLY AND DEMAND

The need here, as illustrated by previous cases, is to take better account of the actual requirements of the development countries. The Commission's first report on Community food aid must include a survey of this aspect which makes it clearer than hitherto

- in which cases the products supplied by the Community have not met or do not meet requirements and
- in which cases the Community was or is unable to supply products actually required quickly enough.

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<sup>1</sup>1978 Annual Report, Section 7.33 ff.

<sup>2</sup>1977 Annual Report, Section 7.21



A review of the three-way transactions which have so far been conducted in a very few urgent cases - and are to be made easier under the food aid regulation still to be adopted - suggests what could be done in the second type of case:

1. In 1978 purchases were made of the products required for food aid to developing countries in the three following cases:

- Lesotho                                    117 tonnes of white-maize semolina
- Botswana                                   330 tonnes of semolina
- Zaire                                        2,000 tonnes of semolina

The above purchases were all made in Zambia.

2. Three-way transactions<sup>1</sup> in food aid by commodities, by sources of supplies and by recipient countries.

A. Cereals

Sources of supplies	Recipient countries	Type of cereal	1978/79 Actual shipments (1 July-30 June)	1979/80 Allocations or plans
(.....metric tons .....) )				
Costa Rica	) Nicaragua	Rice - Flour		1,130 t *
El Salvador				1,350 t *
Thailand	Thailand (UNHCR)	Rice		5,000 t *
Kenya	Zambia	White maize		16,000 t *
Probably Thailand	Kampuchean populations in Thailand and Kampuchea	Rice		20-25,000 t

\*Actual shipments

<sup>1</sup>Purchasing from developing countries to provide food aid

B. Other Commodities

Source of supplies	Recipient countries	Commodity	1978 Actual shipments	1979 Estimated shipments
Argentina	Nicaragua	(.....metric tons.....) Red beans		300 t *
USA	Nicaragua	Red beans		1,000 t *
Nicaragua neighbouring countries	Nicaragua	Childrens food		35 t *

\*Actual shipments

The above tables show that the products supplied were rice, red beans, maize, wheatflour and baby food. Behind each of these few figures there lies the tragedy of hunger and an epic struggle to overcome bureaucratic and budgetary obstacles. In large areas of the world, red beans are a symbol of food requirements which Community production does not even begin to cover.

Rice is a sad example of the triumph of the farming interest of the European Community over food aid requirements. The annual total of 100,000 tonnes of rice (which count for 200,000 tonnes of other cereals) that recurs in EEC food aid programmes is nowhere near the rice requirements in the hungry areas of the world which are far higher and are often for other varieties. The Community has mainly softwheat or wheatflour to offer. In the notes to its application form for cereals aid, the Commission attempts to get round the dilemma in the following sentence: 'Cereals supplied as food aid normally originate in the Community and therefore comply with Community standards; applicants must therefore satisfy themselves that they are suitable for human consumption in their own countries'.

When a developing country which meets the three criteria for Community food aid

A food deficit

An annual pro capita income of less than US \$300

A balance of payments deficit

what should its government do in case of doubt? It naturally takes wheat rather than nothing at all. The effect in terms of changed eating habits and thus of security of food supplies being dependent on imports or aid is especially disastrous where for climatic or other reasons the particular type of food cannot be produced at all in the country concerned.

Conclusion:

The gap between what the European Community offers and the requirements of the food aid recipient countries must be more openly recognized and made explicit in the Commission's annual food aid and other reports; three-way transactions must be extended and become a matter of course, at least in the case of emergency food aid.

SKIMMED MILK POWDER AND BUTTEROIL

Skimmed milk powder and butteroil form a chapter apart. So far, the Commission has made no investigation to ascertain how useful they have been in the recipient countries (in the sense of better nutrition for the underfed and the starving) and whether those products actually conform to existing eating habits or perhaps constitute a health hazard.

The Commission has confirmed that when they are inexpertly prepared, processed, distributed, sold and consumed, skimmed milk powder and butteroil are harmful and that, where they are sold to the final consumer at all, they mainly reach the privileged sections of the population living in towns. It attempts to provide against harmful use or abuse by including a warning in its application forms and to distribute the products primarily to non-government organizations, mother-and-child schemes, school meals authorities, hospitals etc.

On the basis of applications received, the Commission estimates that the requirement is much higher than provided for in the budget. But it has no answer to the question of whether some applications are made for reasons that have nothing to do with genuine food requirements.

Properly used, milk products are an important source of protein, but improperly used, they are a dangerous gift. On the one hand, they are the most expensive form of food aid provided by the European Community and on the other, they offer a most welcome means of disposing of EEC surpluses.

## Conclusion

1. Given this situation, it is impossible to estimate how much skimmed milk powder and butteroil should really be offered as EEC food aid. The European Parliament must call on the Commission to undertake investigations - with the assistance, where appropriate, of other international organizations - and to put forward substantiated figures. Control over the use of those products is far more important than in the case of other products.
2. As far as the 1980 budget is concerned, the committee should keep to the Commission's proposal.
3. The European Parliament should call upon the Commission in future only to approve food aid requests for skimmed milk powder and butteroil intended for free direct distribution to particularly needy groups of the population through hospitals, refugee camps, centres for mothers and children, school meals, etc. For this purpose proper preparation and distribution may be guaranteed by channeling aid through multilateral or international organizations or non-governmental organizations (and their partners) working in close cooperation with the EEC through their liaison committees. There is also much to be said for a close connection with projects such as Flood II. Deliveries for resale should be excluded. In the event of requests conforming with these conditions exceeding the present budgetary appropriations, the European Parliament should give favourable consideration to increasing the amounts available.

## HEIGHTENED EFFECT THROUGH LINKAGE

It is noticeable that save in exceptional or urgent cases and in the event of disasters, food aid goes year in year out to the same recipients. This is understandable if we bear the criteria of pro capita income and a balance of payments deficit in mind, as with a few exceptions, these scarcely change over a period of a few years. If we take the criterion of an actual food deficit (and the purpose of food aid, which is to raise the level of nutrition), only one explanation emerges for the fact that the same countries are always on the list: food aid has scarcely had any effect so far on the food situation in the country concerned, or if it has, the effect has been cancelled out by other negative factors. The value of the contribution made by food aid to security of supply in the recipient country thus appears doubtful. Equally doubtful is the frequently made assertion that food aid is a supplementary form of assistance to be provided from time to time but that it should on no account be allowed to become a permanent substitute for local agricultural production or a temptation not to produce at all<sup>1</sup>.

<sup>1</sup> See Mr Cheyson's speech in the first debate on hunger Report of 25 October 1979, page 285

Food aid, or at any rate cereals provided as such are mainly intended for sale in the recipient country. Owing to transport difficulties the bulk of these shipments do not go further than the ports and large cities. One condition of the supply contract is that the price should be that normally obtaining on the market. The counterpart funds have to be paid into a special account and, as stated in the declaration that goes with the application form, used 'to fund development projects, wherever possible in the agricultural sector'.

Up until now, compliance with those conditions and the use made of the aid provided has not been monitored closely enough by the Commission and even if at the insistence of the Court of Auditors it attempted to tighten up control by increasing its staff, it would come up against technical as well as political obstacles.

Instead, the adoption of other procedures would substantially increase the likelihood of a higher level of nutrition through food aid:

1. Linkage with specific projects, particularly for agricultural development, including joint planning;
2. Food-for-work schemes (irrigation, road building, agriculture);
3. The use for specific purposes, as approved in the Food Aid Agreement, of counterpart funds in close relationship with the objective of improving security of food supplies, in other words, for stock piling and improving farmers' storage capability and also for funding local training and advisory services for rural development projects.

This means that food aid must be developed by linkage with a form of project or programme aid in the context of national strategies for securing food supplies such as those endorsed by the World Food Council and which the World Food Council wishes in the context of national development plans to help reach breakthrough point at its sixth ministerial meeting in Arusha on 3-6 June 1980.

The advantages are obvious: food aid would lose its superficial and chance character (and at best, that of a budget aid with imperceptible effects) and would be made part and parcel of a practical strategy to improve the security of food supplies. It would force both donor and recipient countries to make this kind of security an objective of and a criterion for development; it provides an incentive to the recipient countries to draw up plans for security of food supplies as part of their development plans as called for by the 1979 UN Conference on Agricultural Reform and Rural Development. In this way, food aid would help to boost local production. The method itself would make for greater transparency, tighter control over the use of food aid and less temptation to abuse the system.

Linkage with specific projects, particularly in the area of rural development is particularly necessary when it comes to cooperation with the ACP countries. The rule must be that food aid should be linked with technical and financial assistance projects in all ACP recipient countries, if possible under the fourth European Development Fund or at any rate in the planning for the fifth European Development Fund, and that the Commission delegations on the spot should be just as conversant with matters of food aid as of technical and financial aid. It is beyond belief that up until two years ago, the delegations in the ACP States were not involved at all with food aid<sup>1</sup>.

The indication in the 1980 application forms for food aid that the proceeds from sales should, wherever possible, be used by the ACP States for EDF projects or for projects under the World Food Programme, is a welcome development but we are forced to ask the same question: why not before?

The Community's food aid has perhaps been occasionally provided up until now in one of the three forms called for above, but this had nothing to do with method or strategy.

Here we touch on the most serious error made in the past and the reform most urgently needed in the future. It is certain to require initially a greater capacity for planning and action but this is adequately catered for in Lomé II and the fifth European Development Fund. Food aid for the ACP countries may account for no more than about a quarter of total food aid but this in itself is a challenge to set an example for a constructive food aid policy.

While conditions in the non-Lomé countries, to which three-quarters of EEC food aid goes, are certainly less favourable, the Flood Project in India (which appears to combine all three of the aid forms called for earlier) must not remain an isolated example. First of all, it marks the beginnings of Community technical and financial aid for the so-called non-associated countries and secondly, it would allow Community food aid to be linked much more closely than hitherto with projects undertaken by international organizations - and not only under the World Food Programme - and by other donors, including the EEC Member States.

Technical and financial assistance for non-associated countries has so far been on a very small scale. It should be used chiefly for rural development in the poorest countries, mostly the same countries that need and receive food aid. It may be surmised that those two aspects of the same matter have, until now, been dealt with entirely separately in

<sup>1</sup> See the Court of Auditor's Annual Report for 1978, page 114  
Commission's reply to the questions raised in Section 7.33 and 7.34

Directorate-General VIII. We should urge that this situation be immediately remedied on the organizational side by including the official responsible for projects involving the non-associated countries in the working party on hunger in the world. The contacts established with many of those countries have been the result of food aid and they should be used to build up technical and financial assistance.

Linking the two instruments would probably have the effect of speeding up the flow of funds to the non-associated countries, making it possible to meet the European Parliament's demand for a rapid increase to 200 million EUA per annum. An obvious need is the linkage with projects for improved storage facilities and the provision of food reserves for emergency situations, in other words for stockpiling arrangements on farms, in the ports of delivery and in government emergency stores. Food aid-project linkage implies requests for, decisions on and the implementation of multiannual programmes, including food aid programmes, that go beyond the exceptions so far made (the Flood Project in India). The Commission has proposed this in the food aid regulation which has still to be adopted. If Council opposition to this proposal is based on fear of a counterproductive food aid policy (and not on considerations related to the allocation of responsibilities), a project-oriented food aid policy would make it easier for it to approve the Commission's proposal.

Conclusion:

1. The Commission should be called upon to make active and positive use of every opportunity (including the sixth ministerial meeting of the World Food Council in Arusha at the beginning of June) to insist upon and promote national and regional strategies for the security of food supplies of the developing countries. To achieve this, it should propose the use of the fourth and fifth European Development Funds and technical and financial assistance from the Community to non-associated developing countries.
2. The European Parliament should urge the Commission to make the linkage of food aid with projects and programmes of technical and financial aid the most urgent element in a systematic reform of the Community's food aid. It must report regularly on progress in planning and implementation. After a transitional period, the granting and provision of 'normal' food aid as part of national food security strategies should be made contingent upon such reports.
3. In this connection, multiannual commitments by the Community are essential. The necessary conditions must be created by practical proposals from the Commission and by the Council adopting the food aid regulation still pending. In particular, applicant developing countries must draw up strategies for securing food supplies as a condition of eligibility for multiannual commitments.

## THE IMPORTANCE OF STOCKS

The need to devote much more attention than before to all types of stocks has emerged at several points in this report. This involves

- buffer stocks under a new World Cereals Agreement in order to keep price fluctuations within certain limits and to ensure greater continuity in the supply of cereals;
- an emergency reserve of 500,000 tonnes of cereals as called for by the 1974 World Food Conference and the seventh Special Session of the UN General Assembly in 1975, which according to the Director General of the FAO would now have to be brought into line with requirements and increased to an annual reserve of approximately 2 million tonnes of cereals.

At the end of 1979 total contributions amounted to no more than 350,000 tonnes. But the main point here is that there are still no reliable arrangements for topping up the reserve once a year.

- national or regional reserves in developing countries as a source of decentralized and hence more readily available food aid<sup>1</sup>. The Commission's proposal to the Council for a food aid regulation offers a basis on which to build.
- projects to improve storage facilities covering a range from the port of delivery to the rural production unit or association.

### Conclusion:

The European Parliament must

- call on the Council and the Commission to argue for the inclusion of buffer stocks in a new World Cereals Agreement;
- urge the Council and the Commission to make an appropriate contribution to the world emergency reserve to be built up;
- call on the Commission and the Council immediately to examine the proposal from the World Food Council to guarantee such an emergency reserve by means of an international convention legally binding on the contracting parties. This convention could be a step on the way to a new world cereals agreement with price buffer stocks and food security reserves and subsequently be carried over into the world cereals agreement;
- prevail on the Council to adopt the food aid regulation as soon as possible;

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<sup>1</sup>This point has given rise to controversy between the industrialized and the developing countries in the negotiations for a new World Cereals Agreement. The Community should show greater readiness to compromise than it has so far shown.



- call on the Commission and Council to use every endeavour (from international agreements to EEC technical and financial aid and food aid), to ensure that decentralized reserves are set up in developing countries and to make a financial contribution towards the costs of maintaining such stocks.
- continue to press the Commission to ensure that under the European Development Fund and the arrangements for technical and financial assistance for the non-associated countries, higher priority is accorded to rural stock building and to suggest specific projects with this purpose in mind.

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Summary of requirements for a constructive contribution from the European Community to the North-South Dialogue

The forthcoming global North-South talks within the United Nations suggest themselves as a convenient forum for a number of the proposals made in this subsidiary report (and other proposals such as those in the general report and that contained in the resolution to be submitted to the European Parliament). The agenda proposed by the European Community and the Member States, partly as a consequence of the European Parliament's campaign against hunger in the world, has as its first item 'food' with subsidiary items on food aid, security of world food supplies and the international emergency reserve, national food strategies and the external aid which developing countries require to implement them, etc.

The European Parliament should therefore formulate its demands to the Council and Commission where possible as practical proposals for a contribution from the EEC and its Member States to the global talks especially on Topic I/Food but also on Topic III/Foreign trade and balance of payments and II/Energy (insofar as they are directly connected with the fight against hunger in the world). This would give them an extra operational character.

In relation to the matters covered by this subsidiary report, the European Parliament should for example demand:

1. An offer from the Community to support national food strategies in conjunction inter alia with an appropriate increase in the appropriations in Chapter 93 'Cooperation with non-associated developing countries'.
2. A binding commitment from the Community and the Member States to build up an adequate emergency reserve.

3. Willingness on the part of the Community to conclude quickly a new world cereals agreement with decentralized buffer stocks in developing countries also and a corresponding offer of finance.
4. A coherent Community stockpiling plan from buffer stocks in the context of a world cereals agreement to an international aid programme for maintaining stocks in developing countries.
5. The European Community (plus Member States) should volunteer to supply food aid over and above the minimum guaranteed in the new food aid agreement.

The following matters outside the scope of this subsidiary report should also be mentioned:

1. As a contribution to a greater transfer of resources for rural development the Community should in its 1981 budget include a substantial amount for the replenishment of the International Agricultural Development Fund (IFAD) (Article 947), so that the Community and Member States contribute to an increase in this UN fund (in which industrialized countries, OPEC developing countries and other developing countries cooperate as a basis of parity) to about 3,000 million dollars.
2. The Community should recommend easier terms in times of crisis for IMF balance of payments aid to the poorest developing countries which require particular food imports and to achieve that end take up the proposal of the World Food Council and the FAO for a special food facility<sup>1</sup>.

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<sup>1</sup> See also 'A Programme for Survival', p. 132

MAIN PHASES IN THE EXAMINATION OF APPLICATIONS FOR  
FOOD AID AND PROJECT IMPLEMENTATION

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1. Ordinary food aid
  1. Receipt of application
  2. Consideration of the application by the Food Aid Division when the Community programme is being drawn up, in cooperation with the relevant international bodies, the FAO, WFP and other donors (this is normally done in August and September of each year).
  3. Consultation of the various Commission departments concerned:  
Legal Service, DG VI, DG I, DG VIII (desk officer or delegate)
  4. Consideration of the proposal by Mr Cheysson and the Commission
  5. Consideration by the ad hoc Food Aid Working Party of the ) Simultaneous  
Commission's proposals ) consideration  
 ) by
  6. Consideration by COREPER ) Parliament
  7. Council Decision
  8. Telex to the recipient country opening negotiations
  9. Reply from the recipient country
  10. Information telex to the Member States (replies within 10 days)
  11. Notification of the Committee on Surplus Disposal in  
Washington (This is done by DG VI at our request)
  12. Despatch of an official letter signed by Mr Cheysson or another Member  
of the Commission
  13. Reply from the recipient country
  14. Request for implementation made to DG VI
  15. Consideration by the Agricultural Management Committees of the  
Commission documents setting out the procurement and procedural rules
  16. Letter to the recipient country indicating delivery procedure and  
dates
  17. Consideration by the Supply Management Committees and Commission  
decision (Except for cereals)
  18. Receipt of the acceptance certificate from the recipient country and,  
if not received in due time, despatch of a reminder by the Commission
  19. Receipt of the shipment arrival report and, if not received in due time,  
despatch of a letter of reminder by the Commission
  20. Receipt of the report on the allocation or sale of the products supplied  
as aid and, if not received in due time, despatch of a letter of  
reminder by the Commission
  21. Receipt of a progress report on the development project when the  
products supplied as aid are sold on the market and if not received in  
due time, despatch of a reminder by the Commission
  22. Consideration of the files on expenditure entailed by late delivery etc.  
and despatch of recovery letters to the recipient countries.

2. Emergency food aid

1. Receipt of application
2. Consideration of the application, in the light of available reserves, in cooperation with the relevant international bodies (FAO, OSRO, WFP etc.) and the Commission delegates in the associated countries
3. Consultation of the various Commission departments concerned

Natural and unforeseeable  
disasters  
Commission authorization

Other cases  
during a trial period

(Following this period, exactly the same procedure as for natural and unforeseeable disasters)

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|--|---|
| <ol style="list-style-type: none"><li>3. Consultations with the Member States (deadline for reply: 2 days)</li><li>4. Commission decision (authorization by Mr Cheysson or another Member of the Commission)</li><li>5. Telex to the recipient country opening negotiations</li><li>6. Reply from the recipient country</li><li>7. Notification of the Committee on Surplus Disposal in Washington (This is done by DG VI at our request)</li><li>8. Despatch of an official letter signed by Mr Cheysson or another Member of the Commission</li><li>9. Reply from the recipient country</li><li>10. Request for implementation made to DG VI</li><li>11. Consideration by the Agricultural Management Committees of the Commission documents setting out the procurement and procedural rules</li><li>12. Letter to the recipient country indicating delivery procedure and dates</li><li>13. Consideration by the Supply Management Committees and Commission decision (except for cereals)</li><li>14. Receipt of the acceptance certificate from the recipient country and, if not received in due time, despatch of a reminder by the Commission</li><li>15. Receipt of the shipment arrival report and, if not received in due time, despatch of a letter of reminder by the Commission</li><li>16. Receipt of the report on the allocation or sale of the products supplied as aid and, if not received in due time, despatch of a letter of reminder by the Commission.</li></ol> | <ol style="list-style-type: none"><li>3. Favourable opinion from Coreper advised by telex from the Commission to the Secretariat-General of the Council (deadline for submission of opinion: 8 days) or, failing an opinion, consultation of the Member States by telex (extra time allowed: 2 days flexible)</li><li>4. Commission decision (authorization by Mr Cheysson or another Member of the Commission)</li></ol> |
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17. Receipt of a progress report on the development project when the products supplied as aid are sold on the market and if not received in due time, despatch of a reminder by the Commission
- 18 Consideration of the files on expenditure entailed by late delivery etc. and despatch of recovery letters to the recipient countries.

COMMITTEE ON DEVELOPMENT AND COOPERATION

Working Party on Hunger in the World

WORKING DOCUMENT

on

Relationship between agricultural production and food aid  
policy - external measures required under the common  
agricultural policy

drawn up by Mr V. SABLE

## I. BACKGROUND TO AND OBJECTIVES OF THE COMMON AGRICULTURAL POLICY

1. The considerations that originally led to the establishment of the European Economic Community were that production would be easier within a single economic area than within the narrow confines of national states and that both producers and consumers alike would derive greater benefits from larger markets.

Article 2 of the Rome Treaty states that the Community shall have as its task, 'by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the states belonging to it.'

2. Article 38 of the EEC Treaty provides that the common market should extend to agriculture and trade in agricultural products. Following more than a century of agricultural protection in the Europe of the national states, as in all other industrialized countries, in response to the demands imposed by the most radical transformations ever seen, agriculture was seen as a special problem area when the Community was founded since there was a significant gap between farmers' incomes and those earned by industrial workers in each of the Member States. This explains why, unlike the other sectors of the economy, the farm sector was brought under special regulations in the Treaty (Articles 38-47 EEC). On the basis of those provisions, a common agricultural policy was developed, the main objectives of which are to increase agricultural productivity, to ensure a fair standard of living for the agricultural community, to stabilize markets and to provide the people of the EEC with regular supplies. Those objectives or guidelines are scarcely any different from those governing agricultural policy in other developed countries like the United States, Australia or Canada. There is, however, one important exception relating to the way in which farmers' incomes are guaranteed, which is one of the major objectives of the EEC agricultural policy. This is done through a politically secured price system linked with open-ended purchasing guarantees for certain major products, the chief purpose of which is to safeguard producers' incomes in view of their great numbers.

3. When work began in the 1960s to devise arrangements regulating the markets in the most important agricultural products, they were widely acclaimed as a significant improvement over the national farming systems that had previously existed in the individual Member States. Within the Community, the abolition of subsidies, quantitative restrictions and all obstacles to trade was the stated intention, while externally, the agricultural market was to be much more open than under the previous national systems. These objectives seem to have been achieved, as the Community's overall agricultural trade balance was 30,000 million dollars in deficit in 1978. Can we be certain, however, that this deficit is due to the fact that the agricultural policy is open to the third countries?

4. In 1960, when the Commission put forward proposals on the structure and implementation of the Common Agricultural Policy, a close analysis was made of the agricultural situation in the Member States. The Commission considered that the chief causes of the uneven trend in farm incomes were the limited mobility of agricultural workers, the inadequate size of farms and the under-equipment of many farms. The Commission's view was that low farm incomes could not be treated simply as a symptom and therefore called for the removal of the root causes of the unsatisfactory situation, laying stress on structural policy within the ambit of the Common Agricultural Policy.

However, what prevailed in the negotiations within the Council of Ministers was not structural policy considerations but market organization and price support arguments.

5. In taking up the task of framing the Common Agricultural Policy, all concerned were conscious of the European Community's worldwide responsibilities. For this reason, steps were to be taken to avoid sealing off the market from the rest of the world, especially as the Member States had all concluded bilateral agreements on trade in agricultural products with third countries. Article 110 of the Rome Treaty (Chapter 3, commercial policy) contains a declaration of intent according to which the Member States aim to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers. Although the provisions of this article also apply in principle to trade in agricultural products, and the EEC is the world's largest food importer, they have obviously been only partly implemented.

6. The largest trading bloc in the world, the European Economic Community accounted for some 40% of world trade in 1978. EEC imports in that year were worth 247,000 million dollars, 40% of which (97,000 million dollars) came from the third world. The Community has repeatedly pointed out that agricultural products account for roughly one-fifth (approx. 46,000 million) of total imports by the Member States, about half of which, worth 22,000 million, come from the third world. It should be stressed that foodstuffs made up no more than roughly two-thirds (approx. 16,000 million) of those agricultural imports. Viewed in relation to total imports, those 16,000 million represent no more than a figure of 6%. It would be even lower if imports of tropical products like coffee and tea were discounted for they account for a good third at least of agricultural imports from the developing countries. It is clear that more foodstuffs could be imported from the Third World and less from the richer countries.

We know for example that from time to time the Council has to consider the problem of levies on oils and fats of vegetable origin. Why not impose levies on oilseeds imported from industrialized countries alone, in the knowledge that in this field the developing countries account for only 40% of Community imports?



The developing countries need foreign exchange if they are to solve the problem of hunger and develop subsistence farming. They may obtain it by exporting farm products for the most part not competing with products subject to organization of the market under the common agricultural policy, as these are principally tropical products grown on large-scale plantations. There is however competition in some crops, especially sugar, fruit and vegetables. These will be examined in more detail below.

## II. THE CONSEQUENCES OF THE COMMON AGRICULTURAL POLICY

7. The Common Agricultural Policy has given rise to a great deal of controversy since its inception. The main problem now, in 1980, is one of funding. Farmers complain that prices are too low, consumers that they are too high, and the Finance Ministers hardly know how the high costs can be covered. Seen in the early days of the common market as one of the pillars of integration, the agricultural policy may now become a stumbling block to further integration. For the fact is that EAGGF spending rose from 103 million u.a. in 1965 to 4,300 m. u.a. in 1975 while the appropriations for 1980 have already reached the figure of 11,200 m EUA.

