

COMMISSION OF THE EUROPEAN COMMUNITIES

**Memorandum on a Community Policy
on Development Cooperation**

1972

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Memorandum on a Community Policy
on Development Cooperation

Synoptic and programme for initial actions

*(Communications of the Commission to the Council
of 27 July 1971 and 2 February 1972)*

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FOREWORD

In introducing this 'Memorandum on a Community policy on development cooperation' the Commission recalls that one of the basic objectives of the work of European integration is to seek a fair distribution of the world's wealth and well-being. This pursuit will be one of the more urgent tasks that the Commission intends to put before the Community for the second ten-year development period.

By this memorandum the Commission wishes to open a debate in depth within the Community institutions and in the Member States on the direction to be taken by a policy of cooperation and the means of implementing it. Such a policy would in future enable the Community to shoulder its responsibilities with greater coherence and efficiency as a large economic entity with a political role to play.

This debate must be started as soon as possible. Indeed, at a time when the Community is embarking on economic and monetary union and preparing to expand, it should state its intent to establish a better balance between its own progress and progress in the developing countries.

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The present memorandum contains a summary which sets out, in particular, the direction and general plan of campaign which, in the Commission's opinion, should characterise the Community's policy for cooperation in development, and it also outlines their practical implications.

The first set of measures which such a policy calls for is explained in more detail in an initial plan of action which follows the summary.

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The memorandum is largely the fruit of twelve years of cooperation between the Community and the Member States on one hand, and the developing countries on the other. It is also based on a number of statistical and other studies. It seemed opportune to the Commission to supplement the memorandum and the plan of action with these working documents.

SYNOPTIC DOCUMENT

INTRODUCTION

1. The Treaty of Rome, which organized between the Member States of the European Economic Community the strongest internal ties, so as to bind together their material interests and thus prepare them for a common political destiny, did not in so doing neglect the external ties established between certain members and many developing countries.

On the basis of Part IV of the Treaty and various protocols annexed to it, links of association have been created and developed—links calculated to encourage, by a variety of methods, the economic and social development of the Associated African States and Madagascar (AASM), of three East African countries, and of several other countries, particularly in the Caribbean area. Furthermore, a start has been made on a region-wide policy within the Mediterranean Basin, beginning with the declarations of intent appended to the Treaty.

2. There is no doubt that what is known as the 'Yaoundé' Association policy has been for the Community the technical testing-ground—and a clear indication—of its political will to take increasingly into account its responsibilities towards all developing countries.

For most of these countries, while they had active links of cooperation with each of the Member States on a bilateral basis, the Community only seemed to be a customs and agricultural organization liable to be an obstacle to the expansion of their trade and, in any event, without the means of actively cooperating in the solution of their development problems.

Such an initial, excessively negative image of the Community has been corrected, as has been amply proved by the rapid growth of its trade with the Third World.

The favourable direction this trend has taken has been deliberately promoted by the commercial policy measures which the Community has taken, mainly in the form of various preferential and trade agreements, of independent tariff concessions on products of importance to the Third World, of the policy of world agreements, and finally of the elaboration of generalized preferences for finished and semi-finished products, which came into force this year.

3. It is noteworthy that several of these measures were most often taken simultaneously and, to some extent, in connection with the different stages and solutions which have marked the growth of the Yaoundé Association.

The Community has sought to move towards a balance between the active and complete, but geographically circumscribed policy which it had adopted in its relations with the AASM, and the solutions which it felt it should offer to the other developing countries because of its growing weight in world trade.

It is important to stress this fact because it disposes of a fruitless quarrel between regional and universal solutions to the problems of development.

4. Because underdevelopment is not uniform throughout the world, because of the special links shaped by geography and by history, and because the means of actions which it could deploy hitherto were limited, the Community embarked on a regional policy of development cooperation which is now part of the Community patrimony and must be maintained, improved and reinforced.

But it has also progressively begun taking other Third World interests into consideration, it has engaged in a regular dialogue with other regions such as Latin America and in cooperation in measures of worldwide scope such as those which are the *raison d'être* of UNCTAD. This policy is not a substitute for the association policy mentioned above, but must be its necessary complement.

5. Though this is the case, it must be added that the developing countries as a whole expect more from the Community, especially in view of its enlargement and the second Development Decade, while the Community recognizes that the tariff policy instruments used hitherto no longer offer more than limited possibilities.

That is why the Commission considers that the time has come for the Community to work out a development cooperation policy which is at the same time general and selective (that is, suited to particular cases). Its guidelines would be a better coordination of the resources of Member States and those of the Community, so as to improve on what has already been achieved and take it further by new activities and by new instruments of more general application.

6. The Community's interests, the commitments it has already undertaken, the prospects of enlargement and of the next UNCTAD already make such a policy imperative for the coming years.

In this connection, it is enough to mention the adaptation of the Mediterranean agreements to an enlarged Community, the renewal of the agreements with the Maghreb countries on a broader basis, the negotiation of the association with the AASM and with some Commonwealth countries under the enlarged Community, the measures relating to commodities, to generalized preferences, etc.

But while all the subjects that have been mentioned are, in a certain sense, the core of the programme for action, there are others that should not be neglected; these the Commission is also presenting in this memorandum, in the hope that they will be considered in depth, and as constructively as possible, by the Community's institutions.

7. The Commission is aware that a genuinely common policy for development cooperation will only be possible when important new steps have been taken towards economic and political union.

This is why it envisages an approach that will be progressive as regards action and the necessary instruments.

I. Need, Urgency and Significance of a Community Policy for Development Cooperation

A - NEED FOR A COMMUNITY POLICY

1. *THE COMMUNITY'S GROWING PERSONALITY AND ITS ATTRACTION FOR DEVELOPING COUNTRIES*

Through the position of principal partner which it has achieved in international trade, through the growing influence which it enjoys in the world as a powerful economic entity approaching completion and tending towards political unification, and through its declared will to give its backing to the growth of the developing countries, made known both in the international bodies and by its association with the AASM, the East African States and certain Mediterranean countries, the Community exerts a genuine attraction on these countries as a whole.

This force of attraction will inevitably tend to increase over the next few years. The progress which is expected in the formation of the economic and monetary union, and that hoped for in the political field, is bound to give the Community added weight and increased responsibilities towards the rest of the world, and therefore to encourage developing countries to turn increasingly towards it. It would not be reasonable that an entity whose integration is to be taken to the stage of a common currency and of common economic policies, and whose political personality will no doubt tend to become more explicit over the years, should remain as ill-equipped as it now is, when it comes to assisting the progress of the developing countries as a whole.

The Community is ill-equipped not only because the Treaty establishing the EEC did not specifically provide for means of technical and financial cooperation except in favour of the AASM and the Overseas Countries and Territories (OCD) but also because, having failed to give itself any other means of action, it has only been able to respond to pleas from other developing countries—if we except food aid and some individual agreements—by having recourse to the one instrument of tariffs and quotas, whose possibilities will be increasingly limited. The conclusion of many association agreements and preferential trade agreements with developing countries, and also other agreements and various concessions on the common customs tariff—generalized preferences especially—have it is true made it possible to reconcile to some extent the interests of the associated countries and of other developing countries. It does seem, however, that the Community can hardly go further along this road if it wishes, in the years to come, to retain the substance of its association agreements, particularly with the AASM, and at the same time to avoid serious difficulties both internally and with certain industrialized countries as well as with other developing countries. The

enlargement of the Community, which is going to enhance its international significance and could increase the number of associated countries, will appreciably reinforce the need to give the Community means to cooperate in developments that are more in keeping with its weight and with the responsibilities attaching to its growing personality.

2. RISKS OF INCOHERENT ACTION ARISING FROM THE PRESENT DIVISION OF RESPONSIBILITIES BETWEEN THE MEMBER STATES AND THE COMMUNITY

Increasing recourse to commercial policy as a means of development cooperation has brought about a *de facto* division of responsibilities between the Member States, which control the levers of technical and financial cooperation, and the Community, which establishes the common commercial policy. Since, moreover, the Member States exercise their national responsibilities independently, starting from different historical and economic backgrounds and without adequate coordination, the Community and the Member States, to a greater extent than other developed countries, are exposed to the risk of divergent and incoherent strategies whose damaging consequences for the effectiveness of international cooperation have rightly been stressed by international experts (Pearson Report, etc.).

At the present stage of European unification, the Community and the Member States must make a very special effort to meet the requirement of greater coherence which the United Nations has made one of the major themes of the second Development Decade and the necessity of which has also been stressed by the European Parliament: greater coherence in the joint use of the specific instruments of cooperation which they now share, but also greater coherence between internal economic policies (agriculture, industrial, social, etc.) and cooperation policy.

Consequently, the Commission thinks it necessary to carry out an overall survey of this mixed bag of policies currently applied by the Community and the Member States towards developing countries, so as to arrive at greater coherence within the Community—the essential prerequisite for the effectiveness of everybody's efforts, and for the very existence of a Community policy.

B - THE TIME HAS COME TO DEFINE A COMMUNITY POLICY

The Commission did not want the drawing up of this memorandum to be put off till later because it is convinced that, at a moment when the Community is starting on the road to economic and monetary union, and at a time when it is preparing for its own enlargement, it is important that the Community should also express its will to link its own progress more closely to that of the developing countries, and to include among its basic aims the systematic pursuit of a better international distribution of prosperity and the multiplication of opportunities for social fulfilment offered to ever wider groups of human beings who were previously underprivileged.

International cooperation for development, too, has taken a new and probably decisive step forward. The second Development Decade (1971-80) has just begun: it is necessary that, by the end of the ten years to come, the progress achieved

should be sufficiently conclusive and sufficiently encouraging for hope to take the place of doubt, and tenacity to take the place of disappointment, in the industrialized countries and in the developing countries.

Furthermore, by making the second Decade the joint responsibility of the developing countries and of the industrialized countries, and by giving both, as terms of reference, the international strategy which they worked out and adopted together, the United Nations General Assembly is giving mankind an additional chance to base relationships between industrialized and developing countries on close cooperation and on organized solidarity rather than on confrontation.

The Commission recommends to the Community institutions that they define without delay, on the basis of this memorandum, the means that will enable the Community to shoulder more effectively its responsibilities as a major economic unit and to make its own contribution to the establishment of a more just international order.

It should be noted that a good many of the points worked out in the strategy have a direct bearing on the Community as such and impose upon it the obligation of defining a common line of action for the purpose of implementing them. In this connection, a first deadline is nearly upon us: the third UNCTAD will be held next spring.

C - THE SIGNIFICANCE OF A COMMUNITY POLICY

While it does not claim that by the end of the seventies—the horizon for this memorandum—the Community should take the place of the Member States and conduct a common development cooperation policy, the Commission is nevertheless of the opinion that during the next ten years, though the Community's achievements should be maintained and taken further, its possibilities for co-operation should be gradually enlarged, the individual countries' policies should be progressively harmonized, and a Community conception of international cooperation should little by little see the light of day. Action by the countries individually will continue to exist, but its effectiveness will be improved by being concerted, and the guidelines will be defined jointly.

The body of reflections and actions which this requires is set out in detail in a memorandum, of which this note is a summary. In this summary we present, in the first place, the main lessons to be drawn from twelve years of cooperation between the Member States and the Community on the one side and developing countries on the other; we then specify the general guidelines and the main types of action for a Community development policy.

This summary is accompanied by two working documents, one of which contains a detailed analysis of twelve years of cooperation with developing countries, while the other contains information and statistics.

The Commission will later submit a third document containing an evaluation of achievements and developments, enabling the step to be made from general guidelines to a programme of action.

II. Cooperation of the Member States and the Community with Developing Countries

A. ACTION BY MEMBER STATES

Action by individual Member States falls mainly under the heading of financial and technical aid in the broad sense and has the following characteristics:

1. The composition, the geographical distribution, the purpose and the amount of official and private aid flowing from Member States to developing countries vary substantially from one Member State to the next. While in 1969 ¹ all achieved the objective of transferring at least 1% of their GNP to developing countries, taking official and private aid together, they did not all manage the target of 0.7% in official aid: on this point quite considerable inequalities exist between Member States. Quite substantial differences may also be noted as regards the ratio of grants to loans in bilateral official aid and as regards the terms of official loans. Finally the volume of aid has been subject to fairly wide variations over a period of time.

These divergences reflect the fact that Member States take into account historical, economic and political considerations, which are often different from state to state, and the lack of adequate coordination between bilateral policies.

2. While Member States have made an undoubted effort to increase the amounts which they allocate to developing countries, it remains a fact that the depreciation of currencies diminishes the real impact of this effort on the recipients, and that the growth in their aid is not always proportional to that of their GNP.

3. Action by Member States to assist developing countries involves some imbalances in so far as some sectors which are important to developing countries—for instance the social aspects of relations between Member States and developing countries, or transport problems—have not been considered as attentively as others.

4. Cooperation with developing countries is part of the foreign policy of the Member States. They do not go in for multilateral aid to any great extent, and keep most of their resources for bilateral action, being concerned, to a varying degree, to take commercial and economic considerations into account through the practice of tied aid.

¹ The first provisional figures available for 1970 show a decline in the financial effort of some Member States by comparison with 1969.

B - ACTION BY THE COMMUNITY

1. ASSOCIATION WITH THE AASM

(a) The policy of association with the AASM has gradually taken on a character that goes far beyond the mere application of preferential trade measures and of technical and financial aid. The most authoritative voices in the AASM stress, unceasingly and emphatically, the fact that association is in the first place a political option, which aims at the maintenance and development of privileged relationships of every kind between Europe and Africa: the AASM say that they have deliberately preferred the Community as the first foreign partner in their development.

At the same time, and increasingly, they express the view that the Community, despite the magnitude of its effort, does not seem to attach the same significance to its commitment in the association.

Having suffered at various times in the past an erosion of the preferences which they enjoyed on the Community market, and faced today with the generalized system of preferences, they fear the disappearance of the trade element of the association. Yet the economic effectiveness, the political significance and the distinctive character of the association depend, precisely, on the combined use of trade and financial instruments, and on the joint institutional machinery which has its main *raison d'être* in the overall character of the association.

(b) The difficulties encountered by the association are not helped by the constant criticism on the part of certain industrialized countries and the Communist countries. This criticism, which has focused on the trade arrangements of the association, must however be assessed in terms of the general economic situation of the AASM and of the real volume of this trade, which on a world scale is marginal.

(c) In the sector of financial and technical cooperation, the Community's contribution to the economic and social development of the AASM is continuous and free from the disturbances which sometimes arise in the political relations between some of these countries and one or other of the Member States. The AASM have on several occasions expressed their satisfaction with the objectivity and effectiveness of this cooperation.

The association agreement with the three East African countries is another Community achievement and is, through some of its aspects, closely linked to the association agreement with the AASM.

2. COMMUNITY POLICY TOWARDS THE COUNTRIES OF THE MEDITERRANEAN BASIN

The Community has established, or is in process of establishing, special links with most of the countries along the shores of the Mediterranean, whether these be European countries which could not yet accede to the Community for political or economic reasons (Greece, Turkey, Spain, Portugal, Malta and Cyprus), or some of the countries which have had historical relations with Member States and in whose case there is a declared intention of entering into an association (Morocco, Tunisia, Algeria, Libya), or countries directly concerned by the development of a

balanced European policy in the Mediterranean (Israel, UAR, Lebanon). Preferential relations have already been established with most of these countries in the form of associations (Greece, Turkey, Morocco, Tunisia, Malta), preferential agreements (Spain, Israel) or non-preferential agreements (Yugoslavia, Lebanon).

These countries' will to cooperate results from certain identities of interests and from a multiplicity of links due to proximity and tradition. This proximity and these affinities imply a considerable degree of interdependence, going beyond trade and extending to labour, tourism and all manner of invisible trade.

The close interconnection of the political and economic interests involved, and the influence that Europe can exert in this region, contribute to making the development of the Mediterranean Basin a natural extension of European integration.

The Commission considers that, taken as a whole, the agreements concluded with the Mediterranean countries are no more than an inadequate expression of Europe's interest in this region. Through these agreements the Community has so far made only a limited contribution to the economic development of this part of the world.

3. COMMUNITY POLICY TOWARDS LATIN AMERICA

The Community's relations with Latin America differ in a number of important ways from those with Africa and the Mediterranean Basin.

- (i) Though long-standing and involving strong affinities of various kinds, these relations are less close, if only because of geographical distance.
- (ii) The human and economic dimensions of Latin America are several times greater than those of the AASM and the Mediterranean countries. This raises in acute form the problem of the disproportion between this region's needs and the Community's resources, and therefore that of selectivity.
- (iii) Very great differences exist between the levels of development and the economic prospects of the various countries and regions, differences which call for a policy that is broken down by regions.

For the last two years, the Community's policy towards Latin America has been taking shape: in July 1969 the Commission sent a memorandum to the Council on relations with the countries of Latin America, systematically analysing the questions arising from these relations. The Council considered this document, which gives an overall view of the problems and makes it possible to assess the diversity in the economic structures and needs of the individual countries, to be an appropriate starting-point for the Community's further studies on the matter. Such studies were undertaken in 1970 and 1971.

On the initiative of the Latin American countries, permanent machinery for dialogue between them and the Community was decided upon on 1 June 1971.

4. TRADE AND COMMERCIAL POLICY

(a) On the quantitative results of trade between the Community and developing countries, it must be pointed out that since the Community was established, the trade balance of these countries has shown a substantial surplus with the Community whereas it has been very much on the debit side in relation to the rest of the world.

The growth in purchases by the EEC from developing countries has been very rapid, while its exports towards these countries as a whole have grown much less fast. The Community's trading deficit has enabled developing countries to finance a very large share of their purchases from other developed countries and to fill part of their overall trade gap. Hence these countries have a credit balance with the Community, which is to be set beside their trade deficit with the rest of the world. It is therefore clear that developing countries, taken as a whole, have gained considerably from European economic growth, which has greatly strengthened the Community's import capacity.

Nevertheless these results, though favourable from an overall standpoint, should be evaluated in the light of the structure of the Community's imports (relatively large share of petroleum among the commodities, and the rather small share, as yet, of manufactured goods in total imports from developing countries) and also the sometimes very unequal growth of the different flows of trade with the various groups of developing countries.

(b) Positive results could not have been achieved if the general character of the Community's commercial policy had not been as liberal as it has been and if the Community had not consistently endeavoured to reconcile the interests of other developing countries with those of its associates. In any event, the opening-up of the Community market is only one instrument of commercial policy. The very success of these measures of tariff and quota disarmament condemns this instrument to the gradual loss of its effectiveness. This only serves to make recourse to other instruments more necessary and urgent.

The Community has made extensive use of the opportunities offered to it by the Treaty to weave a fairly complex web of bilateral, regional and worldwide commitments. Some of the Community's partners tend of course to reproach it with failing to have a coherent strategy in undertaking this action. This reproach is at the same time well-founded and exaggerated; while it is sometimes difficult to find a guiding thread in the Community's action, it nevertheless remains true that the problems which the Community has played a part in solving could not be settled satisfactorily through the dismantling of tariffs and quotas alone. In its use of this instrument the Community has gone as far as it could.

Its action has reached a culminating point in the decision which it has taken to put into practice, from 1 July 1971, its offer of generalized tariff preferences. The outcome of concerted action at international level, first between developed countries—among which the Community and its Member States played a leading role—then between developed and developing countries, this decision is the most important initiative through which the Community has chosen to show that it is ready to shoulder its responsibilities on a world scale. This decision is accompanied by terms and conditions which make it possible to take into account the diversity of typical underdevelopment situations, and to prevent the generalized preferences from widening the gap between the more advanced and less advanced developing countries, particularly the Associated States.

5. FOOD AID

The food aid which the Community has been dispensing since 1967 has given it the possibility of enlarging its cooperation geographically. However, better use could have been made of this instrument:

- (i) As regards cereals, the subdivision of annual aid running at one million tons between a Community share and national programmes has entailed a definite lack of coherence in the selection of action to be undertaken; it has also had detrimental effects on the management of the cereals market. It is regrettable that it has not yet been possible to achieve a substantial increase in the Community's share, even though food aid is linked with the common agricultural policy and its subdivision causes lack of coherence. Nor has it been possible to resolve the problems of liaison between development aid and food aid, and those of supervision of the utilization of the Community's share of the aid, in an entirely satisfactory manner.
- (ii) The Community has channelled the greater part of its aid in the form of milk products through the World Food Programme. Experience here once again shows the need for better coordination between bilateral and multilateral action.

6. POINTS OF CONTACT BETWEEN DEVELOPMENT COOPERATION POLICY AND OTHER POLICIES

Cooperation policy goes beyond the mere use of the traditional financial and commercial instruments. Its effectiveness also depends on the compatibility of economic and social policies with the objectives sought through development cooperation.

In this connection, the present distribution of powers between national decision-making centres and the Community varies considerably: agriculture, for example, falls entirely within a Community policy system, whereas the other sectors of economic and social activity are still mainly the responsibility of the domestic authorities, whose policies are scarcely coordinated at all.

Community decisions in fields such as social affairs, transport, research and taxation show little sign of any consideration being given to the problems of developing countries, even if work on the Medium-term Economic Policy Programme is beginning to give some place to the problems of mutual relations between the Community and developing countries. In the social sector, for instance, it is found at present that the attitudes of Member States are often quite different towards migrant workers from non-member countries, even if, among guidelines for the future, the Commission proposes in its memorandum on Community social policy that priority should be given to the improvement of living and working conditions for migrant workers, especially those from developing countries.

The Commission's memorandum on Community industrial policy specifically refers to the problems of developing countries, and the Community's offer on generalized preferences bears witness to a genuine effort as regards manufactured industrial goods. We must however continue to make use of every appropriate means to facilitate the access of industrial products from developing countries to the markets of the Community. In this connection, the industrial policy guidelines for the textile sector, which the Commission has just defined, take this requirement into account. The main lines of action that should be explored concern in particular sales promotion, tariff and non-tariff import arrangements, and aid for reorganization of the Community's structures of production taking into account the developing countries' need for economic diversification and industrialization.

The same goes for the agricultural sector, whose products only occupy a small place as yet in the Community's offer on generalized preferences, and which is open to international competition to a limited extent only. It must be recognized, however, that agriculture has to face the grave difficulties that are encountered by any sector in process of rapid change and that, under this heading, the Community's institutions have had only restricted scope for manoeuvre so far. For example, the Community has as yet been unable to accede to the International Sugar Agreement, an instrument of cooperation which is particularly important for many developing countries. This state of affairs is fortunately being changed by the possibility of enlargement of the Community.

C - PRESENT PATTERN OF THE INSTRUMENTS OF COOPERATION

1. Currently powers and responsibilities in the field of cooperation are divided in the Community as follows:

(a) *Technical and financial cooperation*

(i) Each Member State defines, on its own authority, the total amount of official resources which it allocates to technical and financial cooperation, the composition of this amount, its geographical distribution, the aims and principles that direct the use of these resources, and the proportion that is channelled through multilateral organizations.

Each Member State also plays the main part as regards measures to encourage the private sector to contribute to the economic development of developing countries: taxation, credit, investment guarantees.

(ii) The Community's scope in this field is limited: it has been able to act on a relatively large scale only in the case of Turkey, Greece, the AASM and the Overseas Countries and Territories, and even then within the limits of the resources available to the European Development Fund (EDF) and the European Investment Bank (EIB).

By virtue of its technical and financial cooperation activities, the Commission is a member of the OECD Development Assistance Committee (DAC). Furthermore, the Community participates, with observer status, in the work of international bodies such as UNCTAD, ECOSOC, ECA and UNIDO.

(b) *Commercial policy*

Since the Common Market entered its definitive stage, the Community has had a major instrument of cooperation with developing countries as a whole; it also embraces credit insurance and export credits. Systematic efforts to harmonize and coordinate domestic policies on the latter had been made at Community level even before the end of the transitional period.

Under this heading it intervenes in the international bodies as a fully responsible entity when the matters under discussion fall exclusively within its competence, or

through a joint delegation of the Community and the Member States when the issues being discussed cover at the same time Community matters or matters of interest to the Community and matters under the jurisdiction of the Member States (negotiation of the Sugar Agreement, international arrangements on grains, etc.).

(c) *Food aid*

In food aid the Community has an additional instrument for cooperation with developing countries as a whole; however, the amount to be distributed under the Food Aid Convention, particularly in the form of cereals, is split between Community action and bilateral action by the Member States.

(d) *Economic and social policies*

The decisions taken on the establishment of economic and monetary union, and the current discussions, particularly on common policies in the social sector (e.g. reorganization of the European Social Fund) and in the industrial and technological sectors, are such as to encourage a gradual change in the present situation towards a more thorough coordination of domestic policies and towards the allocation of new responsibilities to the Community institutions.

2. If one had to summarize the present situation very broadly, one could say that in the common commercial policy the Community has an instrument which tends to have increasing weight in international cooperation, while the Member States still retain the essential powers as regards technical and financial cooperation, and as regards economic policies, with the exception of the common agricultural policy.

As a result of this splitting of responsibilities, the cooperation policies of the Community and of the Member States show, at present, three obvious weaknesses:

- (i) lack of common viewpoints and of coordination between the Member States on their domestic cooperation policies, which leads to duplication of efforts, conflicts and, as a result, loss of efficiency;
- (ii) the special situation of the Community which, because its integration is still incomplete, can only reconcile the latter gradually with the requirements of international cooperation for development;
- (iii) the difficulties which the Community encounters in trying to pursue a balanced cooperation policy towards developing countries as a whole.

III. Principles and Guidelines of a Community Development Cooperation Policy

A - PRINCIPLES

The basic purpose of any development cooperation policy is the systematic pursuit of a more harmonious distribution—and better adapted to modern times—of well-being throughout the world, in other words the pursuit of better conditions of life and of fulfilment for mankind. This presupposes that cooperation is not confined to the application of a series of measures or of means intended to develop economic potential alone in the countries of the Third World: for while human progress is largely dependent on the economic take-off which is needed to make available the resources that are necessary to social, health and cultural progress, it is equally clear that no lasting economic development is possible unless it goes hand in hand with improvements in the standard of education and health of the people at whom it is aimed. Hence even though it is for the governments of the developing countries to establish the priorities and the guidelines of their action, it is the industrialized countries' duty to help achieve them as well as cooperating in economic development.

1. THE OBJECTIVES OF COOPERATION ARE INDIVISIBLE

In a nutshell, the purpose of any Community cooperation policy can only be achieved through the attainment of interdependent objectives.

(a) *Diversification of the developing countries' economies*

It is necessary to modernize the economy of developing countries and to diversify their production not only horizontally but also vertically, that is they must process their raw products industrially. This naturally presupposes the gradual creation or development of essential infrastructure, especially industrial. It also presupposes the taking of measures—on a social and on a human plane—that are necessary for the full utilization of such infrastructure, and particularly the taking into account, from the outset, of the need to provide the indispensable vocational and technical training and further training.

All these measures must fit into development plans which are the prime responsibility of the developing countries themselves. But they will only be fully effective if, going beyond national limits, which are often narrow, they are undertaken in a wider and preferably regional perspective.

In particular, diversification and industrialization require developing countries to be able to find external outlets for their products; if the developing countries had

to rely exclusively on import substitution, their economic growth would be deprived of an essential mainspring and the deterioration in their terms of trade would be remedied only in part.

(b) *Reorganization of economic structure within the Community*

It follows that the Community, along with the other developed countries, must accept and even encourage the privileged access to its market of products exported by developing countries.

This liberalization of trade with the developing countries, the potential of which cooperation is intended to increase, obliges the Community to accept that its economic structure should gradually change in a way that will be helpful to the economic diversification and industrialization of developing countries, and that it should take the internal measures that will make it possible to foresee and to soften the impact of these structural changes on the sectors affected by diversification and liberalization of trade. Otherwise the changes in the productive apparatus of developing countries promoted by economic growth would be slow, would scarcely affect world trade and would not, therefore, encourage a satisfactory international division of labour.

(c) *Concerted action*

Diversification must be achieved through concerted action at three levels: between developing countries, between developed countries, and between the former and the latter. This will make it possible to respect the sovereignty of States in the matter, while ensuring greater effectiveness of any action considered. This concerted action may be organized in appropriate regional frameworks (association) and at world level.

These goals must be achieved progressively as European integration is achieved. It will therefore be necessary to establish a close liaison between the progress of the Community's integration and that of development cooperation.

2. INTERDEPENDENCE OF THE INSTRUMENTS OF COOPERATION

The interdependence between the aims is inevitably also to be found between the instruments and the policies required to attain the aims according to schedule.

(a) The experience of the past ten years shows that the external factors which influence the economic growth of developing countries do not arise exclusively from financial and technical cooperation. They arise as much, and even more, from world demand for products, by reason of the dynamic relationship between exports and growth. Hence it is appropriate that, in addition to technical and financial cooperation, there should be the conditions for a more vigorous expansion and a speedier diversification of exports from the developing countries: this means trade between the developing countries themselves and the economic cooperation that this implies, and their exports to the industrialized countries generally and the Community in particular.

(i) The expansion of trade between developing countries raises a problem to which the Community attaches great importance: this has to do with the need, for many

developing countries, to organize their economic cooperation at regional level, this requirement being the more imperative the lower their level of development and of *per capita* income, and the smaller their population—and in Africa it is often small.

(ii) Exports from developing countries to the Community will not increase and become sufficiently diversified, even if they are competitive in some sectors, unless the Community makes an effort in three directions:

- First it must maintain its own economic growth at a high level. It is because the Community has promoted the economic expansion of the Member States that its establishment has proved so beneficial for the developing countries in their trade with the Community.
- Secondly it must step up the liberalization of trade, on a programmed basis so as to avoid unfavourable social repercussions, for all exports from developing countries, but differentiating the steps taken according to four categories of products: industrial products, processed agricultural products, similar and competing commodities, and tropical products. For the first two categories, the application of the generalized system of preferences will be a step forward which would probably not have been achieved without the impetus which the Community gave to the negotiations; for products in the third category, the granting of preferences should be backed, in the context of a policy for the organization of international markets, by the conclusion of world or regional agreements, already strongly supported by the Community; for tropical products, it is through a prices policy within the framework of world or even regional arrangements, rather than through further reductions in the CET, that the Community will endeavour to reconcile its obligations towards associated countries with its responsibilities towards other developing countries.
- In the third place it must combine the gradual liberalization of the commercial policy in respect of the developing countries with a number of accompanying measures such as:
 - cooperation and sales promotion to facilitate the penetration into the Community of products exported by developing countries;
 - measures of aid, integrated into the medium-term economic policy, to facilitate the structural changes which would result for the Community from the progressive liberalization of the common commercial policy, and to absorb their social impact more effectively. It must be recalled that such liberalization implies that the Community's internal economic policies should be compatible with the aims of cooperation.

(b) For financial and technical cooperation, the Community and the Member States cannot limit themselves to the instrument of official aid alone. While such aid is necessary—and generally speaking it is a prerequisite—to encourage the diversification and modernization of the developing countries' economies, it is not however sufficient by itself.

It is essential that the private sector should make its own contribution to the implementation of the host countries' development policies as defined in their development plans. In this connection it seems essential to intensify, at Community and Member State level, public incentives to increase and guarantee the private sector's contribution and to organize the coordination of official and private action better.

The Community's development cooperation policy must take into account the desire of the host country to ensure that the progress of the modern productive apparatus should not in various ways be controlled wholly from outside.

That is why, in addition to the traditional forms of entirely private investments, there are increasingly to be found mixed forms, which permit the participation of domestic capital from the host country, progressive transfers of property and participation in management by nationals of the host country. Experiments are also being made with the participation of private foreign capital in the development of resources which themselves remain the property of the host country.

The Commission considers that the Member States and the Community should adopt an open-minded attitude to these various kinds of relations between the private sector and developing countries, which means in particular that the various methods of inducing private investment must be as flexible as possible in order to be adaptable to the particular situations that might occur.

Effectiveness of the private sector's contribution also requires that, in order to encourage the export to developing countries of goods and products that will be helpful to growth, for example plant and machinery, more should be done to coordinate export credit insurance and selective guarantees and to improve selectively the terms of export credits.

3. COHERENCE AND COORDINATION—NECESSARY CONDITIONS FOR THE EFFECTIVENESS OF COMMUNITY POLICY

Since the instruments of cooperation are closely interconnected and complementary, the first condition that must be fulfilled in order to achieve an effective cooperation policy is that the instruments should be used in a coherent manner. The splitting of instruments and responsibilities and the coexistence of independent national policies demand special vigilance in this connection from the Community and from the Member States, which will have to bring about this essential coherence through appropriate coordination measures.

4. COMPLEMENTARY NATURE OF NATIONAL AND COMMUNITY ACTION IN THE FIELD OF TECHNICAL AND FINANCIAL COOPERATION

As a result of the growing responsibilities which flow from the Community's spreading international influence and from its power of attraction over the developing countries, it is not possible to impose strict geographical limits on its activity in the field of financial and technical cooperation. The second imperative which the Community and the Member States must therefore accept is to organize among themselves a distribution of the means and tasks of technical and financial cooperation in the light of objective criteria which ensure satisfactory dovetailing of national and Community action and, as a consequence, better overall effectiveness.

B - GUIDELINES

The Community's development policy should be structured essentially in terms of the four guidelines set out below, which form a whole:

- (i) development cooperation should be taken into consideration in the common policies;
- (ii) national policies and action should be progressively coordinated;
- (iii) what the Community has already achieved in the sphere of development cooperation should be carried further;
- (iv) additional possibilities for financial and technical cooperation should be made available to the Community.

*1. DEVELOPMENT COOPERATION SHOULD BE TAKEN INTO CONSIDERATION
IN THE COMMON POLICIES*

Up till now circumstances have not allowed development cooperation as such to be treated as a priority objective in the process of European integration. It follows that most of the measures undertaken under the heading of development cooperation are of a somewhat subsidiary nature.

The Community and the Member States must in future ensure, more attentively than in the past, that common and Community policies are consistent with the aims which they intend to pursue through the specific instruments of development cooperation and that they encourage and facilitate the attainment of these aims.

This necessary integration of development cooperation aims into internal policies will of course have to come about gradually and according to a programme so that abrupt social and economic repercussions within the Community are avoided. But it is indispensable if the effectiveness of cooperation is to be secured and the Community's credibility in the developing countries ensured.

*2. NATIONAL COOPERATION POLICIES SHOULD BE
PROGRESSIVELY COORDINATED*

In order to reduce the internal and external disadvantages which arise from the splitting of responsibilities between the Member States and the Community institutions, and from the coexistence of independent national policies, it is necessary first to strengthen operational coordination between the EDF and EIB and the bilateral aid bodies by giving this coordination a Community form and then gradually to coordinate the cooperation policies of the Member States and the Community.

On this guideline the Commission stresses that there is no question of arriving at uniform and identical policies, for each Member State has interests, aptitudes and limitations of its own, which it would be unrealistic to leave out of account. The goal sought is purely to bring about more coherence and effectiveness in a whole, within which the different levels of decision-making would continue to exist.

Already, though to a rather limited extent, the Member States discuss their cooperation with other industrialized, market-economy countries in the OECD Development Assistance Committee and in the United Nations bodies (UNCTAD and ECOSOC, regional economic commissions and other bodies concerned with the second Development Decade). But they do so non-systematically, sporadically, and in settings which do not readily lend themselves to the working out of a

Community position. Hence divergences of views between them are frequent and sometimes lead to open conflicts which tarnish the Community's image. It is paradoxical, to say the least, that it has not been possible up till now to make such efforts systematically within the Community institutions.

It would therefore be illogical for the Community not to concert its action in this vital sphere from now on. The need for concerted action is of course reinforced by the possibility of the Community's enlargement and an increase in the number of Associated States, for enlargement will inevitably enhance the risk of incoherent action and divergences at the same time as it increases the Community's responsibilities towards developing countries; the need is also heightened by the implementation of an international strategy for the second Development Decade, which is going to make coordination more necessary in the DAC and in the United Nations bodies.

All these prospects warrant, and indeed require, the progressive harmonization of national and Community policies of development cooperation and the elaboration of a Community concept of development cooperation.

In this connection it will be noted that cooperation, while required generally, is particularly necessary in a number of priority sectors such as social matters, health and culture. The inadequacy of resources available for development activities as a whole, and the competition between different aims make it imperative that, in these fields above all, everything should be done to avoid duplication of effort and to make the best possible use of available resources.

In all these fields it is wise to act progressively and by stages.

One could start by organizing, on a permanent basis, exhaustive and reciprocal information between the Member States and the Community institutions on everything relating to development cooperation policy, if necessary region by region (AASM, Mediterranean countries, Latin America, Asia, Far East, etc.). This information service could be based on an improved formula of the commercial counsellors' reports.

But it will be necessary to supplement the exchange of information by confronting objectives and policies, so as gradually to reduce overlapping, divergences and gaps which may be identified as damaging to the overall effectiveness of cooperation, and so as to lay the foundations for a Community concept, taking national interests and differences into account.

To this end the following should be introduced successively at Community level:

- (i) confrontation of the intentions of all the Member States and the Community as regards the general pattern of their policies towards developing countries;
- (ii) elaboration within the Community of a position to be upheld in all the international bodies responsible for cooperation;
- (iii) an agreement whereby the Member States undertake not to accept new bilateral commitments without first consulting together to see whether it would not be advisable and possible to mount combined or joint operations.

With this in mind the Commission proposes to draw up a report each year on exchanges of information that have taken place and on progress in coordinating the cooperation policies of the Community and the Member States.

3. WHAT THE COMMUNITY HAS ALREADY ACHIEVED IN THE SPHERE OF COOPERATION POLICY SHOULD BE CARRIED FURTHER

While conscious of its general responsibilities towards the developing countries as a whole, the Community has up till now given a privileged position in its external relations to certain countries in Black Africa, to Madagascar and to countries in the Mediterranean area.

This main line of Community policy towards Africa to the south of the Sahara and towards the Mediterranean Basin must be maintained and, subject to certain conditions, developed. Starting from what it has already achieved, the Community will have to conceive and implement a policy of cooperation towards the developing countries as a whole.

(a) *Association with Africa and Madagascar*

During the negotiations for enlargement, the Community has reaffirmed its commitment to the original formula of association, which involves three facets—trade, financing and institutions—and its continuity, with express reference to this structure.

The free trade system established by the association is in conformity with GATT rules; it has operated without disturbing world trade or harming the interests of the rest of the world, as can be seen from the comparative growth of exports from the AASM and third countries to the Community, and those from the Community and other developed countries to the AASM.

While this system of free trade has in no way been damaging to third countries, far from it, it is an irreplaceable feature of the association, because on it largely depends the association's economic effectiveness and especially its political significance. It must therefore be maintained.

The association in no way prevents the Community from actively participating in the implementation of the international development strategy, as is shown by the leading part which it has taken in the elaboration and application of the generalized system of preferences. In fact regional cooperation is a necessary complement to worldwide policies as it offsets their levelling effect and permits greater subtlety of action.

Everything therefore tends to the conclusion that the Community should go ahead with its policy of association with Black Africa and Madagascar on the basis of the present threefold structure, for this cooperation is a positive and lasting contribution to the growth of the AASM and to world equilibrium. Furthermore, the continuity of the association is important not only for the maintenance of political relations between Europe and Africa, but also as a powerful factor in inter-African relations.

Of course the Community, which is called to assume ever-increasing responsibilities in the world, will accept practical solutions that maintain the originality of the formula of association with the AASM, which would not be jeopardized by a flexible and open attitude of the partners to the various implications of the systems of free trade areas.

And if, as a result of the Community's enlargement, the extension of the association modifies some of the present basic features and makes adjustments necessary, the partners in the association should together seek fresh practical solutions which do not call its basic structure into question.

(b) *Cooperation with the countries of the Mediterranean Basin*

The countries that border the Mediterranean are impelled by urgent needs to seek cooperation with the Community, for it is their principal partner and their principal opportunity for development in commerce, tourism, employment, capital movements and the transfer of know-how.

For the Community, the Mediterranean area as a whole is of very considerable economic and commercial interest.

The Commission therefore considers that it is in the Community's interest to seek the means of making the existing commitments more homogeneous and more effective by progressively supplementing the trade provisions of the agreements by technical and financial cooperation to take in certain social aspects. This would endow the Community's Mediterranean policy with the instruments required for a balanced cooperation that is reciprocal in the broad sense of the term.

(c) *Cooperation with developing countries as a whole*

The policy of preferential access which the Community pursues in its relations with some developing countries corresponds to special obligations and interests, created not only by history and geography but by the clearly complementary nature of their economies and by a host of traditional links which are not exclusively commercial.

Cooperation of this type, however, is feasible only if it covers a relatively small proportion of world trade and if it is confined to countries in relatively homogeneous geographical areas.

Taken beyond this point, the policy of association would tend to become diluted and would cease to be complementary to international cooperation; indeed it would be inimical to it because of the scale of the distortions and difficulties which it would lead to in world trade.

Cooperation with the developing countries as a whole, which is desirable, should be on the following broad lines:

- (i) The Community's action regarding exports from developing countries to the Community will not be confined to tariff measures but will also have to deal with non-tariff aspects, restrictive commercial practices, sales promotion and commodity prices (preferably within the context of the economy of each commodity).

In the tariff field experience will show whether the generalized preferences can be extended to all exports from developing countries, though of course within limits compatible with the coherence of Community policies, for instance with protection of the interests of countries with which the Community maintains preferential relations and with structural changes or adjustments within the Community.

- (ii) As regards the Community's exports to developing countries, the Community should harmonize the use made of commercial credits and aid credits, by selectively improving the terms, and reinforce measures to coordinate insurance and guarantees for export credit. These different steps should tend to encourage the supply of goods and products helpful to development, particularly plant and machinery.
- (iii) For direct private investments from the Member States, national incentive measures will be aligned if possible on the model that offers the widest range of possibilities, generalized so as to cover all developing countries. At Community level the first step will be to encourage the conclusion of bilateral agreements between the Community and developing countries in order to promote and protect investments on a joint basis, and the next step will be the establishment of a Community investment guarantee system.

4. ADDITIONAL POSSIBILITIES FOR FINANCIAL AND TECHNICAL COOPERATION SHOULD BE MADE AVAILABLE TO THE COMMUNITY

Besides the resources required to strengthen cooperation with the African and Mediterranean countries, the Commission considers it necessary that the Community should progressively be given the resources it now lacks to conduct a genuine development cooperation policy better adapted to the responsibilities and interests of the Community, better balanced geographically, and tailored to the diverse situations of the developing countries.

In present circumstances the Community clearly cannot be expected to embark on a world cooperation policy, involving considerable resources, from which any country, so long as it is developing, would be entitled to benefit. The Community should imply be given additional possibilities enabling it to respond appropriately to the requests for cooperation which developing countries, or groups of countries, are addressing to it and will tend to address to it increasingly in the years to come.

In order to decide on cooperation measures and the direction they are to take, reference must be made to a number of criteria that make for better dovetailing and greater coherence between Community and national action, so that their overall effectiveness is enhanced.

(a) *Nature of Community action*

Two such general criteria which must guide the choice of additional cooperation action to be undertaken by the Community are as follows:

- (i) the first is that the scale of Community is objectively better suited than the national scale to the effective pursuit of certain cooperation activities, for instance sales promotion;
- (ii) the second criterion is that the Community is specially suited to help developing countries to organize or reinforce their economic cooperation on a regional scale.

(b) *Pattern of Community action*

Since it is wished to keep Community cooperation free of any hegemonic intent of domination and any strictly mercantile considerations, the funds available should be allocated first and foremost in relation to the needs of the developing countries and to the sources, other than the Community, of privileged aid which they receive. Within each region, furthermore, preference should be given to the least advanced countries, their degree of development being of course assessed on a comparative basis in terms of factors such as their potential wealth in natural resources, their advantages as regards geographical situation, and their external payments possibilities.

Moreover, the fullest account should be taken of their real will to pursue an effective policy of general growth; one of the yardsticks could be their degree of commitment to regional economic cooperation.

A criterion relating to various affinities, historical and cultural for instance, would also be worth adopting for reasons of effectiveness, especially for technical cooperation; a certain preference being given to developing countries with which these affinities exist rather than to others.

These criteria could lead the Community to conclude, with some third countries, 'cooperation agreements' establishing an intermediate position between association agreements and the general system applicable to other developing countries.

Such agreements could cover financial and technical cooperation, especially in the case of Mediterranean countries.

By way of illustration of such additional possibilities, the following points can be made on cooperation with Latin America and Asia:

Latin America

Because of the concession of generalized preferences and successive reductions of duties on tropical products, there is only minimal room for manoeuvre in the tariff and quota sector where Latin America is concerned.

The importance of other forms of cooperation, particularly financial and technical, seems correspondingly greater. Action under these headings must be coordinated with commercial policy measures such as the generalized preferences.

To achieve maximum effectiveness of the Community's policy, and in view of the considerable differences between the degrees of development and resources of the countries and regions of Latin America, this policy must be structured on a regional basis and closely adapted to the characteristics of each region. The degree of reciprocity expected from these countries should be in relation to their level of development. Precise rules of selectivity must be applied to the choice of actions.

Special attention should be paid to assisting subregional integration.

Asia

As regards Asia, if we except certain trade measures relating to specific products and countries, the Community has not so far worked out an overall approach

to its relations with this immense continent and to the possibility of contributing to its development.

In a general way, the comments and guidelines given above for Latin America are equally valid for Asia, but with important quantitative and qualitative adjustments: the magnitudes involved (e.g. area, population, needs) are several times greater; whereas *per capita* income, the rate of development, regional cohesion, and therefore the tendency to integrate, are all less. The structure of production, including that of agriculture, is very different from that found in Latin America.

This being the situation, it is even more difficult to work out a cooperation policy for Asia than for Latin America.

IV. Main Types of Action

In view of the considerations set out above the Commission has in mind various types of action for the seventies. These are merely sketched out below, but the Commission will later define them more precisely. As the negotiations with the applicant countries have already shown in the case of some important problems, it is clear that the Community's enlargement will have implications for its cooperation policy and the way in which it is implemented. But in this context the Commission considered that the essential part of the policy which it is putting forward could and should be operated by the Community.

A - ACTION EITHER ARISING FROM DECISIONS TAKEN BEFORE THE MEMORANDUM OR CONNECTED WITH APPROACHING DEADLINES

Specific proposals will be made by the Commission regarding such action in accordance with the time-limits already set.

The essential points are:

- (i) adaptation of the agreements in the Mediterranean Basin to take the enlargement of the Communities into account;
- (ii) renewal on a broader basis of the agreements with Morocco and Tunisia, as provided for in these agreements, and the development and reinforcement of the Community's policy towards the Mediterranean countries in trade and other areas of cooperation;
- (iii) negotiations for a further period of association with the AASM and the East African countries in the context of the possible extension of this policy to other applicants;
- (iv) developments that will be called for by various activities already in hand, such as: generalized preferences, food aid, participation in UNCTAD III, participation in work under the second Development Decade;
- (v) for Latin America, implementation of measures decided on by the Council following a study of the Commission's memorandum on the subject.

B - OTHER ACTION TO BE STARTED OR CONTINUED

1. ACTION CONNECTED WITH TRADE

As the opportunities for recourse to the instrument of tariffs and quotas are now limited, possibilities for action must be sought in three fields of commercial policy in the broad sense.

(a) *Commodity agreements*

The Community's activity in connection with commodities is generally based on the principles of the UN Trade and Development Board's Resolution No. 73(X).

So far as existing agreements are concerned, the Community should in the first place accede to the International Sugar Agreement by pursuing an internal policy that will gradually reduce its structural surpluses. The spirit in which the Community tackled sugar problems in the enlargement negotiations could, incidentally, open up interesting possibilities for certain developing countries which are major sugar exporters.

Under the International Coffee Agreement the Community should participate in long-term action, for instance measures concerning production which are written into the agreement but on which a start has scarcely been made.

For other products (cocoa, oleaginous products, tea, jute), the Community should renew its activity and take fresh steps where necessary.

If it should prove impossible to conclude world agreements, or if the conclusion of such agreements were to suffer delays detrimental to the developing countries, or again if for a given product a world agreement were not justified, the Community could envisage—whether for all developing countries or a region—the possibility of applying temporarily, as either an independent or concerted action, the intended provisions of the world agreements. Alternately it could, in accordance with the priorities arising from its commitments, seek *ad hoc* solutions to which further developing countries could accede.

(b) *Non-tariff measures*

In this connection the Commission will propose that advantage be taken of the harmonization of domestic legislation now in progress in the Community to protect trade names as far as possible, as this can often have the effect of increasing the use of natural products. The Commission wishes to reiterate what it has already said on several occasions, namely that the progressive abolition of the excise duties which are currently levied in some Member States on products of interest to developing countries would be a measure that would greatly encourage imports into the Community of those products.

(c) *Sales promotion campaigns to enable developing countries to increase their exports*

Here the opportunities for cooperation are particularly extensive and readily lend themselves to Community action, which might take the following forms:

- (i) commercial training for nationals of developing countries to increase their knowledge of the Community market;

- (ii) establishment of a promotion service for the exports of developing countries, which would help public export promotion bodies, and even firms, in those countries to find solutions to their marketing problems;
- (iii) establishment of Community trade centres in some countries for the purpose of encouraging exports to the Community and, as a by-product, from the Community to the countries concerned;
- (iv) Community technical assistance to developing countries in connection with public health regulations and other rules so that their exports comply with Community legislation.

2. COOPERATION ON THE SOCIAL AND ON THE HUMAN PLANE

In this field three types of action may be noted:

- (i) improvement of infrastructure (provision of hospitals, schools, housing, specialized institutes, etc.);
- (ii) training schemes (general education, vocational and other training courses, 'animation' i.e. activity promoted by leaders in the local community, etc.);
- (iii) development of appropriate technical assistance which, generally speaking, is the essential prerequisite for the dynamic implementation of the preceding two types of action because at present the developing countries are very short of the necessary personnel at managerial level to carry them out.

Given the massive requirements of the developing countries in this respect and by comparison the relatively very circumscribed possibilities the industrialized countries have of action to satisfy these needs, it seems necessary, for action of this type in particular, to aim at coherent and coordinated implementation of the measures that are being considered. Here the Community framework certainly offers a first level of concertation which is essential to ensure the greater effectiveness of the efforts made by the Member States and the Community.

3. TECHNICAL AND FINANCIAL COOPERATION

(a) To ensure more regular flows of funds, it would seem necessary to endeavour to organize them in the context of multi-year programmes. The specific inclusion of a study of such flows in the Community's medium-term economic policy programmes, besides improving the regularity of flows to the developing countries, would also permit better progress towards achievement of the quantitative objectives of aid.

In this connection, the in many ways disturbing indebtedness of many developing countries makes it necessary to seek a better balance between official and private flows and, in the case of official flows, between grants and loans; the latter should, so far as possible, be 'soft' loans. The programming of such flows is of undoubted importance for the achievement of this balance.

(b) In order to make financial aid and technical assistance more effective perhaps there could be a progressive untying, on a Community scale, of the Member States'

bilateral aid,¹ for it is clear that the division of the Community into country-by-country compartments by tied aid is losing its relevance as the Community becomes more integrated.

(c) Because of its nature it is a specific function of the Community to give systematic encouragement to an obvious capacity for providing technical assistance for regional cooperation between developing countries. This should include:

- (i) courses and symposia for the nationals of developing countries that have embarked on a process of integration and for the officials of regional cooperation bodies;
- (ii) sending of qualified independent experts to such bodies;
- (iii) seconding of Community officials to these bodies.

It would furthermore be appropriate to consider possible financial contributions by the Community towards studies or projects having a direct bearing on regional integration.

(d) It will be necessary to undertake a study of all the problems arising from technical cooperation with developing countries with a view to finding a Community solution to them.

(e) In order to ensure greater effectiveness of private flows, and to further an active, coherent private investment policy in developing countries, steps to be taken include:

- (i) community coordination of domestic measures to encourage direct private investment and progressive alignment of such measures on the most comprehensive pattern existing in the Community;
- (ii) institution of a Community system of guarantees for private investment;
- (iii) concerted action with developing countries in order to make better access arrangements for private investment;
- (iv) establishment of a data bank dealing with investment opportunities in developing countries;
- (v) extension of the EIB's role to contributions towards the financing of Community exports to developing countries with which the Community cooperates on a privileged basis;
- (vi) establishment of subcontracting exchanges between industrialists in the Community and the developing countries;
- (vii) setting up of Community machinery for the notification of direct private investments in developing countries.

4. OTHER MEASURES

(a) As regards applied scientific and technological research, the Commission will propose the formulation of guidelines to reinforce the scientific structures

¹ The way in which this proposal is formulated will depend on whether it embraces both grants and loans or, if the DAC's work to untie loans should lead to an early agreement, grants only.

of developing countries and concerted guidance of the Member States' efforts in accordance with the specific needs of developing countries or groups of such countries.

(b) Along the guidelines which it set out in its memorandum on the common social policy, the Community will make appropriate proposals with a view to:

- (i) improving statistical data on the movements of migrant workers from developing countries;
- (ii) improving the integration of migrant workers into the economy and social background of the host countries;
- (iii) progressively extending to migrant workers from developing countries the advantages accorded to the Community's workers.

(c) The Commission will redouble its efforts to make public opinion more aware of development problems and to improve information about them through more efficient use of existing means and better coordination of information.

(d) Technical measures, for instance to achieve compatibility between production and foreign trade statistics, should make it possible to identify more accurately the effects of commercial policy measures on consumption and production in the Community.

These various types of action, which should make up the Community's cooperation policy, can only progressively be given their final shape and brought into operation.

Conclusions

In deciding to compile this memorandum and transmit it to the competent Community institutions, the Commission's intention was to prepare the ground for a thoroughgoing debate at Community level on the problems of development cooperation. Anxious that such a debate should result in practical measures, the Community has sought to establish the fullest possible inventory of the conditions and methods of action required to implement a real policy of cooperation with the Third World. In so doing, it is conscious that the practical development of such a policy can only come about progressively and that, in particular, it will be necessary to programme and adapt any action envisaged in the light of the guidelines that emerge from the work to be done in the near future; the choice of priorities, for example, will have to be made with regard to the essential means that can be made available.

The Commission, however, wishes to stress the importance which it attaches to the principles and guidelines set out in this memorandum and draw attention to the fact that development cooperation is part of the logic of Community integration; for it is a component of the various policies to be implemented (commercial, agricultural, industrial, etc.) and one which cannot be sidestepped, especially as the first progress is made along the path of political cooperation.

Accordingly it is the Commission's view that this Community policy for development cooperation should take the aid policies being implemented by the Community and by the individual Member States as its starting point and improve on them. It will at the same time be necessary to supplement them with other initiatives on the scale dictated by the Community's weight in world affairs and by its future enlargement.

In any event the Commission is convinced that the primary condition for conceiving and implementing such a policy lies in the organization of close coordination between the policies of the Member States and of the Community, even before a progressive reinforcement of the Community's powers in this field becomes imperative. The ways and means of this coordination, to be undertaken within the framework of the Community institutions, will gradually emerge in the light of the experience that is gained, but it already seems necessary that there should be certain Council meetings, attended by the Ministers responsible for these matters in the Member States, reserved for the problems of development cooperation and that, to ensure that these meetings are fully effective, they should be prepared at every stage with an overall, and so to speak horizontal, view of the various problems of development.

PROGRAMME FOR INITIAL ACTIONS

INTRODUCTION

1. In July 1971, the Commission adopted its synoptic document on a 'Memorandum on a Community policy on development cooperation'. This included two further volumes containing a detailed analysis of twelve years of cooperation with developing countries, and general and statistical documentation. At the same time the Commission also announced its intention to produce a third document which would permit the transition to be made from the general guidelines contained in the synoptic document to a programme of action.

2. The Commission explained that the aim of the synopsis is both to initiate a dialogue amongst the Institutions of the Community and the Member States on the general guidelines for a Community policy on development cooperation, and also to instigate a procedure which will quickly lead to a number of concrete achievements.

In this document the Commission hopes to give a more detailed picture of an initial series of practical measures by choosing certain ones from the activities set out in the synopsis; this does not mean to say, however, that those omitted from this document have been abandoned by the Commission. All the actions laid down in the synoptic document, and the spirit in which they were conceived, remain on the agenda.

3. The Commission's choice illustrates its desire to concentrate on the concrete development of proposals which forms this initial series of actions. Some of these can also be developed at Community level within the framework of the third UNCTAD programme.

4. Independently of the discussion on guidelines and the preparation of initial practical measures, the Commission reserves the right to announce at the appropriate moment the political developments made necessary by the problem of relations between an enlarged Community and the developing countries. The forthcoming Summit Conference of the Heads of State of the Community will be devoting a great deal of time to these problems.

5. The Commission's initial selection of actions was inspired by the following considerations:

- (i) some of the actions described in the synoptic document originate from earlier decisions or are linked with dates in the near future.¹ All of these will be the subject of detailed Commission proposals in the light of dates

¹ Cfr. 'Synoptic Document', IV, A, p. ...

which are, or will be, determined for them. There is therefore no point in setting them out here;

- (ii) since a discussion of certain actions is still premature there seemed no point at the present stage in developing ideas on these actions;
- (iii) it did, on the other hand, seem an opportune time to concentrate on those problems which have been sufficiently discussed in the international organisations and within the Community to justify the initiation of action.

I. Measures to benefit Exports from Developing Countries

A - COMMODITY AGREEMENTS

1. 1973 INTERNATIONAL COFFEE AGREEMENT

(a) One must first of all emphasise the importance of this product for developing countries since, with the exception of petroleum, it is the main commodity by value in international trade. The international organisation of this market has been operating for about ten years since the first agreement to bring together the majority of developing producer countries and industrialised consumer countries dates from 1962.

This organisation does not limit itself to the creation of a short-term equilibrium by means of quotas and prices; it also seeks a medium and long-term equilibrium by means of a policy of diversification. A Fund for the financing of the latter was set up by the International Coffee Organisation (ICO).

(b) The present agreement expires in October 1973 and the ICO will begin working on its renewal in 1972.

Disruption in market forecasts resulting from the reduction in Brazilian production are going to present difficult problems in sharing out the world market between the producer countries by means of basic quotas to be written into the agreement. Production targets, the programmes of the Diversification Fund, and the relations between the different categories of coffee will most likely be called into question.

It is clear that concrete action by the Community in this field is connected with its effective participation in renewal negotiations and then in a new agreement as already proposed to the Council by the Commission.

Disregarding the actual problems of defending the interests of the consumer countries in this agreement, the importance of which cannot be denied, it is within the framework of development cooperation of all the developing countries concerned, of which this agreement is an essential instrument, that the possibilities of concrete action by the Community are raised here.

The search for a long-term balance between production and consumption should become the ultimate objective of Community policy, and this by laying emphasis on the various possible means of action existing in the present agreement, but which have hardly been applied yet. It would therefore be less suitable to amend the agreement than to make better use of the various mechanisms existing in the new 1973 agreement:

- (i) revision and harmonisation of the plans for controlling production, of the objectives laid down in 1969 and the diversification programmes,
- (ii) improvement of export standards in order to raise the quality of certain kinds of coffee and to arrest the downward trend or the tendency to consumption stagnation in the developing countries,
- (iii) search for forms of aid tailored to meet the difficulties of small and medium sized producers who belong to the ICO and are amongst the least advanced of developing countries whose economy depends mainly on coffee.

The present instrument, the Diversification Fund, should have its rôle extended and its aims widened in order that it might carry out activities other than those linked directly with the limitation of production, storage infrastructure, installations for preparing and packaging the product, improvement in marketing structure, diversification of outlets etc.

Taking into account, on the one hand, the Community's activities over the past ten years in certain producer countries—both members of the ICO and those associated with the Community—within the framework of the European Development Fund, and on the other hand taking into account the fact that short-term equilibrium is inseparable from medium and long-term equilibrium which can only be achieved by means of diversification of structures, the Community should be able to play an active part in the implementation of this policy, aimed at achieving lasting stability on the world coffee market.

The Community would be given the possibility of concrete action to influence the guidelines to be followed and to facilitate coordination between the various concepts and sources of finance for the diversification aid, if it could play a significant rôle in the Diversification Fund of the ICO. At present only two Member States have decided to make a financial contribution to this Fund.

Provided that the ICO Fund is converted into a true instrument for achieving balance between supply and demand, it is quite possible that the Community will participate in it by the granting of loans.

2. NEGOTIATIONS FOR AN INTERNATIONAL COCOA AGREEMENT

Although cocoa is less important than other commodities for the economies of developing countries in general, it is still an essential product in the economy of several developing countries in Africa and Latin America. The chronic instability on the world market explains the many attempts over the past ten years to conclude an international agreement; these have, as yet, met with no success.

Should the Conference on the conclusion of an agreement get under way once more, the Community, considering its dominant rôle on the market, should, starting with the consumer countries, continue to follow up the initiatives taken during the UNCTAD negotiations of 1971, so that the basic questions remaining may be set out clearly and negotiable solutions may be proposed.

The main problem is still the price level to be laid down in the agreement and the defense mechanism for minimum and maximum prices by means of the imposition of export quotas and stock regulating.

The other problems remaining connected with, or subject to, the solving of this basic problem should not constitute any major obstacles during the negotiations. 1972 should be a decisive year because the main countries concerned—both producers and consumers—can neither afford to allow negotiations to fail yet again nor to continue fresh consultations each year. The political desire to conclude a viable agreement should be quite evident, and this on bases which are acceptable to the two groups of countries.

Should it not be possible to conclude an agreement in 1972, the Community should envisage cooperating in the implementation of the limited agreement planned between the main producer countries where the objectives of this agreement, especially in the prices sector, were considered acceptable from the point of view of the legitimate interests of the consumer countries. One should not therefore exclude the possibility of an international agreement being concluded without the immediate participation of all the consumer countries.

The taking up of such a position by the Community is of particular importance in the light of the enlargement of the Community and its association policy.

3. *CONSIDERATION OF THE INTERESTS OF DEVELOPING COUNTRIES PRODUCING SUGAR*

A large number of the developing countries depend heavily—indeed virtually entirely—on their sugar exports. In order that more attention is paid to the interests of these countries the Community has already stated that, once Enlargement has been completed, one of its main aims will be to safeguard the interests of the whole of the AASM and all developing countries of the Commonwealth whose economy depends largely on exports of sugar, and this without underestimating the importance of this product for other developing countries. The Community sugar policy, therefore, should be based on the following guidelines:

- (i) after the enlargement of the Community, its sugar production should remain lower than its consumption, the difference between the internal production and Community consumption being fixed in terms of contractual commitments towards certain developing countries and the situation in other developing countries which export the product in question;
- (ii) the measures which the Community will have taken with the AASM and the developing countries of the Commonwealth with regard to sugar will constitute an important element of its participation in the international sugar agreement;
- (iii) at the same time the Community should also take other steps to promote the consumption of products containing sugar. A decrease in domestic tax on these products would especially help to increase the Community's consumption, and would be of great benefit both to the developing producer countries and those producer countries in the Community.

B - TRADE PROMOTION

In the present day and age, when commercial competition is very keen, it is not enough to simply remove tariff and non-tariff barriers which still stand in the way

of exports from the developing countries in order to ensure 'Ipso facto' a reasonable share of the markets in industrialised countries for their produce.

The developing countries themselves must make increasing efforts to make the marketing of their goods more dynamic and more effective. Otherwise the measures of encouragement taken by the industrialised countries regarding the tariffs and regulations run risk of failing in their aims.

It is, therefore, not only in the fields of tariffs and regulations that the Community must act, but also in the implementation of other measures to help the developing countries gain access to the Community market. In this respect Community action, in order to be of significance, could be motivated especially by certain actions it takes to help the AASM. One must note here, however, that the AASM are some of the most backward of the developing countries and that actions to help them should not be extended haphazardly to all developing countries, if only because many of the latter have already adopted very refined, successful sales promotion techniques. It would seem, therefore, that to start with the Community could provide the developing countries with useful aid by concentrating on the following actions:

- (i) advanced vocational training of people in the production and export sectors, both public and private, in order to improve their knowledge of the Community market, especially of the trade circuits from the import to the consumer stage. This training could be given during short seminars organised in the large commercial centres of Europe;
- (ii) encouragement to Member States, other than the Netherlands and Germany, to set up centres or bureaux for trade cooperation with developing countries (the Netherlands and Germany already have agencies fulfilling this function). Community cooperation between these centres themselves would also be useful, especially so that their working methods could be harmonised and that more benefit may be gained from the individual experience in relations both with the public export agencies of the developing countries and the private companies.

One of the functions of such a body would be to ensure that trade advisers to the developing countries stationed in the Member States receive regular supplies of information so that they always know of the latest developments in legislation and regulations on imports. The information should also help them to solve concrete problems and even guide their activity towards new possibilities for the expansion of trade in their respective countries.

Similarly, the Commission is planning to hold seminars shortly to enable exporters from the developing countries to benefit as much as possible from generalised preferences:

- technical assistance in order to improve the standard of products. On the request of the developing countries, experts could be sent out to them to suggest methods of sorting, classifying, processing, labelling and packing certain products. Intervention in these sectors could make it possible in certain cases to adapt the products to the standards applicable in the Member States, on the one hand, and to the tastes and habits of European customers on the other.

