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ANNEX II

to the report by Mr FERRERO  
on the European Community's contribution to  
the campaign to eliminate hunger in the world.

- Opinion of the Committee on Agriculture -

Draftsman: Mr J.B. NIELSON

PE 65.514/fin./Ann. II

At its meeting of 17 and 18 December 1979 the Committee on Agriculture appointed Mr Brøndlund NIELSEN draftsman.

It considered the draft opinion at its meetings of 3 to 5 June 1980 and 15 September 1980.

At the latter meeting it adopted the draft opinion by 19 votes to 7 with 2 abstentions.

Present: Sir Henry PLUMB, chairman; Mr FRUH, Mr LIGIOS and Mr CAILLAVET, vice-chairmen; Mr Brøndlund NIELSEN, draftsman; Mrs BARBARELLA, Mr BATTERSBY, Mr BOCKLET, Mr BUCHOU, Mrs CASTLE, Mr CURRY, Mr DALSSASS, Mr DAVERN, Mr DELATTE, Mr DE KEERSMAEKER (deputizing for Mr HELMS) Mr DIANA, Mr HORD, Mr JURGENS, Mr KAVANAGH (deputizing for Mr LYNGE), Mr MAHER, Mr d'ORMESSON, Mr PROVAN, Miss QUIN, Mr SKOVMAND, Mr SUTRA, Mr TOLMAN, Mr VERNIMMEN and Mr WOLTJER.

## THE INTERNATIONAL CONTEXT OF THE COMMON AGRICULTURAL POLICY

In recent decades, up to the beginning of the 1970's, the industrialized countries of the world enjoyed continuous economic expansion, a high level of economic activity and stable economic and monetary relationships.

One of the factors which made this economic expansion possible was regular and cheap supplies of raw materials and energy from the developing countries. This situation has been drastically and radically altered by the energy crisis, which made clear the extent to which the industrialized countries depend on the developing countries which produce raw materials and highlighted the interdependence - which had in fact always existed - in international economic relationships between the developed countries and the countries of the Third World. Certain Third World countries became aware of their position of strength and now, despite their enormous dissimilarities, they are a powerful force in international forums, demanding a greater share of world trade and the creation of a new international division of labour.

The emergence of new economic and political powers has altered the traditional picture of the world economy. Economic and political decisions cannot now be taken unilaterally by the industrialized countries without the participation of these new economic and political powers.

For another group of countries in the Third World the crisis has brought a worsening of the situation. Far from benefiting from increasingly substantial income from raw materials they themselves are hard hit by this situation since their problems, including overpopulation, have not decreased.

Of the many interrelated problems facing these countries, the most crucial ones are perhaps those connected with food. Because of the increased importance rich countries have attained in the Third World, it is important that they should help to combat these problems. Even if the Community has many problems of its own to contend with, it is in a good position to provide help. The Community countries are rich and have demonstrated their very great production potential, particularly as regards animal feed products.

The common agricultural policy was able to evolve during a period of considerable economic and social stability, both within the Community and outside. Although many problems remain, particularly due to the development of national support measures, the agricultural policy has proved itself by making the Community into a major force in world food policy. This will remain the case, even though agricultural policy has to contend with problems arising from increased disturbance in world markets and in particular the problems caused by the disparate development in the Community of currency

exchange rates and the fact that a higher degree of economic cooperation has failed to materialize. We must not lose sight of the importance of agriculture in the Community's political and economic strength and allow more passive regional and social policy aspects to cloud our vision.

The Community has demonstrated its great production potential in the area of milk products. This must be exploited more fully to provide aid for the starving people of the world. Milk is perhaps the most versatile and valuable food there is, which is not so surprising in view of its biological purpose. At the same time, and thanks to the cow's particular digestive system it can be produced on the basis of low-grade feeds, and often even waste products. The yield in nutrition per hectare is much greater than that for purely vegetable products. Cows can live on the grass and other vegetation which cover one fifth of our earth. This area is twice as large as that which could be put under food crops, and the cow can transform simple nitrogen compounds into protein with a high biological value. One objection is that the developing countries cannot use milk products as a form of nutrition, but there must be intensive research on this subject and nutrition experts must be sent out to work on the problem in the countries concerned. Given the world's food problem it is essential that a valuable food which can be produced in large quantities should be given a central role.