8. Nevertheless the advantages of the European agricultural policy lie in the high degree of security of supply enjoyed by the 260 million consumers in the common market and in the extremely wide range of products offered. Furthermore, the EEC farm price policy has helped decisively to stabilize farmers' incomes although it should be remembered that EEC prices for the most important food-stuffs lie well above the world level. Stocks in storage and surpluses should not be deprecated in themselves since they are necessary as a market regulator, to the advantage of both the consumers and producers. The only negative aspect is that the quantities in storage are far higher than is necessary to meet current demand and to stabilize prices and exports. What gives cause for concern is not so much the present level of stocks as the tendency towards a widening gap between production and consumption.

9. It must be stressed that the high costs of the agricultural policy are mainly caused by those products which cannot be sold on the market. The Community's structural surpluses are even costlier, since they are growing steadily larger as, for example, in the milk sector where supply is increasing by an average 1.7% per annum while demand remains virtually constant. The Commission has regularly proposed measures to cut back surpluses and increase sales but they have been only partly implemented by the Council. In order to reduce dairy herds, for example, the Commission granted slaughtering premiums from 1 July 1977 until the end of 1978, and the fact that the number of cattle did not increase during

this period was considered a success in itself. In 1978, 1.2 million tonnes of powdered milk was used for calf feeding and 700,000 tonnes as pig-feed. There are at the present time 280,000 tonnes of butter and 150,000 tonnes of skimmed milk powder in EEC cold stores. Community spending on the milk sector rose from 600 million u.a. in 1968/69 to 1,521 million u.a. in 1973, reaching 4,000 million EUA in 1978. There are also structural surpluses of sugar.

Those few figures emphasise the enormous difficulties facing the European agricultural market and also illustrate the need to find new sources of funds.

10. Surpluses should certainly be viewed in a more positive light than shortages but over-production should not be allowed to get out of hand. Furthermore, it must be considered a paradox that while the industrialized countries do not know what to do with their surpluses, millions of people in many parts of the world are starving or suffering from under-nourishment.

11. There exist altogether reasonable opportunities to give a new direction to agricultural policy, lending greater weight to structural policy and removing the wall of protectionism vis-à-vis the rest of the world. It must therefore be the task of the national governments, parliaments and parties, and of the European institutions, first and foremost the newly elected European Parliament, to take it upon themselves to prepare and support the required decisions, acting out of a sense of responsibility for European integration and towards the rest of the world. We must, at long last, be clear in our minds about the place of agricultural policy in Europe and we must therefore set clear priorities. Detailed proposals for a new European agricultural policy obviously cannot be put forward in a contribution to the topic of 'hunger in the world'. We should, however, take a look at how the European agricultural system affects the developing countries and what steps are necessary in order to remove any adverse effects.

### III. THE COMMON AGRICULTURAL POLICY IN THE INTERNATIONAL CONTEXT

12. The world's political and economic system has changed fundamentally since the early 70s in that the countries of the third world have become protagonists instead of pawns on the world political scene. Two things in particular have helped to bring this change about: the United Nations special session in 1975 on the development of international economic cooperation and OPEC's oil policy from the years 1973/74.

13. Economically speaking, the first thirty years after the second world war were a disappointment to most developing countries whereas steady economic growth was achieved in the industrial countries. In the North-South relationship, radical changes in the trade and economic sectors are overdue since the industrialized and prosperous countries of the world have for too long been opposed to a reasonable policy of reform. The reason why the world economic situation is so confusing is that the existing multilateral economic and trade agreements are mainly based on consensus among the leading industrial countries. The prosperous countries owe their steady growth mainly to a regular supply of raw materials at favourable prices; during this period, the trade balance of the developing countries grew substantially worse. Today, with the rising price of oil, the rich countries themselves have not escaped the world crisis, but developing countries without raw materials are even harder hit. The world trading partners in both north and south are all dependent on one another. If a proper answer is to be found to the problem, neither side must be allowed to have its way and rights and obligations must be equally shared. Hence the need for a single-minded policy leading to a permanent balance of interests in a spirit of interdependence. It is only through an international dialogue that we can work out a package of practical measures that will put an end to the economic imbalance.

14. In a period of monetary and economic stability and prosperity, the Common Agricultural Policy forged strongly ahead both inside and outside the Community. But the economic situation has drastically changed. Like economic, monetary, financial and trade policy, the Common Agricultural Policy must adjust to the changed facts of economic life both within and outside the Community. European agricultural policy must be an open and a balanced policy. It can only operate smoothly if it takes account of the new international context, implying that an agricultural policy consensus must be found between the Community and the developing countries that makes due allowance for the interests of all parties.

1. Difficulties faced by the developing countries in exporting their agricultural products

15. Any serious investigation of the causes of hunger in the world must not baulk at critical comment in those areas which have ostensibly humanitarian overtones. The clarification of the role of aid is always more important than the amount or quality of what is provided. We must therefore consider in detail whether the objectives laid down for the Common Agricultural Policy in the EEC Treaty, particularly those referring to increased productivity and market stabilization, make a direct contribution to the improvement of the food situation in the world or whether the CAP's aims and intentions of alleviating hunger in the world must be spelt out afresh. It certainly cannot be denied that the Community's agricultural policy produces surpluses that consume a vast amount of public money,

which could perhaps be put to better use, especially to help the developing countries.

16. Agricultural protectionism on the part of the industrial countries unquestionably makes the poor countries poorer still, and cannot possibly fail to affect the whole complex of North-South relations. The reason why is that severe restrictions are placed on agricultural exports from the developing countries and that subsidized exports of surpluses to the world market strongly undermine the competitiveness of the developing countries, especially since there is practically no upper limit to the subsidies granted for the export of surpluses. The Community supplier is therefore in a position to exclude all competition. In 1971, the then Director General of the FAO, Mr BOERMA, said something which applies equally to the agricultural trade policy of the European Community: 'The ability to compete on agricultural export markets is increasingly coming to mean the ability to outdo competitors in the size of export subsidies. The developing countries are so weak financially that they can no more take part in this 'competition' than they can afford expensive domestic support measures'.

17. The claim made by the developing countries that the industrial nations and the European Community in particular protect and strengthen their own agricultural production by keeping their import requirements low cannot be denied. The only awkward problem is that this dirigiste policy prevents the developing countries from boosting agricultural exports and thus doing more themselves to achieve economic growth, and from narrowing the gap between rich and poor countries.

The representatives from countries in the southern hemisphere also criticize the European Community for arguing in two different directions, putting the case for an international division of labour and free trade in the industrial sector, but pursuing a protectionist policy in the agricultural sector. The Commissioner responsible for agricultural policy, Mr Gundelach, has said something similar: 'We cannot ask for free trade for industry and, at the same time, strive for self-sufficiency in agriculture, rejecting the concepts of a world-wide division of labour. With this attitude, our efforts to secure our exports of manufactured goods, which often go to the very countries which export agricultural products, forfeit their credibility.'

The former German Chancellor, Mr BRANDT, spoke in similar terms at the hearing on 'Hunger in the World' on 19 February 1980 when he said that it was curious that the European Community should plead for free trade in manufactured goods and at the same time protect its market from agricultural products from outside. He added that this was a policy that could not be sustained in the long run.

<sup>1</sup>Quotation from Ernst Freisberg, *Zuviel des Guten*, in *EG-Magazin*, No.10 1979, p.4

18. While it cannot be denied that through its common agricultural policy, the generalized preferences system, its trade policy, development aid and the Convention of Lomé the Community has made some concessions to the developing countries, it is debatable whether these are sufficient to make any significant improvement in the latter's economic situation.

19. The principle of generalized preferences was accepted at the UN Conference on Trade and Development in 1969. This system was intended to facilitate access for the developing countries to the markets of the industrialized countries. The main purpose of the non-reciprocal or non-discriminatory preferences was to help the developing countries to achieve a substantial increase in their export earnings, to promote the process of industrialization and thus to expand economic growth. On 1 July 1971 the European Community became the first group of industrialized countries to introduce the system of generalized preferences, thus forcing the others to follow suit.

20. All in all, it would be true to say that the system of generalized preferences has so far not achieved the expected results. The fact that only 30% of the system is being used, and 50% of that by a mere 5 of the 110 developing countries gives pause for reflection. Originally the preferential duties were to be extended to the widest possible range of processed agricultural products falling under headings 1 to 24 of the common customs tariff and to semi-finished and finished industrial products falling under headings 25 to 99 of the CCT. Unfortunately, important exports from the developing countries, notably agricultural products, were excluded from this favourable arrangement as a result of the agricultural protectionist policies of many industrialized countries. The European Community also restricted its system in this way, and as a result only modest customs concessions were granted for agricultural products. The customs duties on some agricultural products included in the system of preferences were abolished completely but merely reduced on others; customs duty exemption was granted in respect of only 74 of the 303 agricultural products from the developing countries covered by the system. It was only with the introduction of the scheme of preferences for 1979 that customs exemption was extended to all goods from the least-developed countries covered by the system. All products governed by a common organization of the market are as a rule excluded from the system of preferences. In view of the ceilings on the value of imported goods, and the customs quotas and other restrictions, it is debatable whether the words 'generalized' and 'system' are at all appropriate to describe the so-called system of generalized preferences.

21. Unfortunately, while the Community has continually improved the preferences system and extended its field of application - the number of agricultural products covered by the scheme rose from 147 in 1971 (22 m u.a) to 303 in 1978 (1,300 m E UA) - no substantial improvement has been made in respect of access for the developing countries' agricultural products to the common market.

An analysis of the customs concessions shows that they apply to products in which there is little international trade, that they are fairly insignificant in themselves or that they are offset by means of quantitative restrictions.

The rather modest customs concessions granted under the system of generalized preferences and the Lomé Convention are diminished still further by excessively complicated and bureaucratic rules so that the relevant measures and provisions themselves virtually amount to non-tariff barriers to trade. The fact that Community importers of agricultural products must comply with about 3,000 Community regulations and decisions is certainly not conducive to trade.

22. The developing countries also find it excessive if not intolerable that the Community countries should protect the hothouse production of fruit, vegetables such as tomatoes and aubergines, and plants by means of duties or non-tariff measures and even in some cases grant energy subsidies so that European growers can compete with the sunshine of countries in the south. The most recent examples of this are exports of flowers from Kenya and the efforts to prohibit for 12 months the import of paprika, which is produced in almost all tropical and subtropical areas, in order to protect European hothouse paprika production.

23. A further example of Community protectionism in agriculture is the aid system introduced in 1978, under which subsidies are granted to Community producers of six products (tinned peaches, tomato concentrate, tinned tomatoes, tomato juice, prunes and bigarreaux) for which southern countries are ideally located. This aid is intended to compensate for the difference between prices for Community products and those for the products of non-member countries. It is granted to the processor in the Community who concludes supply contracts for the raw materials with the Community growers and passes on part of the aid to the latter in the form of minimum buying prices for the raw materials. The subsidies and the minimum buying prices are fixed annually.

The initial results already show that this new aid system affords Community production a level of protection which goes beyond aid in the true sense of the term. The high rates of aid and the lack of any restrictions on production levels will inevitably lead to surplus production of the subsidized products. In spite of this, the Council has decided to include other products in addition to those from the Mediterranean area in the aid scheme from 1980 onwards.

24. Like Lomé I, Lomé II provides for free access to the Community market for 99.5% of ACP exports. The unilateral opening of the Community market to ACP products does demonstrate the Community's good intentions, even if this gesture is more impressive in appearance than successful in practice. All the trade statistics published up to now show that the old trade structures dating back to the colonial era have hardly changed and that exports from the Community to the ACP countries have risen more rapidly than ACP exports to the Community if we disregard oil exports.

25. Unfortunately, some ACP products covered by the common agricultural policy are not allowed free access to the Community markets. This is a serious disadvantage for the ACP countries, most of whose economies have hitherto been based on agriculture with little or no industry. Consequently, the export of agricultural products and free access for the latter to the Community market is of great importance to certain ACP countries.

The ACP countries regard the concessions provided for in Lomé II as inadequate. They are, of course, an improvement on Lomé I, but not a great improvement. The following concessions have been granted for ACP agricultural products covered by the system of generalized preferences:

- agricultural products which do not compete with Community agricultural products (e.g. coffee or tea) and for which there is no Community organization of the market may be imported duty-free;
- reduced rates of duty are charged on other agricultural products (vegetables and certain types of fruit);
- most products subject to levies (cereals, processed fruits and vegetables, beef) are allowed duty-free access. In addition, the levy is reduced by a fixed amount. However, if domestic output of products subject to the levy and in which there are suppliers within the Community Member States is endangered, there is always a risk that the Community will resort to the safeguard clause, which was not applied under Lomé I;
- special rules apply to the beef-exporting ACP countries of Botswana, Madagascar, Swaziland and Kenya. The annual quota was raised to 30,000 tonnes, an increase of 9% over Lomé I;
- the annual rate of increase in the duty-free quotas for rum was also raised;
- Lomé II makes virtually no new concessions for those ACP agricultural products which compete directly with Community products. It does lay down special arrangements for certain products (onions, tomatoes, carrots, asparagus, tapioca, mushrooms, passion fruits, guava juices and preserves), but here too it is very clear to what extent the common agricultural policy is the dominant consideration. The customs concessions are granted only for short periods and in respect of very small quotas (in 1977 only 790 tonnes of tomatoes, 13 tonnes of onions and 28 tonnes of carrots were imported) in order to ensure that the ACP countries can export these products to the Community only after the European harvest has been sold. It is true that in 1980 the carrot and onion quotas were raised to 500 tonnes.

26. Because of the common agricultural policy the Community did not feel that it could allow freer access to the market for husked rice from Surinam, which is an important export for this country. The Community ignored a number of other products for which the ACP countries wanted easier access to the market, notably certain fruit and vegetables in respect of which the ACP countries either already have considerable production and export potential or could rapidly develop such potential. In view of the Community's attitude, it remains to be seen whether the Lomé II Convention really represents a fundamental improvement in trade relations.

The trade statistics for 1977 show very clearly that the Community is generous only in respect of those agricultural products for which the CAP does not require it to take protective measures. As a result, only 50% of the total Community imports from the ACP countries were accounted for by agricultural products, of which half were coffee, tea, cocoa and spices, for which there is no organization of the market as they cannot be grown in Europe.

27. The protectionism of the common agricultural policy is highlighted particularly by the fact that even in the Lomé II agreement, which was signed by some of the poorest countries in the world, the long-standing ACP demand for completely unrestricted entry for imports has still not been met. This can only be explained by the need to protect certain processing industries and hothouse producers located in the Community.

28. Most observers regard the improved procedure for the application of the safeguard clause, particularly the consultation provisions, as an important innovation in Lomé II. This clause enables the Community to block imports of certain goods from the ACP countries. The clause, which also featured in Lomé I, is linked to consultation machinery in the second Lomé Convention: this means that, if the Community wishes to hold consultations, it must give the ACP countries concerned all the necessary information so that the latter can understand the need for the ban. However, the consultations have no delaying effect, and in urgent cases protective measures, i.e. a ban on imports, can be imposed even before the consultations are held. The problem of the safeguard clause is not alleviated by the fact that there is no provision for the protective measures on the part of the Community to be replaced by special arrangements, e.g. voluntary restraint agreements.

29. It would also be appropriate in the context of this document to comment on the sugar problem, which not only plays an important role in the framework of the Lomé Convention, but is also likely to bedevil the whole complex of North-South relations. Sugar is a good product for some tropical countries, as production costs for cane sugar can be lower than for beet sugar if rational production methods are used. Another important factor is that sugar production



in most developing countries can be traced back to the early colonial days. Sugar production was a very profitable line of business for Europeans in most of their former colonies because of cheap labour and the favourable climate, so much so that existing staple food crops such as cereals, which now have to be imported at great cost in terms of foreign exchange, were neglected.

30. For years the developing countries, and in particular the ACP States have been complaining that the Community has done nothing to stop its excess sugar beet production in spite of the present world sugar surplus. The ACP countries are extremely concerned at this, as receipts from sugar sales are the only source of income for some sugar-producing ACP countries and consequently determine the level of gross national product. Another factor is that the sugar-producing ACP countries have virtually no alternative products, or at least would take a number of years to develop them. Diversification could supplement sugar production but never replace it in those countries. As Mr JAMAL, the Tanzanian Finance Minister, said at the opening of the meeting of the Joint Committee in Arusha on 25 February 1980, the Community's sugar policy is a test case for the ACP countries and will show whether the Community is prepared to agree to an international division of labour in agriculture in order to achieve a new world economic order. Given the present sugar surplus on the world market, the members of the Joint Committee, in a resolution adopted separately from the final resolution, also requested that sugar beet production in the Community be maintained at a reasonable level.

31. The sugar protocol was included in the Lomé Convention as a result of the United Kingdom's accession to the common market. Under Protocol No. 22 of the Act of Accession to the European Communities, the Community undertook to buy and import from the ACP countries 1,321,500 tonnes of sugar annually at guaranteed prices. In the sugar marketing years 1975/6, 1976/7 and 1977/8 the Community had surpluses of 1.6, 1.9 and 2.9 million tonnes respectively, which were sold on the world market with the help of subsidies. It goes without saying that these exports depress prices and thus reduce the receipts of the sugar-exporting developing countries.

32. That is why the Commission has proposed that sugar production be reduced by at least 200,000 tonnes per annum. These measures are intended to help reduce the Community's export surplus to about 1.3 million tonnes, i.e. to the same level as the total guaranteed purchases from the ACP countries.

The cuts in Community sugar production can be justified for financial and political reasons; the Community has a current export surplus of at least 1.5 million tonnes and has to pay up to 70% of the value of the produce in the form of export subsidies. The Community must be extremely careful when it comes to exporting the remaining sugar surplus, as this could impose a great strain on those developing countries which depend on sugar exports.

33. So far the Community has not signed the new five-year sugar agreement concluded on 7 October 1977 at the UN Sugar Conference in Geneva. This is ironic, as the Community advocates international commodity agreements as a means of regulating world markets.

In order to show its goodwill and promote the developing countries' agricultural exports it is imperative for the Community to sign the new sugar agreement as soon as possible. This view was also expressed by the ACP Council of Ministers in Lusaka in Resolution No. 19/77/ACP.

34. The industrialized countries and the Community hailed the results of the Tokyo Round Negotiations in the framework of the General Agreement on Tariffs and Trade (GATT), which were initialled in April 1979, as a great success, while the developing countries regarded them as modest, particularly in the agricultural sector. A resolution adopted by the majority of developing countries at the last FAO Plenary Conference in November 1979 states that 'there is great concern, as these negotiations produced no noteworthy concessions in those fields of importance for agricultural trade, notably that of the developing countries'.

## 2. Food aid and the common agricultural policy

35. The Community has been granting food aid since 1968 on the basis of the 1968 food aid agreement (cereals) (part of the 1967 International Cereals Agreement concluded in the Kennedy Round). The quantities supplied by the Community rose from 1,035,000 tonnes in 1968 to 1,650,000 tonnes in 1981. Since 1970, because of surpluses created by the common agricultural policy, the Community included skimmed milk powder (150,000 tonnes in 1979) in its aid programme, and butter oil (45,000 tonnes in 1979) and sugar (6,200 tonnes in 1979) in 1972.

36. Mrs FOCHE begins her subsidiary report on an effective Community food aid policy with the statement: 'The European Community's food aid policy is still dictated by agricultural interests rather than any intention to promote development; it is an inefficient way of distributing European surplus production to the poor countries, associated with high costs, countless mishaps, delays, wrangling over responsibility and bureaucratic obstacles; there is scarcely any control over how it works and what effects it achieves and, to the extent that it actually involves aid, it is the balance of payments or the budget that is aided more than anything else.'<sup>1</sup>

The Court of Auditors, on the other hand, concluded that 'the purpose of food aid has changed: it is no longer used principally to relieve CAP surpluses but has come to be a sort of contractual arrangement between the producer and recipient countries.'<sup>2</sup>

<sup>1</sup> PE 63.178

<sup>2</sup> AIGNER report, Doc. 1-463/79, 12 November 1979, p. 37

37. It cannot be denied that the food aid granted by the western industrialized countries began with agricultural surpluses. North America, and particularly the USA, has been exporting cereals surpluses on the world market since the 1950s. Today, American wheat is consumed in almost all the developing countries in which the Americans have over more than two decades created markets for themselves where food aid programmes based on agricultural surpluses play a decisive role - a fact which is not disputed by official sources. In this connection investigations should be conducted into how far certain developing countries which were desperately short of food were forced to agree to long-term commitments in exchange for the urgently-needed aid, and consequently to pursue a food policy involving a general switch from domestic varieties of cereals to imported wheat or the promotion of meat consumption on a large scale, which many food strategists claim made them dependent on additional cereals imports.

One thing is certain, however, namely that countries whose staple food used to be rice or other domestic cereal crop and tuberous roots have substantially changed their eating habits after decades of food aid - one of the more questionable results of such aid.

American food aid is often criticized as an instrument of commercial and political power. In 1978 about 94 million of the 191 million tonnes of wheat and cereals came from the USA; this represents 49% of world exports and undoubtedly gives the Americans a dominant position on the world market. These figures, which apply only to world trade, must be seen in the context of the total figures for world cereals production (including rice) and the possibilities of substitution: 114 million tonnes of exports from North America as compared with the world production of 1,580 (7.2%). In other words, if the North Americans stopped exporting altogether the shortfall in the quantities required to meet total world demand would be less than 7%.

38. It is true to say that the food aid granted up to 1973 consisted predominantly of agricultural surpluses and was thus a by-product of the unforeseen structural surpluses.

The Commission was fully aware of this situation, for it stated in an information document on Community food aid published in 1974 that the Community was faced with agricultural surpluses on the one hand and the aid requirements of third world countries on the other. It went on to say that the Commission was aware of the need to make Community food aid independent to some extent from the fluctuations in stocks of agricultural products and was working out a comprehensive policy in this field, which would permit the implementation of continuous aid programmes for a varying number of agricultural products. The Commission hoped in this way to provide the quality and quantity of aid required by the developing countries in an appropriate manner, in other words to ensure continuity and larger quantities of food aid.

39. The European Parliament has always maintained that the food aid made available by the Community should not be used as a means of reducing agricultural surpluses, although this does not mean that some or most of the products provided by Europe as food aid cannot come from the Community's agricultural production. Parliament has also spoken out against increasing still further the interplay between the inefficient operation of the agricultural policy and food aid by means of budgetary mechanisms.

40. Since Community food aid was introduced, the Committee on Development and Cooperation has repeatedly pointed out, during preparation of the annual reports on European food aid, that the aid should be granted only for humanitarian and development reasons. It should not be used as a means of reducing agricultural surpluses; to put it another way, food aid should not be a pretext for surplus agricultural production. The Community can, of course, provide as aid products which are available if they are really needed by the developing countries to meet their food requirements. This is true, for example, in the case of milk products, where the Community is the biggest supplier in the world (providing 60% of the total demand for skimmed milk powder and 100% of the demand for butter oil).

41. The way in which Community agricultural surpluses have been used as food aid so far is open to other criticisms. Most of the Community's food aid is provided in the form of so-called 'normal operations', i.e. agricultural products are made available to the recipient country free of charge and are then sold on the basis of contracts on the open markets, the proceeds being paid into the counterpart accounts of the recipient countries. In those countries where the local population has sufficient purchasing power to buy what it needs on the open market and all that is required is the foreign exchange necessary for commercial food imports, the Community could make a more effective contribution to the food supply situation by making additional foreign exchange available to these countries. The developing countries would then be able either to buy food - for instance in other third world countries, thus boosting agricultural production - or to import fertilizers and other agricultural products in order to stimulate and increase their own agricultural production.

42. Account must also be taken of the destruction of food to keep prices stable. The fact that the term withdrawal from the market is used in Community jargon does not alter the fact that the food is very often destroyed. This most often happens in the case of fruit and vegetables - pears, apples and cauliflowers - which are obviously not suitable for export to the third world. However, a moral problem is raised, as we know that millions are suffering from hunger.

43. Food aid must be planned completely independently of the Community's agricultural policy. Consequently, the responsible Community bodies, notably the Council (the Commission already has some sound ideas in this connection), must make a serious attempt finally to divorce food aid from the question of Community surpluses, to increase the quantities to be made available regardless of favourable or rising world prices and to integrate the aid more closely into the framework of general development aid. In addition, the Community must undertake to purchase the necessary products for food aid on the world market if the need is urgent or if they are not available on its domestic market.

44. European agricultural policy has particularly disastrous consequences for the conclusion of long-term food aid agreements. If food aid is to have the desired effect, then it must be made available in such a way that the beneficiary countries can take it into account in their long-term development planning. The current practice of fixing the level of aid on a yearly basis must accordingly be replaced by an export policy tailored to the requirements of the developing countries. At present, however, the prevailing principles of the common agricultural policy and in particular the price mechanisms exclude a policy of this kind.

45. The Council has therefore so far rejected long-term forward planning for food aid (except in the case of the often quoted and successful Flood I and Flood II programmes in India); it also takes the view that the Community's obligation is a moral rather than a legal one. It appears, however, to have escaped the Council's attention that, as the largest trading bloc in the world, the EEC has a great responsibility towards the poorest countries in the world.

The Community supports the cause of peace, international social justice and the protection of human rights, but it must be stressed that the fact that 500 million people are suffering from or dying of hunger is a violation of the most basic human right. For this reason a way must finally be found for resolving the internal contradiction or conflict of interests in the EEC which results in vast amounts of money being made available to finance agricultural surpluses, while the resources for food aid have risen only slightly over the last few years and access to the EEC market has remained restricted for agricultural products from developing countries at a time when the food situation is becoming increasingly serious.

#### IV. CHANGES TO THE MACHINERY OF THE COMMON AGRICULTURAL POLICY WITH A VIEW TO IMPROVING THE FOOD SITUATION IN DEVELOPING COUNTRIES

##### 1. Re-orientation of Community agricultural production

46. At the last meeting of the World Food Council, in September 1979 in Ottawa, the US Secretary of State for Agriculture, Bob Bergland, stated that the Western industrialized countries did not produce sufficient food to cover the requirements of the millions of undernourished people all over the world. He justified this statement on the grounds that the 3% increase in world food production in 1978/1979 fell short of the 4% target set by the United Nations.

It is true to say that food production in the developing countries remains inadequate; however, it is wrong to say that the shortage of food in the developing countries should largely be covered by increasing production in the industrialized countries. It would be a mistake because such an increase would be governed by the donor's interests.