The Commission feels that the field of trade promotion lends itself especially well to encouraging an increase in exports from developing countries. It reserves the right to make detailed proposals on this matter; the above ideas are simply an outline of these.

C - GRADUAL ABOLITION OF EXCISE DUTIES ON TROPICAL PRODUCE

The Treaty setting up the EEC leads to the harmonisation of indirect taxes and thus also of taxes imposed on the consumer; amongst the latter are excise duties which are at present imposed in certain Member States on foodstuffs originating from developing countries (coffee, tea, bananas, cocoa). In order to achieve this harmonisation the Commission is drawing up a definitive version of a general programme for the harmonisation of taxes at consumption level.

This internal requirement coincides with longstanding demands from the developing countries for the abolition of these excise duties by industrialised countries. Indeed, even though there may be no grounds for believing that a study of the price elasticity of the demand for these products can lead to results acceptable to everyone, it is still true that one feels instinctively that people assume that a decrease in the price of these products would create more favourable sales conditions.

The Commission could contribute to this by gradually abolishing these excise duties when measures are taken to harmonise indirect taxes; this would be very significant proof that the Community wants to take the interests of the developing countries into consideration when drawing up and implementing its common policies, in this case its policy on tax harmonisation.

However, it would be unreasonable to expect the sudden abolition of these taxes; the most important tax—the one on coffee—represents almost one percent of budget receipts in Germany and Italy. The whole thing must be done gradually, therefore, in order to lessen the impact of the decrease in receipts and to enable the Member States to find alternative sources of revenue.

D - PROTECTION OF THE GUARANTEE OF ORIGIN OF FOODSTUFFS

As with general abolition of excise duties on tropical produce, the protection of the guarantees of origin of foodstuffs originating from developing countries shows that there are problems in which the requirements of Community policies or the interests of the Community consumer coincide with the interests of developing countries. Indeed, as regards consumer protection, the criteria followed up to now in the Community has been that of the non-toxicity of products, irrespective of their origin. But consumers are attaching more and more importance to the quality of life, which leads them to search for natural products and also to differentiate between these in terms of quality.

In this context, the Community should act both with regard to the protection of the definition of products of interest to developing countries, and the classification

of the different products in one category according to a quality scale which is as objective as possible.

The protection of the definition of these products can be assured within the Community by means of Community legislation on foodstuffs. But such a measure taken by the importing countries is not sufficient in itself to promote the sale of the goods in question. The producer countries must also provide serious guarantees on the authenticity of these products and on their hygienic state. Representatives of the developing countries have also made it clear in different international organisations, and especially in the Food Register that they urgently need technical assistance to establish a network of testing stations complete with the appropriate equipment and qualified staff.

Such assistance could be given by the Community and would greatly extend the openings for agricultural produce from developing countries.

In order, on the other hand, to comply with the wishes of those consumers who are expressing with increasing vigour the desire to be fully informed on the nature, origin and composition of the products which are suggested to them, there will be a case for making it obligatory to put this information both on the external and internal packaging.

Lastly, those products which are interchangeable amongst themselves may vary greatly in quality. One often finds that the good reputation of high class products has been abused to the benefit of other products of lower quality. In the interests of both the producer and consumer the introduction of as clear a differentiation as possible in the designation of different products is entirely justified. One thinks here of products such as rum, tapioca, cassava starch, food oils, etc...

Taking into account the above facts, the Commission will suggest that advantage be taken of the harmonising of national legislative provisions at present being carried out in the Community in order to implement the necessary measures. Once these measures have been taken in the framework of new legislation on this subject, the public should be fully informed by means of publicity in the press and especially through consumer organisations.

II. Other Measures favouring Economic Development of Developing Countries

An initial series of other measures favouring the economic development of developing countries must be taken especially in order to:

- (i) intensify public aid¹ and ensure its regularity,
- (ii) ease the financial conditions attached to aid,
- (iii) institute Community untieing of public aid,¹
- (iv) harmonise aid action,
- (v) encourage regional cooperation between developing countries.

A - INTENSIFICATION AND REGULARITY OF PUBLIC EFFORTS IN AID

1. STATEMENT OF FACTS

(a) Between 1960 and 1970 the percentage of the GNP devoted by Member States to public aid to developing countries has decreased. The only exception is in the case of the Netherlands.² A granting of 0.7% of the GNP to public aid which France exceeded regularly until 1967, has not been achieved by any Member State since 1968. In relation to its aid capacity, therefore, the Community has considerably reduced its efforts with regard to public contribution between 1960 and 1970.

The failure to achieve the aim of a net financial contribution of 0.7% of GNP from public sources will make it impossible to achieve the aim which was sought when it was recommended at international level as a sub-division of the overall

¹ The concepts of public contributions or public aid mentioned in the developments in these actions are to be understood as 'official development aid' as defined in part 4, Annex 1, sec. 2, a, i.

² Development aid from public sources as a percentage of GNP.

	Belg.	FRG	France	Italy	Netherlands	EEC	GB	USA
1960	0.88	0.49	1.38	0.30	0.31	1.08	0.56	0.45
1969	0.52	0.35	0.69	0.17	0.55	0.53	0.39	0.35
1970*	0.48	0.32	0.65	0.16	0.63	0.42	0.37	0.31

* Excluding direct aid from private charities.

target of a net contribution of at least 1%¹ of GNP from public and private sources. This would reverse the present trends towards stagnation in net public and private contributions to the developing countries and towards a rapid increase in the debts of these countries, and would enable them to finance their deficit in 1975 by means of current transactions without further increasing their external debts.

(b) These public contributions have seen their unit purchasing power decrease consistently during the period mentioned, as a result of the general decline in the purchasing power of currencies. The fact that the aim of an annual transfer of 1% of GNP refers to GNP at current prices constitutes a certain corrective factor, because this makes it possible to incorporate both the growth of GNP in real terms and the increase in prices.

(c) Lastly, the Member States increased their contributions by varying amounts and especially at frequently varying rates. The continuity of financial contributions is indispensable to the beneficiary countries in order for them to be able to programme their development in accordance with what is generally expected of them by the countries and organisations granting them assistance. It is therefore only normal that these same countries and organisations make provisions to ensure that the developing countries receive more regular public aid in the form of a 'long-term continual flow' as requested of them in Article 47 of the 'international strategy for the United Nations Second Development Decade'.

2. AIMS AND PROPOSED ACTIONS

(a) Achievement by 1975 at the latest of the aim of an annual net transfer to developing countries of net public aid corresponding to at least 0.7% of GNP for each Member State.

The achievement of the same aim by all of the Member States would help to eliminate some of the disparities caused by the aid structure of the different Member States and which impair the effectiveness of the assistance.

The Commission therefore feels that each Member State should undertake to achieve by 1975 at the latest, the aim of an annual transfer to the developing countries of net public aid corresponding to at least 0.7% of its GNP.

(b) Programming of public development aid within the framework of the medium-term economic policy.

In the Community this programming could be carried out within the framework of programmes for the medium-term economic policy in which the policy of development cooperation could appear as a new dimension of Community activity.

In order to achieve this all the Member States will have to draw up a medium-term programme of their commitments towards developing countries by establish-

¹ Total aid to developing countries as a percentage of GNP for 1960 and 1969

	Belg.	FRG	France	Italy	Netherlands	EEC	GB	USA
1960	1.59	0.88	2.15	0.85	2.11	1.66	1.22	0.75
1969	1.12	1.33	1.24	1.03	1.36	1.24	0.97	0.49
1970*	1.17	0.76	1.24	0.78	1.44	0.98	1.00	0.55

* Excluding direct aid from private charities.

ing, as some of them already do, their own programmes of legislation covering a number of years.

These programmes of legislation should also be the subject of a Community confrontation with the aim of achieving a progressive harmonisation of their general aims and the periods which they cover. In this way it should be possible to make the national policies more coherent amongst themselves and with the Community cooperation policy, and to make them more compatible with the other common and Community policies.

This was the nature of the standpoint adopted by the Commission in a communication to the Council concerning a letter from the Chairman of the Medium-term Economic Policy Committee in which he dealt with the problem of developing, general and coherent medium-term strategy in the field of relations with developing countries.

B - RELAXING OF FINANCIAL CONDITIONS ATTACHED TO AID

1. STATEMENT OF FACTS

(a) *The growing debts of the developing countries*

1. Since the Fifties the external debt of the developing countries and the cost of servicing it have multiplied to such an extent that, according to certain forecasts, a large number of the developing countries may well find themselves ten years from now, having to pay more for the amortisation of the capital and for the interest than they receive if transfers to them continue to be made at the same rate and under the same conditions as they do at the moment. According to the BIRD the debts of the developing countries will have totalled 67 thousand million dollars by the end of 1970—double the amount six years ago. It has been estimated that by the end of 1970 the servicing of this debt will cost about 6 thousand million dollars¹—a figure which must be considered in relation with the exports of the developing countries for 1970; these have been put at about 55 thousand million dollars.

These general facts hide considerable differences between the various developing countries, certain of which have over the past few years found themselves in such serious situations that they have had to ask consortia of creditors to step in.

2. The excessive debts incurred by a large number of the developing countries are due generally to inadequate use being made of credits granted to the countries. These credits had been used to finance unprofitable, scattered or remote projects. The debts are also due to the fact that the countries have increasing recourse to supply credits. In this field, the industrialised countries overbid in order to increase their exports, especially to developing countries. This overbidding results particularly in the extension of the duration of credits which, together with the severe financial conditions arising from the present economic situation, considerably increases the debts of the developing countries.

¹ However at the end of the last decade the rate of increase in the costs of servicing the debt, which at the beginning had been quite rapid, began to slow down because there were more favourable conditions for public loans, brakes had been put on overbidding in guaranteed private credits, and debts had been adjusted.

(b) *The great diversity in financial conditions attached to Community public aid*

1. The financial conditions attached to public aid from Member States and the Community vary greatly from one source of aid to the other, so that projects of a similar nature and profitability are financed under very different conditions without this being justified by the relative debt capacity of the beneficiary countries. Indeed, the same countries are handled in very different ways, depending on the source of the aid, even if the projects to be financed are very similar.

The diversity in financial conditions involves very understandable reticence on the part of the most liberal of donors, especially when the projects must be financed jointly with others. Those who tend to give very favourable financial conditions do not wish thereby indirectly to subsidise the interest paid to the more rigid donors; they are therefore tempted to align their conditions on those imposed by the latter, much to the detriment of those developing countries receiving the aid.

2. The attitude of Member States towards the proportion of public funds which they give out bilaterally in the form of grants is very different from that towards which the proportion is given in the form of loans.¹ In Belgium, France and the Netherlands the amount given in grants is usually higher than that given in loans, although the proportions may vary. In Germany and Italy the opposite is the case. This is due partly to the nature of the actions financed by each state and especially to the relative importance of technical assistance given;² the latter is given almost solely in the form of grants.

On the whole, the percentage of grants in total public aid from the Community decreased considerably between 1958 and 1969/70.

As regards the conditions (duration, rate of interest, interest-free period) of the public loans, here too, one finds great differences.

(c) *The large percentage of export credits in the total Community contributions to the developing countries*

One must still emphasize the large rôle played by the Member States in the supplying of export credits (guaranteed or not) to their less developed customers who thereby run the risk of accumulating a dangerous amount of debts.

¹ Percentage of grants and loans in the bilateral public contributions for 1958, 1969 and 1970.

	Belg.	FRG	France	Italy	Netherlands	EEC	GB	USA
1958	89/11	58/42	91/9	38/62	87/13	85/15	61/39	79/21
1969	91/9	45/55	81/19	30/70	59/41	66/34	59/41	52/48
1970	93/7	45/55	77/23	48/52	55/45	64/36	50/50	49/51

² Technical assistance as a percentage of public bilateral aid.

	Belg.	FRG	France	Italy	Netherlands	EEC	GB	USA
1969	53	33	50	12	29	41	29	23
1970	55	41	49	23	25	44	27	21

2. PROPOSED ACTIONS

(a) Regular concerted action must be instigated within the Community in order to gradually achieve harmonisation of the criteria used by the various kinds of public aids, both bilateral and Community, in determining financial 'modalities' of comparable actions in development, and this by taking into consideration their nature and the situation of the beneficiary country.

(b) Since the Development Assistance Committee (DAC) has fixed definite aims with regard to financial conditions attached to aid,¹ the Community as a whole will have to help in the realisation of these aims. For this purpose, the Member States, the Commission and the European Investment Bank would have to study the development of the general financial conditions of their public aid every year in order to make sure that at least the set aims are achieved every year by everyone.

(c) In its work on private credits being carried out by the Coordinating Group for Credit Insurance, the Community should also take into account the interest of developing countries in order to find, in the case of private credits being granted to the developing countries, a better balance between the interests of European exporters and those of developing countries, so that the credit conditions (rate, duration) gradually conform with those rules which are essential if one is to avoid excessive debts being incurred by the borrowing countries. These rules should mainly ensure that the use of the supplies covered by the credit results in a clear financial (or at least economic) profitability of currency, which is greater than the interest burden, and a useful economic life which is at least as long as the period allowed for the repayment of the loan.

At the same time as it steers the policy in the direction described, the Community will have to try and make other industrialised countries accept these guidelines

¹ The supplement to the 1965 recommendations on the financial conditions and modalities of aid were adopted in 1969 by the DAC, but which must be reexamined and, if necessary amended in 1972, stipulates that the countries belonging to the DAC must, in order to fulfil the aims:

- either grant at least 70% of their Official Development Aid (ODA) in the form of grants or contributions similar to grants;
- or supply at least 85% of their ODA commitments in such a way that each individual transaction has a grant element of at least 61% (*).
- or make sure that 85% of its ODA commitments contains a grant element of at least 85% (**).

The grant element is defined as being the nominal value of financing which has been undertaken, less the present value (updating rate of 10%) of future payments for amortization and relevant rates of interest. Whilst bearing in mind how much the donor countries conform with these aims, the volume of aid was also taken into account; it is not considered that a country has fulfilled the above aims if it has only contributed a percentage of the GNP which is considerably lower than the average of the DAC.

* Example of loans with a 61 % grant element:

<i>duration</i>	<i>interest-free period</i>	<i>rate of interest</i>
30 years	8 years	2.5 %
38 years	10 years	3.0 %
25 years	7 years	2.0 %

** Programmes containing this kind of average grant may be made up as follows:

- 52 % grants and 33 % loans with a duration of 30 years, with 8 interest-free years and 2.5 % interest rate.
- 57 % grants and 28 % loans at 25/7/3 %.
- 65 % grants and 20 % loans at 20/5/4.5 %.

both to increase the protection of the developing countries and to make sure that its exporters are not ousted from developing countries and so benefit exporters from other industrialised countries.

C - GRADUAL UNTIEING OF AID AT COMMUNITY LEVEL

1. STATEMENT OF FACTS

(a) Roughly, one can say that the tying of aid consists of the obligation imposed on the beneficiary¹ to use the aid it receives in the country that provides it. In bilateral relations between industrialised countries and developing countries one almost always finds tied aid. In agencies of multi-lateral cooperation the general rule is untieing between the members of the organisation; these are sometimes joined by developing countries. As regards the Community, EDF aid is made unconditional amongst nationals of the Member States, the AASM and the OCT.

(b) The reasons for tied aid are numerous. It especially:

1. makes cooperation with developing countries possible without creating problems concerning the balance of payments;
2. makes cooperation more acceptable to public opinion in that it procures orders for individuals and corporate bodies of the donor countries;
3. makes it possible to eliminate the obstacle constituted by unequal competitiveness of the industrialised countries by virtue of which unconditional aid would be found especially in those countries in the strongest competitive position.

(c) However, since tied aid limits the suppliers choice, it is less effective than unconditional aid because it is more expensive and because it reduces the use that is made of certain technical solutions which would meet the needs more effectively.

It cannot be denied that the procedures for an international call for tenders exert great pressure on the prices offered. However, one might well wonder whether traditions, habits and the composition of stocks would not go some way to offsetting this removal of conditions and so partly allay the fears of its opponents.

2. PROPOSED ACTION

The advantages of untied aid show why this problem has appeared on the agendas of numerous international organisations and is still the subject of many studies. Those undertaken by the DAC are temporarily suspended because of the difficulties raised by the general economic situation.

¹ The aid may be tied *de jure*. This happens when the cooperation agreements stipulate it expressly. It may often be tied *de facto*: even if the agreement is a tacit one, or an international call for tenders is envisaged, the specifications may be such that the tying is implied, or then again the implementation of the agreement may still be subject to political pressure.

In a Community striving for economic and monetary union, the division perpetuated by the tying of aid loses its meaning as the divisions between the different economic activities of the Member States disappear and a Community solidarity develops at the external payments level. It would be more in keeping with this development if one were to envisage a gradual Community untying of bilateral aid from the Member States, starting with loans.¹ This would extend this untying operation to a relatively modest amount of aid since in 1970 public development loans amounted to 650 million dollars, two thirds of which were already untied by law.

However, experience has shown that not all untyings laid down by law are carried out. One must first of all make sure that the removal of conditions is effective. The most appropriate way of doing this is to insert a clause in all loan agreements even those which are already untied by law, making express provision for untying at Community level.

In accordance with Community practice this clause must also stipulate that individuals and corporate bodies of the recipient developing country will also be eligible for the contracts to be financed by the loan in question.

Lastly, the clause must be completed by an appropriate provision consisting of a system of publicity, a procedure for examining the specifications, etc, so as to ensure the effective functioning of this clause.

A certain number of precautions must be taken because of the differences in the structure and amount of aid from the Member States. The greater the proportion of loans in a Member State's aid, and the greater their value, the more that state will be affected by the untying of bilateral public loans. It will therefore be necessary to work out a way of implementing the system gradually so as to ensure a balance between the burdens caused by the untying for the various Member States.

D - COORDINATION AT COMMUNITY LEVEL OF AID AND TECHNICAL ASSISTANCE

1. STATEMENT OF FACTS

The balance sheet drawn up of the policies of cooperation of the Member States and the Community shows important differences between the various aids and measures of bilateral and Community technical assistance both in the specific aims of the aid and in the methods used to implement this aid. This lack of harmonisation in the various aids applied to the same developing countries or regions results in a definite reduction in the effectiveness of the aid because it is quite clear that the assistance is only completely effective if its implementation follows the same aims and by convergent methods. The result is overbidding, double usage and gaps which local resources do not manage to fill.

¹ Once the loans have been untied one should study the possibilities of untying those grants which are suitable for this type of treatment. The progress made by that time in economic integration may have made the problem far less acute than it is at the moment.

The Commission has therefore had to seek other solutions which help to lessen these disadvantages. Its efforts have been concentrated in two fields :

- (i) bilateral coordination of Community aid organised by the Commission and aid from Member States for the AASM and OCT has been instigated. This coordination should gradually become complete thanks to the application of the provisions of the internal financial agreement of 29 July 1969 (Art. 17) which states that each Member State must provide the Commission with all useful information on the aid which it plans to grant, or has granted to associated States, Countries and Territories and to French départements overseas; the Commission must also receive the same information from international institutions and other sources of aid. Comprehensive information is, in fact, the essential basis for operational coordination which is a prerequisite for decisions on aid.
- (ii) At its meeting of 19 October 1960 the Council set up a Technical Assistance Group to promote active cooperation between the Member States and the Commission, and to find common solutions to the particular problems posed by technical assistance for developing countries. The Group's main tasks are to exchange facts about the activities of the Member States and the Commission, to study the requests for technical assistance from developing countries with the special aim of finding the best ways of fulfilling them, and to examine, later on, the possibilities of taking the initiative in joint actions concerning technical assistance. The Commission reserves the right then to present proposals for including this Group in the talks and cooperation procedure with Latin America.

2. PROPOSED ACTION

The Commission's past experience with regard to aid to the AASM and OCT has lead it to propose an extension and generalisation of reciprocal information within the Community on the subject of requests for aid, action intended with regard to them, and the decisions taken; this information is required when the request comes from a developing country which is associated with the Community or is receiving a considerable amount of aid from at least two Member States and possibly from the Community (including food aid).

This information would be passed on by the Commission; it would highlight the double uses or possible gaps between the aid, and the possible divergencies between the specific aims as well as the methods of achieving the latter which might reduce their effectiveness. The coordination of aid from the Member States and from the Community as such, carried out on the basis of this information, should enable each source of aid to programme its own concrete actions for each country receiving aid within a wider Community framework, which should be created and reviewed periodically—once every year, for example.

The Commission would also present an annual report to the Council on discussions which have taken place and other progress made in coordinating the policies of cooperating of the Community and the Member States.

E - ENCOURAGEMENT OF BETTER REGIONAL COOPERATION BETWEEN DEVELOPING COUNTRIES

1. STATEMENT OF FACTS

(a) There is general recognition today of the need for the developing countries to organise their regional cooperation better by forming economic groupings. Indeed, the present division of their markets prevents natural complementary aspects coming into play and deprives the developing countries of the advantages of specialisation and economies of scale since the markets of many developing countries are too small. This phenomenon has already reached alarming proportions in some developing countries—especially in Latin America; industrialisation—a sector in which compartmentalisation, highly protected on national markets, has proven to be particularly harmful—has often been pushed forward under conditions which are often economically detrimental.

The encouragement of regional cooperation between the developing countries would be an effective means of opposing this trend and would help to speed up their process of development.

The developing countries are becoming more and more conscious of the need for better regional cooperation; this is shown by the existence of numerous groupings set up for this purpose. However, for various reasons only a small number of these groupings seem likely to achieve the aims assigned to them.

(b) One could say that the Community, whose economic *raison d'être* stems from the fact that its Member States have become aware of the need for economic integration which is of benefit to all concerned, has a particular duty to help the developing countries in this field and to let them benefit from its own experience. This is a field in which the Community as such could do useful work with relatively small financial resources.

(c) As regards this, the Community has also gained a certain amount of experience thanks to the AASM Association whose impact on the increase in cooperation between the AASM cannot be denied. Indeed, the multilateral character of this Association has helped cooperation between these countries.

1. The normal set of institutional provisions, and also the spirit and general atmosphere of the Association, have undeniably prompted the AASM to cooperate with each other. Thanks to the Association the countries have especially got to know each other better. In order to decide on common positions of the AASM on different problems appearing on the institutions' agendas, the AASM have had to organise their cooperation. Lasting and effective coordination has now been achieved.

2. In the field of financial and technical cooperation, the Community has always tried to make a specific contribution to projects concerning several AASM. Once can mention here the technical assistance given to regional organisations (CACEU, WACEU, etc.), studies of regional interest on industrialisation, stock rearing, etc.

2. PROPOSED ACTIONS

Thanks to the principles on which it is based and thanks to its experience with developing countries in general, but especially with determined groups of developing countries¹ the Community is able to give useful assistance to those developing countries that want to embark on regional cooperation or increase the efforts that they have already made in this direction.

(a) The Community should base its relations with developing countries on the establishment of contacts with regional groupings of the developing countries rather than on bilateral relations with isolated developing countries.

(b) The Community should be given the power to adopt measures to grant technical assistance to developing countries in order to help them instigate or improve systems of regional economic cooperation. Depending on the measures available this assistance could take the following forms:

1. Periods of training in its departments for nationals of developing countries who are called, either at national level or in regional organisations, to contribute to the development or implementation of the mechanism of regional cooperation between the developing countries.
2. Seminars organised under its auspices and with the aim of explaining European experience in the commercial, social, economic, fiscal, statistical, legal, institutional fields etc. in order to highlight the choices before the governments of the developing countries.
3. Sending experts² selected according to their practical experience in economic integration to the developing countries. These could be independent experts or European officials; if the latter are sent formulae should be drawn up beforehand enabling them to be put at the disposal of regional organisations. Generally, the growing difficulties encountered when trying to recruit experts in regional cooperation—and experts from other disciplines too—makes one wonder whether it would not be sensible for the Community to establish, with appropriate structure and administration, a nucleus of such experts who would give preferential aid to the Community on the basis of an arrangement made by the latter with them.
4. Financing of studies to solve concrete problems of regional cooperation and aimed at:
 - (a) proposing adequate means and mechanisms for implementing possibilities of regional cooperation;
 - (b) preparing the Community financing (public aid from Member States, private credit or investment from the Community, EIB etc.) of regional projects to be carried out within the framework of existing groups of developing countries.

¹ The best example of a multilateral agreement with a group of developing countries is the Yaoundé Convention. The Arusha Agreement is another example of cooperation with a group of developing countries that are already linked to each other by mechanisms of economic integration. Contacts with Latin America (Andean Group, etc.) come into the same category.

² The use of these experts raises the general problem of recruitment of helpers, their training, career, the statute to be applied to them etc. This problem already exists on a larger scale within the framework of technical cooperation between the Community and the AASM.

WORKING DOCUMENTS

**REVIEW OF TWELVE YEARS OF COOPERATION
WITH THE DEVELOPING COUNTRIES**

This working document sets out to review the efforts made by the Member States and the Community on behalf of the developing countries since 1958¹, by giving an account of the national policies pursued by the Member States in this connection, followed by a record of the activities of the Community as such on behalf of these countries.

CHAPTER I

The national policies of the member states towards the developing countries

The various aspects of national action² undertaken by the Member States on behalf of the developing countries are discussed under this heading. Financial and technical cooperation are described first, followed by other areas of cooperation.

The most important aspect of national action hitherto has been financial and technical cooperation, and a detailed review has been prepared for each of the Member States, with the exception of the Grand Duchy of Luxembourg.³

Because of the more fragmented distribution of cooperation activities in other fields, it would not have been possible to set them out systematically Member State by Member State; they have therefore been examined sector by sector,

¹ Appendices 9 to 13 contain comments and statistical information on the financial and technical cooperation of the United Kingdom, Denmark, Norway, the United States and Japan with the developing countries.

As regards Ireland, on the basis of the available information, it may be said that this country grants virtually no bilateral aid. However, it does give, in round figures between 3 and 4 million dollars per year through international organizations like the UNDP. Ireland does not grant export credits and does not make private investments. Ireland's total public aid to development may be taken to correspond to roughly one per mil of its GNP.

Appendix 15 contains summary details of the action of the principal multilateral organizations on behalf of the developing countries.

² This heading is restricted to the examination of national action, and the question of trade between the Community and the developing countries is not dealt with here. This aspect of relations with the developing countries is studied in a later chapter (cf. Chapter II, Sections 2, 3 and 4).

³ Since the Grand Duchy of Luxembourg is not a member of the DAC and does not appear to have any statistics on its aid to the developing countries, it is not possible to draw up a detailed record of this country's cooperation activities. Nevertheless, Appendix 7 contains some information on Luxembourg's contributions to the developing countries.

and an endeavour has been made to cover as many fields and forms of action as possible. Nevertheless, in the absence of all the necessary information, it has not been possible to cover all types of action. However, these shortcomings should not prove too prejudicial to the significance of the analysis.

It should be noted that cooperation activities in some of the 'other fields' entail financial commitments for the Member States and for this reason are included in the details relating to financial and general technical cooperation. Consequently, information is repeated, but this is justified by the fact that the observations on financial and technical cooperation are rather schematic and it is of interest to enter into the detail of cooperation activities in a series of specific fields. An endeavour has been made to limit the use of figures to the minimum. Those which are given are to be considered as extracts from the data on financial and general technical cooperation.

SECTION 1 - FINANCIAL AND GENERAL TECHNICAL COOPERATION OF THE MEMBER STATES WITH THE DEVELOPING COUNTRIES¹⁻²⁻³

The evolution of each Member State's financial and technical cooperation between 1958 and 1969 is discussed under five headings:

- (i) net payments, ratios between the constituent parts of these payments, relationship to GNP;⁴⁻⁵
- (ii) financial terms;
- (iii) geographical distribution of payments;
- (iv) breakdown of funds committed according to aid sectors;
- (v) administration of cooperation.

¹ The figures to which the analysis of the financial aid of each Member State to the developing countries refers include contributions to multilateral cooperation organizations including the EDF, and contributions in respect of bilateral food aid.

² This part of the report is based substantially on the statistics and related definitions of the DAC, the Development Aid Committee of the OECD. These statistics are reproduced in Appendices 2 to 6. (The main definitions are given in Appendix 1).

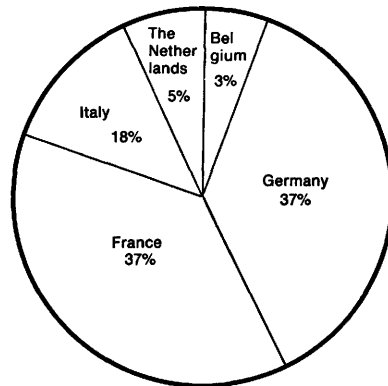
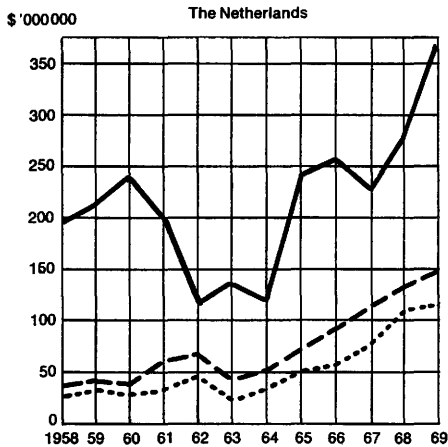
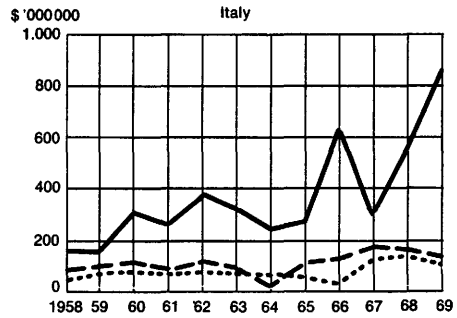
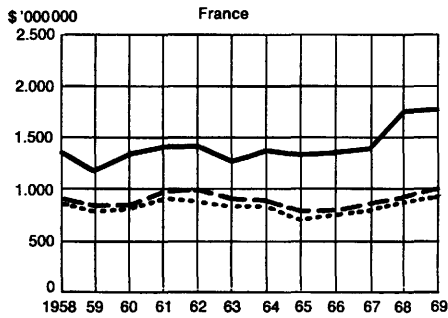
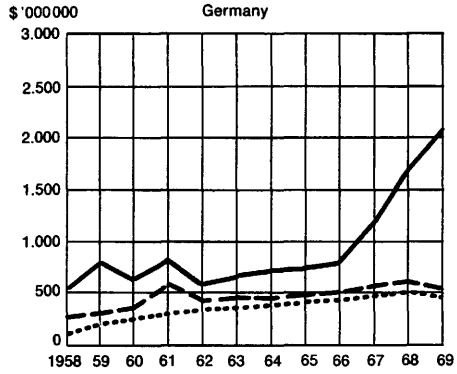
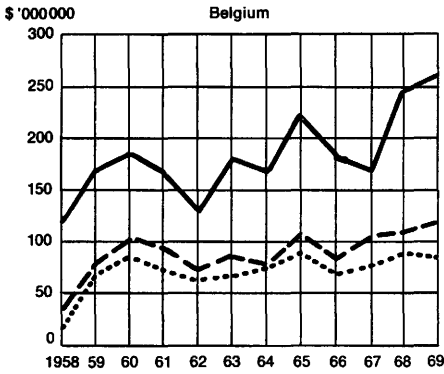
³ This section is concerned with the overall flow of public funds on one hand and, on the other, the flow of private funds insofar as they emanate from economic agents acting as such. In addition to these economic private funds, mention should be made of private contributions from those concerned with development aid which are generally made available to the developing countries through the intermediary of Non-Governmental Organizations (NGO's). The NGO's draw their resources from contributions from private individuals and often from public contributions which are recorded in the statistics for financial and technical cooperation; moreover, they benefit from various advantages granted to them by the public authorities. Clearly, apart from the public contributions they receive, the resources of the NGO's are not easy to quantify. Furthermore, there are so many of these organizations that a precise record of the action of the NGO's for the benefit of the developing countries is very difficult to establish in practice. The following estimates of these contributions for the year 1970 (in millions of dollars) were submitted by the Member States to the DAC: Belgium: 4.8; Germany: 77.8; France: 2.4; Italy: 5.0; The Netherlands: 5.2.

⁴ In Appendix 8, an endeavour is made to trace the evolution of the purchasing power of the financial aid granted to the developing countries by the Member States between 1960 and 1969.

⁵ Tables 1 and 2 on the following pages contain two series of graphs relating to these data.

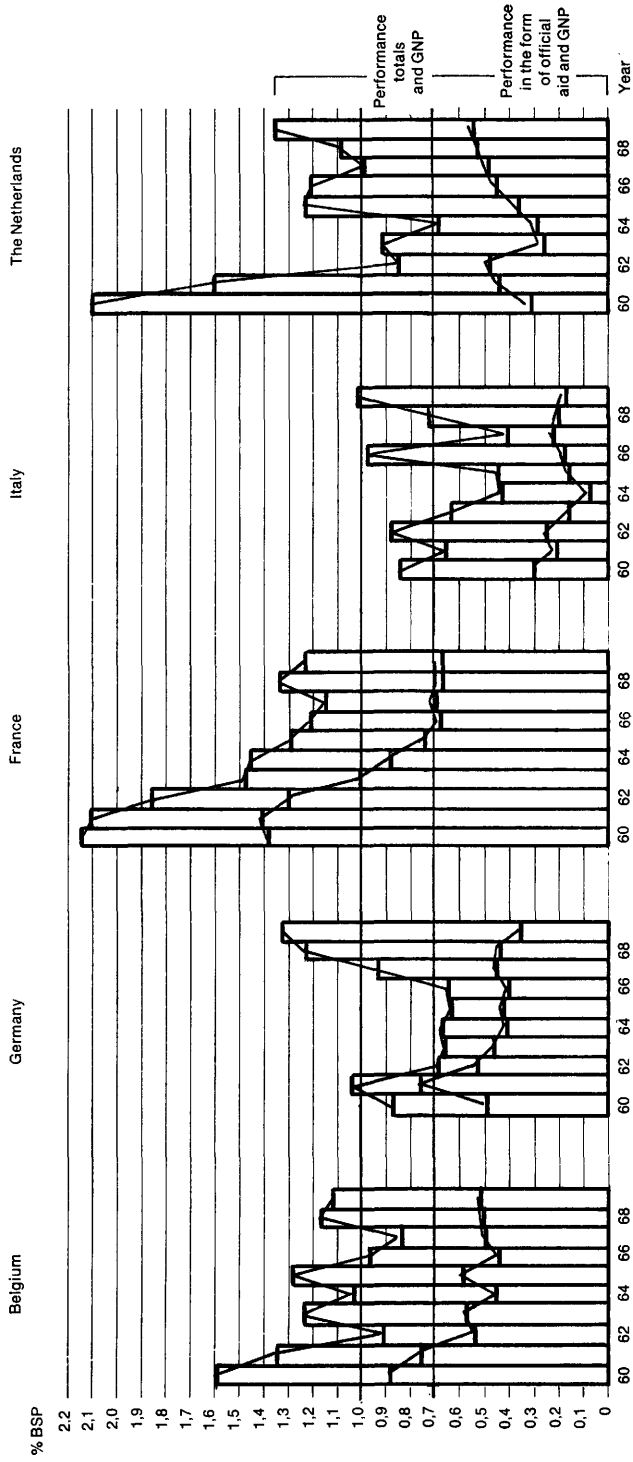
TABLE 1: Official and private aid flow from the Member States to the developing countries between 1958 and 1969 (net payments \$ US '000 000)

KEY : — All aid
 - - - Official aid
 Bilateral aid



Aggregate official and private aid supplied by the Member States for 1967, 1968 and 1969, and each Member State's contribution to the total.

TABLE 2: Total aid and official aid in relation to GNP, 1960 — 69



- The red connecting line represents the actual achievement in relation to the objective of allocating at least 1% of GNP to development aid; this is represented by the red horizontal line.

- The blue connecting line represents the actual achievement in relation to the objective of allocating at least 0.70% of GNP (in the form of official aid) to development aid; this is represented by the blue horizontal line.

§ 1: *BELGIUM*

1. The total volume of Belgian aid¹ to the developing countries increased approximately 2.4 times between 1958 and 1969, rising from 111.9 to 257.3 million dollars. This increase did not follow a steady pattern, as is demonstrated by the graph, which shows decreases in 1962, 1966 and 1967.

The relative value of total Belgian aid as against GNP² has declined from 1.59% in 1960 to 1.12% in 1969, and was below 1% in 1962, 1966 and 1967.

Between 1959 and 1969 (1958 appears to have been an abnormal year in this respect), total public aid grew by 50%, although it fell substantially in 1962 and 1966. At the beginning of the period under consideration, total public aid accounted for 0.88% of the GNP, but was fairly quick to settle at a level of 0.44 to 0.59% of GNP.

Bilateral public aid fluctuated considerably between 63 and 93.8 million dollars. In order to appreciate the evolution of the real value of this public bilateral aid, account should nevertheless be taken of depreciation.³

Total private aid grew by 50% between 1958 and 1969, substantial decreases being recorded in 1962 and 1967. With the exceptions of 1960, 1962 and 1967, the amount of private aid was greater than that of public aid, often fairly substantially. It is noticeable that in recent years, export credits have tended to account for a major proportion of private aid, whereas there has been a corresponding fall-off in direct investments.

2. Gifts and similar contributions accounted for nearly all bilateral public aid until 1966, but they had fallen to 88% of the total by 1969.

The average mean period of public loans⁴ from Belgium between 1964 and 1968 was substantially lower than those negotiated by DAC members as whole. It should nevertheless be recorded that, by 1969, a considerable improvement had been noted since 1966. During the same period, the average rates of interest applied by Belgium have been lower than those enforced by DAC members as a whole.

However, since 1966, the situation has become progressively less favourable to the developing countries. There has been a steady improvement as regards exemption period.

3. As regards geographical distribution,⁵ nearly all Belgian aid is directed towards African states situated to the south of the Sahara, notably to the AASM. The relative share of those of these states with which Belgium has traditionally had special relationships is tending to decrease, although it is still substantial.

Aid to Latin America has been increasing since 1965, but remains a small proportion of the whole.

¹ Cf. Appendix 2, Table 1.

² Cf. Appendix 2, Table 2.

³ Cf. Appendix 8.

⁴ Cf. Appendix 2, Table 3.

⁵ Cf. Appendix 2, Table 4.

Belgium makes some contributions to the Asian countries. The destination and volume of private aid, of which Africa and Latin America are nevertheless the principal beneficiaries, are subject to variation.

4. As regard aid sectors,¹ since 1966, more than half of the aid effort has been given over to technical assistance. 35% has been allocated to general undertakings not linked to specific projects. Finally, 10% of Belgian aid has been allocated to specific projects in the following fields (in decreasing order of priority): agriculture, social infrastructure, transport infrastructure.

5. The formation and administration of Belgium's policy for aid to the developing countries is as follows:

(a) The Ministry for Development Cooperation, having consulted with the Ministerial Committee for Foreign Policy, lays down general policy and coordinates the activities of the ministerial departments concerned.

(b) The administration of aid is entrusted to a general board for development cooperation, which is attached to a Ministry called the 'Ministry for Foreign Affairs, Foreign Trade and Development Cooperation'. This board enjoys a high degree of technical autonomy and its main responsibilities include the programming and cooperation of multilateral and bilateral cooperation. The Development Cooperation Office (OCD) is responsible for the recruitment, training and posting of experts, the welcoming of scholarship holders and overseas visitors, the execution of projects and the delivery of installations and capital goods to the developing countries.

(c) A Consultative Council for Development Cooperation was created in 1962 with a view to providing the Ministry for Development Cooperation with a standing body able to advise on the major problems of development cooperation, the share which Belgium should take in the world effort, the human and budgetary resources to be brought into play in order to attain cooperation objectives, etc. The membership of this Council has been extended in order to render it more representative; it now comprises 35 persons representing the various economic and social milieux, the universities and the non-governmental organizations.

(d) As regards bilateral aid, measures have been taken in order to establish or reinforce cooperation missions working under the auspices of the embassies in the various countries with which Belgium has concluded cooperation agreements.

§ 2: FEDERAL REPUBLIC OF GERMANY

1. Between 1958 and 1969, the Federal Republic of Germany increased the total volume² of its aid for financial and technical cooperation with the developing countries fourfold, from 511 million to 2 045 million dollars. Having described a sawtooth progression until 1962, the curve rose constantly. Spectacular jumps—of 46%—were recorded between the years 1966 and 1967 and 1967 and 1968. With the exception of 1961, it has only been since 1968 that total German

¹ Cf. Appendix 2, Table 5.

² Cf. Appendix 3, Table 1.

aid has been equal to or above 1% of GNP.¹ During the period under consideration, total public aid has doubled. Its development has followed a sinusoidal pattern, with a high point in 1961 and a low point in 1964. With the exception of 1961, total public aid has regularly been below 0.5% of GNP, and has shown a tendency to decrease proportionally over the last few years.

Bilateral public aid, which has progressed from year to year, has increased fourfold and has been much stronger than multilateral aid. In order to appreciate the evolution of the real value of this public bilateral aid, account should be taken of depreciation.²

Total private aid has multiplied by 6.2. The increase has been particularly spectacular since 1967. With the exception of 1959, it was lower than public aid until 1969, then began to exceed it: by 8.5% in 1967, by 79% in 1968 and by 176% in 1969. The development of the make-up of private funds displays a very strong advance by portfolio investments, a fairly regular growth of direct investments and a growing importance of export credits.

2. On average, gifts represent approximately 25 to 30% of bilateral public aid, except in 1969, where they accounted for 45%.

As regards the terms of public loans,³ the average mean period of German loans was less than the 26.1 years which was the average term of loans granted by DAC members as a whole. However, there has been an improvement in this respect since 1966.

During the same period, the mean rate of interest was higher than that offered by DAC members as a whole.

Finally, exemption terms have improved.

3. As regards geographical distribution,⁴ gifts from the Federal Republic of Germany to the developing countries, with the exception of those in Asia, where the trend has displayed a degree of fluctuation, have increased generally. However, the volume of gifts is declining in relation to other forms of aid. Over the years, Africa has become the principal beneficiary of gifts, and between 38 and 42% of gifts to Africa have been directed towards the AASM.

The breakdown of German public aid between continents has been approximately as follows over recent years: Africa: 25%; Asia: 50%; Latin America: 10%.

The evolution of the flow of private funds has been irregular as regards volume and geographical distribution.

4. In broad terms, aid linked to projects⁵ represents 50% and sometimes more of total aid from the Federal Republic of Germany. Most of this goes to

¹ Cf. Appendix 3, Table 2.

² Cf. Appendix 8.

³ Cf. Appendix 3, Table 3.

⁴ Cf. Appendix 3, Table 4.

⁵ Cf. Appendix 3, Table 5.

industry, transport and the energy sector. Technical assistance accounts for slightly less than 20% of the total, but is growing in absolute value (except in 1969). The same is also true—except in 1969—of aid not linked to projects, which is principally related to the financing of current imports. The main responsibility for German cooperation lies with the Federal Ministry for Economic Cooperation, which lays down basic principles, prepares programmes, coordinates the various categories of aid and plans technical assistance operations. Fundamental principles as regards financial aid are established in cooperation with the Ministry of Economics, whereas considerations of foreign policy are coordinated with the Ministry for Foreign Affairs. Liaison between these and other ministries responsible for specific projects is maintained by a system of interministerial committees. Moreover, there are two consultative committees: the ‘Entwicklungspolitischer Beirat’ and the ‘Wissenschaftlicher Beirat.’

The principal administrative organ of the bilateral financial aid programme is the ‘Kreditanstalt für Wiederaufbau’ (KfW). It concludes loan agreements with the beneficiary countries and is responsible for the financial supervision of funds paid out.

In order to promote private investment in the developing countries, the Government created the ‘Deutsche Entwicklungsgesellschaft’ (DEG) in 1962. The funds of the DEG are held by the Federal Government.

In 1968, the Government decided to merge the two bodies responsible for the administration of technical assistance—the ‘Bundesamt für Gewerbliche Wirtschaft’ (BAW), which had been a dependency of the Ministry of Economics, and the ‘Deutsche Förderungsgesellschaft für Entwicklungsländer’ (GAWI)—into a single body attached to the Ministry for Economic Cooperation, the ‘Bundesstelle für Entwicklungshilfe.’

§ 3: FRANCE

1. France’s total contribution¹ to cooperation with the developing countries, which was the highest in the Community at the beginning of the period under consideration, rose little between 1958 and 1967: during this period, it has been, on average, slightly in excess of 1300 million dollars per annum, and has scarcely fluctuated by more than 10% from year to year. There was a sharp rise (28%) in 1968, which was consolidated in 1969.

Between 1960 and 1967, France’s total aid as a proportion of GNP² has fallen steadily, from 2.15% to 1.15%; it rose to 1.35% in 1968, and fell slightly in 1969 (1.24%).

Only slight variations have been recorded in total public aid, which has generally followed the same trend as total aid. It is of interest to note that, during the period under review, French public aid has consistently been approximately equal to the public aid of the other Member States taken together. Public aid as a proportion of GNP fell from 1.38% in 1960 to 0.69% in 1969.

¹ Cf. Appendix 4, Table 1.

² Cf. Appendix 4, Table 2.

The variations in bilateral public aid have generally been of the same order, and have followed the same trends, as the variations in total public aid. This form of aid has consistently accounted for more than 90% of the total public sector contribution.

In order to appreciate the evolution of the real value of this public bilateral aid, account should be taken of depreciation.¹

The total private contribution grew by 71% between 1958 and 1969. However, this growth has not been a steady one: there are lows in the curve in 1959 and 1963, and highs in 1960 and 1968. As regards the composition of the private contribution, it will be noticed that direct investments account for a substantial proportion and that there was a strong rise in portfolio investments and export credits in 1968 and 1969.

2. In broad terms, public gifts represent between 75 and 80% of bilateral public aid.

The mean average term² of public loans granted by France is substantially lower than that granted by DAC members as a whole. The mean average rates of interest offered by France are higher than those of DAC members as a whole. The exemption period is very short. It should be mentioned that the terms offered by France are generally harsher for developing countries which do not belong to the France Area.

3. As regards geographical distribution,³ Africa is the principal recipient of aid, although its share of the total fell from 89% in 1960 to 66% in 1968. The aid received from France by the African States situated to the north of the Sahara has declined steadily, from 54% of the total in 1961 to as little as 19% in 1968. The share received by African States to the south of the Sahara has risen steadily however (with the exception of slight falls in 1965 and 1966), from 34% in 1961 to 47.5% in 1968.

The AASM regularly receive about 35% of total aid. Aid to other African countries to the south of the Sahara rose by 1.3 times in 8 years and accounted for more than 47.5% of total aid in 1967. The main beneficiaries of this growth were the Territory of the Afars and the Issas, the Comoro Islands, Reunion, the Democratic Republic of the Congo, Rwanda and Burundi.

Aid to countries and states in the Americas increased from year to year, rising from 5.5% of the total in 1960 to 17.9% in 1968; aid to this region rose most rapidly in 1964; the principal beneficiaries were the French Overseas Departments and Territories.

There was also an increase in aid to Asia, but on a smaller scale: Asia received 2.6% of France's total aid in 1960, and 10% in 1968.

Loans granted to Africa accounted for 78% of total loans in 1960, and only 21% in 1968. Although the variations have been irregular, the trend towards a relative

¹ Cf. Appendix 8.

² Cf. Appendix 4, Table 3.

³ Cf. Appendix 4, Table 4.

reduction in the proportion of loans granted to Africa has been steady. The proportion of loans to African countries to the south of the Sahara other than those of the AASM increased threefold during the period under review. Those to North Africa rose until 1964, and fell thereafter. A similar trend can be discerned in the figures for the Americas. Asia's share of loans from France has increased steadily since 1962, reaching 28% in 1968.

4. Aid related to projects accounts for approximately 40% of total French aid,¹ the sectors involved being as follows: social infrastructure, energy, agriculture, transport, industry. Technical assistance represented 28% of aid in 1962, and 42% in 1969.

5. Responsibility for France's cooperation with the developing countries is divided among several ministries. The Ministry of Economy and Finance plays a central role in laying down aid policy and coordinating objectives, since it allocates blocks of aid finance and is responsible, in particular, for the granting of Treasury Loans.

The particular responsibility of the Ministry of Foreign Affairs is the orientation of financial aid and technical cooperation policy. A State Secretariat handles relations with French-speaking African countries south of the Sahara; this Secretariat is responsible for permanent aid and cooperation missions in the African countries and Madagascar which enable the needs of the beneficiaries to be identified and the effectiveness of aid in these countries to be supervised. Special Directorates handle aid to other independent countries which were formerly within the France Area.

There is a special Ministry responsible for the administration of financial and technical aid to the Overseas Departments and Territories.

Finally, the various technical ministries (Education, Transport, Agriculture, etc.) cooperate in the administration of technical assistance programmes. As regards financial aid, the 'Caisse centrale de coopération économique' (CCCE) is responsible for the technical administration of the three funds for this purpose:

- (i) FAC: Fonds d'aide et de coopération;
- (ii) FIDOM: Fonds d'investissement des départements d'outre-mer;
- (iii) FIDES: Fonds d'investissement et de développement économique et social.

A number of specialised establishments take part in design and research and development activities in the various sectors of development aid.

§ 4: ITALY

1. To refer to the first and last years of the period under consideration would not assist an evaluation of the development of Italy's aid to the developing countries,² because this does not reveal the underlying trends, as can be demonstrated by the following examples: in 1966, total aid was 2.4 times higher than

¹ Cf. Appendix 4, Table 5.

² Cf. Appendix 5, Table 1.

in 1965; in 1967, it was only 0.44 of the level reached in 1966. These often very considerable irregularities render analysis extremely difficult in that the assessments one is able to make are generally only valid for the year to which the figures relate.

The proportion of GNP¹ devoted to aid to the developing countries has varied substantially from year to year during the period under consideration. The target of 1% was reached and exceeded for the first time in 1969 (1.03%).

Total public aid fluctuated considerably. High points were reached in 1960, 1962 and 1967, and an extremely low point in 1964. Total public aid as a proportion of GNP has generally been extremely weak—in the region of 0.20%.

Bilateral public aid has followed a trend similar to that of total public aid. In order to appreciate the evolution of real value of bilateral public aid, account should be taken of depreciation.²

If one considers the first and last years of the period under review, the private contribution has increased 8.7 times. Here again, however, there have been marked fluctuations. In general, except in 1959 and 1967, the private contribution has been higher than that of public aid, often to a very considerable extent. The make-up of the private contribution is also irregular, and does not lend itself easily to analysis.

2. Gifts from Italy have only very rarely accounted for more than 10% of bilateral public aid.

The mean average term of Italian public loans³ is very much lower than that of DAC members as a whole. From 1966 onwards, a very slight improvement can nevertheless be discerned. The average mean rate of Italian loans is noticeably higher than that offered by DAC members as a whole. Nevertheless, the situation has been showing signs of improving since 1967. Finally, although the exemption periods granted by Italy are very short, the situation began to improve a little in 1966.

3. As regard geographical distribution,⁴ between 25 and 30% of total Italian gifts go to European developing countries, whose already privileged situation in this respect is tending to improve still further. Aid to Africa is generally in decline. The same is true of the AASM; Somalia is the largest recipient of aid in this group of countries. Very little is sent to the Americas or Asia. The geographical distribution of loans is very irregular.

4. Approximately half of Italian aid is linked to specific projects in the following sectors:⁵ industry, energy, transport, agriculture. Expenditure on technical assistance accounts for approximately 4% of total aid. The remainder is applied to aid operations having no connection with a project.

¹ Cf. Appendix 5, Table 2.

² Cf. Appendix 8.

³ Cf. Appendix 5, Table 3.

⁴ Cf. Appendix 5, Table 4.

⁵ Cf. Appendix 5, Table 5.

5. There is no central body responsible for the administration of development cooperation in Italy. The basic responsibility for the establishment of general policy lies with the Ministry of Foreign Affairs, which handles bilateral aid, multilateral aid and technical assistance.

Public loans are the responsibility of three Ministries: Foreign Trade, Finance and Foreign Affairs; together they authorise the specialised credit establishments ('Istituto mobiliare italiano,' 'Ente finanziario interbancario,' 'Banco di credito finanziario,' 'Istituto di credito per le imprese di pubblica utilità' and 'Banco centrale di credito popolare') to grant loans to foreign countries. The public loans granted by these establishments are underwritten by the Italian national institute of insurance (INA).

Public sector export credits and the specialised credit establishments' buyer credits are rediscounted by the 'Mediocredito centrale.'

A working party was set up in 1969 to study the problems relating to the administration of Italian aid and to propose reforms.

§ 5: THE NETHERLANDS

1. The Netherlands' total contribution to the developing countries¹ rose by 91% between 1958 and 1969, but this growth followed an irregular pattern, with high points in 1960, 1963, 1966 and 1969. The strongest increases were recorded in 1965, when aid reached a level almost twice as high as that of 1964, and in 1969, when there was a 34% increase over 1968.

As a proportion of GNP² the Netherlands' aid was higher, and often substantially so, than 1%, except between 1962 and 1964 and in 1967. The percentage of GNP allocated to aid in absolute value declined after 1960, but rose again in 1969.

Total public aid increased 4.5 times over the period as a whole; it nevertheless passed through low phases in 1960 and 1963. The share of GNP allocated to public aid has increased steadily since 1963, but still falls some way short of the secondary target of 0.70%, the best year having been 1969, when it reached 0.55%.

Despite a sharp decline in 1963, bilateral public aid rose 4.75 times between 1958 and 1969. It doubled for the first time in 1966, and again two years later, in 1968. Except in 1963, public bilateral aid was higher than multilateral aid. In order to appreciate the evolution of real value of bilateral public aid, account should be taken of depreciation.³

The private contribution rose by 36% between the first and final year of the period. However, the pattern of development between these two years is irregular, with high points in 1960, 1963, 1965 and 1969 interspersed with low points, the most marked of which was in 1962, when there was a fall of 66% as against

¹ Cf. Appendix 6, Table 1.

² Cf. Appendix 6, Table 2.

³ Cf. Appendix 8.

1961. The variations in total aid figures were determined by the fluctuations in the private contribution. Discounting 1967 and 1968, and with the exception of 1962, the private contribution has generally exceeded the volume of public aid fairly substantially. The private contribution is made up largely of direct investments, followed by export credits and portfolio investments.

2. Gift account for a substantial proportion of the Netherlands' bilateral public aid.

The average mean term of public loans from the Netherlands is very slightly lower than that of the DAC members as a whole.¹ The same is also true of the average mean rate offered by the Netherlands, although this has shown a tendency to rise since 1966. The exemption period granted by the Netherlands has been growing longer steadily since 1964, exceeding seven years in 1969.

3. The geographical distribution² of aid from the Netherlands does not lend itself easily to analysis. One can be no more specific than to say that a considerable effort is made in favour of Indonesia, the Dutch Antilles and Surinam, as well as certain countries in Latin America and Asia.

4. As regards the sectors to which aid is allocated,³ two-thirds of resources are directed towards assistance operations which have no connection with a project; technical assistance takes second place, with 21% of the resources; the remainder goes to specific projects. The proportion of resources allocated to this latter type of operation is increasing.

5. The main responsibility for development policy lies with a Minister without Portfolio who has charge of cooperation with the developing countries. It is his role to direct, coordinate and promote the aid programme as a whole, with the exception of aid to Surinam and the Dutch Antilles. He has suitable facilities for the purpose within the Ministry of Foreign Affairs, more specifically within the Directorate General for International Cooperation. The latter is divided into three directorates: the Directorate for International Organizations, the Directorate for Financial/Economic Assistance to the Developing Countries, and the Directorate for International Technical Assistance. Each of these three Directorates is responsible, within the framework of its own competence, for interdepartmental coordination. The Minister without Portfolio presides over a Interministerial Coordination Committee; a National Consultative Council assists the Government in dealing with matters related to development, either at the request of the Government or on its own initiative.

In addition to the Ministry of Foreign Affairs, the following Ministries collaborate with the Minister without Portfolio in implementing various aspects of aid:

- (i) the Minister of Economic Affairs (utilization of loans, UNCTAD),
- (ii) the Minister of Finance (financial terms of loans, WBRD),
- (iii) the Minister of Agriculture (agricultural projects, food aid).

¹ Cf. Appendix 6, Table 3.

² Cf. Appendix 6, Table 4.

³ Cf. Appendix 6, Table 5.

Surinam and the Dutch Antilles are primarily the responsibility of the Second Deputy Prime Minister, who has autonomous powers in this field.

The principal body responsible for the implementation of bilateral financial aid from the public sector to the developing countries is the Investment Bank of the Netherlands (NIO).

The Financial Corporation of the Netherlands (FMO) is responsible for encouraging private investments in the developing countries.

§ 6: *OUTLINE OF THE EVOLUTION OF THE VOLUME OF AID IN 1970*

The preliminary estimates of the DAC of the volume of aid in 1970 reveal the following facts in respect of the various Member States:¹

I. *Belgium*

The total contribution of Belgium rose to 274.3 million dollars, an increase of slightly less than 7% as against 1969. Public funds, up by 1.9 million dollars, account for 44%. The flow of private funds increased by 11%.

In relation to GNP, both the total contribution (1.09%) and public development aid (0.48%) were lower than the previous year.

II. *Federal Republic of Germany*

At slightly over 1,406 million dollars, the total flow of funds from Germany to the developing countries in 1970 was somewhat more than 31% less than in 1969. This decline is due essentially to the very sharp fall-off (in the region of 55%) in private contributions, the public contribution being up by 34%, representing 52% of the total.

The total aid effort now only accounts for 0.76% of the GNP, as against 1.33% in 1969, and public aid for development fell from 0.39% of GNP to 0.32%.

III. *France*

France has increased its aid to the developing countries (1,806 million dollars) by about 5.5%. This improvement is attributable to a 3% increase in the public effort, which accounts for 55% of the total, and a 9% increase in private contributions.

As a proportion of GNP, the total contribution is slightly higher, and that of public development aid (0.66%) is slightly lower.

IV. *Italy*

Italy's total contribution (724.1 million dollars) fell by 14.5% as compared with 1969. This decline is explained by a reduction in private contributions (22%);

¹ It must be stressed that this information is only provisional. Moreover, in an assessment of it, account should be taken of depreciation.

the public effort, which represents 24% of the total, rose by 37%. Although public development aid as a percentage of GNP remained unchanged (0.16%), the total aid effort fell from 1.03% to 0.76% of GNP.

V. *The Netherlands*

The Netherlands distributed 449.2 million dollars to the developing countries, thus increasing their effort by 22% as against 1969. Public funds, which account for 44% of the total, increased by 31%, and private funds by 15%. The total contribution represents 1.43% of the GNP, as against 1.31% in 1969; public development aid as a percentage of GNP rose from 0.51% to 0.61%.

SECTION 2: THE COOPERATION OF THE MEMBER STATES WITH THE DEVELOPING COUNTRIES IN SPECIFIC FIELDS OTHER THAN FINANCIAL AND TECHNICAL ASSISTANCE

The bilateral exchanges between the Member States and the developing countries are not restricted to financial and technical cooperation, but extend to a wide range of aspects of cultural, economic and social life. These exchanges are generally, but not exclusively, based on various legal instruments which establish the objectives to be attained and provide the necessary means for their achievement.¹

In view of the very fact that there are such exchanges and that they are often of the greatest importance, and also because the strategy for the Second Development Decade provides for the intensification of cooperation between the industrialized countries and the developing countries in a number of fields in which there are such bilateral exchanges, it would appear appropriate to review this aspect of relations. To this purpose, details are given below of exchanges between the Member States and the developing countries in the following fields:

- (i) Education and culture,
- (ii) Social,
- (iii) Incentives to foreign private investments in the developing countries,
- (iv) Monetary cooperation,
- (v) Scientific and technical research.

Finally, there follow some comments on the patterns of public opinion in the Member States towards cooperation with the developing countries.

¹ There may be partial or total duplication between the activities discussed here and financial and technical cooperation, insofar as these activities are financed by resources allocated by the Member States for cooperation with the developing countries (Cf. the last paragraph of the introduction to Chapter 1).

§ 1: CULTURAL COOPERATION

I. *Belgium*

A. **Technical cooperation in teaching and training**

There are technical cooperation agreements, the main provisions of which are the sending of teaching, technical and scientific personnel, the sending of voluntary workers and the granting of scholarships. Such agreements, the implementation of which is administered by the OCD, have been concluded with the following countries:

- (i) in Africa: Burundi, Cameroon, the Congo (Democratic Republic), the Ivory Coast, Morocco, Rwanda, Senegal, Tunisia;
- (ii) in Latin America: Peru;
- (iii) in Asia: India, Indonesia, Malaysia.

Two-thirds of technical cooperation activities are concentrated on Central Africa: Democratic Republic of the Congo, Rwanda, Burundi. However, there is a growing trend towards a wider geographical distribution to include other French-speaking African States and Latin America and Asia.

Aid for training represents approximately one-third of the whole of bilateral public aid. Cooperation in the field of training is largely concentrated on the middle and higher levels, through the granting of scholarships and the sending of teachers. Primary teaching is being left increasingly to the initiative of the State receiving aid.

The lack of specialized centres where courses can be followed in the developing countries has led to an increase in the number of scholarships granted by Belgium. Courses are also organized in cooperation with international organizations. Finally, the Belgian Government promotes group courses affording students a uniform training which will equip them to contribute to a given sector of activity.

The Belgian Government also assists with the running of higher education establishments in the Democratic Republic of the Congo and Burundi.

B. **Cultural cooperation**

Belgium has cultural agreements with:

- (i) in Africa: Algeria, the United Arab Republic, Tunisia;
- (ii) in Latin America: Argentina, Brazil, Mexico, Venezuela;
- (iii) in Asia: Iran, Pakistan;
- (iv) in Europe: Spain, Greece, Portugal.

These agreements are concerned principally with basic education, popular education, the creation of professorships and modern language assistant professorships, reciprocal validity of diplomas, recognition of qualification, the granting of scholarships for research, degree and other courses, and exchanges of teachers and research and other students. These cultural agreements contain various provisions for cultural development, sporting contests and meetings between youth organizations.

II. *Federal Republic of Germany*

A. **Organization of cooperation**

By virtue of the federal structure of this country, cooperation in the field of training is administered:

- (i) by ministries of the Federal Government,
- (ii) by ministries of the Länder and by the universities and other public bodies.

Most of the aid at federal level is financed by the budget allocations of the Federal Ministry for Economic Cooperation (Bundesministerium für Wirtschaftliche Zusammenarbeit, (BMZ)). The Ministry for Foreign Affairs also contributes from its cultural fund. In 1969, 93% of subsidies were raised from the Federal budget, the remaining 7% being provided by the Länder, the KfW, etc.

The Federal Republic of Germany has created facilities, within the Ministry for Cooperation, specially geared to the promotion of training in the following fields: industry, skilled trades, retailing, agriculture and management.

The contribution made by the Länder and the universities is relatively small, but far from insignificant in volume: approximately 10 million ua in 1969, notably in the following fields: scholarships, reciprocal training arrangements, provision of instructors, occupational training in the developing countries, research, etc. The details given below relate exclusively to the cooperation of the Federal Government.

B. **The present situation of cooperation**

1. *Technical cooperation*

Activities include:

- (i) training in situ (47 326),
- (ii) the granting of scholarship (28 657),
- (iii) the provision of teachers (2 061),
- (iv) the sending of voluntary workers (2 061),
- (v) the provision of advisers and experts on teaching, equipment and materials.

The Federal Republic of Germany distinguishes between four types of cooperation:

(a) In the field of occupational training of the 'specific training' type, 56 training centres are being financed currently:

- (i) 47 occupational training centres for skilled workers, foremen and technicians,
- (ii) 9 academies or institutes for specialized training in the following fields: engineering, teacher training, business and catering management.

The execution of these projects is entrusted to 364 experts. In this field, German aid places particular emphasis on the occupational training centres, which have been suitably adapted since 1967 to meet the needs of the developing countries. The training of skilled labour along European lines has been abandoned. More emphasis is placed on training at the middle level. This change of approach was

prompted by the fact that, between 1960 and 1967, the Federal Republic of Germany encountered difficulties with respect to the utilization of the training received—notably the lack of suitable jobs.

(b) The training of managers is generally financed by means of scholarships. There is only very limited activity in the fields of agriculture (6%) and economics (1%), whereas 34% of the trainees are in the 'industry/skilled trades' sector. The explanation for this is that German industry offers many places for visiting trainees.

(c) The main aspects of aid in the field of general and higher training are the granting of scholarships and the provision of teachers. Agriculture (2%) and economics (2%) are not important sectors here, whereas 53% of scholarship holders attend engineering schools.

(d) Cooperation in the field of social structures is concentrated largely on the financing of 50 centres where the teaching covers the whole range of problems in the field of hygiene, housekeeping, children's education and nutrition, etc. in the developing countries. These centres help to adapt the developing countries' social structures to their economic development.

2. *Cultural cooperation*

There are cultural agreements between the Federal Republic of Germany and the following developing countries: Afghanistan, Bolivia, Brazil, Chile, Ecuador, Guinea, India, Iraq, Colombia, Pakistan, Peru, Senegal, South Korea, Tunisia and the United Arab Republic.