INCREASING AGRICULTURAL PRODUCTION IN DEVELOPING COUNTRIES IS THE MOST IMPORTANT ELEMENT IN THE FIGHT AGAINST WORLD HUNGER

The agricultural basis of the economy of the developing countries forms a potential which must not be neglected for the sake of rapid industrialization. The simple fact that the vast majority of the population of the Third World is employed in agriculture and has practically no other means of livelihood implies a need to increase their agricultural production and to stop the exodus from the countryside.

In the developing countries in particular, agriculture plays an important role in the social and economic development process which goes beyond the primary sector of agriculture alone since it has to provide employment, food and the foreign currency to finance the development of the economy as a whole. The final solution of the world food problem is naturally to be found in increased agricultural production by the developing countries themselves. It is therefore extremely important that the developing countries should promote the development of their food production in order both to safeguard their own food supplies and to break out of the vicious circle of inadequate agricultural structure, poverty, unemployment, low purchasing power, low food production, malnutrition, etc.

An essential condition for the success of the development policy is, according to the Leontief report for the United Nations on the future of the world economy, a 30% expansion of the area given over to agriculture in the developing countries and a doubling of agricultural production. The first aim must therefore be an increase of agricultural and food production throughout the world. Unfortunately, in large areas of the world, innumerable factors of a human, technical, financial and political nature are holding up the expansion and modernization of agricultural production.

At the same time, one-sided priority has sometimes been given to the upgrading of industrial raw materials to the detriment of agriculture, this being an erroneous political choice. In general, impelled by their craving for independence, the leaders of young nations are more inclined to encourage industrial development and urbanization than to attempt to increase the productivity of agriculture and with it the living standards of the agricultural population.

Agricultural production in the Third World has to contend with a variety of problems. Some are caused by historical and social conditions (land ownership and agricultural structures), while others are due to natural difficulties such as extreme climates, often with insufficient rainfall, but sometimes with too much rain, causing erosion. A new balanced approach must be adopted with a view to reducing regional and social inequalities in these countries, emphasis being laid on rural development and promotion of food production by the rural population. This must be done to combat hunger in these countries. Steps must be taken to counter the depopulation of rural areas and the formation of concentrations of poor people in the towns. Industrial development can stimulate the agricultural sector by creating a domestic market and ensuring a certain purchasing power among the local population. This strategy also has a considerable effect on import needs - since the development of agriculture may be difficult to achieve without extensive foreign aid - and on food aid as well. The difficulties standing in the way of proper agricultural development may make it difficult to provide help from outside. This is the case with political, social and economic interests such as those connected with land ownership and agricultural structure. This does not mean that we should forget about trying to make an impression on these interests, which are often the underlying causes of the problems. As for the natural problems, there is a need for a full research effort, both technical and practical.

This may involve work on kinds of cereals which could thrive in certain climatic conditions, which in turn often means trying to refine local traditionally farmed varieties. Climatic conditions in many developing countries may, for example, indicate a need for special varieties with very

long growing times, especially if technical aid is provided for irrigation facilities. One important aspect of aid is that the results should reach the broad group of farmers on which the whole development must be based if it is to be effective. Careful consideration should therefore also be given to the question of what form of aid will have the most immediate effect. People should not be at all disappointed if some of the help clearly does not have widespread effects at once. The reason may be that starvation and under-nourishment must first be remedied and this may well come about without making any impression on national statistics.

So we must start solving the food problem at the roots by developing resources in the countries themselves. By virtue of its technical progress and its experience in developing agriculture the Community has a large role to play here. One example of this is the FLOOD project in India where the foundation has been laid for a modern dairy industry. This has considerably stimulated the improvement of the agricultural structures and in this particular case, of the structural organization of the dairy industry. This project has helped a large number of small farmers to increase their productivity and a number of towns are now assured of regular milk supplies. This is one effective and permanent method of remedying the lack of protein and chronic malnutrition.