There would be no economic justification for the expenditure involved in transferring the volume of basic foodstuffs that will be required in the future, since the resources concerned could be more sensibly invested in promoting the agricultural sector in the developing countries themselves. Assuming a shortfall of 80 to 100 million t cereals, which is the figure forecast in the various studies, financial resources of at least \$15 thousand million would be needed each year (even at the current relatively low price of cereals on the world market). Nor do these figures include the transport and distribution costs involved or the expenditure arising from the drastic reduction of high domestic prices to low world market prices. In terms of external trading policy, moreover, the farmers in the industrialized countries would find themselves in competition with millions of smallholders in the developing countries, which given the technological advantage of the industrialized countries, would be bound to be prejudiced to the countries in the third world. The latter would only be able to sell their own domestic products at very low prices, if at all, and this would necessarily accentuate the poverty of the rural population. Thus, while the developing countries' own efforts would be undermined, the expensive agricultural surpluses in the industrialized countries would in all probability continue to grow.

47. However, although it makes no economic sense to produce the foodstuffs urgently needed by the developing countries by means of more intensive methods of farming in the industrialized countries, a reform of European agricultural policy could perhaps at least temporarily provide the agricultural products needed by the developing countries until they have built up an efficient agricultural system of their own and to cover the nutritional shortfall.

48. This applies particularly to the Community dairy sector. Since the common organization of the market in milk and milk products was introduced in 1968 there have been structural surpluses in this sector and supplies have risen by an average of 1.7% each year while domestic consumption has remained at the same level. In 1978 the costs of this surplus production in the dairy sector amounted to approximately 4,000 million EUA.

Obviously the current level of Community supplies of skimmed milk powder (150,000 t) could be increased to 200,000 t as repeatedly demanded by Parliament. Given that food aid is not solely concerned with quantity, but also with quality, that skimmed milk powder has a particularly high nutritional value and that the Community is virtually the only exporter of this product in the world, an increase to 200,000 t would be entirely justified. At the same time it is impossible on health grounds to consider increasing deliveries of skimmed milk powder beyond certain limits. There could in fact be damage to health if the skimmed milk powder were used in the wrong manner; the capacity available in the milk and food

industries of the developing countries is insufficient to allow the skimmed milk powder to be processed properly. There is therefore no sense in producing expensive surpluses which cannot even be disposed of in the form of food aid.

49. The cereals sector is a different matter because of the precarious world food situation. The shortage of cereals in developing countries is estimated at around 85 to 100 million t for 1985. The most recent studies conducted by the 'International Food Policy Research Institute' in Washington indicate that the shortfall in cereals in 1985 could even amount to as much as 145,000 million t. The developing countries at present import 80 million t of cereals at a cost of \$15,000 m. Given the costs mentioned above for transferring food from industrialized countries, the developing countries in future will scarcely be able to find sufficient resources for this level of commercial food imports as their foreign currency reserves are generally very low and they are at present over \$350,000 million in debt. It would admittedly be far easier for the industrialized countries to find the money, but the political determination to do so is open to doubt, bearing in mind that most members of DAC are still far from reaching the target of making 0.7% of GNP available for development aid; the contribution of Member States of the EEC standing at 0.45%.

Should not some thought be given to ways and means of avoiding surpluses and increasing the production of cereals instead? Cereal production in the Community at present amounts to approximately 100 to 110 million t per year; the Commission proposes that 1,650,000 t cereals should be supplied in the form of food aid in 1980, i.e. 1.5% of Community cereals production. It would be quite feasible and justifiable to increase this figure to 2 or 2.5%. To clarify matters once more: it is not a question of finding a pretext for expanding European agricultural production and exports but of finding a way of reducing the production of goods which are not needed and cannot be exported and switching instead to products urgently needed by the developing countries pending the establishment of an efficient agricultural sector of their own. Or, as the Director-General of the FAO, Mr Saouma, put it at a hearing on 1 April in Brussels, 'I would prefer a cereals mountain to a skimmed milk powder mountain, because it could be used'.

50. One reason for inadequate levels of nutrition is the prosperity of the developed world, because people in the industrialized countries prefer protein in the form of meat to vegetarian food. Each year the per capita consumption of animal protein in the industrialized countries averages approximately 20 to 25 kg as opposed to only 1 kg in most of the developing countries. Each year approximately 300 million t of cereals are used in the industrialized countries as animal feedingstuffs, which means that roughly six-sevenths of the calories contained in these cereals are wasted as far as human nutrition is concerned (over 6 lbs of cereals are necessary to produce 1lb of beef or veal and over 3 lbs for 1 lb of pigmeat).



The use of cereals as animal feedingstuffs is steadily increasing in the industrialized countries. Between 1961 and 1963 the Western industrialized countries used 197 million t cereals as animal feed, and the countries of the Eastern bloc 60 million t, making a total of 257 million t. During the same period the Third World had only 358 million t cereals at its disposal. Ten years later, in the period 1972 to 1974, the industrialized countries (Western countries and Eastern bloc) were using as much as 416 million t cereals as animal feed, while in the same period the developing countries as a whole had only 498 million t at their disposal. If these trends continue, a point will be reached at which the industrialized world is using more cereal to feed animals than is available to the Third World as food.

The conversion of cereals to animal feedingstuffs to produce animal protein in the form of meat, milk and eggs is relatively expensive and wasteful. If the rich industrialized countries were to reduce their consumption of animal proteins, considerable reserves of cereals would theoretically still be available to developing countries. The only possibility of changing consumption patterns in the developed world would in fact be to increase prices. At the same time this would not automatically mean that the reserves of cereals made available in this way would benefit people in the Third World, who do not possess the necessary purchasing power.

51. At all events, eating patterns in the rich countries (too much fat and meat) are medically undesirable and unhealthy. In Europe and the USA most people fall ill simply because they eat too much of the wrong food, which costs the developed countries enormous amounts of money each year. This is an extremely serious problem which it will not be easy to solve but which merits close attention if an answer is somehow to be found to the world food situation. One major concern in any case should be to educate the population and to deal with dietary matters even at the elementary stage of education.

52. In connection with surplus production in the EEC it should also be pointed out that a considerable proportion of animal production would be impossible without imported feedingstuffs; i.e. without feedingstuffs from abroad, the present considerable expansion of animal production could never have taken place. By importing feedingstuffs from abroad, the basis for animal production in specific regions has been artificially extended. Instead of self-produced feedingstuffs, for which a certain amount of land would be necessary, farmers use imported feedingstuffs from production areas outside the Community. In theory, therefore, total acreage has been extended by using imported feedingstuffs, which are tantamount to 'imports' of agricultural land. Thus in 1977/78 by importing 39 million cereal units of foreign feedingstuffs, the Community increased its agricultural land capacity by 10 million ha (11%).

Hence, the extensive feedingstuff imports are the root cause of the surpluses of milk protein and fats because at least one-eighth of all animal products in the EEC (milk, meat, eggs) can only be produced with the aid of feedingstuffs from abroad.

It would be extremely difficult from the agricultural and commercial standpoints to halt or at least curb these fodder imports in view of their implications for the developing countries (particularly with regard to imports of oil fruits, oil cake and manioc) and the USA (imports of soya and maize). There is certainly no reason to criticize certain exports of feedingstuffs from developing countries. But from the point of view of food policy it is clearly senseless that the developing countries should be contributing to overproduction in the milk sector and to the increased production of animal proteins in the EEC while they themselves are compelled to use costly foreign currency to import basic foodstuffs from the industrialized world. Would it not make better sense if agricultural land in those areas of the developing countries with a suitable climate were mainly devoted to the cultivation of basic foodstuffs?

## 2. Measures to improve EEC farm exports

53. In 1975 the Community did not have the resources to conclude a firm 5-year contract with Egypt for the supply of 300,000t of cereals, 30,000t of milk powder, and 100,000t of sugar.

How could it let a market of this size slip from its hands? This example should spur us on to examine our export policy and the possibility of concluding long-term contracts.

Other countries are able to do so, for example the U.S., Canada, Australia, New Zealand, Argentina, Sweden, and Turkey.

In the Community the refund mechanism, the avowed purpose of which is to bring the prices of Community products down to world levels, and the more or less associated machinery of the common agricultural policy, cannot alone provide the basis for a dynamic agricultural export policy as conducted by our partners.

In the past the Community has adopted a piecemeal approach to world markets. Although there have been some efforts to stabilize farm exports, especially by advance fixing of refunds, the limits of the present machinery seem to have been reached. They do not extend to more than one marketing year ahead.

The Community must acquire more flexibility to enable it to conclude outline agreements for deliveries over a period of years and to grant medium and long-term credits.

But can we go beyond refunds without calling into question the very principles of the CAP? That is an interesting question. In fact, refunds should play a lesser role in future in export promotion. Moreover, the Community already has to hand the wherewithal for a storage policy in its public intervention mechanisms and private storage aid. But this is essentially a passive policy.

If regulatory stocks were built up, the policy could become more dynamic in nature. Regulatory stocks for export, comprising Community produce bought in at times of surplus could mean savings on export refunds, as the produce could be bought on the Community market when prices were relatively low, and exported when the world market was right, rather than when the internal market so dictated. More importantly, it would enable the Community to stabilize its position on the world market. The system could cover wheat, barley, rice, sugar, and perhaps beef and veal and dairy produce.

These improvements to its export policy would enable the Community to shoulder its responsibilities in respect of world food supplies.

54. The second Lomé Convention contains a new title on agricultural cooperation between the Community and the ACP States the main aim of which is to assist the ACP States in their efforts to solve the problems of rural development and the improvement and expansion of agricultural production and any problems arising in connection with guaranteeing food supplies for their populations. The objectives of this cooperation and the instruments available are fully and precisely described. Within this general framework a number of provisions are devoted to the important issue of supplies of Community agricultural products to the ACP States, because many of these states have substantial food requirements and some products are available in the Community in large quantities. Food aid is a temporary measure; the ultimate aim of the ACP States is to become self-sufficient in food production. Article 89 accordingly states that 'the Community and the ACP States will seek better ways of combining, as far as possible, any food measures on behalf of any ACP State that are decided upon unilaterally by the Community in accordance with the specific rules and criteria for the allocation of this type of aid, with schemes carried out using the resources provided for in the Convention'.

55. Moreover a Community statement on the supply of available agricultural products to the ACP States makes provision for efforts by the Community, in addition to agricultural cooperation projects, to deploy the instruments of the common agricultural policy in such a way that transactions may be concluded for certain basic foodstuffs within the normal structures of trade on terms which ensure greater stability of supplies. This provides an

opportunity for the Community to play a part in improving food supply in the ACP States in accordance with the wishes expressed by these states during the negotiations.

56. During the negotiations on this section of the Convention various problems arose in connection with the supply of agricultural products available in the Community to the ACP States, because the Community was unwilling to agree that these products should be supplied to the ACP on conditions and payment in national currency. On 28 March 1977 the ACP countries asked the Community for the first time to draw up a programme which would allow agricultural surpluses to be supplied on the basis of agreements between the Community and the ACP countries. The Community's reply of 18 July 1978 was couched in extremely cautious terms because of the misgivings mentioned above; at the same time it was acknowledged that the provisions of the common agricultural policy allowed a certain amount of latitude for such agreements. As far as some ACP countries were concerned, however, the Community was very reluctant to accept what is called the 'advance determination of the level of refunds' but it did so and agreed that its suppliers could apply one and the same price for deliveries of wheat throughout the entire financial year. This clearly represents progress, but it is limited to one product and a few countries in West Africa.

57. At the meeting of the Joint Committee in Arusha, the representative of Guyana complained about the difficult and inadequate access of the ACP countries to EEC agricultural surpluses. He accused the Community of adopting a more liberal attitude towards third countries on this issue and called on the Community to extend multiannual agreements to the ACP countries on the grounds that agricultural production in the ACP varied considerably for a number of reasons. At the same meeting Commissioner Cheysson referred to the anomaly that it had not so far been possible in the context of the common agricultural policy to establish long-term supply conditions and satisfactory price arrangements.

It is, therefore, regrettable that the new ACP-EEC Convention contains no specific provisions on supplies of agricultural products, apart from emergency aid or the food aid granted to certain ACP countries, given that the supply of food to some ACP countries has steadily deteriorated in recent years. As the EEC has considerable surpluses of some products and in some cases even destroys agricultural produce because of the price guarantee, the Community must create, within the common agricultural policy and as quickly as possible, a legal basis which will permit suppliers in the Community to conclude long-term agreements to supply non-member countries. Is there not a contradiction inherent in the fact that the countries which lack food wish to conclude long-term contracts for supplies from EEC surpluses and that we refuse to do so because of the lack of a proper trade policy alongside the EEC agricultural policy?

3. External measures which must be taken under the common agricultural policy for the benefit of developing countries

58. The common agricultural policy is an important issue in the debate on the future development of the EEC. Integration has reached a more advanced stage in this sector than in any other, but at the same time no other sector is beset with such serious problems.

59. This report in no way seeks to deny the enormous importance of the European agricultural policy. Over the centuries, agricultural policy has always been a central issue in political and economic life and remains so in the Community today. From the point of view of social policy, it is a question of allowing large sectors of the population to partake of the basic wealth, of shaping the environment, of preserving the landscape and of maintaining population levels in rural areas, which also represent recreational areas for people working in the industrial conurbations. Against the background of other economic factors (increases in the prices of the major raw materials, low or stagnant growth rates, lack of jobs), agriculture presents a very favourable picture: increasing importance of security of supplies given the growing dependence in the field of raw materials, a major contribution to a positive balance of trade from increases in agricultural exports, and a positive contribution to the difficult employment situation.

60. The interests within and outside the common agricultural market are divergent or even diametrically opposed. The farmers are concerned to maintain the principles of the common agricultural policy and demand (as was the case only recently) adequate prices and an improvement in market organization and in production, processing and trade structures. The imminent enlargement of the Community in particular has led the farmers to seek a consolidation of what has already been achieved. The consumers' position is entirely different. They believe that the major problems of the Community's agricultural policy - food prices, structural surpluses, the discrepancy between Community and world market prices, the burden on the taxpayer and neglect of other important sectors, such as regional policy, structural policy and social policy because of exorbitant agricultural costs - cannot be solved within the existing agricultural framework but only as part of a long-term strategy which takes more account of consumers' interests.

It is not, of course, our task to show how the aims of the common agricultural policy can be achieved in the years to come nor to suggest to what extent reforms are needed or what form they should take. It would be outside the scope of this report to analyze in detail every aspect of the world agricultural market. Our task is to highlight the conflict between agricultural policy, trade policy and development policy and to indicate possible solutions.

61. All the authorities involved now recognize the crucial role of agriculture in the overall economic development of third world countries. Shortages of food at present or in the future can be overcome only if political priority is given to agricultural aid rather than food aid. The aim must be to promote the development of rural areas as rapidly as possible - inter alia with a view to the more just distribution of income and the creation of jobs in rural areas - which means that the EEC and other industrialized countries must participate actively in the promotion of effective agricultural projects adapted to the needs of the developing countries. We need to evolve a policy of self-help, so that in future the developing countries are able to feed themselves. Our aim should not be to embark upon industrial prestige projects but to concentrate first on establishing an efficient agricultural sector because, given that 70 to 90% of the population lives in rural areas, the agricultural sector will play a decisive role in employment and thus development policy in the years to come.

62. The economic situation, and hence also levels of nutrition, will improve only if the developing countries are accorded more favourable opportunities in world trade than in the past. 'Trade, not aid' is the right approach. Thus the industrialized countries should on no account restrict the opportunities for those few products which the developing countries can offer on the world markets because, in the long-term, problems of nutrition will only become manageable as a result of an increase in foreign trade. An increase in foreign trade, however, means an increase not only in trade in industrial semi-finished or finished goods but currently, because of the industrial backwardness of most developing countries also, or even principally, in trade in agricultural raw materials or semi-finished and finished goods produced from these.

63. Unfortunately, there are major areas of conflict between trade policy and development policy. The agricultural policy of the Community in particular provides a specific example of such conflicts. The Community and its Member States admittedly advocate a policy of development aid and have already achieved some progress in this field. As part of its development policy the Community also supports the expansion of agricultural production in the developing countries as shown by Articles 83 to 90 on agricultural cooperation in the second Lomé Convention. (However, this is hardly a new development since such measures were implemented and financed by the European Development Fund under the first Lomé Convention.) But the Community has never been willing to draw the logical conclusion as regards agricultural exports from developing countries to the Community. In particular, the use made of the levy system has in practice prevented competition from agricultural products from countries in the third world. Moreover, by its subsidies to exports of agricultural surpluses to third countries, the Community has hindered potential exports from the developing countries and thus directly competed with the developing countries on the world market.

64. The problem of underdevelopment and the associated problems of nutrition cannot be overcome simply by means of development aid or capital transfers. Once we recognize that the major burden of development work must be borne by the developing countries themselves, it becomes absolutely essential that we allow their products freer access to the markets of the industrialized countries.

The workings of the common agricultural policy sometimes produce absurd results. For example, skimmed milk powder is subsidized for incorporation in animal feedingstuffs, while the Community threatens to reduce its imports of manioc, another major component of animal feed, when it was European firms which encouraged Thailand to grow the crop. But Thailand is not the only Community's supplier of cereal or oilseed substitutes. Why try to conclude a voluntary restraint agreement with a developing country when it would be far more appropriate to do so with the industrialized countries, especially the United States, which exports vast quantities of soya to the Community?

The Commissioner responsible for development matters, Mr Cheysson, rightly remarked that while the Community had a common internal agricultural policy it had no external agricultural policy, particularly towards developing countries. It is simply indefensible that the Community should take no account of the minimal export opportunities for agricultural products from most of the poor developing countries purely in the interests of the

common agricultural policy; it is intolerable that the plans and natural geographical advantages of the developing countries are either threatened or entirely vitiated by new Community protective mechanisms, a field in which the Community has no rival (the most recent example is the so-called support system introduced in 1978). After all, what is the point of all the schemes to increase agricultural production in the third world if the latter are then unable to sell any of their agricultural products? Is it not absurd first to provide aid for agricultural development and then to seal off the external borders by erecting protectionist barriers?

65. Reference should briefly be made in this connection to the question of whether it is not meaningless to promote agricultural exports from developing countries when their own problems of food supply are unsolved and they depend on imports of basic foodstuffs. The answer is simple: it should be noted first that failure to export agricultural products does not mean that domestic consumption by the population of the exporting country rises as a result, because undernourishment is largely due to the lack of purchasing power, (the chain of causality is in fact: unemployment, poverty, a lack of demand backed up by purchasing power, agricultural production largely restricted to domestic requirements, malnutrition). Exports, including agricultural exports, in fact have a beneficial effect on general economic development, which is a basic requirement for any improvement in nutrition levels. In a policy document, the 'Group of 77' has already established a strategy for the third development decade whereby the third world intends to increase its agricultural exports by at least 4% annually to cover its capital requirements in order to obtain a 50% share of world agricultural trade by the end of the century.

As agriculture becomes increasingly modernized, the necessary means of production will also have to be imported. In order to do this the developing countries require foreign currency which many countries can obtain only from agricultural exports. This is the main reason why an increase in food production must be accompanied by an increase in agricultural exports.

66. Any increase in agricultural exports from the developing countries naturally raises immediately the question of markets. In addition to expanding trade between developing countries, exports to developed countries play the decisive role, particularly from the point of view of acquiring foreign currencies.



## CONCLUSION

### 67. Measures to improve the mechanisms for exporting Community agricultural products

Though accounting for some 9 to 10% of world agricultural exports and though ranking second among the exporters of agricultural products, the Community is falling farther and farther behind the United States (which leads the world) and is gradually being caught up by the main world exporters that rank immediately below it. The Community, which is opposed to the use of the 'food weapon', ought to be able to play a more effective, stabilizing role on the world market. If it is to do so, it must first and foremost establish a genuine Community agricultural export policy and, in line with the Commission's proposals, adopt measures aimed at:

- the creation of regulatory stocks for export,
- the introduction of a credit policy,
- the possibility, by means of appropriate regulations, of negotiating multiannual agreements with the third countries for the supply of Community agricultural products.

### Measures to facilitate access to the Community market for certain agricultural products originating in the developing countries

Bearing in mind how important it is for the developing countries to be able to sell certain of their agricultural products on the Community market, the Community must also intensify its efforts to liberalize its markets for these products.

#### In particular the EEC should

- support and provide greater financial assistance for the establishment of an efficient agricultural sector - and the expansion of the fisheries sector - in the countries of the third world;
- consent to an international division of labour in the agricultural sector by means of suitable adjustment measures which take into account the natural geographical advantages for the various products and guarantee a continuous expansion of agricultural trade under stable conditions;
- apply the instruments of its common agricultural policy, so as to avoid possible harm to the economies of the developing countries;

- facilitate imports of agricultural raw materials and agricultural semi-finished and finished products, especially since the developing countries' share in agricultural trade declined in 1978 from 32% to 30% (as a result these countries lost over \$4,000 million in 1978, which is equivalent to the external agricultural aid received in the previous year );
- as far as possible abolish, or at least drastically reduce, the tariff and non-tariff administrative measures which have negative repercussions on agricultural exports from the developing countries;
- reorientate without delay its agricultural policy to regulate the volume of production, as it is unreasonable on economic, political and humanitarian grounds to produce food which cannot be marketed to meet the needs of development or of safeguarding food supplies in Europe or anywhere else;
- improve certain basic aspects of the provisions of Lomé II and its preferences system so as to promote agricultural exports from ACP States and other developing countries even where they compete with Community agricultural products; in this connection it is important to take particular account of the interests of the poorest developing countries;
- rapidly introduce the procedure laid down by Annex XXVI to the Second Lomé Convention for the examination of requests from the ACP States for the application of special preferential treatment either to new agricultural products for which there would be real openings on the Community market or to other products not yet covered by special provisions, insofar as they might assume an important position in the export trade of one or more ACP States;
- reconsider in this context the use of the safeguard clause, while taking account of the special circumstances of the overseas departments, which are recognized as a peripheral and disadvantaged zone of the Community, competing with the ACP countries in tropical produce (rum, sugar, bananas, pineapples, etc.) with very high production costs because of their European social and tax legislation (and moreover the ACP States have agreed that the situation of the overseas departments, viewed as 'special circumstances', warranted the immediate invocation of the safeguard clause without advance consultation);

- open its market completely to tropical products and promote investments in the cultivation and export of tropical fruits for which no Community market organization exists; at the same time exorbitant taxes on the consumption of some tropical products should be reduced;
- reconsider its concessions on agricultural products as part of the Tokyo Round (GATT) as those granted to developing countries may be regarded as insufficient;
- also ensure that the proposal made during the Tokyo Round to improve international trade in agricultural products by establishing an 'International Council' as a consultative body, is implemented as soon as possible;
- contribute to the development of agri-foodstuff industries in the third world by means of capital and technology transfers so that the countries concerned are in a position to export less in the way of agricultural raw materials and more processed agricultural products;
- grant the third world marketing aid and offer to cooperate with the developing countries in import trade;
- and finally reconsider its previous attitude to international commodity agreements, accede to the Sugar Agreement as soon as possible, and do everything to enable a new international wheat agreement to be concluded.

68. The EEC, USA and all other industrialized countries, including the Eastern bloc, pursue an agricultural policy on the world market which is principally determined by domestic interests and not by the problems of world hunger. Community agricultural policy in particular plays no part whatever in stabilizing world markets which, for the Community, largely represent outlets for their surplus production. It is therefore hardly surprising that the developing countries are also calling for a dirigistic system for their raw materials or seeking to emulate the EEC in their own agricultural policies. At the international conference on agricultural reform and rural development which was held in Rome in July 1979, the developing countries called for instruments by means of which international financing and other support measures were to be introduced in order to establish national funds to stabilize prices and earnings for people working in the agricultural sector.

69. Certain reforms are necessary in the common agricultural policy, firstly in order to accommodate the justified demands of the developing countries but also in the interests of all social groups in the Community. The acute financing problems in agricultural policy might produce reforms more rapidly than many people would at present imagine possible.

At the same time progress will be difficult. It is therefore essential that the politicians responsible make it clear and in particular to the farming organizations, that there is no question of totally liberalizing agricultural trade or of reducing the level of Community self-sufficiency in food supplies. It is simply a matter of making concessions in certain areas, but on a substantial scale, in order to assist the efforts of the developing countries in the agricultural sector which would include agricultural exports to the Community.

70. Certain aspects of agricultural policy and development aid policy are clearly in conflict; this also explains the strain between these two policies. This internal tension is also reflected in the European Parliament: the Committee on Development and Cooperation clearly stresses the interests of the developing countries, while the Committee on Agriculture is concerned mainly with the problem of Green Europe. This was clearly revealed by the vote in Parliament on 26 March 1980 on the Commission's proposals concerning improvements to the Common Agricultural Policy and the fixing of prices for certain agricultural products. With few exceptions, the amendments proposed by the Committee on Development and Cooperation were rejected<sup>1</sup>. The same applies within the Commission and Council. However, as the problem of world hunger requires a speedy solution if it is not to end in catastrophe, a satisfactory solution must be found. Both sides must be willing to make concessions or it will be impossible to achieve any progress. It would certainly be useful if a joint meeting could be held between the Committee on Agriculture and the Committee on Development and Cooperation in the presence of the Commission representatives responsible in order to discuss the problems involved in detail.

Given the scale of the misery in large areas of the world, surely it must be possible with the goodwill and cooperation of all those involved to alleviate the problem in the short term and to eradicate world hunger entirely in the long term.

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<sup>1</sup> See in this connection the resolution of 26 March 1980 in the Minutes of 26.3. (PE 64.448) and Annex 2 to the Delatte report (Doc. 1-37/80).

COMMITTEE ON DEVELOPMENT AND COOPERATION

Working Party on Hunger in the World

WORKING DOCUMENT

on

International trade and organization of the  
major markets in basic foodstuffs

drawn up by Mr Richard SIMMONDS

## P R E F A C E

During the Hearings of the European Parliament on World Hunger, Mr. Willy Brandt made a presentation of his Commission's report and outlined his proposals for the resolution of the world's most basic problem - the task of feeding every mouth every day.