The objective of these agreements is the promotion of cooperation in the fields of education, general culture and the sciences; more particularly, they are concerned with:

- (i) the establishment of institutions for the learning of languages and their teaching within the school systems of the countries party to the agreements,
- (ii) the exchange of teachers, scientific personnel and students,
- (iii) the organization of tours by theatre companies, concerts, exhibitions and contests.

The financial resources and the necessary equipment for the implementation of these programmes are supplied by the Federal Republic of Germany.

III. *France*

France has cultural and technical agreements with the following countries:

- (i) in Africa: Algeria, Ethiopia, Guinea, Morocco, Sierra Leone, Tunisia, AASM: Cameroon, Central African Republic, Chad, the Congo (People's Republic), Dahomey, Gabon, the Ivory Coast, Mali, Mauritania, Niger, Rwanda, Senegal, Togo, and Madagascar;
- (ii) in Latin America: Argentina, Bolivia, Chile, Colombia, Ecuador, Honduras, Mexico, Nicaragua and Paraguay;

- (iii) in Asia: Afghanistan, Saudi Arabia, Cambodia, India, Iraq, Jordan, Korea, the Lebanon and Syria.

Cultural agreements have been concluded with eight countries only; these are:

- (i) in Latin America: Brazil, Guatemala and Haiti;
- (ii) in Asia: Iran, Laos and Mongolia;
- (iii) in Europe: Turkey and Malta.

A. Technical cooperation in teaching and training

This form of cooperation—the sending of technical and scientific experts and teachers, and the training of foreign managers in their own countries and in France—covers all sectors capable of contributing to the development of a country.

The main beneficiaries of this type of cooperation are the AASM, the Middle East, Algeria, Morocco and Tunisia.

1. Technical and occupational training

This takes the following forms:

- (i) the sending of experts and technicians;
- (ii) the training of managers: students and trainees in the seat of higher and technical education scholarships;
- (iii) the development of occupational training establishments.

2. University training

Universities are being established in Africa and Madagascar in accordance with provisions made for a period of ten years from 1962. There are already universities in Dakar, Abidjan, Yaoundé and Antananarivo. With the exception of that of Antananarivo, these universities have been planned on a regional basis in order to serve several States.

Moreover, the 'Fondation d'enseignement supérieur de l'Afrique centrale' (FESAC) administrates several training establishments in Congo (Brazzaville), Gabon, the Central African Republic and Chad.

Important higher education institutes are being developed in Dahomey, Togo and Upper Volta with the assistance of France.

3. The sending of teachers

In 1968, 30,058 of the agents of French cooperation, or 71% of their total strength (42 613), were allocated to tasks connected with teaching.

Aid is granted on a massive scale (90%) throughout the countries of the Franc Area, and the volume has increased substantially since 1960. The strength of teaching staff in the AASM is being increased rapidly (3 000 in 1961, 5 000 in 1965, 6 960 in 1968).

These teachers fall into several categories:

- (i) teachers who go to Africa to teach for several years;
- (ii) teachers whose national service takes the form of a contribution to the cooperation effort;
- (iii) voluntary workers for progress, the number of whom is growing currently (438 in June 1968, 492 in November 1969).

4. *Scholarships*

There are two categories of scholarships: those granted to students to enable them to continue their academic studies, and training scholarships granted to persons who have already embarked on their careers in order to enable them to follow an advanced course in their speciality.

15 000 scholarships are granted annually. In 1961, two-thirds of the scholarships were training scholarships and one-third, scholarships for students. In 1970, one quarter were training scholarships and three quarters, scholarships for students. France also finances scholarships which enable African students to complete their studies in the universities of the AASM in the Franc Area, and also agricultural courses. In the other countries which do not belong to the Franc Area, the ASMIC (Association pour l'organisation des missions de coopération technique) and the ASTEF (Association pour l'organisation des stages en France) send experts for the management of the occupational training centres.

B. Cultural cooperation

The accent is placed on the promotion of the use of the French language. Several methods are employed:

- (i) teaching of French abroad;
- (ii) the establishment of French grammar schools abroad;
- (iii) basic and advanced training of foreign teachers of French;
- (iv) university scholarships for foreign students.

In addition to promotion of the language, an endeavour is made to promote knowledge of French cultural and artistic life by means of tours of theatrical companies, concerts, exhibitions, etc.

IV. *Italy*

Italy's technical and cultural cooperation is largely coordinated by the Ministry of Foreign Affairs. Nevertheless, other ministries are able to intervene in their own specific fields: education, agriculture, health, etc.

A. Technical cooperation in teaching and training

1. *The public sector*

(a) Italian public aid in training and teaching is applied to two main sectors of activity:

(i) the financing of overseas academic establishments. The function of overseas academic establishments was originally to provide for the educational requirements of Italian subjects abroad. Italian pupils today only account for one-third of the total of those registered, the majority being drawn from the indigenous population. The total number of schools (State and private) rose from 220 in 1966 to 249 in 1968, and the number of indigenous pupils rose from 19 851 to 29 152. Most of these schools are in Africa. The teaching staff was made up of 914 professionals and 27 voluntary workers. More than 50% of the teaching staff are employed in primary teaching, and the remainder in secondary teaching, many of the latter in technical subjects. The postings of 82% of the Italian overseas teaching staff in 1968 were in four African countries: Libya, Morocco, Ethiopia and Somalia.

(ii) the granting of scholarships. Since 1965, the Italian Government has each year granted some 1 200 scholarships to nationals of the developing countries. Most of these scholarships are for university courses and are financed by the Ministry of Foreign Affairs. Roughly 50% of the students follow scientific or technical courses.

(b) Italy has scientific and technical cooperation agreements with:

- (i) in Africa: Algeria, the Congo (Democratic Republic), Dahomey, Gabon, the Ivory Coast, Kenya, Liberia, Somalia, the Sudan, Tanzania and Tunisia;
- (ii) in Latin America: Brazil, Equador;
- (iii) in Asia: Iran, Jordan, the Philippines;
- (iv) in Europe: Malta.

Under these scientific and technical cooperation agreements, the Italian Government undertakes to meet requests from the Governments of the countries concerned by assisting with:

- (i) the granting of scholarships for university courses and occupational training,
- (ii) the sending of experts, teachers, technicians and voluntary workers,
- (iii) the preparation of studies or plans for contributions to the economic and social development of the developing countries.

Measures have been adopted to improve the system of granting training scholarships by reserving them principally for students of degree standard in order to enable them to pursue a specialization.

By means of a twinning arrangement between the National University of Somalia and the University of Padua, some fifteen teachers have been posted in Somalia. The Somali students commence their studies in Mogadishu and complete them in Padua.

2. *Para-public and private sectors*

A number of para-public and private undertakings, including ENI, AGIP, Italconsult, the IRI (Industrial Reconstruction Institute), the CNEN (National Nuclear Energy Centre) and the Cassa per il Mezzogiorno, spend some million dollars per annum on the organization of management courses and the training of technical personnel in certain African States (Liberia, Libya, Morocco, United Arab Republic) and in Latin America.

B. Cultural cooperation

Italy has cultural cooperation agreements with:

- (i) in Africa: United Arab Republic, Somalia;
- (ii) in Latin America: Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Peru;
- (iii) In Asia: Iran, Iraq, Korea, the Lebanon, Syria, Thailand;
- (iv) in Europe: Greece, Spain, Turkey.

These agreements relate to the recognition of diplomas, the granting of scholarships and exchanges of research workers, teachers, experts, students and trainees. Some of the provisions of these cultural agreements are concerned with cultural development in the broad sense, and also sporting contests and meetings between young people.

V. The Netherlands

A. Technical cooperation

Aid for training corresponds to approximately one-third of bilateral public aid and is distributed in geographical zones as follows:

- (i) in Africa: Kenya, Nigeria, the Sudan, Tanzania, Tunisia, Uganda;
- (ii) in Asia: Indonesia, India, Pakistan;
- (iii) in Latin America: Colombia and Peru, as well as Surinam and the Dutch Antilles, which receive the major share of Dutch aid in Latin America.

Since 1963, the Dutch authorities have extended their training programme by granting scholarships in the country of origin. The programme of scholarships for training and advanced training is largely concentrated on agriculture and telecommunications.

In addition to setting up a programme for the sending of voluntary workers and teachers for the universities, technical colleges and training colleges, the Dutch Government supply educational books and publications to these establishments.

B. Cultural cooperation

There are cultural agreements between the Netherlands and various developing countries:

- (i) in Africa: United Arab Republic, Tunisia;
- (ii) in Asia: Indonesia, Iran;
- (iii) in Latin America: Argentina, Brazil, Mexico;
- (iv) in Europe: Greece, Turkey, Yugoslavia.

These agreements relate principally to basic education, popular education, the creation of university professorships and modern languages assistant professorships, the examination of reciprocal validity of diplomas, the recognition of qualifi-

cations, the granting of scholarships for research and university and training courses, and exchanges of research workers, teachers, students and trainees.

Various provisions in these cultural agreements relate to cultural development, and also to sporting contests and youth gatherings.

§ 2: COOPERATION IN THE SOCIAL FIELD

In the Community, the relative proportion of workers from the developing countries has grown steadily.¹

Although the legal basis for the free movement of workers within the European Communities is Regulation No. 1612/68, the migration of workers from third countries, including the developing countries, is regulated by bilateral agreements between the Member States and these countries.²⁻³

1. *Extent of movements*

In general terms, it should be stressed that there are inherent difficulties in any attempt to present precise figures on a question like the movement of labour, which by definition, is subject to fluctuation. These figures should therefore be approached with the utmost caution. Subject to this reservation, an endeavour has been made to provide a general picture of migration of workers from the developing countries to the Community.⁴

These data prompt the following comments:

- (i) the quota of North African workers (excluding Algerian workers entering France) out of the total of new entrants into the Community was 4% in 1969. Some Member States have established recruiting offices in North Africa, for example Germany and the Netherlands, in Tunisia and Morocco respectively;
- (ii) by the terms of the agreement relating to the movement, employment and residence in France of Algerian subjects and their families which entered into force on January 1, 1969, an annual quota of 35 000 male workers above the age of 17 was established for the period 1969-1971. This quota was not filled in 1969;
- (iii) if the number of workers arriving from black Africa is still modest in the majority of cases, it is increasing steadily, and in view of the agreements concluded in 1968/70, it may be assumed that this pattern will continue during the years to come, unless circumstances change. It will be noticed in this connection that there is no available information on the immigration of African workers to France.

¹ Appendix 16, Table 1.

² Nevertheless, by virtue of the Council Decision of 15.10.1968 (cf. OJ No L 257 of 19.10.1968), Articles 48 and 49 of the EEC Treaty and the measures adopted by virtue of these articles apply the Overseas Departments.

³ Appendix 17 contains details of bilateral agreements.

⁴ Cf. Appendix 16, Tables 2 to 4.

2. *The special situation of Greece and Turkey*

The association agreement with Greece provides for the free movement of workers as of the date, and in accordance with the conditions to be agreed by the Association Council, but not before the end of the transition period, namely November 1, 1974 (Art. 44 and 6 of the Agreement).

In the association agreement with Turkey which entered into force on December 1, 1964, it was agreed that free movement of workers (Art. 12) would be introduced gradually. As from the preparatory phase, the Association Council can study the problems of labour in Turkey. The additional agreements signed on November 23, 1970, state that the free movement of workers between the Member States of the Community and Turkey will be introduced gradually, in accordance with the principles set out in Article 12 of the main agreement, between the end of the 12th and 22nd years following its entry into force, namely between December 1, 1976, and December 1, 1986 (Art. 36 of the additional agreement). By the terms of Article 39, before the end of the first year after the entry into force of the additional agreement, the Association Council will lay down social security provisions for itinerant Turkish workers in the Community and their families resident in the Community.

At present, the entry of Greek and Turkish workers is still governed by bilateral agreements. Table 5 of Appendix 16 gives an impression of the extent of this migration into the Community. In 1969, 8% of all new entrants into the Community were Greek, and 15% were Turks.

3. *Breakdown according to occupation and occupational training*

Table 6 of Appendix 16 gives details of the occupational patterns of North African workers in France and of all non-European workers in Germany.

According to the 'Office national d'immigration',¹ the principal characteristics of labour from the developing countries employed by French undertakings is its low level of occupational training. Indeed, almost 80% of the new workers recruited in 1967 obtained jobs requiring no training (43%) or only very rapid training (36%). The main countries of origin of these workers are Portugal, Spain, Yugoslavia, Morocco, Tunisia and Algeria.

Although no detailed information about the workers from the developing countries is available, the level of occupational training of these workers employed in Germany does not appear to be higher than in France.²

4. *Economic effect of immigration on workers' countries of origin*

Transfers of earnings by immigrants often contribute substantially towards the reinforcement of a country's balance of payments. Turkish immigrants sent 110 million dollars to Turkey in 1968, and 141 million dollars in 1969. 90 million dollars were sent to Greece in 1960 in this manner, and 207 million dollars in 1965, or 37.7% of that country's total invisible earnings during that year.

¹ L'immigration en France, 1967, Revue française des affaires sociales, 1968, No. 3.

² Cf. Appendix 16, Table 7.

As to the financial effects of migration between countries belonging to the same monetary zone, as in the case of certain African countries whose nationals emigrate to France, the advantages appear difficult to evaluate. Efforts have nevertheless been made to estimate the economic consequences of such a situation.¹

The number of African workers from Mali, Senegal and Mauritania in France is estimated at 60 000 and their average monthly earnings at 145 dollars; the total earnings of these workers taken collectively is therefore 8 700 000 dollars per month, or 104.5 million dollars per annum.

Of these 104.5 million dollars:

- (i) a proportion, two-thirds, covers requirements in France: 69.7 million dollars;
- (ii) the remainder, 34.8 million dollars, is transferred to the countries of origin. It is not possible to determine what proportion of this money is transferred to each of the beneficiary countries.

However, such transfers of earnings by migrant workers do not necessarily imply any positive correlation between migration and economic growth.

*5. General remarks on the scope of bilateral agreements
concluded by the Member States with the developing countries*

(a) Only France and Belgium include provisions for the admission of families in all their agreements with third countries. The agreements signed by the Netherlands contain no provisions on this point. Germany does not encourage the immigration of families, but certain agreements (those concluded with Spain, Portugal and Greece) do contain clauses relating to the admission of workers' families, the necessary financial assistance being left to the initiative of the employer, however.

(b) As to occupational training, there are specific agreements, for example, between France and Spain, Portugal, Yugoslavia, Morocco, Tunisia, Senegal and Mauritania. These agreements provide, inter alia, for the admission of workers resident in France to adult occupational training centres, all expenses being met by France.

The agreement between Belgium and Morocco provides that the Mixed Commission is responsible for examining the possibility of establishing cooperation between these countries in the field of occupational training.

There is a rider to the agreement between Belgium and Tunisia comprising a model contract and an agreement relating to the admission of trainees (linguistic and occupational training while actively employed in a job). The agreement between Belgium and Algeria provides explicitly for equality of treatment with Belgian workers as regards occupational training. The rider concerning trainees is similar to that in the agreement with Tunisia.

¹ Cf. *Migrations*, 1969, No 15.

§ 3: INCENTIVES FOR FOREIGN PRIVATE INVESTMENT IN THE DEVELOPING COUNTRIES

The Member States are aware that public aid and foreign private investment have complementary roles to play in the development process and, like most other industrialized Western countries, have introduced, or are introducing, policies and measures, the complexity of which varies from State to State, which are specifically designed to encourage their residents to invest in the developing countries, thus complementing the indirect incentives arising out of public support for investment by the private sector in these countries.

The facilities offered unilaterally or on the basis of international bilateral agreements by the various Member States to investors can be grouped in six categories, and the facilities offered by each Member State are discussed in turn below. The six categories are as follows:

- (a) Systems for underwriting private investments abroad,
- (b) Fiscal incentives,
- (c) Information services to potential investors,
- (d) Direct public financial support for private investment,
- (e) Facilities offered by investment undertakings in the public sector,
- (f) Bilateral agreements with the developing countries for the protection of investments.

In addition to these unilateral or bilateral incentives, all the Member States have signed the international Convention for the settlement of disputes relating to investments between States and subjects of other States, the object of which is to ensure that any dispute between a host country and a private investor is settled by conciliation and/or arbitration by an impartial international court. Moreover, the Member States are participating actively in research into a multi-lateral system for guaranteeing investments to be set up under the aegis of the World Bank.

I. *Belgium*

Until recently, Belgium granted virtually no direct incentives to its residents to invest in the developing countries. The only facilities which were available to Belgian investors were those arising out of bilateral agreements for the protection of property concluded with a number of developing countries and the international Convention for the settlement of disputes relating to investments.

It was not until December 1970 that the Belgian Parliament ratified a law providing for the institution of a system for guaranteeing Belgian investments abroad against political risks. This law authorizes the 'Office national du dueroire', a State body which underwrites export credits, to extend cover for certain types of investments abroad. In the particular case of investment in the developing countries, an investment must fulfil two general conditions in order to qualify for the granting of cover:

- (i) it must essentially contribute to the economic and social development of the country in question,

- (ii) it must be of a nature to create a climate of confidence and collaboration between the host country and the country exporting the capital sum involved, and conducive to the establishment or extension of relations between these countries at various levels.

The Belgian Government also intends to finance a series of pre-investment studies in the Congo (DR), Rwanda and Burundi.

II. *Federal Republic of Germany*

The Federal Republic of Germany has one of the most comprehensive ranges of measures for encouraging private investment in the developing countries.

(a) There has been a system for underwriting direct investments abroad since 1960. In principle, this system is applicable on a world scale, but in practice it is used almost exclusively for investments in the developing countries. Cover is available for any projects initiated by German undertakings which 'are deserving of support' from the point of view of the influence which the project is capable of having on both the development of the host country and the German economy. As a general rule, the guarantee is only granted for projects concerning a country with which the FRG has concluded an agreement for the protection of investments. The guarantee, which may cover up to 95% of the value of the amounts invested and which is granted normally for a maximum of 15 years, covers political risks only (expropriation, war and bans on repatriation of funds); it is applicable to acquisitions of holdings in companies, subscriptions of loans and advances of capital to subsidiaries. In the case of acquisitions of holdings, the guarantee covers the capital and also reinvested profits up to 150% of the value of the initial investment. The repatriation of benefits can be underwritten for a period of three years up to a limit of 8% per annum of the capital invested.

There is a special system of guarantees for financial loans granted by the private sector under which the State underwrites them against political and economic risks, on condition that these credits serve a particularly useful purpose and are considered to be 'deserving of support'.

(b) At the fiscal level, the German Government has introduced special advantages for investments in the developing countries by virtue of two laws ratified in 1963 (law on the fiscal system for development aid) and 1969 (law on fiscal measures for the encouragement of industrial investment abroad) respectively. These laws contain a series of provisions whose effect is to reduce the taxable element of profits from investments abroad, particularly in the developing countries. Moreover, agreements aimed at eliminating double taxation concluded with a number of developing countries provide for preferential treatment for income from investments in the developing countries.

(c) Mainly with a view to aiding small and medium size undertakings to assemble the necessary information prior to making investments in the developing countries, the German Government has encouraged the setting up of information and consultancy service within several official organizations (for example: the Federal Foreign Trade Information Office). Moreover, the German Foundation for the Developing Countries establishes contacts between German industrial circles

and undertakings in the developing countries. In addition to these public institutions, a certain number of private bodies provide information on investment opportunities and conditions in the developing countries, for example the 'Arbeitsgemeinschaft Entwicklungsländer', the 'Afrikaverein', the 'Ibero-Amerikaverein', the 'Ostasienverein', etc.

(d) As to direct public financial support for private investment, the Federal Government is able to contribute to the financing of research projects which may lead to private investment in the developing countries, particularly when such research is connected with the setting up of small and medium size undertakings.

Moreover, the Federal Government applies funds from the European Reconstruction Programme (ERP) for the granting of loans on advantageous terms to small and medium size German undertakings in order to enable them to invest in the developing countries.

(e) In order to accelerate the investment of private capital in the developing countries, in 1962, the German Government formed the 'Deutsche Entwicklungsgesellschaft' (DEG) which encourages private investment in the developing countries from Germany in two complementary ways:

- (i) it acquires holdings (or grants loans on terms the effects of which are similar to those of acquisitions of holdings) to consortia of companies whose capital is drawn from Germany, the local country concerned and from third countries, thus acting as a catalyst, encouraging other investors to join in the projects it undertakes;
- (ii) it is actively employed in seeking new investment possibilities, and submits proposals to German business circles; it assists German investors in establishing contact with local undertakings with a view to finding associates, and keeps German industrialists advised of trading conditions in the developing countries.

(f) At international level, the German Government has concluded bilateral agreements for protection of investments with some forty developing countries;¹ the purpose of these agreements is to afford German investors the assurance, based on international law and an arbitration clause, of fair, honest and non-discriminatory treatment in accordance with the most favoured nation clause, and to protect them against any arbitrary action by Governments of the host countries.

III. *France*

(a) Hitherto, France has not had any general system for underwriting investments. There were, however, certain limited guarantee formulae, namely:

(aa) a guarantee of dividends on shares of certain semipublic companies involved in the financing of overseas investments, notably in Algeria;²

¹ Including 12 AASM countries, the three associated East African countries, Morocco, Tunisia, Turkey and Greece.

² For example: Société de développement des régions sahariennes, Compagnie française du Sahara, Société algérienne de développement et expansion, Compagnie financière pour le développement de l'Algérie, Société pour le développement de l'Afrique équatoriale.

(bb) a guarantee covering:

- (i) acquisitions of holdings by French exporters in companies to which they sell high-cost capital goods (investments related to export operations),
- (ii) normal industrial and commercial investments, on condition that they will lead to substantial exports related to these investments in the future.

This guarantee covers the three categories of political risks, and is applicable without geographical limitations. Earnings from the capital invested are not covered.

A system of guarantees whose scope will be much more general, to be administered by the 'Caisse centrale de coopération économique' (CCCE) has been developed for exclusive application to investments in countries in the Franc Area and in the Democratic Republic of the Congo, the cover under which can only be granted to French-controlled companies incorporated under French law on condition that the host country recognises officially that the economic interest of the investment is of high priority.

The guarantee will be valid for a maximum term of fifteen years, and will provide cover up to a maximum of 90% against political risks;¹ in principle it will only be applicable to acquisitions of holdings in joint stock companies and, exceptionally, to block loans or long-term loans. Profits, interest and dividends (re-invested or repatriated), all investments related to oil and agriculture, all property transactions and purely financial investments are excluded from these guarantee facilities.

(b) From the fiscal point of view, only investments in countries in the Franc Area and the Overseas Departments and Territories benefit from specific incentives, which vary from country to country.

France has signed agreements with a number of other countries outside the Franc Area under which French investors are allowed to keep the benefit of the fiscal advantages which are granted to them by these countries.

In the case of a third group of companies (Algeria, Tunisia, Guinea, Mali, Vietnam, Cambodia and Laos), French regulations provide for the system of fiscal neutrality, the French authorities taking account, in calculating French tax, of capital gains tax levied in the countries where investments are made. In the absence of agreements, the rule is double taxation in France and the host country; this rule applies to most developing countries which do not belong to the Franc Area.

(c) In the field of information and promotion a Consultative Committee on the Problems of Industrialization and Equipment in African States and Madagascar was set up in 1963.

Research has been carried out by this Committee in collaboration with the authorities concerned, overseas investors and French exporters in order to

¹ Risk of damage to property, risk of non-payment of sums owed by the authorities in the country concerned in the event of expropriation or takeover, risk of non-payment of takeover price, revenue from winding up or indemnities payable in the currency of the host country.

determine the most suitable measures for fostering investment in the countries concerned.

(d) The CCCE and the 'Fonds d'aide et de coopération' (FAC) play an important role in encouraging private investment in the AASM countries and the Overseas Departments and Territories. The financial involvement of the CCCE in French private investments generally takes the form of medium term rediscount credits, long-term loans and, to a lesser extent, acquisitions of holdings in companies. Moreover, it has developed new formulae for attracting private French (and local) capital for the financing of its projects, by coupling its loans with medium-term bank credits and credit facilities granted by suppliers covered by credit insurance. Thus private undertakings have been able to make investments by using a financing formula combining loan funds, medium-term bank credits and long-term credits from the CCCE.

The FAC is able to grant subsidies to public and semi-public bodies enabling them to acquire holdings in companies contributing to the development of the AASM countries; it also grants loans for the partial financing of research and makes contributions to occupational training programmes. Finally, the FAC gives direct support in the setting up of industrial production units by granting very long term loans (second rank loans) to the producer company.

Under certain circumstances, the State may grant premiums in respect of installations set up and jobs created to private investors in order to promote the industrialization of the Overseas Departments.

(e) France has not signed any bilateral agreements for the protection of investments with any of the developing countries other than those of the Franc Area. In the case of the latter, a series of bilateral and multilateral agreements concerning their economic, financial and monetary relations with France have been signed.

Nevertheless, the most effective incentive for investment in the AASM countries and the Overseas Departments and Territories lies in the monetary cooperation established between France and the countries of the Franc Area, by the terms of which France not only guarantees total freedom of transfers within the area, but also underwrites convertibility.

IV. *Italy*

Italy is the Member State where measures for incentives for private investment in the developing countries are the least developed. There is no investment guarantee system, nor any fiscal measures specially designed to encourage investments in the developing countries, taxation regulations being the same as for Italian investments abroad as a whole, which nevertheless enjoy some degree of preferential treatment by comparison with domestic investments.

In fact, the only facilities available to Italians investing in the developing countries are the legal guarantees provided for in the bilateral agreements for the protection of investments and the trade and cooperation agreements entered into by Italy with a certain number of developing countries and finally, subsidies to aid in the financing of pre-investment research.

V. *The Netherlands*

(a) In April 1969, the Dutch Parliament ratified a law providing for the establishment of a system for guaranteeing Dutch investments abroad. In fact, it is a system under which the State reinsures non-commercial risk contracts concluded by investors with the Dutch banks or insurance companies and will be administered by the 'Nederlandse credietverzekering maatschappij NV'. Acquisitions of holdings, loans and current advances are eligible for cover against political risks for a term of 20 years (under special circumstances, 25 years) with 100% compensation during the first 10 years, subject to the prior approval of the investment in question by the host country. Within certain limitations, cover is extended to reinvested profits and repatriation of profits, as well as initial capital.

(b) The Government's principal direct financial support to the private sector takes the form of assistance for pre-investment activities, and public participation in Dutch industry's 'starting-up projects' in the developing countries. The Dutch State has also given its financial support by acquiring an interest in the Bank for Development in Indonesia, which is run by private Dutch financial bodies and has as its primary objective the granting of loans to private industry in Indonesia.

(c) A law ratified in 1970 provides for the institution of a semi-public financial company for the encouragement of private investment in the developing countries, the 'Financieringsmaatschappij voor ontwikkelingslanden NV' (FMO).

This company will finance Dutch individuals and companies in the private sector wishing to invest in the developing countries by means of loans and acquisitions of holdings. It is intended that projects financed by the FMO will be profitable ventures, at least in the long term, and will contribute to the economic development of the beneficiary country. A further criterion governing the support activities of the FMO is that its financial support should be of a complementary nature, and it should only normally finance projects which could not have been put into effect without its financial assistance.

The resources of the FMO will be drawn from both the public and private sector; the Government will grant it loans, either on market conditions or interest-free, and subsidies which it may use for specific operations; the Government will also underwrite the issues of debentures which it offers on the market.

(d) At international level, the Netherlands have concluded bilateral agreements with a number of developing countries, the provisions of which include arrangements for the protection of investments under which private Dutch investments are assured non-discriminatory treatment by comparison with other foreign and internal investments, with guarantees of unimpeded transfers of profits and repatriation of capital, and provisions for recourse to arbitration procedure in the event of disputes.

§ 4: *MONETARY COOPERATION WITHIN THE FRANC AREA*

France is alone among the Member States to pursue an active policy of monetary cooperation with a number of developing countries.

1. The Franc Area originated with the institution of exchange control at the beginning of the Second World War (1939/40), which was enforced within the monetary bloc which was formerly made up of Metropolitan France and its overseas possessions. This measure created what was to the outside world a protected zone with a strong tendency towards centralization, within which multilateral payments and trade were maintained and which, by collectivizing payment agreements and trade agreements in its dealings with the outside world, mitigated the more extreme consequences of bilateral trade.

2. However, the original uniform and very centralized structures of the Franc Area have evolved gradually with the political and economic emancipation of France's dependencies and the progressive return of the franc to convertibility. The Franc Area of today, which is much smaller geographically than before, is marked by much more diversified, decentralized and flexible formulae and, in the case of the independent States, is no longer based on the institutional ties of the colonial era, but on a contractual notion.

In the case of the North African States, the Indo-Chinese States and Guinea, accession to independence led to a virtual abolition of the fundamental rules of the Franc Area; in fact, although these countries originally accepted certain forms of monetary cooperation with France, they are no longer within the Franc Area. Strictly speaking, the Franc Area today comprises, apart from Metropolitan France:¹

- (i) the French Overseas Departments and Territories;²
- (ii) the independent States of what used to be French West and Equatorial Africa, together with Togo, Cameroon and Madagascar, whose Central Banks are linked to the French Treasury by dealing account agreements.

3. The monetary systems of the Overseas Departments and Territories are still characterized by centralized structures, based on institutional ties. The monetary policies pursued in these Overseas Departments and Territories are still determined by the central authorities in Metropolitan France, although they are not necessarily identical to those of France.

With the exception of the Comoro Islands, where the issuing house is a private bank (Banque de Madagascar et des Comores) the privilege of issuing currency is conferred on the following French State Institutes:

- (i) l'Institut d'émission d'outre mer: New Caledonia, Polinesia and Wallis and Futuna;
- (ii) l'Institut d'émission des départements d'outre mer: Guadeloupe, French Guinea, Martinique and Réunion;
- (iii) la Caisse centrale de coopération économique: St. Pierre and Miquelon.

The currencies issued by these Institutes—the French Franc for Guadeloupe, French Guinea and Martinique, the CFA Franc (Communauté financière africaine

¹ Excluding the Principality of Monaco.

² With the exception of the Territory of the Afars and the Issas whose currency, the Djibouti franc, is linked to the United States dollar, although issued by the French Treasury, and the French part of the Condominium of the New Hebrides, which has a special type of international status and does not belong to the Franc Area.

—African Financial Community) for Réunion, the Comores and St. Pierre and Miquelon, and the CFP Franc¹ (Communauté financière du Pacifique—Financial Community of the Pacific) for New Caledonia, Polynesia and Wallis and Futuna—are covered by France by means of a dealing account system described below.² As regards the exchange system, the Overseas Departments and Territories are assimilated by Metropolitan France.

4. Although the political emancipation of the States of what used to be French West Africa and French Equatorial Africa has caused the old institutional ties to be replaced by contractual cooperation, accompanied by a greater decentralization of the system and increased—sometimes majority—participation by the States concerned in decision-making, the fundamental mechanisms of the original Franc Area have nevertheless been maintained to a large extent, and apply to the following States:

- (i) the seven member countries of the 'Union monétaire ouest africaine' (NMOA—West African Monetary Union), whose common issuing house is the 'Banque centrale des états de l'Afrique de l'ouest' (BCEAO);³
- (ii) the five Member States of the 'Banque centrale des états de l'Afrique équatoriale et du Cameroun' (BCEAEC—Central Bank of the States of Equatorial Africa and Cameroon);⁴
- (iii) Madagascar;⁵

¹ The CFP franc is also legal tender, together with the Australian dollar, in the Condominium of the New Hebrides.

² The parities of the various currencies of the Franc Area as against the Metropolitan French franc and the United States dollar are as follows:

- 1 CFA franc = 0.02 FF = 0.0036 US dollars.
- 1 CFP franc = 0.055 FF = 0.0099 US dollars.
- 1 Malian franc = 0.01 FF = 0.0018 US dollars.
- 1 Djibouti franc = 0.0259 FF = 0.0047 US dollars.

³ The agreement under which the UMOA was formed was signed on 12 May 1962 in Paris by the following countries: Dahomey, Ivory Coast, Mali, Mauritania, Niger, Senegal and Upper Volta. It provided that there would be a common currency for these States, the CFA Franc (Communauté financière africaine—African Financial Community; before independence: Colonies françaises d'Afrique—French African Colonies), and that a common Central Bank with increased responsibilities and international status, should replace the old BCEAO, which was founded in 1959. On the same day, a monetary and financial cooperation agreement was signed between these seven countries and France.

Mali never ratified these agreements and finally left the BCEAO currency area on 1 July 1962, and created its own national Central Bank and national currency, the Malian Franc (cf. footnote 4, below). On the other hand, Togo, which had sent observers to the negotiations signed the two agreements on 27 November 1963, and ratified them, thus becoming a member of the UMOA.

⁴ Cameroon, Central African Republic, Congo (PR), Gabon and Chad. These countries have never formed themselves formally into a monetary union. Their system is a de facto monetary union, based on bilateral cooperation agreements concluded in 1960 with France, under the terms of which the CFA Franc remains the legal currency, and the BCEAEC, which was founded in 1959 as the successor of the old 'Institut d'émission de l'Afrique équatoriale française et du Cameroun', from a national into a multinational institution.

⁵ The 'Institut d'émission malagache' (IEM) was founded in April 1962 to take over the role of central bank which had been previously been fulfilled by a private bank, the Banque de Madagascar et des Comores. The currency of Madagascar, initially the CFA Franc, has been called the Malagasy Franc since 1963.

(iv) and, since 30 March 1968, Mali.¹

Under the bilateral and multilateral cooperation agreements between these States and France, the latter guarantees the unlimited fixed parity convertibility of their currencies into French Francs.

The convertibility of the various currencies into French Francs and, therefore, into any of the other currencies, is achieved by the device of special accounts in the books of the French Treasury for each Central Bank, known as dealing accounts. Under the terms of agreements entered into with the French Treasury, the Central Banks are required to pay into their respective dealing accounts all their assets in French Francs and the counter-value of all their receipts in foreign currencies, with the exception of a working balance which they retain.² For its part, the French Treasury undertakes to make available to them, against their own currencies, all the French Francs they need in order to meet their foreign payments, without limitation, even if there is a deficit on their dealing accounts.

Thus, the credit balances on the dealing accounts represent the total external assets of the Central Banks of these countries at any given time, apart from the working balances and gold deposited with the International Monetary Fund.

This system of advances by the French Treasury enables these countries to remain free at any time to effect transfers within the Franc Area irrespective of the state of their balance of payments positions.

As regards to foreign currency system, the monetary and financial cooperation agreements stipulate the compulsory pooling of currency and gold reserves: all revenue in the currencies of third countries must be exchanged against French Francs on the central exchange market in Paris, where all currency required for foreign payments are purchased.

Sales and purchases of foreign currencies are recorded in accounts in the books of the Bank of France, the 'drawing rights' accounts, which, like the dealing accounts, are allowed to be overdrawn; this procedure renders it possible to keep a separate record of each country's purchases and sales of foreign currencies.

The convertibility of national currencies into French Francs on one hand, and freedom of access to the exchange market on the other thus render CFA, Malagasy and Malian francs equally convertible into foreign currencies, provided the French Franc itself remains freely convertible.

The existence of such facilities nevertheless makes it necessary for certain rules of good monetary management to be observed by the Central Banks which benefit

¹ Having passed through a period of persistent economic and financial difficulties, Mali signed a further agreement with France on 15 February 1967 under the terms of which Mali was to join the UMOA in three stages. By the terms of new Franco-Malian agreements signed on 19 December 1967, the transition from the preparatory phase, during which the Malian Franc was devalued by 50% (5.5.1967), to the phase of bilateral monetary cooperation was brought into effect on 29 March 1967. Since this date, the Malian Franc has been freely convertible into French Francs, by virtue of the opening of a dealing account for the new Banque Centrale de la République du Mali in the books of the French Treasury.

² Under the terms of an amendment to the dealing accounts agreement between the BCEAO and the French Treasury signed on 2 June 1967, the BCEAO has been authorized to invest part of its foreign currency reserves in certain securities maturing within two years issued by international organizations. Subsequently, the BCEAO invested part of its foreign assets in short term securities issued by the World Bank for Development and Reconstruction.

from these guarantees and may create a need for harmonization of exchange regulations.

In order to ensure the observance of these rules of good monetary management and to achieve the necessary cohesion between the monetary policies pursued by the various Central Banks, the cooperation agreements provide that France should be represented on the boards of directors of the African Central Banks alongside the local directors. There is equal representation in the BCEAEC, the 'Institut d'émission malagache' and the 'Banque centrale de la République du Mali'. In the case of the BCEAO, French representatives occupy one-third of the seats on the board of directors. The articles of association of these Central Banks place strict limitations on the credit granted to the Governments of the countries concerned in order to avoid inflationary budgetary policies which could jeopardize the monetary system of the Franc Area.

In the case of the BCEAO, the articles of association and the agreement with the French Treasury contain additional stipulations to the effect that certain corrective measures are brought into effect automatically in the event of the possibility of a deficit on the dealing accounts.¹

Moreover, the Central Banks are obliged to pay interest on any overdrafts on the account, in the same way as France pays interest on credit balances.

The responsibility for exchange regulations lies with the national legislature of each country. However, the black African States linked to France by dealing account agreements and Madagascar have always aligned themselves on the measures adopted by France in this respect. Thus in 1967, apart from some modifications, they followed the French reform of December 1966 which introduced the principle of freedom of financial relations with the outside world. Similarly, they aligned themselves on the reintroduction of exchange control in France in 1968, which of course did not apply to financial relations with these countries, and on the devaluation of the French Franc in August 1969, in order to maintain the existing parities between their currencies and the French Franc.

§ 5: THE POLICY OF THE MEMBER STATES ON SCIENTIFIC, TECHNICAL AND TECHNOLOGICAL RESEARCH

I. General remarks

Development cooperation in the field of science, research and technology has two essential objectives. The first of these is the promotion of the scientific

¹ The articles of association of the BCEAO oblige the Chairman of the Board of Directors to call a special meeting to consider steps to be taken if the foreign reserves fall below 20% of its commitments on demand. If the reserves fall below 10% of the commitments on demand, the Board must immediately reduce the rediscount ceilings of each country.

The dealing account agreement stipulates that:

- (i) in the event of the exhaustion of assets on the dealing account: the Bank must require the public and/or private institutions in its Member States to sell to it all external asset at their disposal;
- (ii) in the event of a deficit standing on the dealing account for a period exceeding 60 days, the rediscount rate is automatically increased by 1% and the rediscount ceilings are reduced in the case of each country, by an amount corresponding to their individual reserve positions.

independence of the developing countries: cooperation is therefore an important factor in the economic development proper of these countries, by reason of the decisive role played by science in all fields of economic and social life, and more particularly in the training of skilled personnel. The second objective of scientific and technical research is to contribute to the resolution of specific development problems.

The classification below, which takes account of these objectives has been adopted solely for the purpose of distinguishing the various aspects of cooperation in research in order to fit them into a uniform format. It is clearly arbitrary and is open to harmonization with other formats which may emerge from endeavours to introduce a degree of uniformity of classifications and terminology on which work is being carried out currently by organizations such as the OECD and UNESCO.

(a) Type 1 measures: structural aid for the development of indigenous scientific and research potential in the developing countries

It is essential that the developing countries should be able to rely increasingly on their own experts if they are to progress towards the resolution of the many problems of modern economic life on their own accounts. The developed countries provide them with aid under various forms for higher education, notably for the installation and fitting out of research establishments, and the basic and advanced training of scientists and experts. It is important to note that this aid is not only material (construction of buildings, supply of scientific equipment and literature, etc.), but that the developed countries also place their practical knowledge at the disposal of the developing countries in order to help them to create their own research establishments and colleges. University twinning arrangements play an important role in this respect; their essential task is to contribute to the creation of an indigenous scientific infrastructure in the developing countries.

(b) Type 2 measures: establishment of scientific and technical research for the resolution of specific problems in the developing countries

Whereas structural aid measures may, in fact, embrace all scientific disciplines, those falling into this second category are only concerned with the study of problems linked to requirements which are specific to the developing countries. In this connection, a distinction is made between two broad groups of research activities:

1. Type 2a measures: promotion of long-term basic research in the developing countries themselves, unrelated to particular projects carried out partly in the industrialized countries on behalf of the developing countries

Research work of this type is carried out by institutes concerned with the fields of medicine, hygiene, agronomy and tropical veterinary science, nutrition and bromatology, water utilization, road construction, ethnological research, economic and social geography in the developing countries; by socio-psychological development planning research centres; and by institutes covering specific regions (South-East Asia, India, Latin America, Africa, etc.). These establishments gather together the necessary know-how for the proper scientific understanding of the problems of development and their rational solution.

2. Type 2b measures: promotion of research orientated towards practical applications and the elimination of pockets of backwardness

Research work in this category is largely short term. It is usually centred on a concrete problem and is designed to accelerate its solution; it may also consist of the functional adaptation of modern techniques to the circumstances and needs of a given country. One may quote as examples the adaptation of modern agricultural techniques and food producing technology to the conditions of the developing countries.

In the fields of research and science, the various forms of aid are often interrelated and it is sometimes impossible to establish clear distinctions between them. In the long term, a particularly important role will be attributed to structural aid, since its objective is to transform the countries in question into modern States. In order to eliminate any remaining shortcomings in the scientific structures of the developing countries, the developed countries must devote part of their scientific resources to this type of research. In so doing, they should ensure that systematic steps are taken to bring the developing countries into active participation in the sequence of works, beginning with work directed towards practical applications and the elimination of pockets of backwardness.

In practice therefore, structural aid is very often linked to the instigation of research into solutions to the specific problems of the developing countries. It is the essential initial structure and at the same time determines the effectiveness of another form of aid, 'the transfer of technology', which is often mentioned in the same context, but which does not strictly speaking fall within the field of research, because it consists of the transmission of existing knowledge in the form of documentation, know-how, licences or materials related to known manufacturing processes.

II. Analyses of individual countries

(a) Belgium

Belgium's structural (type 1) aid is largely devoted to agronomical research in the Congo (DR), Rwanda and Burundi, countries where the activities of the old 'Institut pour la recherche agronomique au Congo belge' have been maintained to a substantial extent.

Belgium also participates in initiatives for the promotion of university research in the countries mentioned above and in Morocco. Direct aid for agronomical research is still granted to Indonesia (participation in the creation of a pedological laboratory) and Malaysia (promotion of research on the oil palm). Finally, the various links between Belgian universities and the universities of the Democratic Republic of the Congo, and the many scholarships granted, which are as much a part of structural aid of direct support for research, should also be taken into account.

(b) Germany

1. The structural (type 1) aid contributed by Germany in the fields of research and science takes the form of technical aid (aid for higher education) and is considered as being of the first priority. German aid for higher education between

1964 and 1969 was of the order of 33 million dollars. It is provided in the form of university 'partnerships' of a determined duration (about 4-5 years), and is designed to prepare the way for scientific and cultural exchanges. The partners are the universities concerned; in fact, this is a twinning arrangement between faculties or institutes (18 altogether).

There are also structural aid aspects in the technical aid (other than aid for higher education) which is provided, namely the supply of materials, personnel and training; these are essential, but difficult to evaluate quantitatively, since there are some 4 000 German technical aid projects. These facilities are provided punctually on request following scrutiny, although a broad overall strategy is nevertheless complied with.

The relations of the German scientific institutes with their partners in the developing countries are therefore of special importance. They are evaluated quantitatively in a study by the 'Institut für Entwicklungsforschung und Entwicklungspolitik' of the University of the Ruhr in Bochum.

A further aspect of Germany's structural aid is the promotion of a programme of local scholarships by the 'Deutscher Akademischer Austauschdienst' (DAAD), designed to aid students and young teachers with the specific purpose of accelerating the Africanization of the teaching staffs of African universities.¹

In addition to the work of the Federal Government, mention should be made of the aid contributed by the Länder: 11 million dollars for scholarships and costs of materials.

In addition to the aid provided for teachers, faculties and institutes, mention should also be made of the promotion of the reform of teaching methods, and advice on programming and university policy.

2. German aid towards the direct establishment of scientific research (type 2) is reviewed by the 'Deutsche Stiftung für Entwicklungsländer' in the annual bibliographies on research connected with the developing countries, particularly research of type 2a, which give an overall view of everything being done by Germany in this field.

The 'German Scientists' Association' has set up a 'Developing Countries' working party for the specific study, at university level, of the urgent problems of development and pockets of backwardness (type 2b).

A particularly important aspect of Germany's contribution is the work done by the 'Max-Planck-Institut für Ernährungsphysiologie' based in Dortmund, whose 'Max-Planck Nutrition Research Unit' laboratories in Bumbuli (Tanzania) carry out research into the nutrition situation in East Africa and the possible improvements which can be obtained by use of local products.

3. The geographical distribution of this aid, which has been evaluated on the basis of numbers of projects, indicates that the main effort is directed towards Latin America, which is followed by India, Turkey, Iran, Afghanistan (in collaboration with France: University of Kabul), Ethiopia, Thailand.

¹ 1963-1969: 270 scholarships. Total expenditure: 0.4 million dollars. Studies in Nigeria, Ethiopia, Cameroon, Kenya, Lesotho and Swaziland. Countries of origin of beneficiaries of scholarships: mainly Nigeria, Ethiopia, Cameroon, Kenya, Congo (DR) and Swaziland.

(c) **France**

1. French structural aid for research and science (type 1) does not lend itself to overall quantitative evaluation. The French programme of scholarships enables 3 000 scholarship holders to be trained in the various scientific disciplines, thus contributing significantly to the strengthening of the numbers of scientific personnel in the developing countries. Expenditure on capital goods and administrative expenses for the universities amounted to 16 million dollars in 1968. It is not possible to evaluate expenditure on the training of scientists from the developing countries in French institutes in the developing countries themselves.

2. In the field of aid for scientific and technical research applied to the solution of specific problems in the developing countries (type 2), France maintains a wide range of research institutes, some in Metropolitan France where the accent is mostly on type 2a fundamental research, and some in the developing countries which concentrate more on applied research of type 2b. The most important of these institutes are listed below:¹

- (i) Office de la recherche scientifique et technique outre-mer (ORSTOM: 2 603 employees, including 584 scientists; budget: 19 million dollars);
- (ii) Institut d'élevage et de médecine vétérinaire des pays tropicaux (IEMVT: 743 employees, including 56 scientists);
- (iii) Centre technique forestier tropical (CTFT: 392 employees);
- (iv) Institut de recherches agronomiques tropicales et de cultures vivrières (IRAT: 114 employees, including 30 scientists);
- (v) Institut français de recherches fruitières outre-mer (IFAC: 815 employees, including 77 scientists);
- (vi) Institut français du café, du cacao et autres plantes stimulantes (IFCC: 1 149 employees, including 46 scientists);
- (vii) Institut de Recherche sur le caoutchouc en Afrique (IRSA: 210 employees, including 31 scientists);
- (viii) Institut de recherche du coton et des textiles exotiques (IRCT: 997 employees, including 82 scientists);
- (ix) Institut pour les huiles et les oléagineux (IRHO: 269 employees, including 85 scientists and engineers, roughly 2 000 labourers in Africa).²

This list represents a very strong work force comprising roughly 5 000 employees, including over 1 000 scientists and engineers.

In the field of applied research directed towards development (type 2b), France is jointly responsible for programming and financing with her associated partners. On the other hand, the work of the more fundamental institutes (type 2a) is administrated and financed entirely by France.

3. Very extensive research on the problems of the developing countries, principally of type 2a, is also carried out within the French universities.

¹ The figures relate to 1968.

² The overall annual budget of the eight last-named institutes is approximately equivalent to that of the ORSTOM, namely some 20 million dollars in 1968.

The Académie des Sciences d'Outre-Mer numbers 100 members whose scientific disciplines include: geography, politics, administration, law, economics, sociology, education, the sciences and medicine.

The overall sectors of cooperation are as follows:

- (i) prospection and working of soil properties;
- (ii) promotion of productivity and technology in agriculture;
- (iii) promotion of research in the field of the human and sociological sciences;
- (iv) promotion of higher education.

It may be said as regards the geographical distribution of aid that it is concentrated almost exclusively on the French-speaking countries to the south of the Sahara together with Madagascar, and that the institutes listed above have been located within these territories according to empirical criteria relating to the requirements of research on one hand and those of economic development on the other.

(d) Italy

1. In the field of development aid financed by public credits, Italy does not contribute direct assistance to research or technology in the developing countries. As to structural aid, only one case has been noted: cooperation between the faculty of medicine of the University of Turin and the University of Monrovia (Liberia). The 'Consiglio nazionale di ricerca' (CNR) has entered into a number of limited cooperation agreements with institutes in the developing countries.

2. A number of institutes such as the 'Centro studi terzo mondo' (CSTM) in Milan and the 'Istituto per lo sviluppo economico' (ISVE) in Naples are the main sources of type 2a aid. In the field of type 2b aid, agronomical research is concentrated on the 'Istituto agronomico per l'oltremare', which communicates the results of its research to certain developing countries under the terms of technical aid agreements.

To some extent, the private sector also makes contributions to research and science in the developing countries. However, it has not been possible to assess the nature and scope of these contributions.

(e) The Netherlands

1. Dutch structural aid to research and science is concentrated and coordinated at university level by the 'Netherlands Universities Foundation for International Cooperation' (NUFFIC). In 1971, a figure of some 1.6 million dollars will be spent on 67 projects in the Dutch university aid programme, which is essentially pragmatic in orientation, and conducted in the majority of cases in close collaboration with universities in the developing countries. It comprises a very effective combination of all types of scientific aid.

2. There is a wide range of programmes for direct support for research (type 2), which are instigated and coordinated by the 'Netherlands Foundation for the Advancement of Tropical Research' (WOTRO), whose annual budget for its rather academic work was approximately 0.4 million dollars between 1964 and

1969, and also by institutes such as the 'Koninklijk instituut voor de tropen' in Amsterdam and the 'Instituut voor maatschappij-wetenschappelijk onderzoek ontwikkelingslanden' (IMWO) in Leiden.

3. In the field of agronomical research and related sciences, the resources of the Netherlands are particularly strong; this feature is reflected in the orientation of programmes for aid to the developing countries, notably in the areas of soil utilization and improvement, pedology and animal husbandry.

The geographical distribution of Dutch aid is fairly wide. Indonesia, Surinam and the Dutch Antilles receive preferential treatment, but Pakistan, India, Tanzania, Ghana, Cameroon, Colombia and Tunisia are also beneficiaries.

III. *Appendix*

- (a) There are three broad areas of development aid in the field of sanitation:
- (i) education at the technical or university level (aid to medicine faculties and nursing schools);
 - (ii) aid to research institutes whose work is mainly concentrated on problems of demography, nutrition and the struggle against the major endemic diseases such as malaria and bilharziosis;
 - (iii) support, mainly in the form of technical assistance, to medical and hygiene services, including hospitals.

The role of the World Health Organization (WHO) is to endeavour to coordinate and lend cohesion to work connected with crucial problems, and to assist the developing countries to build local public health structures. Nevertheless, the vast majority of aid is granted through bilateral cooperation.

(b) Insofar as they participate in multinational or international organizations such as the OECD, UNESCO, the FAO, the IAEA, the World Bank, the UNDP, etc.,¹ all Member State automatically participate in the research activities of these organizations, even if they are only accessory or indirect.

Clearly, research activities as such are only a minor aspect of the work done by these organization, with the exception of the IAEA. They do, however, play an important role in the transmission of the results of research, both in the establishment of infrastructures and in training and documentation.

§ 6: *PUBLIC OPINION IN THE MEMBER STATES ON THE QUESTION OF COOPERATION WITH THE DEVELOPING COUNTRIES*

1. Public opinion in the various Member States on the question of development cooperation does not appear to be marked by very positive attitudes, except in Luxembourg and the Netherlands, to judge by the views expressed by the heads of Government and private information services.

¹ Cf. Appendix 15.

Interest in development aid remains particularly strong in the Netherlands; most of the political parties include the problems of aid in their electoral manifests; over 10 000 copies of the Pearson report have been sold, this fact being attributed partly to the prospects of hope which it holds out. Certain private organizations are campaigning to have the level of aid raised to 2% of the GNP.

In the Federal Republic of Germany, an opinion poll question: 'Are you for or against development aid?' drew the following comparative results: in October 1959, 62% of the people interviewed were in favour; by November 1968, the number of favourable replies had fallen to 48%. In 1960, the reason most frequently quoted was the danger of the communist threat (43%); in 1968, humanitarian reasons headed the list (51%). Third place was taken by commercial considerations—'To keep business'—: 43% in 1968, against 34% in 1960.

In France, a survey carried out in 1969 showed that 78% of the people interviewed stated that they were in favour of aid in principle; it should not, however, be inferred from this that these same people would accept an increase in the level of aid; the explanations given were couched in the charitable, 'civilising', humanitarian terms inherited from a traditional education which dates back to Jules Ferry.

2. The attitudes of those under the age of 25 are more positive than those of the older age groups. It is nevertheless true that those under the age of 25 express as many unfavourable attitudes on this subject as their elders. This apparent anomaly is explained quite simply by the fact that young people are relatively more prepared to express an opinion, and also more prepared to express a favourable opinion. Generally, the basic attitudes determining whether individuals declare themselves for or against development aid are motivated by their level of education, political awareness and ideological or religious commitment.

Public opinion still responds generously to an appeal to the emotions when there is an emergency situation, in which the idea being conveyed is straightforward and the effort required of short duration. As for example, in the case of press and radio campaigns when a region of the world is struck by some disaster. All these surveys show that public opinion reacts favourably to appeals for its help in reducing hunger or relieving suffering, and observation of certain events in Europe and other parts of the world today confirms this fact.

CHAPTER II

Relations between the community and the developing countries

SECTION 1 - HISTORICAL BACKGROUND

1. Although the Treaty constituting the EEC contains no specific provisions for the establishment and implementation of a general development policy, it does not disregard the problems of relations between developed and less developed countries:

- (i) the underlying philosophy of the Treaty with respect to trade is fundamentally liberal and valid 'erga omnes'. It is clear that, in the minds of the authors of the Treaty, the principle of the progressive abolition of restrictions on international exchanges to which the Community undertook to contribute offered equal benefits to all the commercial partners involved, including the developing countries;
- (ii) France, which, at the time when the Treaty was being prepared, possessed many territories, principally in Africa, whose economies were closely linked to her own, drew attention of her partners to the problems which her integration into a European Common Market were going to cause her in this connection. In the face of this situation, the political aspects of which were no less important than the economic aspects, it was possible to consider two extreme solutions: either a comprehensive formula for the integration of the territories in question into the Community, or their total exclusion. For obvious political and economic reasons, neither of these two solutions was practicable. An intermediate solution, known as Association, was therefore adopted for the French territories, and was extended to include the Overseas Countries and Territories which had special relationships with Belgium, Italy and the Netherlands;
- (iii) in the light of certain situations of fact existing at the time of the conclusion of the Treaty, the contracting parties appended to the Final Deed a series of declarations of intent concerning certain developing countries.

Thus, from the very start, the Community was to assume, to varying degrees, responsibility towards the developing countries. Some of them enjoyed positions of privilege by virtue of the Association system instituted under the terms of Part IV of the Treaty and others, by virtue of the Declarations of Intent, became potential privileged partners.¹

¹ Details of the legal bases by virtue of which the various commitments of the EEC to the developing countries were contracted are given in Appendix 18.

2. Developments since the entry into force of the Treaty have brought about the emergence of three further motives for the Community to demonstrate its concern for the developing countries:

- (i) the political and constitutional situations in nearly all the developing countries have undergone profound change, and this poses them and the Community problems of mutual relations which would not have occurred in the absence of such change;
- (ii) the development of the Community has led it to enter into arrangements with the developing countries other than those which were originally associated with it or those which, by virtue of the Declarations of Intent, were to enter into privileged relations with the Community, whereby solutions to the problems which they encountered in their relations with the Community could be solved;
- (iii) the problem of economic underdevelopment became one of the data of world policy after the developing countries had acceded to political independence. The leaders of the developing countries attributed priority to economic problems and began to seek action to remedy them, notably from the world organizations. The Community could not but participate in the initiatives which were to be launched from these platforms.

3. The initial situation and the developments outlined above led the Community, on its own initiative and in collaboration with others, to establish a complex network of relations of different types, which could be listed on the basis of a classification according to the level at which the commitment is given (bilateral, regional or worldwide), but the differences of emphasis and scope between these commitments call for their presentation in accordance with a less attractive but more analytical format:

- (i) the Associations of the AASM, the Overseas Countries Territories and East African countries (Section 2);
- (ii) policy towards the countries of the Mediterranean Basin (Section 3);
- (iii) general commercial policy (Section 4);
- (iv) food aid (Section 5);
- (v) other action (Section 6).

SECTION 2 - THE ASSOCIATIONS

§ 1: *THE AASM ASSOCIATION*

I. *Historical background*

(a) Initially, the Association of these countries and territories consisted essentially of a trade system and a Development Fund. The purpose of the trade system was the removal of customs and quota barriers; on the financial side, the Member States undertook to contribute 581 million dollars over a period of 5 years for the financing of economic and social development projects.

Shortly after the entry into force of the Treaty establishing the EEC, the Overseas Countries and Territories began to accede to political independence, and

thereby to economic sovereignty. This did not provoke any undermining of the foundations of the contract stipulated in 1957 in the Treaty, nor did it cause it to be cancelled: indeed, at the request of the new political authorities, who were convinced of the soundness of the future of Europe and the commitment of the Community to lend its lasting support to their development, the Association continued its course.

(b) In 1962, negotiations were opened to establish the terms of a new contract linking these African countries and Madagascar to Europe. The concerted display of imagination and goodwill by the partners rendered it possible to bring together the points of view of both sides, which had been divergent on several points initially, and to open the way for a new form of association.

Indeed, since future dialogue was to be between sovereign States, the technical tenor of the contract was no longer suited to circumstances. It was necessary to lay the foundations of a new form of cooperation based on dialogue. Thus—and this is the main originality of the first Convention signed in Yaoundé in 1963 for a period of five years—institutions with equal representation were set up for the processes of decision-making, consultation and arbitration.

The system for trade was based on the progressive establishment of free trade areas between the Community on one side and each of the Associated States on the other. However, the most important point secured by the Commission was that the AASM would open their doors to international economic life in order to prepare themselves to take an active competitive part in it. For this reason, the Convention contained provisions for the progressive disappearance of the price supporting policies conducted by certain Member States in exchange for special aid for the purpose of facilitating this transition.

In the financial field, aid was increased to 800 million dollars and assigned to a wider range of purposes.

(c) At the end of 1968 and in early 1969, the parties met again to negotiate the renewal of the Convention. This new agreement was to be signed in Yaoundé on 29 July 1969.

The new Convention entered into force on 1 January 1971. There is no question, therefore, of any discussion of it in this review, apart from an outline of its main features. This review relates to the results of and the lessons to be drawn from the Community's action on behalf of the AASM¹ since 1958.

II. Trade

A. The development of the trade system

1. *The original situation*

Before the entry into force of the Treaty establishing the EEC, the systems applicable to trade relations between the countries which were to become the

¹ Although the observations in this connection refer in the main to the Association of the 18 AASM which make up the most important bloc of partners associated with the Community, there are also others which refer to the OCT's (in connection with trade and financial and technical cooperation) and to the French Overseas Departments (in connection with financial and technical cooperation).

Member States and the Overseas Territories which they governed were extremely complex, as is illustrated by the following examples:

- (a) Systems applicable to imports into the future Member States:
 - (i) France granted customs exemption to products originating in countries which it governed;
 - (ii) the Benelux countries applied preferential treatment to a certain number of products from the then Congo, Rwanda-Urundi, the Dutch Antilles, Surinam and Dutch New Guinea. This arrangement consisted of either customs exemption or reduced duties. It was applicable either to all quantities of goods which benefited under it, or to stipulated quantities;
 - (iii) Italy granted total exemption to certain products from Somalia.
- (b) Systems applicable to imports into the future OCD's:
 - (i) the countries of French West Africa applied a double column tariff: one column for generally applicable fiscal duties whose main purpose was to bolster national budgets, and one column of customs duties proper, by which a degree of preference was accorded to goods from Metropolitan France, which were exempt;
 - (ii) the countries of what is known as the Congo Basin¹ applied the 'open door' system and the fiscal duties included in the tariff were levied without distinction as to origin. France had brought Chad into this system;
 - (iii) countries subject to international administration, namely Cameroon, Somalia and Togo, applied a non-discriminatory customs tariff;
 - (iv) for economic reasons, Madagascar had suspended its customs duties in 1943 and only applied fiscal duties, under which no account was taken of the origin of goods.

2. *The system of trade with the AASM*

The principle underlying this system, as set out in Part IV of the Treaty establishing the EEC and the implementing Convention, was the gradual formation of a single free trade area embracing the Community and all the associated Overseas Countries and Territories. However, during this first period of association, 18 OCT's² acceded to independence, thus becoming free to determine their own customs systems. In choosing to remain associated with the Community, the AASM would be obliged to conform with the commercial provisions of the Association.

In fact, the elimination of customs duties between the EEC and each individual member of the AASM has progressed gradually, with the latter maintaining their right to determine their external tariffs. Currently, the EEC maintains 18 free trade areas, one for each of the Associated States. In this connection, it should be stressed that the Association Conventions do not preclude the maintenance or establishment of customs unions or free trade areas between the AASM members

¹ The Congo (DR), the Congo (PR), CAR, Gabon, Chad, Burundi, Rwanda.

² Only the 18 OCT's which were to become AASM members are considered here. In fact, if Guinea is included, 19 OCT's acceded to independence. Details of the situation of Guinea are given in Appendix A, sub-paragraph 1.c.

or the conclusion of economic cooperation agreements between AASM members, on condition that the formation of such groupings is not incompatible with the principles and provisions of the Convention.

Thus, the intervening period has seen the formation of regional groupings establishing free trade areas between AASM members (CEUCA, CUWAS).^{1 2}

(a) The customs system

(i) The Associated States have benefited under measures provided for by the Treaty and decisions taken by the Member States to accelerate the pace of removal of intra-Community customs barriers. This principle was not applicable to homologous or competitive products. However, whenever regulations adopted in pursuance of the common agricultural policy contained provisions which would have adverse effects on exports of these products from the AASM to the EEC, a specific regulation providing for preferential treatment of these exports was introduced.³

However, certain reductions in the level of common external tariff (CET) duties have reduced the margin of preference enjoyed by the AASM. Indeed, for products as important to them as coffee, cocoa, palm oil and tropical woods, the respective duties have fallen from 16 to 7%, 9 to 4%, 9 to 6% and 5% to nil; there have been similar reductions in the CET duties on a number of other less important products: pepper, vanilla, pineapples, coconuts, tea.⁴

(ii) The Associated States which applied a double column tariff introduced the customs duty reductions provided for under Article 133 of the Treaty, and then, following the entry into force of the Yaoundé Convention (Art. 3, in particular), by extending the tariff system applied to France to the other Member States, ceased to levy customs duties on products of EEC origin.⁵

On 1 July 1962, the five States of the CEUCA, which was to be joined later by Cameroon, introduced a double column customs tariff and exempted the Member States of the EEC from customs duties.

On 7 July 1965, Rwanda also introduced a double column tariff granting the EEC a 15% reduction in customs duty.

Burundi, which has also applied a double column tariff since 1 July 1968, accords exemption from customs duty to products from the EEC. Similar arrangements have been in force in Somalia since 1 January 1969.

The Congo (DR), by a law introduced on 6 January 1968, adopted a double column tariff, but does not extend any special treatment to the EEC countries, whereas Togo still applies its old tariff which consists of fiscal duties only. Madagascar has reintroduced a customs tariff, but grants exemption to products of Community origin.

¹ CEUCA: Customs and Economic Union of Central Africa; current members: Cameroon, the CAR, Gabon and the People's Republic of the Congo.

CUWAS: Customs Union of West African States; current members: Ivory Coast, Senegal, Mauritania, Mali, Upper Volta, Niger and Dahomey.

² Appendix 36 contains details of the development of trade arrangements between AASM members.

³ Cf. below, p. 140.

⁴ Appendix 29 traces the evolution of the CET applied to these four major products.

⁵ Mauritania, Senegal, Mali, Niger, Upper Volta, Ivory Coast, Dahomey.

The Yaoundé Convention provided that the Member States or the EEC should benefit from the progressive elimination of customs duties, with certain justified exceptions. However, Article 61 stated that the Community and the Member States should meet their commitments under the Convention towards the Associated States which still felt bound by international commitments and therefore did not consider themselves to be in a position to make reciprocal arrangements on behalf of the Community by eliminating customs duties; the situation was to be reexamined within three years of the entry into force of the Convention. Currently, only the Congo (DR) and Togo are maintaining this position.

(b) The quota system

- (i) In their trade with the AASM, the Member States have applied the system of progressive elimination of quantitative restrictions which they applied among themselves; except for a few agricultural products, all restrictions have now been eliminated;
- (ii) the Associated States with quota systems have progressively opened and increased the overall quotas for the Member States with whom they had no special relationships, progressing towards freedom of imports by the years 1968 and 1969.