The advanced state of agricultural research in the Community should be fully exploited in aid to developing countries. Agricultural technology can combine up-to-date knowledge with time-honoured traditions and experience. The same applies to the building up of a modern economic and social structure based on small local independent producers or collectives.

Another aspect of food aid is that the quality of food and guaranteed supplies should be seen to be closely connected with the general state of health of the population.

#### THE WORLD FOOD SITUATION

As far as world food supplies are concerned the countries of the Third World can be divided into four broad categories:

- (a) countries with a very low income (US\$ 300 per year), most of them located in Asia and Africa south of the Sahara;
- (b) countries with a medium standard of prosperity and with slight opportunities to import food, such as, for example, the Latin-American countries, North Africa and the Middle East (non-OPEC);
- (c) certain developing countries which export cereals and rice, such as Argentina and Thailand;
- (d) countries able to make up their food deficit through commercial imports, such as the oil-exporting OPEC countries.

The food deficit problem, however, is at its most serious in the poorest countries, which also have to cope with the largest increase in population. According to a UN study, the total food deficit in these countries could rise from 12 million tonnes in 1975 to 75/85 million in 1990.

Additional production of 35 million tonnes would be needed above the expected volume simply to maintain consumption at its 1975 level. Asia will account for 40% of this total estimated deficit, North Africa and the Middle East approximately 25%, Africa south of the Sahara over 20% and Latin America over 10%.

Projected growth of food import requirements in food deficit developing countries, 1961-63 to 1980

	1961-63 AV. Annual	1964-69 AV. Annual	1970 Est.	1980 Est.
<u>Estimated volume of imports needed (..... thousand tonnes)</u>				
Cereals	23,320	29,441	29,649	36,247
of which : Africa	2,610	2,814	3,693	5,332
Latin America	5,550	6,811	7,394	10,507
Near East	4,000	4,703	5,387	9,418
Far East	11,160	15,113	12,975	16,940
Milk and milk products (a)	1,033	3,767	5,089	19,770
Fats and oils (b)	1,040	1,380	1,934	4,046
Sugar	3,370	3,859	4,213	5,174
Meat	515	541	635	1,339
<u>Value of import requirements at 1970 prices (.... thousand million US dollars)</u>				
Cereals	1.7	2.2	2.2	2.5(6.1) (1)
Milk and milk products (a)	0.1	0.3	0.4	1.5(2.2) (1)
Fats and oils (b)	0.3	0.4	0.5	1.1(1.9) (1)
Sugar	0.4	0.4	0.5	0.6(1.4) (1)
Meat	0.4	0.4	0.5	1.3(2.6) (1)
TOTAL	2.9	3.7	4.1	7.3(14.2) (1)

(a) in terms of milk equivalent, excluding butter

(b) including butter

(1) at international prices prevailing during the last quarter of 1973

Source: FAO estimates

The figures reproduced above show that food imports will still be needed by the poor developing countries for the time being - part of this in the form of food aid - to prevent a further deterioration in the balance of trade in food.

The agricultural production pattern in the poorest developing countries must be radically improved by giving priority to investment in agriculture and, secondly, by establishing an appropriate agricultural policy. It has, however, to be recognized that foreign aid remains necessary at the present stage of development, since expansion is largely dependent on the means of production which have to be imported from the industrialized countries.

Special emphasis must once again be laid on this expansion, since agriculture in the developing countries is the most important source of finance for the increased imports needed for economic development. The cheapest sources of economic growth in the developing countries are therefore to be found in the agricultural sector.

#### BROADENING WORLD TRADE IN AGRICULTURAL PRODUCTS

So far there has not been a favourable climate for an expansion of markets in the industrialized countries for the agricultural products of the developing countries. The trade in staple crops, normally limited to cereals, oils, fats and sugar, used to be carried on almost exclusively between the developed countries themselves, particularly those of the northern hemisphere. As the largest food importer, the Community has a special obligation to try to create optimum conditions for world food trade, including the developing countries.