When I asked him if he was sufficiently enthused by those proposals to include them in his Party's manifesto for the next German elections, some of his colleagues heckled me and said that they had been agreed by the S.P.D.'s National Conference. To Mr. Brandt replied that the German Chancellor and Finance Minister had their reservations. I do not seek to condemn his report or to make party political capital from his remarks: I suspect that the response would be the same from virtually every political party in Europe.

I have borne this in mind in the production of this report because it is an attractive concept - an ideal - that development aid and the starving world should receive co-ordinated attention from the European Community, and an economist would surely argue the 'efficiency' of such a common policy. Reality proves that only a small percentage of 'National Aid' is channelled through the Lomé Convention, and there is little prospect of a greater percentage of G.N.P. being directed to aid through Community channels.

I seek in this report to promote realism, in order to provide a healthy balance to the genuine and understandable idealism manifest in much of the advice that we have received in the debates so far.

Summary of new proposals to alleviate Hunger in the World, which are likely to be accepted and implemented by the nine Members of the European Community.

### THE DEBATE SO FAR

The Hearings organised by the European Parliament, which by their nature readily mixed and confused the difference between emergency aid for disasters and long-term development aid, have so far failed to produce any clear answer to the fundamental issue behind the motions before the Parliament: how can the Community of nine by co-ordinating their activities work towards reducing the problems of the starving world? The prospect of adding to the bureaucracy already administering food and development aid by having an enlarged European tier in addition to national and voluntary bodies fills me with horror.

The existing vehicle for encouraging development in the Third World - the Lomé Convention - is an admirable development instrument, but it is not without its abuses. For instance, the Community is helping no-one if it stimulates new industries in the Third World by allowing them preferential access to the Community and then curtails that preferential treatment when our own industry is threatened. No evidence of comprehensive thought about the international division of labour is shown.

However, a gradual extension of the role and activities of the Lomé Convention and encouragement for more countries to join that Convention is, I believe, the best chance of the European Community actually achieving something in the near future. Evolution rather than revolution must be the keynote.



## Commodity Trading and the Multi-National Companies

In the time available it has not been practical, nor I believe is it desirable, to conduct a fundamental examination of the many different organs which make up international trade in the major commodities; the star-studded Brandt Commission spent two years and a great deal of money covering the subject and their recommendations are set out as Annex 1 to this report.

Popular opinion in some political quarters has it that all that is good in aid to the underdeveloped stems from Government intervention and charity, and all that is bad is the fault of multi-national companies. I beg to differ.

There is overwhelming evidence, much of it aired at our Hearings, that the "Governmental" approach to development needs is rarely successful. Political encouragement of over-dependence on "friendly" food supplies, and bureaucratic lack of professionalism, inept purchasing policies, and ignorance of local problems and needs, have all contributed to suffering on an appalling scale. There is considerable evidence that official purchases of food for aid, for instance, have been grossly inept as concerns price and quality, and that officialdom often experiences severe difficulties in delivering purchased quantities to the point of consumption. This is not an accusation of bureaucratic ill will - merely expression of the belief that bureaucrats necessarily lack the commercial experience and wisdom which is readily available to professional traders in commodities. In many cases, all the stages are better handled by non-governmental organisations, which have technical and professional expertise, a slim administrative/bureaucratic burden, and the necessary "infrastructure" of people "on the ground" who know specific local needs and problems.

In contrast with the failings of the "Governmental" approach, many multi-national companies have an excellent record in the field, often despite misguided (even if well-intentioned) interference by Third World governments and despite financial disincentives and obstacles put in their way.

It must be recognised and accepted that the principal motive of a big company is commercial, and that for this reason it will not see itself as primarily a force for development. There is no sense criticising multinationals for their basic nature: it is the commercial incentive of private enterprise which is directly responsible for the excellent standards of management of their projects in the Third World - in direct and favourable contrast with the wasteful and inadequate "Governmental" approach. The key question is one of motivation.

The proper relationship may be found in particular examples in Kenya, where the efficient development of an area by a multinational has been tempered, but not hampered, by the Government's concern for the involvement and development of the human resources in that area. The expertise available to multinationals is more coherently expressed and practised, and their plans and ambitions more clearly identified than those of government experts and officials. The proper role of government lies in ensuring that multinationals develop rather than exploit an area, and this is perfectly possible as is shown in the case of Kenya.

Multinationals are criticised for callousness in not considering human needs when reorganising their industries. I believe that the real criticism should be directed at the hypocrisy of those who directly or indirectly, visibly or covertly, administer national, Community and international aid to the Third World on a basis not of priority of need but of preference because of historical connection or political consideration.

### European Food Surpluses

Idealists/optimists/Europeans-in-a-hurry frequently call for an immediate reorganisation of the Common Agricultural Policy to take greater account of Third World needs and urge that greater use be made of Europe's food surpluses in this context - alas they usually omit the details of how they would go about it.

The use of our food surpluses for aid purposes commonly gives rise to hypocritical criticism, whatever action the Community takes. If we have surpluses we do not give away to the Third World, we are committing the criminal act of denying the starving. If we do give surpluses away, we are variously ruining the indigenous agriculture of the recipients, or making use of food aid as an excuse for European over-production. It is time that these (hypo)critics settled on a consistent attitude to the gift element of world food trade.

Realists and practical Europeans recognise that "surplus" foods - foodstuffs that cannot realise the real cost of production on the open market - are rarely attractive, even as emergency aid to the starving: the most obvious example is milk powder, which, without a pure water supply locally is a double killer - encouraging dependence upon it instead of upon mothers' milk in areas which can rarely be assured of regular supplies.

Cereals are one of the most important elements of diet in most LDCs. If the Community is to produce surpluses specifically to give as food aid, it would make considerable sense for the CAP to encourage a production switch from dairying to cereals. A cereal surplus would be much more valuable in all ways than a milk surplus.

One of the more selfish acts of the developed world and of the Common Agricultural Policy of the European Community in particular, is the development of production of certain foods which are the sole basis of the economies of some Third World states, and the subsequent exclusion or reduction of imports from those countries: sugar is a classic example. It is high time that the Community shouldered the responsibility of its inexcusable over-production of sugar, and its policy of exporting it at vast cost to the European taxpayer and to the detriment of LDCs. The Community should join the International Sugar Agreement on acceptable terms as soon as possible, and should also regulate its own production levels in view of the predictions that current world price and demand levels for sugar are only a temporary phenomenon.

Our concept of world trade in sugar must take into account the fact that - in terms of use of non-renewable energy resources - cane sugar can be produced roughly twice as efficiently as beet sugar. Although Europe needs to maintain a reasonable indigenous sugar industry, it is this energy equation which will prove a most important factor in the long run.

An energy profit may be made from making alcohol from cane sugar for fuel purposes in only a few favoured locations of the world. Much depends on the energy needs of producing the sugar in the first place, and climate, soils, cultivation techniques, etc., are all of considerable significance in determining whether or not sugar cane will yield more energy than it takes to grow. The importance of "gasohol" production in favoured countries such as Brazil and Thailand must not be underestimated, and the Community must not pursue policies in its own world trade in sugar which would jeopardise these developments.

The Community should as part of its development programmes help with the identification of areas in LDCs where sugar cane may be grown with low energy input needs, and assist in the development of gasohol plant where practical. This is increasingly important as oil prices go on rising. However, production conditions varying so widely, it is expected that gasohol production is unlikely to show an energy profit in many ACP sugar-producing countries. It is important therefore that they should continue to be able to send their quotas to the Community in the foreseeable future, and that this preferential part of world sugar trade be maintained, even reinforced if need arises.

### LDC participation in World food trade

I believe that it would be a mistake to encourage developing countries to develop their agricultural systems any further along the lines of the Community model. From being net food exporters before the Second World War, the LDCs have now in general become substantial net food importers. Commonly, the imports are of staple dietary requirements, whilst food exports reflect tastes and demands in the markets of developed countries. The most important task is to promote indigenous agriculture to provide for the food needs of the local people. No developing country can hope to develop and maintain a more industrialised society unless its domestic agriculture is strongly founded with established domestic markets and reasonable returns for its products.

Furthermore, our system of agriculture depends to a grossly excessive extent on the use of non-renewable energy to boost crop production with nitrogenous fertilizers. The world trade in fertilizers, particularly their large-scale supply to LDCs, needs examining. I believe that the research currently being carried out in China towards crop production with a minimal input of artificial fertilizers and a maximum input of natural materials is far more sensible and responsible. There is mounting evidence in Europe too that low input/low output systems in fact are more profitable as well as more ecologically acceptable.

It is important that LDCs should introduce rural policies aimed at keeping people on the land, rather than agricultural policies which may be more economically efficient but bring substantial human problems in their wake. The objective may be summed up as rural development.

Extract from recommendations of the Brandt Commission

Commodity Trade and Development

The commodity sector of developing countries should contribute more to economic development through the greater participation of these countries in the processing, marketing and distribution of their commodities. Action for the stabilization of commodity prices at remunerative levels should be undertaken as a matter of urgency.

Measures to facilitate the participation of developing countries in processing and marketing should include the removal of tariff and other trade barriers against developing countries' processed products, the establishment of fair and equitable international transport rates, the abolition of restrictive business practices, and improved financial arrangements for facilitating processing and marketing.

Adequate resources should be provided to enable the Common Fund to encourage and finance effective International Commodity Agreements which would stabilize prices at remunerative levels; to finance national stocking outside ICAs; and to facilitate the carrying out of Second Window activities such as storage, processing, marketing, productivity improvement and diversification.

Greater efforts should be made to bring to a rapid and successful conclusion negotiations on individual commodity agreements wherever these are feasible.

Compensatory financing facilities should be expanded and improved to provide more adequately for shortfalls in real commodity export earnings.

The mutual interest of producing and consuming countries in the development of mineral resources requires the creation of new financial arrangements leading to more equitable and stable mineral development agreements, greater assurance of world mineral supplies and increased developing-country participation in their resource development. A new financing facility, whose primary function will be to provide concessional finance for mineral exploration, should be established on the basis of a global responsibility for investment in mineral development.

Transnational Corporations, Investment and the Sharing of Technology

Effective national laws and international codes of conduct are needed to govern the sharing of technology, to control restrictive business practices, and to provide a framework for the activities of transnational corporations. The investment regime we propose would include:

1. Reciprocal obligations on the part of host and home countries covering foreign investment, transfer of technology and repatriation of profits, royalties and dividends.
2. Legislation, co-ordinated in home and host countries, to regulate

transnational corporation activities in matters such as ethical behaviour, disclosure of information, restrictive business practices and labour standards.

3. Intergovernmental co-operation in regard to tax policies and the monitoring of transfer pricing.

4. Harmonization of fiscal and other incentives among host developing countries.

In addition to improved access to international development finance the bargaining capacity of developing countries, particularly of the smaller and least developed countries, vis-a-vis the transnational corporations should be strengthened with the technical assistance now increasingly available from the UN and other agencies.

Permanent sovereignty over natural resources is the right of all countries. It is necessary, however, that nationalization be accompanied by the appropriate and effective compensation, under internationally comparable principles which should be embodied in national laws. Increasing use should also be made of international mechanisms for settling disputes.

Greater international, regional and national efforts are needed to support the development of technology in developing countries and the transfer of appropriate technology to them at reasonable cost.

There should be increased efforts in both rich and poor countries to develop appropriate technology in the light of changing constraints regarding energy and ecology; the flow of information about such technology should be improved. The international aid agencies should change those of their practices which restrict the recipients' freedom to choose technology, and should make more use of local capacities in preparing projects.

COMMITTEE ON DEVELOPMENT AND COOPERATION

Working Party on Hunger in the World

WORKING DOCUMENT

on

Financial and technical cooperation with the  
developing countries with a view to the development  
of agricultural regions and the foodstuffs sector

drawn up by Mr W. VERGEER



## INTRODUCTION

This report seeks to illustrate the fact that a solution to the problem of world hunger is technically possible and to a large extent attainable over the next ten years, as long as the political will exists at the national level and at the level of international cooperation.

The European Community has a leading role to play in this. Hunger and destitution, the lot of almost 1,000 million people in the Third World - representing a quarter of the human race and whose annual per capita income is below \$300 - are totally unacceptable.

The EEC must therefore assume its responsibilities within the international community and contribute to increasing cooperation in keeping with its means and its ideals of peace and progress.

On the other hand, the critical problem of hunger and chronic malnutrition cannot be overcome by isolated initiatives by the Member States. Europe must therefore further coordinate national cooperation policies on development.

The Member States themselves, by transferring areas of responsibility and financial resources to the Community, must gradually come to accept alternatives to present bilateral cooperation projects which account for more than 80% of Europe's total aid and which still too often show signs of post-colonial ties of dependence.

The fight against hunger is an integral part of the fight against under-development.

For Europe this involves not aid but development cooperation between partners who are equally affected: development concerns both the Third World countries and the industrialized countries.

PART ONE

- MAIN LINES OF THE REPORT
- IMMEDIATE RECOMMENDATIONS

## I. MAIN LINES OF THE REPORT

Undernourishment, malnutrition and death from starvation are only the more dramatic aspects of the underdevelopment which afflicts the vast majority of the rural population of the Third World.

The political liberation of the Third World in the 1960s, the first two development decades 1961-1970 and 1971-1980 and such urgent appeals of those of Paul VI in 'Populorum Progressio'<sup>1</sup> aroused hopes of a fairer international economic order and international cooperation to match this. Viewed from the threshold of the third decade the picture is bleak: far from diminishing, underdevelopment is actually spreading: almost a thousand million people living in sub-human conditions are afflicted. New outbreaks of famine are reported everywhere, particularly in Africa, in the Sahel area where the desert is advancing and in the Horn of Africa, where the number of refugees has grown to dangerous proportions.

At the same time as this situation deteriorates, scandalously large amounts are being spent on armaments: world military expenditure in 1979 is estimated at almost \$ 590,000 million!

While the industrialized countries allocated 6.25% of GNP to defence spending and 0.25% to public development aid in 1973, the Third World doubled its spending on armaments between 1970 and 1980, to which it allocated three times more than it received in the form of development aid.

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<sup>1</sup> The encyclical 'Populorum Progressio' published in Rome on 26 March 1967 was addressed personally by Paul VI to the Secretary-General of the UN and the Directors-General of FAO and UNESCO: it is an appeal to the international community as a whole, 'to all men of goodwill who are aware that the way of peace is through development' ... an appeal which ends with the following words: 'all of you who have heard the appeal from those in suffering, all of you who are attempting to respond to it, you are the apostles of true and real development which is not the selfish search for wealth as an end in itself but economics in the service of man, the daily bread distributed to all as a token of brotherhood and a sign of Providence' ... 'if development is the new name for peace who would not contribute to it with all his might? We ask you all to respond to our cry of anguish in the name of the Lord'.

A comparative study of the expenditure of certain developing countries on agriculture and armaments provides food for thought<sup>2</sup>: the transfer of East-West tensions to the Third World, the policy of areas of influence and the scandalous arms trade, from which the industrialized countries profit, pose a serious threat to non-alignment<sup>3</sup> in the Bandoeng spirit and tradition, and the free development of nations.

<sup>2</sup> 'Le Monde Diplomatique', Paris, March 1979:

Comparison of expenditure on arms and agriculture of certain Third World countries

	Agriculture as a % of GDP 1960-1973	Agriculture as a % of public spending (x) 1973	Defence as a % of public expenditure 1973
Afghanistan	54.2	1.4	24.3
Bangladesh	58	-	11
Brazil	18	2.1	13
Egypt	29.1	4.3	40
Ethiopia	57.8	2.8	19
India	49.6	3.4	27.7
Indonesia	46	-	26.3
Mali	46.7	5.2	18.9
Niger	52.3	7.0	9.3 (1967)
Pakistan	38.5	2.8	51.7
Philippines	35	6.8	22.2
Senegal	34	5.6	11
Upper Volta	49	6.4	12.8

(x) current expenditure on agriculture, forestry, fisheries, irrigation and agricultural reform (World Tables, 1976, p.12)

<sup>3</sup> The former President of Mali, Mr Modibo Keita defined the concept of non-alignment, which he distinguished from that of non-commitment, in the following terms: 'For the Republic of Mali non-alignment is synonymous with dignity and personality. This is why our people, which has spared no efforts to achieve its freedom, refuses to identify itself with other countries or a particular bloc. This does not mean that we try, even in the short term, to indulge in a balancing act between the major powers, as such a policy would inevitably mean a loss of dignity and personality and lead to bankruptcy. Mali will have no truck with the brand of neutralism which is based on a refusal to commit oneself, even though objective factors, logic and morality require such commitment.'

The European Community, which is based on a desire for regional integration that is by definition non-hegemonist, has a special role to play in the area of international cooperation by promoting not only an increase in the production of foodstuffs and a strengthening of the arrangements for ensuring the security of world food supplies, but also new initiatives for a widespread process of controlled disarmament and a redirection of the funds thus released for development aid purposes.

- There remains one priority objective: the EEC and its Member States must undertake to raise public development aid to 0.7% of their GNP by 1985. This timetable may appear utopian as it would mean increasing the present level of public aid by about 64% at current values and as the attainment of this objective might be impeded by the inability of the authorities of the recipient developing countries and the rural population, which is fairly resistant to change, to absorb the aid.

A large proportion of the additional aid should be earmarked for non-associated developing countries and for the development of the most backward rural areas. The sums currently spent by the Community for this purpose are negligible when compared with those available under the Lomé Conventions. Cooperation agreements of the kind concluded with ASEAN will remain a dead letter unless they are backed up by instruments similar to those created for the ACP. There will be a greater need than hitherto for the assistance of voluntary development organizations, European NGOs and local cooperatives and associations of rural workers if the rural population is to be activated and put in a position to contribute to their own development and hence adopt the necessary new methods. The scope of co-financing operations with NGOs will therefore have to be substantially extended as the latter are able to operate more effectively and at lower cost than official bodies in the most remote rural areas. The Commission must also have more staff to manage programmes and projects and evaluate the results if food aid is to be incorporated in our development policies on a multiannual basis and better coordination is to be achieved between the various types of Community aids and those of the Member States.

Further progress is hampered by a lack of staff working in the areas of non-associated developing countries, food aid and, to a lesser extent, the NGOs.

In working towards the 0.7% of GNP development aid target the Member States should become involved through the Community in the task of relaunching the International Agricultural Development Fund (IADF) set up three years ago.<sup>4</sup>

- The 0.7% priority target is a necessary condition for achieving the 4% rate of increase in food production in the developing countries which is essential if the danger of famine is to be averted in future.

This would represent a major commitment as part of the strategy for the third development decade: the rate of 4% is the minimum attainable and it must be achieved as a matter of urgency since the 24 poorest countries in Africa have a negative annual growth rate and the developing countries' present food deficit stands at 80 million tonnes of cereals; this could reach 200 million tonnes in 1985, requiring a level of expenditure which could well absorb a very large proportion of transfers of resources.

- How can these targets for increasing public aid and food production be attained?

1. It is largely up to the authorities in the developing countries to give priority to agricultural development; at present less than 5% of the expenditure of the national budgets of these countries is allocated to agriculture (including fisheries and forestry). The Community and its Member States, while respecting the political choices of the developing countries, must give vigorous support to the latter's efforts to develop agriculture and, in particular, the production of foodstuffs. Agricultural development policy is primarily a matter for the political leaders of the developing countries. It is not for Europe to impose its development model on them. Nevertheless, cooperation between the Community and the developing countries will have to include joint evaluation of projects carried out jointly if it is to be more fruitful in future.

<sup>4</sup> The IADF was set up following the World Food Conference in Rome in 1974. Since its creation in 1977 the IADF has raised \$ 1,000 million for the development of agriculture in the Third World. Certain Member States of the Community and the USA between them put up 57% of this total, with the OPEC countries contributing the remaining 43%. So far the Community as such has never taken part in any of the meetings of the governing body of the IADF, not even as an observer.

2. Instead of considering agricultural development and industrial development as opposites stress should be laid on their highly complementary aspects as industrial development is very largely dependent on agriculture.

We must therefore promote the creation of upstream industries producing machinery and goods suitable for the rural communities of the developing countries and downstream agro-industrial processing plants.

We must also promote small and medium-sized businesses in rural areas beginning with a number of small workshops specializing in agriculture-related activities, since these are often lacking (blacksmiths, joiners).

3. Agricultural and agro-industrial development must be geared in the first instance to satisfying domestic demand and lead to the creation of local and regional markets. In future, development should be dictated less by export requirements. Our cooperation policies will thus encourage efforts to create development poles in rural areas and to set up labour-intensive agro-industrial plants using simple technologies and providing goods which meet local requirements.
4. Every rural development project must be planned as an integrated whole, incorporating social, educational, health, economic and commercial aspects. It should be based on peasant communities and their basic needs.

We must avoid repeating the mistakes of the 'green revolution', which benefited only a few peasant elites and left the vast majority of the rural population in their poverty and backwardness. The green revolution also inflicted serious damage on the environment and foresook a whole series of traditional varieties better suited to the local terrain for selected high-yield varieties.

Its indiscriminate mechanization increased the technical dependence of rural society on modern national industries foreign to it, agro-industrial firms and the industrialized countries in general.

As rural development must be part of an overall strategy which it is up to each developing country to define on the basis of its own priorities, the Community should lay more stress on aid for the definition of development policies and strategies by making available to the developing countries multi-disciplinary teams of experts who would help the governments concerned to define the problems and priorities of their respective countries.

This overall strategy would provide a coherent policy framework for the agricultural production process and would try to cover all the main requirements of the rural population (health, education, employment) and to take account of the various aspects of farming (the problem of reforming agricultural structures, machinery, marketing and processing of products, etc.).

Our programmes and contracts must attempt to provide a secure environment for the agricultural population and take more account of traditional values if the exodus from the countryside is to be stopped; they should take traditional community life as a starting point adding to this a modern dimension in the form of appropriate cooperative organizations.

5. The European Community should give more support than in the past for national strategies aimed at guaranteeing food supplies at all levels:

- at village level where basic storage facilities should be created or improved;
- at regional level, particularly in the very large developing countries where communications with the decision-making centres are inadequate;
- at national level, where large-scale storage facilities are essential from the point of view of security;
- at inter-regional level where they are sometimes useful (e.g. the Sahel) and where triangular food aid operations may be considered.

6. We have identified three key factors for the expansion of food production:

a. National agricultural price policies

Official support to maintain price levels which would be sufficiently stable and profitable would be a direct incentive to higher agricultural output as small farmers in particular would be tempted to invest more in their farms. Such price policies should be supported by the public authorities or cooperatives which should undertake to buy up surpluses at a guaranteed price for possible use as buffer stocks to eliminate seasonal variations, discourage speculation and ensure a steady flow of supplies to the market.

b. The creation of good distribution channels to reduce the fragmentation of rural markets

A substantial proportion of our rural development programmes



and projects - the FAO reckons about one third of investment in agriculture - should be earmarked for marketing schemes (comprehensive storage network, better means of transport, etc.), and the creation of marketing cooperatives.

- c. An agricultural credit bank geared to meet the needs of small farmers by enabling them to escape the accumulation of ruinous debts: the system of agricultural credit should be based on collective guarantees (lending cooperative made up of local groups of farmers) and guarantees by the government, which might also grant interest rate rebates.
7. There must be more intensive cooperation with the rural development programmes of the International Labour Organization; by operating with this tripartite international institution we would be able to involve the representatives of agricultural workers and the agricultural cooperative movements more closely in our cooperation policies; if any real progress is to be made and if hunger and poverty are to be eliminated in the rural areas of the Third World, it is essential to strengthen these organizations and increase their direct participation in the preparation and management of rural development programmes and in the reform of agricultural structures. In 1975 the International Labour Conference adopted Convention No. 101 and Recommendation No. 149 which stressed the importance of voluntary and democratic agricultural workers organizations and of their cooperation at international level.
8. Cooperation in the area of fisheries must be aimed at providing the developing countries with the means of managing in a free and effective manner their 200-mile exclusive economic zone (EEZ); the fisheries agreements concluded between the Community and Senegal and Guinea Bissau are a first move in this direction.

Instead of simply making available a few grants for captains of fishing boats and national administrators as a means of providing training in the developing countries, the Community could make more effective use of the trained manpower and light equipment (non-industrial) at present lying idle in a number of its ports.

On a practical level our programmes should be based on the present requirements of canoe fishing, which has the most direct impact in terms of providing food for those who live by rivers. They should concentrate on strengthening local fish canning and processing facilities. The Community should also help to conclude and implement regional agreements either between two or more developing

countries (for effective joint management of the tuna fish stock) or between a coastal developing country and a land-locked one (for the joint processing and transport of fish).

9. The ACP representatives succeeded in incorporating in Article 89 of the new Lomé Convention acknowledgement of the need for better ways of combining any food aid measures that are decided upon unilaterally by the Community (involving sums comparable to those of the EDF) with financial and technical cooperation between the ACP States and the Community.

The Community must carry out a radical reorganization of its food aid policy which, despite its 'temporary' nature, will still be needed up to the end of the century according to FAO estimates:

- care must be taken to avoid the negative effects of too many deliveries of foodstuffs: disorganization of the domestic market, discouragement of the spirit of initiative in the farming industry, changes in eating habits and creation of new demands which can be met only by further imports and the introduction of Western-type crops (wheat);
  - instead of being the first step in the Westernization of the developing countries' agricultural sector, food aid - which should be decided independently of periodic surpluses - must form part of rural development programmes and projects aimed in the long term at encouraging the production of crops which are suited to the kind of soil available and local population needs (particularly by the use of counterpart funds or by the systematic inclusion of food aid in operations of the 'Milk Flood I and II' type);
  - the European Community must be able to enter into multiannual commitments on food aid shipments which the developing countries can incorporate in their agricultural development plans.
10. Financial and technical assistance to non-associated developing countries concerns countries with a total population of more than 1,300 million, three-quarters of whom live in very poor rural areas (per capita GNP less than \$ 200).

Aid to non-associated countries, almost 96% of which is for agriculture, should be substantially increased if it is to have any real effect (the short-term objective is to raise this type of aid to 200 million EUA per year).

It should also be improved. To this end the Council of Ministers should adopt a regulation on management of aid as soon as possible which would confirm the Commission's responsibility for implementing such aid and thus avoid the problem of bilateral contacts when individual cases are being processed.