Nevertheless, by having recourse to the facility for which the Convention provides in this connection, most of the Associated States have maintained import restrictions justified in terms of the requirements of the development of their economies or their balance of payments situations.

Some of these measures are still the subject of consultations within the institutions of the Association. They only affect a small proportion of the volume of trade, although several Governments are showing a tendency to reinforce these restrictions as their industries develop.

(c) The rules of origin.

In order to benefit under the special system governing trade between the EEC and the AASM, products must fulfil certain conditions of origin. Until 1 July 1966, each country applied its own legislation. On this date, effect was given to the decision of the Council of Association laying down a common procedure for the definition of the conditions relating to origin, or the establishment of rules for the delivery of certificates of origin and for determining administrative methods of cooperation designed to ensure that the decision is implemented faithfully.

Several modifications have been introduced in order to take the lessons of experience into account. This system has proved satisfactory and has been adopted in association agreements concluded with other countries, such as Tunisia, Morocco, Spain, Israel and the East African countries. Moreover, this system could serve as a model for other association agreements.

3. *The system of trade with the OCT's*

- (a) The Overseas Countries and Territories, which constitute a single free trade area, have benefited from the tariff reductions for their exports to the Community

provided for under the Treaty establishing the EEC. In the case of Surinam and the Dutch Antilles, a special protocol annexed to the Treaty allows the Benelux countries to retain the system previously applied in their cases in respect of two products, others being subject to the general system. Surinam continues to benefit from total customs duty exemption on the prescribed quantities of sugar exported to the Netherlands; in the case of the Dutch Antilles, a protocol annexed to the Association Decision governs the procedure for the import into the EEC of oil products refined in their territory: this is a saving clause in the form of a quota of exports to the Member States as a whole which is exempt from customs duty; to date, there has been no recourse to this precautionary measure.

(b) For their part, the Overseas Countries and Territories which applied a discriminatory tariff have reduced their customs duties progressively in accordance with the programme prescribed by the Treaty. The Association Decision of 25 February 1964 provided in particular that, on one hand, the same tariff treatment should be applied to all Member States and other Overseas Countries and Territories and that, on the other hand, products originating from Member States and other Overseas Countries and Territories should benefit, in accordance with the conditions provided in an annexe, from the progressive elimination of customs duties and charges with equivalent effect to those of such duties.

Appropriate measures have been adopted in the OCT's in order to comply with this obligation and the Member States are granted exemption from the customs duties which these countries levy on products from third countries.

There are two territories where no tariff is applied: the Territory of the Afars and Issas, where the capital, Djibouti, is a free port, and the Austral and Antarctic territories, with which exchanges of a commercial nature are virtually non-existent.

Certain Overseas Countries and Territories which applied discriminatory export duties on certain goods have adopted suitable measures to remedy the situation.¹

Only Surinam still maintains quantitative restrictions; their retention is justified by a desire to protect emerging industries.

In order to obtain the benefits of the preferential system, it is necessary for goods to have originated in the country of export; the decision establishing the conditions to be fulfilled and the methods of cooperation is based on that relating to trade between the EEC and the AASM.

B. The pattern of trade between the AASM and the EEC

1. AASM exports to the EEC

AASM exports to the EEC rose from 896 million dollars in 1958 to 1 718 million dollars in 1969, an annual growth rate of 6%, which is lower than that of their exports to the developed countries as a whole (6.8% per annum) and that of

¹ This was New Caledonia and its dependencies, which applied a differential tariff on mined products according to destination.

exports to the EEC from the developing countries as a whole (7.1% per annum).¹ However, if one excludes exports of oil which have been a particularly dynamic feature in the development of the exports of the Third World, but which is exported by the AASM in negligible quantities only, the rate of expansions of AASM exports to the EEC is more rapid than that of the exports of the developing countries as a whole (5.1%).²

Behind this overall annual growth rate of 6%, situations vary widely, both as regards the products exported and their countries of destination in the EEC.

(a) The AASM have achieved a considerable degree of diversification in their range of outlets for exports in the Community, although the growth rates of their exports to the various Member States have varied very widely.³

Exports to the former mother-countries are increasing slowly in the case of France and substantially in Belgium, whereas the Netherlands, Italy and Germany have increased their imports at a rapid rate which is considerably higher than that of the Community as a whole.

If one considers the volume of total AASM exports to the Community taken by each of the Six, one finds that the share taken by France was 53.3% in 1959 and had fallen to only 38.8% in 1969, whereas the proportions taken by the other Member States rose correspondingly.

The manner in which the importance of France as a market for the AASM has declined emerges with greater clarity if one considers the countries formerly governed by France in isolation. Indeed, the exports of these countries to France, which represented 81% of their exports to the EEC in 1959 only accounted for 56% in 1969, whereas the relative shares of each of the other Member States roughly doubled between 1959 and 1969, as is shown below:

EUBL:	from 2.3 to 4.5%
The Netherlands:	5.0 to 9.4%
FRG:	7.6 to 18.9%
Italy:	4.6 to 11.0%

¹ Exports of the AASM and the developing countries to the EEC (CIF): annual percentage growth rates from 1958 to 1969.

AASM	Developing countries as a whole	Latin America	Asia	Middle East	Mediterranean Africa	Other developing countries in Africa
6.0	7.1	6.0	5.3	6.7	11.4	7.7

² Exports of the AASM and the developing countries to the EEC, excluding oil and oil-based products (CIF): annual percentage growth rates from 1958 to 1969.

AASM	Developing countries as a whole	Latin America	Asia	Middle East	Mediterranean Africa	Other developing countries in Africa
6.0	5.1	7.1	5.6	7.6	-4.4	6.5

³ AASM exports to the EEC (CIF): annual percentage growth rates from 1958 to 1969.

EEC as a whole	EUBL	FRG	France	Italy	Netherlands
6.0	6.9	11.3	2.8	13.4	9.4

This geographical diversification of AASM exports corresponds to the logic of the Association, which has created a wide range of new ties between them and the Member States other than France. Moreover, from the point of view of preferences, the impact of the association system on AASM exports is that they enjoy a new privileged status in the countries other than France, whereas in the case of France, the advantages previously granted to her former territories (preferences, guarantees of prices and volume of sales) have been reduced.

(b) There are very marked differences in the patterns of development of the various products exported. The twelve major products exported by the AASM—which accounted for 78% of their total exports to the EEC during the period 1967/69—can be broken down into three categories according to whether exports of them have developed more rapidly in terms of value than total AASM exports to the EEC (rapidly expanding exports), less rapidly (slowly expanding exports) or have declined (stagnating or declining exports). Moreover, in order to place the development of each of the exports classified in this way into clearer perspective, brief details have been given of the development of their share of extra-Community imports of the product concerned, by the EEC as a whole and, where appropriate, by each Member State.

(i) Half of the twelve major products exported by the AASM are rapidly expanding exports:

(a) exports of copper to the Community, for which there are no preferential arrangements, rose from 119 million dollars in 1958 to 453 million dollars in 1969, this rapid increase being attributable largely to the high level of world prices since 1966.

The proportion of extra-Community imports supplied by the AASM fell from 30.6% in 1959 to 22.9% in 1965, but has since risen again (26.5% in 1969).

A similar pattern of development was repeated in all the Member States, with the exception of Italy.

(b) exports of untreated wood, for which the AASM do not enjoy any preferential treatment¹ rose from 73 million dollars in 1958 to 251 million dollars in 1969.

The proportion of the EEC's extra-Community imports supplied by the AASM rose rapidly between 1959 (13%) and 1969 (20.4%); the same is also true of all the Member States, with the exception of France.

(c) exports of cocoa, which the Community imports on preferential terms, rose from 75 million dollars in 1958 to 171 million dollars in 1969. Following a period of slow growth between 1958 and 1966, there was a rapid spurt in the value of exports over the last three years, largely accounted for by the sharp increase of prices on world markets.

The proportion of the EEC's extra-Community imports supplied by the AASM rose substantially between 1959 (30.3%) and 1969 (55.8%), each Member State increasing its purchases from the AASM considerably.

¹ That is, on untreated tropical woods, which constitute the bulk of wood exports from the AASM to the EEC.

(d) exports of iron ore (no preferential treatment) rose from 11 million dollars in 1963 (first year of exports) to 56 million dollars in 1969.

The proportion of extra-Community imports by the EEC supplied by the AASM rose from 2.6% in 1963 to 7.6% in 1969, France and Italy being the Member States where the proportion was highest.

(e) exports of 'other common non-ferrous metals'—essentially cobalt, for which there are no preferential arrangements—rose from 6 millions dollars in 1958 to 46 million dollars in 1969.

The proportion of the EEC's extra-Community imports supplied by the AASM, which fluctuated widely during the period, was 32.6% in 1969.

(f) exports of calcium phosphate (no preferential treatment) rose from 1 million dollars in 1958 to 29 million dollars in 1969.

The proportion of extra-Community imports supplied by the AASM rose considerably in the Community as a whole—1.4% in 1959, 18.5% in 1969—and in each of the Member States, with the exception of Italy.

(ii) The slowly expanding exports are:

(a) coffee (preferential system), exports of which to the EEC rose from 154 million dollars in 1958 to 164 million dollars in 1969, following a period marked by substantial year-on-year fluctuations.

The proportion of the EEC's extra-Community imports supplied by the AASM fluctuated either side of a virtually unchanging norm throughout the period (22.2% in 1969), whereas the proportion taken by France and the EUBL tended to decrease, and that taken by the FRG increased.

(b) bananas, which benefit under preferential systems in all the Member States;¹ the general trend of exports from AASM to the EEC is towards increased turnover, although, after a high point in 1965 (71 million dollars), there was a steady decline in the years leading to 1969 (46 million dollars).

The proportion of extra-Community imports of bananas supplied by the AASM rose between 1959 (19.9%) and 1963 (32.8%), but declined thereafter (19.3% in 1969) to the advantage of third countries; the proportion supplied by the OCT's has remained at a virtually steady level since 1963.

(c) groundnut oil (preferential treatment), exports of which are increasing slightly in terms of general trend, despite the low level of exports in 1968 and 1969 (38 million dollars in 1969 as against 45 million dollars in 1958) which is attributable to the fall-off in production of groundnuts in Senegal since 1966-67.

Similarly, the proportion of extra-Community imports supplied by the AASM, which was between 70 and 85% between 1959 and 1968, fell to 65.4% in 1969.

(d) palm oil (preferential treatment), exports of which increased slowly over the period as a whole, despite the very low level in 1969 (25 million dollars, as against 31 millions dollars in 1958).

¹ Nevertheless, under the terms of the protocol annexed to the Treaty of Rome, the FRG is allowed an annual quota of imports from third countries which are exempt from duty.

The proportion of the EEC's extra-Community imports of this product supplied by the AASM was subject to fairly sharp fluctuations, reaching 60% in 1969, the highest level during the period 1959-1969.

Two atypical patterns were recorded among the Member States: the rapid decrease in the proportion of extra-Community imports of palm oil purchased by the EUBL, and the sharp increase in the share taken by the Netherlands.

(iii) The declining exports are:

(a) cotton (no preferential system), exports of which also fluctuated widely; they amounted to 56 million dollars in 1969 (53 million dollars in 1958), the decline in the trend being attributable to the sharp decrease of exports from the Congo (DR).

Nevertheless, the proportion of extra-Community imports supplied by the AASM tended to increase over the period 1959-1969 in the Community as a whole (10.2% in 1969).

(b) groundnuts (no preferential treatment), exports of which underwent a sharp decrease (101 million dollars in 1958, 49 million dollars in 1969) which was particularly noticeable over the last two years, largely as a result of the sharp fall-off in production in Senegal.

The proportion of the EEC's extra-Community imports supplied by the AASM fell from 55.2% in 1959 to 31.3% in 1969.

(c) The development of the exports of the various groups within the AASM to each of the Member States is shown in the following table (in millions of dollars).

Destination	Origin	AASM as a whole	CUWAS + Togo	CEUCA + Chad	Congo (DR) Rwanda Burundi	Somalia	Madagascar
EUBL	1958	174.6	4.9	2.7	166.8	Nil	0.2
	1969	479.6	32.5	14.3	431.8	0.5	0.5
	Index (Base year 1958=100)	275	663	530	259		
FRG	1958	74.9	8.6	24.3	39.2	Nil	2.7
	1969	248.2	126.3	72.9	43.6	0.2	5.2
	Index	331	1 469	300	111		192
France	1958	562.8	299.5	163.6	33.6	Nil	66.1
	1969	667.3	357.5	201.4	62.8	0.6	45.0
	Index	118	119	123	187		68
Italy	1958	45.4	3.7	1.2	24.4	14.5	1.6
	1969	200.2	86.2	15.7	81.2	14.7	2.4
	Index	441	2 330		333	100	150
Netherlands	1958	38.4	8.1	16.4	13.7		0.2
	1969	121.8	43.0	56.7	21.3	Nil	0.8
	Index	318	531	346	155		

Although these developments are considered in the light of the values as at the initial (1958) and final (1969) years of the period, the results obtained correspond closely to those given by an analysis of the year-by-year trends.

The only negative features in this development are the very sharp decrease in imports by France of products from Madagascar and the absence of movement in imports by Italy of products from Somalia.¹ Everywhere else, imports have risen, with marked differences in rates of progress.

(i) The EUBL has increased its imports from the CUWAS and CEUCA States substantially, although the absolute value of these transactions is relatively modest. Unlike France and Italy, Belgium has increased its purchases from the countries with which it has traditional ties substantially, a strong contributory factor being her purchases of copper, the prices for which were very favourable in 1969. Import trade with Somalia and Madagascar remained negligible.

(ii) In Germany also, imports have shown a very marked increase, particularly those from the CUWAS group, with substantial purchases of iron from Mauritania, cocoa and wood from the Ivory Coast and cocoa from Togo. Imports from the Congo-Rwanda-Burundi group increased only very slightly; although those from Madagascar almost doubled, the actual amounts involved were very small.

(iii) In France, which remains the largest importer among the Six, the growth in imports was very slight and fairly evenly distributed among the various areas of the AASM. It should be noted however that there was a more rapid increase in imports from the Congo, Rwanda and Burundi.

(iv) Italy is the Member State whose volume of trade with the AASM showed the most rapid expansion; with the exception of Somalia, all regions of the AASM shared in this expansion, but the most marked increases were in West Africa (Mauritania in particular) and the Congo (DR); imports from Madagascar, although increasing, remain negligible.

(v) Of all the Member States, the Netherlands remain the smallest client-country of the AASM, but purchases have increased substantially over the eleven-year period; their main suppliers are the States on the West coast and in Central Africa where, in particular, they draw their supplies of cocoa and fats. As in the case of the EUBL, import trade with Somalia and Madagascar remains insignificant.

2. EEC exports to the AASM²

During the period 1958-1969, exports by the Community to the AASM rose from 663 million dollars to 1 117 million dollars, an annual growth rate of 5.6%, which is higher than that of Community exports to the developing countries as a whole, but slightly lower than that of exports from the developed countries as a whole to the AASM (5.9% per annum).³

¹ Caused, in large measure, by the closure of the Suez Canal since 1967.

² FOB values.

³ EEC exports to the AASM and the developing countries (FOB values): annual percentage growth rates between 1958 and 1969.

AASM as a whole	All developing countries	Latin America	Asia	Middle East	Mediterranean Africa	Other African developing countries
5.6	4.5	3.5	5.8	8.8	-1.2	6.8

The rates of increase of exports from the Member States to the AASM varied widely.¹

A repetition of the phenomena observed in the field of exports can be found in that of imports. Indeed, the former mothercountries have only increased their exports to the AASM at a relatively slow rate, whereas the Netherlands, the FRG and Italy have increased their sales to the associated countries at a very much faster rate than that of the Community as a whole. As a result of these developments, France and Belgium were only responsible for 59.4% and 11.2% respectively of exports by the Community to the AASM in 1969, as against 65.8% and 16.9% in 1959. On the other hand, by 1969, the proportion of total Community exports for which the other Member States were responsible were as follows:

the Netherlands: 8.2%, as against 4.5% in 1959

FRG: 13.4%, as against 8.1% in 1959

Italy: 7.8%, as against 4.7% in 1959.

This diversification of the AASM's sources of supply within the Community also corresponds to the logic of the Association, in that many new ties have been created between these countries and the Member States other than France and Belgium. Moreover, it should be recalled that with the establishment of the Association, the advantages previously enjoyed by France in some of its former territories have been extended progressively to her European partners.

3. Trade with the OCT's

Trade with the OCT's only accounts for a very small proportion of the foreign trade of the EEC, both as regards imports and exports, the levels of which were 0.35% and 0.57% respectively in 1969. The development since 1958 is not easy to determine. Indeed, on one hand, some of the principal OCT's did not accede to the Association until several years after this date and, on the other hand, occasional exports to French Polynesia tend to give a false idea of trade patterns.

Imports from the OCT's rose from 97 million dollars in 1958 to 136 million dollars in 1969, a growth of 40% over eleven years. It should be pointed out however that whereas, in 1958, the majority of these imports were energy products, they have become more diversified since. Indeed, these products only accounted for 9% of the total in 1969; first place had been taken by manufactured goods, with 49% of the total (aluminium from Surinam, iron alloys from New Caledonia); foodstuffs (essentially rice and bananas from Surinam) accounted for 11%, raw materials (essentially aluminium ore from Surinam, nickel ore from New Caledonia and coconut oil from Polynesia) 20%, and finally chemicals (essential oils from the Comoro Islands, coaltar distillates from the Dutch Antilles, alumina from Surinam) some 11%.

¹ EEC exports to the AASM (FOB values): annual percentage growth rates between 1958 and 1969.

EEC as a whole	EUBL	FRG	France	Italy	Netherlands
5.6	2.1	11.1	4.6	13.4	10.6

Exports from the Community to the OCT's rose from 92 million dollars in 1958 to 223 million dollars, thus showing a growth rate of 142%, substantially higher than that of imports. They consisted mainly of transport equipment, manufactured goods, foodstuffs and chemicals.

C. The special problems raised by Community imports of certain agricultural products from the AASM and the OCT's

1. *Allowances made for the interests of Associated States in connection with agricultural products which are homologous with and competitors of European products*

(a) Under the terms of the first Yaoundé Association Convention and the Council Decision on the Association of the OCT's, which both entered into force in 1964, the general rule is that the systems applied by the Member States to each other should govern their trade with the AASM and the OCT's.

Nevertheless, the tariff provisions of the first Yaoundé Convention and the Decision on the Association of the OCT's could be waived in the case of certain agricultural products when special measures are taken in respect of these products in accordance with the terms of Articles 11 and 10 respectively of the two above-mentioned texts. Indeed, these two articles establish a principle whereby exceptions can be introduced into the framework of the free trade area created between the EEC and the AASM and the OCT's, which has enabled the Community to determine on its own account the system applicable to the products in question as it defines its common agricultural policy. Thus the EEC Council has established regulations to meet each individual case on the proposals of the Commission, following consultation with the AASM in the Council of Association, taking into account the provisions relating to trade contained in the relevant European regulations. In this way a number of special systems have been established and it has generally been possible to grant a trade advantage to the AASM and the OCT's over third countries in respect of agricultural products said to be homologous and in competition with European products.

The implementation of these systems during the period of application of the Yaoundé Convention and the Decision on the Association of the OCT's has been criticised on numerous points by the AASM. During the negotiations for the renewal of the Association Convention, the AASM applied to have their homologous and competitive agricultural products treated on the same basis as those of European agriculture.

(b) The solution finally adopted in the second Yaoundé Convention on the basis of Article 2, paragraph 2 and Protocol No. 1 annexed to the Convention was as follows:

- (i) Except as otherwise stipulated, the EEC reserves for the AASM a more favourable system than the general system applicable to third countries for all agricultural products and processed products made from agricultural products covered by a uniform market organization, when the AASM have an economic interest in the export of these products.¹

¹ Cf Protocol No 1, Article 1 of the second Yaoundé Convention.

- (ii) The system established for each product after consultation with the AASM in the Association Council remains applicable in principle until the expiry of the Convention; in the event of modification, the advantage enjoyed by the AASM shall be comparable to those they had enjoyed previously.^{1 2}
- (c) During the transition period between the signing of the second Yaoundé Convention and its entry into force, a new series of regulations generally containing improvements on the earlier systems were adopted by the Council of Ministers. These regulations relate to:
 - (i) beef, oil products, rice and broken rice, cereal- and rice-based processed products, fruit- and vegetable-based processed products, goods made from the processing of agricultural products.³
 - (ii) and ad hoc regulation related to imports into the French Overseas Departments of certain agricultural products from the AASM and the OCT's.

The system proposed by the Commission for exemption of duty on untreated tobacco has been adopted recently by the Council. The system for fishing products is in the course of preparation.

However, the Commission's proposal for a more favourable import system than that existing for third countries for sugar from the AASM and the OCT's was not accepted by the Council, in view of the surplus of supplies of this product in the Community. However, the Community was able to authorize the Netherlands to import a limited tonnage of sugar from Surinam free of customs charges in each sugar season from 1968/69 to the end of 1974/75, account having been taken of the protocol governing relations between Surinam and the Netherlands.

2. *The special case of edible oils*

(a) Under the protection of the import quota system, all or almost all of the palm oil and groundnuts and groundnut oil from the producer countries in the Franc Area was allowed by France to be exported to the French market at stable prices which were often substantially higher than those on world markets; this situation persisted until 1964 in the case of palm oil and until the end of 1967 in the case of groundnuts and groundnut oil.

The implementation of the common agricultural policy in the fatstuffs sector, the main provision of which was the freeing of imports, caused the systems described above to disappear, that covering groundnuts from 1 January 1968, and those covering all other products except olive oil, from 1 July 1967.

(b) The implementation of the common agricultural policy was accompanied by the abolition of that of the CET, which was nil on oil-seed and oil-cake, and

¹ Cf. Protocol No 1, Article 3 of the second Yaoundé Convention.

² The same provisions are applicable to the OCT's.

³ The advantages granted by the Community for these products are: in the case of rice, beef, cereal-, rice-, fruit- and vegetable-based processed products and certain goods obtained from the processing of agricultural products—a reduction of import charges; in the case of vegetable oils, pineapple juices and preserves with sugar additives and tapioca—a total elimination of import charges.

ranged between 4% and 15% on oils according to their destinations and their degree of refinement. Products from the AASM and the OCT's were exempted from CET duties.

In parallel with the definition of the principles of its common agricultural policy in the fatstuffs sector, the Community had made provision for the allocation of financial aid for the AASM and the OCT's. This aid, which was granted independently of the Yaoundé Convention, was drawn from special contributions from the Member States and was limited to the period between 1 July 1967 and 31 May 1969. It had a ceiling of 13 million u.a. which could be raised to 14 million u.a. under special circumstances; the fund is currently being wound up.

III. The community's financial and technical cooperation with the AASM, the OCT's and the overseas departments¹

A. The financial resources placed at the disposal of the Community for the purposes of the Association

1. The first EDF, which was established by the implementing Convention annexed to the Treaty, had available resources of 581.25 million dollars for a five year period. The second EDF, which was established in pursuance of the first Yaoundé Convention, had resources, also for a five year period, of 730 million dollars to which were added 70 million dollars contributed by the EIB from its own resources. Finally, under the terms of the second Yaoundé Convention, for the period from 1 January 1971 to 31 January 1975, the Community shall place 1 000 million dollars at the disposal of the AASM, the OCT's and the Overseas Departments (900 million through the EDF and 100 million through the EIB).

The formulae for the raising and utilization of these successive funds have varied.² For example, contributions to the first Fund were weighted according to a certain formula, and its resources were distributed among the OCT's on a differential basis, according to whether they were dependencies of Belgium, France, Italy or the Netherlands. The resources of the first Fund were to be applied exclusively to economic and social expenditure, arranged by agreement with the local authorities or the representatives of the peoples of the OCT's, as a complement to the activities of the authorities responsible for the OCT's.

The weighting of contributions to the second Fund was different from that of the first Fund, the modifications arising out of changes in the available resources of the Member States. The allocation was increased to 730 million U.A., mainly in order to take rising prices into account and in order to meet the need to make additional funds available to enable the AASM to render their industries competitive on world market conditions; of this allocation, 28.75% was set aside for

¹ The observations made in this part of the report are largely of a general nature. The statistical data on which they are based can be found in Appendices 19 to 27. The observations relate to the work done by the Community employing the resources of the EDF and the EIB. However, aspects of training financed from the Commission's budget are also discussed.

² Appendices 19 to 21 contain the texts governing the raising of the resources of the three EDF's and certain provisions relating to their utilization and, as regards the first and second Yaoundé Conventions, the intervention of the EIB.

certain AASM in terms of both geographical distribution and object, and 8.75% was reserved for investments in the OCT's and the Overseas Departments. At the same time, the EDF and the EIB were authorized to grant loans.

All the Member States made supplementary contributions to the third EDF, enabling the total amount of available funds to be raised to 900 million dollars. Apart from sums reserved for the OCT's and the Overseas Departments under the terms of the new Convention, there is no provision for allocation of credits for individual countries. The proportion of amounts set aside for grants to those reserved for gifts is higher than it was in the second EDF.¹

The amounts of the resources of the three Funds were arrived at by political compromise. This, of course, is not an ideal situation, but it should be borne in mind that there are no universally recognized criteria in the matter of aid requirements. Consequently, it is not possible to determine the ideal resources for the EDF on a rational basis; as to the distribution of funds between the AASM on one hand and the OCT's and Overseas Departments on the other, this cannot be described as being ideal on account of the number of political considerations which influence it.

2. Since 1958, the credits committed by the Community to the associated Overseas Countries rose during the first years to a first high point of 165 million dollars reached in 1962. Because of the delay between the expiry of the implementing Convention and the entry into force of the first Yaoundé Convention, the volume of annual commitments fell by 69% in 1964. It rose again sharply in 1965, at 225 million dollars and then settled during the years to 1968 at an average level of 140 million dollars. Following the expiry of the first Yaoundé Convention, the volume of sums committed fell again in 1969, to 123 million dollars, and still further in 1970, to 19 million dollars.

There is a delay between the commitment and the payment of funds caused by the amount of time required for the procedures of international cooperation and for the execution of the necessary works, supplies and services. Payments progressed slowly but regularly; from 20 million dollars in 1960, they rose to 105 million in 1967 and 140 million in 1970.

3. It should be noted that the impact of the activities of the Community on the development of the AASM should not be judged on the sums which the Community has committed itself to place at their disposal alone, and that the following considerations should be taken into account:

¹ Breakdown of groups of beneficiaries and types of financing (in millions of dollars).

Types of financing	Beneficiaries	AASM		OCT/Overseas departments		Total	
		Yaoundé I	Yaoundé II	Yaoundé I	Yaoundé II	Yaoundé I	Yaoundé II
EDF	grants	620	748	60	62	680	810
	special loans	46	80	4	10	50	90
	Total	666	828	64	72	730	900
EIB	normal loans	64	90	6	10	70	100
	Total	730	918	70	82	800	1 000

(a) the funds committed by the Member States for the period of application of each Association Convention are established definitively at the beginning of the period.¹ Because of the rising prices of goods and services involved in financial and technical cooperation, the monetary unit, namely the unit of account which is equivalent to the United States dollar, is depreciating over the years. An attempt has been made in Appendix 26 to evaluate the depreciation of the funds committed by the Member States to the AASM, the OCT's and the Overseas Departments: this shows that the prices of supplies and services provided by the EDF have reached an index value of 131.7 against the base of 100 in 1960. Thus the purchasing power of the 'EDF dollar' was only 76% of its purchasing power in 1960.

(b) it should not be forgotten that, had matters proceeded normally, the second EDF would have succeeded the first on 1 January 1963, and the third would have followed the second on 1 January 1968. In fact, there was an interim period of 17 months between the first and second EDF's, and one of 19 months between the second and the third. Thus, the resources set aside for five year periods were in the event used for about six and a half year in the case of each of the first two periods of association.

B. The procedures for EDF intervention

Since its beginnings, financial and technical cooperation has taken the form of projects or programmes the content of which would be, for example, an individual investment, a campaign for agricultural training and modernization over a period of years, or the provision of a service, such as a study which may later lead to a concrete contribution.

The projects financed by Community aid are proposed on the initiative of the authorities responsible for the beneficiary countries. The same authorities are responsible for the execution of projects financed by the Community and for the utilization of the facilities provided. This fundamental principle of local initiative and responsibility is one of the essential features of cooperation between the Community and the AASM.

The EDF assumes the total cost of approved projects, except in the case of certain major projects which are too costly, in which case other sources of finance are brought in. In the early stages, certain auxiliary installations, such as the water and electricity supplies for buildings, were financed from the local budget, but this practice was abandoned after a few years in favour of the integral financing of projects. However, in the case of loans to private or semi-public undertakings, the financial backing provided by the EDF or the EIB is never for the full cost of the project; it is used to complement the undertaking's own funds or other subscriptions of capital. With this method, no project or programme financed by the Commission has failed to be completed or had to be abandoned after partial completion through lack of credits.

In general terms, the Community's aid may be said to be proving effective. Of the projects financed by Community aid, very few are under-utilized. Never-

¹ It will be remembered however that Annexe VI of the Final Deed of the First Yaoundé Convention could have constituted a basis for a clause for the revision of resources.

theless, the utilization of public investments and plant could well decline in the long run, as a result of lack of maintenance. This shortcoming is not entirely attributable to the lack of financial resources and qualified personnel in the countries involved, but also, in certain cases to poor organization of labour in the public administrations concerned and a lack of initiative on the part of the peoples in these countries.

For these reasons, since 1967, the Commission has been making a systematic study of the utilization of completed projects. It draws the attention of the appropriate local authorities to any cases of under-utilization or poor maintenance often in the context of the possible financing of future projects; as far as possible, it suggests practical solutions and often obtains greater effort towards increasing the effectiveness of Community aid.

C. The methods of financing and types of aid

1. The criteria by which projects are evaluated

The Commission evaluates the development projects which are submitted to it by the AASM in the light of the aims which the Yaoundé Convention attributes to financial and technical cooperation on one hand, and on the other, on the basis of the suitability of the available financial resources and the technical solutions proposed to the nature and specific objects of each project.

(a) The aims of financial and technical cooperation

The Commission must ensure that the objectives envisaged by the project are of a nature to contribute to the achievement of the general common aims of the Community and the AASM.

These aims, as expressed in the Yaoundé Convention and defined in the resolutions of the Association Council on the general orientation of financial and technical cooperation, are, primarily, the 'economic, social and cultural progress' of the AASM and, secondarily, the diversification of their economies, notably by industrialization, 'their balance and economic independence', and 'regional co-operation in Africa'.

It follows therefore that any project capable of making a direct contribution to the economic and social development of the AASM is eligible for financial support from the EDF.

However, since the financial resources of this fund are strictly limited, the execution of the project must be seen to be a matter of high priority in the development of the country concerned.

The relationship between the specific objective of the project and the general aims of financial and technical cooperation, and the degree of priority of the project in this relationship are established by an analysis of the country's own economic potential and the factors holding back its development. The relationship is normally put into perspective in the context of the national development plan or programme, and this also tends to ensure cohesion between the specific

objectives of the various projects and a degree of balance between the overall resources available and those required for the execution of the projects.

In addition to the fundamental criterion of national development, the Commission cannot disregard the intensification of regional cooperation in Africa, principally among the countries of the AASM, but also with the neighbouring developing countries. With this in view, the Commission gives particular attention to the repercussions of a project submitted to it on the economic development of other African States which may be involved, and gives particular priority to national or multinational projects which may lead to a reinforcement of cooperation between African States.

(b) Optimum utilization of financial resources

In order to ensure the most economic utilization of the resources of the EDF, the Commission must endeavour to ensure that they are used in order to finance projects for which reimbursable credits are not available from private or public sources less strictly limited than its own.

By the terms of the Yaoundé Conventions, the possibility of providing loans for the financing of projects affording sufficient profitability to meet depreciation costs must be considered, insofar as the country concerned is able to meet its cumulative debts, including those arising out of the new project considered, and its balance of payments is not disrupted by the payment of the new foreign currency commitments involved.

In addition to these criteria applying to each project, the Commission seeks to achieve a balanced distribution of EDF credits among the various beneficiary countries, its principal consideration being the urgency of their respective requirements for aid. The second Yaoundé Convention stipulates specifically in this respect that account should be taken of the 'development difficulties of each associated State, having regard to its natural conditions.'

(c) Optimum utilization of technical resources

Finally, the Commission must examine each project to determine whether the natural, financial, human and other resources required would in fact be available within the prescribed periods. Moreover, it must ensure that the technical solution adopted is the safest, most durable and also the most economic means of achieving the specific objectives of the project.

2. The first EDF

Initially, the Community's aid, which was directed towards countries whose state of economic development was as yet still very little advanced, took the form of gifts exclusively. This made it possible to finance numerous investments whose purpose was to reinforce economic and social infrastructures, which were still very inadequate. Almost two-thirds of the resources of the first EDF were assigned to such investments, mainly in order to improve transport and communications networks, on which economic activity is dependent to a large degree.

In addition to such projects, which are not directly productive, the first EDF also financed several initiatives for the improvement of agriculture and livestock

farming, as well as new plantations. Low productivity and lack of diversification in the rural sector are two of the principal characteristics of the state of underdevelopment in the economies in question. Productive projects accounted for a quarter of the credits allocated by the first EDF.

Certain difficulties were encountered in the establishment of the first Fund on account of the lack of qualified personnel in the AASM capable of preparing and directing the execution of investments projects, and the inadequacy of local resources to ensure full utilization and maintenance of completed projects.

3. *The second EDF*

(a) The first Yaoundé Convention took particular care to diversify the methods of intervention open to the EDF, by allowing the financing not only of investments, but also of the technical assistance required for the study and preparation of new projects, the supervision of their execution, and the training of producers in the use of new machinery and improved techniques. The capacity of the AASM to absorb a growing volume of new investments and other development activities was thus reinforced, without being any diminishment of the principle of local initiative and responsibility.

(b) Alongside this technical assistance linked to investments, the EDF was now also able to finance general studies related to the development of the AASM with a view to guiding them in the choice of new projects, and training programmes designed to contribute to a reduction in the lack of skilled personnel and managers. This training activity carried out within the framework of general technical cooperation is spread over a number of programmes:¹

- (i) a programme of study grants covering all levels of training, concentrating on the fields of agriculture, technical subjects and economics. Initially, this programme was financed exclusively out of the Commission's budget, but from 1964, responsibility for it was largely transferred to the EDF, although it still received support from the Commission's budget;
- (ii) a programme of training grants for technical specialization or advanced occupational training, mainly in the agricultural, industrial and commercial sectors. This programme is organized in the AASM and the Member States, and, having been initiated in 1968, was by 1970 providing 800 grants, of which 500 were for local advanced occupational training in Africa of middle management and heads of small and mediumsized undertakings, and 50 were for specialized studies in Israel on the subject of farming cooperatives for which a specific request was received from the Governments of the AASM. These courses are financed by the EDF, with the exception of those organized in Israel, the costs of which are met from the Commission's budget;
- (iii) a programme of grants for correspondence courses, financed out of the Commission's budget, which began in 1965; its principal purpose is to

¹ Appendix 27 contains more detailed information on these various training activities.

provide facilities for preparations for examinations and refresher courses for managers in the AASM;

- (iv) programmes for specific training which began in January 1967 in the AASM, which are designed for the personnel of public services and establishments or private undertakings in these countries. These activities, which are financed from the EDF, are concerned on one hand with the training of managers in industry, commerce and skilled crafts, and rural training personnel, and on the other hand, on the introduction and popularization of agricultural techniques;
- (v) a programme of advanced training courses held in Brussels for officials occupying responsible posts in their countries designed to familiarize them with the structures and activities of the Commission. This programme was initially financed from the Commission's budget, but was taken over by the EDF in 1964;
- (vi) a programme of symposia on the problems of the Association and the activities of the EDF, held in Europe and Africa. This programme was originally financed out of the Commission's budget, but was taken over by the EDF in 1964, although the cost of the participation of nationals of non-associated countries in these symposia is met partly out of the Commission's budget.

Communications with former students and participants in the symposia are maintained through the medium of the Association Gazette.

The development of these programmes is marked by two outstanding features:

- (i) a steady growth in the number of persons affected, despite the difficulties encountered during the transitional period,
- (ii) a steady increase in the number of persons trained in establishments and centres in the AASM.

(c) The Community and AASM have also agreed that part of the financial resources to be brought into play under the terms of the first Yaoundé Convention would take the form of loans. A proportion of these was granted out of EDF resources. However, out of a total of 730 million dollars, loans from the Fund only accounted for 50 million. The financing of development projects by means of grants is still the basic form of Community aid therefore, on account of the still fragile state of AASM economies. Moreover, the loans granted by the EDF were subject to very favourable conditions: very long repayment periods, long periods of grace, very low rates of interest.

The first Yaoundé Convention also provided that, in the case of productive ventures accompanied by normal profitability, normally undertaken by private promoters, loans could be granted in the AASM by the EIB from its own resources, on money market terms, and that the terms of these loans could be 'softened' by the EDF. The amount of these loans was set at 70 million dollars, and some 50 million dollars have been allocated by the EIB to date. This demonstrates that the economic potential of the AASM is still limited.

(d) The first Yaoundé Convention established a new objective of financial and

technical cooperation, namely that it should contribute to the attainment of economic independence by the AASM. Certain of these countries depended on the quotas bought by their former mother-countries for their main export outlets; their capacity to export more widely to world markets was limited by the fact that reciprocally inflated prices within the Franc Area caused their costs to be too high. Farm produce accounted for most of the export revenue of these economies, and in order to make it more competitive on international markets, special 'aids to production' for a total value of 230 million dollars were provided for under the first Yaoundé Convention. Their purpose was the improvement of the structures of production of the main basic farm products: coffee, cocoa, edible oils, cotton, etc. Until such time as these products became competitive under the effect of the scheme, the EDF could grant producers subsidies which decreased each year in order to cover the difference between the actual market selling price and a target price. In cases where the produce in question was too vulnerable on world markets, part of the aid was directed towards the diversification of patterns of production in the rural sector.

Seeking to establish themselves in a stronger position to compete on world markets, the AASM applied to the Community for aid in the marketing and sales promotion of their products. To this purpose, an experimental programme under which the AASM took part in international trade exhibitions was inaugurated, and has been the subject of favourable observations.¹

(e) The new structure of methods of financing and cooperation established by the first Yaoundé Convention proved to be an effective means of enabling the Community to meet the development needs of the AASM more fully. Of the total financial resources allocated between 1964 and 1970, 43% was spent on the development and diversification of production. Most of the new production projects in which financial and technical cooperation played a part were in the industrial sector. Although the industrial sector had only benefited indirectly from the first EDF, the second Fund and the EIB contributed directly, sometimes jointly, to the setting-up of at least twenty industrial units, including factories for the preparation or processing of agricultural products. The industrialization of the AASM has also been the subject of several general and pre-investment studies. Moreover, the EDF has continued to establish economic infrastructures (particularly in the power sector) and to train the technicians required for the development of new initiatives in the industrial sector. Altogether, about 10% of the credits granted under the terms of the first Yaoundé Convention was allocated to the development of industrialization.

In the rural sector, the second EDF has financed several agro-industrial complexes, generally based on perennial crops; much work has been done in the modernization of livestock farming; as to the farming of annual crops, which is the typical form of farming on the small undertakings of the mass of the population, this has been improved and diversified, notably in order to improve the provisioning of local food requirements. However, this peasant agriculture has suffered in the cases of oleaginous seeds and cotton—from an unfavourable market situation which has had repercussions on the earnings of producers;

¹ This programme has led to the conclusion of over 1 000 commercial contracts involving the AASM.

moreover, it became clear that the training required to achieve a significant improvement in production methods needed to be intensive and of high quality, and that, generally, it needed to be continued for a period exceeding the five years covered by the first Yaoundé Convention.

The other sectors of intervention, however, accounted for a lower proportion of total Community aid than during the first period of association. The most substantial reduction was in the area of transport and communications infrastructure, to which 33%, as against 45%, of total credits were allocated. This level of financing appears more compatible with the capacity of the beneficiary States for the full utilization and suitable maintenance of supplementary basic investments. In the social sector, efforts were concentrated more on training and, secondarily, on water supplies and drainage than on health.

Finally, attention is drawn to the series of projects which can be considered as operations for the promotion of science and research in the developing countries financed by the first and second Funds.

There were some forty such projects, involving expenditure of approximately 5.8 million dollars, and some of them fell into the category of structural scientific aid,¹ for example the construction of an industrial research laboratory in Congo (Kinshasa) or a tea research centre in Madagascar, although the scientific equipment was supplied by third parties.

Other projects consisted largely of contributions to the scientific and technical solution of concrete development problems.²

D. Cooperation between the Community and the AASM and the administration of aid

1. Cooperation between the Community and the AASM

The Community's aid to the development of the AASM is not the fruit of unilateral action, but of cooperation between the beneficiary countries and the Community on a footing of equality. Full-scale dialogue between the partners was initiated at the negotiations prior to the conclusion of the first Yaoundé Convention, and continued during the period of application of this Convention under the aegis of the Association Council, the body responsible for establishing in detail the development objectives to be attained and the resources to be brought into play by Community aid.

This aid, therefore, corresponds broadly to the general guidelines laid down jointly by all the partners, which have not only guided the Commission in its administration of Community aid, but have also effectively created new obligations and rights for the Community and AASM during the period of association. They allow of a flexible adaptation of the respective efforts of the Community and the AASM within the framework established by the association agreement.

¹ Cf. above, Chapter I, Section 2, § 5.

² Improvement of the environment, eradication of the tze-tze fly.

In the implementation of the first Yaoundé Convention, the resolutions¹ of the Association Council on the general orientation of financial and technical cooperation were as concerned with the establishment of development programmes as with the execution and utilization of the investments financed.

2. *The administration of aid*

(a) *The instigation and presentation of projects*

The responsibility for instigating and presenting projects to the Community lies with the competent authorities in the Associated States concerned or, with the agreement of the latter, these functions may be taken over by the company or promoters concerned. By the terms of the second Yaoundé Convention, such projects may be initiated by regional or inter-African bodies, on condition that the AASM belonging to them have given their agreement.

Under the first Yaoundé Convention, the Community was entitled to initiate technical cooperation operations only. The second Convention still allows the Community to propose such operations to the AASM, but it must obtain their agreement on the general outlines of the action envisaged.

(b) *The scrutiny of projects and programmes*

The Community scrutinizes applications for financing. As a general rule, the Commission scrutinizes projects of a type which would be financed from the EDF. The EIB scrutinizes projects which may be financed from its own resources, and also cases of rebates of interest financed from the EDF. During the scrutiny of projects, regular contact is maintained with the competent authorities in the applicant country or countries, or with the promoters of the project. Such dialogue enables any adjustments which appear necessary to be made to the project. If need be, the Community offers to finance the technical assistance required to complete the preparation of the project.

On completion of the scrutiny of the project, a financing proposal is drawn up by the authority responsible for the scrutiny.

(c) *The financing decision*

Proposals for the financing of projects from the EDF are first submitted by the Commission to the 'EDF Committee' for its opinion. This committee is made

¹ These resolutions related, in particular, to:

- (i) the encouragement of directly productive investments in the AASM;
- (ii) regional cooperation on development policy among the AASM;
- (iii) the concentration of aid resources, either on one region, or on key sectors of activity;
- (iv) the diversification of AASM economies, both as regards agricultural and industrial production;
- (v) the granting of preparatory, concomitant or follow-up technical assistance linked to investments financed by Community aid;
- (vi) the keeping of recurring charges arising out of these investments to within reasonable limits, and the efforts to be made by the beneficiary States to maintain completed projects;
- (vii) the training of managers and occupational training, preferably in the AASM themselves, and preferably with priority being attached to the meeting of personnel requirements for the utilization and management of new investments.

up of experts from the Member States and gives opinions on the basis of a qualified majority of its members.

The opinions given by the Committee have almost always been favourable, but in a number of cases, they have been conditional on the introduction of certain changes in the scope of the project or in particular aspects of its planning.

The financing decision is taken by the Commission. However, if the opinion of the EDF Committee is unfavourable, the Commission can uphold the financing proposal and submit it to the Council of Ministers, with whom the ultimate decision will lie. Hitherto, this situation has only occurred twice, in the case of projects which involved exceptional departures from the rules governing the EDF which were therefore outside the competence of the EDF Committee.

Decisions on the provision of financial support from the own resources of the EIB are made by the Board of Governors of the Bank.

(d) *Financing agreement or loan contract*

The Community formalizes its undertaking to finance the project in a financing agreement or, if appropriate, a loan contract or a deed of contribution to risk capital. This document contains details of the relative obligations of the beneficiary State, undertaking or body, including the conditions for repayment in the case of loans and the scope of the project and the conditions under which it is to be executed.

(e) *Execution of projects and programmes*

The execution of projects or programmes the financing of which has been approved by the Community authorities is the responsibility of the competent authorities of the AASM, regional bodies or undertakings which submitted them.

Local authorities may be granted technical assistance financed from the EDF in order to enable them to cope with the management and supervision tasks involved in execution of a project. It is a rule that all natural and legal persons in the Member States and the AASM must be able to take part in invitations to tender and contracts on equal terms. The application of this provision has caused considerable difficulties, because it rapidly became clear that the effective participation of producers and contractors in the various Member States in invitation to tender issued by the AASM was disproportionately weighted in favour of firms already having experience of working in these countries, a high proportion of which were from the former colonial mother-country. The Commission therefore made a very considerable effort to uncover any sources of discrimination, even indirect, in the regulations of the AASM, and to ensure that all firms which may be interested in an invitation to tender are actually informed of it and have all the necessary information on the subject of delivery and working conditions in the beneficiary country at their disposal. As a result of the availability of more extensive and detailed information, the participating of undertakings from the Member States in the execution of projects has become increasingly diversified. More and more consortia of firms from different Member States have been formed for this purpose.

The second Yaoundé Convention provided for two exceptions to the principle of equality of conditions of competition in order to benefit undertakings based

in the Associated States themselves. The first of these offers an encouragement for contracts for works of an estimated value of less than 500 000 dollars to be carried out by local undertakings. The second allows price preferences of a maximum of 15 % to be granted to local industry or skilled craftsmen for the execution of supplies contracts. This new provision should help stimulate the development of industrial production in the AASM.

(f) *Supervision of execution*

The Community, through the intermediary of the Commission or the EIB, checks that projects and programmes are carried out in accordance with the stipulations of the financing agreement and in accordance with the highest standards.

The Commission delegates agents known as 'resident supervisors' and 'technical supervisors' to carry out supervisory duties on its behalf on site. These experts are responsible for the administrative, financial and technical supervision of the execution of projects, but they also fulfil a wider role, notably in advising local authorities concerned on how to prepare files on new projects to be presented to the Community or how to resolve certain problems encountered in the execution of approved projects.

(g) *Examination of the utilization of projects and programmes*

During the period of application of the first Yaoundé Convention, the Association Council had already realized that the Community and the AASM needed to adopt measures to ensure the optimum effectiveness of aid. The new Yaoundé Convention contains a formal provision to this effect, by virtue of which the Commission makes periodic examinations, in close liaison with the competent authorities of the AASM, of the state, running and efficiency of completed investments and other forms of intervention. The Commission may make suggestions to the Governments of the beneficiary countries on measures to be taken to improve the maintenance of these investments or to ensure that the specific objective envisaged by the project is achieved more fully.

E. The coordination of aid

The aid of the Member States and that of the Community which is complementary to it are administered by different agencies and directed in accordance with different criteria. The Commission, which is responsible for the administration of Community aid, was quick to undertake the task of coordinating its own aid and the aid allocated by the Member States to the AASM on a bilateral basis.

Since the AASM also receive bilateral aid from States other than the Member States of the Community (United States, Canada, etc.) and, to an increasing degree, from international organizations (mainly the World Bank and the UNDP), the Commission has progressively extended the network of exchanges of information and coordination contacts in connection with aid to include these third States and organizations.

This coordination effort immediately proved itself to be very fruitful and has become a sine qua non of the effectiveness of Community aid. The coordination consists of regular reciprocal exchanges of information concerning development studies and activities for the benefit of the AASM which are either envisaged

or already decided upon. Its main contribution has been that it has made it possible to avoid duplication of effort and wastage of multilateral and bilateral resources. It has also led the Commission and the Member States to harmonize certain specific aid activities involving a given region or sector. In the case of certain major projects, the Commission has even joined with other sources of aid in devising co-financing arrangements.

Moreover, industrial projects have been financed by the EDF or the EIB in conjunction with various public and private financial establishments in the Member States and the AASM, and also with the IFC.

It would be impractical to list all the projectors of the EDF and other sources of aid which have been enhanced or reinforced mutually by dint of the coordination effort, or the many cases in which investments financed by the EDF have established the necessary infrastructure for bilateral or international technical assistance, the contribution of capital being supplied by the EDF and the complementary technical assistance being provided through the bilateral aid of the former mother-countries or a specialized United Nations agency.

Coordination has also sometimes taken the form of a distribution of aid among regions within a single country, principally in order to promote integrated rural development. This form of coordination has been organized mainly with France.

In certain cases, in order to meet the requirements of one or more of the Associated States, the Commission has instigated plurilateral coordination concentrating on a single sector of intervention, or on a large-scale high-cost project. For example, meetings between the Commission and the competent bilateral agencies in Germany and France have been held to discuss methods of promoting the industrialization of the AASM and harmonizing the technical criteria for road studies in Africa.

Finally, in 1970, the Commission set up facilities for exchanges of information with the African Development Bank which could lead to coordination of their respective activities in connection with the AASM.

F. The second Yaoundé Convention

It may appear surprising to include considerations concerning a Convention which entered into force only a few months ago in a retrospective review. However, this new charter of the Association was drawn up principally on the basis of the accumulated experience of the first two periods of Association. It is therefore essentially the outcome of a review itself. For this reason, it is of interest to give a summary account of its principal innovations.¹

1. Projects designed to favour the development of industry and tourism have been mentioned explicitly as eligible for financial support from the Fund; the new Yaoundé Convention also provides for special aid for the commercial promotion of products exported by the AASM.

(a) A new method for the financing of aid for industrialization has been introduced: the Community will now be able to acquire minority holdings in the risk

¹ It should be noted that the resources which the Community will be able to mobilize for the benefit of its Associates have been raised to 1 000 million u.a. (cf. Appendix 21).

capital of undertakings. Thus, it will be possible to support interesting projects when there are insufficient local financial resources at the outset. These holdings will be sold to investors in the AASM or abroad as soon as the new undertaking becomes economically and financially viable. Moreover, in order to facilitate the financing of small industries, Community aid can now be granted to them through the intermediary of local development banks which will be responsible for scrutinizing projects and supervising the utilization of loans, granting temporary technical assistance to small contractors as necessary.

(b) The new forms of aid for commercial promotion comprise an extension of the action initiated during the second EDF, namely market research and the partial financing of participation by the AASM in the main trade fairs in Europe; but these activities will now be incorporated in a more general programme which will also include technical assistance operations, sales promotion campaigns and special training in the field of marketing.

2. Regional cooperation between African States was also the subject of one of the provisions of the new Convention; indeed, the basic principle has now been extended to include economic cooperation between the AASM and their neighbouring unassociated countries. In order to facilitate the implementation of this principle, there are provisions for direct Community aid to regional organizations, the only condition for which is the agreement of the Associated States adhering to such organizations.

3. As regards the distribution of aid, the Community has a formal legal basis enabling it to take into account particular obstacles to development encountered by certain AASM as a result of their 'natural conditions', and to adapt its aid to these countries from both a qualitative and quantitative point of view.

4. Similarly, the new Convention has formalized the obligation of the AASM to maintain investments financed from the Fund.

5. Among the other new provisions, mention should be made of that concerning the desirability of concentrating various forms of aid into integrated projects. Indeed, it has become clear that the effectiveness of aid was being impaired by its artificial division into separate forms, particularly when the amounts for some of these forms of aid and the amounts for each beneficiary country were determined in advance, as was the case with aids to production.

The new Convention provides that the various forms of aid will be concentrated as far as possible on operations which are significant to the development of the AASM, and will be combined whenever this serves a useful purpose. The complexity of integrated projects may entail the merging of different methods and even different sources of financing; in such cases, Community aid can be granted in the form of non-reimbursable aid for technical assistance and training operations and for infrastructure investments; it may be complemented by loans from the Fund, from the EIB or from other sources of aid where directly productive investments are concerned.

Thus, the new Convention will enable the work undertaken jointly by the Community and the AASM to be continued in a more diversified manner along the lines of a more flexible model representing the fruit of the lessons learned from the experience of past cooperation.

IV. *Right of establishment, services, payments and capital*

A. **Right of establishment and provision of services**

1. The Treaty establishing the EEC stipulates that all restrictions on the freedom of establishment of nationals of one Member State in the territory of another Member State be removed progressively during the transition period.

On the other hand, in relation to the OCT's,¹ the provisions of Part Four of the Treaty and of the first implementing Convention relating to the right of establishment were restricted to the introduction of non-discrimination between Member States by the progressive extension in these countries and territories of the right of establishment to nationals and companies from the Member States other than that which formerly had special relations with the country or territory concerned.

The purpose of this principle of non-discrimination is to place the nationals and companies of all the Member States on a footing of equality in the OCT's. However, an associated OCT is only obliged to apply this rule to nationals and companies of Member States which declare their readiness to grant reciprocal facilities.

2. These same rules were written into the two Yaoundé Conventions and the Council Decisions governing relations between the Community and the OCT's.

The first Yaoundé Convention stipulated that all discrimination in connection with the right of establishment and the provision of services should be abolished within a period of three years from the date of its entry into force. This provision has since been implemented and the Association Council, at its meeting on 17 May 1968, was able to confirm that all the Associated States had adopted suitable measures to eliminate all discrimination between Member States in connection with the right of establishment.

Moreover, the first and second Yaoundé Conventions include the principle of the most favoured nation, which is designed to place the nationals of all the Member States on a footing of equality in relation to the nationals of any other State which is neither a member nor an associated state, but which enjoys preferential conditions, except where these arise out of regional agreements.

The same rules apply to the provision of services, notably in connection with industrial and commercial activities, the skilled trades and the professions but not to activities the consideration in respect of which takes the form of salaries or wages.

3. The application of the provisions in connection with the right of establishment and the provision of services has not given rise to any major difficulties.

In fact, it is difficult to assess the extent to which the nationals and companies of the Member States and the AASM have taken advantage of the facilities which these provisions afford them.

¹ With the exception of the rights of the Overseas Departments arising out of the implementation of the general programmes for the abolition of restrictions on the free provision of services and freedom of establishment.

The attraction and interest of establishment do not depend solely on obtaining the appropriate right in a given country, but are closely linked to conditions relating the other fields such as the movement of capital, payments, investment codes and residence permits. For the same reason, it is not possible to know the extent to which the movements of establishment by nationals or companies of one State which is party to the Association to another since the birth of the Association are attributable to or encouraged by the provisions governing it, even if information concerning such movements were available.

B. System of external payments and movements of capital

1. Neither Part Four of the Treaty, nor the relevant implementing convention contained any special provisions concerning payments and movements of capital between the Member States and the OCT's. The provisions contained in the Treaty relating to payments and movements of capital between Member States were, by the terms of Article 227 of the Treaty, not applicable to financial relations with the OCT's.

2. It was not until the first Yaoundé Convention and the Council Decision governing relations between the Community and the OCT's that specific provisions in this connection were included.¹

In addition to the obligation on the part of the AASM to make currency available to debtors in order to enable them to repay loans and advances from the EDF and the EIB (Art. 36)² there were three main provisions:

(a) The contracting parties were obliged to authorize payments relating to exchanges of goods, services and capital, and to salaries and their transfer to their recipients in the Member States or the AASM, insofar as there is freedom of movement of goods, services, capital and individuals in pursuance of the Convention (Art. 35).

Moreover, the signatory States subscribed to a declaration expressing their willingness to exceed the scope of this obligation insofar as their economic circumstances and, in particular, their balance of payments situations allowed.

(b) The AASM made a declaration of intent maintaining the status quo as regards exchange regulations relating to the system applied to investments by residents of the Member States in the AASM and current payments involving movements of capital in connection with such investments (Art. 37.1).

(c) The AASM were obliged to abolish, by not later than 1 January 1965, all discrimination between nationals and companies from the Member States in relation to investments made by them in the AASM after the date of entry into force of the Convention (Art. 37.2).

¹ The provisions relating to payments and movements of capital between the Member States and the OCT's are, subject to special arrangements arising out of the political status of the latter in particular, practically identical to those laid down in the Yaoundé Convention. Only the provisions of the latter are described here.

² During the period of validity of the implementing Convention, which contained provisions for non-reimbursable aid only, there had been no need for a provision of this description.

3. The second Yaoundé Convention largely renewed the provisions relating to payments contained in Article 35, and to the transactions of the EDF and the EIB, with certain adaptations, arising in particular out of the enlargement of the latter bodies' terms of reference for intervention. Only the provisions relating to investments were developed to a certain extent:

(a) The principle of the maintenance of the status quo of exchange regulations on investments and current payments in connection with movements of capital arising out of such investments was replaced by the principle of a 'liberal exchange system,' although there was no element of compulsion attaching to this principle;

(b) The principle of non-discrimination between nationals and companies of the Member States as regards investments and related movements of capital is now applied to all investments even if they were made before the entry into force of the Convention.

Moreover, in order to take account of the effects on certain Associated States of their belonging to the Franc Area, the Member States and the AASM subscribed to a declaration stipulating that the principle of non-discrimination must, even if it does not exclude all forms of differentiation in certain administrative formalities, guarantee complete equality of treatment for all nationals of the various Member States, at least in practice.

4. No difficulty has been encountered in the application of Articles 35, 36 and 37 of the first Convention during the period of their validity. Indeed, the AASM have always complied with the provisions to which they had subscribed in this connection; some of them, namely those belonging to the Franc Area, have even liberalized their exchange control regulations since the entry into force of the Convention in order to achieve complete freedom of movements of funds between themselves and countries outside the Franc Area by June 1967. Not even the reintroduction of exchange controls by these countries in 1968 raised any obstacle to the fullhearted application of these provisions in practice.

The same was not true of non-discrimination between nationals of the Member States in the field of investments and related movements of capital, at least as far as the AASM belonging to the Franc Area were concerned. Indeed, the exchange regulations in force in these countries continued to be applied to countries outside the Franc Area after 1 January 1965, thus creating, at least on paper, discrimination between France and the other Member States.

The measures for liberalization adopted by the AASM in June 1967 brought about substantial reductions of the inequalities of treatment of the Member States, without, however, eliminating all formal discrimination in this field, certain transactions with the countries outside the Franc Area remaining subject to prior declaration or authorization formalities. Consequently, in 1968, the Commission took the initiative of drawing the attention of the AASM concerned to this situation, and obtained an assurance from them that the application of the legal provisions in force would not entail any discrimination between nationals of the Member States in practice. Even under the new system of exchange controls introduced temporarily in 1968, no practical case of discrimination has been brought to the attention of the Commission.

V. *The institutions*

The institutions of the Association¹ did not emerge until the first Yaoundé Convention.² These institutions have functioned without encountering important difficulties and consequently, the texts governing them have been renewed almost in their entirety. The principal characteristic of these institutions is the equality of representation of the two sides, and it is in this that the originality of the cooperation between the Community and AASM in relation to bilateral and multilateral aid lies.

Nevertheless, particularly during recent times, certain problems have begun to emerge:

(a) Because of the dissolution of their national Parliaments, a certain number of Associated States are only able to send observers to meetings of the Parliamentary Conference and the Joint Commission.

An agreement, which appears to be acceptable for the present, has been reached on the status of such observers from AASM countries, who are allowed to submit a report and take part in debates, but do not have the right to vote.

(b) In its memorandum on the renewal of the Yaoundé Convention, the Commission had drawn attention to the fact that the Association Committee had frequently encountered difficulty in arranging meetings of its normal members, namely the ambassadors of the Member States and the AASM. Nevertheless, although it may be regrettable that representatives other than ambassadors sit on the Association Committee, it should be remembered that the new Yaoundé Convention, in the same wording as that of the first, provides that the Association Committee should be made up of 'a representative of each Member State and a representative of the Commission of the first part, and a representative of each Associated State of the second part.' Thus the representative may be either an ambassador or a representative of lower rank.

(c) There is also a problem as regards the level of representation of the Member States and the AASM at meetings of the Association Council.

VI. *Review of the activities of the Community in the field of information*

From the beginning, the Commission has endeavoured to publicize its activity in the field of development aid and has made a particular effort in this respect to inform public opinion in Africa and Europe.

¹ The Association Council, assisted by the Association Committee; the Parliamentary Conference of the Association; the Arbitration Court of the Association.

² Nevertheless, it should be recalled that, as early as 1960/1961, two meetings took place between the Permanent Representatives of the Member States and the Ambassadors of the AASM in Brussels. At Parliamentary level, contact was also established as early as 1961, since a 'Conference of the European Parliamentary Assembly with the Parliaments of African States and Madagascar' was held in Strasbourg from 19 to 24 June 1961. Finally, during the negotiations on the first Yaoundé Convention, five ministerial meetings between representatives of the Member States, and a number of meetings at ambassadorial level took place.

(a) Information in the AASM

Since the first year of the Association, a considerable effort has been made to inform public opinion in Africa and Madagascar about the European Community, which, in the eyes of certain Africans, constituted a suspect neo-colonial body; the benefits of the achievements of the EDF were quite naturally attributed to the countries of origin of the undertakings on the sites, or, for various understandable reasons, were disregarded.

The radio remains the main medium of communications in Africa (80% according to the surveys). Principally in collaboration with the ORTF, RTB, Deutsche Welle and RAI, the Commission has produced thirty programmes a month, including four magazine programmes, which have been broadcast on local radio stations. Since the early days, the African press has followed the problems of the Association closely, to the extent that news of European affairs, obtained through press agency despatches, has been taking on increasing importance.

All the other classic approaches are also employed: European weeks with exhibitions, literature, display boards, symposia, etc.

In all these sectors, personal relations play an essential role; they depend on local political situations, which induce those responsible for information to seek bonds of confidence and friendship constantly.

The resident supervisors have become important intermediaries of the action of the Community, and they have been instructed to intensify this aspect of their work.

African leaders frequently express their satisfaction concerning their relations with the Community, not only on the occasion of Euro-African meetings, but also during bilateral meetings with Member States or during discussions on a wider international scale. The fact that the multilateral aid of the Community cannot be suspected of any political interference in the internal affairs of the AASM is one of the principal reasons for this situation. The work done in the field of information is another.

(b) Information in Europe

Although the Europe of today has taken on a more concrete and human aspect in the eyes of Africans, and there is widespread knowledge of the aid it is contributing in Africa and Madagascar, there is unfortunately no similar degree of awareness in Europe, despite the efforts made to inform public opinion.

The Community has concentrated its efforts on politicians, journalists, the unions and the young. Rather than making a generalized appeal to public opinion, it sought to identify the various social and occupational categories of which the public is composed, and to concentrate its activities on these categories.

The media employed are well known: conferences, symposia, visits by journalists, information, documentation, films, etc. Each year, about forty groups, comprising some thousand people, receive information from the Community on its development cooperation policy. For example, a symposium was held by the Commission in December 1970 for about fifty representatives of the ICFTU and the WCL,

and a joint memorandum from these two union organizations was submitted to the President of the Commission on 16 February of this year.

Some thirty press and television journalists have been invited to inspect facilities provided by the EDF and to publicize their findings.

The Commission has published about ten brochures, more than a million copies of which have been issued.

Two films have been made on the EDF and have been released on a commercial basis to European cinemas, where they are still showing.

§ 2: THE ASSOCIATIONS WITH AFRICAN DEVELOPING COUNTRIES WHOSE STRUCTURES AND PRODUCTION ARE COMPARABLE TO THOSE OF THE AASM

I. Introduction

During its meeting of 1 and 2 April 1963, the Council of Ministers adopted a declaration of intent according to which third countries having comparable economic structures and production to those of the AASM could apply for the opening of negotiations with a view to the conclusion of agreements leading to one of the following three formulae:

- (i) accession to the Yaoundé Convention, in accordance with the procedure laid down in Article 58¹ of this Convention,
- (ii) association involving reciprocal rights and obligations, notably in the field of trade,
- (iii) commercial agreements designed to facilitate and develop trade between the Community and these countries.

Moreover, it was agreed that the third countries principally envisaged in the declaration of intent were those of the Commonwealth, and that the negotiations with the East African countries and Nigeria could be opened, on their request, on the basis of whichever of the three formulae in the declaration of intent was preferred by these countries. The East African States and Nigeria approached the Community in 1963 in order to examine the possibilities of negotiations for the conclusion of an association agreement with the EEC. It emerged subsequently that they had opted for the second formula in the declaration of intent, that is a particular form of association agreement inspired by Sections I, III and V of the first Yaoundé Convention.

The declaration of intent of April 1963 was confirmed by the Council of Ministers at its meeting of 10 December 1968.