The common agricultural policy is primarily concerned with European agriculture and, as such, does not have any adverse affect on the situation in the developing countries. European producers do not compete directly with the majority of the developing countries' tropical products. The main factors which hinder the expansion of agricultural exports from the developing countries are the low income-elasticity of demand for agricultural products in the developed countries, increasing competition from synthetic products (cotton, rubber and fibres) competition from some developed countries in products such as sugar, cotton and cereals, and the frequent lack of a true policy aimed at expanding this sector and at developing the supply of export goods in the developing countries themselves.

Contrary to what is generally supposed in connection with a new international division of labour, it is an incontrovertible fact that agriculture is continuing to increase in importance in the developed industrialized countries. Although the agricultural population of the Third World makes



up more than 70% of the total, they can barely produce enough food, whilst in the rich countries 2-3% of the population is employed in agriculture and, together with the processing and foodstuff industries, is able to produce great quantities of food surplus to needs.

It must therefore be assumed that the role of agriculture in the industrialized countries, in view of its high productivity and technical development, will increase if a new international division of labour between the rich and poor countries comes into being and that, in view of the structural obstacles to a rapid development of agricultural production in the poor countries, agriculture in the European Community and the United States will remain of great importance for the safeguarding of world food production.

A balance must be struck between the Community's agricultural policy, and particularly the price policy and the principle of Community preference, designed to ensure supplies, and the developing countries' opportunities for selling agricultural goods in the Community. This must also be a central consideration in the establishment of conditions relating to the enlargement of the Community.

Consideration must also be given in GATT and UNCTAD to the effects on the Community's agriculture and agricultural production of a new international division of labour resulting from the developing countries' greater role in world trade in agricultural products combined with an increase in their agricultural exports. It is clear that this is closely connected with a strengthening of the international monetary system and a greater international economic discipline to protect the liberalization of trade in the long term against a renewed lapse into protectionism.

Development of the international division of labour as requested by the developing countries within the framework of GATT and UNCTAD and at the Lima and Manila Conferences would necessitate changes in the relations between industrialized and developing countries based on equality and independence. This means that products which are important for the developing countries must be included in GATT agreements and that these products must be granted free access to the industrialized countries' markets at remunerative prices, and that this should apply to raw materials and basic products as well as manufactured products.

By and large the aim in world food trade must be to ensure that the kinds of production supplement each other without jeopardising supplies in the individual regions, including the Community. It is this exchange of goods and the Community's contribution towards supporting the third world's food supplies which can make a major contribution to international political stability.

A further aim must be international agreements on the production of, trade in, and storage of, important agricultural products.

#### FOOD AID

According to FAO experts, the world food situation in the developing countries will deteriorate in future and a solution to the food deficit has therefore to be found in the short and medium term. According to FAO estimates, the developing countries will have a grain deficit of 110 million tonnes in 1985, and the World Bank predicts that the overall food deficit in the developing countries could be as much as 145 million tonnes in 1990.

Annual growth rates of staple crop production needed by food deficit developing market economies to meet consumption requirements in 1990

Category/	Projected production growth rate 1975-1990	Required production growth rate to meet consumption requirement in 1990 <sup>a</sup>			
		1975 per capita level	Low income growth	High income growth	At 110% of energy requirement
Low income	2.4	3.0	3.7	3.9	4.4
Middle income	3.5	3.7	4.3	4.5	3.9
High income	2.4	5.9	7.2	7.6	6.4
Total DME <sup>1</sup>	2.7	3.4	4.1	4.4	4.4
<b>Region:</b>					
Asia	2.5 (2.8)	3.1 (3.0)	3.7 (3.6)	4.0 (3.9)	4.3 (4.1)
North Africa/ Middle East	2.5	4.2	4.9	5.2	5.0
Sub-Saharan Africa	2.2	3.2	4.0	4.4	4.6
Latin America	3.7 (3.6)	3.9 (2.6)	4.5 (3.2)	4.6 (3.3)	4.1 (2.8)
Total DME <sup>1</sup>	2.7 (2.9)	3.4 (3.1)	4.1 (3.8)	4.4 (4.0)	4.4 (4.0)