The European Community should also negotiate with certain regional groupings of non-associated developing countries, such as the Andean Pact and the Central American Common Market, cooperation agreements including a section on development, particularly rural development, on the same lines as the agreement recently concluded with ASEAN. It should also establish Commission delegations in a number of non-associated countries where the scale of development programmes under consideration or already being implemented warrants it. Finally, it should increase the number of co-financing projects with the Member States in these countries.

11. Lomé II contains a specific chapter on agricultural cooperation which provides for the establishment of a Technical Centre for Agricultural and Rural Cooperation.

Pursuant to Article 88 of the new Convention this centre shall be at the disposal of the ACP States 'in order to provide them with better access to information, research, training and innovations in the agricultural and rural field'.

The idea is that the Centre should rapidly become a dynamic link between existing research centres and a centre for the dissemination and distribution of technical and scientific information. One of the urgent tasks facing the Technical Centre for Agricultural Cooperation is to encourage the ACP countries to pursue agronomic research tailored to the needs of the different types of rural areas, which are helping to safeguard a wealth of local cultural traditions and differences which may be lost for ever.

## 2. TEN IMMEDIATE RECOMMENDATIONS

1. ask the Council to make a clear statement to the effect that the Member States will fulfil the commitment they have entered into and reaffirmed, namely to raise the level of public development aid to 0.7% of their GNP and to draw up a timetable to meet this objective taking into account the existing contribution of each Member State;

2. direct any increase in public aid as a matter of priority to the non-associated developing countries and call on the Council to adopt without delay the regulation relating to the management of financial and technical aid for non-associated countries, a regulation which must make clear the exclusive responsibilities of the Commission;
3. commit the Community to providing systematic aid to the developing countries to help them define their overall development policies and strategies by sending out multidisciplinary teams of experts to assist the governments concerned in defining the problems and priorities of their countries;
4. while respecting the options chosen by the developing countries, use technical and financial cooperation to promote agricultural and agro-industrial development in such a way as to meet domestic requirements first and to promote the creation of development poles in rural areas;
5. give greater priority to helping the developing countries with their strategies to ensure the security of food supplies by setting up comprehensive storage facilities for crops at all levels (local, regional, national and inter-regional);
6. involve these social partners who are directly concerned in European development policies, i.e. in the case of agricultural development, organizations representing rural workers as defined in ILO Convention No. 141;

in this context there are three courses of action:

- systematic cooperation with the ILO in three areas of crucial importance for the future of agricultural cooperation: the education of rural workers, the promotion of rural workers' cooperatives and participative rural development;
  - encouraging rural workers' organizations to participate in our development programmes, notably by using various channels of which little or no use has so far been made (micro-projects under Lomé II, co-financing of NGO projects;
  - regular consultation with the two sides of industry in Europe and with their international organizations on the management and development of the various development cooperation agreements;
7. ask the Commission to consider Mr ENRIGHT's proposal concerning the conversion of our declining small-scale fishing industries under development projects in the seas of the Third World where

fishing resources are under-developed and to take all possible steps in this direction, particularly by encouraging joint ventures or joint companies;

8. ask the Commission to put forward practical proposals for Community action to support the FAO's EEZ programme;
9. adopt as the objective of the European Parliament an increase in the appropriations for the co-financing of NGO projects to 18 million EUA in the 1981 budget, given that the ceiling on these appropriations for 1979 forced the Commission to hold back or delay a large number of projects despite their value and multiplier effects;
10. make the Technical Centre for Agricultural and Rural Cooperation set up under Article 88 of the Lomé II Convention operational and provide it as soon as possible with resources which will enable it to encourage agronomic research in the ACP States at national and inter-regional level suited to the needs of rural areas.

PART TWO

DEVELOPMENTS

I. ACHIEVING THE OBJECTIVE OF ALLOCATING 0.7% OF GNP TO OFFICIAL DEVELOPMENT ASSISTANCE<sup>5</sup>

1. A 64% increase in the present volume of official aid from the EEC countries

The problem posed in the immediate future by the present world food crisis is that of sharing out what is available, but the long-term problem is one of production. For this reason, the industrialized countries must, in the future, make up their minds to place more technical and financial resources at the disposal of the poor countries in order to enable them to give priority to the development of agriculture.

The objective of the strategy of the second United Nations development decade of allocating 0.7% of gross national product to ODA (official development assistance), must therefore continue to have priority. This undertaking was confirmed by the developed countries at the conclusion of the CIEC in Paris in June 1977. The EEC countries as a whole allocated 0.45% of their GNP to ODA in 1978: this means that, to reach the objective of 0.7%, an increase of 64% in the present volume of their official aid is necessary. The Netherlands and Denmark have already passed this target with 0.82% and 0.75% respectively, while Italy has fallen below 0.10% and West Germany has only reached 0.38%. The level of official aid from the countries which have kept many links with their former colonies remains very modest; the figure for Great Britain is 0.48%, for Belgium 0.55% and for France 0.57%, but in the case of France it must be remembered that more than 40% of its ODA goes to overseas departments (Réunion, French Guiana and the French West Indies).

An examination of the trend in the proportion of GNP allocated to ODA by the member countries of the OECD Development Assistance Committee shows that between 1960 and 1979 this fell from 0.52% to 0.35%.

While this trend in the western countries must be deplored, a factor to be welcomed is the sizeable contribution from the OPEC countries since 1973 - 1974. They will soon be providing 30% of all official development assistance, while the socialist bloc countries provide around 3% (the USSR allocates a derisory proportion of its GNP to ODA, of the order of 0.03%!).

<sup>5</sup> Statistical references: OECD, 'Development cooperation: efforts and policies of the members of the Development Assistance Committee; 1979 review'. (Report of the chairman of the DAC), OECD publications, Paris. This report includes a statistical annex giving source data on the volume of aid.

From the point of view of the Community the objective of a 64% increase in ODA, in today's terms, should be reached by stages between now and 1985, though there is nothing to prevent the more advanced Member States from exceeding 0.7%. If due allowance is made for monetary erosion, at the end of this five-year period this objective will doubtless only be realized by doubling the present amount of finance transferred to the developing countries.

Going by what has been accomplished by Norway and Sweden which, in ten years, have increased their official aid ten fold (from 0.26 and 0.32% respectively of their GNP in 1969 to 0.90% in 1978). The extra effort required of the Community and its Member States is by no means unreasonable. Moreover, any significant increase in the flow of money from the EEC to the developing countries is the best guarantee of European economic revival.

2. Should a large part of this increase in ODA be allocated to non-associated developing countries?

This would seem to be an appropriate context in which to take steps to allocate a large part of future increases in Community development aid to cooperation with non-associated developing countries, so that cooperation with these countries reaches significant proportions. This could be done by using a series of instruments like those provided for in Lomé II for technical and financial cooperation but without undermining the benefits acquired by the ACP countries or preventing them from being maintained in the future in real terms.

This five-year growth programme is all the more justified in view of the fact that the non-associated developing countries which at present receive EEC aid represent more than 1,300 million people, that is five times as many as all the ACP countries together and that three-quarters of these people live in regions which can be classified as among the poorest (per capita GNP below US\$200).

3. One of the lessons of the Carter Commission

It should finally be pointed out that the Carter Commission on world hunger<sup>6</sup> also recommends to the American authorities that the objective of allocating 0.7% of GNP to official development assistance should be attained as rapidly as possible, which presupposes a proposal by the Administration to double the present volume of aid.

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<sup>6</sup> Preliminary report of the Presidential Commission on World Hunger (Ch.III.9) (December 1979)



This increase in the volume of aid should be concentrated on technical and financial cooperation with the poorest developing countries in an attempt to satisfy the basic needs of their populations and ensure their self-sufficiency in food, without regard for any of the traditional considerations of foreign policy.

The Carter Commission recognizes that US official development assistance, while it is the highest of the industrialized countries in absolute figures, has steadily decreased over the last 30 years, and now stands at 0.22% of GNP, which puts the USA in twelfth place among contributing countries: according to the Carter Commission the effects of this decrease were particularly severe for the poorest developing countries which depend on foreign subsidies for 80% of their development.

#### 4. By way of conclusion

We consider that the rapid attainment - or at least by stages between now and 1985 - of the objective of allocating 0.7% of GNP to ODA constitutes the primary response of Europeans to increasing underdevelopment and its most outrageous manifestations - hunger and malnutrition!

The fact that some Scandinavian countries had already realized this objective in 1975 and have since exceeded it proves that it is a feasible response even in a period of economic crisis and continuing recession.

For the EEC and its Member States it therefore represents a test of the credibility of their desire to ensure significant development cooperation.

We should guard against any hint of conservatism which, at this stage, might cause considerations of the lack of effectiveness of aid and the need for a prior strengthening of controls to prevail ... Significant cooperation certainly involves continuous evaluation of the results of the programmes - both while the projects are being conducted and after they have been completed- to be carried out with our partners. It must also take potential demand in the developing countries into account; this would lead us to support new kinds of intervention intended to make better preparations for the adoption of development strategies and programmes and to adapt them better to the realities of the situation. But a clear decision at the outset to ensure that the volume of official aid is more in keeping with the size of the problem can only help towards this.

II. A 4% GROWTH RATE IN FOOD PRODUCTION IN THE DEVELOPING COUNTRIES TO MEET INCREASING NEEDS: A PRIORITY OBJECTIVE WHICH IS TECHNICALLY ATTAINABLE.

1. Considerable potential for increasing food production in the Third World?

It is vital that the developing countries should increase their efforts to improve their agriculture, given that, from the technical point of view, they have considerable potential for increasing their food production.

The scope for increasing the amount of land cultivated remains considerable in most Third World countries, as is shown by the following table compiled by the OECD<sup>7</sup> and to this should be added the scope for converting fairly large tracts of land to foodstuff production.

Resources of arable land in hectares by continent or sub-continent	Arable land cultivated at present	Potential areas of arable land	Statistical year
Latin America	119,000,000	570,000,000	1970
Africa	214,000,000	733,000,000	1970
Asia outside the USSR	467,000,000	628,000,000	1970
Oceania	47,000,000	107,000,000	1970-1971
North America	230,000,000	495,000,000	1971
Europe	141,000,000	141,000,000	1970
USSR	225,000,000	270,000,000	1973

However, according to the Leontieff report, only a third of the increase in the production of foodstuffs can come from extending the area cultivated in this way, the other two thirds coming from increased productivity from land already under cultivation, brought about either by applied agricultural research adapted to the various situations and widely disseminated, or through the many economic, commercial, social and political factors which we shall deal with in the following chapters.

Moreover, it is sometimes pointed out that the increase in cultivated areas will particularly concern 'marginal' land, land reclaimed from the deserts, whose development will involve considerable effort and expense or else our last natural reserve, the great forests, the reclamation of which could possibly have adverse ecological effects.

<sup>7</sup> Taken from 'Studies in trends in world supply and demand for the major agricultural products', OECD, Paris, 1976.

## 2. Achieving the 4% growth rate

The 4% growth rate, considered indispensable by the World Food Conference to meet the constantly increasing food requirements of the developing countries, should not remain an impossible dream. It is true that, on average, over the last two years, food production in the developing countries has increased by 3%. This overall percentage however conceals the considerable imbalances which exist between the different developing countries. Moreover, it does not take population growth into account. If the calculation is based on production per inhabitant, in some cases the growth rate is less than 1%; according to information supplied by the FAO, the 24 poorest African countries even have a negative growth rate of -3.3%.

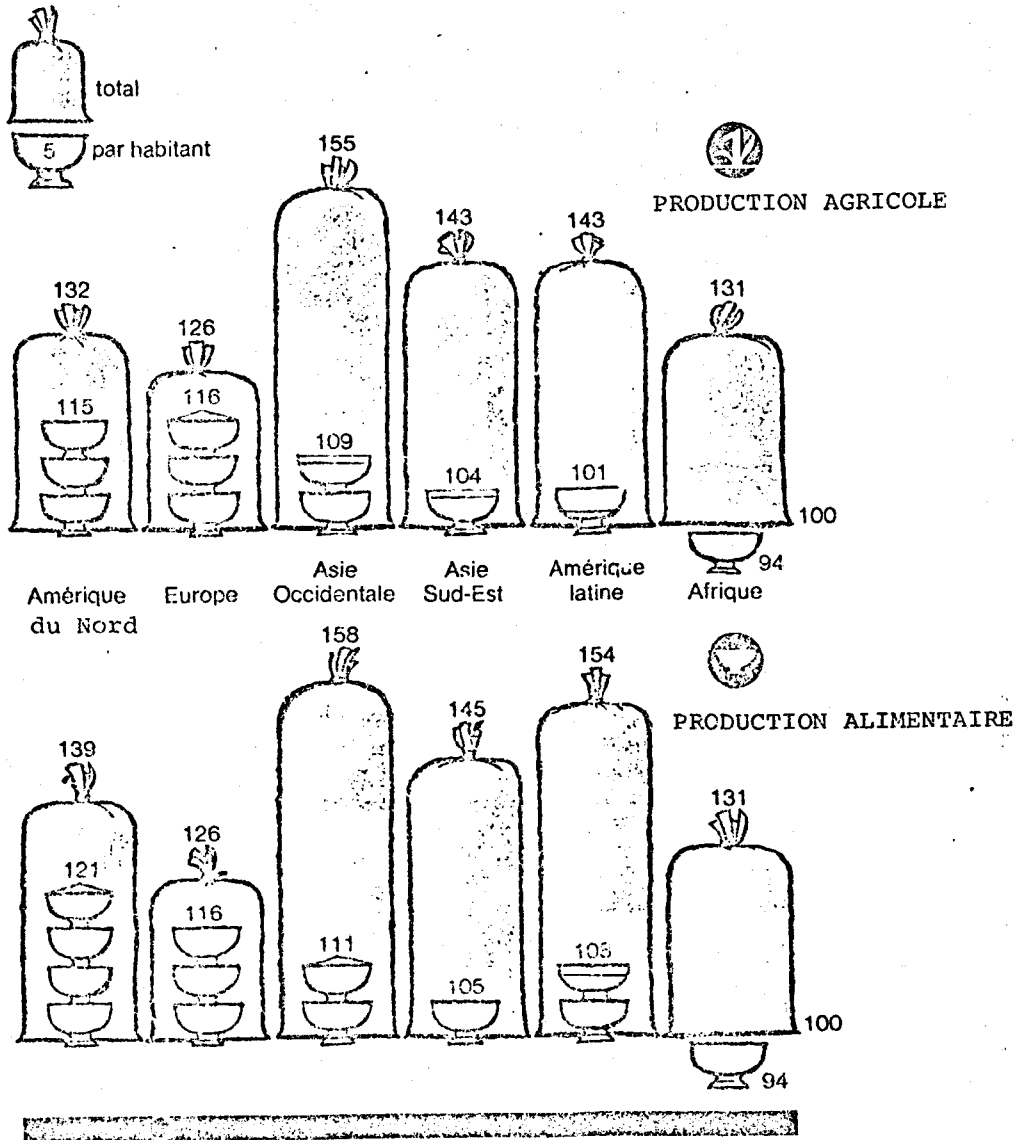
Let us look at some more figures which underline the importance of an increase in agricultural production in the developing countries. As things stand at present, the industrialized countries, with 35% of the world's population, account for two-thirds of the world need for foodstuffs. Since 1970, the developing countries have doubled their cereal imports, which today stand at almost 80 million tons a year. According to FAO estimates the annual world shortage of cereals could reach 100 million tons between now and 1985, or even two hundred million tons according to recent studies by the International Food Policy Research Institute in Washington. At the present level of prices, the developing countries already spend 15,000 million dollars on cereal imports, and this figure represents 15% of their total imports and two thirds of the total official aid which they receive from other countries. In these circumstances if, in future, these countries are forced to devote larger sums to the purchase of other products, notably petroleum, the means at their disposal for acquiring basic foodstuffs will be reduced still further, in spite of increased population and the worsening of the food situation.

The table (reproduced below) of agricultural and food production in 1976, published in the dossier 'Europe and the Third World - A Study in inter-dependence'<sup>8</sup>, shows the trend in production since the period 1961-1965 (index 100): it indicates the alarming position of Africa in this 'race against the clock' between agricultural development and population growth.

<sup>8</sup> Collection of dossiers, development series. No. 2, published by the Commission, Official Publication Office, 1979, No CB-NX- 78-002-FR-C.

**Production agricole et alimentaire**

1976; totale et par habitant; indice 1961-1965 = 100



In conclusion, it is useful to remind the European Community and its Member States, with regard to their strategy that raising the growth rate for food production in the developing countries to 4% is one of the prime objectives in the new development strategy, and is technically attainable according to FAO estimates.

### III. PRIORITY TO AGRICULTURAL DEVELOPMENT AND RELATIONS WITH INDUSTRIAL DEVELOPMENT

- (a) Giving priority to agricultural development and the rural sector, which is often 'cut off' and isolated from modern distribution channels is a policy option which must be made first of all by the major political leaders of the Third World; the droughts which have affected the Sahel and then Ethiopia from 1973-1974 were the first visible manifestations of an extremely profound undernourishment and malnutrition situation.

Certainly, on gaining independence, most of the developing countries concentrated primarily on industrialization as the source of economic growth and as the means of raising the income of their people and, in the long term, of ensuring economic independence.

Experience has now shown that former cooperation policies were wrong to allocate a large part of their projects to expenditure on economic infrastructures, or even to expenditure on 'prestige schemes' and to projects which only had an impact on the 'modern' sectors of the developing countries or on the urban elites.

This granting of priority to agriculture and to the rural sector is a matter for which the developing countries have political responsibility.<sup>9</sup> They still set aside less than 5% of their national budgets for agriculture.

However, this priority must be clearly situated within the complementary relationship which links industrial development to agricultural development.

It is worth quoting in this connection the FAO document 'Agriculture: Toward 2000', which is the contribution of this specialized United Nations body to the drawing up of the new international development strategy (Rome, Doc. C 79/24 July 1979) p. 232:

As has been abundantly demonstrated in the economic history of the developed countries, the two sectors are complementary in the long-run growth process. It is now generally - and correctly - conceded that in many developing countries the balance of intersectoral priority and emphasis has not adequately recognized the potential contribution of agriculture to economic growth and

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<sup>9</sup> Edouard SAOUMA, Director General of the United Nations Food and Agriculture Organization (FAO), said in Rome on 27 November 1978: 'The heavy responsibility for giving the desired priority to their food and agricultural development falls on the developing countries themselves'.

industrialization. This imbalance is beginning to be redressed but to ensure that development policies and practices do in fact respect the complementarity is a major issue of policy. The very attainment of the Lima<sup>10</sup> target for industrialization will depend, to a significant extent, on a high rate of growth of agriculture. In turn, the ending of hunger will require a vigorous process of industrialization.

The long-term inter-dependence of the two sectors needs therefore to be reflected in development planning and operational priorities. The two most direct linkages are the manufacture of agricultural inputs and the processing of agricultural output; both activities will grow strongly and at higher rates than agricultural production. The expansion of domestic consumer markets for industrial output resulting from a vigorous agricultural sector is a further and extremely important link.

Policy aspects stemming from this inter-dependence extend from the appropriate balance to be sought in the allocation of public funds and flows of external assistance to the very selection and siting of specific industries, particularly agricultural processing units, in rural areas. The objective is to integrate the development of the two sectors much more closely than in the past and by doing so to stimulate the growth of both.

- (b) The increase and growth of agricultural production within the developing countries will allow a lasting solution to be found to the problem of world hunger.

The options cannot be reduced to a stark choice between industry and agriculture. On the contrary, a way must be found which, in the long term, allows the balanced development of the developing countries, while at the same time helping to satisfy the 'basic needs'<sup>11</sup> of the poorest sectors of the population.

The industrialised countries, as the principal providers of development aid, must respect the political decisions of the developing countries who have to determine their own economic and social priorities.

<sup>10</sup> The 'Lima Declaration' Conclusion of the second UNIDO Conference (United Nations Industrial Development Organization), in March 1975, which had set the aim of raising the Third World's share of industrial production from 7% at that time to 25% in the year 2000 (at present it stands at 9%).

<sup>11</sup> The concept of 'basic needs', which was put forward by the World Bank around 1977, is subject to caution in that, in the eyes of the developing countries, it appears as an alternative to the need to increase their economic development or as a unilateral approach of a paternalist kind, or even as a political weapon.

The aid they give must not be conditional, but it can and must give particular support to the efforts made by the developing countries, as part of a balanced policy to help promote agricultural and rural development - between 70 and 80% of the population of the Third World lives in rural areas - and the cultivation of food crops in those areas.

#### IV. THE PARTICULAR NEEDS OF THE DEVELOPING COUNTRIES

For some years there has been discussion of various ideas and possible solutions to the problem of satisfying the basic needs of the developing countries; these ideas are different from the principles of the development policy of the first decade. Some of the most recent approaches aim to separate the economy of the developing countries from the world market. They are based on the theory of the 'peripheral' economy which says that underdevelopment is essentially due to the interlocking of these economies with those of the industrialized countries.

In its study of June 1979, on agriculture, the World Confederation of Labour notes that through integration in the world market, the socio-economic structures of the Third World countries have been completely overturned. Since priority was given to cash crops, subordination to exports destroyed the internal balance of these countries and made them increasingly dependent on the industrialized countries and the big agribusiness companies in order to satisfy the essential needs of their population.

The strategy recommended for resolving the problem aims to direct production structures more towards domestic needs. This basically involves setting up small-scale agricultural production activities which, through labour-intensive processes, provide simple consumer goods and capital goods intended to meet local needs. The resulting impact on employment and income would lead to the setting up of local and regional markets. An interesting example in this connection is the 'Ujamaa' experiment in Tanzania which is designed to create centres of development in the rural areas in order to keep the population there.

All this has led to doubts being cast on the colonial pattern of export crops designed to meet the needs of the rich countries. These export crops have not encouraged production of food crops as was expected. They certainly, on the other hand, bring in foreign currency and fiscal revenue from exports which the countries need, although René DUMONT has referred to coffee and cotton, for example, as 'agents of starvation'. Nonetheless, certain cash crops such as groundnuts and rice do also play a part in satisfying local needs.

## V. STRENGTHENING THE SELF-SUFFICIENT ECONOMY

Unfortunately, in many developing countries and in the poorest countries in particular, agriculture is lagging behind instead of developing. The number of jobs offered in it is static or declining. Most farmers in the developing countries produce for themselves and not for a market which, as there is no demand based on purchasing power, no longer exists or has not yet been created.

For this reason the minimum objective of a strategy aiming to improve the world food situation must begin by preventing food production per inhabitant from falling below the present level. FAO statistics show that food production in the poorest developing countries is decreasing at a rate of 0.2% and in Africa at times by as much as 1.2%.

It follows that, within the framework of cooperation policy, absolute priority must be given to the development of the agricultural sector in the poorest and most threatened developing countries. A policy must be established which aims to enable the developing countries to help themselves with a view to their becoming self-sufficient in food. The agricultural regions in the developing countries would then, in the next few years, become crucially important for employment policy and, therefore, for development policy since 70 to 80% of the population of these countries lives on the land. The self-sufficient economy must be strengthened and improved. Those living in the country must be made to feel more secure within their traditional environment and be less tempted to seek an illusory safety elsewhere, at the risk of swelling the ranks of the unemployed and the dropouts in the sprawling urban centres.

As a reaction to the excessive centralism of most of the new independent states and the concentration of foreign investments around the capital city, some developing countries have tried to establish centres of development in the rural areas to create the best possible conditions for the local population and induce them to remain there. Such schemes must be given encouragement by our cooperation policies.

## VI. THE GREEN REVOLUTION AND INTEGRATED RURAL DEVELOPMENT

The food situation is paradoxical in the Third World as it is often in the rural areas, where the greater part of the population is employed, that famine and malnutrition are at their most severe.

In the past the developing countries placed more stress on industrial development and on export crops than on food crops. Certain governments deliberately opted to favour city dwellers because they are more influential politically. At present, the means must be provided for an integrated development, since a judicious policy of industrialization in keeping with



the development plan adopted is impossible when there is malnutrition amongst the population. Agricultural reform, the improvement of structures, a pricing policy designed to provide incentives and the participation of the rural population in the framing and implementation of reform policies are complex problems which involve difficulties of a political, socio-cultural and psychological nature. Multilateral and bilateral development aid cannot absolve the developing countries from conducting their own agricultural policy. While foreign aid is indispensable for this at the outset, it can nevertheless only play a secondary part. Agriculture can only gradually move from subsistence production to market supply production. It is important for development to enlarge this initially limited market over a period of time and to create external outlets.

Although the 'green revolution' has led to an appreciably increased yield for a number of products, it has also met with disastrous failures when in its approach to rural development it had confined itself to technical progress, e.g. the selection of high-yield cereal varieties and the systematic recourse to chemical fertilisers and pesticides. All too often the green revolution has only benefited the rural élite. It has encouraged a form of mechanization of agriculture which has taken away any possibility of progress from the mass of share-croppers, small peasants or landless peasants, causing them to migrate to the towns. Mechanization has, moreover, added to capital costs. The green revolution has also increased technical dependence on the developed countries and the big agribusiness companies<sup>12</sup>, and has heightened dependence on petroleum, to an intolerable extent in many cases. It has too often caused serious damage to the environment : it has contributed to much harmful deforestation, increasing the dangers of soil erosion and desertification. The systematic and ill-advised recourse to western-style mechanized cultivation led to the exhaustion of the fragile soils in some areas of the tropics. The big hydraulic schemes intended to bring about a vast increase in irrigated areas have sometimes made the land unproductive owing to a rise in the level of salinity.

Still on this matter, Professor Jean-Paul HARROY, in his work 'Demain la famine ou la conspiration du silence' ('Famine tomorrow or the conspiracy of silence') (Editions Hayaz, Brussels 1979), mentions some of the adverse effects of the green revolution : the replacement of the primitive mixed crops by a 'clean' crop of a single type and without weeds, caused rapid erosion 'on rectifia le tir, adjoignit des plantes de couverture, passa à des plantations en lignes, finissant avec quelque dépit par reconnaître que la culture mélangée du primitif avait sa raison d'être . . . '

<sup>12</sup>In this connection see the penetrating analysis by the World Confederation of Labour in its study of June 1979, 'Agriculture : to eat, to live better or to make money?' and in particular the chapter on the green revolution as a Western attempt at reform of the agricultural situation in the Third World (pp. 65, 66, 67 and 68)

('we adjusted our approach by adding cover crops and going over to planting in rows and with some discomforture recognised in the end that the primitive mixed crop was the right crop after all . . . ') (page 70).