II. Results of the negotiations

(a) Nigeria

The negotiations with Nigeria led to the conclusions of the agreement creating an association between the EEC and the Republic of Nigeria which was signed in Lagos on 16 July 1966.²

The agreement, which was due to expire on 31 May 1969, the same date as

¹ Article 60 in the new Yaoundé Convention.

² Appendix 28 contains a summary of the main provisions of this agreement.

the Yaoundé Convention, never entered into force because it was not ratified by the stipulated date by all the Member States and Nigeria. The question of the renegotiation of a new agreement remains open.

(b) East African States: Kenya, Uganda, Tanzania

The negotiations with these three East African States led to the conclusion of a first agreement creating an association between the EEC and Tanzania, Uganda and Kenya which was signed on 26 July 1968 in Arusha, the headquarters of the East African Community Organization. The agreement, which is similar to the Lagos agreement, was also due to expire on 31 May 1969 like those signed in Yaoundé and Lagos, but it never entered into force because it was not ratified by all the Member States.

Nevertheless, the fact that this agreement existed enabled it to be renegotiated in one stage between 30 June and 9 July 1969. The signing of this second association agreement with the three East African countries took place on 24 September 1969 in Arusha.¹

The agreement, which entered into force on 1 January 1971, was concluded for a period of five years, but will expire not later than 31 January 1975, the same date as the new Yaoundé Convention.

III. Scope and impact of these agreements

In view of the vicissitudes undergone by the Lagos agreement and the first Arusha agreement, and the absence of experience concerning the second Arusha agreement, the implementation of which is still in its infancy, it is not possible to review them historically. At most, it is feasible to make a few short observations and comments on the main subject of these agreements, namely trade.

The mere fact that the negotiation of these agreements was requested and successfully concluded confirms the attraction exerted by the Community on the developing countries. It could have been imagined that a degree of similarity between the problems of the AASM and the East African countries should have led to an agreement closely modelled on the Yaoundé Convention; however, no agreement along these lines would have been possible, since the contracting parties were not prepared to assume obligations such as those provided for in the Convention towards each other. Instead, account was taken of the fact that comparable situations do not necessarily call for similar solutions.

Finally, this agreement will be a useful testing ground for a formula which could be applied elsewhere in the future. Experience will show whether it is an attractive or inadequate proposition.

Observations on trade with Nigeria and the East African States

1. Nigeria

Without there being any modification to the trade system, commerce between the Community and Nigeria has followed an irregular pattern during recent years,

¹ Appendix 28 contains a summary of the main provisions of this agreement.

principally on account of the internal situation.¹ During the last five years, the trade balance has always been in favour of Nigeria.

2. *East African States*

It is not possible to prejudge the effects of the agreement with these countries on the development of trade between the Community and the East African countries. The development of the trade balance over the last few years has been unfavourable to the East African countries. Indeed, imports by the Community from the East African countries fell from 103.9 million dollars in 1965 to 85 million dollars in 1969, whereas exports to these countries increased from 89.5 million dollars in 1965 to 117.8 million dollars in 1969.

Any improvement in the trade balance deficit of the East African countries to be derived from the association agreement will depend largely on the effect of the tariff preferences provided for in the agreement. It should be noted in this connection that among the principal exports of these countries, many are exempt from duty on their entry into the Community by virtue of the fact that the CCT is nil irrespective of the country of origin (cotton and sisal, for example), so that tariff preferences will only affect a limited number of products from these three countries, such as coffee and pineapple preserves.

IV. Appendix: *Relations with other African Commonwealth States*

Several other African States, such as Ghana, Sierra Leone and Malawi have established diplomatic relations with the European Communities or are in the process of so doing. No official request in connection with the conclusion of an agreement on the basis of one of the three formulae in the declaration of intent has been submitted to the Community as yet.

SECTION 3: *THE POLICY OF THE COMMUNITY TOWARDS THE COUNTRIES OF THE MEDITERRANEAN BASIN*

§ 1: *THE UNDERLYING MOTIVES*

Through its southern regions, the Community belongs to the Mediterranean Basin and thus forms part of an area characterized by similar natural conditions—it is the region where wine, olives and oranges are grown—and by certain cultural affinities formed by centuries of reciprocal influence.

This relationship has direct consequences on European security. The Mediterranean constitutes one of the areas where Europe feels itself most vulnerable, and where its action for peace could be most decisive. The Community is therefore deeply concerned by the crises disrupting the Near East, the possible presence

¹ Nevertheless, imports by the Community reached a record level in 1969, at 309.2 million dollars (1965 = 244.1 million dollars, 1966 = 282 million dollars, 1967 = 263.7 million dollars, 1968 = 169 million dollars) the exports of the Community to Nigeria, which totalled 174.5 million dollars in 1965, fell to 155.2 million dollars in 1969.

of hostile forces on neighbouring shores, and threats to its oil supplies. Consequently, the Community, like the region as a whole, has a vital interest in the preservation of peace, and it is probably this which is the strongest common denominator of Mediterranean solidarity.

For their part, most of the Mediterranean countries have been made to feel aware of their isolation in the face of the upsurge of new influences hitherto foreign to this region. Under these circumstances, the Community, with its political neutrality and its economic stature, has become an increasingly attractive partner, particularly since the conference in The Hague, at which the prospects of enlargement and the economic and monetary union were brought a step closer to reality.

The Mediterranean is traditionally a centre of very intensive trade, the volume of which is not always appreciated: the exports of the Community to these countries as a whole rose from 3 400 million dollars in 1960 to 6 171 million dollars in 1969; this represents an annual growth rate of 6.9%; in terms of volume, Community exports to these countries are roughly equal to those to North America and double those to the rest of America; they account for some 60% of sales to the developing countries as a whole.

For its part, the Community represents 45% of the export outlets of the Mediterranean countries; in 1969 its imports from these countries were 5 290 million dollars, having risen at an annual rate of 10.8% during the ten preceding years. The Community is therefore by far the largest and most dynamic market for these countries.

Moreover, the Mediterranean, offers direct access to the Community's principal source of energy, suppliers and clients being in an equally balanced position of predominance, each representing two-thirds of the other's oil trade.

Finally, there are human aspects to this complementary relationship. The Mediterranean countries have provided more than 3 million workers to solve the problem of shortage of labour in Europe. Conversely, the vast majority of tourists visiting these countries come from Europe. If one adds that Europe is the biggest provider of technical and financial assistance to these countries, it is understandable that, when preparing their development programmes, these countries look upon the European factor as a fundamental part of their growth and, consequently, demonstrate their wish to participate in an economic venture which is of crucial importance to their future.

§ 2: *THE FIRST ACHIEVEMENTS*

1. *The preferential agreements*¹

The Treaty establishing the EEC does not refer specifically to the Mediterranean. However, the preamble and Article 237 acknowledge the possibility of any European State applying for membership, subject to compliance with the procedures laid down for the purpose; this general provision applies to countries

¹ Appendix 30 contains brief details of the salient points of these agreements.

on the northern shores of the Mediterranean. Moreover, declarations annexed to the Treaty provide for the possible association of Mediterranean countries with which Member States had maintained special relationships.

There are two groups of agreements concluded by the Community with Mediterranean countries: those entered into from the outset (Greece and Turkey), and those signed in 1969 and 1970 (Morocco, Tunisia, Israel, Spain and Malta).

(a) The agreements with Greece and Turkey

The agreements with Greece and Turkey, based on Article 238 of the Treaty establishing the EEC, are association agreements having the purpose of establishing a customs union. These are 'mixed' agreements in which the Community and the Member States participate; they extend beyond the purely commercial field to other areas, such as finance. Consequently, they were subject to ratification by the national parliaments. Moreover, they are characterized by the fairly wide powers of decision enjoyed by the institutions responsible for their application. The agreements discussed below do not contain such features.

(b) The agreements with Morocco, Tunisia, Malta, Spain and Israel

Although they are very similar in terms of structure and scope (limited term, essentially commercial content, identical format and general provisions), the agreements with Morocco, Tunisia, Malta, Israel and Spain are based on different legal premises.

The agreements with Morocco, Tunisia and Malta are association agreements, founded on Article 238 of the Treaty establishing the EEC. The agreements with Israel and Spain are preferential trade agreements concluded on the basis of Article 113 of the Treaty.

This difference is justified by considerations of a political and historical nature: the fact that the first two agreements are association agreements derives from the wish of the Community to pursue its declaration of intent relating to the association of countries in the France Area, and these agreements represent the first application of this wish; at the time when these agreements were signed, the contracting parties declared that they were only a first stage in a much wider process of cooperation which would embrace other fields besides that of trade alone.

In the case of Malta, the difference is justified in terms of the European calling of this country. Here, the objective of association is clearly defined, which is not the case in the agreements concluded with Israel and Spain.

(c) The trade aspect of these agreements

In the field of trade, all these agreements provide for exceptions in the industrial sector, which are justified by the 'sensitivity' of certain products. In the agricultural sector, the concessions are always specific and, in principle, based on a notion of 'Mediterranean balance'.

The differences which can be noticed in the number and type of products covered by concessions in the various agreements arises out of the divergent interests of the partners of the Community, which are established in the light of their

production and marketing conditions. Thus, there are provisions for concessions in some agreements which are excluded in others, when the partners do not have an interest to protect. A further factor giving rise to this difference is the actual development of the negotiations in the light of the size of overall supply in the Community and in the partner countries.

2. Non-preferential agreements

The Community has signed two non-preferential agreements, one with the Lebanon and the other with Yugoslavia.¹

(a) The agreement with the Lebanon

The agreement on trade and technical cooperation between the Community and the Member States on one side and the Lebanon on the other, signed on 21 May 1965, entered into force on 1 July 1968 and is due to expire on 30 June 1971. There is an explicit provision for its annual renewal.

The trade arrangements under the agreement are that the parties accord each other the treatment of the most favoured nation, subject to certain conditions. Furthermore, the Member States coordinate their activities in the field of technical cooperation with the Lebanese Republic. This technical cooperation may include, in particular:

- (i) the sending of experts, specialists and teachers to public bodies, or teaching or research institutions in the Lebanon;
- (ii) the technical training of Lebanese nationals in public establishments, teaching institutions, industrial, agricultural, commercial or banking undertakings in the Member States of the Community;
- (iii) the preparation of studies and surveys on the development of the resources of the Lebanon;
- (iv) possibly, the supply of technical equipment to teaching and research institutions in the Lebanon.

A mixed technical cooperation group made up of representatives of the governments of the Member States, of the EEC and the Lebanese Government has been formed. The representatives of the Commission participate in the work of this group.

Technical cooperation activities are arranged by common accord through bilateral procedures between each of the Member States and the Lebanon, account being taken of the conclusions reached by the mixed group.

A new trade agreement along preferential lines between the Community and the Lebanon is in the process of being negotiated.

(b) The agreement with Yugoslavia²

A non-preferential trade agreement was signed on 17 March 1970 between the Community and Yugoslavia.

¹ There is also an agreement with Iran, examined under another heading (cf. below, Section 4, § 4.2.c.

² Appendix 31 contains a more detailed account of this agreement.

It entered into force on 1 May 1970 and is for a term of three years.

The agreement provides that the two parties shall grant each other the highest degree of freedom from restrictions which they apply to third countries.

The main part of the agreement relates to 'baby-beef', which accounts for 40% of Yugoslavia's agricultural exports to the Community, and provides that the Community should arrange the system of levies applicable to cattle and beef in accordance with the provisions of Protocol No. 1, with a saving clause. A 'goodwill clause' (Art. 4) provides that the parties shall endeavour to promote and intensify their trade on the basis of equality of advantages. A mixed commission made up of representatives of the Community and Yugoslavia meets once a year and ensures that the agreement functions properly.

SECTION 4: *COMMERCIAL POLICY*

§ 1: *THE DEVELOPMENT OF THE TRADE OF THE EEC WITH THE DEVELOPING COUNTRIES*¹

Between 1958 and 1969, the imports of the EEC from the developing countries and territories as a whole rose steadily and to a substantial extent, from 6 824 million dollars in 1958 to 14 222 million dollars in 1969, a rate of progress of 7.1% per annum.

The exports of the Community to the developing countries rose much less rapidly, from 6 125 million dollars to 10.217 million dollars, which corresponds to a rate of progress of 4.5% per annum.

Thus, the trade balance (FOB-FOB) of the Community with the developing countries has been in deficit consistently since 1962, with a total cumulative deficit for the period 1958-1969 of 9 600 million dollars.

However, these overall figures should be related to those corresponding to the structure of the imports into the Community and those for the trade of the Community with the various developing regions.

The following observations may be made in relation to the structure of these imports and their development since 1958. Firstly, basic products and processed agricultural products represent the bulk of imports by the EEC, although they are tending to diminish progressively as a proportion of the whole, falling from 92% in 1958 to 82% in 1969 (6 253 million dollars and 11 672 million dollars respectively). Among the basic products, oil occupies a dominant position: 1 982 million dollars in 1958, or 29% of imports, and 5 602 million dollars in 1969 (39%).

Among the semi-finished products, non-ferrous metals constitute the largest item: 288 million dollars in 1958 (4.2% of imports) and 1 526 million dollars in 1969 (10.7% of imports).

The increase in imports of manufactured products has been spectacular: 275% in 12 years (from 262 million dollars to 982 million dollars) with a mean annual growth rate of 13.7%. By 1969, these products accounted for 6.9% of imports,

¹ Appendix 32 contains the statistics which served as a basis for these observations.

as against 3.8% in 1958. From the dynamic point of view, this is the most interesting sector of exports from the developing countries (the mean annual growth rate of oil is only 10.2% over the 12 year period): any expansion in this field will contribute to a reduction of the dependence of these countries on primary products and a mitigation of the negative aspects of trade conditions. It should be noted that, among manufactured products, textiles and clothes, at 250 million dollars in 1968 and 390 million dollars in 1969, have taken a position of some prominence.

The imports of the Community have expanded at varying rates from one developing region to another:

Region	1958-1969	
	Mean annual growth rate	Trade balance of the EEC (cumulative deficits or positive balances in millions of dollars)
Developing countries as a whole	7.1%	-9 640
AASM	6.0%	} -4 540
Mediterranean Africa	11.4%	
Other African developing countries	7.7%	—
Latin America	6.0%	-2 940
Western Asia	6.7%	-8 430
Far East	5.3%	+4 730
Other developing countries	—	+1 540

The region from which the EEC's imports are growing most rapidly is non-associated Africa, and its highest trade deficit is with Western Asia. Oil has played a decisive role in this twofold development. The Community's trade balance with the Far East has been in credit consistently and, cumulatively over the 12 year period, amounted to 4 700 million dollars.

§ 2: AGREEMENTS COVERING INDIVIDUAL PRODUCTS

Without doubt, the agreements covering individual products represent the case by case implementation of the recommendations of the United Nations and UNCTAD in the field of stabilization of prices of commodities at levels which are remunerative for the producer countries and fair to the consumer countries. Nevertheless, the action of the Member States and the Community in favour of the developing countries in this field can evidently only be effective insofar as the products concerned affect the economies of the developing countries directly: this applies to the major tropical products, such as coffee, cocoa, tea and to a lesser extent, tin.

The Community is participating in the various stages of these agreements: study and preparation (as in the case of tea at present); negotiation (conferences on cocoa and UNCTAD consultations on the resumption of the negotiation conference); administration and renewal (as in the case of coffee and tin).

1. In the case of tin, no Member State or the Community has as yet participated in the administration of the agreement, but the Community and all the Member States took part in the 1970 Conference on the renewal of this international agreement. It is therefore possible to speak in terms of a review of the activities

of the Community in this case. The main feature of the policy of the Member States is their endeavour to establish reasonable stable prices in order to meet the requirements of their industries, without any special considerations favouring the development of tin producing countries.

2. In the case of tropical food products, the Community and the Member States have to take account of the level of the prices of these products for industrial or private consumption, and it is in their interests to obtain relatively stable prices.

All the major industrial countries are taking part in the various stages of the preparation or administration of these agreements mentioned above, and they consume almost the entirety of the quantities of these products exported by the producer countries; the latter are all developing countries, and almost all are taking part in the work on the agreements. Thus the Community and the Member States are cooperating effectively with the developing countries concerned through the intermediary of the competent international bodies.

This cooperation takes various forms:

- (i) endeavours to establish prices which are satisfactory to the developing countries at the negotiation and administration stages of these agreements;
- (ii) collaboration on short term stabilization measures such as export quotas, the effectiveness of which depends on measures of control and restrictions imposed by the consumer countries on imports from non-member countries;
- (iii) financial contributions by certain Member States to measures designed to regularize supply in the long term (Diversification Fund of the International Coffee Organization, for example);
- (iv) endeavours to reconcile the interests of certain developing countries associated to the Community and the other developing countries which adhere to the Conference or Organizations concerned.

The problem of the prices of these tropical products has a decisive influence on all others: the level of prices determines the conditions of production and short-term supply, and also the long-term balance between supply and demand. It has therefore been the constant concern of the Community and the Member States to resolve the difficulties, which are not always understood by the developing countries concerned, of establishing the optimum level of prices in order to provide the producer countries with satisfactory income without running the risk of slowing down the development of consumption or encouraging overproduction.

§ 3: *GENERAL PREFERENCES*

The EEC has played a decisive role in the origin of generalized preferences for semi-finished products and manufactured articles from the developing countries, and subsequently in the recent UNCTAD agreement which has been ratified by the General Assembly of the United Nations.

1. *Historical background*

At the first UNCTAD in 1964, the principle of the granting of tariff preferences by the industrialized countries to the developing countries for semi-finished and

manufactured products¹ had been recognized by an overwhelming majority of the UNCTAD Member States.

At the time, among the Western countries, the United States and Switzerland had opposed this principle and declared that they were in favour of the application of the most favoured nation principle in the granting of concessions to the developing countries by the developed countries.

The Commission employed the period between the first and second Conferences in having the Community's option confirmed and in persuading the American authorities of the inevitability of such preferences. In April 1967, President Johnson declared at Punta del Este that 'the United States were ready to explore with the other industrialized countries the possibility of establishing temporary preferential tariff advantages for all the developing countries on the markets of all the industrialized countries.'

At the second UNCTAD (New Delhi, 1968), a unanimous agreement was reached 'on the establishment, at an early date, of a mutually acceptable generalized system of preferences, involving neither reciprocity nor discrimination, which would be to the advantage of the developing countries.' The Special Committee on Preferences was created in order to allow of consultation in this connection. The United States continued to express doubts on the actual principle of these preferences, but the Americans had become reconciled to the notion of a revision of the external economic policy of the United States which, until then, had been founded on the principle of the most favoured nation clause.

The offers of the Western countries were conveyed to the UNCTAD, and then examined by the Special Committee on Preferences which completed its work in October 1970. The agreement reached in the UNO on generalized preferences is considered to be one of the key factors of international strategy for the Second United Nations Development Decade, and is thought to augur well for the beginnings of the Second Decade.

Most of the donor countries are preparing to renew the applicability of their offers in 1971, following the example of the Community, which has adopted 1 July 1971 as the date on which its offer will be implemented.

2. The scope of the EEC offer

(a) Regarding the processed agricultural products in Sections 1 to 24 of the Brussels Customs Nomenclature (BCN), the Community's offer—partial preferences with variable margins according to products, safeguard clause, absence of quantitative ceilings—covers a list of products which corresponds to a volume of imports from the developing countries in the region of 30 million dollars (1968).

¹ The notion of preferences for the manufactured goods of the developing countries had been advanced as early as May 1963 at the meeting of the Ministers of the Parties to the GATT. Indeed, at this meeting, the Ministers of the EEC and the States associated with the EEC had suggested that 'one of the appropriate measures for fostering the trade and development of the developing countries which should be examined without delay would be the granting of a preferential treatment to semi-finished products and manufactured products exported by the developing countries.'

(b) The basic industrial products listed in Sections 25 to 95 of the BCN are excluded from the Community's offer in accordance with Resolution 21 (II) of the second UNCTAD. However, the economic importance of this exclusion in principle is very limited. In fact, nearly all imports of basic industrial products are already exempt from duty on entry into the EEC.

(c) Regarding the semi-finished and manufactured products listed in Sections 25 to 99 of the BCN, the Community's offer is characterized by three features which counterbalance each other: ceilings, exemptions, absence of exclusions. The essential feature is that the goods entering the EEC on preferential terms must be limited quantitatively so that industry in the EEC should be reasonably able to withstand the effects of generalized preferences. Following from this essential requirement, it is necessary to find a format which is politically and economically acceptable to both the developing countries and the principal donor countries. In this way, quantitative ceilings, generally considered as a restrictive factor, are to some degree compensated for by preferential exemptions and the complete absence of any exclusions of semi-finished and manufactured products:

- (i) the EEC offer is extended to all developing countries, including those which benefit from special preferences or grant reverse preferences. It is a new non-discriminatory system in the true sense. The slightly more favourable treatment of the AASM arising out of the absence of quantitative ceilings, which could be described as being discriminatory, is not due to the new system but to the existence of free trade areas previously established;
- (ii) there is no exclusion of products under the terms of this offer;
- (iii) the quantitative ceilings have been determined on a uniform and very liberal basis. On one hand, the beneficiaries are assured of preferential exemption for their present exports to the EEC: the basic amount is calculated against the reference year 1968. Moreover, they have the certainty of enjoying the same advantage for an additional volume corresponding to 5% of imports from non-beneficiary countries, essentially industrialized countries. This additional amount, which may be increased from year to year, represents the developing countries' share of the hitherto very rapid expansion of trade between the EEC and other industrialized countries;
- (iv) finally, with the dual purpose of protecting the interests of uncompetitive beneficiary countries, the less advanced countries in particular, and the interests of industry in the Community, a 'cut-off' clause has been included; this clause stipulates that, as a general rule, no beneficiary country may exceed 50% of the ceiling fixed for any given product. The effect of this clause is to limit the preferential benefits of developing countries which are already very competitive.

§ 4. THE USE OF THE TARIFF INSTRUMENT

1. *Tariff measures, unilateral and by treaty Erga Omnes*

During the first twelve years of the life of the Community, the tariff instrument has proved to be the most regularly used means of carrying out its commercial policy, its commercial policy with regard to the developing countries in particular.

It has enabled the Community to act in tariff negotiations in which it has taken part and by means of unilateral measures mainly designed to benefit the developing countries.

(a) In the field of treaties, the Community has always attached great importance to tariff negotiations—in particular the Dillon negotiations (1960-1961) and the Kennedy Round (1963-1967)—following which the CCT was due to be reduced by an average of 40 to 45% of its 1959 level. Indeed, these negotiations took place initially between trade partners from the developed countries and, for the main part, covered industrial products which were not as yet exported very much by the developing countries. Nevertheless, the Community has constantly repeated its concern that no opportunity should be lost in these negotiations to reduce the obstacles to exports from the developing countries.

Thus, in order to meet the wishes expressed by the developing countries during the Kennedy Round negotiations, on 1 July 1968, the Community gave effect, in advance and without any phasing, to all the tariff reductions granted in respect of a large number of products of particular interest to the developing countries. 60 headings are affected, mainly tropical and agricultural products: leathers, woods, carpets, games, etc. The Community has also settled the duty on 33 headings at nil.

Other tariff measures—in particular, in anticipation of the tariff concessions granted during the Kennedy round—have been adopted by the Community in certain sectors of the textile industry and in relation to imports of cottage industry products. The nil duty was also introduced for East India Kips on 1 July 1968.

Subsequently, the Community also adopted acceleration measures:

- (i) in 1970, for 24 tariff headings, textiles in particular,
- (ii) in 1971, for 16 headings of particular interest to Latin American countries: meat, fish, fruit.

(b) As regards temporary suspensions of duties, the Community adopted such measures as early as 1963 in respect of tea, maté, tropical woods and a series of miscellaneous products including cashew nuts, shellac and certain spices.

Each year, the Community has added to the list of these total or partial suspensions. They apply to the following products originating in the developing countries: for example, paprika, saffron, sheepskins, goatskins, skins of reptiles, woods, coir, silk carpets, waste silk, crude guanine, titanium, various fish, crabs, shrimps, etc.

2. Trade agreements

Commercial policy measures have been carried out by the Community in the framework of trade agreements it has negotiated with the developing countries. These measures, based on Article 113 of the Treaty and adopted in accordance with the Council Decision on common commercial policy of 16 December 1969, relate in particular to certain sectors of the textile industry. Measures have also been taken in connection with imports of cottage industry products. Finally,

non-preferential agreements have been concluded with the Lebanon, Yugoslavia¹ and Iran.

(a) Agreements in the textile sector

In the field of textiles, the Community has negotiated:

- (i) agreements on voluntary restraint (cotton and jute textiles),
- (ii) a procedural agreement (coconut products),
- (iii) agreements opening autonomous zero-duty quotas (cotton and silk fabrics woven on hand looms).

(aa) Cotton

Agreements on voluntary restraint have been negotiated with five developing countries within the framework of Article 4 of the Long-term Arrangement regarding International Trade in Cotton Textiles. These agreements provide essentially for the compliance by the exporting countries concerned with certain quantitative limits on exports and an undertaking by the Community not to introduce new restrictions on imports and to suspend the application of those in force in Member States, together with the waiving of its right to invoke the safeguard measures provided for in the Long-term Arrangement.

The countries with which the arrangements in question have been negotiated (these agreements should enter into force very shortly) are India, Pakistan, the UAR, Taiwan and South Korea.

(bb) Jute

Negotiations opened in June 1967 with India and in July 1968 with Pakistan led to the signing of two voluntary restraint and tariff agreements in the form of exchanges of letters; on 27 November 1969 in the case of India² (valid from 1.1.1970 to 31.12.1972), and on 19 January 1971 in the case of Pakistan³ (valid from 1.1.70 to 31.12.72). Under these agreements, the Community undertook to bring forward the application of the tariff concessions granted during the Kennedy Round for the six categories of jute products concerned and to suspend customs duty on all imports of jute packaging goods in accordance with the provisions of the Customs Convention on the Temporary Import of Packaging.

For their part, India and Pakistan agreed to comply with the export ceilings to the Community established by common accord in respect of certain jute products on which the Community has, in turn, undertaken to suspend the quantitative restrictions in certain Member States for the term of the Agreement. Each agreement also provides for the creation of a Mixed Cooperation Committee to examine the problems arising in this sector.

¹ These two agreements have been discussed under the earlier heading dealing with the policy of the Community towards the countries of the Mediterranean Basin (cf. above, Section 3, p. 183).

² Council Decision of 10 November 1969.

³ Council Decision of 20 July 1970.

(cc) *Coconut products*

An agreement relating to trade in coconut products was signed on 28 July 1969 with India.

By this agreement, a Mixed Cooperation Committee was created for the examination of those aspects of the coconut economy as a whole which are considered important.

(dd) *Silk and cotton fabrics woven on hand looms*

As of the second half of 1968, the Community has unilaterally opened a worldwide annual Community duty-free quota for the import into the Community of silk and cotton fabrics woven on hand looms of a maximum of 1 million dollars for each of these two categories of products.¹

Eligibility for the benefits of these quotas is conditional on the production of a certificate of manufacture recognized by the competent authorities of the Community which confirms that the goods concerned have been made by hand.

India (in 1968) and Pakistan (in 1970) have made successful applications to benefit under these quotas.

(b) **Cottage industry products**

The Community has opened a unilateral worldwide duty-free quota for certain cottage industry products, up to an overall annual maximum of 5 million dollars and 500 000 dollars for each tariff heading or sub-heading concerned.

Eligibility for the benefits of these quotas is conditional on the production of a certificate of manufacture recognized by the competent authorities of the Community which confirms that the goods concerned have been made by hand.

India and Pakistan have shared in this tariff quota since 1 September 1969, following the conclusion of two separate agreements with the Community. At the request of other developing countries (the Philippines, Thailand, Indonesia, Iran and Ceylon), the Community is currently concluding agreements which will enable these countries to benefit under this quota.

(c) **The agreement with Iran**

The trade agreement between the EEC and Iran, which entered into force on 1 December 1963, was concluded on 14 October 1963 for a term of three years and has been extended annually by exchanges of letters. The most recent extension was on 1 December 1970 and is valid until 30 November 1971.

This agreement is of entirely relative importance, since the negotiations with Iran only covered a limited number of products. The agreement has only consolidated the existing flow of trade.

It provides for the suspension of the external tariff duties on four products (wool carpets, raisins, dried apricots and caviare) and a non-discriminatory tariff

¹ EEC Council Regulation No 864/68 of 28 June 1968, No 2 610 of 15 December 1969.

quota for raisins. The main tasks of the Mixed Commission set up under the agreement are to ensure that it is properly applied and to examine the development of trade between the Community and Iran.

§ 5 : EXPORT CREDITS AND CREDIT INSURANCE

The importance which export credit and credit insurance, by which it is normally backed up, can hold for the developing countries was recognized in 1960 by the EEC Council; by a decision of 27 September 1960, a committee was set up for the coordination of policies on credit insurance, guarantees and financial credits, on the grounds that 'credit facilities constitute one of the principal means of accelerating the building-up of infrastructures in the developing countries and increasing trade between these countries and the Member States'.

One of the tasks entrusted to this committee consists of research into 'suitable means of fostering the multilateral utilization of the financial resources placed at the disposal of the developing countries.'

Since its creation, the committee has examined a certain number of problems in connection with the coordination of credit policies and the financing of exports and finally, with the aid of the 'Technical Committee of Export Credit Insurers in the EEC',¹ it has made a special study of the harmonization of credit insurance techniques.

In the course of its work on harmonization, the committee has formulated a number of rules, some of which have already been the subject of a Council decision:

- (i) a convention of 12 December 1962 settling the conditions and reciprocal obligations governing joint insurances in cases where the export credit insurers are members of the EEC;
- (ii) a procedure for consultation between the member countries (Council decisions of 15 May 1962 and 26 January 1965). The purpose of this procedure is to promote the alignment, and even the coordination of policies relating to credit insurance, financial securities and credits, particularly as regards the terms for which credits are granted. This procedure is the logical counterpart of the parallel efforts being made to achieve harmonization of regulations applicable to credit insurance in the various member countries of the Community.

On proposals from the Commission, the Council has adopted a number of other Decisions:

- (i) a directive of 27 October 1970 on the adoption of a common credit insurance policy for medium and long-term transactions on public markets;
- (ii) a directive of 27 October 1970 on the adoption of a common credit insurance policy for medium and long-term transactions on private markets;
- (iii) a decision of 16 December 1970 concerning the treatment applicable, in the fields of export guarantees and financing, to certain sub-contracting

¹ Set up in 1959, this Committee is made up of managers of the various credit insurance companies in the EEC to which the public credit insurance service is entrusted.

operations effected in other Member States or countries which are not members of the European Communities. This decision represents the first concrete endeavour to foster the multilateral utilization of resources;

- (iv) a directive of 1 February 1971 on the harmonization of the essential provisions relating to guarantees of short-term transactions (political risk) on public and private markets.

Finally, the Commission has submitted a proposal for a directive on the adoption of a common system of premiums applicable to suppliers' credits.

All these procedures, being systematic and of a preliminary nature, constitute a unique example at international level of an endeavour to progress towards the coordination of policies on credit insurance, and financial securities and credits, in relations with, among others, the developing countries.

SECTION 5: FOOD AID

The Community and its Member States have been engaged in food aid programmes,¹ since 1 July 1968 in the case of grains and 17 April 1969 in the case of milk products. In 1967, during the Kennedy Round negotiations, the Community subscribed to the Food Aid Convention within the framework of the International Grains Agreement; thus, it undertook, for a period of three years, to supply 1 035 000 metric tonnes of wheat or coarse grains annually in food aid to the developing countries. This undertaking was recently renewed during the negotiations which took place in Geneva between 18.1.1971 and 20.2.1971.

The principle of food aid in milk products (skimmed milk powder and butteroil) has also been approved unilaterally by the Community on a proposal from the Commission: Council Resolution of 22 July 1968 and Council Decision of 21/22 April 1969.

§ 1: GRAIN AID

1. Once the Community and the Member States had entered into their commitment, the conditions for its implementation gave rise to long debates in which two opposing views were voiced: on one hand, the Commission and certain Member States recommended that the obligations entered into should be honoured exclusively by the Community as a whole; other Member States hoped that the programme would be implemented exclusively on a national basis by each of the Six.

The solution finally adopted involved a scale of contributions by the Member States² to the overall commitment of the Community, the point of departure of

¹ Apart from these measures, certain Member States provided bilateral food aid involving various products. Because full information is not available on these measures, it is not possible to take them into account when considering food aid.

² Belgium: 73 000 metric tonnes. France: 320 000 metric tonnes. Germany (FR): 320 000 metric tonnes. Italy: 238 000 metric tonnes. The Netherlands: 280 000 metric tonnes. Luxembourg: 3 000 metric tonnes.

any activities being the prior examination of the contributions by the Member States; finally, in the event of agreement among the Member States, these activities could be organized on a Community basis provided they are of significant scale.

2. Strictly speaking, therefore, there is no Community food aid programme, but rather, an amalgam of six programmes,² the activities of the first two years of which (1968/69 and 1969/70) call for the following remarks:

(a) Two-thirds of this aid was provided by bilateral measures by the Member States, and one-third of it by the Community as such.³

(b) Twenty-seven countries have benefited or will benefit from aid from the Community or its Member States; moreover, the Community or its Member States have contributed, or will be contributing, approximately 150 000 metric tonnes towards increasing the scope for intervention of four international organizations.⁴

The principal countries benefiting from the Community's aid were the major Asian countries (India in 68/69, Indonesia and Pakistan) and the countries of the Mediterranean Basin (Turkey, Tunisia and the UAR); the AASM have received relatively little benefit from this form of aid.

(c) Regarding deliveries, it should be noted that:

(i) the Community and its Member States have been somewhat behind schedule in the execution of their obligations. As at the closing dates of the first and second years,⁵ there remained quantities of the order of 270 000 and 250 000 metric tonnes respectively to be despatched;

(ii) supplies were delivered in wheat and wheat flour,⁶ and very exceptionally in processed products.

(d) Two types of contract with the beneficiary countries have been implemented, the first being designed to meet situations which, although disturbing, are not particularly serious, and the second, called the 'emergency relief agreement', designed to remedy exceptional situations:

(aa) The terms of the first type of agreement, which is designed to meet disturbing situations, can be summarized as follows:

(i) deliveries are made FOB Community ports;

(ii) the beneficiary country undertakes to use its best endeavours to ensure that the awarding of shipping contracts is carried out in accordance with

¹ In view of its low volume, Luxembourg put the whole of its contribution into the Community programme.

² Tables 1 and 2 of Appendix 33 show the implementation of the Community's grain aid programmes for the years 1968/69 and 1969/70 respectively. The value of the aid granted by the Community is shown in Table 3.

³ 301 000 metric tonnes in 1968/69 and 336 900 metric tonnes in 1969/70.

⁴ World Food Programme (WFP), International Red Cross Committee (IRCC), Office for Relief and Work for the Palestinian Refugees (UNWRA), Joint Church Aid (JCA).

⁵ 31.12.1969 and 31.12.1970.

⁶ With the exception of 25 000 metric tonnes of maize for Mali.

- the principles of free and fair competition. However, it has been agreed that the beneficiary country is free to use its own merchant fleet;
- (iii) the proceeds from the sale of grain supplied as aid are paid into a special account for the financing of development projects;
 - (iv) the implementation of the agreement shall not jeopardize the normal structure of world production and international trade;
 - (v) the beneficiary country is obliged to prevent the re-export of products supplied as aid and also, during a period of six months from the date of the last delivery, the export of local products of the same nature as those supplied as aid;
 - (vi) the beneficiary country must inform the Community of the conditions under which the agreement is implemented, and in particular, it must provide details of the execution of development projects which are financed from the funds representing the proceeds of aid.
- (b) The emergency relief agreements designed to remedy exceptional situations differ from the above type of agreement in two respects:
- (i) deliveries are made CIF port of destination;
 - (ii) the grain is normally distributed free of charge to the beneficiary populations; should the beneficiary country sell all or part of the quantities supplied as aid on its own market, the proceeds from such sale shall be paid into a special account for financing development projects.

§ 2: *FOOD AID IN MILK PRODUCTS*

This aid was approved in principle by the Council in the context of measures taken for the marketing of surpluses of milk products in the Community. However, no general programme has been established for this aid, the Council reserving the right to act on individual cases in the light of proposals from the Commission.

Two initial agreements have been concluded by the Council:

- (i) an agreement with the WFP providing for the supply of 35 000 metric tonnes of butteroil and 120 000 metric tonnes of skimmed milk powder before 31 December 1970;
- (ii) an agreement with the IRCC for the supply of 3 000 metric tonnes of skimmed milk powder.

The Commission has since placed a proposal for a second amount of aid in milk products before the Council. This proposal, based on a study of applications submitted by a number of developing countries, was put forward in the context of a surplus situation at the time when it was formulated. It provided for the supply of 40 000 metric tonnes of skimmed milk powder and 50 000 metric tonnes of butteroil to 70 countries and two international organizations, these supplies being made direct by the Community.

Following upon the very substantial reduction of stocks in the Community in the spring of 1970, it was decided to reject this dossier, with the exception of applications made for emergency relief for certain countries in the aftermath of

natural disasters. The Council therefore approved the following additional measures:

- (i) Rumania: 1 000 metric tonnes of skimmed milk powder;
- (ii) Peru: 1 000 metric tonnes of skimmed milk powder;
- (iii) Turkey: 2 000 metric tonnes of skimmed milk powder, 1 000 metric tonnes of butter, 1 000 tonnes of butteroil.

The implementation of these decisions calls for the following remarks:

- (i) under the agreement with the WFP, supplies are not sent until after the Community has accepted the destinations proposed by this organization; the WFP is then required to notify the Community of the projects within the framework of which it intends to use the products placed at its disposal, the quantities and methods of distribution adopted for each project and the completion periods for operations planned. The application of the agreement is progressing normally, although at a slower pace than originally planned, as a result of the very substantial reduction of stocks in 1970;
- (ii) the quantities supplied to the IRCC are used in connection with humanitarian activities undertaken by this organization or by the League of Red Cross Societies which have been approved in advance by the Community;
- (iii) finally, in the case of direct action decided upon by the Council, products are supplied on a CIF basis to the beneficiary countries, which undertake to distribute them free of charge to victims of the natural disasters in connection with which such allocations are made.

SECTION 6: OTHER ACTIVITIES

§ 1: COMMUNITY SOCIAL MEASURES

Two Recommendations testify to the concern of the Commission to provide migrant workers moving within the Community with aid to facilitate their socio-cultural assimilation into the host country:

- (i) the Recommendation of 23 July 1962 on 'the activities of the social services in connection with workers moving within the Community';
- (ii) the Recommendation of 15 July 1965 on 'the housing of workers and their families moving within the Community'.

The first of these Recommendations advocates the reinforcement and, where appropriate, the creation of social services having adequate resources and personnel. These services must meet a number of essential requirements laid down in the Recommendation, with a view to contributing towards the solution of the human and social problems of workers moving within the Community. This Recommendation has benefited the migrant workers of third countries, who have drawn considerable benefit from the intensification and improvement of the social services.

Regarding the Recommendation on housing, it should be noted that it takes

the workers from third countries and associated countries into consideration as well as workers from within the Community.

The reports which the Community publishes every two years on the progress made in the application of these Recommendations are indicative of the stimulus they have provided.

§ 2: MEASURES FOR THE BENEFIT OF LATIN AMERICA

I. Regarding Latin America, in July 1969, the Commission submitted to the Council a communication setting out the basic concepts for Community action¹ and proposing a series of concrete measures which can be summarized as follows:

(a) *Commercial policy measures*

In view of the advantages which Latin-American exports, of which almost 50% already enter the Community duty-free, will enjoy as a result of the application of the consecutive Kennedy Round reductions and the implementation of a system of generalized preferences, the field of action open to the Community in this connection is very limited. The Commission has nevertheless proposed:

- (i) a possible extension of the system of generalized preferences and the improvement of the offers already made in respect of certain processed agricultural products,
- (ii) the conclusion or strengthening of international agreements covering basic products,
- (iii) measures for cooperation in the field of promotion of exports.

(b) *Measures for technical cooperation*

In this field, the Commission has suggested a coordination of the programmes of the Member States and, possibly, the identification of a certain number of joint measures to be undertaken by the Member States and the adoption of a declaration of intent on the conclusion of agreements of the type entered into by the EEC and the Lebanon.

Moreover, it foresaw the possibility of assistance by the Community as such in the fields of integration and regional development.

(c) *Measures for financial cooperation*

In this field, the Commission has made provisions for exchanges of information among the Member States and the coordination of their national programmes, in particular regarding the adjustment of conditions of loans granted to Latin American financial institutions, tax reductions and national systems of guarantees for investments, and the adjustment of associated loans.

Moreover, it has suggested a series of Community measures, including:

- (i) Community intervention for the benefit of Latin America integration,

¹ Cf. Appendix 38.

- (ii) the setting up of a 'European Investment Fund for Latin America',
- (iii) participation in the Pre-investment Fund of the Inter-American Bank for Development.

2. Since October 1969, this communication has been studied by the ad hoc Working Party on Latin America which was set up by the Council for the purpose. Apart from an acceleration of the Kennedy Round reductions for a few products of interest to Latin America, this study has not yet led to any concrete results. Nevertheless, the Member States have agreed that a series of measures should be adopted as a useful basis for discussion during contacts with the representatives of Latin America. However, these measures fall far short of the action proposed by the Commission.

(a) It has already been stated that, in the field of trade, in view of the Community's offer in connection with generalized preferences, the scope for Community action for the benefit of Latin America is very limited.

(b) In the field of financial and technical cooperation, approval in principle has been given to the setting up of consultation procedures whereby, 'on the initiative of each Member State' an exchange of information on the activities of the Member States should be achieved and, where appropriate, specific guidelines for common or concerted action by all or some of the Member States would be formulated.

Moreover, regarding technical cooperation, the principle of action by the Community as such in fields where it has special experience, such as that of integration, has been accepted.

Finally, following the Buenos Aires Declaration, in which the Latin American countries call for the establishment of a 'system of cooperation' between Latin America and the Community, the Council has stated that it agrees with the substance of the objective of establishing lasting cooperation between the two groups of countries and stressed the need to express the objectives and scope of such cooperation, and the procedures for fruitful dialogue in greater detail. To this purpose, a meeting was held between the ambassadors of the Latin American countries and the representatives of the Member States and the Commission.

§ 3: ACTION BY THE HIGH AUTHORITY OF THE ECSC

The High Authority of the ECSC has been engaged in activities on three fronts:

1. Between 1958 and 1964, the High Authority carried out, in association with, inter alia, the Geological and Mining Research Bureau (GMRB), a prospecting programme in a number of West African States (Upper Volta, where this work led to the discovery of the Tambao deposits; Guinea and the Ivory Coast, where work was carried out in the region of the Nimba Mountains), Gabon and Cameroon. Of a commitment of 5 million dollars, approximately 3 million have been spent. This work has not yet borne any practical results on account of the iron ore market situation and the lack of the necessary infrastructure for extraction; it could, however, be resumed.

2. Since 1963, the High Authority had welcomed several groups of Latin American trainees selected from among the young executives in the steel industry and the competent authorities in these countries. The courses, lasting six months, were held half in the departments of the Institution and half in undertakings or the public services in Member States. One of the purposes of these courses was to familiarize the trainees with the problems and techniques of regional integration.

3. The programme for the setting up of small steel plants in the developing countries formulated by the High Authority was not followed up because of the reluctance of the Member States.

§ 4: ACTION BY THE EAEC

1. Mention should first be made of the two agreements concluded by the EAEC with Argentina and Brazil.¹ These two agreements relate to the setting up of technical cooperation in the nuclear field and contain clauses relating to exchanges of information, exchanges of trainees, licence concessions and the supply of ores, source materials, etc.

In general terms, no satisfactory results were obtained from these two agreements. The same is true from the development cooperation point of view, although it should be noted that development cooperation was not among the motivations which led to the conclusion of these agreements.

A provision which could be of interest is that which refers to technical aid in mining prospecting with participation in the construction and running of all the related installations.

2. It should also be mentioned that the EAEC has granted numerous scientific training scholarships to nationals of the developing countries.

3. In a few rare cases, the research programmes of the EAEC have had a fairly direct bearing on the problems encountered by the developing countries, in particular when the subject of research or the equipment used was of interest to both the countries of the Community and the developing countries.

Thus, the Congo (DR) is able to take advantage of the results of research on goitre carried out in that country and in Europe. The same is true of Rwanda and Kenya in connection with work done on the pyrethrum.

4. Finally, the EAEC has provided technical back-up for the execution of a number of projects financed by the EDF.

¹ Agreement with Argentina of 6.11.1963, OJ 186/63. Agreement with Brazil of 24.6.1965, OJ L 79/7 of 31.3.1969.

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DEFINITIONS¹

1. The contribution of resources to the developing countries

(a) For this definition, the internationally accepted concepts and practices of balance of payments accounting have been taken as a basis. The notion corresponds broadly to the following transactions with the developing countries and the multilateral institutions:

- (i) all grants and long term capital transactions² effected by the public authorities of the DAC countries, including local authorities, or by their administrative agencies;
- (ii) all private sector long term capital transactions effected by residents of the DAC countries;

(b) The financial resources placed at the disposal of the developing countries include not only payments in cash and credit transactions, but also the monetary equivalent of contributions which take the form of the provision of services such as technical assistance).

(c) The figures relating to the contributions of resources are always given at current prices and rates of exchange, thus reflecting variations of national prices³ and modifications in the official parities of national currencies as against the United States dollar during the period under consideration.

(d) Military aid and expenditure having a direct relationship with precise military objectives shall not be taken into account; thus, public or private grants of military equipment and loans granted for purchases of such equipment and technical assistance in this field are excluded.

2. Contributions by the public sector

(a) An express distinction has been made here between:

- (i) public development aid including resources dispensed with the essential purpose of favouring economic development and social progress in the developing countries on favourable financial terms;
- (ii) other public contributions including, on one hand, bilateral public transactions not involving favourable conditions or those whose essential purpose is to promote exports, and on the other and, clear purchases of securities issued by multilateral development banks on market terms.

¹ DAC, Working Party on Statistical Problems, Unified Directives of the DAC, OECD Paris 1971, page 8 et seq.

Resources for the Third World, the financial means placed at the disposal of the less developed countries, 1962-1968, OECD Paris 1970, page 415 et seq.

1969 review, development aid, Report of the President of the DAC, OECD Paris, December 1969, page 278 et seq.

² 'Long term' transactions are understood to mean loans with a term of more than one year.

³ In Appendix 8, an endeavour has been made to determine the real value of the development aid of the Member States by estimating the influence of variations of prices on the bilateral contributions of the public sector between 1960 and 1969.

(b) Bilateral public contributions comprise:

- (i) grants (not requiring reimbursement) in the form of contributions in cash, economic support, technical assistance, payments of compensation and indemnities to Governments, and finally, contributions in kind;
- (ii) contributions comparable to grants, namely loans which are not required to be reimbursed in heavy currency; they consist mainly of contributions in kind, in the form of foodstuffs and other goods; the United States is the principal supplier of this form of aid;
- (iii) contributions of long term public funds, namely loans granted to the developing countries by the Governments, central banks and public bodies of the donor countries; their term must be of more than one year; they are repayable in either the currency of the donor country or any other convertible currency. In certain cases, the statistics show the gross amount of new loans and the net contribution of resources corresponding to these loans, obtained by deducting receipts from amortizations of previous loans and repatriations of funds.

(c) The structure of public sector bilateral aid is characterized by two principal forms:

- (i) financial aid which, in turn, is divided into two categories:
 - (a) the financing of infrastructure projects (assigned to clearly defined projects which contribute to the establishment of fixed assets in the beneficiary country),
 - (b) aid not assigned to specific projects (a residual item comprising contributions which are closely tied to imports and those for which there is no stipulation as to the utilization of the funds supplied);
- (ii) technical assistance which, in principle, consists of the transfer of all nature of knowledge with a view to rectifying shortages of qualified personnel in the developing countries; technical cooperation embraces contributions to finance the taking in charge of students and trainees, the sending of experts and voluntary workers, deliveries of capital goods and research, training and demonstration equipment, and other forms of assistance such as the provision of contractual services and technical consultancy.

(d) The public contributions to multilateral organizations include public grants (principally to United Nations institutions), subscriptions to the capital of the World Bank and its subsidiaries, the InterAmerican Bank for Development, the EDF, the EIB and the Asian Development Bank, voluntary additional contributions to these bodies and finally, transactions in World Bank and InterAmerican Bank for Development bonds, loans and participations. The DAC has published a list of the multilateral institutions and bodies.¹

3. The private contributions correspond to transactions which are shown in the capital movements account in the balance of payments. However, the statistics for private funds cannot be considered as reliable as the data relating to public contributions which are drawn from official documents. Consequently, it has been

¹ Cf. Unified Directives of the DAC, OECD Paris 1971, page 88.

necessary to have recourse to estimates in certain cases: amount of reinvested profits,¹ grants from charitable organizations, technical assistance activities of private undertakings, funds sent abroad by immigrant workers, etc.. The Secretariat of the DAC is currently endeavouring to include these private transfers into the annual statistics on a more systematic basis.

The private sector contributions are grouped under three headings:

(a) direct investments for the purposes of acquiring or increasing a permanent holding in an undertaking on the management of which the investor exerts a certain degree of control.

(b) portfolio investments and other loans, including purchases and sales of transferable securities and other negotiable assets, financial loans by the monetary and non-monetary sectors, and various other transactions. The statistics cover bilateral as well as multilateral private transactions, for example clear purchases of international institutions' bonds, loans and participations.

(c) export credits, which cover the difference between either the overall amount of guaranteed export credits granted for commercial transactions with the developing countries, or the amount of the guarantees in force, and the amount of the unguaranteed portion of the credits in question.

4. The term 'public development aid' is taken to cover all contributions of resources to the developing countries and the multilateral institutions, which are:

- (i) distributed with the essential purpose of promoting the economic development and improvement of the standard of living in the less developed countries,
- (ii) accompanied by favourable financial terms.

5. The concepts of payments and commitments are defined as follows:

(a) payments are actual remittances recorded in accordance with the same book-keeping principles as the corresponding balance of payments transactions;

(b) a (bilateral) commitment is a firm obligation, stipulated in a contract or an agreement and characterized by the opening of credits or the allocation of public funds: by the terms of such an obligation, the Government (or a public body) of the declarant country undertakes to supply the beneficiary country with aid to a specific value, for specific purposes and subject to specific financial terms. The date on which the commitment is recorded for accounting purposes depends on when the obligation entered into is brought to the attention of the beneficiary country.

¹ The term 'reinvested profits' is taken to mean the proportion of the net profits earned by the investment which belongs to foreigners, but is kept in the host country of the investment instead of being repatriated to the parent company or distributed to the shareholders.

COMMENTS ON TABLES Nos 1 TO 5 OF APPENDICES
2 TO 6 AND 9 TO 13

1. The symbols used in the tables have the following meanings:

- nil or negligible,
- .. not available,
- * less than half of the smallest unit used,
- () DAC Secretariat estimates.

2. The data in the Tables No. 1 do not always correspond to the figures in the other tables because the former are regularly updated, whereas the latter are often based on figures which cannot be corrected by the DAC. Nevertheless, the most recent available data have been used in all cases.

3. The asterisks (*) in Tables No. 2 relating to Belgium, Italy and the Netherlands indicate that the public loans or multilateral contributions in the corresponding years were negative (see Tables 1 for these countries).

4. The references ¹, ², ³ and ⁴ in Tables 3 call for the following comments:

¹ Resolution 2170 (XXI) adopted by the General Assembly of the United Nations recommends a rate of interest of 3% or less and repayment periods of 25 years or more.

² Complete conformity means *either* a percentage of grants of 70% or more, *or* conformity with the three alternative conditions relating to loans and grants as a whole, as follows:

- (i) 81% of total commitments in the form of grants and loans at a rate of interest not exceeding 3%,
- (ii) 82% of total commitments in the form of grants and loans with a term of 25 years or more,
- (iii) average period of grace of 7 years.

³ Additional DAC recommendations adopted in February 1969 confirm the results found below.

⁴ Total official flows.

5. The sources of Tables 1 to 5 are as follows:

No 1: OECD, annual reviews of aid, Report by the President of the DAC, Paris 1958 to 1970.

No 2: OECD, Development Aid, 1970 review, Report of the President of the DAC, Paris December 1970, page 240 and Table 1.

No 3: OECD, Development Aid, 1969 Review, pages 357 and 358; *idem* 1970, pages 54, 55, 208 and 209; Report of the President of DAC for 1970, statistical annex, Paris 2/9/70, pages 15 and 16;

DAC statistical tables for the 1969 annual review of aid, definitive version, Paris October 1969, pages 68-71;

Resources for the Third World, the financial means placed at the disposal of the less developed countries 1962-1968, Paris 1970, page 381.

No 4: OECD, Geographical Distribution of the Financial Resources placed at the disposal of the Less Developed Countries, 1960-1964, 1965, 1966, 1967 and 1968.

No 5: DAC, statistical tables for the 1968 annual review of aid, definitive version, Paris October 1968, pages 68 and 69; idem 1969, Paris October 1969, pages 82 and 83;

OECD, the financial resources placed at the disposal of the less developed countries 1956-1963, Paris 1964, pages 174-177; idem 1961-1965, Paris 1967, page 258.

No 6: Statistics on geographical distribution in 1969 and 1970 cover bilateral official aid flows only, and are not broken down between grants and loans or between subregions.

TABLE I

Belgium

Total net public and private contributions to the less developed countries and to the multilateral organizations, 1958-1970, payments in millions of US dollars

No	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	
Total contributions (I+II)														
I. Total public sector contribution (A+B)	1	111.9	167.8	182.2	163.9	118.2	174.7	164.3	220.9	178.0	164.4	243.0	257.3	293.7
Including: public development aid	2	23.0	79.0	101.0	92.1	69.8	79.7	71.3	101.6	81.1	98.8	106.0	118.6	120.8
II. Total private sector contribution (C+D)	3	..	..	100.9	92.1	69.8	79.7	71.3	101.6	76.1	88.8	88.0	116.2	119.6
A. Total, public sector, bilateral (1+2)	4	88.9	88.8	81.2	71.8	48.4	95.0	93.0	119.3	96.9	65.6	137.0	138.7	172.9
1. Grants and equivalent contributions	5	9.0	63.0	82.0	69.5	54.6	63.2	69.3	93.8	67.3	74.5	86.8	86.0	93.4
2. Long-term public sector capital	6	8.0	34.0	86.0	70.5	55.6	65.6	66.4	90.6	65.9	69.7	67.6	78.0	86.6
B. Total, public sector, multilateral	7	1.0	29.0	-4.0	-1.0	-1.0	-2.4	2.9	3.2	1.4	4.8	19.2	8.0	6.9
Including: contributions to the EDF (subscriptions to capital)	8	14.0	16.0	18.9	22.6	15.2	16.5	2.0	7.8	13.8	24.3	19.2	32.6	27.4
C. Private sector investments and loans (1+2+3)	9	7.0	9.0	11.6	15.7	13.5	13.5		0.5	5.5	10.8	10.4	12.3	
1. Direct investments	10	86.5	91.2	63.8	27.8	30.8	57.0	49.6	59.6	70.3	37.2	22.3	38.7	58.1
2. Portfolio and other (bilateral) investments	11	(76)	(65)	50.0	20.0	30.0	50.0	50.0	60.0	60.3	20.2	7.0	19.7	45.7
3. Multilateral portfolio investments	12	(8)	(7)		8.9	2.7	5.2		10.0	11.0	11.0	15.3	19.0	12.4
D. Private export credits	13	2.5	19.2	13.8	-1.1	-1.9	1.8	-0.4	-0.2	6.0				
	14	2.4	-2.4	17.4	44.0	17.6	38.0	43.4	59.7	26.6	28.4	114.7	100.0	114.8

TABLE 2

Belgium

Make-up of components of net payments by the Member States

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Total contribution and GNP ¹			1.59	1.35	0.91	1.24	1.04	1.29	0.97	0.84	1.17	1.12	1.17
2. Public contributions and GNP ²			0.88	0.76	0.54	0.57	0.45	0.59	0.44	0.50	0.51	0.52	0.48
3. Ratio between public contributions and private contributions ³	0.26	0.89	1.24	1.28	1.44	0.84	0.77	0.85	0.84	1.51	0.77	0.85	0.70
4. The public sector													
(a) Ratio between grants and loans ⁴	8.0	1.2	*	*	*	*	22.9	28.4	47.1	14.5	11.4	9.5	13.3
(a) Ratio between bilateral and multilateral contributions ⁵	0.64	3.94	4.35	3.08	3.6	3.84	34.65	12.01	7.66	5.21	5.20	3.20	3.4

¹ The net total of the contributions of public and private financial resources as a percentage of the gross national product (GNP), at market prices, 1960-1970.

² The net total of the contributions of public financial resources as a percentage of the gross national product (GNP), at market prices, 1960-1970.

³ Total public sector payments as against total private sector payments, 1958-1970.

⁴ Grants and equivalent contributions as against long term capital, 1958-1970.

⁵ Total bilateral contributions as against multilateral contributions, 1958-1970.

Belgium

The financial terms of public development aid

	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Time scales¹									
(a) Mean average term of loan commitments (in years)	—		20.0	16.2	13.9	18.2	21.9	27.2	29.6
(b) As compared with the DAC group overall	24.5	25.1	28.6	22.6	25.1	24.0	30.7	28.4	..
2. Rates of interest¹									
(a) Mean average rates of interest on loan commitments (percentages)	—	—	3.0	3.0	2.9	3.2	3.2	2.6	2.3
(b) As compared with the DAC group overall	3.5	3.3	3.1	3.6	3.1	3.8	2.7	2.9	..
3. Recommendations of the DAC on aid conditions, published in 1965^{2,3}									
(a) Grants as a percentage of total commitments (norm 70%)	100.0 ⁴	100.0 ⁴	96.6	97.9	94.3	94.0	95.0	91.7	..
(b) Grants and loans at a rate of interest not exceeding 3% as a percentage of total commitments (norm 81%)			100	100	100	100	99.5	100.0	..
(c) Grants and loans whose term is 25 years or more as a percentage of total commitments (norm 82%)			96.6	97.9	94.3	94.0	98.3	100.0	..
(d) Mean average periods of growth on loan commitments (in years) (norm: average period of 7 years)			4.5	4.0	4.3	5.0	6.1	8.3	9.2

TABLE 4

APPENDIX 2

Belgium

Geographical distribution of public and private sector bilateral financial resources placed at the disposal of the developing countries, 1960-1970
(Net payments in millions of US dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*	1970*
1. Europe:											
grants ¹	—	—	-0.99	0.30	1.30	0.05	0.08	0.08	0.07	2.0	0.7
loans ²	—	—	—	—	—	3.18	1.38	2.18	1.74	—	—
private contributions ³	7.82	0.05	1.01	3.95	11.14	35.6	10.0	13.3	27.4	—	—
2. Africa:											
(a) North of the Sahara ⁴											
grants	—	—	—	0.02	—	0.12	1.08	2.12	2.4	4.2	5.3
loans	—	—	—	—	—	—	—	—	0.60	—	—
private credits ⁵	-0.17	1.75	-1.35	-0.34	2.70	-0.72	—	-0.1	17.85	—	—
(b) South of the Sahara											
grants	86.0	70.5	63.4	73.9	73.1	94.2	59.74	62.24	60.84	66.0	73.1
loans	—	—	—	1.8	3.4	1.8	—	0.9	—	—	—
private credits	3.99	-0.70	-0.71	4.10	3.03	3.97	—	-0.22	7.06	—	—
(c) including AASM											
grants	86.0	70.5	63.4	73.9	73.1	94.2	59.6	62.0	60.54	—	—
loans	—	—	—	1.8	3.4	1.8	—	0.9	—	—	—
(d) including Congo (K)											
grants	71.0	57.1	46.3	64.3	66.2	87.9	48.9	47.8	44.52	—	—
loans	—	—	—	—	—	—	—	—	—	—	—
(e) Africa: overall											
grants	86.0	70.5	63.4	73.99	73.1	94.52	60.82	64.36	63.25	—	—
loans	—	—	—	1.8	3.4	1.8	—	0.9	0.6	—	—
private contributions	53.8	30.05	30.98	58.75	55.73	63.25	—	-2.3	21.89	—	—

TABLE 5

APPENDIX 2

Belgium

Break down of aid according to object, bilateral commitments, in millions of US dollars and as a percentage, 1962-1970

Objects of aid	1962 ¹		1963		1964 ¹		1965		1966 ¹		1967 ¹		1968		1969		1970	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
1. Financing of development projects	5.6	8	2.2	3	1.7	2	5.1	4	6.3	9	7.7	10	8.1	11	9.5	10	11.6	12.5
(a) agriculture	2.0	3	0.3	1	0.5	1	2.6	2	3.3	5	3.3	4	2.8	4	2.6	3		
(b) industry											0.1	—	0.3	—	0.3	—		
(c) energy									1.3	2	1.9	3	1.7	2	2.1	2		
(d) transport	3.6	5	1.4	1	0.8	1	0.3	—	1.7	2	2.3	3	3.3	4	4.5	5		
(e) social infrastructure			0.3	1	0.4	—	2.2	2	1.7	2	0.1	—						
(f) miscellaneous			0.2	—														
2. Technical assistance	20.2	34	23.6	28	27.7	35	32.5	31	37.9	54	40.4	54	39.5 ¹	54	44.9	46	51.3	55
3. Aid unconnected with projects	11.6	17	3.1	3	2.4	3	1.3	1	26.5	37	26.3	35	26.2	36	8.2	8	6.5	7
(a) Financing of current imports			1.3	1			1.3	1	1.5	2	4.0	5	4.1	6	6.0	6		
(1) Food aid									1.5	2	4.0	5	4.1	6	6.0	6		
(2) Other aid									2.9	4								
(b) General contributions									0.8	1	0.8	1	0.2	—	2.2	2		
(c) Balance of payments									21.3	29	21.5	30	20.6	28				
(d) Budgetary subsidies																		
(e) Alleviation of debt																		
(f) Emergencies and disasters																		
(g) Miscellaneous	11.6	17	1.8	2	2.4	3												
4. Contributions for clearly defined current expenditure	3.2	5	1.0	1	0.4	1	0.4	—										
5. Consolidation and refinancing loans			5.6	7			0.8	1										
6. Miscellaneous	25.0	36	48.9	58	47.0 ²	59	63.4 ²	63							34.9	36	23.7	25.5
7. Total	65.6	100	84.4	100	79.2	100	103.6	100	70.7	100	74.4	100	73.8	100	97.5	100	93.1	100

¹ Gross payments.

² Mainly payments in respect of the Congolese debt guaranteed by Belgium and pensions paid to officials having served in the Congo.

Germany (FR)

Total net public and private contributions to the less developed countries and to the multilateral organizations, 1958-1970, payments in millions of US dollars

No	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Total contributions (I+II)	1	511.4	816.1	628.2	847.1	609.4	706.4	723.7	782.4	1 140.6	1 663.5	2 045.5	1 409.2
I. Total public sector contribution (A+B)	2	268.9	332.8	351.9	618.2	466.4	422.9	470.9	485.9	546.8	595.2	543.7	731.1
Including: public development aid	3	..	..	237.4	330.0	398.3	460.4	430.5	439.7	528.1	553.3	595.0	599.0
II. Total private sector contributions (C+D)	4	242.5	483.3	276.3	228.9	143.0	283.5	252.7	296.5	593.8	1 068.3	1 501.8	678.2
A. Total, public sector, bilateral (1+2)	5	123.8	219.8	250.8	332.4	364.1	409.4	432.1	451.8	492.9	495.2	491.7	545.7
1. Grants and equivalent contributions	6	72.4	73.7	77.8	114.8	125.8	155.3	175.8	112.7	135.1	158.4	219.7	246.6
2. Long-term public sector capital	7	51.4	146.1	173.0	217.6	238.3	258.0	256.3	339.1	357.8	336.8	271.7	299.1
B. Total, public sector, multilateral	8	145.1	113.0	101.0	285.8	102.3	9.6	38.5	34.1	53.9	99.9	52.3	185.3
Including: contributions to the EDF (subscriptions to capital)	9	20.0	25.0	33.0	45.0	77.0	—	—	—	13.5	30.4	37.9	43.9
C. Private sector investments and loans (1+2+3)	10	112.5	233.3	116.5	146.8	102.8	161.7	194.4	194.0	230.7	813.1	1 209.7	491.0
1. Direct investments	11	65.0	43.8	76.7	83.3	120.7	63.5	104.9	144.9	169.3	192.0	234.7	317.5
2. Portfolio and other (bilateral) investments	12	(45.0)	130.2	36.3	66.2	-17.5	14.6	14.1	55.1	66.7	326.7	669.6	110.4
3. Multilateral portfolio investments	13	2.5	59.3	3.5	-2.7	-0.4	57.2	75.4	-6.0	-5.3	294.4	361.2	63.1
D. Private export credits	14	130.5	250.0	159.8	82.1	40.1	121.8	58.3	102.5	363.1	255.2	236.3	187.3

TABLE 2

Germany (FR)

Make-up of components of net payments by the Member States

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Total contribution and GNP ¹			0.88	1.04	0.69	0.66	0.68	0.64	0.65	0.94	1.24	1.33	0.76
2. Public contributions and GNP ²			0.49	0.76	0.53	0.46	0.41	0.42	0.40	0.45	0.44	0.35	0.32
3. Ratio between public contributions and private contributions ³	1.11	0.69	1.27	2.70	3.26	2.33	1.49	1.86	1.64	0.92	0.56	0.36	1.08
4. The public sector (a) Ratio between grants and loans ⁴	1.41	0.51	0.45	0.53	0.53	0.59	0.60	0.68	0.33	0.37	0.47	0.81	0.83
(b) Ratio between bilateral and multilateral contributions ⁵	0.85	1.93	2.48	1.17	3.46	16.4	43.0	11.2	13.2	9.14	4.96	9.39	2.94

¹ The net total of the contributions of public and private financial resources as a percentage of the gross national product (GNP), at market prices, 1960-1970.