Note: The figures in parenthesis include the grain-exporting countries

<sup>a</sup> Based on the current value of production for 1975

<sup>1</sup> Developing market economies

Food production and consumption in developing countries - 1975 and 1990  
(million tonnes)

Category:	Food production		Food consumption			
	1975	1990	1975	1990		
				At 1975 per capita level	Low income growth	High income growth
<u>Food deficit</u>	<u>351.8</u>	<u>510.2</u>	<u>385.2</u>	<u>566.9</u>	<u>626.6</u>	<u>649.4</u>
Low income	230.6	318.8	242.0	349.4	384.5	398.3
Middle income	99.2	160.0	108.6	165.1	179.6	184.5
High income	21.9	31.4	34.6	52.3	62.4	66.6
<u>Grain exporters</u>	<u>47.2</u>	<u>88.4</u>	<u>34.9</u>	<u>51.9</u>	<u>55.6</u>	<u>56.5</u>
<u>Total DME<sup>1</sup></u>	<u>399.0</u>	<u>598.6</u>	<u>420.1</u>	<u>618.8</u>	<u>682.2</u>	<u>705.9</u>
<u>Region:</u>						
Asia	201.8	296.2	211.2	305.7	336.6	348.1
North Africa/ Middle East	50.9	70.5	60.5	90.1	100.3	104.3
Sub-Saharan Africa	56.6	77.9	58.8	90.4	101.6	106.6
Latin America	89.7	151.9	89.7	132.7	143.6	146.9
<u>Total DME<sup>1</sup></u>	<u>399.0</u>	<u>598.6</u>	<u>420.1</u>	<u>618.8</u>	<u>682.2</u>	<u>705.9</u>

<sup>1</sup> Developing market economies

Sources of basic data:

UN Economic and Social Affairs Department, 'Selected World Demographic Indicators by Countries' (ESA/P/WP.55) May 1975

USDA, Foreign Agricultural Service, Computer printout on Production, 1975

FAO, Production Tapes, 1975

Since 1967, the Community, as a participant in the world food aid programme, has reacted to the problem of malnutrition by granting food aid in the form of cereals. The Community undertook to deliver 1,035,000 tonnes of cereals to the developing countries each year and since 1973, i.e. 1973/74, this amount has risen to 1,287,000 tonnes, (representing the Community's share and the national aid given under the food aid agreement).

Increasing aid has been granted in the form of skimmed milk powder and butteroil since 1970. Starting at 127,000 tonnes of skimmed milk powder in 1970 (of which 120,000 tonnes came under the world food programme), supplies rose to 150,000 tonnes of skimmed milk powder and 45,000 tonnes of butteroil in 1978.

The original reason for granting food aid was the need to dispose of surpluses, particularly the surpluses of American cereals in the 1950s, and is therefore still open to criticism and suspicion. Some of the reproaches made are that food aid discourages agricultural production in the developing countries, increases the dependence of the developing countries, cuts across the normal pattern of trade and encourages the production of surpluses in the Community. All these difficulties arise from the fact that food aid as such is not a flexible instrument of development policy. But, whatever the arguments against food aid in the form of cereals or dairy products, as long as the Third World is unable to produce sufficient food for its rising population and even less able to cover its food deficit with commercial imports because it lacks financial resources, the Community has an obligation to continue providing food aid to make what is, after all, a limited contribution to the fight against hunger and malnutrition in the Third World.

The Community's food aid policy must, however, never be determined by the vagaries of agricultural markets and never be dependent on surpluses. Even less can food aid be a pretext for the production of surpluses; it must be determined exclusively by the needs of the recipient countries and the degree of urgency when emergencies occur. However, as long as the Community continues to have surpluses it is a good thing that these surpluses should be used where they meet an evident need.