There are also the negative effects of the introduction of the plough in some African regions where the ploughshare reaches the sterile bedrock and causes erosion after a few years (page 72). Finally, the green revolution has sacrificed legume crops, indispensable for a balanced diet for the people, to high-yield cereal crops.

The EEC must now ensure that rural development becomes part of an overall strategy to be decided on by each developing country in terms of its own priorities. The industrialized countries, and the EEC in particular, will be led more and more to give preference to aid for determining development policies and strategies by making available to the developing countries interdisciplinary teams of experts with the task of helping the governments concerned to grasp problems and priorities better, as provided for under the new Lomé Convention.

This overall strategy makes increased agricultural production part of a coherent policy which tries both to meet all the important needs of the rural population and to take the different aspects of farming into account. The social, cultural and political dimensions of rural development are among the more important elements in achieving a balance of this kind.

The maximum use of the local work force available and the expansion of jobs in a number of local services and craft and agricultural trades are very important objectives in our programmes.

Increased attention must be given to health in the rural environment : minimum sanitary facilities must be installed everywhere. Local traditions are not necessarily obstacles to development : these people are capable of looking after their own future without betraying their cultural heritage, but they must be motivated further and become closely involved in the development plans, by which they are, after all, the most directly affected.

Many rural societies in the Third World are imbued with a solidarity the like of which cannot, or can no longer, be found in our over-individualistic civilization. A well-organized and suitably adapted cooperative movement could enable to peasants to gain greater control over the acquisition of farm inputs, storage, transport and the marketing of products.

Consideration must also be given to all the problems of education in a rural environment, integrated agricultural training and the dissemination of agricultural knowledge.

Encouragement should be given to training geared to the requirements of work in agriculture and the interests and possibilities offered by a rural environment.

VII. THREE DECISIVE FACTORS IN THE DEVELOPMENT OF FOOD PRODUCTION :  
FARM PRICE POLICY, MARKETING AND ORGANIZATION OF AGRICULTURAL LOANS

Two of the main areas where very rapid progress can be made are national price policies and the setting up of good marketing networks in the rural areas in order to help the mass of small farmers. Development strategies and programmes must give more importance to these two closely linked areas.

1. Price policies and their role in stimulating production

The price policies of the governments of the developing countries can be crucial for the success of a development project. Commissioner CHEYSSON once quoted the case of two projects for producing palm oil financed by the EDF. The results of these projects were technically excellent, but whereas the new plantations flourished in the first country, in the other they were abandoned after a time as the government had fixed far too low a price for palm oil.

Studies by the World Bank have shown that 46 out of 50 developing countries have farm price policies which discourage producers; in order to benefit poor consumers, particularly in urban areas, most governments have chosen to keep producer prices very low through a policy of price controls but also through increasingly frequent recourse to food aid and imports intended for sale at reduced prices.

Certain governments have also practised price control through a policy of compulsory supplies to state shops and for consumption in the big urban centres : the effects of these practices on increased food production seem to have been more negative than positive.

The FAO publication 'Agriculture : Toward 2000' devotes a whole chapter to farm price policies and reaches the conclusion that government support for prices which are sufficiently remunerative and stable is a direct incentive to increased agricultural production.

Brazil has supported the price of home-grown wheat at a very much higher level than the world price, and has achieved an annual growth rate of 13% for this crop.

Contrary to normal belief, price support first and foremost encourages small farmers who are led to invest in improving their production by the guarantee of sure prices. Conversely, a policy which at the same time keeps prices low and subsidises production factors has tended to benefit the large, better-equipped farmers and to discourage small farmers.

In order to succeed, this policy of agricultural price support requires public offices or cooperatives which protect producers by buying in surpluses at a guaranteed price, are able to build up buffer stocks eliminating seasonal price fluctuations and discouraging speculation at the expense of small farmers, and which ensure regular supplies for the different regions.

This policy of domestic price support, combined with the introduction of tariff barriers against competing imports, will lead to higher prices for consumers, among whom the urban and rural poor will be hardest hit; the FAO therefore recommends that in the initial stages governments should organize sales of low-price food bought at market prices for the most needy.

2. The creation of good marketing networks to open up rural markets

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Professor HARROY considers that this lack of marketing networks constitutes one of the major threats of famine in the Third World.

The isolated situation of many remote sub-regions as a result of the catastrophic deterioration in transport prevents food supplies from reaching the large population centres which are increasingly compelled to buy cereals from the United States and Canada, and also prevents trade between internal regions : small farmers are forced back on themselves and produce only enough for the needs of their families or relatives, whereas they would be capable of supplying a neighbouring region threatened with shortages.

Without control over marketing networks, the small farmers are dependent on a few local traders who exploit them shamelessly.

It follows that an important part of rural development programmes should be devoted to marketing installations and the formation of marketing cooperatives : there should be investment in transport, in the construction of a comprehensive storage network from the country to the towns cold storage plants for perishable foodstuffs and the establishment and organization of small rural markets and wholesale markets. The FAO considers that a little less than a third of total investment in agriculture should be used for the marketing sector.

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<sup>13</sup>J. P. HARROY, op. cit., chapter on the inefficient marketing of surpluses, p. 135 ff.

### 3. Organization of agricultural loans

Chronic indebtedness remains one of the main economic obstacles to the progress of the farmer in the Third World: only the organization of a suitable system of agricultural loans will make it possible to overcome this serious handicap, which affects a very large number of small farmers and prevents them from improving either their situation or their production.

Indebtedness, whether it is the result of a family obligation (marriage, bereavement ...) or of a bad harvest or an accident, encloses the small farmer in an unproductive vicious circle of dependence; controlled by his creditor or creditors, he lives in constant fear of being dispossessed of his property or of having his crop seized. He is therefore no longer in a position to consider any new investment in his crops.

Noting the increasing prevalence of indebtedness, and even the introduction of usury in regions which for a long time have been free of this practice, such as Central Africa, Professor J.P. HARROY lists the four main categories of creditors exercising a powerful hold on the rural life of the Third World:

- (i) land-owners, who impose such strict share-cropping arrangements or rents that, in order for him and his family to survive, the tenant soon finds he has to ask for more time to pay and thus falls under an obligation;
- (ii) usurers lending at scandalously high and illegal rates of interest;
- (iii) village traders: without a doubt these represent the largest and most powerful category, and in many countries they are even replacing usurers; indeed, these traders, who lend money or sell on credit, ultimately monopolize all the farmer's external operations on terms they impose, without the debtor having any possibility of negotiation or protection.  
In Africa, this category still consists in many cases of foreigners, who have no links with the village community;
- (iv) tax collectors, whose power to exert pressure tends to increase the further away they are from the central authority.

For agricultural workers - all too often victims of money lenders and usurers - a savings-based loan scheme has been set up

by the rural workers' trade unions, preceded by an information and education campaign to encourage saving. (This is illustrated in the worker training manual of the International Labour Office 'Rural workers' organizations. Special services for members.' Part II, pp. 43 et seq. - ILO publication, Geneva 1978, ref. ISBN 92-2-201813-3.)

For independent farmers with no regular income, there is a need to obtain short-term loans while waiting to reap the fruits of their harvests.

In the poor developing countries, the farmer is unable to bridge the gap; he no longer has enough food to last until his next harvest and is obliged to borrow at any price.

This is where it becomes necessary to organize a system of agricultural loans tailored to the situation: since the individual small farmer can offer no guarantee, this system must be based on both a joint and several guarantee (farmers joining together to form a credit cooperative) and a government guarantee. The government may also grant interest rebates.

As in the case of marketing, it is necessary to promote their education to the idea of cooperatives. Non-governmental organizations, European farmers' trade unions and cooperatives could play a more active role in this respect, within the framework of relatively low-cost projects.

One of the delicate problems to be resolved is what size the cooperatives should be: while a minimum size is necessary for the cooperative to be economically viable, on the other hand it must correspond, wherever possible, to the pre-existing social communities. The objective is to take traditional community life - which is highly developed in Africa - as a basis, and gradually give it a modern economic dimension.

#### VIII. AGRICULTURAL REFORMS WHICH SHOULD BE REVIVED

It is becoming increasingly widely recognized that the prerequisite for any genuine rural development is the direct participation of the poor people in their own development through the intermediary of voluntary organizations of rural workers.

In the majority of cases the rural organizations and farming cooperatives are today still in the hands of some form of elite, either local or even external to the rural society; representatives of local

or regional authorities, official development services, centres for agricultural studies and, very frequently, foreign cooperation organizations, who are endowed with an aura of know-how and have technical facilities at their disposal, take over the running of rural organizations - where these exist - and development projects.

The primary purpose of this intervention is to increase agricultural production; satisfaction of the daily needs of the people is of decidedly secondary importance. It is very seldom, therefore, that the progress achieved benefits those who most need it: small farmers, tenants, sharecroppers, peasants with no land and farm labourers.

Because a large proportion of these people are illiterate they are not granted the right to participate or to express their concerns and day-to-day needs within those bodies whose decisions might affect them.

There is still too often a lack of any system of worker education organized by those concerned which would enable them to define their problems more easily and to organize themselves effectively. To educate the workers will require much time and effort, for it means undoing the effects of several generations of almost total dependence and fatalism. Where state education exists it is based on western values or urban models; it therefore takes no account of the problems of a rural society and its effects tend to be negative, as can be seen from the fact that the most promising pupils move from the village to the town once their education is completed.

Agricultural reforms based solely on legal provisions have often been unsuccessful because they were neither planned with the assistance of voluntary organizations of rural workers, nor carried out by them in practice. Furthermore, these reforms, which are decided at a high level, scarcely have any effect on agricultural structures as a whole. Any genuine agricultural reform must provide first and foremost for security of tenure, before altering the system of ownership: a person working the land must be protected by law and in practice through non-transferability of mini-funds, a regulated system of long-term farming leases, elimination of malpractices in sharecropping and through access to a number of services and guarantees to avoid external pressures on agricultural profits (money lenders, middlemen, etc.). Many excellent agricultural reform programmes, which have even had full state support, have either been blocked or diverted from their objectives by incompatible local structures. Those officially responsible have never been able to introduce these reforms into a socio-economic and cultural environment with unrecognized or badly exploited potential. It is therefore necessary

first of all to set up permanent organizations of rural workers which may then be closely involved in the monitoring, application and adaptation of agricultural reforms and in evaluating the progress achieved throughout the rural society.

Whereas in Latin America the peasant revolutions gave rise to agricultural reforms and the setting up of well-established organizations of rural workers, in Africa in general the tribal system is more egalitarian and community-based; the difference between the poor and the more privileged classes is less marked, which is why there is less desire for reforms and less incentive to create rural organizations.

The World Conference on Agricultural Reform and Rural Development, meeting in Rome from 12 to 20.7.1979 under the auspices of the FAO, adopted a declaration of principle in which it acknowledged that agricultural reform is an essential part of rural development and that the continuing progress of rural areas with a view to promoting national self-sufficiency and establishing a new international economic order demands greater and fairer access to land, sea and other natural resources, wider distribution of economic and political power, and the participation and integration of rural populations in production and distribution systems.

The Conference also stated that policies and programmes concerning agricultural and rural systems should be drawn up and implemented with the full understanding and participation of the rural population, including young people, and of their organizations at all levels, and that development activities should be adapted to the individual needs of the different groups of poor people in rural areas.

It went on to say that constant vigilance is necessary to ensure that the advantages resulting from agricultural reform and rural development are not compromised by any return to old systems under which all resources were in the hands of private owners, or by the appearance of new forms of injustice.

The Conference recommended that the governments of the member countries, the FAO and the other organizations connected with the United Nations system should implement the programme of action which it had adopted. This comprehensive programme proposes that within the framework of national rural development schemes a series of measures be introduced to provide better access to land, sea and other natural resources:

(1) Reorganization of systems of land tenure

In the developing countries where thorough reorganization of the



system of land tenure and redistribution of the land in favour of small farmers and peasants with no land is still necessary, governments are to take measures to:

- limit the size of private farms and take possession of land, sea and other natural resources and of agricultural property, in accordance with national policies and the Charter of the Economic Rights and Duties of States;
- take possession of and improve aquifers and unused land suitable for fish farming and allocate them on favourable terms to farmers and fishermen for the purpose of creating fish farms;
- give priority, when distributing the land obtained, to small farmers and agricultural workers possessing no land, paying particular attention to the poorest groups, and to support this redistribution with programmes to improve productivity, in particular by setting up cooperatives and other associations of agricultural workers benefiting from substantial state assistance;
- begin the redistribution process rapidly and in earnest, introducing legal sanctions to prevent withdrawal of investments and flight of capital;
- create and provide assistance after the reorganization for bodies such as farmers' associations, cooperatives, collective farms and state farms, together with development activities designed to ensure maximum participation of the beneficiaries so as to prevent renewed concentration of resources or other types of exploitation.

With regard to the reform of traditional systems of land tenure, which concerns Africa in particular, governments are invited to:

- bring to an end the inequality of exclusive rights and absenteeism and protect the rights of small farmers and nomadic populations;
- maintain and adapt, or set up, on a broad basis, systems for community control and management of ownership of land and sea, in accordance with the requirements of development;
- draw up and implement programmes designed to bring about more effective use of pastoral resources, while ensuring that they benefit the pastoral population.

(2) Reform of farming leases and regulation of rural incomes

In addition to the plans for redistribution of land and other property, governments should take the following measures in the immediate future:

- adopt or implement effectively legislation laying down ceilings on leases which ensure fair treatment of all tenants, including sharecroppers;
- provide all tenants, including sharecroppers, with security of tenure as a measure of social justice, by allowing better access to credit and services and by stimulating investment;
- encourage the formation of tenants' organizations in order to promote group solidarity, monitor the application of regulations and facilitate proceedings before tribunals;
- draw up and implement legislation on rural labour, covering working conditions and specifying minimum wage levels so as to protect rural workers against abuses;

(3) Parcelling of land and promotion of group farming and cooperatives

To prevent excessive division undermining the effectiveness and modernization of farms, steps may be taken to:

- increase efforts to regroup the divided and dispersed farms in order to improve productivity and management, while ensuring that the re-parcelling does not undermine the interests of the tenants;
- combine measures for re-parcelling the divided farms with community and regional development programmes, in order in particular to provide work for those rendered unemployed as a result of the re-parcelling measures;
- encourage group farming, state or public sector farms, cooperatives and other types of collective tenure, organizing them in such a way that the participants benefit from development of the infrastructure, research and employment and from the better utilization of production factors and technical ability.

(4) Colonization of unused state land

Where there are large unexploited areas, steps should be taken to :

- encourage the largest possible number of peasant families without land to settle on the vacant land, taking account of the environmental possibilities;
- provide at the same time the equipment and economic and social services necessary to ensure the success of the colonization programmes (we would add, under human conditions!);
- see to it that these colonization programmes are economically viable and complement (rather than replace) the necessary agricultural reforms in areas which are already farmed.

(5) Greater control by rural communities of natural resources (forests, water, etc.)

With this in view, governments should undertake to:

- arrange for these resources to be controlled and managed in the interests of the population and with due regard to environmental protection, in particular by preventing desertification and soil erosion and by taking proper account of the needs of local groups;
- grant fair access to the natural resources of the state and encourage their rational use;
- assure the wide distribution of information and knowledge about soil erosion and means of preventing it;
- provide for conservation and management of fish stocks and forests by means of arrangements which involve local groups.

(6) Reduction of inequalities between regions and communities

In the developing countries where there exist marked differences in the levels of development of regions and communities, governments should take measures to:

- create integrated production and distribution systems at regional and national level so as to ensure fair distribution of resources and income among the different regions and rural communities;
- develop overall investment programmes and implement policies for granting loans to regions and communities in such a way as to correct inequalities in respect of resources and socio-economic equipment;
- draw up and implement development programmes designed to promote integration of rural areas and urban centres.

The programme of action also specifies measures to provide a basis for genuine participation by the people, which should form part of national rural development programmes. If these national programmes are to be successful, governments must:

(1) with regard to workers' organizations.

- remove all obstacles preventing rural workers from belonging to any organization of their choice; to this end they should ratify and implement Conventions Nos. 87 and 141 and Recommendation No. 149 of the International Labour Organization (ILO) on organizations of rural workers and their role in economic and social development<sup>14</sup>;
- promote the setting up of autonomous federations - local, regional and national - of associations of peasants and workers and of rural cooperatives, with the active support of the government and with due respect for their autonomy;
- encourage the participation of rural workers in the activities of rural development agencies and see to it that these agencies work in close collaboration with the organizations representing the beneficiaries;
- encourage workers' organizations providing various economic, social and cultural services to develop the autonomy of local communities, and help them in particular to carry out their legal and financial obligations, to train managerial staff and to obtain all their initial requirements, while taking good care not to undermine their independence;

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<sup>14</sup> Convention No. 87 of the ILO, adopted by the International Labour Conference in 1948, deals with trade union freedom and protection of the right of association.

Convention No. 141 of the ILO, adopted in 1975, gives a precise definition of rural workers: all persons in rural areas carrying out agricultural work or a craft or some other similar or connected occupation, whether wage-earners or self-employed, such as tenants, sharecroppers and smallholders ...who work the land themselves with the assistance of only their families or with just occasional outside assistance (i.e. they employ no permanent labour and their land is not worked by sharecroppers or tenants). This Convention prescribes for all rural workers the right, without prior authorization, to set up and to join any organization of their choosing. It specifies that one of the objectives of national rural development policies must be to facilitate the creation and development on a voluntary basis of effective and independent organizations of rural workers as an appropriate means of ensuring that these workers participate in economic and social development. With this in view, the Convention provides for active state support for the growth of these organizations through the removal of legal and administrative obstacles and discrimination.

Recommendation No. 149, which supplements Convention No. 141 and was adopted at the same time as the Convention, specifies the role of organizations of rural workers (representation, defending the interests of its members and participating in programmes for agricultural development, agricultural reforms, colonization, land development, etc.) and provides for certain arrangements to encourage the work of these organizations (legislative and administrative measures, information, education, financial and material assistance).

- give organizations of rural workers the opportunity to participate at local level in selecting, implementing and evaluating development projects, including rural work programmes;
- encourage young people, both urban and rural, to undertake various types of rural development work through programmes and schemes which correspond to their needs, their ability and their aspirations, particularly national voluntary service, rural associations of young people and practical study programmes.

(2) with regard to decentralization of power:

- decentralize government institutions and decision making, particularly the planning structure within the framework of national policy, to enable the population to participate in the preparation and implementation of development plans and programmes affecting their particular region or area. Recruitment and staff training policies designed to serve the interests of poor rural workers should be adopted.
- reorganize or create local administrative bodies to encourage the democratic and effective participation of the population, including the participation of rural workers through their own organizations, and provide assistance with the management and organization of these institutions by means of training and motivation programmes.
- grant particular assistance to local authorities for the introduction and development of education and training programmes for less privileged groups to enable them to play a part in decisions concerning development and to make better use of production factors, technology and public services.

(3) with regard to participation in carrying out agricultural reforms:

- encourage the creation of organizations of the beneficiaries of agricultural and land reforms and involve them in the reorganization of ownership of land and water and in the application and preparation of legislation on rural leases;
- make available credit and production factors from public sources through organizations of small farmers, beneficiaries of agricultural and land reforms and other groups of peasants;
- see to it that organizations of beneficiaries or of participants in agricultural colonization programmes have at their disposal the labour and other resources necessary to carry out the infrastructure work.

These provisions include in addition a number of measures to promote the full participation of women in rural development programmes, in particular by eliminating the discrimination practised against them with regard to their socio-legal position and access to a number of occupations and services and to training.

The work to follow up the Rome Conference and the implementation of the programme of action are now in the hands of the FAO services. In November 1979 the 20th General Conference adopted a resolution on the follow-up work; projects are under way.

In this context, the World Federation of Agricultural Workers (affiliated to the WCL) stressed that the implementation of the programme of action and the success of future projects for rural development and agricultural reform is very much dependent upon the existence and development of independent rural organizations which are self-reliant and representative, as specified in paragraph 10 of the resolution of the 20th General Conference of the FAO.

It is therefore vital to be able to cooperate on the spot with free organizations of rural workers which benefit fully from the guarantees provided in the ILO Conventions. The ratification and application of these Conventions - above all the three key Conventions, Nos. 87, 98<sup>15</sup> and 141 - by the states will determine the success of the national programmes; only free organizations of rural workers are in a position to assure the necessary participation of the people and provide the social and practical back-up for measures concerning reorganization of systems of land tenure, reparcelling, revision of agricultural leases, etc., without which these reforms can have no lasting effect.

The World Federation of Agricultural Workers points out that in far too many cases rural workers who wish to exercise the rights guaranteed by these fundamental ILO Conventions are persecuted, imprisoned, tortured, or even killed by mercenaries in the pay of the large landowners or by the police.

Consequently, the development projects of the FAO require prior acceptance of the ILO Conventions and regular consultation with the organizations representing rural workers and their associations in carrying out the projects at local level.

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<sup>15</sup> ILO Convention No. 98, adopted in 1949, concerns the right of organization and collective bargaining.

In addition to its indispensable contribution in laying down international standards concerning rural workers, (as illustrated by its Conventions), the International Labour Organization (ILO), which is the only tripartite agency of the United Nations (member countries, trade union organizations and employers' organizations), concentrates its work and programmes in three main areas:

- education of rural workers;
- cooperatives of rural workers;
- participation in rural development<sup>16</sup>.

The ILO provides valuable technical assistance in each of these areas. Mention should be made of the difficulties encountered in financing worker education as distinct from the general activities of technical cooperation; the organizations of rural workers wish, with good reason, to decide on the use of the funds made available to them without the interference of official bodies. This requirement automatically excludes a number of possibilities of non-budgetary financing through the UN. When the worker organizations accept a definite government project, there remain two further difficulties:

- (1) projects for worker education are often too small to interest external financing institutions, which are accustomed to dealing with 'major' plans and large-scale budgets;
- (2) the objectives and aid programmes of UNDP<sup>17</sup> and other international bodies are almost exclusively concerned with economic projects, which are more easily quantifiable, than with projects of a social nature.

#### Practical conclusions for the European Community:

The Community should open up its development policy to management and labour and collaborate to a greater extent in the ILO's action programmes in the developing countries.

Under the First Lomé Convention consultation of management and labour was neglected: a single annual meeting with both sides of industry from the ACP and European states was introduced in 1977 on the initiative of the Joint Committee of the ACP/EEC Consultative Assembly. From 1979 onwards these meetings have taken place in Geneva at the invitation of the ILO. The promised consultation with regard to industrial cooperation has never taken place.

<sup>16</sup>References: ILO, Consultative Committee on Rural Development, (9th session, Geneva, 27/11-6/12/1979): organization and participation of employers and rural workers (Doc. ACRD IX/1979/III).

<sup>17</sup>UNDP: United Nations Development Programme

With regard to agricultural cooperation, there are two neglected areas in which work could usefully be carried out to promote the participation of organizations of rural workers:

- (1) micro-projects (Articles 145 to 149 of Convention of Lomé II): these are programmes to cover small projects making an economic and social impact on the life of people and local communities; the projects are normally located in rural areas (water engineering for local supplies or storage, and also primary schools, training colleges, cooperatives and social centres).

To be eligible for financing, micro-projects must satisfy two conditions:

- a. meet a real priority need at local level;
- b. ensure the active participation of the local community.

The financing is tripartite:

- the community concerned makes a contribution in cash or in kind or through the provision of services adapted to its capacity to contribute;
- the ACP state provides a financial contribution, the use of public equipment or the supply of services;
- the EDF makes a financial contribution of up to 150,000 EUA per project. In principle, the total contribution of the local community and the ACP state should equal that of the EDF.

It should be pointed out also that the financing of micro-projects is subject to the agreement of the ACP states which decide to include the projects in their annual programmes.

Because of an extremely simplified administrative procedure, the Commission delegates in the states concerned are able to play an active part in the assessment and implementation of projects.

The micro-projects carried out under Lomé I, for which 20 million units of account were set aside, proved most successful.

- (2) Cofinancing of NGO projects in developing countries

Among some sixty European NGOs which have been assisted by cofinancing from the EEC budget, there are at most one or two workers' organizations.

Moreover, in the majority of NGO projects there is little or no participation by local sponsors and their organizations.



## IX. FISHING, AN INDUSTRY WITH A FUTURE?

- The fisheries sector is an important weapon in the fight against hunger and malnutrition through the contribution it can make essentially in the form of protein, but also in terms of fats.

Considerable progress may be made in this sector in various ways: an increase, albeit limited, in production of the traditional species is possible, particularly in the Third World, whose fish resources are still inadequately exploited. More development projects and more investment schemes will have to be geared towards fisheries in the developing countries. To this must be added the exploitation of new species whose productive potential is promising. Research has a decisive role to play in this respect.

There is also the possibility of switching the bulk of production of fish for industrial use over to use for human consumption. Lastly, with regard to inland fishing mention must be made of the bright prospects offered by aquaculture.

- In its study 'Agriculture: towards the year 2000' the FAO has devoted a chapter to 'world fishing prospects': it points out that, while there was a dramatic increase between 1960 and 1970 in the production of fish for industrial use (fish oil, fish-meal used for the manufacture of compound feeding-stuffs for cattle), overfishing of the main sources (Peruvian anchovies, North-East Atlantic herring) led between 1970 and 1977 to a fall in growth of 3.2% per annum and of 13% per annum for the developing countries (world production of industrial fish fell from 26 million t to 20.6 million t between 1970 and 1977 and, for the developing countries, from 14.5 million t to 6 million t).

Production of fish for human consumption, however, increased steadily from 31.6 million t in 1960 (of which 13.1 million t for the developing countries) to 44.7 million t in 1970 (21.6 million t for the developing countries) and to 52.9 million t in 1977 (28.2 million t for the developing countries). Thus the annual growth rate was 3.5% between 1960 and 1970 (5.1% for the developing countries) and 2.4% between 1970 and 1977 (3.9% for the developing countries). The FAO has drawn up a table of the present world supplies of fishery products and of estimates of those supplies between 1980 and the year 2000.