² The net total of the contributions of public financial resources as a percentage of the gross national product (GNP), at market prices, 1960-1970.

³ Total public sector payments as against total private sector payments, 1958-1970.

⁴ Grants and equivalent contributions as against long term capital, 1958-1970.

⁵ Total bilateral contributions as against multilateral contributions, 1958-1970.

Germany (FR)

The financial terms of public development aid

	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Time scales¹									
(a) Mean average term of loan commitments (in years)	15.2	18.5	18.1	16.9	21.1	19.0	23.4	26.0	27.6
(b) As compared with the DAC group overall	24.5	25.1	28.6	22.6	25.1	24.0	30.7	28.4	..
2. Rates of interest¹									
(a) Mean average rates of interest on loan commitments (percentages)	4.4	4.3	4.0	4.2	3.3	4.3	3.0	3.2	2.9
(b) As compared with the DAC group overall	3.5	3.3	3.1	3.6	3.1	3.8	2.7	2.9	..
3. Recommendations of the DAC on aid conditions, published in 1965^{2 3}									
(a) Grants as a percentage of total commitments (norm. 70%)	33.4 ⁴	23.8 ⁴	49.5	42.6	41.9	34.2	37.5	41.6	..
(b) Grants and loans at a rate of interest not exceeding 3% as a percentage of total commitments (norm. 81%)			78.3	70.5	86.4	69.8	70.7	71.9	..
(c) Grants and loans whose term is 25 years or more as a percentage of total commitments (norm. 82%)			62.4	47.5	70.6	67.7	62.3	66.9	..
(d) Mean average periods of growth on loan commitments (in years) (norm: average period of 7 years)			4.4	3.6	5.6	4.9	5.3	6.2	8.4

TABLE 4

Germany (FR)

Geographical distribution of public and private sector bilateral financial resources placed at the disposal of the developing countries, 1960-1970
(Net payments in millions of US dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*	1970*
1. Europe:											
grants ¹	1.46	17.41	8.85	8.56	1.73	4.95	6.48	7.21	9.01	94.3	90.9
loans ²	52.47	39.50	19.06	31.79	22.33	34.71	30.51	35.40	74.20		
private contributions ³	75.9	37.1	-12.3	-4.43	58.8	42.6	75.4	58.97	104.4		
2. Africa:											
(a) North of the Sahara ⁴											
grants	0.68	0.33	2.03	2.28	3.02	6.01	7.90	8.85	9.88	19.0	38.1
loans	-3.17	-4.95	2.36	9.85	21.49	25.63	10.28	22.42	38.53		
private credits ⁵	3.12	-19.78	37.44	-3.08	48.88	-9.07	5.17	10.97	15.11		
(b) South of the Sahara											
grants	0.80	0.77	3.17	9.92	15.94	18.95	24.46	26.11	32.13	86.1	88.5
loans	4.52	12.58	55.04	42.70	25.49	42.26	71.28	48.10	34.29		
private credits	22.82	-2.84	5.23	23.43	52.56	16.28	20.94	-9.70	-1.30		
(c) including AASM											
grants	0.12	0.30	1.27	4.94	6.23	8.07	9.42	10.59	13.15		
loans	—	1.25	4.20	7.00	12.67	13.14	16.83	18.00	4.17		
(d) including Congo (K)											
grants											
loans											
(e) Africa: overall											
grants	1.48	1.10	5.20	12.20	18.96	25.51	34.08	35.45	44.07		
loans	1.35	7.63	57.40	52.54	46.98	67.89	81.57	70.51	72.82		
private contributions	30.94	-15.62	81.67	40.35	146.44	18.21	42.71	18.26	-14.4		

TABLE 5

Germany (FR)

Break down of aid according to object, bilateral commitments, in millions of US dollars and as a percentage, 1962-1970

Objects of aid	1962		1963		1964		1965		1966		1967		1968		1969		1970	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
1. Financing of development projects	222.8	47	461.2	67	244.1	52	198.0	34	265.4	55	322.5	49	200.9	30	359.9	55	582.1	62
(a) agriculture	5.0	1	48.0	7	17.6	4	37.3	6	12.3	3	8.3	1	19.7	3	2.9	1		
(b) industry	61.2	13	210.7	29	86.6	19	78.2	13	81.5	17	201.2	31	64.6	7	157.7	24		
(c) energy	70.2	15	80.8	11	46.9	10	21.0	4	68.8	14	23.8	4	15.0	2	92.7	14		
(d) transport	70.5	15	93.0	13	62.9	13	50.7	9	59.9	12	64.0	10	70.2	10	88.0	13		
(e) social infrastructure	11.4	2	23.2	4	10.0	2	10.8	2	42.9	9	25.3	4	31.4	5	18.5	3		
(f) miscellaneous	14.5	1	15.5	1	120.1	4												
2. Technical assistance	75.8	16	91.1	13	102.0	22	109.5	19	118.2	25	145.7	22	158.2	24	151.6	23	200.9	21
3. Aid unconnected with projects	36.5	8	55.7	8	57.6	12	142.9	24	95.1	20	186.1	29	308.2	46	127.1	19	144.5	15
(a) Financing of current imports	36.5	8	51.5	7	50.6	11	91.7	15	88.5	18	134.8	21	284.2	43	96.2	15		
(1) Food aid									0.4						6.7	1		
(2) Other aid									88.1	18	134.8	21	284.2	43	89.5	14		
(b) General contributions									1.9	1	34.5	5			14.8	2		
(c) Balance of payments											11.3	2	17.1	2	16.1	2		
(d) Budgetary subsidies																		
(e) Alleviation of debt																		
(f) Emergencies and disasters			4.2	1	7.0	1	51.2	9	4.7	1	5.5	1	6.8	1				
(g) Miscellaneous																		
4. Contributions for clearly defined current expenditure	1.0	—																
5. Consolidation and refinancing loans	21.2	5	15.4	2			51.7	9										
6. Miscellaneous	116.5 ²	25	63.3 ²	10	64.6 ²	13	79.4 ²	14							17.5	3	15.7	2
7. Total	473.8	100	686.7	100	468.1	100	581.5	100	478.7	100	654.3	100	667.2	100	656.2	100	943.2	100

¹ Fund for the Development of the Indus Basin.

² Mainly payments of compensation and indemnities.

TABLE 1

France

Total net public and private contributions to the less developed countries and to the multilateral organizations, 1958-1970, payments in millions of US dollars

No	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Total contributions (I+II)	1 1 337.4	171.7	1 325.1	1 406.3	1 395.2	1 242.0	1 360.4	1 299.4	1 319.7	1 341.3	1 720.3	1 742.2	1 805.9
I. Total public sector contribution (A+B)	2 884.0	835.0	848.3	943.5	977.0	850.7	831.2	752.2	744.8	825.5	873.9	965.3	979.0
Including public development aid	3 ..	..	847.3	942.9	975.9	851.7	828.2	752.2	744.8	825.5	873.9	965.3	951.1
II. Total private sector contributions (C+D)	4 453.4	336.7	476.8	462.8	418.2	391.3	529.2	547.2	574.9	515.8	846.4	776.9	826.9
A. Total, public sector, bilateral (1+2)	5 858.0	805.0	783.6	870.2	860.8	821.4	810.4	724.5	716.2	783.0	835.4	891.3	876.1
1. Grants and equivalent contributions	6 783	665	708.2	787.1	756.7	678.5	644.7	614.7	632.9	661.0	730.0	726.0	675.2
2. Long-term public sector capital	7 75	140	75.4	83.1	104.1	142.9	165.7	109.8	83.3	122.0	105.4	165.3	200.9
B. Total, public sector, multilateral	8 26.0	30.0	64.7	73.3	116.1	29.3	20.8	27.7	28.6	42.5	38.5	74.0	102.9
Including contributions to the EDF (subscriptions to capital)	9 20.0	25.0	33.0	45.0	77.0	—	—	—	—	13.5	30.4	35.5	43.9
C. Private sector investments and loans (1+2+3)	10 432.3	261.1	388.0	312.6	320.6	287.1	343.0	379.5	363.7	377.5	605.8	395.6	523.4
1. Direct investments	11 414.0	253.0	379.0	294.0	303.2	280.0	348.8	379.0	339.1	370.7	349.2	273.2	233.0
2. Portfolio and other (bilateral) investments	12 (17.9)	(3.4)	—	13.5	0.4	6.1	—	—	24.6	6.8	256.6	122.4	290.4
3. Multilateral portfolio investments	13 0.4	4.7	9.0	5.1	11.0	1.0	-5.8	0.5	—	—	—	—	—
D. Private export credits	14 21.2	75.6	88.8	150.2	97.6	104.2	186.2	167.7	211.2	138.3	240.6	381.3	303.6

TABLE 2

France

Make-up of components of net payments by the Member States

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Total contribution and GNP ¹			2.15	2.10	1.86	1.48	1.46	1.30	1.22	1.15	1.35	1.24	1.24
2. Public contributions and GNP ²			1.38	1.41	1.30	1.01	0.89	0.75	0.69	0.71	0.69	0.69	0.65
3. Ratio ³ between public contributions and private contributions ³	1.95	2.48	1.78	2.04	2.34	2.17	1.57	1.37	1.29	1.60	1.03	1.24	1.17
4. The public sector	10.4	4.75	9.4	9.48	7.27	4.75	3.89	5.59	7.59	5.42	6.94	4.39	3.35
(a) Ratio between grants and loans ⁴													
(b) Ratio between bilateral and multilateral contributions ⁵	33.0	26.8	12.1	11.87	7.40	28.03	38.96	26.16	25.04	18.42	21.7	12.1	9.0

¹ The net total of the contributions of public and private financial resources as a percentage of the gross national product (GNP), at market prices, 1960-1970.

² The net total of the contributions of public financial resources as a percentage of the gross national product (GNP), at market prices, 1960-1970.

³ Total public sector payments as against total private sector payments, 1958-1970.

⁴ Grants and equivalent contributions as against long term capital, 1958-1970.

⁵ Total bilateral contributions as against multilateral contributions, 1958-1970.

France

The financial terms of public development aid

	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Time scales¹									
(a) Mean average term of loan commitments (in years)	17.0	15.0	15.6	16.8	15.3	15.1	17.6	17.0	16.2
(b) As compared with the DAC group overall	24.5	25.1	28.6	22.6	25.1	24.0	30.7	28.4	..
2. Rates of interest¹									
(a) Mean average rates of interest on loan commitments (percentages)	4.0	4.2	3.2	3.7	3.5	3.7	3.7	3.7	3.7
(b) As compared with the DAC group overall	3.5	3.3	3.1	3.6	3.1	3.8	2.7	2.9	..
3. Recommendations of the DAC on aid conditions, published in 1965^{2,3}									
(a) Grants as a percentage of total commitments (norm 70%)	84.1	79.6	80.4	79.8	83.1	73.7	71.4	74.8	..
(b) Grants and loans at a rate of interest not exceeding 3% as a percentage of total commitments (norm 81%)				83.3	86.0	76.9	82.8	81.2	..
(c) Grants and loans whose term is 25 years or more as a percentage of total commitments (norm 82%)				81.9	85.1	75.5	74.8	78.0	..
(d) Mean average periods of growth on loan commitments (in years) (norm: average period of 7 years)			3.1	2.8	2.4	1.8	1.7	1.9	2.3

TABLE 4

France

Geographical distribution of public and private sector bilateral financial resources placed at the disposal of the developing countries, 1960-1970 (Net payments in millions of US dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*	1970*
1. Europe:											
grants ¹	6.0				3.8	4.7	4.7	4.9	5.7	33.8	27.2
loans ²	-10.0	71.67	24.21	36.51	9.7	-	12.3	13.0	31.9		
private contributions ³					36.94	109.94	94.8	62.9	87.9		
2. Africa:											
(a) North of the Sahara ⁴											
grants	362.9	427.2	342.2	243.9	192.5	160.8	135.0	117.5	138.5	131.2	145.2
loans	20.3	37.0	60.8	67.2	69.8	34.8	8.4	11.1	-13.1		
private credits ⁵	-1.2	3.06	5.42	7.3	17.2	47.6	49.0	19.5	13.2		
(b) South of the Sahara											
grants	269.4	269.0	298.4	304.4	316.1	302.3	309.5	354.3	347.4	400.2	375.4
loans	38.1	35.0	27.5	32.9	29.5	16.9	17.5	31.8	34.9		
private credits		8.36	6.23	15.28	20.85	37.3	49.0	24.0	8.7		
(c) including AASM											
grants	246.3	244.9	263.8	263.7	260.8	253.9	235.7	272.1	254.3		
loans	33.8	30.8	24.3	30.3	16.2	5.8	3.6	11.1	20.0		
(d) including Congo (K)											
grants	23.1	24.1	34.6	40.7	55.3	48.4	71.3	79.0	84.9		
loans	4.3	4.2	3.2	2.6	13.3	12.9	15.0	19.2	14.6		
(e) Africa: overall											
grants	632.3	696.2	640.6	548.3	512.8	469.1	452.8	471.8	485.9		
loans	58.4	72.0	88.3	100.1	99.3	56.6	25.9	42.8	21.8		
private contributions	328.8	291.4	262.7	254.6	256.0	282.9	271.9	223.1	256.9		

grants	38.6	39.9	56.4	62.9	93.6	94.9	119.5	117.1	130.7	152.9	168.1
loans	6.0	2.9	14.8	40.8	43.6	34.7	30.6	29.3	18.0		
private contributions	62.2	17.7	27.3	24.5	9.1	37.9	80.0	69.5	230.5		
4. Asia:											
(a) Middle East											
grants	2.0				4.2	3.6	5.2	4.9	22.6		
loans	21.2	22.4	-6.62	-32.5	-0.4	-0.5	-0.5	-0.5	1.1		
private credits					12.0	-19.7	17.2	57.8	85.5		
(b) South Asia, Far East & Oceania											
grants	18.7	23.5	26.0	25.3	27.5	33.7	39.9	45.8	49.5		
loans	3.0	3.5	1.0	2.0	13.5	13.3	11.2	28.1	28.1		
private credits	20.2	36.9	31.3	43.7	71.6	31.7	39.0	12.2	77.6		
(c) Asia: overall											
grants	18.7	23.5	26.0	25.3	34.5	37.3	45.1	50.7	72.1	107.9	126.9
loans	5.0	3.5	1.0	2.0	13.1	12.8	10.7	27.6	29.2		
private contributions	46.4	64.3	25.7	17.2	88.6	115.0	127.5	147.6	233.1		
5. Various											
grants	18.6	27.3	33.7	42.0	—	3.5	—	9.4	35.6	37.5	33.3
loans	—	4.7	—	—	—	5.7	3.8	3.3	4.7		
private contributions	40.6	39.1	69.0	80.0	165.0	22.0	21.8	26.6	38.0		
6. Total net payments											
grants	708.2	786.9	756.7	678.5	644.7	614.7	632.9	671.2	730.0	863.5	876.1
loans	75.4	83.1	104.1	142.9	165.7	109.8	83.3	116.0	105.6		
private contributions	468.0	484.2	408.9	412.8	555.6	566.9	596.0	529.7	845.4		

¹ Net public grants, payments of compensation and indemnities.

² Net public loans.

³ Direct investments, net balances on guaranteed private export credits and other contributions of private funds.

⁴ Algeria, Libya, Morocco, Tunisia and UAR (Egypt).

⁵ Separate figures for direct investments are not available.

* Statistics on bilateral official aid flows only, not broken down between grants and loans or by subregions.

TABLE 5

France

Break down of aid according to object, bilateral commitments, in millions of US dollars and as a percentage, 1962-1970

Objects of aid	1962 ¹		1963 ¹		1964		1965		1966 ²		1967 ²		1968		1969		1970	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
1. Financing of development projects	490.2 ²	54	364.1 ²	42	502.5	44	403.2	40	317.5	32	429.8	41	571.0	47	481.2	40	403.8	36
(a) agriculture	76.4	8	56.7	6	106.3	9	67.1	7	70.5	7	77.2	7	78.9	6	69.4	6		
(b) industry	38.5	4	28.5	3	110.7	10	82.0	8	78.5	8	66.3	6	255.8	21	147.6	12		
(c) energy	78.3	9	58.2	7	34.8	3	26.1	2	50.5	5	140.3	13	34.0	4	68.0	6		
(d) transport	80.3	9	59.6	7	30.9	4	48.0	5	30.9	3	38.5	4	59.7	5	53.3	4		
(e) social infrastructure	216.9	24	161.1	19	193.9	17	135.8	14	79.4	8	106.2	10	113.4	9	98.7	8		
(f) miscellaneous					5.9	1	44.2	4	7.7	1	0.7	—	9.2	1	44.2	4		
2. Technical assistance	256.3	28	295.4	34	405.3	35	408.7	40	440.0	44	478.4	45	503.9	41	507.1	42	504.0	45
3. Aid unconnected with projects					170.5	15	162.7	16	241.9	24	144.9	14	146.5	12	204.7	17	150.6	13
(a) Financing of current imports													4.1	—	30.1	2		
(1) Food aid													4.1	—	30.1	2		
(2) Other aid													29.2	3	39.8	3		
(b) General contributions									82.1	8	69.1	7						
(c) Balance of payments									9.5	1	23.0	2	65.2	5	102.5	9		
(d) Budgetary subsidies									13.6	1	44.9	4	26.6	2	23.6	2		
(e) Alleviation of debt													11.8	1	8.7	1		
(f) Emergencies and disasters																		
(g) Miscellaneous					170.5	15	162.7	16	136.7	14	7.9	1	9.6	1				
4. Contributions for clearly defined current expenditure	148.6	17	195.2	22	25.7	2	25.1	3										
5. Consolidation and refinancing loans	4.2	1	16.2	2	40.0	4	13.8	1										
6. Miscellaneous															18.8	1	69.7	6
7. Total	899.5	100	870.9	100	1 144.0	100	1 015.5	100	1 003.4	100	1 053.1	100	1 221.4	100	1 211.8	100	1 128.1	100

¹ Gross payments.

² The break-down according to object is based on DAC Secretariat estimations.

TABLE I

Italy

Total net public and private contributions to the less developed countries and to the multilateral organizations, 1958-1970, payments in millions of US dollars

No	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	
Total contributions (I+II)	1	154.8	149.2	298.3	257.5	390.4	321.1	236.8	265.5	631.6	287.3	550.4	847.7	719.9
I. Total public sector contribution (A+B)	2	73.0	84.0	105.4	80.3	111.2	78.5	40.2	93.1	114.9	155.9	149.5	137.2	176.7
Including: public development aid	3	..	..	76.6	59.6	80.1	70.3	47.6	60.0	78.4	154.7	146.0	129.6	147.2
II. Total private sector contributions (C+D)	4	81.8	65.2	192.9	177.2	279.3	242.6	196.6	172.5	516.6	131.4	400.9	710.5	543.2
A. Total, public sector, bilateral (1+2)	5	52.0	78.0	78.8	65.4	79.1	77.3	45.6	53.9	24.0	122.3	141.6	109.6	87.2
1. Grants and equivalent contributions	6	20.0	24.0	20.7	27.5	30.7	19.8	15.7	20.5	19.4	17.5	27.8	32.9	42.2
2. Long-term public sector capital	7	32.0	54.0	58.1	37.9	48.4	57.5	29.9	33.4	4.6	104.8	113.8	76.6	45.1
B. Total, public sector, multilateral	8	21.0	6.0	26.6	14.9	32.1	1.2	-5.4	39.2	90.9	33.6	7.9	27.5	89.5
Including: contributions to the EDF (subscriptions to capital)	9	4.0	5.0	6.6	9.0	15.4	—	—	—	0.9	10.2	18.1	15.0	17.8
C. Private sector investments and loans (1+2+3)	10	6.5	64.0	88.5	149.0	172.8	114.4	62.0	77.6	84.9	77.3	130.7	260.4	172.3
1. Direct investments	11	5.0	48.0	55.4	72.2	119.2	91.1	47.6	68.4	40.4	66.9	118.4	125.4	123.4
2. Portfolio and other (bilateral) investments	12	1.0	16.0	33.5	51.1	35.7	24.1	16.9	8.9	44.5	10.4	12.3	111.0	48.9
3. Multilateral portfolio investments	13	0.5	—	-0.4	25.7	17.9	-0.9	-2.5	0.3	—	—	—	24.0	—
D. Private export credits	14	75.3	1.2	104.4	28.2	106.5	128.3	134.6	94.9	431.7	54.1	270.2	450.1	370.9

TABLE 2

Italy

Make-up of components of net payments by the Member States

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Total contribution and GNP ¹			0.85	0.66	0.89	0.64	0.43	0.45	0.99	0.41	0.73	1.03	0.78
2. Public contributions and GNP ²			0.30	0.21	0.25	0.16	0.07	0.16	0.18	0.22	0.20	0.17	0.16
3. Ratio between public contributions and private contributions ³	0.89	1.29	0.55	0.45	0.40	0.32	0.20	0.54	0.22	1.19	0.37	0.19	0.33
4. The public sector													
(a) Ratio between grants and loans ⁴	0.63	0.44	0.36	0.72	0.64	0.34	0.53	0.61	4.22	0.17	0.24	0.43	0.92
(b) Ratio between bilateral and multilateral contributions ⁵	2.48	13.00	2.96	4.37	2.46	64.5	*	1.38	0.26	3.64	17.92	3.98	0.96

¹ The net total of the contributions of public and private financial resources as a percentage of the gross national product (GNP), at market prices, 1960-1970.

² The net total of the contributions of public financial resources as a percentage of the gross national product (GNP), at market prices, 1960-1970.

³ Total public sector payments as against total private sector payments, 1958-1970.

⁴ Grants and equivalent contributions as against long term capital, 1958-1970.

⁵ Total bilateral contributions as against multilateral contributions, 1958-1970.

Italy

The financial terms of public development aid

	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Time scales¹									
(a) Mean average term of loan commitments (in years)	5.8	8.7	11.6	7.1	10.3	11.9	12.3	10.9	13.1
(b) As compared with the DAC group overall	24.5	25.1	28.6	22.6	25.1	24.0	30.7	28.4	..
2. Rates of interest¹									
(a) Mean average rates of interest on loan commitments (percentages)	6.1	6.1	4.5	4.7	5.0	4.9	4.7	5.3	4.9
(b) As compared with the DAC group overall	3.5	3.3	3.1	3.6	3.1	3.8	2.7	2.9	..
3. Recommendations of the DAC on aid conditions, published in 1965^{2 3}									
(a) Grants as a percentage of total commitments (norm 70%)	14.3 ⁴	9.1 ⁴	54.1	27.8	40.2	19.7	25.2	20.9	..
(b) Grants and loans at a rate of interest not exceeding 3% as a percentage of total commitments (norm 81%)			74.7	57.9	55.5	32.7	25.2	21.3	..
(c) Grants and loans whose term is 25 years or more as a percentage of total commitments (norm 82%)			67.3	27.8	40.2	19.4	25.2	20.9	..
(d) Mean average periods of growth on loan commitments (in years) (norm: average period of 7 years)			1.4	0.7	0.9	1.0	(1.7)	2.2	5.2

TABLE 4

APPENDIX 5

Italy

Geographical distribution of public and private sector bilateral financial resources placed at the disposal of the developing countries, 1960-1970
(Net payments in millions of US dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*	1970*
1. Europe:											
grants ¹	2.11	9.4	18.7	6.1	5.2	3.6	3.6	6.84	8.32	44.6	-8.4
loans ²	2.47	39.3	11.6	32.9	10.1	15.8	25.1	22.3	6.36		
private contributions ³	38.3	13.7	26.6	-2.8	23.3	10.2	73.3	4.2	43.4		
2. Africa:											
(a) North of the Sahara ⁴											
grants	6.2	3.4	2.1	—	2.95	2.24	2.34	2.36	2.65	14.7	23.5
loans	54.4	—	-0.3	23.6	14.5	17.1	2.54	38.13	20.81		
private credits ⁵	-0.45	17.2	13.2	-3.14	-3.84	1.28	12.84	5.14	21.60		
(b) South of the Sahara											
grants	16.9	18.3	12.1	15.7	9.39	16.55	10.19	5.91	13.51	17.0	25.1
loans	-0.26	0.20	0.43	6.78	6.99	10.21	12.67	51.6	43.54		
private credits	1.6	0.25	22.5	12.05	18.19	21.45	20.64	9.27	16.40		
(c) including AASM											
grants	10.7	13.4	10.9	13.9	7.82	14.29	7.26	3.19	11.30		
loans	—	—	—	4.0	0.8	-0.14	2.29	12.07	2.43		
(d) including Congo (K)											
grants	10.7	13.4	10.9	13.9	6.7	13.15	6.2	2.68	10.88		
loans	—	—	—	4.0	0.8	-0.18	-0.46	-0.50	-0.50		
(e) Africa: overall											
grants	23.1	21.7	14.2	15.7	12.44	18.78	12.54	8.27	16.16		
loans	54.14	0.20	0.16	30.36	21.47	27.28	15.21	89.73	64.35		
private contributions	25.15	47.43	75.72	43.91	36.32	62.73	56.88	33.01	88.0		

TABLE 5

Italy

Break down of aid according to object, bilateral commitments, in millions of US dollars and as a percentage, 1962-1970

Objects of aid	1962 ¹		1963		1964 ¹		1965		1966 ¹		1967 ¹		1968		1969		1970	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
1. Financing of development projects	70.6	51	81.1	43	61.5	40	129.6	46	305.2	67	190.1	48	292.8	66	106.1	37	142.3	74
(a) agriculture	7.8	5	7.5	4	0.7		0.7		45.4	10	6.2	2	17.3	4	6.2	2		
(b) industry	31.5	23	18.5	10	17.5	11	50.5	18	88.6	20	104.1	27	55.5	13	13.4	5		
(c) energy	12.7	9	28.3	15	14.6	10	46.3	16	92.0	20	43.2	11	86.3	19	14.5	5		
(d) transport	18.0	13	26.8	14	29.4	19	30.9	11	67.1	15	36.6	9	52.7	12	20.7	7		
(e) social infrastructure	0.6	1							11.0	2					9.6	3		
(f) miscellaneous					1.1	1	1.1	1	1.1				81.1	18	41.7	15		
2. Technical assistance	5.4	4	5.2	3	10.1	6	11.0	4	10.9	2	10.4	3	11.2	3	13.2	5	14.6	8
3. Aid unconnected with projects	14.7	11	51.6	28	20.8	13	47.8	17	138.9	31	192.5	49	76.1	17	139.0	48	9.7	5
(a) Financing of current imports	0.7	1	17.9	10	5.0	3	32.7	12	56.9	12	101.5	26	71.3	16	19.2	7		
(1) Food aid									56.9	12	101.5	26			8.4	3		
(2) Other aid									6.8	2					2.6			
(b) General contributions									71.2	16	83.8	21			108.8	38		
(c) Balance of payments																		
(d) Budgetary subsidies																		
(e) Alleviation of debt																		
(f) Emergencies and disasters																		
(g) Miscellaneous	14.0	10	33.7	18	15.8	10	15.1	5	4.0	1	7.2	2	4.8	1				
4. Contributions for clearly defined current expenditure	1.2	1	2.0	1									55.3	12				
5. Consolidation and refinancing loans	26.0	18	36.9	20	55.5	36	89.7	31							27.2	10	25.1	13
6. Miscellaneous	21.7	15	9.4	5	7.2 ²	5	3.4 ²	2										
7. Total	39.6	100	186.2	100	155.1	100	281.5	100	455.0	100	393.0	100	443.4	100	285.4	100	191.7	100

¹ Gross payments.

² Payments of compensation and indemnities.

Source: Memorandum on Italy, Statistical Annex, Annual Review of Aid, 1969, OECD - DAC, p. 20.

TABLE I
The Netherlands

Total net public and private contributions to the less developed countries and to the multilateral organizations, 1958-1970, payments in millions of US dollars

	No	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Total contributions (I+II)	1	193.5	208.7	238.6	200.3	114.2	134.4	118.4	238.8	254.1	228.2	275.5	369.2	451.4
I. Total public sector contribution (A+B)	2	33.0	40.0	35.3	55.9	65.0	37.8	49.2	69.6	93.9	113.5	134.4	149.8	210.8
Including: public development aid	3	..	..	35.3	55.9	65.0	37.8	49.2	69.6	93.9	113.5	123.3	143.1	196.4
II. Total private sector contributions (C+D)	4	160.5	168.7	203.3	144.4	49.2	96.6	69.2	169.2	160.2	114.7	141.1	219.4	240.6
A. Total, public sector, bilateral (1+2)	5	24.0	31.0	24.5	30.4	46.7	17.9	33.0	47.1	51.5	75.5	110.1	114.2	169.0
1. Grants and equivalent contributions	6	21.0	24.0	26.1	31.7	42.4	9.9	13.1	14.6	22.0	43.3	54.9	68.4	93.2
2. Long-term public sector capital	7	3.0	7.0	-1.6	-1.3	4.3	8.0	19.9	32.5	29.5	32.2	55.2	45.8	75.8
B. Total, public sector, multilateral	8	9.0	9.0	10.8	25.5	18.3	19.9	16.2	22.5	42.4	38.1	24.3	35.6	41.8
Including: contributions to the EDF (subscriptions to capital)	9	—	—	0.2	2.3	1.2	1.9	0.8	9.6	29.0	18.0	8.1	9.9	11.8
C. Private sector investments and loans (1+2+3)	10	159.3	146.3	170.4	114.4	28.7	89.2	48.4	125.7	139.6	107.7	152.9	194.0	238.2
1. Direct investments	11	144.0	99.0	151.7	74.6	-12.2	48.9	49.5	108.6	102.6	57.5	89.3	165.9	211.7
2. Portfolio and other (bilateral) investments	12	..	..	19.3	23.8	29.6	39.5	2.5	19.4	37.0	49.4	45.6	30.0	26.7
3. Multilateral portfolio investments	13	15.3	47.3	-0.6	16.0	11.3	0.8	-3.6	-2.3	—	0.8	18.0	-1.9	0.2
D. Private export credits	14	1.2	22.4	32.9	30.0	20.5	7.4	20.8	43.5	20.6	7.0	-11.8	25.4	2.4

TABLE 2
The Netherlands
Make-up of components of net payments by the Member States

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Total contribution and GNP ¹			2.11	1.61	0.85	0.92	0.69	1.24	1.22	0.99	1.09	1.36	1.44
2. Public contributions and GNP ²			0.31	0.44	0.48	0.26	0.29	0.36	0.45	0.49	0.53	0.55	0.63
3. Ratio between public contributions and private contributions ³	0.21	0.24	0.17	0.39	1.32	0.39	0.71	0.45	0.59	0.99	0.95	0.68	0.89
4. The public sector													
(a) Ratio between grants and loans ⁴	7.0	3.43	*	*	9.86	1.24	0.66	0.44	0.75	1.34	0.99	1.49	1.22
(b) Ratio between bilateral and multilateral contributions ⁵	2.67	3.33	2.26	1.19	2.55	0.90	2.04	2.09	1.21	1.98	4.53	3.21	4.0

¹ The net total of the contributions of public and private financial resources as a percentage of the gross national product (GNP), at market prices, 1960-1970.

² The net total of the contributions of public financial resources as a percentage of the gross national product (GNP), at market prices, 1960-1970.

³ Total public sector payments as against total private sector payments, 1958-1970.

⁴ Grants and equivalent contributions as against long term capital, 1958-1970.

⁵ Total bilateral contributions as against multilateral contributions, 1958-1970.

The Netherlands

The financial terms of public development aid

	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Time scales¹									
(a) Mean average term of loan commitments (in years)	26.5	23.8	24.2	23.9	23.6	24.7	27.9	28.6	29.0
(b) As compared with the DAC group overall	24.5	25.1	28.6	22.6	25.1	24.0	30.7	28.4	..
2. Rates of interest¹									
(a) Mean average rates of interest on loan commitments (percentages)	4.0	4.8	3.9	3.5	2.0	3.3	3.8	3.1	2.9
(b) As compared with the DAC group overall	3.5	3.3	3.1	3.6	3.1	3.8	2.7	2.9	..
3. Recommendations of the DAC on aid conditions, published in 1965^{2 3}									
(a) Grants as a percentage of total commitments (norm 70%)	53.0 ⁴	28.5 ⁴	75.2	70.8	75.5	71.5	51.5	64.2	..
(b) Grants and loans at a rate of interest not exceeding 3% as a percentage of total commitments (norm 81%)			81.4	82.4	98.1	94.0	82.7	93.1	..
(c) Grants and loans whose term is 25 years or more as a percentage of total commitments (norm 82%)			92.1	95.7	88.1	94.0	89.4	90.2	..
(d) Mean average periods of growth on loan commitments (in years) (norm: average period of 7 years)			3.2	4.1	5.9	6.3	6.8	7.2	7.9

TABLE 4

The Netherlands

Geographical distribution of public and private sector bilateral financial resources placed at the disposal of the developing countries, 1960-1970
(Net payments in millions of US dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*	1970*
1. Europe:											
grants ¹	-1.8	-1.83	-0.94	-0.50	0.30	2.25	4.56	3.04	0.07	3.4	0.2
loans ²	10.0	5.14	-1.57	15.82	2.50	5.62	29.5	—	6.81	—	—
private contributions ³	—	—	—	—	—	—	—	—	14.0	—	—
2. Africa:											
(a) North of the Sahara ⁴											
grants	—	—	—	—	—	0.04	1.74	0.13	0.08	0.1	2.0
loans	—	2.08	0.24	-0.19	-0.10	-0.70	—	—	—	—	—
private credits ⁵	—	—	—	—	—	—	—	—	—	—	—
(b) South of the Sahara											
grants	—	—	—	—	—	0.14	—	—	—	—	—
loans	—	—	—	—	—	1.12	2.09	10.69	6.27	7.0	10.4
private credits	—	11.14	9.58	13.88	18.80	12.74	—	—	—	—	—
(c) including AASM											
grants	—	—	—	—	—	—	—	—	—	—	—
loans	—	—	—	—	—	—	—	—	—	—	—
(d) including Congo (K)											
grants	—	—	—	—	—	—	—	—	—	—	—
loans	—	—	—	—	—	—	—	—	—	—	—
(e) Africa: overall											
grants	—	—	—	—	—	0.14	—	—	—	—	—
loans	—	—	—	—	—	1.16	3.83	10.82	6.35	—	—
private contributions	30.0	28.22	9.82	13.70	18.70	15.98	—	—	—	—	—

TABLE 5
The Netherlands

Break down of aid according to object, bilateral commitments,
in millions of US dollars and as a percentage, 1962-1970

Objects of aid	1962 ¹		1963		1964 ²		1965		1966 ¹		1967 ¹		1968		1969		1970	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
1. Financing of development projects	1.1	2	0.3	1	2.9	6	19.3	24	6.1	8	14.1	14	8.7	4	31.7	21	68.2	38
(a) agriculture	1.0	2	0.3	1			1.3	1			1.0	1	1.3	1	3.8	3		
(b) industry											0.6	1	2.5	1	3.6	2		
(c) energy	0.1	—					3.3	4					1.5	1	3.2	2		
(d) transport					0.1	—	2.1	3					2.7	1	19.8	13		
(e) social infrastructure					2.8	6	12.7	16	6.1	8	12.5	12	0.7	—	1.4	1		
(f) miscellaneous					10.8	24	21.6	27	24.6	34	30.4	30	25.5	11	34.5	23	39.1	22
2. Technical assistance	1.0	2	5.3	18	31.9	70	38.9	49	42.4	58	57.8	56	195.6	85	71.8	48	63.7	35
3. Aid unconnected with projects	45.5	96	22.6	78														
(a) Financing of current imports																		
(1) Food aid																		
(2) Other aid																		
(b) General contributions																		
(c) Balance of payments																		
(d) Budgetary subsidies																		
(e) Alleviation of debt																		
(f) Emergencies and disasters																		
(g) Miscellaneous	45.5	96	22.6	78	31.9	70	38.9	49	42.4	58	2.5	2	7.3	3	14.4	10		
4. Contributions for clearly defined current expenditure																		
5. Consolidation and refinancing loans			0.9	3			0.1	—										
6. Miscellaneous																		
7. Total	47.6	100	29.1	100	45.6	100	79.9	100	73.1	100	102.3	100	229.8	100	150.0	100	179.8	100

¹ Gross payments.

² Mainly payments in respect of the Congolese debt guaranteed by Belgium and pensions paid to officials having served in the Congo.

The Grand Duchy of Luxembourg

The financial resources placed at the disposal of the less developed countries

(in thousands of US dollars)

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	TOTAL
I. Bilateral aid:														
Construction of a school for nurses in Rwanda, commitments	—	—	—	—	—	—	—	—	50	50	50	50	50	250
II. Multilateral aid:														
1. UN organizations														
Budget allocations														
(a) Technical assistance and special fund	3	7	8.5	9	10	10	10	16	16	16	16	—	—	121.5
(b) UN programme for development	—	—	—	—	—	—	—	—	—	—	—	39.6	40	79.6
2. Annual contributions to the EDF	125	156	206	281	481	—	—	—	—	108	240	301.4	351	2 249.4
Total contributions	128	163	214.5	290	491	10	10	16	66	174	306	391.0	441	2 700.5

Sources: Grand Duchy of Luxembourg, Ministry of Finance, State Budgets.

**THE REAL VALUE EVOLUTION OF PUBLIC BILATERAL AID
BY THE MEMBER STATES TO THE DEVELOPING COUNTRIES
BETWEEN 1960 AND 1969**

1. Methodological considerations

(a) The real value of the financial resources granted to the developing countries by each Member State in respect of bilateral public aid should be appreciated in the light of variations in the purchasing power which its monetary unit (or its u.a. equivalent) represents to the beneficiary countries: in other words, since the contributions of the donors are expressed in current values, it is necessary to ascertain the value to the developing countries of a 1969 Belgian franc, Deutsche mark, etc, in relation to their value in 1960.

To this purpose, it is necessary to formulate an index which expresses the evolution in terms of real value or purchasing power of the amounts placed at the disposal of the developing countries, although, because of the methodological limitations and the hypotheses made, it cannot be claimed that the results arrived at will be irrefutable from the scientific point of view.

(b) To this end, the public bilateral aid of each Member State will be divided according to the three main categories of purposes to which it is assigned, which will be referred to as 'components':

- (i) infrastructure projects;
- (ii) technical assistance and training expenditure;
- (iii) assistance with a project.

2. The assumptions

(a) The first assumption is that aid for infrastructure projects is primarily intended for the purchase of capital goods, although this component also includes construction works. However, the available statistics do not enable a breakdown of the cost of infrastructure projects into expenditure on purchases of capital goods and expenditure for construction works to be made.

Moreover, it will be supposed that the prices of the capital goods supplied to the developing countries have increased to the same extent as the prices of products required for the establishment of fixed assets within the donor countries. The validity of this assumption can be confirmed against the indices calculated in the statistical records of Germany and the Netherlands (the only two countries which give indices for capital goods prices).

For this component of development aid, therefore, reference will be made to the index of prices for the establishment of fixed assets in each Member State (base year 1960 = 100).¹

¹ National Accounts 1959-1969, 1970 Year Book: Table 10, Statistical Office of the European Communities, Luxembourg.

(b) In the case of technical assistance, two sub-components will be taken into consideration:

- (i) Expenditure on experts: for this sub-component, the increase in the remuneration of employees in each Member State¹ will be adopted as a basis, since it is reasonable to suppose that the salaries of experts are closely related to scales of pay in general. This fact is confirmed by surveys on the development of pay received by the experts posted to the AASM on behalf of the EDF.
- (ii) Expenditure on students and trainees: it will be assumed that scholarships are geared to the cost of living in the country to which the scholarship-holder is posted, and that this will generally be the donor country. For this reason, the consumer price index in each of the Member States² will be applied to this sub-component.

(c) The 'financial contributions unconnected with a project' component comprises the resources granted to the developing countries for a variety of purposes: financing of current imports, balance of payments support, alleviation of debt, budgetary balance, general contributions, emergency aid, etc. For the most part, these resources are used for the financing of imports of goods and services.

In the absence of significant statistics on imports into the developing countries, the evolution of the prices of goods and services exported by the States of the Community³ will be adopted as a basis. A detailed breakdown of the structure of the exports of each Member State by classes of goods and regions will show that the composition of exports to the industrialized countries is almost identical to that of exports to the developing countries. The same is true of the structural evolution of external trade during the period under consideration. Thus it is reasonable to use the indices of prices covering the whole range of goods and services exported by the Member States to the world as a whole for the purposes of this study.

3. Results

On the basis of these assumptions, one obtains for each of the three components of bilateral public aid a series of indices which express the variation—in fact, an increase in every case—of the prices of each component in each Member State. In order to determine the index of variation of the prices of each Member State's overall bilateral public aid, it is necessary to weight the index of each component in order to take its relative importance as a proportion of overall bilateral public aid into account.

The available statistics—those of the DAC⁴—only give a breakdown of components for commitments. In order to avoid the influence of erratic phenomena,

¹ General Statistics, Monthly Bulletin No. 10, 1970, page 22, Statistical Office of the European Communities, Luxembourg.

² General Statistics No. 12, 1968, page 49 and No. 12, 1969, page 61; 'Zehn Jahre Gemeinsamer Markt in Tabellen,' 1958-1967, May 1968, page 81.

³ National Accounts, 1959-1969, 1970 Year Book, Table II.

⁴ DAC Memoranda of Belgium, France, Germany, Italy and Netherlands, and Statistical Annexes; DAC, Final Version, 1968-Review page 69 and 1969-Review page 83. The data on which the calculation is based are shown in the table.

it appeared preferable to calculate an average value for each component on the basis of the data for the years 1967, 1968 and 1969.

On the basis of these various assumptions and the method followed, 1960 being taken as the base year (=100), an index for 1969 which indicates the increase of prices during the period considered¹ is obtained.

The converse of this coefficient gives the extent of the loss of purchasing power of the monetary unit of each of the Member States in terms of aid to the developing countries.²

Subject to the limitations inherent in the assumptions and the method followed, the application of this variation of purchasing power coefficient to the bilateral public aid of each of the Member States in 1969 reveals their variation in real terms as against the 1960 figures.

The results are presented in the following table.³

Price indices (base: 1960 = 100) and proportional distribution (%) of the various components of bilateral public aid
Basis: average of commitments, 1967 to 1969

Country	Infrastructure project		Technical assistance				Assistance unconnected with a project		Bilateral public aid	
	%	Index	Experts		Scholarship holders		%	Index	Index of rising prices	Monetary depreciation coefficient
			%	Index	%	Index				
Belgium	10	118.5	41	193.8	10	129	39	119.6	150.7	0.66
Germany (FR)	44	118.1	13	206.7	10	125	33	114.1	129.1	0.77
France	43	125.0	38	216.9	5	141	14	106.9	158.2	0.63
Italy	50	118.7	3	240.0	1	140	46	105.5	116.5	0.86
Netherlands	13	117.5	17	251.8	4	148	66	111.5	137.5	0.73

¹ It should nevertheless be pointed out that this exercise only covers the first and last years of the period under consideration (1960 and 1969) and does not take account of any fluctuations during the period.

² Or the u.a. equivalent of the unit considered.

³ The results for Italy do not correspond to common conceptions of the evolution of costs and prices in this country. It will be seen that the indices of the components of aid do not differ substantially from those of the other Member States. The fact that the final index appears relatively favourable to Italy is entirely explained by the fact that technical assistance and expenditure on training account for a very low proportion (4% in 1969) of this country's total bilateral aid.

THE FINANCIAL AND TECHNICAL COOPERATION OF
THE UNITED KINGDOM WITH THE DEVELOPING COUNTRIES

1. The total contributions of the United Kingdom increased by 60% between 1958 and 1969, during which period there were sharp fluctuations, low points being reached in 1963 and 1968. The 1969 result was a considerable improvement on the preceding years. As against GNP, total aid only exceeded the objective of 1% in 1960, 1961 and 1965.

The variations in total public aid ran parallel to those of total aid, but were less pronounced, ranging between 400 and 500 million dollars. Since 1966, the ratio between public aid and GNP has diminished.

Bilateral public aid has progressed at an irregular pace, high points being reached in 1961 and 1966; during the last three years, it declined steadily. Except in 1959 and 1961, the volume of grants and equivalent contributions was higher than that of loans.

Multilateral public aid increased by 36%. It has always been less than bilateral aid.

Private contributions, which, until 1968, had fluctuates between 306 and 547 million dollars, increased sharply in 1969.

2. The financial terms of British aid do not always comply with the DAC recommendations. Towards the end of the period, however, they improved. The mean average term of public loans was—except in 1967—lower than that of the DAC members as a whole. The same is also true of the mean average rates of interest since 1965. Periods of grace vary between 4.8 years (1965) and 6 years (1966).

3. Regarding geographical distribution, about 50% of grants and equivalent contributions are directed towards Africa, Kenya being one of the largest beneficiaries. The percentage received by Asia has increased consistently, and the remainder of the United Kingdom's grants is directed towards the developing countries in the Americas and Europe. Most of the loans made available are for the developing countries—principally India—in Asia and Oceania.

4. Analysis of the sectorial distribution of the bilateral commitments shows that approximately one third of the contribution is directed towards infrastructure projects in the following fields: transport, social infrastructure, agriculture and industry. Technical assistance is accounting for an increasing proportion (approximately 20%). The bulk of bilateral resources is applied to the financing of activities unconnected with specific projects, the principal area being the financing of current imports.

5. Since 1964, the Ministry of Overseas Development has been the central agency responsible for the administration of the aid programme, apart from the activities of the *Commonwealth Development Corporation* (CDC), a public corporation enjoying autonomy of management. Thus, virtually the whole British programme is placed under the responsibility of a single body, and it has been possible to harmonize the regulations and methods applied in the field of aid.

TABLE I

APPENDIX 9

United Kingdom

Total net public and private contributions to the less developed countries and to the multilateral organizations, 1958-1970, payments in millions of US dollars

	No	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Total contributions (I+II)	1	668.2	843.6	880.8	899.0	743.9	720.8	918.8	1 032.0	911.0	803.0	760.0	1 068.7	1 216.3
I. Total public sector contribution (A+B)	2	276.0	377.0	407.0	456.8	421.0	414.5	493.3	485.0	513.0	477.0	429.0	428.5	453.5
Including: public development aid	3		406.8	456.8	456.8	421.0	414.5	493.3	472.0	486.0	485.0	413.0	431.3	447.1
II. Total private sector contributions (C+D)	4	392.2	466.6	473.8	442.2	322.9	306.3	425.5	547.1	398.0	326.0	331.0	640.2	762.8
A. Total, public sector, bilateral (1+2)	5	220.0	308.0	312.0	416.5	380.4	369.3	447.6	432.1	456.6	423.8	367.0	352.2	405.9
1. Grants and equivalent contributions	6	135.0	148.0	162.0	206.8	211.7	209.1	232.4	260.2	269.1	269.0	207.0	207.6	204.5
2. Long-term public sector capital	7	85.0	160.0	150.0	209.7	168.7	160.7	215.2	171.9	187.5	154.8	160.0	144.6	201.5
B. Total, public sector, multilateral	8	56.0	69.0	94.8	40.3	40.6	44.7	45.7	52.9	56.4	53.1	62.0	76.3	47.6
C. Private sector investments and loans (1+2+3)	9	389.0	484.5	447.1	366.5	212.0	203.0	278.9	438.8	288.0	230.0	189.6	374.4	326.4
1. Direct investments	10	271.0	316.0	276.0	256.0	188.0	149.0	182.0	266.0	171.0	175.0	216.0	252.0	300.0
2. Portfolio and other (bilateral) investments	11	109.8	140.9	174.0	110.0	25.0	55.0	102.0	173.0	119.0	57.0	-25.2	122.4	26.4
3. Multilateral portfolio investments	12	8.2	27.6	-2.9	0.5	-1.0	-1.0	-5.1	-0.2	-2.0	-2.0	-1.2	—	—
D. Private export credits	13	3.2	-17.9	26.7	75.7	110.9	103.3	146.6	108.3	110.0	96.0	141.4	265.8	436.4

TABLE 2

United Kingdom

Make-up of components of net payments

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Total contribution and GNP ¹			1.22	1.17	0.92	0.84	0.99	1.03	0.85	0.73	0.74	0.97	1.00
2. Public contributions and GNP ²			0.56	0.59	0.52	0.48	0.53	0.48	0.48	0.47	0.42	0.39	0.37
3. Ratio between public contributions and private contributions ³	0.7	0.8	0.9	1.0	1.3	1.4	1.2	0.8	1.3	1.5	1.3	0.7	0.6
4. The public sector													
(a) Ratio between grants and loans ⁴	1.6	0.9	1.1	1.0	1.3	1.3	1.1	1.6	1.3	1.7	1.3	1.4	1
(b) Ratio between bilateral and multilateral contributions ⁵	4.0	4.4	3.3	10.0	9.7	8.3	9.8	8.2	8.1	8.0	6.0	4.6	9

¹ Net public and private contributions as against GNP, at market prices, in percentages.

² Net public sector contributions as against GNP, at market prices, in percentages.

³ Total public sector payments as against total private sector payments.

⁴ Grants and equivalent contributions made by the public sector, as against public sector long-term capital.

⁵ Total public sector bilateral contributions as against total public sector multilateral contributions.

TABLE 3

United Kingdom

The financial terms of public development aid

	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Time scales ¹									
(a) Mean average term of loan commitments (in years)	24.3	21.0	24.0	22.2	23.9	24.1	24.0	24.1	28.6
(b) As compared with the DAC group overall	24.5	25.1	28.6	22.6	25.1	24.0	30.7	28.4	..
2. Rates of interest ¹									
(a) Mean average rates of interest on loan commitments (percentages)	5.8	4.8	4.1	3.3	1.0	1.1	1.0	1.2	1.7
(b) As compared with the DAC group overall	3.5	3.3	3.1	3.6	3.1	3.8	2.7	2.9	..
3. Recommendations of the DAC on aid conditions, published in 1965 ^{2,3}									
(a) Grants as a percentage of total commitments (norm 70%)			54.4	55.2	49.5	57.2	46.0	47.8	..
(b) Grants and loans at a rate of interest not exceeding 3% as a percentage of total commitments (norm 81%)			60.8	70.2	93.1	89.8	91.0	91.1	..
(c) Grants and loans whose term is 25 years or more as a percentage of total commitments (norm 82%)			91.8	84.4	95.3	95.6	95.5	92.0	..
(d) Mean average periods of growth on loan commitments (in years) (norm: average period of 7 years)			5.1	4.8	6.0	5.5	5.6	5.6	6.2

United Kingdom

Geographical distribution of public and private sector bilateral financial resources placed at the disposal of the developing countries, 1960-1970
(Net payments in millions of US dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*	1970*
1. Europe:											
grants ¹	35.3	23.6	16.5	17.4	13.0	19.5	18.0	16.1	14.24	16.8	30.5
loans ²	-8.0	-2.8	4.6	11.6	8.9	13.9	12.5	12.8	13.68		
private contributions ^{3 4}	6.07	17.5	13.3	56.0	34.5	20.5	26.3	29.6	28.75		
2. Africa:											
grants	60.8	109.2	119.9	106.8	134.5	137.4	129.3	129.6	111.5	131.2	124.9
loans	71.9	127.9	61.7	71.9	88.3	75.5	61.8	46.8	50.6		
private contributions ⁴	33.7	7.8	69.7	44.4	82.3	95.5	101.7	16.5	52.0		
3. The Americas:											
grants	19.4	22.9	23.5	15.1	19.2	16.5	28.2	25.1	22.52	34.3	36.3
loans	4.0	10.7	16.8	13.4	3.0	-2.7	4.8	-1.0	1.86		
private contributions	5.9	51.0	27.2	-8.1	28.3	-40.1	67.8	39.3	140.3		
4. Asia + Oceania:											
grants	32.6	37.6	43.4	59.2	65.5	78.3	84.8	82.9	58.21	137.7	189.0
loans	82.2	73.9	85.5	63.6	112.2	80.9	121.4	113.4	91.08		
private contributions	-20.4	-4.4	-4.8	5.9	-9.6	26.0	86.9	27.1	176.7		
5. Various:											
grants	13.4	13.5	8.5	10.6	3.3	8.5	9.07	15.1	17.49	21.3	25.5
loans	-0.2	-	0.2	-	-0.03	-	0.01	3.7	1.08		
private contributions	367.0	371.0	194.0	181.0	283.9	410.0	139.0	238.8	-16.0		
6. Total net payments:											
grants	161.6	206.8	211.7	209.1	235.4	260.2	269.3	269.0	223.9	352.0	406.2
loans	149.9	209.7	168.7	160.7	212.3	167.6	200.4	175.8	159.3		
private contributions	392.4	442.9	299.4	279.2	420.3	511.9	422.5	351.1	381.7		
7. Main area:											
India	82.8	60.6	61.9	57.7	94.6	65.4	89.4	74.3	65.3	..	..
Kenya	20.1	56.9	43.1	47.9	48.0	53.3	31.1	20.6	23.6		
(net public bilateral contributions)											

¹ Net public grants, payments of compensation and indemnities.

² Net public loans.

³ Direct investments, net balances on guaranteed private export credits and other contributions of private funds.

⁴ For the years 1960 to 1964, the private contributions of Europe, Africa, America and Asia only show net balances on guaranteed private export credits, no breakdown according to beneficiary regions having been made of direct investments.

* Statistics on bilateral official aid flows only, not broken down between grants and loans or by subregions.

TABLE 5

United Kingdom

Break-down of aid according to object, bilateral commitments, in millions of US dollars and as a percentage 1962-1970

Objects of aid	1962		1963		1964		1965		1966		1967		1968		1969		1970	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
1. Financing of development projects	226.1	39	143.0	30	231.5	31	141.3	32	119.9	27	158.1	28	267.7	56	148.5	36	167.1	37
(a) Indus Basin Development Fund	4.3	—	15.3	3	39.1	5	14.0	3	11.4	3	19.2	4	7.1	1	8.8	3		
(b) agriculture	35.8	3	17.0	4	29.3	4	25.8	6	5.6	1	18.8	3	27.8	6	14.0	3		
(c) industry	99.5	17	10.2	2	18.5	2	15.6	3	2.7	1	5.9	1	13.4	3	2.3	1		
(d) energy	33.2	6	12.4	3	29.8	4	30.1	7	29.7	6	18.3	3	54.3	11	29.6	7		
(e) transport	24.7	4	22.1	5	34.3	5	30.2	7	23.6	5	27.9	5	20.6	4	27.6	6		
(f) social infrastructure	28.6	5	26.1	5	56.8	5	50.2	6	46.8	10	68.1	12	144.5	30	66.1	16		
(g) miscellaneous			39.9	8	45.7	6	23.6	6										
2. Technical assistance	73.0	13	77.6	16	70.7	9	84.6	19	87.2	19	91.9	17	98.9	21	104.7	25	180.9	40
3. Aid unconnected with projects	278.8	48	208.0	44	382.2	51	185.9	43	243.5	54	304.3	55	112.6	23	160.5	38	109.2	23
(a) Financing of current imports	98.6	17	79.5	17	97.2	13	81.3	19	165.1	37	105.0	19	73.6	15	117.5	28		
(1) Food aid											14.0	3			117.5	28		
(2) Other aid											91.0	16			18.0	4		
(b) General contributions											32.5	6	18.0	4				
(c) Balance of payments											60.6	11	2.0	2	19.9	5		
(d) Budgetary subsidies											37.1	7						
(e) Alleviation of debt											16.1	3			5.1	1		
(f) Emergencies and disasters																		
(g) Miscellaneous	180.2	31	128.5	27	285.0	38	104.6	24	2.9	1	53.0	10	12.0	2				
4. Contributions for clearly defined current expenditure			18.8	4	48.8	6	2.8	1							3.4	1		
5. Consolidation and refinancing loans			28.0	6	11.6	2	22.7	5										
6. Miscellaneous					5.7	1									1.1			
7. Total	577.9	100	475.4	100	750.5	100	437.4	100	450.4	100	554.3	100	479.3	100	418.2	100	457.2	100

THE FINANCIAL AND TECHNICAL COOPERATION OF DENMARK WITH THE DEVELOPING COUNTRIES

1. During the period under consideration, Denmark's total contributions to the developing countries multiplied approximately thirty times. Until 1968, the pattern of contributions was rather irregular. They have grown at a particularly spectacular rate since 1968. The proportion of GNP accounted for by total aid was very low until 1967 (approximately 0.2%), but as a result of the progress achieved over recent years, the percentage had risen to 1.13% by 1969.

Total public aid has increased consistently since 1962: in 1969, it was double the level of 1958. As against GNP, public aid rose from 0.12% to 0.41% between the beginning and end of the period under consideration. Public bilateral aid also rose considerably. Between 1965 and 1968, the figures for grants were higher than those for loans.

The increase of multilateral public aid was irregular, but the amount doubled from 1968 to 1969. With the exception of the last two years, multilateral aid was higher than bilateral aid.

The amount of total private contributions in 1969 was twelve times higher than that in 1959, there having been substantial fluctuations during the intervening period. In general, private aid was higher than public aid except during the first years. Of the volume of private contributions, the most important role is played by export credits.

2. The financial terms of Danish aid have improved since 1966. The average term of public loans rose from 18.7 to 25 years, rates of interest are nil and periods of grace rose from 2.4 years in 1965 to 7 years in 1969.

3. The geographical distribution varied considerably and is therefore difficult to analyse. Nevertheless, during the last three years, almost 50% of grants were directed towards African countries, whereas Asia received the majority of public loans. In 1969, there was a concentration of private funds on South America.

4. Regarding the sectorial distribution of aid, between one and two thirds of the total is applied to the financing of technical assistance operations. The remainder is largely allocated to social infrastructure, industry and agriculture.

5. A 'Commission for Technical Cooperation with the Less Developed Countries', whose members are drawn from outside governmental circles, which is attached to the Ministry of Foreign Affairs, is responsible for the promotion and coordination of the financial and technical programme as a whole. It is supported by a Secretariat and an advisory body, the 'Council for Technical Cooperation with the Developing Countries', whose members represent various public and private bodies.

In 1970, the Danish Agency for International Development (DANIDA) was set up under the responsibility of the Ministry of Foreign Affairs. A body with general terms of reference on public aid, it directs all Denmark's bilateral programmes. Moreover, it has exclusive responsibility for the administration of technical assistance and the bilateral and multilateral food aid programme. Currently, it has a qualified personnel of 70.

TABLE I
Denmark¹

Total net public and private contributions to the less developed countries and to the multilateral organizations, 1958-1970, payments in millions of US dollars

No	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	
Total contributions (I+II)	1	5.2	21.2	37.9	33.3	14.7	10.5	31.8	15.2	21.3	24.8	83.2	151.0	94.2
I. Total public sector contribution (A+B)	2	5.0	13.0	5.5	8.1	7.4	9.7	10.6	13.0	26.1	27.9	28.7	54.8	56.6
Including: public development aid	3			5.3	8.1	7.5	8.7	10.1	13.0	21.1	25.9	28.7	54.3	56.1
II. Total private sector contributions (C+D)	4	0.2	8.2	32.4	25.2	7.3	0.8	21.2	2.3	-4.8	-2.6	54.5	96.2	37.6
A. Total, public sector, bilateral (1+2)	5	1.0	8.0	0.7	2.1	0.7	0.6	2.2	4.7	10.5	12.5	15.8	31.3	37.9
1. Grants and equivalent contributions	6	1.0	—	0.7	0.7	0.8	1.2	3.0	3.6	5.5	6.7	9.5	15.2	15.1
2. Long-term public sector capital	7	—	8.0	—	1.4	-0.1	-0.6	-0.8	1.1	5.0	5.8	6.3	16.1	22.8
B. Total, public sector, multilateral	8	4.0	5.0	4.8	6.0	6.7	9.1	8.4	8.3	15.6	15.4	12.8	23.4	18.7
C. Private sector investments and loans (1+2+3)	9	—	4.1	8.8	11.8	4.7	3.0	1.0	0.6	-1.8	0.6	9.5	—	20
1. Direct investments	10	—	4.1	4.2	2.2	3.5	3.0	-1.0	1.5	-0.2	-3.3	6.1	—	20
2. Portfolio and other (bilateral) investments	11	—	—	4.6	9.6	1.2	—	2.0	-0.9	-1.6	+3.9	3.4	—	—
3. Multilateral portfolio investments	12	—	—	—	—	—	—	—	—	—	—	—	—	—
D. Private export credits	13	0.2	4.1	23.6	13.4	2.6	-2.2	20.2	1.7	-3.0	-3.2	45.0	96.2	17.6

¹ Denmark became a member of the Development Aid Committee (DAC) in 1963.

Make-up of components of net payments

Denmark

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Total contribution and GNP ¹			0.64	0.50	0.20	0.13	0.35	0.15	0.19	0.20	0.67	1.13	0.60
2. Public contributions and GNP ²			0.09	0.12	0.10	0.12	0.12	0.13	0.23	0.23	0.23	0.41	0.38
3. Ratio between public contributions and private contributions ³	25.0	1.5	0.17	0.32	1.0	12.1	0.5	5.6	⁶ —	⁶ —	0.5	0.57	1.5
4. The public sector													
(a) Ratio between grants and loans ⁴	⁸ —	⁹ —	⁸ —	0.5	⁷ —	⁷ —	⁷ —	3.3	1.1	1.2	1.5	0.9	0.66
(b) Ratio between bilateral and multilateral contributions ⁵	0.25	1.6	0.15	0.35	0.1	0.07	0.3	0.6	0.7	0.8	1.3	1.4	2.0

¹ Net public and private contributions as against GNP, at market prices, in percentages.

² Net public sector contributions as against GNP, at market prices, in percentages.

³ Total public sector payments as against total private sector payments.

⁴ Grants and equivalent contributions made by the public sector, as against public sector long-term capital.

⁵ Total public sector bilateral contributions as against total public sector multilateral contributions.

⁶ Negative private contribution.

⁷ Negative loans.

⁸ No loans.

⁹ No grants.

TABLE 3

Denmark

The financial terms of public development aid

	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Time scales ¹									
(a) Mean average term of loan commitments (in years)			19.1	13.7	18.7	24.0	24.9	25.0	25.0
(b) As compared with the DAC group overall			28.6	22.6	25.1	24.0	30.7	28.4	..
2. Rates of interest ¹									
(a) Mean average rates of interest on loan commitments (percentages)			4.0	5.3	0.0	0.0	0.0	0.0	0.0
(b) As compared with the DAC group overall			3.1	3.6	3.1	3.8	2.7	2.9	..
3. Recommendations of the DAC on aid conditions, published in 1965 ^{2,3}									
(a) Grants as a percentage of total commitments (norm 70%)			77.1	70.3	62.5	63.5	57.3	78.4	..
(b) Grants and loans at a rate of interest not exceeding 3% as a percentage of total commitments (norm 81%)			77.1	70.3	100.0	100.0	100.0	100.0	..
(c) Grants and loans whose term is 25 years or more as a percentage of total commitments (norm 82%)			77.1	70.3	62.5	92.7	99.1	100.0	..
(d) Mean average periods of growth on loan commitments (in years) (norm: average period of 7 years)			5.5	2.4	4.2	6.6	7.0	7.0	7.0

TABLE 4
Denmark

Geographical distribution of public and private sector bilateral financial resources placed at the disposal of the developing countries, 1960-1970
(Net payments in millions of US dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*	1970*
1. Europe: grants ¹ loans ² private contributions ³	1.69	0.46 3.09	-0.12 0.77	-0.10 9.70	-0.30 7.66	0.01 0.41 -6.96	0.01 0.24 -4.01	0.01 0.36 -4.74	0.01 0.09 -2.89	—	0.8
2. Africa: grants loans private contributions	0.10 0.54	0.02 0.90	0.44	-0.32	3.93	1.51 0.18 2.61	1.91 0.64 -1.4	2.57 0.98 0.72	4.56 2.12 -1.94	15.5	20.1
3. The Americas: grants loans private contributions	0.01 18.45	3.65	3.25	-9.35	0.53	0.14 0.75 1.51	0.32 0.63 -0.08	0.16 0.92 2.02	0.36 -0.07 43.78	3.1	5.5
4. Asia: quasi-grants ⁴ grants loans private contributions	0.54 0.54	0.58 0.93 4.49	0.56 -2.05	0.90 -0.50 -0.71	-0.50 -6.05	0.20 0.89 5.41	0.96 0.67 3.45 2.18	0.01 1.13 3.53 -0.90	0.09 1.44 4.16 1.53	9.5	7.2
5. Various: grants loans private contributions	0.01 11.00	0.10 13.00	0.22 5.00	1.20 1.68	2.10 3.03	0.90 -0.26 -2.0	1.66 0.01 -1.55	2.81 0.01	3.10 -0.01 4.0	3.1	5.3
6. Total net payments: grants loans private contributions	0.66 32.22	0.70 1.39 25.13	0.78 -0.12 7.41	1.20 -0.60 1.00	2.10 -0.80 21.20	3.45 1.08 0.57	4.57 4.97 -4.88	6.68 5.80 -2.90	9.47 6.29 44.48	31.2	38.9
7. Main area: Korea (South) India (total net public bilateral contributions)	0.52 0.02	0.51	0.56	0.90	0.90	0.20	4.60	3.65			

¹ Net public grants, payments of compensation and indemnities.