However, supplying thousands of tonnes of cereals and milk powder is not enough to solve the food problem, and food aid is not an objective in itself, but only an element of the Community's general development and cooperation policy. Food aid must always therefore be coordinated with the objectives which the Community has set itself in its relations with the Third World.

The main aim of food aid must remain the promotion of economic and social development. This implies linking food aid with financial and technical aid for the improvement of the economic infrastructure, for example assistance in the construction of dairy factories for the processing of skimmed milk powder and butteroil, plant for the enrichment of food with vitamins and aid for the building up and financing of national food stocks.

This does not alter the fact that in many countries of the Third World the development of an indigenous dairy industry is fraught with difficulties and that the Community's first duty is to meet their immediate needs. The protein deficit in the Third World is estimated at approximately 4 million tonnes milk powder equivalent, which is approximately equal to total world production. More than half the children in the developing countries suffer to varying degrees from malnutrition, and particularly from protein deficiency with all the grievous consequences of this for their further

development. The food aid effort must therefore be stepped up. The amount of milk powder needed could in theory be calculated from the requests which countries and organizations have submitted to the Community.

In 1978 total requests were for 223,000 tonnes of skimmed milk powder and 92,000 tonnes of butteroil. In that year 150,000 tonnes of skimmed milk powder and 45,000 tonnes of butteroil were made available so that, if all the requests had been met, another 73,000 tonnes of skimmed milk powder and 47,000 tonnes of butteroil could have been disposed of.

Continuing efforts must therefore be made to increase food aid by means of longish-term commitments, irrespective of the situation of stocks in the Community. Food aid must form part of pluriannual development programmes concerned with the food and health situation in the developing countries and at the same time be adapted to real needs and be granted with flexibility in the most serious emergencies.

The unpredictable fluctuations in world food production point to a need for reserve stocks of cereals and high-protein products under international management; this would provide a guarantee of supplies in times of shortage and would help to keep prices stable. The Community should start at once on creating stocks of this kind as a part of its development aid, as proposed earlier by the Committee on Agriculture.

Attempts must be made to ensure that protracted bureaucratic procedures in the Community do not delay food aid. Particularly in acute shortage situations aid must be provided swiftly and in such cases it should be possible to cut through what are otherwise legitimate Community interests.

#### THE CONVENTION OF LOME

An important example of a new kind of relationship between the Community and the developing countries compatible with efforts to bring about a fairer and more balanced economic order is the Convention of Lomé, signed on 28 February 1975. This convention, the new version of which (Lomé II) was signed in autumn 1979, provides for commercial, financial and technical cooperation and the stabilization by the Community of export revenues from products on which these countries' economies are very dependent, and represents a new element in development policy. It thus serves to mitigate the disastrous consequences of price fluctuations and boosts the profitability and growth of the economy, which is particularly important since most ACP countries are dependent on just two or three products for their export revenues.

In connection with the new Lomé Convention, the Community must examine what can be done in cooperation with its partner countries to improve this convention and to increase the production of the ACP countries. The modest position occupied by the ACP countries in world trade has scarcely altered in recent years.

ACP countries' share of world trade						
	1972	1973	1974	1975	1976	1977
Percentage of world exports destined for ACP countries:	3.2	3.2	3.1	3.6	3.5	3.2
Percentage of world exports originating in ACP countries:	3.0	3.2	3.7	3.5	3.6	3.3

Source: United Nations, 'Monthly Bulletin of Statistics'

This corresponds with the existing international pattern of trade, world trade being principally conducted between the industrialized countries while the trade between the rich and poor countries consists mainly of exports of raw materials and basic agricultural commodities and energy to the industrialized countries and of end products to the developing countries.

As regards basic foodstuffs the North-South relationship would seem, for the present, to be governed by food aid rather than by trade in food products. Nevertheless, imports from the ACP countries have doubled in value over the past five years, the largest increase being in coffee, cocoa and sugar, apart of course from the enormous rise in the price of crude oil. This, however, is solely due to price increases.