Region	Production					Growth rate				
	1963*	1975*	1980	1990	2000	1974-76 1961-65	1980 1974-76	1990 1980	2000 1990	2000 1974-76
	... million t ...					.... annual percentage * ....				
<b>WORLD</b>	47.7	72.5	75.3	84.7	92.5	3.6	0.7	1.2	0.9	1.0
<b>DEVELOPING COUNTRIES</b>	22.8	34.1	37.3	45.6	51.9	3.4	1.8	2.0	1.3	1.7
Latin America	8.9	7.7	7.6	9.0	10.2	-1.2	-0.4	1.7	1.2	1.1
Africa	2.1	3.8	4.1	5.1	6.0	6.1	1.5	2.2	1.8	1.8
Middle East	0.5	0.8	1.0	1.3	1.5	4.3	3.9	2.8	1.9	2.7
Far East	5.3	11.2	12.6	15.6	18.1	6.4	2.4	2.2	1.5	1.9
Centrally planned economy Asian countries	5.9	10.3	11.5	13.8	15.3	4.8	2.1	1.9	1.0	1.6
Other developing countries	0.1	0.3	0.5	0.7	0.7	10.7	8.6	3.8	1.0	3.6
<b>DEVELOPED COUNTRIES</b>	24.9	38.4	38.0	39.1	40.6	3.7	-0.2	0.3	0.4	0.2
North America	4.0	4.1	4.9	6.4	6.9	0.1	3.7	2.7	0.9	2.1
Western Europe	8.9	11.5	11.7	12.5	12.9	2.3	0.1	0.7	0.3	0.4
EEC	4.2	5.3	5.2	5.3	5.5	2.0	-0.4	0.1	0.4	0.1
Other Western European countries	4.7	6.2	6.5	7.2	7.4	2.3	1.0	1.1	0.3	0.7
Eastern Europe and USSR	4.6	11.3	10.6	9.7	10.0	7.7	-1.3	-0.8	0.3	-0.5
Oceania	0.1	0.2	0.3	0.4	0.6	3.8	8.7	4.8	4.1	5.3
Other developed countries	7.2	11.3	10.6	10.1	10.2	3.8	-1.3	-0.5	0.1	-0.4

1963\* = mean 1961/65  
1975\* = mean 1974/76

\* Average growth percentages for a given period or year compared with the preceding period or year.

The low estimated growth is attributable to the fact that traditional sea-water fish account for three quarters of the total production of live aquatic organisms and the scope for increasing catches of such fish is minimal.

Moreover, the overfishing by a number of highly equipped industrial countries that has been taking place for many years hardly enables any further progress to be made here.

The estimated growth rate for the developing countries after 1980 makes a reduction in supplies per inhabitant likely, in view of population growth, unless present trends are reversed.

It should further be noted that fish breeding on average accounts (currently) for only 6% of world production.

- Some experts agree that improvements in fishing techniques and the search for and expansion of new resources will make it possible to increase annual world production from 75 million to 125 million t over the next 30 years.

This forecast is not over-optimistic if an effort is made to exploit as a matter of priority all the possibilities available for developing fishing and fish farming in the developing countries.

In addition, immediate progress can be made by means of a systematic fight against waste (e.g. shrimp fishermen making use of secondary catches of fish) and by reducing post-catch losses by using appropriate preservation or processing systems.

The FAO estimates that nearly 20% of saltwater and freshwater catches never reaches the consumer. Most of these losses occur in the developing countries as a result of poor handling and inadequate preserving systems. The latter must be reasonably priced :  
<sup>18</sup>'appertisation', which is too expensive, cannot replace traditional systems such as drying, smoking or salting. These operations give rise to considerable losses, the dried or smoked fish being attacked by insects or infested with larvae. Other methods may be developed (fermentation).

What possibilities exist, however, for developing new resources?

- For a number of years now there has been a lot of talk of exploiting krill, a small crustacean resembling a shrimp, which is found in profusion in the Antarctic.

Potential krill production could amount to 50 million t per annum. A start has recently been made on exploiting this new resource (in Japan), but the FAO studies points out that this complex product is still too expensive compared with other forms of animal protein.

- There are also the meso-pelagic species, small bony fish commonly found in all seas: they could be caught without any particular difficulty off the coast of most maritime developing countries and could make a valuable contribution in the food deficit countries. Research is still necessary to find cheap, adapted methods for processing and marketing these species. Initially, it will be necessary to make do with the low-cost processing of meso-pelagic fish into meal for animal feed.

<sup>18</sup> Appertisation: process for preserving perishable goods, named after Appert, the man who invented it, and consisting of sterilization by heat in hermetically sealed containers.

- Lastly, in the Southern seas, Cephalopods (squid, cuttlefish and octopus) are hardly fished for at all as people do not regard them as edible. Unlike the other two sources, Cephalopods can be caught using traditional or non-industrial fishing techniques and it would cost little to increase catches in this sector fourfold.
- In the immediate future, however, in order to meet the nutritional requirements of most rural areas in the Third World significant improvements can hardly be expected from saltwater fishing until long-term research and development programmes have borne fruit and heavy investment has been made in fitting out national fishing fleets, low-cost on-the-spot processing of catches, preserving them and transporting them to inland regions.

This is why it is necessary to go over to freshwater fishing and in particular to fish-farming.

Per capita consumption has declined in a number of developing countries supplied from plain fishing.

Admittedly, the construction of dams and irrigation works has had a harmful effect on the environment and in many cases led to the salting up of rivers and dangerously reduced fish reserves.

The development of fish farming, however, not only makes it possible to make up for the losses caused by these disturbances but also, and above all, to raise the food production of small-scale farmers.

In a work already referred to, Professor J.P. Harroy places great hope in the self-reliance aspect of fish-farming: a number of peasant farmers get together to erect an earth dam across a stream and place in the centre a concrete block allowing the water to pass at an adjustable height by means of inserting planks in grooves.

External technical assistance must make available to peasant farmers centres supplying stocks of young fish to provide nearby lakes with fertilized eggs of small fish of various species (herbivorous, algophagous, biting, planktivorous, etc.), together forming a high-yield partnership.

Fish-farming must be combined with the rearing of certain animals, each benefiting from the others' waste products.

Professor Harroy concluded that the result could be astounding. A half-acre lake is as valuable to a family as one head of cattle. On average, the yield per hectare is more than a tonne of fish per annum, and is as much as 4 tonnes in very favourable cases<sup>19</sup>.

<sup>19</sup> J.P. Harroy in 'Demain la famine ou la conspiration du silence' (Tomorrow famine or the conspiracy of silence) Brussels 1979, see Chapter on fishing, p.83 et seq., in which the author notes that the enormous progress made in fishing, with a few rare exceptions (certain coastal communities practising non-industrial fishing), benefits only the modern sector in the developing countries.

Production costs, excluding initial investments, are relatively modest in the developing countries, where livestock breeding provides on-the-spot waste products as fertilizers. Costs are not at all comparable with those of trout nurseries in Europe: the FAO puts the cost of producing tilapia in Africa at US \$350 per tonne.

The Third United Nations Conference on the Law of the Sea which has been in progress since the end of 1973 has semi-officially laid down exclusive economic zones (EEZ) extending for 200 sea-miles ( a little more than 370 km) in which the coastal State has sovereign rights to exploit marine resources and therefore the right to ban access to foreign fishing-boats.

But almost all the conventional living resources of the sea are to be found within these 200-mile zones. Some fish of the tuna family are found outside these zones, as are whales and krill. The EEZ therefore give a large number of developing countries, notably those on the West African coast, very considerable opportunities for the development of fishing in rich areas which have hardly been exploited, except by foreign ships (particularly those of Russia and eastern countries).

The development of these fishing industries, a long-term undertaking, will be subject not only to the construction or expansion of harbour facilities and communications and to the acquisition of new boats or the improvement of existing vessels (i.e. by fitting motors) but also, and at the same time, to the creation of good marketing and transport opportunities (the right prices and markets abroad and in the country).

To help interested countries to exercise their new sovereignty effectively, the Director-General of the FAO drew up in 1979 a 'Global programme of assistance for coastal developing States for the management and development of fishing in exclusive economic zones, or the 'EEZ Programme of the FAO'<sup>20</sup>.

This programme comprises short and medium-term assistance activities in the following sectors:

<sup>20</sup> See the FAO publication on world fishing and the Law of the Sea: the new legal régime presents a challenge to the development and management of fishing (1979)

- organisation of inter-disciplinary missions to aid the coastal developing countries to define the situation of their fisheries and assess their potential. These missions may also collaborate in the drawing up of policies for the management of marine resources and fishery development programmes;
- studies on fish stocks and scientific assistance;
- legal assistance on questions concerning the enforcement of the new Law of the Sea and negotiations for the signature of bilateral agreements;
- marketing information services to help developing countries to organise their exports;
- aids for improving infrastructures for marketing and sales;
- participation in the training of qualified fishery administrators and organisers by sending out specialists and also by organising national or regional training courses;
- encouragement of regional cooperation for developing countries. This cooperation is recommended for the joint management of highly migratory species such as tuna fish and the allocation of quotas between countries of the same region. Such cooperation may also be required in a more sensitive area: that of access for land-locked developing countries to EEZ in order to fish an appropriate share of surplus stocks as agreed in bilateral agreements. But it could also be limited to the transport by refrigerated waggons of fish caught in coastal regions to the land-locked countries.

For its 'EEZ programme' the FAO will need considerable financial support, both bilateral and multilateral: it has put the amount required at US \$40 million for the next three years, and assesses the net investment requirement for the next 20 years at US \$3,000 million. The EEC has been invited to take part in the FAO financing programme.

Under the Treaty of Rome the European Community is solely competent for external relations regarding fishery: it is on this basis that it is negotiating and signing agreements with a number of countries, including developing countries (Senegal, Guinea-Bissau, Mauritania, Tunisia, the Cape Verde Islands, Mauritius, the Seychelles, etc.).

The new Lomé Convention, which links the EEC with about 60 African, Caribbean and Pacific countries, is much more explicit about fishing than the first Convention: indeed the 'joint declaration on maritime fishing' (Annex XVIII) provides for bilateral fishing agreements in favour of all boats flying the flag of an EEC country, without discrimination, and for the granting of reciprocal arrangements in

support of the development of the fishing industry in the ACP State concerned, quite distinct from grants for fishing projects in the framework of financial and technical cooperation (EDF).

These arrangements represent financial compensation for the absence of reciprocal fishing rights for the developing countries and are divided between payment for fishing licences by each European shipowner and a global payment by the EEC.

To this may be added other conditions such as the obligation on shipowners holding such licences to land a part of their catch in the coastal State (for the local population or for the national processing industry), or to employ nationals of the ACP State in their crews (giving them work and professional training).

The joint declaration also provides for cooperation between the EEC and the ACP on a regional basis to guarantee the conservation of marine resources including highly migratory species and to promote the objective of their optimal exploitation (regional management of stocks of tuna fish).

The Community intends to extend the broad lines of this policy of cooperation on maritime fishing to all interested developing countries. Annex XXI of the new Convention - the joint declaration on the origin of marine products - deals with access to Community markets for such products caught in the zones coming under the jurisdiction of the ACP and in particular for the products processed from the obligatory landings provided for in the bilateral agreements.

Mr Derek A. ENRIGHT has compiled two excellent reports, drawn up on behalf of the European Parliament, on the signature of the first two bilateral fishing agreements: one on the EEC/Senegal agreement (Doc. 1-466/79) adopted by Parliament at its October 1979 part-session and one on the EEC/Guinea-Bissau agreement (Doc. 1-835/79) adopted at the March 1980 part-session.

In each of these documents the rapporteur stresses the impact which increased cooperation in fishing could have on the precarious food situation of the ACP countries. He refers to the importance of training: the agreements provide for the granting by the EEC of study grants for nationals of Senegal and Guinea-Bissau. Mr ENRIGHT speaks of a Community training centre which would meet not only our needs but also those of the developing countries capable of making a living from fishing if they had the means to exploit their potential.

Mr ENRIGHT has revived the idea of transforming our declining fishing industries through regional development operations in the third world where maritime resources are under-exploited. With this in mind the Community could give greater encouragement to the creation of 'joint ventures' which would guarantee the progressive transfer of technology.

One main reason in favour of the development of local fishing is the increasing cost of maritime transport: it should be stressed that the most likely European partner for such 'joint ventures' is not the large shipowner but the small skipper with a crew of two or three, whose techniques will be readily mastered by the developing countries: there is a regrettable absence of proper incentives for our small fishermen whose experience and equipment may remain unused and disappear in due course.

Moreover, they could play an active role in training which must be carried out in mixed crews on board ship and not in schools in Europe.

The developing countries already have excellent fishermen and the aim is to develop the traditional pirogue fishing into small-scale fishing with European-type equipment, which would considerably increase the fishermen's range.

There is very little time for carrying out these 'joint ventures'.

In conclusion, we note that, apart from some rare exceptions, the effect of the bilateral fishing agreements with the coastal developing countries will seem small to Europeans: in fact, of a total yearly catch of 4,900,000 tonnes (less than half the Russian or Japanese figures), the Member States of the EEC take only 80,000 tonnes in waters off developing countries, of which 50,000 tonnes are deep-sea fish<sup>21</sup> (inside the EEZ) and 30,000 tonnes are of the tuna family (outside the EEZ), which represents 1.6% of the total. On the other hand, only the conversion of certain of our small-scale fishing fleets which have become inactive and an increase in joint ventures well-adapted to local means and guaranteeing the gradual training of national crews will be likely to lend substance to these agreements.

<sup>21</sup> e.g. cod, whiting, grouper and flat fish.



As for technical and financial cooperation in the framework of the European Development Fund we have seen a welcome development: whereas the first three EDFs (1960-75) provided financing for only one fishing project in internal waters and a small number of infrastructure projects for maritime fishing, the Fourth EDF (Lomé I) has made provisions for a much larger number of projects in this sector.

The NGO are also providing valuable support in projects which are more restricted but no less effective (aquaculture, formation of fishermen's cooperatives, etc.).

As regards the security of food supplies, the EEC will without doubt favour direct-impact projects such as fish farming (fish is a food which is greatly appreciated by people in the interior of Africa). At the same time it will not neglect larger-scale maritime fishing projects, as long as a balance is assured between local market supplies of cheap fish and the exporting of expensive species to the industrialized countries (crustaceans, choice deep-sea fish). In the modernization of pirogue fishing by the introduction of nylon nets and the motorisation of vessels account will be taken of energy problems.

Finally the EEC will try to coordinate its fishing development activities with those of the FAO and to cooperate in the realisation of the 'EEZ Programme'.

X. COMMUNITY INSTRUMENTS FOR AN AGRICULTURAL AND RURAL DEVELOPMENT  
POLICY IN THE THIRD WORLD

The European Community has gradually acquired a fairly comprehensive series of cooperation instruments<sup>22</sup> :

1. global instruments :

- beginning with its commercial policy favouring the access of products from the developing countries to its market and the implementation since 1971 of a system of generalized tariff preferences as well as aid to trade promotion in the developing countries :
- food aid in existence since 1968 within the framework of the International Wheat Agreement concluded at the end of the Kennedy Round: food aid, which was initially limited to cereals, has been extended since 1970 to include milk powder, butteroil and sugar;
- financial and technical aid to non-associated developing countries which began only at the end of 1976;
- co-financing with the non-governmental organizations (NGO) concerned with development in the developing countries.

2. regional instruments:

these consist mainly of association agreements:

- with the countries of black Africa:
  - a series of five-year conventions linking the EEC first of all with 18 African countries and Madagascar (Yaoundé I, 1964-1969, and Yaoundé II, 1971-1975), later widened to include the English-speaking African countries and a number of islands in the Caribbean and Pacific (Lomé I, 1975-1979, Lomé II, 1980-1984) :
- with countries to the south of the Mediterranean:
  - agreements for an unlimited period with the Maghreb countries (Morocco, Algeria, Tunisia) in 1976, with the Mashreq countries (Egypt, Lebanon, Syria and Jordan) in 1977 and with Israel (agreement came into force in 1975 and was supplemented in 1977).

Among the global instruments we shall examine:

- (a) - the evolution of the food aid policy towards promotion of agricultural and rural development;
- (b) - the importance of rural development in financial and technical assistance to non-associated developing countries;
- (c) - the specific role of the NGO's in rural development.

<sup>22</sup> In this section use has been made of the basic information contained in the following official publications of the Commission of the European Communities:

- 'the European Community and the Third World', September 1977 (Publications Office, No. CI-22-77-524-FR-C)
- 'Europe - Third World: Rural Development', July 1979 (Publications Office, No. CC-NA-79-DO5-FR-C)

We shall limit our consideration of regional instruments to the 'Lomé policy' and agricultural cooperation.

1. The evolution of food aid policy towards promotion of rural development

Leaving aside the whole matter of emergency aid (following natural catastrophes or war) this section will only deal with the normal food aid programmes which try each year to meet chronic food deficits and to ensure better supplies for countries which do not succeed in coping with their increasing needs. This type of aid is available to all the developing countries, without distinction, as long as the applicant countries meet the following three criteria:

- the need for substantial food supplies which are not covered by imports or by any bilateral or international assistance;
- a low per capita income, that is, the developing countries which have a gross national product which is below or equal to US\$520 per head and per year (amount fixed by the IDA and used at present by the Commission);
- an adverse balance of payments situation according to the information given by the IMF.

Our African partners in the Lomé II Convention have rightly said that EEC food aid must be 'a temporary measure' and that 'the ultimate aim of ACP States is to become self-sufficient in food production': in Article 89 of the new Convention, they have therefore had officially stated the need to seek better ways of combining unilateral EEC food aid measures and financial and technical cooperation managed jointly by the ACP countries and the EEC.

Although the specific nature of food aid, which makes available sums of money comparable to those from the European Development Fund, prevents it from being completely integrated in our technical and financial cooperation policies, it must nevertheless be closely coordinated with our cooperation instruments and used in line with the objectives defined by the recipient countries and, in the very near future, brought within the framework of these policies.

This is an important objective which should lead us radically to modify the present food aid policy, even if the pessimistic estimates of the FAO bring us rather to step up traditional EEC food aid in the short term: its document 'Agriculture: Toward 2000' (p. 230) stresses the 'continuing and expanding need for food aid imports, by the least-favoured developing countries) additional to emergency aid', taking into account the fact that this need for imports 'may be enlarged if policies seek to abolish hunger by measures of income redistribution'. It concludes: 'the view that food aid is a transitional phenomenon

should be abandoned at least for the remainder of this century unless quite unexpected developments come about'.

One of these unexpected developments could, for example, be the attainment of the objective of allocating 0.7% of GNP to official development assistance by the EEC Member States, as they have on repeated occasions undertaken to do.

The European Parliament's reports on food aid programmes, in particular the AIGNER report of January 1978, all stress the need to situate our food aid policy - independently of the periodic existence of agricultural surpluses - within the framework of a long-term development strategy: it is becoming increasingly necessary to integrate regular food aid within our development programmes and this will be helped if the Community agrees to give multi-annual undertakings and if the administration of this aid is improved, for example by granting a wider decision-making powers to the Commission and by strengthening the notoriously inadequate departments in DG VIII.

On 26 February 1980 in Arusha, Mr CHEYSSON said that at no time has the Council of Ministers authorized the Commission to give our partners in the developing countries multi-annual undertakings on supplies of foodstuffs: 'these multi-annual guarantees are essential to enable our partners to integrate these supplies, under the heading of foreign exchange, within their planning and programmes for domestic foodstuffs and agricultural development'.

Too often in the past traditional food aid supplies have had the effect of discouraging the organization of the domestic market and the spirit of initiative in the agricultural sector and, ultimately, of putting a check on the deployment of the developing countries own capacities.

In the work cited above, Professor HARROY speaks of the vagrancy and apathy which the distribution of food tends to encourage.

Another negative aspect of food aid pointed out by Sophie BESSIS<sup>23</sup> is that of changing the consumption habits of those to whom aid is given and creating new needs which can initially only be satisfied by imports and subsequently by the introduction of new western-type crops.

<sup>23</sup> Sophie BESSIS in 'L'arme alimentaire', (the food weapon), September 1979, éditions Maspero, Paris (see Chapter 7: food aid to the Third World, page 190 ff.)

She notes in this connection that 'exports of wheat and wheat flour, which make up the greater part of food aid, accustom people in the developing countries to this cereal and open the way for commercial exports. Throughout almost all the Third World bread made from wheat is part of the basic diet of urban populations who have always been the first to benefit from rations distributed as part of food aid; in Africa, it is coming increasingly to replace the millet loaf or the cassava roll'. The growing of wheat has thus come to take an increasingly important place in the agriculture of many developing countries. 'The importance it has assumed, due in part to habits acquired through the granting of food aid, enables the developed countries subsequently to introduce all the industrial production factors (techniques, fertiliser, pesticides, agricultural machinery, etc.,) necessary for this crop. Food aid is the first link in the chain of this process which progressively leads agriculture in the developing countries to adopt the production and consumption patterns of the contributing countries'.

For this reason, food aid must aim to make the recipient developing countries independent, fostering the development within the country of food products suited to the needs of the people. Food aid will come increasingly to be integrated in development strategies: encouragement will be given to the 'food-for-work' rural development projects under which aid in the form of food rations is used to pay the workforce employed, or to the triangular operations under which the EEC buys foodstuffs in a neighbouring region to the one which requires aid, so fostering trade between regions in the developing countries. There remains food aid used for establishing buffer stocks. There is also the possibility of using counterpart funds: EEC food aid in the form of gifts, the transport of which is arranged by the EEC, is sold on the local market and the profits help to fund a rural development project: in order to be effective, this presupposes that the recipient developing country has prepared a development plan and that the EEC genuinely participates in it. A perfect example of the inclusion of a food aid measure within a full-scale rural development programme is the participation of the EEC in the Milk Flood I and II operations launched by the Indian government in 1970 and 1977<sup>24</sup>: wishing both to increase production capacity in its dairy industry and to improve the supply of milk products to its large towns, India asked the EEC to supplement the present deficiencies in its milk production. At the outset, therefore,

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See the report by Mr AIGNER on the communication from the Commission of the EEC to the Council on the supply of food aid in the form of skimmed-milk powder and butteroil to India for the second Phase of 'Operation Flood' (January 1978-Doc. 461/77)

the Community provided it with large quantities of skimmed-milk powder and butter oil, intended to be recombined by its domestic industries into milk for consumption. The EEC undertook to provide regular annual supplies, which however decreased as domestic production rose.

This is the kind of operation which could successfully be applied to a number of developing countries where cattle rearing predominates.

One of the conclusions to be drawn from our analysis is the imperative need for the European Community, if it is to make one of its most important forms of intervention work to the full, to acquire the resources permitting it in the future systematically to launch multi-annual food aid programmes in close coordination with rural development projects.

2. The importance of rural development in financial and technical assistance to non-associated developing countries

Financial and technical aid to non-associated developing countries is one of the essential instruments of our overall development cooperation policy: it is here that the major improvements to our present Community policy must be made, together with a considerable increase in the volume of aid in line with the aim discussed in section I of this report of allocating 0.7% of GNP to ODA.

The European Parliament will soon have to draw up a wide-ranging own-initiative report on the future of financial and technical aid to non-associated developing countries: if there is one objective that the Committee on Development and Cooperation of the directly-elected EP must set itself over the next five years, it is that of channelling the greater part of the increase in European official aid supplied through the Community towards this high-priority section but without upsetting the normal development of our relations with the ACP countries.

It was only in 1974 that, on a proposal from the Commission, and in the light of the positive results achieved with the first three EDF's that the Council of Ministers decided to extend financial and technical aid to non-associated countries.

Aid programmes only began in 1976 when a total of 20 million units of account was made available. This amount rose in 1977 to 45 million u.a. and in 1978 to 70 million EUA<sup>25</sup>, reaching 133.62 million EUA in 1979.

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In 1976 and 1977 the unit of account used had a fixed exchange rate (US\$1.25 and 1.12 respectively) but since 1978 the European Unit of Account, which is determined on the basis of a basket of Member States currencies and has a floating rate of exchange, has been in use.

These amounts were obtained by the European Parliament after a long budgetary battle which is by no means over yet! It will be remembered that in 1975, in the face of a Council which could not agree on a financial regulation, the European Parliament used its margin of manoeuvre to make provision for an entry in the 1976 budget of the first appropriation of 20 million u.a.

For the 1980 budget, the Commission proposed an appropriation of 147.1 million EUA, the Council only retained 116 million EUA, and the European Parliament reintroduced the Commission's initial proposals which were already considered to be the minimum possible given the agreed objective of 200m EUA for 1980. Over the next few years the budget must give priority to this sector, in order to fill, or at least progressively to diminish, the gap which separates the non-associated developing countries from the privileged treatment granted to the ACP whose population is less than 1/5th of that of the non-associated developing countries.

The European Parliament and the Council still disagree on the management of this aid to the non-associated countries: the Council wishes to retain the last word on this matter when the Commission programmes do not gain the consent of the Committee responsible for assisting the executive, which includes experts from the Member States.

The European Parliament, on the other hand, wishes the Commission to retain full responsibility for management decisions, pursuant to Article 205 of the Treaty of Rome which states that 'the Commission shall implement the budget ... on its own responsibility and within the limits of the appropriations.'

Financial and technical help to non-associated developing countries goes mainly to the poorest countries of Asia (75% of aid) and Latin-America (20%) and, within these countries, to the most needy rural populations: more than 95% of the appropriations have been reserved for the rural sector and for agriculture<sup>26</sup>. Since 1978 such aid has also been granted to two African countries (5% of all aid) - Angola and Mozambique - pending their accession to the Lomé II Convention.

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<sup>26</sup> The final part of this section is based on two communications from the EEC Commission of 8 October 1979:

- 'Progress report on the administration of the programmes of technical and financial assistance to non-associated developing countries for 1976, 1977 and 1978' - Doc. COM(79) 518 final;
- 'Financial and technical assistance to non-associated developing countries. General guidelines for the 1980 programme' Doc. COM(79) 519 final.