² Net public loans.

³ Direct investments, net balances on guaranteed private export credits and other contributions of private funds.

⁴ Loans repayable in the currency of the beneficiary country.

* Statistics on bilateral official aid flows only, not broken down between grants and loans or by subregions.

TABLE 5
Denmark

Break-down of aid according to object, bilateral commitments,
in millions of US dollars and as a percentage 1962-1970

Objects of aid	1962		1963		1964		1965		1966		1967		1968		1969		1970	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
1. Financing of development projects	0.6	75	2.2	32	3.5	56	2.9	33	13.5	78			34.4	71	19.3	48	5.3	18
(a) agriculture									4.4	25								
(b) industry			2.2	32														
(c) energy																		
(d) transport																		
(e) social infrastructure	0.6	75			3.5	56	2.9	33	9.1	53			34.4	71	19.3	48		
(f) miscellaneous																		
2. Technical assistance	0.2	25	4.6	68	2.8	44	2.8	32	3.8	22	11.9	40	14.3	29	20.7	52	24.3	82
3. Aid unconnected with projects																		
(a) Financing of current imports																		
(1) Food aid																		
(2) Other aid																		
(b) General contributions																		
(c) Balance of payments																		
(d) Budgetary subsidies																		
(e) Alleviation of debt																		
(f) Emergencies and disasters																		
(E) Miscellaneous												18.1	60					
4. Contributions for clearly defined current expenditure																		
5. Consolidation and refinancing loans							3.1	35										
6. Miscellaneous																		
7. Total	0.8	100	6.8	100	6.3	100	8.8	100	17.3	100	30.0	100	48.7	100	40.0	100	29.6	100

1. Gross payments 1962.

THE FINANCIAL AND TECHNICAL COOPERATION OF NORWAY WITH THE DEVELOPING COUNTRIES

1. The total contribution of Norway rose from 3.1 million dollars in 1958 to 75.2 million dollars in 1969, with low points in 1962 and 1966. However, the objective of 1% of GNP has not yet been attained; in 1969, aid accounted for 0.78% of the GNP.

Total public aid trebled between 1959 and 1967, there having been low points in 1962 and 1965. By the end of the period, it had doubled again, with the result that the previously low level of aid as a proportion of GNP became more substantial. Bilateral public aid rose slowly until 1967, but increased spectacularly in 1968 and 1969. The bulk of bilateral aid is still accounted for by grants and equivalent contributions. Multilateral public aid increased tenfold between 1959 and 1969, the most marked growth being between 1967 and 1968. In general, multilateral contributions were appreciably higher than bilateral contributions. The pattern of private contributions was irregular, with low points in 1960, 1962 and 1966. Towards the end of the period, export credits, which account for the bulk private aid, increased substantially. Except in 1961, 1965 and 1968, public aid exceeded private aid; in 1969, they were equal to each other.

2. The financial terms of public loans improved during the later years.

3. Regarding geographical distribution, the share of the Asian countries has diminished since 1967 to the advantage of the African countries which, in 1968, received almost 80% of total grants (Nigeria). Nevertheless, private funds are still directed principally towards Asia and partly to Latin America.

4. The sectorial distribution is characterized by the fact that, on one hand, the percentage of technical assistance fell from 100% in 1962 to 21% in 1969 whereas aid linked to clearly defined projects increased to a level of 54% in 1969. The latter form of aid is principally directed towards agricultural projects, social infrastructure and transport.

5. The Norwegian Agency for International Development (NORCID), which was formed in 1962 and placed under the responsibility of the Ministry of Foreign Affairs, is responsible for the general planning of all aid activities and directs all bilateral aid. Moreover, it has responsibility for measures for the encouragements of private contributions to the developing countries. It is an autonomous body headed by a board of eight members appointed by the Government. The Ministry of Trade and Shipping and the Ministry of Foreign Affairs are responsible for Norway's participation in the multilateral organizations.

A distinctive feature of Norway's financing of aid is the levying of a special development aid tax which was introduced in 1964. Since 1968, it has been levied at a rate of 0.5% of the taxable income of natural persons. This tax covers approximately half of Norway's total aid payments, and in 1969, provided virtually the whole of the public contribution.

TABLE I

Norway¹

Total net public and private contributions to the less developed countries and to the multilateral organizations, 1958-1970, payments in millions of US dollars

No	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Total contributions (I+II)													
I. Total public sector contribution (A+B)	3.1	6.9	10.2	26.9	6.8	21.5	23.0	38.4	17.1	30.2	58.8	75.2	62.8
Including: public development aid	—	5.0	10.1	9.0	6.9	20.6	17.1	11.8	13.1	15.5	24.2	37.7	36.8
3	—	—	5.2	6.8	7.3	9.9	9.6	11.3	14.1	14.5	26.6	29.5	36.8
II. Total private sector contributions (C+D)	3.1	1.9	0.1	17.9	-0.1	0.9	5.9	26.6	4.0	14.7	34.6	37.4	26.0
A. Total, public sector, bilateral (1+2)	1.0	3.0	1.2	1.3	1.2	2.4	2.8	3.7	5.2	4.1	12.5	13.4	14.6
1. Grants and equivalent contributions	1.0	1.0	1.2	1.4	1.3	2.4	2.5	3.2	4.7	4.2	11.4	11.2	13.8
2. Long-term public sector capital	—	2.0	—	-0.1	-0.1	—	0.3	0.5	0.5	-0.1	1.1	2.2	0.8
B. Total, public sector, multilateral	-1.0	2.0	8.9	7.7	5.7	18.2	14.3	8.1	7.9	11.4	11.6	24.3	22.1
C. Private sector investments and loans (1+2+3)	2.3	-0.2	—	0.3	0.4	0.4	1.5	2.7	0.9	1.5	4.4	10.8	22.9
1. Direct investments	2.3	-0.2	—	—	0.4	0.4	1.0	2.7	0.9	1.5	4.4	10.8	18.9
2. Portfolio and other (bilateral) investments	—	—	—	0.3	—	—	0.5	—	—	—	—	—	—
3. Multilateral portfolio investments	—	—	—	—	—	—	—	—	—	—	—	—	4.0
D. Private export credits	0.8	2.1	1.0	17.6	-0.5	0.5	4.4	23.9	3.1	13.2	30.2	26.6	3.1

¹ Norway became a member of the Development Aid Committee (DAC) in July 1962.

TABLE 2
Norway

Make-up of components of net payments

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Total contribution and GNP ¹			0.23	0.55	0.13	0.37	0.36	0.55	0.22	0.36	0.65	0.78	0.56
2. Public contributions and GNP ²			0.22	0.18	0.13	0.36	0.27	0.17	0.17	0.18	0.27	0.39	0.33
3. Ratio between public contributions and private contributions ³	— ⁶	2.5	10.1	0.5	— ⁷	20.5	2.8	0.44	3.3	1.1	0.7	1.0	1.44
4. The public sector													
(a) Ratio between grants and loans ⁴	— ⁹	0.5	— ⁹	— ⁸	— ⁸	— ⁹	8.3	6.2	9.4	— ⁸	10.4	5.1	17
(b) Ratio between bilateral and multilateral contributions ⁵	—	1.5	0.13	0.2	0.21	0.13	0.17	0.46	0.65	0.4	1.1	0.55	0.66

¹ Net public and private contributions as against GNP, at market prices, in percentages.

² Net public sector contributions as against GNP, at market prices, in percentages.

³ Total public sector payments as against total private sector payments.

⁴ Grants and equivalent contributions made by the public sector, as against public sector long-term capital.

⁵ Total public sector bilateral contributions as against total public sector multilateral contributions.

⁶ No total net public contribution.

⁷ Negative private contributions.

⁸ Negative loans.

⁹ No loans.

Norway

The financial terms of public development aid

	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Time scales¹									
(a) Mean average term of loan commitments (in years)			17.0	16.0	— ⁽⁴⁾	— ⁽⁴⁾	23.0	36.0	23.0
(b) As compared with the DAC group overall			28.6	22.6	25.1	24.0	30.7	28.4	..
2. Rates of interest¹									
(a) Mean average rates of interest on loan commitments (percentages)			4.5	3.0	— ⁽⁴⁾	— ⁽⁴⁾	2.2	1.7	2.4
(b) As compared with the DAC group overall			3.1	3.6	3.1	3.8	2.7	2.9	..
3. Recommendations of the DAC on aid conditions, published in 1965^{2,3}									
(a) Grants as a percentage of total commitments (norm 70%)			94.8	95.7	100.0	100.0	92.2	91.2	..
(b) Grants and loans at a rate of interest not exceeding 3% as a percentage of total commitments (norm 81%)			94.8	100.0	100.0	100.0	100.0	99.3	..
(c) Grants and loans whose term is 25 years or more as a percentage of total commitments (norm 82%)			94.8	100.0	100.0	100.0	99.3	97.6	..
(d) Mean average periods of growth on loan commitments (in years) (norm: average period of 7 years)			6.0	6.0	— ⁽⁴⁾	— ⁽⁴⁾	5.5	7.9	9.0

TABLE 4
Norway

APPENDIX 11

Geographical distribution of public and private sector bilateral financial resources placed at the disposal of the developing countries, 1960-1970 (Net payments in millions of US dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*	1970*
1. Europe:											
grants ¹		-0.10	-0.08		0.32	0.02	0.02	0.02	0.03		
loans ²	0.15	0.24	-0.53	0.32	-0.50	0.50	0.50	-0.66	0.50	0.5	0.5
private contributions ³						3.61	0.40		-0.06		
2. Africa:											
grants			0.04	0.43	0.83	1.13	1.92	2.42	9.56	8.7	7.6
loans											
private contributions	0.08		1.55		-1.02	3.38		0.98	3.22		
3. The Americas:											
grants					0.03	0.01	0.05	0.07	0.01	0.2	0.1
loans											
private contributions	-0.28	9.14	0.63	2.21	4.02	1.77	-0.31	0.34	5.10		
4. Asia:											
grants	1.17	1.40	1.25	1.42	1.50	2.01	2.57	1.61	2.32		
loans									0.62		
private contributions	0.17	0.32	0.75	1.59	2.64	10.08	-1.34	1.71	15.43	3.8	6.2
5. Various:											
grants			0.05	0.57	0.10	0.03	0.09	0.08	0.17	0.2	0.3
loans									-0.01		
private contributions	0.01		2.00	4.01	4.01	8.01	5.20	12.11			
6. Total net payments:											
grants	1.17	1.40	1.34	2.42	2.46	3.20	4.65	4.20	12.09		
loans		-0.10	-0.08		0.32	0.50	0.50		1.11		
private contributions	0.13	0.70	4.40	8.13	9.15	26.85	3.95	14.69	23.27	13.4	14.7

¹ Net public grants, payments of compensation and indemnities.

² Net public loans.

³ Direct investments, net balances on guaranteed private export credits and other contributions of private funds.

* Statistics on bilateral official aid flows only, not broken down between grants and loans or by subregions.

TABLE 5
Norway

*Break-down of aid according to object, bilateral commitments,
in millions of US dollars and as a percentage 1962-1970*

Objects of aid	1962		1963		1964		1965		1966 ¹		1967		1968 ¹		1969		1970		
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	
1. Financing of development projects																			
(a) agriculture							1.8	47	2.3	44	1.9	45	2.2	17	4.0	25	8.5	39	
(b) industry							0.8	21	1.2	23	0.9	21	0.9	7	1.4	9			
(c) energy									0.1	2	0.1	2	0.2	2	0.2	1			
(d) transport																			
(e) social infrastructure							0.8	21	1.0	19	0.9	21	1.1	9	1.4	9			
(f) miscellaneous							0.2	5							1.0	6			
2. Technical assistance	4.4	100	2.7	73			1.4	38	2.0	38	2.3	55	3.0	24	3.2	21	7.4	34	
3. Aid unconnected with projects									0.9	17			7.4	59	8.5	54	5.9	29	
(a) Financing of current imports																			
(1) Food aid																			
(2) Other aid																			
(b) General contributions																			
(c) Balance of payments																			
(d) Budgetary subsidies																			
(e) Alleviation of debt																			
(f) Emergencies and disasters																			
(g) Miscellaneous																			
4. Contributions for clearly defined current expenditure									0.9	17			7.4	59	2.2	14			
5. Consolidation and refinancing loans			1.0	27			0.6	15									0.1	—	
6. Miscellaneous																			
7. Total	4.4	100	3.7	100	2.0	100	3.7	100	5.2	100	4.2	100	12.6	100	15.6	100	21.9	100	

¹ Data based on gross payments.

THE FINANCIAL AND TECHNICAL COOPERATION OF THE UNITED STATES OF AMERICA WITH THE DEVELOPING COUNTRIES

1. Between 1958 and 1969, the total contribution of the United States increased by 26%. The curve representing this increase is irregular, with high points in 1961, 1965 and 1968. The return for 1969 was over 1 000 million dollars lower than that of 1968.

Since 1966, aid as a proportion of GNP has fallen consistently, and was less than 0.5% in 1969.

The total public sector contribution rose by 55% between 1958 and 1967. It fell in 1968 and 1969, causing the increase over the period as a whole to be only 38%. Public aid as a proportion of GNP has fallen consistently: from 0.65% in 1961 to 0.35% in 1969.

Between 1961 and 1968, the variations in the volume of public bilateral aid were slight (3 200 to 3 500 million dollars); in 1969, it fell by about 12% against 1968. Since 1960, the proportion of grants and equivalent benefits fell without interruption, whereas that of loans increased steadily. In 1968 and 1969, the levels of grants and loans were virtually level.

The growth of multilateral aid followed an irregular pattern, but during the later years, a strong increase was recorded. Over the period under consideration, the volume of bilateral public contributions was consistently higher than that of multilateral public contributions.

There were low points in the progression of private contributions in 1959, 1963 and 1969; the total for 1969 was almost the same as in 1958. The level of private contributions has always been lower than that of public aid. The flow of private funds is largely made up of direct investments (about 70%), private export credits playing only a minor role.

2. The financial terms of American aid are quite favourable by comparison with the average for the DAC countries as a whole. From the point of repayment periods, rates of interest and periods of grace, 1963 and 1964, and 1968 and 1969 were the best years, the terms corresponding to the DAC recommendations. The statistics for 1969 actually show an improvement in the terms of American aid.

3. The geographical distribution reveals that the highest proportion of the public contribution is directed towards Asia, India in particular. However, the Latin American countries have increased their share of the public loans allocated and they also benefit from substantial private contributions.

4. Regarding distribution according to sectors of intervention, since 1966, the bulk of American aid has been directed towards the financing of current imports, in connection with food aid in particular. Roughly 25% of the total is assigned to specific projects, particularly in the industrial sector and the fields of transport and energy. The proportion allocated to technical assistance is increasing: 9% in 1962, 19% in 1969.

5. Administration of aid

The following organizations are responsible for the administration of the public aid programmes:¹

(a) The Agency for International Development (AID), set up in 1961 as a branch of the State Department, today has Divisions for East Asia, Vietnam, the Near East, South-East Asia and Africa.

The AID has its headquarters in Washington and local representatives in the beneficiary countries. The main aspects of the activities of the AID are in connection with development loans and technical assistance; it also makes contributions to the institutions of the United Nations and provides the capital for the Social Progress Trust Fund (SPTF) which is managed by the InterAmerican Bank of Development (IBD).

(b) Aid to Latin America is administered by the office of the Alliance for Progress which is managed directly by the State Department.

(c) The 'Food for Freedom' programme is administered by an interministerial committee under the chairmanship of the Agriculture Department. The AID represents the State Department and plays an important part in the planning of the programme.

(d) The Export-Import Bank of the United States (Eximbank) is an autonomous body created in 1934 with the purpose of fostering exports of American products and services to both developing and developed countries. In general, it applies purely commercial criteria in the allocation of credits.

(e) The Peace Corps, founded in 1961, is made up of voluntary workers who undertake to serve for two years in a given country; they take part in the execution of a large number of technical assistance programmes, particularly in the fields of primary education and social work.

The AID is responsible for approximately 50% of the whole of American aid; the 'Food for Freedom' programme accounts for a third on average, and the remainder is shared by the Eximbank and the Peace Corps.

¹ A reorganization of the present arrangements and structures is expected.

United States

Total net public and private contributions to the less developed countries and to the multilateral organizations, 1958-1970, payments in millions of US dollars

No	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Total contributions (I+II)	1	3 685.0	3 276.1	3 818.2	4 549.1	4 354.5	4 771.3	5 444.5	4 883.9	5 644.4	5 723.0	4 645.4	5 393.0
I. Total public sector contribution (A+B)	2	2 410.0	2 322.0	2 776.0	3 447.4	3 535.5	3 698.6	3 445.3	3 524.0	3 722.0	3 607.0	3 328.0	3 218.0
Including: public development aid	3	—	—	2 702.1	2 943.4	3 231.5	3 626.6	3 636.3	3 465.0	3 567.0	3 303.0	3 163.0	3 050.0
II. Total private sector contributions (C+D)	4	1 275.0	954.1	1 042.2	1 101.7	819.0	880.0	1 326.0	1 897.5	1 359.9	1 922.4	1 317.4	2 175.0
A. Total, public sector bilateral (1+2)	5	2 358.0	2 265.0	2 578.0	3 245.0	3 398.0	3 557.0	3 241.0	3 548.0	3 412.0	3 355.0	2 998.0	2 825.0
1. Grants and equivalent contributions	6	1 853.0	2 038.0	2 463.0	2 608.0	2 697.0	2 668.0	2 485.0	2 258.0	2 019.0	1 731.0	1 546.0	1 381.0
2. Long-term public sector capital	7	505.0	277.0	115.0	637.0	701.0	889.0	756.0	1 162.0	1 290.0	1 624.0	1 452.0	1 444.0
B. Total, public sector, multilateral	8	52.0	57.0	198.1	202.4	137.5	141.6	204.3	85.0	310.0	252.0	330.0	393.0
C. Private sector investments and loans (1+2+3)	9	1 317.0	955.1	1 043.2	1 101.7	771.0	850.0	1 277.0	1 884.9	1 292.4	1 860.7	1 297.6	2 092.3
1. Direct investments	10	765.0	621.0	594.0	828.0	566.0	745.0	869.0	1 275.0	1 103.0	1 060.0	1 115.0	1 610.0
2. Portfolio and other (bilateral) investments	11	185.0	316.0	324.8	273.0	45.0	99.8	277.0	457.9	188.4	544.8	202.4	143.6
3. Multilateral portfolio investments	12	367.0	18.1	124.4	0.7	160.0	5.2	131.0	152.0	1.0	255.9	39.0	241.0
D. Private exports credits	13	-42.0	-1.0	-1.0	—	48.0	30.0	49.0	67.5	61.7	34.8	19.8	82.7

TABLE 2

United States

Make-up of components of net payments

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Total contribution and GNP ¹			0.75	0.86	0.77	0.76	0.74	0.78	0.64	0.70	0.65	0.49	0.55
2. Public contributions and GNP ²			0.54	0.65	0.62	0.62	0.54	0.51	0.46	0.46	0.41	0.35	0.31
3. Ratio between public contributions and private contributions ³	2.0	2.4	2.6	3.1	4.3	4.2	2.8	1.9	2.5	1.9	1.7	2.5	1.5
4. The public sector													
(a) Ratio between grants and loans ⁴	3.6	9.0	21.4	4.1	3.8	3.0	3.4	2.0	1.7	1.4	1.1	1.1	0.96
(b) Ratio between bilateral and multilateral contributions ⁵	45.3	39.7	13.0	16.1	24.7	25.1	16.2	40.7	⁶ —	11.0	13.3	9.1	7.3

¹ Net public and private contributions as against GNP, at market prices, in percentages.

² Net public sector contributions as against GNP, at market prices, in percentages.

³ Total public sector payments as against total private sector payments.

⁴ Grants and equivalent contributions made by the public sector, as against public sector long-term capital.

⁵ Total public sector bilateral contributions as against total public sector multilateral contributions.

⁶ Negative multilateral contributions.

United States

The financial terms of public development aid

	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Time scales ¹									
(a) Mean average term of loan commitments (in years)	28.6	32.5	33.4	27.9	29.3	28.2	38.0	37.1	37.4
(b) As compared with the DAC group overall	24.5	25.1	28.6	22.6	25.1	24.0	30.7	28.4	..
2. Rates of interest ¹									
(a) Mean average rates of interest on loan commitments (percentages)	2.5	2.0	2.5	3.3	3.0	3.6	2.6	3.0	2.6
(b) As compared with the DAC group overall	3.5	3.3	3.1	3.6	3.1	3.8	2.7	2.9	..
3. Recommendations of the DAC on aid conditions, published in 1965 ^{2, 3}									
(a) Grants as a percentage of total commitments (norm 70%)			57.9	61.7	61.2	56.1	44.5	59.8	..
(b) Grants and loans at a rate of interest not exceeding 3% as a percentage of total commitments (norm 81%)			89.2	82.3	87.5	83.3	83.2	85.2	..
(c) Grants and loans whose term is 25 years or more as a percentage of total commitments (norm 82%)			89.0	83.0	84.1	80.6	79.5	81.2	..
(d) Mean average periods of growth on loan commitments (in years) (norm: average period of 7 years)			7.7	5.9	6.6	6.7	7.0	8.7	8.7

TABLE 4

United States

Geographical distribution of public and private sector bilateral financial resources placed at the disposal of the developing countries, 1960-1970
(Net payments in millions of US dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*	1970*
1. Europe: quasi-grants ⁴	120.0	232.0	180.0	183.0	40.0	-2.12	-8.0	-22.0	-23.0		
grants ¹	164.0	169.0	140.0	106.0	43.0	30.11	22.0	23.0	22.0		
loans ²	10.0	39.0	62.0	55.0	154.0	221.9	236.0	157.0	142.0	77.0	61.0
private contributions ³ 5	27.0	46.0	24.0	51.0	86.0	131.5	187.2	44.7	168.5		
2. Africa: quasi-grants	113.0	103.0	207.0	202.0	218.0	153.7	85.0	17.0	20.0		
grants	151.0	237.0	277.0	226.0	231.0	193.4	185.0	185.0	152.0	264.0	246.0
loans	33.0	52.0	52.0	52.0	43.0	114.1	185.0	127.0	103.0		
private contributions	175.0	138.0	165.0	102.0	139.0	191.0	95.6	213.0	301.2		
3. The Americas: quasi-grants	69.0	132.0	103.0	129.0	175.0	75.2	80.0	52.0	48.0		
grants	97.0	135.0	147.0	204.0	231.0	270.4	224.0	211.0	201.0	591.0	517.0
loans	18.0	435.0	328.0	227.0	51.0	267.8	419.0	341.0	560.0		
private contributions	540.0	653.0	355.0	505.0	711.0	703.7	740.9	755.4	883.3		
4. Asia + Oceania: quasi-grants	817.0	673.0	792.0	783.0	853.0	748.4	701.0	571.0	413.0		
grants	854.0	831.0	716.0	709.0	648.0	734.0	833.0	848.0	788.0	1 885.0	1 805.0
loans	56.0	93.0	255.0	560.0	500.0	558.9	450.0	772.0	819.0		
private contributions	175.0	147.0	68.0	212.0	257.0	704.6	288.3	560.9	530.4		
5. Various: quasi-grants	-1.0	-2.0	1.0	6.0	-4.0	-35.0	-42.0	-82.0	-37.0		
grants	79.0	98.0	134.0	120.0	50.0	131.7	178.0	211.0	146.0	163.0	246.0
loans	-2.0	-3.0	4.0	-5.0	—	—	—	2.0	—		
private contributions	2.0	117.0	48.0	5.0	1.0	—	45.5	12.5	67.03		
6. Total net payments: quasi-grants	1 118.0	1 138.0	1 283.0	1 303.0	1 282.0	940.2	816.0	536.0	421.0		
grants	1 345.0	1 470.0	1 414.0	1 365.0	1 203.0	1 359.7	1 442.0	1 478.0	1 309.0	2 980.0	2 875.0
loans	115.0	616.0	701.0	889.0	748.0	1 162.8	1 290.0	1 399.0	1 624.0		
private contributions	919.0	1 101.0	660.0	875.0	1 194.0	1 728.6	1 358.9	1 586.5	1 950.5		
7. Main area: India (net public bilateral contributions)	524	376	535	740	862	857.4	746.0	827.0	616.0		

¹ Net public grants, payments of compensation and indemnities.

² Net public loans.

³ Direct investments, net balances on guaranteed private export credits and other contributions of private funds.

⁴ Loans granted in the currency of the donor country by governments or public institutions which are repayable in the currency of the beneficiary country; and transfers of resources by means of sales against the currency of the beneficiary country.

⁵ For the direct investments during the years 1960 to 1964, only the Secretariat estimates are available.

* Statistics on bilateral official aid flows only, not broken down between grants and loans or by subregions.

TABLE 5

United States

Break-down of aid according to object, bilateral commitments,
in millions of US dollars and as a percentage 1962-1970

Objects of aid	1962		1963		1964		1965		1966		1967		1968		1969		1970	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
1. Financing of development projects	1 222.0	26	1 049.0	27	1 243.0	23	933.0	26	807.0	18	1 462.0	30	1 146.0	26	711.0	21	896.0	24
(a) agriculture	35.0	1	25.0	1	27.0	1	31.0	1	21.0	1	22.0	1	65.0	2	16.0	1		
(b) industry	113.0	2	115.0	3	99.0	3	43.0	1	80.0	2	81.0	2	521.0	12	174.0	5		
(c) energy	360.0	8	158.0	4	283.0	5	321.0	9	279.0	6	671.0	14	106.0	6	226.0	7		
(d) transport	247.0	5	299.0	8	284.0	8	258.0	7	100.0	2	264.0	6	205.0	2	207.0	6		
(e) social infrastructure	214.0	5	274.0	7	335.0	6	172.0	5	280.0	6	322.0	7	113.0	3	40.0	1		
(f) miscellaneous	253.0	5	178.0	4	172.0	3	108.0	3	44.0	1	96.0	2	86.0	2	48.0	1		
2. Technical assistance	401.0	9	410.0	10	433.0	8	466.0	13	634.0	14	754.0	16	729.0	17	660.0	19		
3. Aid unconnected with projects	2 994.0	63	2 398.0	61	3 629.0	67	2 065.0	59	3 021.1	68	2 610.3	54	2 450.0	57	1 905.0	57	604.0	17
(a) Financing of current imports	2 842.0	60	2 279.0	58	3 559.0	66	1 921.0	55	2 853.0	64	2 463.0	51	2 289.0	53	1 791.0	53	2 039.0	55
(1) Food aid									1 509.0	34	1 498.0	31	1 038.0	24	1 358.0	41		
(2) Other aid									1 344.0	30	965.0	20	1 251.0	29	433.0	12		
(b) General contributions									41.0	1	52.0	1	75.0	2	64.0	2		
(c) Balance of payments									47.0	1	13.0	—	11.0	—	17.0	1		
(d) Budgetary subsidies									80.1	2	82.3	2	75.0	2				
(e) Alleviation of debt																		
(f) Emergencies and disasters															33.0	1		
(g) Miscellaneous	152.0	3	119.0	3	70.0	1	143.0	4	80.1	2	82.3	2	75.0	2				
4. Contributions for clearly defined current expenditure	39.0	1																
5. Consolidation and refinancing loans	69.0	1	86.0	2	78.0	2	69.0	2							78.0	3	143.0	4
6. Miscellaneous																		
7. Total	4 725.0	100	3 963.0	100	5 383.0	100	3 533.0	100	4 462.1	100	4 826.3	100	4 325.0	100	3 354.0	100	3 682.0	100

THE FINANCIAL AND TECHNICAL COOPERATION OF JAPAN WITH THE DEVELOPING COUNTRIES

1. Between 1958 and 1969, the total aid effort increased approximately fourfold. There was an appreciable increase after 1965, although not sufficient to enable the objective of 1% of GNP to be achieved (0.76% in 1969). Total public aid in 1969 was nine times higher than in 1959, having increased steadily since 1962.

On average, it accounted for 0.5% of the GNP during the latter years.

From 1964, public bilateral aid increased by approximately 100 million dollars a year; it increased ninefold over the period under consideration. From 1961, there was a modification in the ratio between grants and loans in favour of the latter, which accounted for a figure five times higher than that of grants by the end of the period.

Multilateral public aid, comparatively low at the beginning of the period, made strong progress in 1968 and 1969. The volume of multilateral aid remains lower than that of bilateral aid.

Between 1958 and 1966, the total private contribution fluctuated around 100 million dollars. During the last three years, it increased considerably, mainly because of a substantial growth in the volume of export credits. The public sector contribution was always higher than that of the private sector.

2. The terms of Japanese aid improved considerably: the repayment period for public loans rose from 10 to 19.5 years and rates of interest fell from 6 to 3.7%; periods of grace increased from 4.5 to 6.1 years. However, these terms do not yet comply with the recommendations of the DAC.

3. As to geographical distribution, almost all of the public contribution and the bulk of the private contribution are directed towards Asia: Indonesia, India and Burma. Only a part of the private contribution goes to the other developing countries in Europe, Africa and the Americas.

4. Analysis of the sectorial distribution shows that, between 1966 and 1969, the bulk of Japanese aid was allocated to the financing of current imports. Previously, aid had been concentrated on the financing of clearly defined projects, mainly in the industrial sector. Many of the available statistics are unspecific.

5. Responsibility for the determination and implementation of aid policy is shared by several ministries and organizations, principally the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of International Trade and Industry and the Economic Planning Agency. The concrete execution of aid operations is entrusted to various bodies:

(a) The Export-Import Bank of Japan is an agency of the Ministry of Finance; its main tasks are the financing of exports, imports and foreign investments, and the administration of public loans granted to the developing countries.

(b) The Overseas Economic Cooperation Fund (OECF) set up in 1961 under the supervision of the Economic Planning Agency, is responsible for the granting of direct public loans with favourable terms to the developing countries.

(c) The Overseas Technical Cooperation Agency (OTCA), which was formed in 1962, is a semi-autonomous body responsible for carrying out most of the technical assistance activities undertaken by the Japanese Government.

TABLE I
Japan

Total net public and private contributions to the less developed countries and to the multilateral organizations, 1958-1970, payments in millions of US dollars

No	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Total contributions (I+II)													
I. Total public sector contribution (A+B)													
1	314.8	190.2	246.1	381.4	286.2	267.4	289.8	485.5	625.1	797.5	1 029.8	1 263.1	1 821.0
Including: public development aid													
3	—	—	105.1	107.8	85.3	137.6	115.8	243.7	283.3	384.3	356.2	435.6	458.0
II. Total private sector contributions (C+D)													
4	53.1	98.6	102.6	160.0	118.0	93.9	79.1	132.1	141.1	196.5	351.5	451.7	669.4
A. Total, public sector, bilateral (1+2)													
1. Grants and equivalent contributions													
5	242.3	79.5	113.2	210.0	161.0	161.3	201.2	336.0	433.5	556.3	629.5	705.4	864.1
6	237.9	67.1	66.9	67.8	74.6	76.7	68.7	82.2	104.9	138.4	117.0	123.4	121.2
2. Long-term public sector capital													
7	4.4	12.4	46.3	142.2	86.4	84.6	132.5	253.8	328.6	417.9	512.5	581.9	742.9
8	19.4	12.1	30.3	11.4	7.2	12.2	9.5	17.4	50.5	44.7	48.8	105.9	287.5
B. Total, public sector, multilateral													
C. Private sector investments and loans (1+2+3)													
1. Direct investments													
9	19.5	15.0	77.1	93.8	69.1	76.4	38.4	87.1	86.4	66.3	90.8	152.1	282.5
2. Portfolio and other (bilateral) investments													
10	19.0	14.0	77.1	98.4	68.4	76.7	39.3	87.4	86.8	66.4	90.8	144.1	261.5
3. Multilateral portfolio investments													
11	—	—	—	—	—	—	—	—	—	—	—	—	3.5
12	0.5	1.0	—	-4.6	0.7	-0.3	-0.9	-0.3	-0.4	-0.1	—	8.0	17.5
D. Private export credits													
13	33.6	83.6	25.5	66.2	48.9	17.5	40.7	45.0	54.7	130.2	260.7	299.6	386.9

Japan

Make-up of components of net payments

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Total contribution and GNP ¹			0.57	0.71	0.49	0.40	0.36	0.55	0.62	0.67	0.73	0.76	0.93
2. Public contributions and GNP ²			0.33	0.42	0.29	0.26	0.27	0.40	0.48	0.51	0.48	0.49	0.23
3. Ratio between public contributions and private contributions ³	4.9	0.9	1.4	1.4	1.5	1.8	2.6	2.7	3.5	3.1	1.9	1.8	1.7
4. The public sector	53.8	5.4	1.4	0.5	0.9	0.9	0.5	0.3	0.3	0.3	0.2	0.2	0.16
(a) Ratio between grants and loans ⁴													
(b) Ratio between bilateral and multilateral contributions ⁵	12.4	6.6	3.7	18.4	22.2	13.2	21.1	19.3	8.6	12.4	12.9	6.6	3.0

¹ Net public and private contributions as against GNP, at market prices, in percentages.

² Net public sector contributions as against GNP, at market prices, in percentages.

³ Total public sector payments as against total private sector payments.

⁴ Grants and equivalent contributions made by the public sector, as against public sector long-term capital.

⁵ Total public sector bilateral contributions as against total public sector multilateral contributions.

TABLE 3

Japan

The financial terms of public development aid

	1962	1963	1964	1965	1966	1967	1968	1969	1970
1. Time scales ¹									
(a) Mean average term of loan commitments (in years)	10.0	15.0	16.0	12.0	14.1	16.6	17.9	19.5	21.4
(b) As compared with the DAC group overall	24.5	25.1	28.6	22.6	25.1	24.0	30.7	28.4	..
2. Rates of interest ¹									
(a) Mean average rates of interest on loan commitments (percentages)	6.0	5.8	5.8	4.4	5.2	4.8	3.7	3.7	3.7
(b) As compared with the DAC group overall	3.5	3.3	3.1	3.6	3.1	3.8	2.7	2.9	..
3. Recommendations of the DAC on aid conditions, published in 1965 ^{2, 3}									
(a) Grants as a percentage of total commitments (norm 70%)			50.8	37.2	41.5	37.6	57.4	20.2	..
(b) Grants and loans at a rate of interest not exceeding 3% as a percentage of total commitments (norm 81%)			50.8	51.6	41.5	37.6	79.3	54.3	..
(c) Grants and loans whose term is 2.5 years or more as a percentage of total commitments (norm 82%)			50.8	37.2	41.5	37.6	57.4	24.9	..
(d) Mean average periods of growth on loan commitments (in years) (norm: average period of 7 years)			4.5	2.4	4.5	4.7	5.5	6.1	6.7

Japan

*Geographical distribution of public and private sector bilateral financial resources
placed at the disposal of the developing countries, 1960-1970
(Net payments in millions of US dollars)*

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969*	1970*
1. Europe: grants ¹ loans ² private contributions ³	0.01 -3.65	0.03 1.89	0.03 10.04	0.05 2.54	0.03 5.33	0.10 40.61	0.11 15.91	0.11 0.56 -4.26	0.10 32.78 13.71	49.0	100.4
2. Africa: grants loans private contributions	0.06 -0.20	0.07 3.31	0.14 -0.43	0.18 13.23	0.72 0.01 11.13	0.52 15.53	0.75 5.20	1.07 200.66	1.37 13.89 52.2	14.9	20.9
3. The Americas: grants loans private contributions	0.08 -4.88 44.79	0.14 3.20 145.32	0.47 -6.55 108.32	0.34 8.31 24.02	0.50 -12.01 14.96	0.53 19.22 59.0	0.72 16.69 30.16	1.03 -1.21 45.12	1.39 43.89 47.51	29.2	38.3
4. Asia: grants loans private contributions	66.52 15.60 95.87	67.20 26.12 128.06	73.77 12.90 79.33	75.89 43.17 85.54	67.23 49.55 142.27	80.84 124.88 127.10	102.9 113.4 193.59	135.6 208.2 223.42	113.6 319.9 186.10	603.3	684.4
5. Various: grants loans private contributions	0.27 3.00	0.35 6.00	0.14 10.01	0.16 13.00	0.25 14.00	0.19 —	0.30 138.6	0.59 —	0.50 82.61 18.66	8.9	10.2
6. Total net payments: grants loans private contributions	66.94 10.72 139.81	67.79 29.32 284.58	74.55 6.35 207.27	76.62 51.48 138.33	68.73 37.55 188.69	82.18 144.10 242.22	104.7 130.1 284.3	138.4 207.5 464.9	116.98 493.1 319.2	705.4	864.2
7. Main areas: India + Burma Indonesia (net public bilateral contributions)	37.71 14.28	36.83 30.81	33.09 22.04	59.63 17.93	52.22 15.01	65.02 21.52	59.79 50.6	46.74 112.9	88.1 77.04		

¹ Net public grants, payments of compensation and indemnities.

² Net public loans.

³ Direct investments, net balances on guaranteed private export credits and other contributions of private funds.

* Statistics on bilateral official aid flows only, not broken down between grants and loans or by subregions.

TABLE 5
Japan

*Break-down of aid according to object, bilateral commitments,
in millions of US dollars and as a percentage 1962-1970*

Objects of aid	1962		1963		1964		1965		1966		1967		1968		1969		1970	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
1. Financing of development projects	97.4	47	142.8	48	58.5	35	76.5	28	88.2	28	99.6	19	47.5	11	117.5	26	138.7	29
(a) agriculture	0.1	1							3.3	1			2.8	1	8.1	2		
(b) industry	38.8	18	115.7	39	47.9	29	43.7	16	36.0	12	45.1	9	0.8		10.5	2		
(c) energy	10.3	5	1.6	1	3.8	2	9.1	3	23.6	8	29.1	6	18.7	4	19.2	4		
(d) transport	48.2	23	11.6	4	2.1	1	5.5	2	25.4	8	22.1	4	25.2	6	76.1	17		
(e) social infrastructure			1.0	—							3.3	1			3.6	1		
(f) miscellaneous			12.9	4	4.7	3	18.2	7										
2. Technical assistance	6.2	3	5.2	2	6.1	4	7.5	3	10.4	3	16.0	3	18.2	4	20.8	5		
3. Aid unconnected with projects	39.6	19	80.7	27	31.5	19	28.5	11	214.0	68	397.3	77	348.2	84	231.6	50	24.1	5
(a) Financing of current imports	39.6	19	80.7	27	31.5	19	28.0	11	108.9	35	252.8	49	224.3	54	200.7	44	219.2	45
(1) Food aid									6.4	2	1.7		4.3	1	82.5	18		
(2) Other aid									102.5	33	251.1	49	220.0	53	118.2	26		
(b) General contributions																		
(c) Balance of payments									15.8	5	49.7	10	22.3	5	29.2	6		
(d) Budgetary subsidies															1.7	—		
(e) Alleviation of debt																		
(f) Emergencies and disasters																		
(g) Miscellaneous									89.3	28	94.8	18	101.6	24				
4. Contributions for clearly defined current expenditure																		
5. Consolidation and refinancing loans	68.4	31	69.5	23	69.9 ²	42	56.7 ²	21							87.4	19	99.7	21
6. Miscellaneous																		
7. Total	211.6	100	298.2	100	166.0	100	268.6	100	312.6	100	512.9	100	413.9	100	457.4	100	481.7	100

¹ Gross payments.

² Including 68.4 million dollars in payment of compensation and indemnities.

³ Including 45 million dollars in payment of compensation and indemnities.

The financial contribution of the Community as a proportion of the overall contribution of the DAC member countries, seen in relation to those of the United States and the United Kingdom; evolution of the percentages of the total contributed by the principal donors, with a breakdown of forms of aid 1960 to 1969

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
1. Overall contribution of the DAC countries as a whole, index of absolute value (1960 = 100)	100	114	105	106	113	128	127	139	162	167
2. Percentages of the DAC total contributed by the main donors ¹	100	100	100	100	100	100	100	100	100	100
(a) DAC total										
(b) EEC										
— total	33	31	31	29	28	26	31 ¹	28	34	39
— public	18	19	20	17	16	14	15	15	14	14
— private	15	12	11	12	12	12	16	13	20	25
— bilateral public	15	15	17	16	15	13	13	14	13	12
— multilateral public	3	4	7	1	1	1	2	1	1	2
— public grants	11	11	12	11	10	9	8	8	8	8
— public loans	4	4	1	5	5	4	5	6	5	4
— EDF	1	1	2	*	*	*	*	*	1	1
(c) United States										
— total	47	49	51	53	52	52	47	50	44	34
— public	34	37	42	13	38	34	34	33	27	24
— private	13	12	9	10	14	18	13	17	17	10
— bilateral public	32	35	40	41	35	33	34	30	25	22
— multilateral public	2	2	2	2	3	1	*	3	2	2
— public grants	30	28	32	31	27	22	22	18	13	11
— public loans	2	7	8	10	8	11	12	12	12	11
(d) United Kingdom										
— total	11	10	9	8	10	10	9	7	6	8
— public	5	5	5	5	5	4	5	4	3	3
— private	6	5	4	3	5	6	4	3	3	5
— bilateral public	4	4	4	4	5	4	4	4	3	3
— multilateral public	1	1	1	1	*	*	1	*	*	*
— public grants	2	2	2	2	3	3	2	2	2	2
— public loans	2	2	2	1	2	1	2	2	1	1
(e) Other countries										
— total	9	10	9	10	10	12	13	15	16	19

¹ In order to obtain the absolute value from the percentages given, one multiplies the percentage by the absolute value index for the year in question shown in the first line of the table and divides by 100.

Example: the EEC's 31% of the total contribution in 1966 corresponds to an absolute value index of 31×127

$$\frac{31 \times 127}{100} = 39.4$$

* Less than 0.5%.

Sources: OECD 1970 survey, Report of the President of the DAC, page 194 and the tables in the preceding annexes.

THE NON-COMMUNITY MULTILATERAL INSTITUTIONS

I. The financial institutions

(a) *The World Bank group*

1. *The International Bank for Development and Reconstruction* (IBDR) which was set up at the same time as the International Monetary Fund (IMF) in Bretton Woods, has been operational since 25 June 1946. The principal task of this institution, which operates in accordance with entirely commercial criteria, is the granting of long-term financial resources on market conditions to countries devastated by war and the developing countries. Consequently, the World Bank initially concentrated its activities on the European countries. By about 1958, the developing countries began to assume increasing importance in the work of the World bank, and they now receive about three-quarters of its total commitments.

As at 30 June 1970, 113 States were members of the Bank, and therefore, of the IMF. Members are required to subscribe to the capital of the World Bank, which stood at 23 158 800 000 dollars on 30 June 1970. 10% of the capital subscribed must be fully paid up (and 10% of this in gold or US dollars) and the balance (90%) may be called up in order to meet the obligations of the Bank. The authorized capital of the World Bank was increased recently from 24 000 million to 27 000 million dollars; the increase of capital took effect on 31 December 1970. Moreover, the resources of the World Bank are supplemented by loan stock issued on national financial markets, by revenue and by repayments of loans to the Bank. During the year ended 30 June 1970, the Bank utilized these resources in the granting of a total of 70 loans to a value of 1 680 million dollars to 39 countries.

The internal organization of the World Bank bears a close resemblance to that of the International Monetary Fund: it comprises a Board of Governors, a President, executive directors and an international personnel.

2. The International Development Association (IDA), which is affiliated to the World Bank, was formed in 1960 for the granting of loans on very liberal terms to its less developed members. As at 30 June 1970, 105 countries were members of the IDA, these countries falling into two groups as follows:

- (i) the 18 countries of the first group are the industrialized countries, whose subscriptions are paid entirely in convertible currency; moreover, these countries make periodic contributions which are approved following negotiations on measures for the replenishment of resources.
- (ii) the 87 countries of the second group comprising the less developed countries which only pay one tenth of their subscriptions in convertible currency; the balance is paid in the national currency of each country, and cannot be utilized by the IDA without the approval of that country.

As at 30 June 1970, the IDA had granted credits to a value of 2 770 million dollars in initial commitments for 221 transactions. The terms of these loans are very flexible: very long periods of grace, no interest (except the charges of ¾ %) and repayment periods of up to 50 years. The activities of the IDA have been centred largely on the following countries: India, Pakistan, Indonesia, Turkey, Korea, Kenya, Tanzania, Tunisia, Nigeria, Ethiopia and Malawi.

3. The International Financial Corporation (IFC) was founded in 1956 in order to facilitate the financing of private investment in productive ventures in the member countries. Financial backing must always be linked to a project of considerable interest in terms of economic development. Moreover, the IFC only takes a minority holding (about 25%) in the share capital, and is not represented on the Board of Directors of the company.

The IFC's available financial resources are made up principally of transfers from the World Bank, subscriptions of capital and its own income. By the end of 1969, the Corporation had entered into commitments to a total value of 168 million dollars, which took various forms: loans granted (5 to 15 years repayment period, rate of interest fixed for each individual loan), subscriptions of shares, formation of underwriting syndicates, 'standby' commitments relating to the placing of shares and the establishment of financing plans.

(b) InterAmerican Bank for Development (IBD)

The IBD is a regional body founded in December 1959 by 22 Latin American nations and the United States. It is open to member countries of the Organization of American States (OAS) only. Its primary objective is to foster economic development in Latin America.

The organization of the IBD resembles those of the World Bank and the IDA: on one hand, the IBD has ordinary capital, which stood at 3 150 million dollars on 31 December 1969 of which 475 million had been fully paid up, from which the Bank grants loans on market terms; on the other hand, like the IDA, it has a special fund from which it is able to grant loans on flexible terms; at the end of 1969, this fund, the resources of which are provided by the member countries, stood at 2 300 million dollars, of which 1 800 million were supplied by the United States. The Bank is able to raise additional resources by issuing loan stock on the financial markets of the world. At the end of 1969, its consolidated debt stood at 757 million dollars. Finally, the Bank is responsible for the administration of various other funds.

As at 31 December 1969, the IBD had granted 565 loans to a value of 3 430 million dollars; the principal sectors of intervention are agriculture, industry, mining, housing, transport, etc. The principal beneficiary countries have been Brazil, Mexico, Argentina, Chile, Colombia, Venezuela and Peru.

(c) Asian Development Bank (ADB)

The Bank commenced operations on 19 December 1966; it has its headquarters in Manila. Its authorized capital is 1 100 million dollars, of which 1 004 million

had been subscribed by autumn 1970. The authorized capital is divided into two halves, one of which must be paid up, the other being on call.

The Bank is open to associate members of the Economic Commission for Asia and the Far East (ECAFE), other countries in the region and—a distinctive feature—non-Asian developed countries which are members of the United Nations Organization or one of its specialized institutions.

The Bank finances ordinary operations out of its ordinary capital and special operations out of the resources of special funds. In January 1968, it announced its first loan. The special funds are:

- (i) special fund for technical assistance: at the end of 1969, the commitments for this fund amounted to 2 064 million dollars, having been subscribed by Canada, Denmark, Germany, Japan, the United Kingdom and the United States. The loans are generally tied loans;
- (ii) special agricultural fund: the contributions of Denmark, Japan and the Netherlands amount to a total of 23.1 million dollars;
- (iii) special multi-purpose fund for which contributions have been received from Canada, Japan, the Netherlands and the United Kingdom to a total value of 90.5 million dollars.

(d) *African Development Bank*

The agreement by the terms of which the Bank was founded entered into force on 10 September 1964, but it did not commence operations until July 1966 and its level of activities is still comparatively low. As at 30 June 1970, total commitments amounted to 21 million dollars and total payments to approximately 2 million dollars.

Membership in the Bank is open to independent African States only. There are currently 32 members, including all the AASM with the exception of Madagascar and Gabon.

The Bank has a Board of Governors, a Board of Directors and a President who is elected for 5 years. The ADB has its headquarters in Abidjan (Ivory Coast).

Its authorized capital is 250 million dollars and the subscribed capital, 217.8 million dollars of which 50% was to have been paid up by the end of 1969. However, as at 30 June 1970, only 32%, 69 million dollars, had been paid up. The ADB is able to supplement its resources by borrowing from the International capital market, but has not yet used this facility. The financial terms offered by the Bank may be described as harsh.

In 1966, the ADB suggested the creation of a Multilateral Special Fund in which foreign non-African States would participate. In November 1966, it made representations to 27 Governments including those of the DAC countries, the Eastern Bloc countries and two developing countries, Brazil and Kuwait, in order to invite them to contribute to this Special Fund, whose principal function would be the granting of long term loans on favourable conditions. The initial amount of the Fund would be set at 218 million dollars. Currently, discussions on the setting up of the Fund are being pursued at various levels.

II. United Nations Institutions

The United Nations Organization occupies a position of importance in the field of multilateral aid and technical assistance to the developing countries. These activities only account for part of the programme of the United Nations; they are placed under the responsibility of the General Assembly and the Economic and Social Council (ECOSOC). There are some 20 bodies attached to this Council, of which it is only proposed to consider the following here:

(a) *United Nations Development Programme (UNDP)*

In 1965, the General Assembly approved the merging of the Enlarged Technical Assistance Programme (ETAP) and the United Nations Special Fund (UNSF) into a single programme with a view to increasing the effectiveness of the activities of the United Nations in the field of technical cooperation.

The ETAP helps the developing countries to expand their industry and agriculture in order to promote their economic and political independence. To this purpose, the Member States of UNO make voluntary contributions to the Programme and place experts at the disposal of the institutions of the United Nations.

The UNSF, also financed from voluntary contributions from the Member States, has as its object the creation of favourable conditions for investment in the developing countries. To this purpose, the Fund is responsible for improving vocational and technical training and the promotion of applied research in this field.

Between 1966 and 1969, technical assistance granted by the UNDP to the developing countries averaged 152 million dollars a year, of which approximately 65% was through the Special Fund. From the geographical point of view, Africa was the largest beneficiary, followed by Asia and Latin America. The breakdown into sectors of intervention shows that agriculture and industry are the main areas of United Nations technical assistance expenditure, accounting for approximately 50% of the total.

(b) *United Nations Food and Agriculture Organization (FAO)*

The FAO is administered by three bodies: the Conference, the Council and the Secretariat. It has its headquarters in Rome. Its objectives are the improvement of the standard of living, living conditions, agricultural productivity and the distribution of foodstuffs. The technical assistance provided by the FAO consists of both theoretical studies and operational activities. The latter are largely connected with programmes and projects entrusted to the FAO by the UNDP, and take three forms: the sending of experts, the granting of scholarships and the delivery of capital goods. The activities of the FAO are financed out of its ordinary budget, to which each Member State contributes, and from external funds placed at the disposal of the FAO by the ETAP and the UNSF and other institutions.

Moreover, the FAO has established arrangements for collaboration with the World Bank, the InterAmerican Bank for Development, the WHO, UNESCO and UNCTAD.

Finally, three of the activities of the FAO are of particular importance:

- (i) the Freedom from Hunger campaign has the objective of arousing public opinion to the problem of hunger;
- (ii) the World Food Programme (WFP) organized in conjunction with UNO provides essentially for the granting of aid in the form of foodstuffs;
- (iii) the Indicative World Plan (IWP), which takes both types of agricultural product and geographical region into account, is an endeavour to integrate agriculture into the general economic growth of the world and to find a solution to the problems of the shortage of food and hunger in the world.

(c) *United Nations Educational, Scientific and Cultural Organization (UNESCO)*

UNESCO, which was set up by a charter which entered into force on 4 November 1946, is a cooperation agency whose objective is to contribute towards the establishment of real peace founded on the moral and intellectual solidarity of humanity. UNESCO attaches priority to operational action, namely education and science as factors of development. It devotes two-thirds of its budget to development aid in the form of technical assistance. UNESCO seeks to aid its Member States to achieve the following objectives:

- (i) planning of education, improvement of administration, analysis of financing,
- (ii) training for teachers, adjustment of programmes, new methods and techniques,
- (iii) struggle against illiteracy and development of extra-curricular education,
- (iv) use of science and its applications for development purposes,
- (v) extension of information services and development of the social sciences.

The resources for these UNESCO activities are found from an ordinary budget financed by contributions from the Member States. The first budget was 7 million dollars; the Organization's budget for 1967-1968 was 120 million dollars.

UNESCO is actively involved in the implementation of the objectives of the Development Decade and, in this connection, has established close collaboration with other United Nations bodies (World Bank, UNDP, UNICEF, FAO, etc.).

(d) *International Labour Organization (ILO)*

The ILO was created by the Peace Conference in 1919 and, in 1946, became the first of the 'specialized institutions' attached to UNO. The general objective of the ILO is to safeguard world peace by fostering social justice, improving working conditions and the standard of living and promoting vocational training. Technical assistance is provided by the ILO in three forms: the sending of experts, the granting of scholarships and the supply of capital goods.

These activities are financed by contributions from the ETAP and the UNSF, and from the Organization's ordinary budget and the Deposit Fund. Today, the ILO is the most important agency implementing the programmes of the UNDP and the Development Decade in the following sectors: manpower, working conditions, training and rural development.

The budget of the ILO, which was only 8.5 million dollars in 1959, was 45 million dollars in 1968. The main beneficiaries are the developing countries in Africa (approximately 30% of the total) and Asia (almost 25%). In order to improve its operational activities, the ILO has recently decentralized by creating regional organizations in Beirut, Algiers, Dakar and Yaoundé.

(e) *World Health Organization (WHO)*

The foundation of the WHO entered into force in April 1948. It has its headquarters in Geneva, and regional offices in New Delhi, Alexandria, Manilla, Washington, Brazzaville and Copenhagen.

The general objective of the WHO is to 'bring all peoples up to the highest possible standard of health'. In this field, it provides technical assistance which includes, on one hand, studies in connection with the establishment of international health regulations and sanitary statistics, scientific medical research, etc. and, on the other hand, operational activities of two main types: the struggle against disease and the promotion of health. The WHO carries out its programmes in coordination or collaboration with the FAO, UNESCO, the ILO, etc.

(f) *United Nations Industrial Development Organization (UNIDO)*

The General Assembly of the United Nations created this autonomous specialized institution in 1966; it is responsible for operational activities financed by the UNDP and voluntary contributions from the Member States. It has its headquarters in Vienna.

The principal commitment of the UNIDO is to aiding the developing countries to accelerate the progress of their industrialization—particularly in the processing industries—through the efficient implementation of their own production resources. It also organizes seminars on industrial development. The UNIDO works in collaboration with the FAO and the ILO.

(g) *International Atomic Energy Agency (IAEA)*

The agreement setting up the IAEA signed on 26 October 1956 in New York entered into force on 29 July 1957. The Agency has its headquarters in Vienna.

The general objectives of the Agency are: to increase the significance of atomic energy to the peace, health and wealth of the world; to endeavour to avoid the increasing use of atomic resources for military objectives.

On the basis of these principles, a detailed programme was prepared and adopted by the member countries in September 1963: it stresses the decisive role which atomic energy can play in economic development, medicine, agriculture, industry, etc. The Agency accordingly aids members to introduce and utilize atomic energy, to foster science and technology in this field and to enable the developing countries to utilize the results of research. In the main, the IAEA grants technical assistance: training of experts, posting of scientific teams and conclusion of research contracts. The budget of the Agency is financed from regular voluntary contributions from the member countries (General Fund).

Its affairs are administered by a Board of Governors supervised by a General Assembly which meets annually to discuss the IAEA's programme and budget.

TABLE 1
Newly entered permanent workers (in thousands)

	1958	1965	1969
Intra-EEC movements	109.4	259	166.8
Entrants from third countries	65.4	452.2	691.9
TOTAL	174.8	711.2	858.7

TABLE 2
*General outline of the number of migrant workers from
 Africa and the Far East arriving in the EEC in 1968/1969*

	Belgium	Germany (FR)	France	Netherlands
AFRICA				
Algeria	3 460	1 560	562 000	155
Congo (DR)	3 175	80	520	—
Ethiopia	10	90	190	—
Ghana	10	350	—	—
Morocco	20 980	6 005	119 520	470
Nigeria	—	660	—	—
Sudan	—	90	75	—
Togo	30	170	—	—
Tunisia	1 290	900	73 260	135
TOTAL	29 065	10 225	755 820	760
FAR EAST				
China	—	540	2 610	—
India	—	2 890	1 105	—
Korea	—	3 245	365	—
Pakistan	—	470	145	—
		7 145	4 225	

Source: Migrations, 1970, No. 14, p. 53.

TABLE 3
*Pattern of migratory movements between France
 and Algeria since 1966 (men over the age of 17)*

	Arrivals in France	Departures for Algeria	Balance
1966	221 138	191 969	+29 169
1967	182 309	174 550	+ 7 759
1968	196 623	173 155	+23 468
1969	226 843	205 234	+21 609

TABLE 4

Workers of African origin employed on German territory

	1964	1965	1966	1967	1968	1969
AFRICA SOUTH OF THE SAHARA						
Nigeria	419	435	605	607	659	1 711
Ghana	249	292	333	282	350	388
Togo	159	184	149	223	168	164
Sudan	222	210	140	99	88	105
TOTAL	1 049	1 121	1 227	1 211	1 205	1 368
OTHER AFRICAN COUNTRIES						
Algeria	2 256	1 994	1 716	1 391	1 426	1 602
Tunisia	1 864	2 000	1 844	1 484	1 558	1 564
Morocco	7 260	9 058	8 198	5 825	6 004	6 781
Ethiopia	87	113	103	73	89	107
—	11 467	13 165	11 861	8 773	9 077	10 054

Source: Ausländische Arbeitnehmer 1969.

TABLE 5

New entries of Greek and Turkish workers

	1958	1965	1969	Total number employed in 1968/69
Greek	1 500	63 400	66 000	182 000
Turkish	—	67 800	130 000	241 000

TABLE 6

Level of occupational qualifications of workers from the developing countries

(a) FRANCE (percentages):

	Managers and technicians	Labourers	Semi-skilled workers	Skilled workers
Moroccans	0.3	45	43.5	11.2
Tunisians	0.3	58.6	33	8.1
Algerians	1.2	54.1	34	10.7

(b) GERMANY (FR) (men, percentages):¹

	Labourers	Semi-skilled workers	Skilled workers
Greeks	37	53	7
Spaniards	38	44	15
Turks	43	38	16
Portuguese	43	43	12

¹ The average percentages for women workers are 61%, 35% and 4% respectively (situation as at autumn 1968).

TABLE 7

Distribution according to main sectors of employment

(a) FRANCE (percentage of the number of foreign workers having received a first work permit during the year 1967):

	Tunisians (6 534)	Moroccans (13 525)	Algerians (number of residents as at 4th quarter 1967: 213 167)
Building and civil works	35.7	31.8	41.1 ¹
Trade other than food	12	6.5	—
Metalworking	9.3	10	5.3
Agriculture	6.9	15.4	1.1
Mining	—	17	2.1
Mechanical and electrical industries	—	—	21.3

¹ In companies and on sites.

(b) GERMANY (FR)

(i) All workers from non-European countries (total number: 49 014):

	%
— Metalworking	28.4
— Public services	22.2
— Building	8
— Mechanical and electrical industries	18.8
— Trade	12.3

(ii) 'Regierungspraktikanten':

	Men	Women
— Metallurgy and iron and steel	48.5	2.5
— Public sector	13.5	64.6
— Industry	9.9	7.6
— Private service	5.8	18.0
— Building	7.5	0.9

*Situation regarding bilateral agreements governing
the movement of labour from the developing countries*

EEC						
Developing countries	Belgium	Germany (FR)	France	Italy	Luxembourg	Netherlands
Greece ²	1957*	1960*	1954°			1966*
Turkey ²	1964*	1961*	1965*			1964*
Spain	1956*	1960*	1961* 1964°			1961*
Portugal		1964*	1971*		1970	1963*
Yugoslavia		1968*	1965*		1970	1969
Algeria	1970*		1968*			
Morocco ³	1964*	1963* 1966*	1963*			1968
Tunisia ³	1969*	1965*	1963*			
Ivory Coast ¹			1970*			
Upper Volta ¹			1970*			
Mali ¹			1963*			
Mauritania ¹			1963* 1964* form. prof.			
Niger ¹			1970*			
Senegal ¹			1964°			
Togo ¹			1970*			

* = available texts.

° = unavailable texts.

¹ AASM

² European developing country associated with the EEC.

³ Developing countries associated with the EEC.

SITUATION OF THE ASSOCIATION¹ PROVIDED FOR IN THE
EEC TREATY AND OTHER COMMUNITY ACTS CONCERNING
NON-EUROPEAN STATES, COUNTRIES OR TERRITORIES²

1. In the case of the OCT's shown in the list in Annex IV of the Treaty, Association was established by Part Four of this Treaty (Art. 131 to 136) and the Implementing Convention on the Association of the Overseas Countries and Territories with the Community annexed to the Treaty.³

(a) In the case of those of these OCT's which have become independent since the entry into force of the Treaty,⁴ with the exception of French Guinea, their association with the Community has been governed by the following texts in turn:

- (i) Part IV of the Treaty and the Implementing Convention annexed thereto, until 31 December 1962.⁵
- (ii) the Association Convention between EEC and the AASM associated with the Community signed on 20 July 1963 (first Yaoundé Convention), from 1 June 1964 to 31 May 1969, and from 1 January 1971 until 31 January 1975 at the latest, the governing texts are the Association Convention between the EEC and the AASM associated with the Community signed on 29 July 1969 (second Yaoundé Convention).

(b) The duration of the agreements with the dependent OCT's has always corresponded to the duration of those with the independent States, the conditions of association being governed by the following texts in turn:

- (i) Part Four of the Treaty and the Implementing Convention annexed thereto;
- (ii) the Council Decision of 25 February 1964 regarding the association of the OCT's with the EEC

and since 1 January 1971, has been governed by the Council Decision of 29 September 1970 regarding the association of the OCT's with the EEC.

The Overseas Countries and Territories in question are as follows:

- (i) Saint-Pierre et Miquelon, the Comoro Islands, the French Territory of the Afars and the Issas, New Caledonia and Dependencies, Wallis and Futuna, French Polynesia, the Southern and Antarctic Territories.
- (ii) Surinam: this overseas country was not listed in Annex IV of the Treaty. The association of Surinam entered into force on 1 September 1962, following the proposal by the Government of the Kingdom of the Nether-

¹ The French Overseas Departments (Guadeloupe, Guiana, Martinique, Reunion: Article 227 paragraph 2) do not have any association relationship with the EEC.

² Greece and Turkey are associated as European States. An association agreement was signed with Malta on 5 December 1970.

³ Cf. Article 227 paragraph 3.

⁴ Burundi, Cameroon, Central African Republic, Chad, Congo (DR), Congo (PR), Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta.

⁵ Transitional measures were adopted in order to mitigate the ill effects of lack of continuity between governing texts.

lands of a complementary instrument of ratification of the Treaty of Rome concerning this association. By the terms of Annexes VII (1964) and VIII (1969) of these two Decisions,¹ decisions relating to the OCT's are applicable to this association.

(iii) The Netherlands Antilles: same situation as for Surinam;¹ moreover, there was express provision for the inclusion of the Netherlands Antilles in the Convention revising the Treaty establishing the EEC in order to render the special association arrangements laid down in Part Four of the said Treaty applicable to the Netherlands Antilles. This Convention was signed on 13 November 1962 and it, and the association of the Netherlands Antilles, entered into force on 1 October 1964.

(c) French Guinea and Netherlands New Guinea, which were listed in Annex IV of the Treaty, were not covered by the Yaoundé Conventions or the above-mentioned Decisions respectively, and are no longer associated with the Community.

(d) The Franco-British Condominium of the New Hebrides is not associated with the Community.

2. Algeria (Art. 227, paragraph 2) was not and is not associated with the Community.

3. The following Declarations were annexed to the Final Act of the Intergovernmental Conference on the Common Market and Euratom (25.3.1957).

(a) Declaration of intent on the association of the independent countries of the Franc Area with the EEC.

In accordance with this Declaration the following agreements were concluded:

(i) the agreement establishing an association between the EEC and the Tunisian Republic of 28 March 1969, which entered into force on 1 September 1969;

(ii) the agreement establishing an association between the EEC and the Kingdom of Morocco of 31 March 1969, which entered into force on 1 September 1969.