EEC imports of the most important products originating in the ACP countries

a = million EUA    b = 1,000 tonnes

PRODUCT Origin <sup>1</sup>		1973	1974	1975	1976	1977	Average Annual Increase
CRUDE OIL							
Nigeria (85%)	a	991	3,917	2,890	3,103	3,216	34 %
Gabon (46%)	b	38,684	56,167	39,806	35,721	34,392	- 3 %
	as % of total	(16)	(37)	(33)	(30)	(26)	
COFFEE							
Ivory Coast (42%)	a	386	509	480	1,083	2,000	51 %
Kenya (56%)	b	396	473	456	558	486	5 %
Cameroon (36%)	as % of total	(6)	(5)	(6)	(10)	(16)	
Uganda (87%)							
Tanzania (49%)							
COPPER							
Zaire (41%)	a	1,031	1,493	825	968	953	- 2 %
Zambia (92%)	b	993	937	1,035	1,014	989	0
Papua-New Guinea (33%)	as % of total	(17)	(14)	(10)	(9)	(8)	
COCOA BEANS							
Nigeria (8%)	a	310	489	493	584	1,026	35 %
Ivory Coast (18%)	b	465	416	394	428	387	- 5 %
Ghana (52%)	as % of total	(5)	(5)	(6)	(6)	(8)	
Cameroon (25%)							
OTHER PRODUCTS							
	a	3,453	4,092	4,023	4,734	5,260	11 %
	as % of total	(56)	(39)	(46)	(45)	(42)	
TOTAL							
	a	6,171	10,500	8,711	10,472	12,461	19 %
	as % of total	(100)	(100)	(100)	(100)	(100)	

<sup>1</sup> The figures in brackets show the product's share of total imports into the Community for each country

The Community takes a considerable share of its supplies of certain primary commodities from ACP countries:

- 45% of its coffee,
- 83% of its cocoa,
- 87% of its sugar,
- 54% of its groundnuts.

Under the special sugar protocol, the exporting ACP countries are able to supply the Community with approximately 1.3 million tonnes of sugar at a basic minimum price guaranteed by the Community. This commitment entered into by the Community, under which the price is negotiated each year, is particularly important for the sugar-exporting ACP countries (especially Mauritius and Fiji) when there are surpluses and falling prices on the world market.

Over the past four years the ACP countries have increased their sugar exports from 36% to 67% in value and 47% to 66% in volume. The share of products falling under the STABEX system has risen from 31% in 1974-76 to 43% in 1977. For all the developing countries together, however, these products constitute no more than 15% of total imports into the Community. The rise in the figure for STABEX products is due almost solely to two products, coffee and cocoa, which already in 1977 represented almost two-thirds of all STABEX products exported by ACP countries to the Community.

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**Share of STABEX products in imports into the EEC:**

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Origin	European Community total imports				European Community imports of STABEX products			
	Value 1974/ 76	Value 1977	Rise	Share 1977	Value 1974/ 76	Value 1977	Rise	Share 1977
Developing countries	62,120	75,137	+21%	100%	6,775	10,895	+61%	100%
of which:								
* ACP countries	9,901	12,461	+26%	17%	3,075	5,341	+74%	49%

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Share of STABEX products in EEC imports by ACP region													
Products	1974 - 1976							1977					
	W. Afr-ica	Cent. Afr-ica	E. Afr-ica + Ind. Oc.	Car-ib + Pac	ACP	DME <sup>1</sup>	W. Afr-ica	Cent. Afr-ica	E. Afr-ica + Ind. Oc.	Car-ib + Pac	ACP	DME <sup>1</sup>	
All products	5540	1914	1695	743	2892	62120	6784	2369	2322	986	12161	75,137	
STABEX products of which	100	100	100	100	100	100	100	100	100	100	100	100	
coffee	4	11	14	2	7	3	10	23	29	8	16	6	
cocoa	9	6	0	3	7	1	15	9	0	4	10	2	

<sup>1</sup> Developing market economies

The ACP countries' share of world trade remains fairly low, approximately 3-4%, whilst all the developing countries together have a share of approximately 30%. On the other hand, the Community is the ACP countries' most important trading partner. In 1977 exports from ACP countries to the Community accounted for 43% of total exports, and exports from the Community to ACP countries 48% of total exports. The diversification of the agricultural potential in the ACP countries remains inadequate and the figures given below show that most countries are dependent on two or three products for their exports.