According to the principles underlying the Community's previous programmes the bulk of aid must be allocated to rural development with particular stress on improving supplies of foodstuffs. Only a minor amount may be allocated to 'regional' projects (such as aid to regional integration organizations covering a number of developing countries), projects for research into agriculture and food, but also projects outside the agricultural sector.

Since 1978 a very small part of this aid has been set aside for measures to cope with exceptional situations, such as reconstruction projects following disasters (earthquakes, cyclones, war). The breakdown BY SECTOR of the various projects is as follows:

Sector	1976		1977		1978 <sup>1</sup>		Total <sup>2</sup>
	mua	%	mua	%	mEUA	%	%
- Integrated rural development	7.0	35.0	5.8	12.9	17.8	27.2	23.4
- Storage infrastructure	0.0	0.0	14.8	32.9	15.5	23.7	23.2
- Irrigation and improvements to water supply	7.5	37.5	9.0	20.0	8.7	13.3	19.5
- Other rural projects	2.0	10.0	3.8	8.5	3.4	5.2	7.1
- Fisheries and processing of fish	0.0	0.0	2.9	6.4	3.0	4.6	4.5
- Agricultural research	2.0	10.0	6.4	14.2	3.4	5.1	9.0
- Studies and technical assistance for:							
(1) the rural sector	1.5	7.5	2.1	4.7	8.3	12.7	9.1
(2) other sectors	0.0	0.0	0.0	0.0	2.9	4.4	2.2
- Reconstruction following natural disasters	0.0	0.0	0.0	0.0	2.0	3.1	1.5
- Direct administrative costs <sup>3</sup>	0.0	0.0	0.2	0.4	0.6	0.9	0.6
<b>TOTAL</b>	<b>20.0</b>	<b>100.0</b>	<b>45.0</b>	<b>100.0</b>	<b>65.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Not including a total of 4.5 mEUA, not yet allocated.

<sup>2</sup> Approximate percentage only.

<sup>3</sup> Expenditure covering the short-term recruitment of experts from outside the Commission who become involved at a given moment in the appraisal or implementation of a project.



These three sectors where aid is concentrated (66% of the total) are:

- integrated rural development projects

which are among the most complex programmes and which take the longest to prepare and implement;

- improvements to cereal storage plants

(given that average losses after harvesting are as high as 10% or 15% of annual production, and as much as 20% in some of the poorest developing countries, it is easy to understand why priority must be given to the construction of silos and warehouses, beginning in the villages. It was this consideration that prompted the EEC to play an active part in the Indian Government's big 'Save grain campaign', through two allocations under the 1977 budget for grain storage, totalling respectively 6.4 and 5.6 mua, and by an allocation under the 1978 budget for the organization of storage cooperatives totalling 15.4 mua. India has since considerably increased its storage capacities, so much so that it has become an exporter of cereals);

- the construction of wells and irrigation and drainage works

(Irrigation, involving both the creation of new irrigated areas and the maintenance or renovation of existing areas, is one of the major pre-conditions for an increase in agricultural production. Irrigation is very often a difficult operation, closely bound up with a number of other factors, such as the re-parcelling of land and the organization of farmers for the upkeep of jointly-used installations. Irrigation also brings changes in crops and methods: it can only succeed with cooperation from those principally concerned).

The EEC has committed itself to large-scale irrigation projects spread over a number of years in Pakistan (in 1976, 3 mua and in 1977, 4 mua) and in Bangladesh (in 1976, 2.5 mua and in 1977, 5 mua) plus an irrigation project to combat flooding in the Vientiane plain in Laos (in 1978, 2 mua).

To this must be added the contribution to agriculture of technical assistance, studies and research (18% of the total):

- technical assistance, involving the sending of teams of experts, is designed to enable the developing countries, in particular the poorest among them, to establish coherent rural development programmes and to draw up projects which can be financed and implemented rapidly. The Commission proposes in the future to increase its contribution in the sector of technical assistance, in order to give the recipient developing countries a wider choice of 'good projects' for external financing;

- agricultural research has also been encouraged : in particular the EEC has participated in seven projects jointly financed with the CGIAR (Consultative Group on International Agricultural Research).

To conclude this chapter, financial and technical assistance to non-associated developing countries must be substantially increased and improved during the next few years.

- The cooperation agreement between the EEC and ASEAN<sup>27</sup>, signed on 30 November 1979 and approved by the Council on 18 December 1979, is the first agreement with a group of non-associated developing countries which has an article on development, under which the European Community undertakes to cooperate with ASEAN to foster the independence, the economic self-sufficiency and the social wellbeing of this region.

The EEC will therefore be called upon to cooperate more closely with ASEAN in the realization of projects concerning food production, food supplies and development.

Between 1976 and 1979, EEC aid to the ASEAN countries, within the framework of aid to non-associated developing countries, increased more than ten-fold, and we can expect to see more regional projects for ASEAN : two studies were planned in 1978 by the EEC for a regional centre for research and training in respect of post-harvesting operations and another on wood, and in 1979 a regional development project on fish farming was adopted.

Since September 1979, the Commission has had a Delegation in Bangkok, which allows it to keep close links with ASEAN.

- Other cooperation agreements with groups of non-associated developing countries should be established along these lines (the Andean Pact Group, the Central American common market ..... with which the EEC has only collaborated on a number of very minor projects).

However, such cooperation agreements can only become operational if a minimum of finance is made available at the outset. This, moreover, is one reason for going beyond the ceiling of 1% of VAT.

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ASEAN, or the Association of South-East Asian Nations, was set up in Bangkok on 8 August 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand, in order to stimulate the economic growth, social progress and cultural development of the region, and to promote peace and stability in the region and active cooperation and mutual assistance in matters of common interest. Through regional cooperation, ASEAN shows its permanent desire for independence and security in the face of external intervention. Reference : 'ASEAN and the European Community', in Europe information 'External relations' (No. 27/79 - December 1979, Spokesman's Group for the Commission.

- Provision should be made for Commission Delegations, like those opened in most of the ACP countries, in the most important non-associated developing countries; the presence of a Delegation facilitates relations between the EEC and the national governments of the recipient countries, and the drawing up of common management procedures for each project, which eliminate many of the administrative difficulties or misunderstandings on the spot and ultimately help to shorten the very long period taken to implement projects.
- One characteristic of aid to non-associated developing countries is that more than half the projects under the first three programmes were co-financed either with international bodies such as the Asian Development Bank, the Inter-American Development Bank, the World Bank and the CGIAR, or with the Member States.

Looking at the 1976, 1977 and 1978 programmes, 34 projects were co-financed out of a total of 64, and of these only three projects were directly co-financed with the Member States, and two indirectly (through the intermediary of an international body).

In 1979 provision was made for five projects co-financed with the Member States, but these only represented a little more than 9% of the total appropriations entered for this programme.

An effort must be made to extend this practical cooperation between the EEC and the Member States, instead of just continuing to make the traditional recommendations, which unfortunately are never followed up, on the coordination and harmonization of the development policies of the Member States.

- Finally, the annual nature of aid programmes compels the services of the Commission to pack the work of planning, identifying and appraising the various projects, as well as the financial commitment, into the space of one year.

In most cases the priority given to rural development implies a long implementation period for projects, with the exception of some jointly-financed programmes where the EEC participates in a project which was clearly defined at the outset, or where the Community entrusts the management of its contributions to a specialized body such as the CGIAR after drawing up precise research programmes.

But this remains exceptional, and the Commission services responsible for organizing and managing aid to non-associated developing countries must be supplemented, in order to be able to speed up the implementation of projects which has been excessively slow until now.

The administrative procedures could certainly be simplified and Member States should refrain from interfering in the actual management of aid so as to avoid any risks of a return to the practices of bilateralism and 'tied aid'.

Particular attention should be given to the question of the financing of local costs. According to traditional practice, international aid is granted only with regard to foreign exchange costs, but the poorest developing countries find it difficult to meet the cost of a certain amount of local expenditure (ancillary equipment, maintenance, repairs, etc.).

The inability to cover all or part of these local costs often prevents the developing countries from making the most profitable use of the funds which they receive.

### 3. The specific role of NGOs in rural development

#### a. The history of cofinancing

In 1975 Mr BERSANI and Mr DESCHAMPS defended the proposal to insert a new budgetary heading with appropriations totalling 4 million u.a. for NGOs and the cofinancing of their projects in the developing countries before the European Parliament's Committee on Development.

A number of Member States were already cooperating with NGOs in a variety of ways ranging from the financing of entire projects in the case of Denmark to cofinancing schemes limited to certain countries (former overseas territories) in the case of France.

The Commission of the European Communities was at last authorized to cofinance micro-projects carried out by NGOs based in the nine Member States in associated and non-associated developing countries. However, the appropriations actually granted were much smaller than the sums originally proposed: 2.5 million units of account (u.a.) in 1976, 4 m u.a. in 1977 and 12 million EUA in 1978. In 1979 they remained at 12 million EUA despite the European Parliament's proposal that they be raised to 15 million EUA.

Cofinancing allows the Community to cover up to 50% of the total expenditure on a project subject to a ceiling of 100,000 EUA per project per year. Since 1978 the Community has also considered multi-annual projects extending over 3 years where its contribution is limited to a maximum of 300,000 EUA per project. In 1979 the Community spent 11,947,669 EUA subsidising 152 projects put forward by 61 NGOs and involving 63 developing countries, 49% in Africa, 28% in Latin America and the Caribbean and 23% in Asia. About half of these projects were in rural areas and included a broad range of activities : increased food production, fish farming, village water supply, storage facilities and agricultural workshops, creation of cooperatives and supporting social measures.

Under the terms of the cofinancing scheme, projects submitted by NGOs must be carried out in close cooperation with the local population and must also have been approved by the authorities of the recipient developing country<sup>28</sup>.

<sup>28</sup> See the 'Information report from the Commission to the Council and the European Parliament on relations with Non-Governmental Organizations (NGOs) active in the field of development, with special reference to the cofinancing of projects - Financial year 1979', Doc. COM(80) 98 final of 10 March 1980.

b. The unique role of the NGOs and an evaluation of their activities

We must lay stress here on the unique role of the NGOs in our development policy. Their very wide freedom of action and ability to adjust to local conditions allows them to meet many of the needs of the populations of the developing countries which the major official projects can hardly cover. We are forced to admit that the limited resources and lack of any notion of prestige are the reasons behind the success of most NGO programmes. It would be useful to coordinate more closely some of the programmes financed by the EDF and complementary NGO projects: it would appear that the complementary nature of activities has not been sufficiently exploited in the past : in projects involving major works (dams, etc.) the NGOs would be better able to create the necessary structures that will allow local communities to benefit or adjust their way of life accordingly.

One cannot but welcome the decision taken at the end of 1979 to set up joint EDF-NGO evaluation teams to carry out joint assessments of the results of their respective micro-projects.

The initial conclusions of these evaluations as set out in the preliminary report presented at the VIth Annual Assembly of NGOs in March 1980 held at the Commission's offices in Brussels reveal a number of positive features :

- from the practical point of view, the projects were carried out as planned;
- they had a direct effect in terms of satisfying real needs (food, health);
- they were very much geared towards training the local population (farmers, young people, women).

However, three negative aspects also emerged:

- aid often tends to be paternalistic; there are few cases where the local population really participates in designing and carrying out projects;
- aid is seen as a gift and the recipients as a privileged group (or helps to create a 'dependant' mentality);
- aid is not consistent as the various multilateral, bilateral and NGO projects in the same area are based on widely differing approaches and are totally uncoordinated.

Those responsible for the European NGOs are increasingly aware that, particularly in rural areas, their projects should not help to reinforce unjust social structures but that they must encourage the establishment of local NGOs and communal action groups thus helping the rural population concerned to take control and become directly responsible for their own development.

c. The development of NGOs and educating European public opinion in development matters

The future success of the NGOs depends partly on their ability to build up a stronger network of collaborators in the developing countries as it is the latter who will ultimately have to take over the real development work and unleash the latent energies of the people of these countries.

Positive moves in this direction will undoubtedly lead the European NGOs to reduce their presence in the developing country and, at the same time, to concentrate on programmes to make European public opinion more aware and better informed about development and to combat prejudices and the resurgence of 'cartierist' tendencies.

In 1979 the Commission earmarked 200,000 EUA from the appropriations for NGOs for educational programmes on development.

Instead of being paid from the modest budget for NGO projects these educational activities should perhaps be covered by the Kreyssig Fund (managed by the Commission's Directorate-General for Information, DG X).

Educational projects on development vary considerably, ranging from information and publicity campaigns in educational establishments and youth organizations to comprehensive training programmes.

However, those few efforts which the NGOs have made to work with socio-economic groups in the various Member States of the Community are of quite a different kind as such projects may lead to new forms of cooperation.

Take, for example, the dialogue begun in 1978 between representatives of the Catholic and Protestant Churches and the German Farmers' Federation (Deutscher Bauernverband) on the links between national agricultural policy and development policy.

In the course of the dialogue a number of conflicts of interest were identified, particularly the problems raised by the animal feeds market. In 1978 the Federal Republic of Germany imported 7,458,305 tonnes of animal feeds, more than 51% of which came from developing countries.

These cheap imports encourage livestock production and thus lead to surpluses (e.g. milk and butter). They are substituted for local, more expensive feeds and ultimately make livestock production independent of pastures and local fodder production. The ultimate solution then becomes an industrial production unit located near a port. In developing countries the large-scale production of animal feeds encourages a system of monocultures exclusively for export at the expense of small farmers and the self-sufficiency in foodstuffs of rural areas.

There are therefore two sets of choices :

1. for German agriculture :

- either to encourage the spread of a system of industrial livestock production which is not reliant on pastures and indigenous fodder, thus profoundly changing rural structures and encouraging over-production;
- or to protect a system of animal husbandry based on pastures and locally-grown fodder, thus taking into account environmental requirements and the need to safeguard rural structures.

2. for the agriculture of the developing countries :

- either to give priority to the development of a single crop economy, which will bring in foreign exchange, at the expense of small farmers and self-sufficiency;
- or to promote integrated rural development which will take account of the rural environment as a whole and its nutritional and social requirements and which, once these needs have been met, makes the most of the remaining possibilities of production for export.

The German Farmers' Federation has come out in favour of the second approach.

The primary objective of this dialogue was to look at the problem of development as an international social problem, the solution to which would also affect the future of the industrialized countries. A second aim was to underline the extent to which agricultural and commercial problems are interlinked and to study possibilities for cooperation between German farmers' representatives and those of the developing countries in professional and technical matters, in providing assistance to cooperatives, and so on. This kind of cooperation between farmers' representatives should be encouraged and extended.



d. Volunteers and a statute for cooperation assistants

One further awkward problem is posed by the present lack of support for voluntary organization: the selection and recruitment of carefully trained and briefed cooperation assistants is essential to the success of most integrated rural development projects; those responsible for external 'supervisors' cannot afford to be amateurish!

On a proposal from Mrs CASSANMAGNAGO CERRETTI, the Joint Committee of the ACP-EEC Assembly meeting in February 1980 at Arusha, expressed its approval of voluntary social work in the service of development and asked the Commission of the European Communities 'to make the relevant proposals with a view to adopting a European statute for technical cooperation assistants' (point 36 of the Final Declaration of the Arusha meeting).

Even though many of the projects in rural areas are long-term activities, the cooperation assistants must inevitably disappear gradually from the scene as time goes on and be reintegrated at some stage in their country of origin. There is virtually no provision for this at present, however, and in the absence of a statute the cooperation assistants tend to prolong their projects and missions in the field for longer than is necessary.

e. The future objectives of Parliament

- We must make it our objective to raise the appropriations in the 1981 budget for the cofinancing of projects to 18 million EUA to deal with the growing number and scale of projects, and also in the light of the direct impact of the activities of most of the NGOs, whose own expenditure on administration and infrastructure is negligible. An additional factor is the multiplier effect of cofinancing arrangements as the NGOs together contribute 60% of the expenditure involved in implementing the projects.
- The NGOs should also be involved in preparing our various European development policies: their experience of work in the field is of value to our Committee on Development and Cooperation: an own-initiative report could be drawn up on the activities of the NGOs and the political conclusions to be drawn from this experience.

2. Regional instruments: The 'Lomé policy' and agricultural cooperation

A brief summary of the history of the policies of the European Development Fund (EDF), through which the EEC grants financial and technical assistance, initially to 18 Associated African States and Madagascar and now to some 60 African and Caribbean States (ACP), is set out below.

- In the first EDF (Implementing Convention annexed to the Treaty of Rome, 1958-1962), two-thirds of the commitments were earmarked for economic infrastructures (construction of ports, roads, etc.).
- In the second EDF (Yaoundé I, 1964-1969), more attention was paid to agricultural development, but priority was given to major export crops, (coffee, tea, cotton, rubber, etc.) and large irrigation projects.
- It was mistakenly believed that the modern technology used for these export crops would also be suitable for the production of local foodstuffs.
- Under the third EDF (Yaoundé II, 1970-1974), support was given for the first time to projects intended to increase food production, essentially cereals, with a view to attaining self-sufficiency.
- The fourth EDF (Lomé I, 1975-1979) provided for 40% of the funds available to be spent on agricultural and rural projects as against 28% for the first three EDFs together.

Just under half of the agricultural projects covered by the fourth EDF were integrated rural development projects, which, in addition to their agricultural and farming aspects, also took account of the natural environment and social and economic factors.

The European Parliament has always laid stress on agricultural cooperation. In December 1976 in Lomé Mr G. BERSANI was successful in obtaining the inclusion in the Final Declaration of the Joint Committee of the ACP-EEC Assembly of an amendment in favour of genuine agricultural cooperation which demanded the provision of appropriate institutions and instruments similar to those created under the Lomé Convention for industrial cooperation (Point 16 of the Final Declaration).

Mr BERSANI's initiative was widely welcomed by most of the ACP countries and his proposal has been taken up and expanded at subsequent meetings held in the framework of the ACP-EEC Assembly.

The proposal was finally embodied in the Lomé II Convention in the form of a special chapter devoted to agricultural cooperation (Title VI, Articles 83-90). This chapter merely defines the general objectives of cooperation in this field and the kinds of schemes required to attain these objectives:

- integrated rural development projects involving, in particular, peasant family holdings and cooperatives;
- hydro-agricultural improvement schemes;
- crop protection and storage schemes;
- agricultural product marketing schemes;
- the establishment of agro-industrial units combining primary agricultural production, processing, and the preparation, packaging and marketing of the finished product;
- stock farming projects;
- fishery and fish farming projects;
- exploitation and development of forestry resources;
- improvements to the social and economic infrastructure in rural areas;
- applied agronomic and livestock research projects;
- training schemes for supervisory staff responsible for the planning, execution and management of rural development operations;
- inter-state cooperation on agricultural production, research and training projects common to at least two ACP countries which can be financed from the appropriations allocated for regional cooperation.

Apart from the creation of a Technical Centre for Agricultural and Rural Cooperation under the authority of the Committee of Ambassadors<sup>29</sup>, no attempt has been made to create formal joint structures for organizing

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<sup>29</sup> The Committee of Ambassadors, the Council of Ministers and the Consultative Assembly are the three joint ACP-EEC institutions: the former is made up of one representative from each signatory state and one representative of the Commission of the European Communities. The Committee assists the Council of Ministers and carries out any instructions or duties assigned to it by the latter or provided for in the text of the Convention. It is the only joint institution which is capable of permanently monitoring the implementation of the Convention.

agricultural cooperation or to earmark a specific proportion of the EDF for activities in this connection, as was done in the case of regional and inter-regional cooperation.

A useful way of examining agricultural cooperation and the main outstanding issues in more depth is to refer to Chapter VI of the excellent introductory report drawn up by Mrs Katherina FOCKE on the results of Lomé I and the forthcoming entry into force of Lomé II discussed at the meeting of the Joint Committee of the ACP-EEC Consultative Assembly held in Arusha from 25 to 28 February 1980 (Document CA/CP/133). The main points of Mrs FOCKE's conclusions are to be found in the Final Declaration of the Arusha meeting:

1. The Joint ACP-EEC Committee 'notes that under Lomé I more than one-third of the appropriations of the EDF were allocated to the development of the rural sector, and in particular to integrated projects, but notes that, far from moving towards self-sufficiency, the food situation of the majority of ACP countries, especially the African countries, has deteriorated' (point 27);
2. 'Considers that in order to cope with the situation in the future in the countries concerned
  - Lomé II should be implemented in such a way as to enable the ACP states concerned to develop a food strategy,
  - an even greater proportion of EDF resources should be set aside for agricultural products,
  - food aid should be integrated into development programmes for the rural sector and food for work schemes should be experimented' (point 28).

The Joint Committee also hoped that the Technical Centre for Agricultural and Rural Cooperation would be set up rapidly to meet the needs of the ACP countries (point 31).

We for our part would like to concentrate on one of the tasks which the Technical Centre for Agricultural Cooperation is to undertake, namely scientific and agronomic research adapted to meet the needs of the various rural areas.

There is a risk that we may gradually lose a whole body of empirical knowledge, and many species and varieties of plants exclusive to Africa.

At one of the public hearings organized by our committee, Mr L. MAZOYER, Professor of comparative agriculture and agricultural development in Paris talked of a new kind of research which should list and study the agrarian practices, the tools and wealth of biological knowledge handed down by tradition in each region and constantly strive to improve these as local requirements and conditions dictate.

Instead of merely adopting the Western model of agriculture, he believed that this new form of research should recognize and study the existing very wide range of agricultural systems, however traditional or out of date they might seem. It must discover their *raison d'être*, their logic, their weak points, the causes of their decline, their potential, and practical ways and means of reintroducing and developing them.

In the final analysis it was a question of encouraging research deep-rooted in each area, drawing on the wealth and diversity of the agricultural heritage by means of broad-based social experiments in agricultural development.

We hope that the Technical Centre for Agricultural Cooperation - which is to be given a streamlined bureaucratic structure and is intended to form an effective link between existing research centres and act as a centre for the dissemination and distribution of technical and scientific information - will very shortly start operating along these lines and encourage agronomic research and practical applications thereof in the ACP countries.

As far as the management of agricultural projects in the framework of the EDF is concerned, there is some question as to whether sufficient account is taken of the time factor; our financial regulations and criteria for assessing viability often lead us to prefer specific sectoral projects to complex, long-term integrated projects and to cut out stages in a brutal effort to modernize agriculture. By doing so we are assisting the process of erosion, deforestation and the expansion of the desert in vast areas of the African continent.

If we are to take account of the time factor we must, regardless of the present criteria, ensure the maintenance of agricultural and rural projects several years after they have been completed.

This is why we need, perhaps, to consider the possibility of making some of the appropriations available outside the formal EDF procedures to allow greater flexibility in how they are used on the spot. Such a move will also require more attention to be paid to the evaluation of such long-term projects.

III.

MOTION FOR A RESOLUTION<sup>1</sup> (Doc. 1-480/79)\*  
tabled by the Committee on Development and Cooperation  
on hunger in the world

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<sup>1</sup> Adopted unanimously with one abstention on 16 November 1979

Present: Mr Poniatowski, chairman; Mr Bonaccini (deputizing for Mr Vergès), Mrs Cassanmagnago Cerretti (deputizing for Mr Bersani), Mr Enright, Mr Ferrero, Mr Galluzi (deputizing for Mr Pajetta), Mr Glinne, Mr Habsburg (deputizing for Mr Lücker), Mr C. M. Jackson (deputizing for Mr Marshall), Mr Jaquet, Mr Lezzi, Mr Michel, Mr Narducci, Mr Pannella (deputizing for Mrs Castellina), Mr Pearce, Mr Sablé, Mr Simmonds, Mr Vergeer, Sir Fred Warner, Mr Wawrzik, Mr Woltjer (deputizing for Mr Kühn).

\* This resolution replaces the resolution (Doc. 1-393/79) referred to committee on 26 October 1979

The European Parliament,

- profoundly concerned at the persistence of hunger in the world, as illustrated by numerous statistics and international surveys:
    - according to the FAO, 70% of the world population are suffering from chronic undernourishment, and 24% from starvation,
    - according to a recent World Bank report, at least 700 million, if not 1,000 million, people will be living in utter poverty in the year 2000,
    - in 1979 alone, 17 million children under the age of five and, in all, 50 million people will starve to death,
  - alarmed at the exceptional periods of severe famine which strike the poorest and most deprived countries of Africa, Asia and Latin America,
  - convinced that urgent action is necessary to meet the immediate needs of these countries and to save the lives of the hundreds of thousands of people children in particular, who are facing sure death by starvation,
  - aware that more structural measures and more financial and technical resources are necessary to cope effectively with hunger in the world,
1. Draws the Community's attention to the seriousness of the situation and urges it to accept its responsibilities and the role it should play in this field;
  2. Urges that the Community mobilize without delay sufficient supplementary resources to save these people condemned to death by starvation; demands that the increases in appropriations earmarked for food aid proposed by the Commission be approved immediately - particularly those for cereals, which the Council reduced in its draft budget for 1980 - and awaits other proposals to improve the situation;
  3. Emphasizes that the problem of world hunger is bound up with the whole question of underdevelopment and therefore urges the Commission and the Council to work out and implement, in close cooperation with the European Parliament, an effective agricultural and food policy that takes account of the conclusions reached by the FAO Conference in July on agricultural reform;
  4. Asks that special efforts be made as a matter of urgency, as part of the coordination of Member States' development cooperation policies, to ensure that at least 0.7% of the GNP is set aside, in the form of public aid, for development aid purposes;



5. Asks the Council and the Commission to review the coordination between national and Community programmes and the policies implemented in the U.N., so that a more effective world food strategy can be devised;
6. Instructs the Committee on Development and Cooperation, acting in concert with the other parliamentary committees, to take the initiative, as a matter of absolute priority, in proposing practical measures on food aid and financial and technical aid to agriculture and development and guaranteed food supplies not only for the developing countries but also for the world as a whole, and to submit a report to the European Parliament by February 1980 at the latest;
7. Instructs the Committee on Development and Cooperation to take account, when drawing up its report, of the amendments on this subject tabled during the October 1979 part-session and withdrawn or not moved at the meeting of the committee on 6 November 1979;
8. Instructs its President to forward this resolution to the Council and Commission.