Importance of 18 commodities specified by UNCTAD to the exports of developing countries 1972-74

Share of 18 Commodities in Total Exports of each country	Major Export from UNCTAD List		
	Commodity	Share in total exports	
Bolivia	58	Tin	46
Burundi	86	Coffee	83
Cameroon	74	Coffee	27
Cent. Afr. Rep.	59	Cotton	27
Chad	70	Cotton	70
Chile	77	Copper	73
Colombia	64	Coffee	52
Costa Rica	69	Coffee	28
Dominican Rep.	66	Sugar	47
El Salvador	60	Coffee	42
Fiji	52	Sugar	45
Ghana	75	Cocoa	58
Guatemala	60	Coffee	31
Haiti	61	Coffee	37
Honduras	76	Bananas	37
Ivory Coast	77	Coffee	23
Liberia	88	Iron Ore	67
Malaysia	68	Rubber	28
Mauritania	92	Iron Ore	75
Mauritius	89	Sugar	87
Nicaragua	63	Cotton	29
Panama	50	Bananas	38
Philippines	65	Sugar	21
Rwanda	69	Coffee	40
Sri Lanka	71	Tea	48
Sudan	59	Cotton	57
Togo	75	Phosphate Rock	45
Uganda	95	Coffee	67
Yemen Arab Rep.	54	Cotton	37
Zaire	83	Copper	68
Zambia	94	Copper	93

Source: US Department of Agriculture, World Economic Conditions in Relation to Agricultural Trade, ERS, NEC-11, Washington DC, December 1976, p. 20



The Community must help the ACP countries to modernize their agriculture and diversify their production structure. As a matter of priority a policy must be established which will guarantee remunerative prices so as to boost purchasing power in the agricultural sector, which in turn will stimulate the whole economy. The sugar protocol is a first step in this direction.

A study must be made of all the economic factors, including the Community's internal agricultural prices and world market prices, to determine to what extent the Community can meet the ACP countries' demands, for example by extending the list of STABEX products to include new processed products, on the condition, however, that this system does not lose sight of its original aim of stabilizing export revenues and does not develop into a general financial support system outside the commercial framework.

Furthermore, the income from exports must be used for the benefit of agriculture, namely to stabilize and upgrade this sector. The question should be examined whether a reciprocal arrangement similar to the sugar protocol could be introduced for other primary commodities such as oils and fats. The advantages and risks to both parties must be weighed up and an attempt be made to reach a common standpoint.

The new Lomé Convention which was signed on 31 October 1979 makes room for new ideas on development policy and its possible improvement must be our constant concern. In this way the Community can also contribute towards increased political stability in the Third World.

#### CONCLUSION

The Committee on Agriculture wishes to conclude by resuming a number of important points.

The long-term objective must be to enable the countries of the Third World to produce enough food to cover their own needs. The development of rural areas is also an important aspect of development policy as a whole with regard to employment and production. A broad range of aid measures must therefore be taken to support the rural regions.

Food aid should not be marked by the Community's wish to get rid of its surpluses. On the other hand, however, help must naturally centre on those products which the Community is able to produce in abundance and especially those of particularly high nutritional quality.

The developing countries must be encouraged to seek new markets as an element of open world trade guided by product agreements and reserve stocks to guarantee and stabilize supplies. The important ideas contained in the Lomé Convention should be used as a basis for further developments.

Finally, it should be stressed that the support given by the Community should be closely coordinated with the activities of other international institutions, organizations and countries.

The Community's political, theoretical and practical experience of agriculture - and of developments in the individual Community countries - its large production potential and its central role in world trade as the world's largest food importer give it both exceptional opportunities and also the obligation to make a major effort in the development of the world's agriculture.