(b) Declaration of intent on the association of the Kingdom of Libya with the EEC.

No action taken.

(c) Declaration of intent on the trust territory of Somaliland currently under the administration of the Italian Republic.

Became inapplicable by virtue of the fact that Somaliland remained associated with the Community as an AASM after unification of the Somali Territories under Italian and British administration.

(d) Declaration of intent on the association of Surinam and the Netherlands Antilles with the EEC.

These countries have become associated with the EEC.²

¹ Cf. 3 (d).

² Cf. 1 (b), page 252.

*Funds contributed to and allocated by the first EDF**(a) The contributions of the Member States*

	1st year	2nd year	3rd year	4th year	5th year	Total
Percentages	10%	12.5%	16.5%	22.5%	38.5%	100%
Belgium	7	8.75	11.55	15.75	26.95	70
Germany (FR)	20	25	33	45	77	200
France	20	25	33	45	77	200
Italy	4	5	6.60	9	15.40	40
Luxembourg	0.125	0.15625	0.20625	0.28125	0.48125	1.25
Netherlands	7	8.75	11.55	15.75	26.95	70

(b) Allocation of resources according to zones of OCT's

	1st year	2nd year	3rd year	4th year	5th year	Total
Percentages	10%	12.5%	16.5%	22.5%	38.5%	100%
Belgium	3	3.75	4.95	6.75	11.55	30
France	51.125	63.906	84.356	115.031	196.832	511.25
Italy	0.5	0.625	0.825	1.125	1.925	5
Netherlands	3.5	4.375	5.775	7.875	13.475	35

ARTICLE I (Internal Agreement of 20.7.1963)

1. The Member States establish a fund known as the 'European Development Fund'.

2. They place at the disposal of the administrative body of the Fund an amount of 730 million units of account contributed by the Member States as follows:

Belgium	69 million u.a.
Federal Republic of Germany	246.5 million u.a.
France	246.5 million u.a.
Italy	100 million u.a.
Luxembourg	2 million u.a.
Netherlands	66 million u.a.

3. Of the amount of 730 million units of account, 680 million units of account are applied in the form of grants, and the balance in the form of loans on special terms.

4. In addition to the amount of 730 million units of account, the Bank grants loans up to the amount of 70 million units of account from its own resources on conditions which it fixes in accordance with the provisions of its statutes; aid towards the payment of interest on these loans is granted from the resources of the Fund in accordance with the conditions laid down in Article 19 of the Convention.

ARTICLE I (Internal Agreement of 29.7.1969)

1. The Member States establish a European Development Fund (1969), hereinafter called the 'Fund'.

2. The Member States place at the disposal of the Commission, which is responsible for the administration of the Fund, subject to the conditions laid down in Article 8, an amount of 900 million units of account contributed by the Member States as follows:

Belgium	80 million u.a.
Federal Republic of Germany	298.5 million u.a.
France	298.5 million u.a.
Italy	140.6 million u.a.
Luxembourg	2.4 million u.a.
Netherlands	80 million u.a.

3. The amount indicated in paragraph 2 is distributed as follows:

- (a) 828 million units of account intended for the Associated States, 748 million of which in the form of grants and 80 million in the form of loans on special conditions and contributions to the formation of venture capital;
- (b) 72 million units of account intended for the overseas countries and territories, and the French Overseas Departments, 62 million of which in the form of grants and 10 million in the form of loans on special conditions and contributions to the formation of venture capital.

ARTICLE 2

In addition to the amount established in Article 1, paragraph 2, the European Investment Bank, hereinafter called the 'Bank', grants loans up to an amount of 100 million units of account from its own resources on conditions which it establishes in accordance with the provisions of its statutes.

Of these loans:

- (a) 90 million units of account are intended for financing operations carried out in the Associated States, and
- (b) 10 million units of account are intended for financing operations carried out in the overseas countries and territories, and the French overseas departments.

Situation of first and second EDF projects

(in thousands of u.a.)

Country	1st EDF (cumulative) ¹		2nd EDF (cumulative)			
	Commitments	Payments	Commitments	Including: Special loans	Payments	Including: Special loans
I. AASM						
Burundi	5 048	4 911	18 418		6 224	
Cameroon	53 587	49 415	50 249	14 522	30 266	3 917
Central Africa	18 603	15 403	24 244	227	11 029	
Congo-Brazzaville	24 910	23 617	18 506		7 682	
Congo-Kinshasa	19 863	15 436	70 568	9 000	24 290	
Ivory Coast	40 436	36 968	55 531	12 408	40 376	5 272
Dahomey	21 066	19 223	21 773		12 349	
Gabon	17 994	16 912	19 699	2 500	10 616	847
Upper Volta	29 592	28 241	28 074		14 621	
Madagascar	57 179	55 908	67 400	1 862	37 012	
Mali	42 589	41 748	32 438		15 015	
Mauritania	15 539	15 180	17 562	2 754	11 580	716
Niger	31 987	28 629	28 621		10 478	
Rwanda	5 052	4 964	16 941		7 860	
Senegal	44 202	36 846	54 299		37 678	
Somaliland	9 919	9 566	25 250		10 950	
Chad	28 443	27 833	31 855	1 215	24 836	1 215
Togo	16 125	15 397	17 955		9 368	
Sub-total, AASM	482 134	446 197	599 383	44 488	322 230	11 967
Algeria	25 810	17 254				
II. French Overseas Departments	22 034	21 658	17 305		5 993	
III. French Overseas Territories	13 921	13 783	10 401	1 000	5 125	
IV. Netherlands Overseas Territories	34 891	25 835	29 839	1 856	5 392	1 298
V. Miscellaneous	594 ²		32 613 ³		27 658 ⁴	
OVERALL TOTAL	579 384	524 727	689 541	47 344	366 398	13 265
For the record			12 009 ⁵		9 039 ⁶	

¹ Including expenditure on 'technical inspection'.² Reserve (OCT's + Overseas Departments).³ Technical assistance, all countries and territories (1 351) + general technical cooperation (31 262).⁴ Technical assistance, all countries and territories (803) + general technical cooperation (26 855).⁵ Advances to the stabilizaiton funds (10 176) + administrative costs (1 833).⁶ Advances to be reimbursed (7 234) + administrative costs (1 805).*Sources:* European Communities, European Development Fund, first EDF (half-yearly situation) and second EDF (quarterly situation), projects in hand, brought up to date on 31 December 1970.

Distribution of second EDF commitments and payments according to sectors of intervention, all countries and territories, as at 31.12.1970

Sector of intervention	Commitments	Payments
	(in thousands of u.a.)	
I. Subsidies		
Economic and social investment projects	375 962	172 780
Technical assistance linked to investments	26 804	19 451
Technical inspection	18 200	14 811
General technical cooperation	39 956	32 289
Aid to production	85 486	69 271
Aid to diversification	111 721	57 175
Emergency relief	2 579	2 277
Sub-total	660 708	368 054
II. Special loans	47 344	13 265
Total	708 052	381 319
III. For the record		
Administrative and financial costs	1 833	1 805
Advances to stabilization funds	10 176	7 234 ¹

¹ This amount represents the balance of advances still to be reimbursed.

Source: European Communities, European Development Fund, quarterly situation of second EDF projects in hand, brought up to date on 31.12.1970, p. V.

European Investment Bank loans, situation as at end December 1970

(in millions of u.a.)

Country	Commitments	Payments
	(cumulative)	
I. Ordinary operations		
Cameroon	11 318	8 724
Ivory Coast	11 442	2 459
Congo-Brazzaville	9 000	9 000
Gabon	3 241	911
Upper Volta	0 450	—
Mauritania	11 000	11 000
Senegal	2 430	2 430
Sub-total, AASM	48 881	34 524
OCT's	2 025	2 025
Sub-total, ordinary operations	50 906	36 549
II. Special operations		
Cameroon	14 523	3 752
Congo-Kinshasa	9 000	—
Ivory Coast	12 407	5 272
Gabon	2 500	0 847
Madagascar	1 862	—
Mauritania	2 754	0 716
Chad	1 215	1 215
Sub-total, AASM	44 261	11 802
OCT's	2 856	1 314
Sub-total, special operations	47 117	13 116
III. Overall total		
	98 023	49 665

**MAIN PROJECTS FINANCED BY THE FIRST AND SECOND EDF
AND BY THE EIB IN THE AASM AND OCT'S
(1958-1969)**

1. Rural production

- (i) plantation of over 150 000 ha
- (ii) irrigation works (142 000 ha), including construction of 54 dams
- (iii) village and rural water supplies: 3 545 wells and 838 springs
- (iv) stock-farming:
 - 4 abattoirs
 - fighting against cattle-plague
 - 3 ranches
 - laying-out of 2 farms (22,000 ha)
 - purchase of 7 610 head of cattle
 - a poultry farm
 - 13 veterinary inspection centres.

Industrial production

- (i) 3 textile plants
- (ii) copper mining
- (iii) potash mining
- (iv) a rolling mill
- (v) a cement works
- (vi) a fertilizer factory
- (vii) 11 factories for the preparation or processing of agricultural products: palm oil and palm nut oil, cotton husk, fruit juices, essential oils, etc.
- (viii) 4 power stations

2. Infrastructure

- (i) roads: 4 859 km of tarmac roads
 3 342 km of other roads
- (ii) bridges: 33 large bridges and 604 bridges and footbridges
- (iii) railways: 820 km of rail
 33 metal bridges
- (iv) ports: works in 24 ports
- (v) airports: in 4 towns
- (vi) power transmission: high voltage cable for a hydroelectrical project

3. Social

(a) *Teaching*

- (i) primary: 3 138 classrooms and 1 836 living units
- (ii) secondary: 40 grammar schools and colleges for 18 500 pupils (including 5 220 boarders)
- (iii) higher: 12 teacher training institutes
6 higher training colleges
extension of a faculty
- (iv) technical and agricultural: 43 vocational and technical training colleges
100 agricultural training centres
104 colleges for short agricultural courses
- (v) training: 9 565 scholarships from 1964/65 to 69/70, and 1 465 scholarships financed from the Commission budget.

(b) *Health*

- (i) 42 hospitals
- (ii) 152 in-patients buildings total: 10,625 beds
- (iii) 67 maternity hospitals
- (iv) 6 nursing colleges
- (v) 129 out-patients clinics
- (vi) 3 research institutes
- (vii) 2 teaching institutes
- (viii) 20 buildings for the struggle against the major endemic diseases
- (ix) 5 chemists shops, etc.

(c) *Urban development*

- (i) sanitation improvements, water supplies, building developments in 46 towns.
- (ii) construction of markets (two towns).

THE INDEX OF EUROPEAN DEVELOPMENT FUND (EDF)
AID PRICES

Subject to all the appropriate reservations and precautions, it is possible to obtain an index of depreciation for the aid granted to the developing countries by the EDF on the basis of reasoning similar to that applied when seeking to determine the variation in real value terms of the Member States' bilateral public aid.¹ The real value of EDF aid is determined by price rises in the countries where it places orders and which supply the goods required for the execution of these orders. Consequently, the basis which will be taken will be the Fund's statistics giving a breakdown of the countries responsible for works contracts and technical assistance contracts, and a breakdown of the countries of origin of goods covered by supplies contracts.² As in the calculation made for the bilateral aid index, on one hand, the absolute amounts supplied to the developing countries during the year 1969 through the first and second EDF's will be considered, and on the other hand, the amounts of works contracts and supplies contracts will be grouped under the heading of capital goods.¹ The results are shown in Table 1.

It should be mentioned that the figures in Table 1 are only for orders received by each Member State and do not correspond exactly to the supplies and works actually provided by these countries. However, since no other statistics are available, it has been necessary to rely on the official data. It follows that, for the two components of aid (capital goods and technical assistance), reference may be made to the following national indices, which were calculated for bilateral aid:

- the indices of the variation of prices relating to the gross formation of fixed assets in capital goods, calculated for 1969 on the basis 100 = 1960, and
- the indices of rising earnings, also for 1969 on the basis 100 = 1960.

These indices are weighted by the relative proportion of orders in both categories received by each Member State. The weighting of the first index is determined by the geographical percentage distribution of works and supplies contracts (capital goods), and the second index is weighted by the percentages of technical assistance (studies, technical inspection, delegates and supervision of works) which each Member State has carried out in the AASM on behalf of the EDF. Table 1 shows that in 1969 some 20% of these orders were placed in the AASM, the OCT's and third countries. The share taken by the latter is comparatively insignificant and may be disregarded. However, it is not possible to calculate price indices for the associated countries on the basis of the statistics available and for this reason, they have not been taken into account in the calculation.

¹ Cf. Appendix 8.

² Cf. *Official Journal of the European Communities*, No C 46, of 20.4.1970, page 15.

Moreover, it is fairly probable that the rise of costs and prices in the AASM is not substantially lower than in the Member States, and it follows that this limitation should not detract unduly from the validity of the result.

Two price variation indices for 1969 (base: 1960 = 100) are obtained from the above weighting: one for the works and supplies furnished by the Community, and the other for Community technical assistance.¹

The weighting of these two indices by the percentage represented by each of these components in the total volume of orders placed during 1969 under the first and second EDF's gives a single index of 131.7, the converse of which is 0.76; full details are given in Table 2.

¹ Cf. Table 2.

TABLE 1

APPENDIX 26

*Geographical distribution of the components
of the first and second EDF's in 1969*

Country	Capital goods (works and supplies)		Technical assistance (studies, experts, supervision, etc.)	
	Amount	%	Amount	%
Belgium	7 496	7.6	1 359	11.2
Germany	23 747	23.9	4 463	36.9
France	42 159	42.3	2 862	23.8
Italy	22 207	22.3	2 260	18.7
Luxembourg	15	—	302	2.5
Netherlands	3 763	3.9	833	6.9
AASM/OCT's and Third Countries	99 387	100	12 079	100
	27 661	(22)	13	(—)
	<u>127 048</u>		<u>12 092</u>	

Source: *Official Journal of the European Communities*, No C 46, of 20.4.1970, page 15.

TABLE 2

*Index of depreciation of the value of the resources
granted to the developing countries by the first and second EDF's,
base 100 = 1960*

Country ¹	Indices of components of EDF aid			
	Capital goods		Technical assistance	
	Relative weight	National index	Relative weight	National index
Belgium	7.6	118.5	11.2	193.8
Germany	23.9	118.1	36.9	206.7
France	42.3	125.0	23.8	216.9
Italy	22.3	118.7	18.7	240.0
Netherlands	3.9	117.5	6.9	251.8
Index of each component	121.13		217.3	
Weight of each component	89%		11%	
EDF index	131.7			

¹ In the absence of national indices, the contribution of Luxembourg cannot be taken into consideration.
Source: Cf. Table 1 above and the Tables in Appendix 8.

**OUTLINE OF THE VARIOUS TRAINING ACTIVITIES
FINANCED BY THE COMMUNITY FOR THE BENEFIT OF NATIONALS
OF THE AASM, THE OCT'S AND THE OVERSEAS DEPARTMENTS**

1. Study scholarships

The programme of scholarships began in 1960. Until 1968 no distinction was made between students and trainees. During the period, the number of scholarships has risen from 70 to 2 300.¹

The Commission's scholarships are granted to nationals of the AASM, OCT's and Overseas Departments.

The candidates must be 18 years of age at the time of applying for a scholarship and under 30 on completion of the training envisaged.

The training covered by the Commission's study scholarships is limited to agricultural, technical and economic subjects.

Moreover, scholarships may be granted, to women candidates only, for certain types of training leading to more specifically feminine careers (social services, household economics, secretarial work, etc.).

Training of the above types may be followed at higher, middle or occupational level.²

Scholarships are granted for a maximum term of one academic year. They may be extended if the training embarked upon so requires and if the results obtained at the end of the academic year are satisfactory.

2. Training scholarships

The trainee scholarship programme of the Commission of the European Communities began in 1968. It is designed to offer extra-scholastic facilities for technical specialization or advanced vocational training. In principle, the duration of courses varies between 6 and 24 months. They cater for all levels of training, principally in the agricultural, industrial and commercial sectors. Special priority is attached to applications for training scholarships connected with EDF investment projects. The courses are held in both the AASM and the Member States.

For the year 1970-1971, the Commission granted almost 800 training scholarships, 500 of which were for advanced vocational training organized locally for managers and heads of small and medium-sized undertakings. Of these 800 scholarships, 50 were for specialization courses, mainly on the subject of farm cooperatives, held in Israel, a specific application to this effect having been received from the Governments of the AASM.³

¹ See Table 1, page 269.

² See Tables 2 and 3, page 270.

³ See Table 4 on page 271.

3. Scholarships for correspondence courses

The creation and implementation of a programme of scholarships for correspondence courses was inspired partly by applications from the Governments of certain AASM and partly by a desire to increase the range of forms of training offered.

In particular, it appeared that correspondence courses, in addition to their normal contribution to training as such, could play a very valuable role, mainly in preparation for examinations and also for refresher courses.

Moreover, the extremely low cost of training by correspondence courses suggests that the use of this form of training could contribute to the solution of the difficult problem of how to expand training in the developing countries.

The development of this programme, which began in 1965, is marked by the consistent rise in the number of beneficiaries and the ever-widening range of training sought.

65/66	—	263 scholarship holders
66/67	—	834 scholarship holders
67/68	—	1 536 scholarship holders
68/69	—	2 001 scholarship holders
69/70	—	2 047 scholarship holders

The results are encouraging: they are at least comparable to those obtained in most European countries where there have been correspondence courses for a very long time. There are specially designed programmes for the subjects taught, the emphasis being on the popularization of agricultural knowledge and as concrete an initiation as possible into the problems of economics, development and management.¹

4. Specific training programmes

The implementation of the first specific training programme began in January 1967 in three countries (Rwanda, Central African Republic and Congo-Kinshasa).

Since then, 10 programmes have been financed out of the second EDF, and the first programme to be paid for out of the third EDF has been approved recently.

The programmes carried out during the first Yaoundé Convention involved 6 206 nationals of the AASM in the following sectors of intervention:

1. Agriculture	4 332
2. Social infrastructure	475
3. Industry-commerce-crafts	235
4. Technical infrastructure	1 164
	—————
	6 206

¹ See Table 5, page 271.

By means of these programmes, the Community has financed:

- (i) the services of technical assistance personnel, namely 80 instructors, and 19 supervisory or administrative agents
- (ii) the supply of teaching, technical and office equipment
- (iii) the fitting-out or construction of premises
- (iv) the granting of subsidies to pupils
- (v) the services of experts for the preparation, supervision and evaluation of training programmes.

The amount committed for the 10 second EDF projects is 5.2 million u.a.

In view of the relatively short time during which this type of intervention has been implemented and the small number of completed projects, it is difficult to make any evaluation of the results. However, the formula appears to be attractive, since it has been retained in the new Yaoundé Convention.

5. Advanced training courses for AASM and OCT officials

The purpose of these advanced training courses is to familiarize the officials of the public services in the Associated States and Overseas Countries and Territories with the structures and activities of the Commission and the problems posed by the Yaoundé Convention, and to involve them during the period of the course in the work of the various departments of the Commission.

These advanced training courses, which used to last for 5 months, are now to be for a period of 2½ months and will be restricted to officials occupying positions of responsibility in the public services of their countries.

The programme now contains three separate types of activity:

1st part: information programme during which a series of conferences, round table discussions, working parties, visits, etc. are organized;

2nd part: posting in a department of the Commission directly related to the duties of the participant in his country of origin;

3rd part: a study visit (optional) to two member countries of the Community, specifically to regions where there are European facilities which could be comparable to possible projects in the Associated States.

The programme of advanced training courses in the form described above began in 1968. However, a programme of courses for nationals of the AASM and the OCT's, both officials and students, has existed since 1959, being financed from the Commission budget between 1959 and 1964 and from the EDF budget since the entry into force of the first Yaoundé Convention in 1964.¹

6. Symposia for nationals of the AASM and OCT's

The object of these symposia, which have been held in Europe and Africa since 1959, is to inform the communities of the Associated States and Overseas Countries

¹ See Table 6, page 272.

and Territories of the activities of the European Communities and, more specifically, of the aspects and problems of the Association and the activities of the European Development Fund.

(a) *Symposia in Europe*

The symposia held in Europe are organized for the benefit of the nationals of the AASM and OCT's staying in Europe during study or training courses.

These symposia were originally held in the Six countries of the Community and lasted for two days, comprising the symposium proper and visits to centres of interest in the region where the symposium was held. Since 1968, the same formula has been retained, but the period has been extended to four days. Since 1969, the symposia have included working parties.

Since October 1970, a new direction has been given to these symposia, whilst the modification introduced during the year 1969 restricting them to information on aspects of the Community of concern to the AASM have been maintained. In order to ensure that they concentrate on matters of direct interest, the symposia are now held in the headquarters of the Communities in Brussels and Luxembourg, where the participants are brought into contact with the European institutions.

(b) *Symposia in Africa*

Other symposia are held in the AASM.

Since September 1968, this activity has been intensified with a view to including all the Associated States within two years.¹

These symposia are intended for students at all levels, teachers, public servants and people from the private sector. Their content varies widely according to the level and number of participants, which ranges between 40 and 400. They may be limited to conferences, but in certain cases, may include detailed study of the subjects discussed in working parties.

7. The 'Courrier de l'Association'

The 'Courrier de l'Association' which has been the liaison bulletin for scholarship holders, trainees and participants in symposia since 1963 took on increasing importance during the course of 1970. Indeed, the presentation of this publication, 23 issues of which had appeared since the first in September 1963, has been altered radically, the number of pages rising from 8 to 40. 10 000 copies are now printed as opposed to 4 000, and from the beginning of 1971, this publication, which was quarterly in 1970, began to appear every two months.

¹ See Table 7, page 273.

TABLE I
Study scholarship programmes 1960/1970¹

COUNTRY	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70
Totals	70	312	476	734	1 369	1 739	1 791	2 012	2 033	2 105
Burundi	4	9	19	32	68	103	103	154	153	158
Cameroon	1	9	41	54	139	206	201	180	170	164
Central African Republic	4	2	2	15	28	44	34	23	16	48
Congo-Brazzaville	9	19	23	26	130	118	46	60	15	21
Congo-Kinshasa	4	57	69	81	189	317	336	377	297	312
Ivory Coast	12	23	44	60	75	114	119	112	167	180
Dahomey	6	12	20	27	65	84	89	91	85	108
Gabon	1	38	36	35	42	18	21	22	26	28
Upper Volta	1	3	16	37	60	63	89	129	148	126
Madagascar	3	47	39	42	84	110	66	69	61	58
Mali	2	—	24	32	44	28	48	55	52	54
Mauritania	1	4	11	15	25	31	53	51	64	6
Niger	5	15	21	32	42	45	50	51	86	92
Rwanda	3	8	10	31	65	70	120	147	140	143
Senegal	4	13	19	35	34	29	35	67	96	92
Somaland	—	30	35	48	96	90	125	148	155	193
Chad	—	5	30	29	32	59	54	44	93	58
Togo	6	11	7	32	71	77	89	108	108	150
Netherlands Antilles	—	—	—	20	29	60	49	46	42	50
Surinam	—	—	—	21	26	37	44	50	50	56
Associated OCT's	4	6	10	30	45	39	20	28	9	8

¹ Between 1960 and 1968 there was no separate programme for training scholarships. The figures given include a certain number of scholarships which, from 1968, form part of the training scholarships programme.

TABLE 2

*Pattern of subjects of training during the last 9 academic years
(AASM + OCT's)*

	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70
Economics	33.2%	37.5%	29.7%	24.1%	23.7%	27.9%	24.4%	24.6%	27.3%
Agriculture	20.5%	14.3%	17.1%	15.7%	22.9%	24.4%	24.7%	24.0%	24.4%
Technical subjects	46.3%	35.2%	39.2%	45.7%	42.7%	36.1%	39.3%	37.0%	35.4%
Women's subjects	—	13.0%	14.0%	14.5%	10.7%	11.6%	11.6%	14.4%	12.9%

TABLE 3

*Pattern of levels of training during the last 9 academic years
(excluding women's subjects) (AASM + OCT's)*

	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70
Occupational level	32.9%	16.9%	30.4%	26.0%	21.0%	13.4%	6.3%	5.6%	2.5%
Middle level	31.2%	38.5%	27.8%	40.0%	36.7%	33.8%	36.2%	35.1%	34.5%
Higher level	36.0%	44.6%	41.8%	34.0%	42.3%	50.8%	57.5%	59.3%	63.0%

TABLE 4

*Courses in Israel**Within the framework of the scholarships programme*

1963/1964	24
1964/1965	36
1965/1966	51
1966/1967	49
1967/1968	51

Within the framework of the training scholarships programme

1968/1969	44
1969/1970	52
1970/1971	50

TABLE 5

Academic year	Economics			Agriculture			Technical subjects			TOTAL
	O	M	H	O	M	H	O	M	H	
1966/1967		390			260		160			810 ¹
1967/1968	247	547	58	163	95	11	143	239	13	1 516
1968/1969	303	531	119	286	95	24	333	227	63	1 981
1969/1970	192	675	72	345	94	24	205	315	48	1 970
1970/1971	157	642	103	257	137	17	88	320	90	1 811

¹ The statistics for 1966/1967 only relate to the three major subjects without giving any breakdown as to subject. The total number of scholarships granted (810) is the only indication as to levels, and suggests 375 units for the occupational level, 403 for the middle level and 32 for the higher level. There are no statistics affording a breakdown of the subjects studied or the levels attained by the scholarship holders for the year 1965/1966; the total number was 256.

TABLE 6
Participation of AASM and OCT officials in advanced training courses

Year	Burundi	Cameroon	CAR	Congo-Brazzaville	Congo-Kinshasa	Ivory Coast	Dahomey	Gabon	Upper Volta	Madagascar	Mali	Mauritania	Niger	Rwanda	Senegal	Somaliland	Chad	Togo	Netherlands Antilles*	Surinam	Polynesia	Comoros	Afars and Issas	Total
1959/1960	—	—	—	—	—	—	—	—	1	1	1	1	—	—	—	—	—	—	—	—	—	—	—	4
1960/1961	1	1	1	1	1	—	1	1	3	—	1	—	1	1	1	1	—	1	—	—	—	—	—	16
1961/1962	1	1	1	2	—	—	1	2	—	1	—	—	—	—	—	—	1	—	—	—	—	1	—	11
1962/1963	2	—	1	—	1	1	—	1	—	2	—	1	1	—	—	1	—	—	—	1	1	2	—	15
1963/1964	—	2	—	—	4	—	—	—	—	1	1	—	1	—	1	1	—	—	—	—	—	—	—	11
1964/1965	—	—	—	2	3	—	—	1	2	1	—	—	—	1	—	—	—	1	—	1	1	—	—	13
1965/1966	—	—	—	—	8	1	1	—	—	1	—	—	—	—	1	1	—	1	1	—	—	—	—	15
1966/1967	—	1	—	—	6	—	—	—	1	2	1	—	—	—	—	1	—	—	—	2	—	—	—	14
1967/1968	—	2	—	—	2	1	1	—	2	—	—	—	1	1	—	—	1	2	1	—	—	—	—	14
1968/1969	2	—	1	—	2	—	2	—	—	2	1	—	2	—	3	2	—	2	—	—	—	—	—	19
1969/1970	2	—	—	2	2	—	2	—	2	1	1	—	—	1	3	—	—	2	1	—	—	1	—	18
15.9.70-15.2.71	—	—	1	—	2	—	—	—	1	—	—	1	1	—	—	—	—	—	—	—	—	—	—	7
Total 1959 - February 1971	8	7	5	5	31	3	8	5	12	12	6	3	7	4	9	7	2	9	4	4	2	3	1	157

TABLE 7

Symposia held in the AASM

		Symposia	Participants	
September 1968	MADAGASCAR (Tananarive-Antsirabe)	3	180	
November 1968	IVORY COAST (Abidjan)	1	±410	
	CAMEROON (Yaoundé)	3	150	
	GABON (Port-Gentil — Libreville-Moanda)	9	450	
	CHAD (Fort-Lamy)	1	60	
December 1968	Democratic Republic of the CONGO (Kinshasa-Kisangani)	7	350	
				1 600	1 600
May 1969	UPPER VOLTA (Bobo-Dioulasso) DAHOMY (Cotonou)	2	±300	
				1	150
November 1969	BURUNDI (Bujumbura) RWANDA (Kigali - Butare)	8	1 200	
December 1969	Democratic Republic of the CONGO (Lubumbashi-Luisha-Bukavu-Kinshasa)	4	1 800	
January 1970	Democratic Republic of the CONGO (Kinshasa)	4	1 000	
				4 450	4 450
September 1970	TOGO (Lomé)	1	80	
October 1970	NIGER (Niamey)	1	450	
November 1970	MALI (Bamako)	1	80	
December 1970	SENEGAL (Dakar-Saint-Louis-Kaolak-Ziguinchor) MAURITANIA (Nouakchott)	5	380	
				1	120
			2 090	2 090
				8 140

SUMMARY OF THE MAIN PROVISIONS OF THE LAGOS AGREEMENT AND THE SECOND ARUSHA AGREEMENT

1. Lagos agreement

(i) The trade provisions of this agreement were that all of Nigeria's exports to the EEC would be subject to the same duties as those which the Member States applied as between themselves.

(ii) However, it was provided that, in the case of cocoa beans, veneers and plywood, palm oil and groundnut oil, the dismantling of duties and quantitative restrictions would only apply to the quotas established in the agreement.

(iii) Within the framework of its common agricultural policy, the Community would take into consideration products similar to, and competitive with, European products.

On being imported into Nigeria, products originating in the Member States would be exempt from customs duty, with the exception of such duties which are designed to meet Nigeria's development and industrialization requirements, or which are intended to contribute to their budgets.

The EEC would have tariff advantages against third countries on 26 products, listed in Protocol No. 2 to the agreement.

The agreement also contained provisions on the right of establishment and provision of services, payments and capital, the institutions of the association, and general and final provisions.

2. The second Arusha agreement

The text of this agreement confirms the essential provisions of the first Arusha agreement and contains modifications inspired largely by the economic situations of the three East African States and the principle adopted by the Community during the second Yaoundé Convention negotiations with the AASM.

Regarding trade, the general rule is that the East African States, like the AASM under the terms of the new Yaoundé Convention, enjoy exemption from customs duties and charges having equivalent effect in the Community. However, in the cases of coffee, cloves and pineapple preserves, duty-free imports into the Community will be limited to a volume established by common accord between the contracting parties (coffee = 56 000 t, cloves = 120 t, pineapples = 860 t). For any quantities in excess of these volumes, on condition that it consult the East African States, the Community is entitled to apply such measures as are necessary to avoid serious disturbances in the traditional patterns of trade.

Regarding agricultural products similar to, and competitive with, European products and processed agricultural products, the Community has undertaken to take into consideration the interests of the East African States within the framework of its common agricultural policy; following consultation within the Association Council, the Community shall determine exceptions to the general system applying

to third countries and, in each individual case, establish the system for products originating from the East African States in cases where the latter have an economic interest in the export of the said products; this system will be more favourable than that applicable to the same products originating from third countries.

The East African States will initiate the elimination of customs duties applicable to the EEC, with the exception of those designed to meet their development requirements or which are intended to contribute to their budgets.

By comparison with third countries, the European Economic Community will enjoy tariff advantages of between 2 and 9% on some 60 products. These advantages may be modified, on condition that the overall volume of concessions and the balance as between the Member States are maintained.

In principle, the East African States will not apply quantitative restrictions on imports of products originating in the Member States except as justified by their development requirements, balance of payments difficulties, or in the case of agricultural products, for reasons related to the development of the East African Common Market established by the Treaty for East African Cooperation. Such restrictions may, under exceptional circumstances, lead to a temporary total ban on imports under certain duly substantiated conditions, subject to prior consultation.

Like the second Yaoundé Convention, the Arusha agreement contains provisions for the promotion of regional cooperation.

It should also be noted that the contracting parties are agreed that the agreement does not preclude the setting up of a general system of preferences on a world scale and, in particular, does not present any obstacle to participation in such a system by the East African States.

The agreement recognizes the necessity of establishing a definition of the concept of origin which should correspond insofar as possible to the rules laid down under the Yaoundé Convention.

Moreover, the agreement contains provisions relating to the right of establishment and provision of services, and also in relation to payments and capital movements.

The Association shall have its own institutions, including an Association Council empowered to implement and supervise the execution of provisions contained in the agreement and a Parliamentary Committee set up on a basis of parity.

TREND OF COMMON CUSTOMS TARIFF DUTIES
ON CERTAIN TROPICAL PRODUCTS

Coffee:

- 1.1.1958: 16% (duty before the entry into force of the Treaty—List F annexed hereto)
- 1.2.1964: 12% (suspended at 9.6%; anticipatory introduction of the rate provided for during the negotiations which led to the conclusion of the first Yaoundé Convention, which should not have been introduced until the entry into force of the Convention)
- 1.1.1971: 12% (suspended at 7%—Council regulation of 14.12.1970)

Cocoa:

- 1.1.1958: 9% (see above)
- 1.6.1964: 6.7% (suspended at 5.4%; introduction of the rate provided for by the decision of 25 February 1964, laid down during the negotiations which led to the conclusion of the first Yaoundé Association)
- 1.1.1971: 6.7% (suspended at 4%—Council Regulation of 14.12.1970)

Palm oil: untreated, intended for human consumption:

- 1.1.1962: 9% (List G)
- 1.1.1971: 9% (suspended at 6%—Council Regulation of 14.12.1970)

Tropical woods:

in the rough:

- 1.1.1962: 5%
- 1.1.1964: total suspension, following an arrangement with the United Kingdom
- 1.7.1968: exemption (following the “Kennedy Round” negotiations)

sawn:

- 1.1.1962: 10%
- 1.1.1964: see above.

**SUMMARY OF PREFERENTIAL AGREEMENTS CONCLUDED
BY THE COMMUNITY IN THE MEDITERRANEAN BASIN**

These agreements are either association agreements pursuant to Article 238 of the Treaty, or preferential agreements pursuant to Article 113 of the Treaty.

A. Agreements concluded on the basis of Article 238 of the Treaty

Country	Duration	Entry into force	Expiry	Opening of negotiations
Greece	unlimited	1.11.62	—	—
Turkey	unlimited	1.12.64	—	—
Tunisia	5 years	1. 9.69	31.8.74	31.8.72 at the latest
Morocco	5 years	1. 9.69	31.8.74	31.8.72 at the latest
Malta	5 years	1. 4.71	31.3.76	1.10.74

B. Agreements concluded on the basis of Article 113 of the Treaty

At present, the Community has preferential agreements with Israel and Spain. Negotiations are currently proceeding on the conclusion of agreements of this type with the United Arab Republic and the Lebanon.

The tenor of these agreements is similar to that of the first agreements concluded with Tunisia and Morocco. Thus, on the matter of the movement of goods, goods are subject to the rule of origin provided they are covered by a certificate of origin.

Country	Duration	Entry into force	Term date	Opening of negotiations
Spain	6 years at least	1.10.70	(30.9.76)	—
Israel	5 years	1.10.70	30.9.75	1.4.73
UAR		negotiations in progress		
Lebanon		negotiations in progress		

GREECE

Signing: Athens, 9 July 1961

Entry into force: 1 November 1962

Type: Association agreement concluded by the Community and the Member States

Legal basis: Article 238

Duration: Unlimited

Content: The Agreement provides for:

(i) the establishment of a customs union with the Community over a transitional period of 12 to 22 years.

The tariff reductions which the EEC and Greece were to grant each other were introduced in accordance with the provisions of the Athens Agreement: granting of exemption by the Community for industrial products and the agricultural products listed in Annex III of the said Agreement; reduction of Greek duties by 60% or 20%, depending on the products, on 1 May 1970. On the same date, Greece modified its tariff towards alignment with the CCT, by 60% and 20%, depending on the products. The movement of goods is subject to the system of free circulation.

(ii) the harmonization of economic policies and the development of joint action;

(iii) financial aid of 125 million u.a. over 5 years, in accordance with the financial protocol annexed to the Agreement;

(iv) joint institutions: an Association Council having powers of decision on all matters related to the functioning of the application of the Agreement, a mixed parliamentary committee;

(v) Article 72 of the Agreement provides for the possibility of eventual accession to the Community, but the agreement has been 'frozen' since the coup d'état in Greece on 21 April 1967. There have been no new decisions, but the Commission of the Communities is restricting itself to the "day-to-day working" of the Agreement.

TURKEY

Signing: Ankara, 12 September 1963

Entry into force: 1 December 1964

Type: Association Agreement concluded by the Community and the Member States

Legal basis: Article 238

Duration: Unlimited

Content: The Agreement provides for three stages:

(a) *Preparatory stage* (5 years extendible to 9 years)

It was provided that during this first stage, Turkey would strengthen its economy with the aid of the Community in order to attain a sufficiently high level of development to assume the obligations which will be incumbent upon it during the transitional and final stages.

Turkey has received financial aid from the EEC in the form of loans to a value

of 175 million u.a. over a period of 5 years under the terms of a first financial protocol.

Turkey has also benefited from certain tariff preferences in order to promote sales on the Community market of its principal export products: tobacco, raisins, dried figs, husk fruits, textiles, quality wines, fish and shellfish.

(b) *A transitional stage* which will enter into force on the ratification by all the Member States and Turkey of the *protocol* to the Ankara Agreement which was signed on 23 November 1970. This Agreement lays down the procedure for the execution of the transitional phase.

A further financial protocol has also been signed.

The former protocol provides that a customs union will be introduced progressively over a transitional stage of 12 to 22 years, depending on the products. As regards agriculture, the Association Council will, on completion of the 22 year period, adopt the provisions required for the establishment of free movement of agricultural products between the Community and Turkey. In the intervening period, the Community and Turkey accord each other a preferential system, the scope and details of which will be determined by the Association Council.

The financial aid to be granted under the terms of the second protocol is 195 million u.a. over a period of 5 and a half years. In addition, provision has been made for the possibility of the EIB granting loans of 25 million u.a. out of its own resources on normal market conditions when certain conditions have been met.

(c) *A final stage.* On completion of the transitional stage, there should be a customs union between the Community and Turkey, and their economic policies should have been harmonized. The movement of goods will be subject to the system of free circulation.

There is provision for joint institutions :

- (i) an Association Council and
- (ii) a Mixed Parliamentary Committee as provided in the agreement with Greece.

Moreover, Article 28 of the Agreement provides for the possibility of eventual accession to the Community.

APPENDIX 30

TUNISIA AND MOROCCO¹

Signing: Tunis, 28 March 1969
 Rabat, 31 March 1969

¹ For the record, it should be added that Article 227 paragraph 2 of the Treaty of Rome stipulates that the provisions of the Treaty on the free movement of goods in particular apply to *Algeria*.

Since Algeria's accession to independence, this Article has not been modified and there is some legal uncertainty in this respect. Trade arrangements with Algeria are specific to each Member State and each sector, ranging from exemption to third country treatment.

There is, then, a *de facto* situation which the Community and Algeria are seeking to legalize in negotiations.

Entry into force: 1 September 1969
Expiry: 1 September 1974
Date provided for opening of renegotiations: 1 September 1972 at the latest
Type: Association Agreement concluded by the Community on the basis of Article 238
Content: The Tunis and Rabat Agreements are at present limited to commercial matters. The movement of goods is subject to origin control.

The Community grants exemption from duty to the whole industrial sector, to the exclusion of certain sensitive products, and ad hoc reductions (100%, 80% and 50%) for certain agricultural products.

Tunisia grants tariff and quota advantages to the Community.

For its part, Morocco grants quota concessions and has accepted the principle of the granting of tariff preferences within the framework of a worldwide agreement. On completion of the third year, negotiations may be entered into with a view to the conclusion of wider agreements, associating Morocco and Tunisia with the EEC more completely.

Each agreement is administered by an Association Council made up of members of the Moroccan or Tunisian Government, members of the Council and members of the Commission of the European Communities.

APPENDIX 30

MALTA

Signing: 5 December 1970
Entry into force: 1 April 1971
Duration: 5 years (first stage)
Expiry: end of March 1976
Date of opening of renegotiations: 1 October 1974
Type: Association Agreement concluded by the Community
Legal basis: Article 238
Content: An Agreement in two 5 year stages for the establishment of a customs union during the second stage; only the provisions governing the first stage have been agreed in detail.

Exclusively commercial content, concessions in the industrial sector (except ECSC products): tariff reduction of 70% by the EEC, and of 35% by Malta.

Concessions in the agricultural sector: no concession by the EEC; tariff reduction of 35% by Malta. The movement of goods is subject to origin control.

ISRAEL

<i>Signing:</i>	29 June 1970
<i>Entry into force:</i>	1 October 1970
<i>Duration:</i>	Limited
<i>Expiry:</i>	30 September 1975
<i>Date of opening of renegotiations:</i>	1 April 1974
<i>Type:</i>	Preferential trade agreement
<i>Legal basis:</i>	Article 113
<i>Content:</i>	The object of the agreement is to promote the growth of mutual trade, and it provides for the possibility of the conclusion of a new agreement which would be wider in scope, providing for the progressive elimination of obstacles in most areas of trade.

The agreement relates exclusively to trade, and provides for a 50% reduction of CCT duties (over 4 years) on all industrial products with the exception of a small number of sensitive products, and in the agricultural sector, reductions of 40% to 30% on Israel's main export products (citrus fruits, grapefruits, peppers, etc.).

The agreement provides for tariff reductions by Israel for 30%, 25%, 15% and 10% respectively for four lists of industrial and agricultural products, and the consolidation of liberalization. The agreement covers approximately 80% of the trade between the contracting parties as at the year 1968.

SPAIN

<i>Signing:</i>	29 June 1970
<i>Entry into force:</i>	1 October 1970
<i>Duration:</i>	1st stage, 6 years (at least)
<i>Expiry:</i>	
<i>Date of opening of renegotiations:</i>	[1 October 1976]
<i>Type:</i>	—
<i>Legal basis:</i>	Preferential trade agreement
<i>Content:</i>	Article 113
<i>Content:</i>	An agreement in two stages, the provisions for the first of which only have been agreed upon.

The opening of negotiations for the setting out of the content of the second stage and the passage from one stage to the next is subject to the agreement of both parties.

The agreement relates exclusively to trade. Concessions in the industrial sector (excluding ECSC products): tariff reduction of 60% or 70% by the EEC and differential treatment (lists at 60% or 70%, 30%, 25%) and liberalization of imports by Spain. Concessions in the agricultural sector: ad hoc solutions and significant exceptions by both contracting parties.

YUGOSLAVIA

1. The trade agreement between the EEC and the FSR of Yugoslavia, concluded on 19 March 1970 entered into force on 1 May 1970. The text of this agreement was reproduced in the Official Journal, No L 58/3 of 13 March 1970.

2. *Content of this agreement*

According to its preamble, the object of this agreement is to contribute 'to the promotion of trade and the development of economic cooperation on mutually advantageous terms'.

The fundamental provisions of the agreement cover:

- (a) reciprocal most favoured nation customs treatment (customs duties, charges of any kind on imports or exports, customs clearance formalities and procedures);
- (b) the highest degree of liberalization, on a reciprocal basis, of imports and exports; this arrangement is accompanied by a reciprocally granted protective measure;
- (c) the reciprocal application of reduced customs duties on certain products taken from the 1967 Geneva protocol provided for in the GATT code;
- (d) an amendment to the Community levy applicable to full-grown cattle and their meat, within the framework of a form of cooperation instigated by the two parties (details set out in an annexed protocol);
- (e) the setting up of a Mixed Committee responsible for ensuring that proper effect is given to the agreement;
- (f) the term of validity of the agreement (3 years).

3. *Appraisal of the economic significance of the agreement*

(a) In absolute values, the figures for trade between the EEC and Yugoslavia in 1969 and 1970 were as follows:

	1969	1970 (half year)
(i) imports from Yugoslavia (millions of dollars)	546.4	324.7
(ii) exports to Yugoslavia (millions of dollars)	922.1	576.6
Balance (millions of dollars)	+ 375.7	+ 251.9

(b) An indication of the structure of this trade is given below:

CST Section	Description of products	Imports		Exports	
		1969	1st half 1970	1969	1st half 1970
0 + 1	Foodstuffs, beverages, tobacco	142.0	78.6	14.9	13.1
3	Energy products	6.3	4.0	7.1	4.6
2 + 4	Raw materials	98.0	51.0	33.7	22.1
5	Chemicals	16.1	11.5	108.2	67.7
7	Machines and transport equipment	33.3	28.8	432.7	269.4
6 + 8	Other industrial products	244.5	146.5	319.9	194.8
	Miscellaneous	6.2	4.2	5.6	4.9
	Total	546.4	324.6	922.1	576.6

(c) The above statistics are sufficient to indicate that, in trade between the EEC and Yugoslavia, Yugoslavia has a fairly substantial and growing *deficit*, which by the end of 1970, was almost 600 million dollars. This deficit can only have been partly covered by invisible earnings (tourism and repatriation of funds by emigré workers in the EEC).

During the first meeting of the Mixed EEC-Yugoslavia Committee in Belgrade in January 1970, the two parties agreed to adopt suitable measures to cope with this situation, which is a difficult one for Yugoslavia's economy to bear. The admission of Yugoslavia to the benefit of generalized preferences was considered by both sides to be a measure which should go some way towards remedying this situation.

**PATTERN OF TRADE
WITH THE DEVELOPING COUNTRIES AS A WHOLE**

*Pattern of trade between the EEC and the
developing countries and territories as a whole*

(in millions of dollars)

Year	Imports by the EEC			Exports by the EEC			Trade balance (values)
	Values ¹	Indices	Annual growth rate as against preceding year %	Values ²	Indices	Annual growth rate as against preceding year %	
1958	6 824	100	—	6 125	100	—	— 699
1959	6 669	97.7	-2.3	5 926	96.8	-3.2	— 743
1960	7 485	110	12.2	6 738	110	13.7	— 747
1961	7 575	111	1.2	6 765	110	0	— 810
1962	8 168	120	7.8	6 197	101	-8.4	-1 971
1963	8 822	129	8.0	6 355	104	2.5	-2 467
1964	9 843	144	11.6	6 892	112	8.5	-2 981
1965	10 522	154	6.9	7 501	122	8.8	-3 021
1966	11 312	166	7.5	7 955	130	6.0	-3 357
1967	11 592	170	2.5	8 299	135	4.3	-3 293
1968	12 506	183	7.9	9 309	152	12.1	-3 197
1969	14 222	208	13.7	10 217	167	9.7	-4 005

¹ Current CIF values.

² Current FOB values.

Source: SOEC.

*Trend of the share of the developing countries
and territories in the external trade of the EEC*

(in millions of dollars)

Year	Imports by the EEC ¹			Exports by the EEC ²		
	Extra-EEC total	From the developing countries and territories	Percentage from the developing countries and territories	Extra-EEC total	To the developing countries and territories	Percentage from the developing countries and territories
1958	16 156	6 824	42.2%	15 910	6 125	38.5%
1959	16 206	6 669	41.2%	17 050	5 926	34.8%
1960	19 445	7 485	38.5%	19 483	6 738	34.6%
1961	20 455	7 575	37.0%	20 428	6 765	33.1%
1962	22 353	8 168	36.5%	20 636	6 197	30.0%
1963	24 677	8 822	35.7%	21 629	6 355	29.4%
1964	26 856	9 843	36.7%	24 179	5 892	24.4%
1965	28 582	10 522	36.8%	24 093	7 501	31.1%
1966	30 756	11 312	36.8%	29 419	7 955	27.0%
1967	30 895	11 592	37.5%	31 629	8 299	26.2%
1968	33 542	12 506	37.3%	35 290	9 309	26.4%
1969	39 242	14 222	36.2%	39 236	10 217	26.0%

¹ Current CIF values.

² Current FOB values.

Source: SOEC.

Pattern of trade between the EEC and the overseas associates

(in millions of dollars)

Year	Imports by the EEC			Exports by the EEC			Trade balance (values)
	Values ¹	Indices	Annual growth rate as against preceding year %	Values ²	Indices	Annual growth rate as against preceding year %	
1958	1 546	100	—	1 860	100	—	+314
1959	1 352	87	-12.5	1 699	91	-8.7	+347
1960	1 663	108	23.0	1 882	101	10.8	+219
1961	1 771	115	6.5	1 764	95	-6.3	-7
1962	1 850	120	4.5	1 433	77	-18.8	-417
1963	1 902	123	2.8	1 546	83	7.9	-356
1964	2 059	133	8.6	1 653	89	6.9	-406
1965	2 046	132	-0.6	1 733	93	4.8	-313
1966	2 282	148	11.5	1 707	92	-1.5	-575
1967	2 279	147	-0.2	1 789	96	4.2	-490
1968	2 498	162	9.6	2 064	111	15.4	-434
1969	2 807	182	12.4	2 295	123	11.2	-512

¹ Current CIF values.² Current FOB values.

Source: SOEC.

Pattern of trade between the EEC and the AASM

(in millions of dollars)

Year	Imports by the EEC			Exports by the EEC			Trade balance (values)
	Values ¹	Indices	Annual growth rate as against preceding year %	Values ²	Indices	Annual growth rate as against preceding year %	
1958	914	100	—	712	100	—	-202
1959	860	94	-5.9	585	82	-17.8	-275
1960	952	104	10.7	603	85	3.1	-349
1961	941	103	-1.2	673	95	11.6	-268
1962	930	102	-1.2	666	94	-1.0	-264
1963	989	108	6.3	726	102	9.0	-263
1964	1 150	126	16.3	821	115	13.1	-329
1965	1 145	125	-0.4	827	116	0.8	-318
1966	1 319	144	15.2	847	119	2.4	-472
1967	1 308	143	0.8	926	130	9.3	-382
1968	1 467	161	12.2	1 019	143	10.0	-448
1969	1 717	188	17.0	1 117	157	9.6	-500

¹ Current CIF values.² Current FOB values.

Source: SOEC.

Pattern of trade between the EEC and non-associated Africa (class 2)

(in millions of dollars)

Year	Imports by the EEC			Exports by the EEC			Trade balance (values)
	Values ¹	Indices	Annual growth rate as against preceding year %	Values ²	Indices	Annual growth rate as against preceding year %	
1958	1 048	100	—	941	100	—	-107
1959	1 121	107	7.0	979	104	4.0	-142
1960	1 158	110	3.3	1 212	129	23.8	+54
1961	1 160	111	0	1 151	122	-5.0	-9
1962	1 301	124	12.2	1 147	122	-0.4	-154
1963	1 609	154	23.7	1 287	137	12.2	-322
1964	1 938	185	20.4	1 324	141	2.9	-614
1965	2 196	210	13.3	1 523	162	15.0	-673
1966	2 424	231	10.4	1 537	163	1.0	-887
1967	2 450	234	1.1	1 599	170	4.0	-851
1968	2 823	269	15.2	1 662	177	3.9	-1 161
1969	3 440	328	21.8	1 798	191	8.2	-1 642

¹ Current CIF values.² Current FOB values.

Source: SOEC.

Pattern of trade between the EEC and Central and South America

(in millions of dollars)

Year	Imports by the EEC			Exports by the EEC			Trade balance (values)
	Values ¹	Indices	Annual growth rate as against preceding year %	Values ²	Indices	Annual growth rate as against preceding year %	
1958	1 647	100	—	1 604	100	—	-43
1959	1 691	103	2.7	1 612	100	—	-79
1960	1 870	113	10.6	1 693	105	5.0	-177
1961	1 892	114	1.2	1 860	115	9.9	-32
1962	2 223	134	17.5	1 783	111	-4.1	-440
1963	2 268	137	2.0	1 567	97	-12.1	-701
1964	2 465	149	8.7	1 676	104	7.0	-789
1965	2 615	158	6.1	1 706	106	1.8	-909
1966	2 731	166	4.4	1 905	119	11.7	-826
1967	2 808	170	2.8	2 054	128	7.8	-754
1968	2 679	162	-5.6	2 327	145	13.3	-352
1969	3 166	192	18.2	2 577	161	11.7	-589

¹ Current CIF values.² Current FOB values.

Source: SOEC.

Pattern of trade between the EEC and the countries of Western Asia

(in millions of dollars)

Year	Imports by the EEC			Exports by the EEC			Trade balance (values)
	Values ¹	Indices	Annual growth rate as against preceding year %	Values ²	Indices	Annual growth rate as against preceding year %	
1958	1 803	100	—	693	100	—	-1 110
1959	1 746	97	-3.2	709	102	2.3	-1 037
1960	1 967	109	12.6	1 119	161	57.8	-848
1961	1 851	103	-5.9	811	117	-27.5	-1 040
1962	1 926	107	4.0	765	110	-5.7	-1 161
1963	2 131	118	10.6	823	119	7.6	-1 308
1964	2 306	128	10.8	966	139	17.4	-1 340
1965	2 522	140	10.9	1 089	157	12.7	-1 435
1966	2 628	146	4.2	1 258	182	15.5	-1 370
1967	2 912	162	10.8	1 299	187	3.2	-1 613
1968	3 317	184	13.9	1 615	233	24.3	-1 702
1969	3 351	186	1.0	1 718	248	6.4	-1 633

¹ Current CIF values.² Current FOB values.

Source: SOEC.

Pattern of trade between the EEC and the Far East

(in millions of dollars)

Year	Imports by the EEC			Exports by the EEC			Trade balance (values)
	Values ¹	Indices	Annual growth rate as against preceding year %	Values ²	Indices	Annual growth rate as against preceding year %	
1958	779	100	—	1 027	100	—	+248
1959	759	97	-2.6	926	90	-9.8	+167
1960	963	127	26.9	1 138	111	22.9	+175
1961	899	115	-6.7	1 181	115	3.8	+282
1962	868	111	-3.4	1 068	104	-9.6	+200
1963	911	117	5.0	1 132	110	6.0	+221
1964	1 074	138	17.9	1 272	124	12.4	+198
1965	1 144	147	6.5	1 449	141	13.9	+305
1966	1 246	160	10.9	1 548	151	6.8	+302
1967	1 143	147	-8.3	1 559	152	0.7	+416
1968	1 188	152	3.9	1 640	160	5.2	+452
1969	1 459	187	22.8	1 829	178	11.5	+370

¹ Current CIF values.² Current FOB values.

Source: SOEC.

TRADE

(a) *Evolution of EEC trade, 1970*

	EEC imports			EEC exports			Trade balance (\$ US ' 000 000)
	Values ¹ \$ US ' 000 000	Basic indices (1958=100)	Annual growth rate ²	Values ² \$ US ' 000 000	Basic indices (1958=100)	Annual growth rate ²	
Trade with							
1. All developing countries and territories	16 105	236	13.2	11 546	189	13.0	-4 559
2. OCT	3 517	227	25.3	3 253	175	41.7	- 264
3. AASM	1 862	204	8.4	1 265	178	13.2	- 597
4. African countries in Class 2 not associated with the Community	3 510	335	2.0	1 597	170	-11.2	-1 923
5. Central and South America	3 591	218	13.4	2 945	184	14.3	- 646
6. Western Asia	3 900	216	16.4	1 831	264	6.6	-2 069
7. Far East	1 588	204	8.8	1 921	187	5.0	+ 333

(b) *Evolution of the share of the developing countries and territories in the EEC's external trade in 1970*

EEC imports ¹			EEC exports ²		
Total extra-EEC	Imports from developing countries and territories	From developing countries and territories as percentage	Total extra-EEC	Exports to developing countries and territories	To developing countries and territories as percentage
45 621	16 105	35.3	45 195	11 546	25.5

¹ Current values *CIF*.² Current values *FOB*.³ In relation to the previous year in %.

TABLE 1

Execution of Community and Member States' Food Aid Programmes (cereals)
1968/69

Beneficiary countries	Total quantities provided for under Community/Member States' schemes	Community	Total for Member States	Breakdown of Member States					(metric tonnes)
				Germany (Fr)	Belgium	France	Italy	Netherlands	
<i>Africa</i>									
Algeria JCA/CICR	27 500	25 000	2 500	—	—	—	—	—	2 500
Congo-Kinshasa	5 000	—	5 000	—	5 000	—	—	—	—
Burundi, Rwanda	5 000	—	5 000	—	5 000	—	—	—	—
Mali	3 500	—	3 500	—	—	3 500	—	—	—
Mauritania	3 000	—	3 000	3 000	—	—	—	—	—
Senegal	4 000	—	4 000	4 000	—	—	—	—	—
Somaliiland	4 000	—	4 000	4 000	—	—	—	—	—
Sudan	22 000	20 000	2 000	—	—	—	—	—	2 000
Tunisia	101 500	20 000	81 500	9 000	15 000	30 000	24 000	3 500	3 500
UAR	172 000	—	172 000	—	3 000	90 000	75 000	—	4 000
Upper Volta	10 000	—	10 000	—	—	10 000	—	—	—
<i>Near East</i>									
Afghanistan	10 000	—	10 000	10 000	—	—	—	—	—
Jordan	7 000	—	7 000	7 000	—	—	—	—	—
South Yemen	4 000	—	4 000	4 000	—	—	—	—	—
Syria	15 000	—	15 000	—	—	—	15 000	—	—
Turkey	133 000	50 000	83 000	40 000	5 000	—	36 000	—	2 000
Yemen	15 000	—	15 000	15 000	—	—	—	—	—
<i>South Asia</i>									
Ceylon	45 000	—	45 000	15 000	—	15 000	15 000	—	—
India	179 000	80 000	99 000	64 000	—	135 000	—	—	—
Mauritius	2 500	—	2 500	—	—	2 500	—	—	—
Pakistan	81 900	50 000	31 900	9 000	5 000	15 000	—	—	2 900
<i>East Asia</i>									
Indonesia	116 500	56 000	60 500	18 500	7 000	15 000	8 000	—	12 000
Korea	6 000	—	6 000	6 000	—	—	—	—	—
<i>Latin America</i>									
Chile	100	—	100	—	—	—	—	—	100
WFP	57 500	—	57 500	20 000	5 000	7 500	—	—	25 000
UNRWA	5 000	—	5 000	—	—	5 000	—	—	—
TOTAL	1 035 000	301 000	734 000	228 500	50 000	228 500	173 000	—	54 000

1 Not yet delivered and probably allocated to another country.

TABLE 2
Execution of Community and Member States' Food Aid Programmes (cereals) 1969/1970

Beneficiary countries	Total quantities provided for under Community/Member States' schemes	Community	Total for Member States	Breakdown of Member States				
				Germany (Fr)	Belgium	France	Italy	Netherlands
<i>Africa</i>								
Nigeria	1 580	—	1 580	—	—	—	—	1 580
Mali	31 500	30 000	1 500	—	—	1 500	—	—
Congo-Kinshasa	5 000	—	5 000	—	5 000	—	—	—
Rwanda	2 500	—	2 500	—	2 500	—	—	—
Mauritania	3 000	—	3 000	3 000	—	—	—	—
Niger	15 000	15 000	—	—	—	—	—	—
Somalia	6 000	—	6 000	—	—	—	—	—
Sudan	20 000	10 000	10 000	—	2 000	—	6 000	2 000
Tunisia	102 000	35 000	67 000	20 000	5 000	30 000	11 000	1 000
UAR	222 000	—	222 000	20 000	3 000	120 000	75 000	4 000
Chad	5 000	—	5 000	—	—	5 000	—	—
Upper Volta	10 000	—	10 000	—	—	10 000	—	—
AASM ¹	13 500	—	13 500	—	—	13 500	—	—
<i>Near East</i>								
Jordan	7 000	—	7 000	—	—	—	—	—
Lebanon	29 000	15 000	14 000	7 000	—	—	—	—
North Yemen	30 000	14 000	16 000	4 000	—	—	10 000	—
Syria	10 000	—	10 000	6 000	—	—	10 000	—
Turkey	119 100	50 000	69 100	46 000	5 000	—	15 100	3 000
<i>South Asia</i>								
Ceylon	53 700	14 000	39 700	19 700	—	10 000	10 000	—
Mauritius	6 000	—	6 000	—	—	6 000	—	—
Pakistan	155 000	80 000	75 000	57 000	3 000	15 000	—	—
<i>East Asia</i>								
Indonesia	108 000	60 000	48 000	18 000	10 000	5 000	—	15 000
<i>Latin America</i>								
Chile	5 000	—	5 000	—	5 000	—	—	—
WFP	57 500	—	57 500	20 000	5 000	7 500	—	25 000
Red Cross	4 500	4 500	—	—	—	—	—	—
UNRWA	3 200	—	3 200	—	—	3 200	—	—
JCA	8 000	8 000	—	—	—	—	—	—
Remainder	1 910	—	1 910	—	1 650 ²	—	—	270
TOTAL	1 035 000	335 500	699 500	226 700	47 150	226 700	147 100	51 850

¹ French aid for as yet unspecified AASM.

² Emergency aid allocated to Turkey involving 20 000 metric tonnes, of which 1 400 metric tonnes are included in the 1969/70 accounts and 18 600 metric tonnes in the 1970/71 accounts.

TABLE 3

*Estimate of the food aid of the EEC
Value of commitments in u.a.*

	1968-1969	1969-1970	1970-1971	TOTAL
<i>Cereal products</i> ¹	17 394 000	20 579 000	5 775 000 ³	43 748 000
<i>Milk products</i> ²				
Skimmed milk powder		31 515 000		31 515 000
Butter		648 000		648 000
Butteroil		26 755 000		26 755 000
Baby cereals and soup		1 506 000		1 506 000
	17 394 000	81 003 000	5 775 000	104 172 000

¹ Calculated on the basis of the world price estimated from Community CIF prices.

² Calculated on the basis of the Community export price.

³ Related to emergency aid programmes for the benefit of four countries only, the full food aid programme for 1970-1971 not having been established at the time when this estimate was made.

*Estimates of 1968 per capita gross national product at current market prices:
comparison between 99 developing countries and 16 developed countries
(in US dollars)*

	Developing countries				Developed countries	
	Less than 100\$	100 to 200\$	200 to 300\$	300 to 500\$	Over 500\$	
A F R I C A	RWANDA 45	Sudan 110	CONGO 201	IVORY COAST 304	GABON (1966) 550	South Africa 647
	UPPER VOLTA 50	MADAGASCAR 120	MAROCCO 208	Zambia 324	Libya 1 600	
	BURUNDI 53	KENYA 125	Liberia 224			
	Malawi 58	TOGO 125	SENEGAL 225			
	SOMALILAND 62	TOGO 125	TUNISIA 225			
	Ethiopia 64	CENTRAL AFRICAN REP. 134	Mauritius 226			
	Angola 71	AFRICAN REP. 144	Ghana 238			
	DAHOMY 71	CAMEROON 144	Algeria 260			
	TANZANIA 74	MAURITANIA 153				
	CHAD 78	Sierra Leone 157				
	CONGO-KINSHASA 80	Guinea 176				
	MALI (1965) 85	Swaziland ('66) 178				
	Lesoto (1966) 88	UAR (Egypt) 185				
	Gambia 94	Rhodesia 197				
	NIGER 95					
	Botswana (1966) 96					
Nigeria 96						
UGANDA 96						
A M E R I C A S	Haiti 91	Bolivia 170	Paraguay 229	Guiana 302	Mexico 566	Canada 2 997
			Equador 258	Guatemala 314	Chile 569	United States 4 379
			Honduras 258	Brazil 334	SURINAM 582	
			El Salvador 280	Nicaragua 380	Panama 615	
			Dominican Rep. 290	Costa Rica 457	Uruguay 651	
			Peru 291	Barbados 468	Argentina 716	
			Colombia 292	Jamaica 496	Trinidad and Tobago 733	
					Venezuela 944	
					NETHERLANDS	
					ANTILLES 1 180	

A	Nepal	75	Pakistan	140	Syria	248	Philippines	301	Lebanon	519	Japan	1 404
S	Burma	78	Cambodia	149	Jordan	271	China (T)	312	Singapore	723		
I	Laos	79	Ceylon	150	Iraq	278	Malaysia	323	Israel	1 471		
A	Afghanistan	85	Thailand	166	<i>Iran</i>	298	Saudi Arabia	378	Kuwait	4 030		
	India	85	Vietnam (S)	175								
	Indonesia	97	Korea (S)	194								
							<i>Yugoslavia</i>	300	Portugal	529	Ireland	1 024
E							TURKEY	380	MALTA	575	Italy	1 418
U									Cyprus	704	United Kingdom	1 861
R									<i>Spain</i>	773	Netherlands	1 980
O									GREECE	813	EEC	2 053
P											Belgium	2 154
E											FR Germany	2 206
											Luxembourg	2 277
											Norway	2 362
											France	2 537
											Denmark	2 545
											Sweden	3 315
Oceania							Fiji (1967)	319			Australia	2 479

Explanations: Countries in italic capitals = AASM and OCT's.
Countries in capitals = other developing countries which have concluded association agreements with the Community.
Countries in lower case italics = developing countries which have concluded trade agreements with the Community.
Sources: United Nations, Statistical Yearbook 1969, New York 1970, pp. 563-565.
OECD, Development Aid, 1970 Review, Report by the President, Paris 1971, p. 228.

Economic indicators of the developing countries, grouped on a regional and sub-regional basis 1968 statistics

	Population		Overall GNP		Per capita GNP		Exports, fob	
	thousands of inhabitants	% of all developing countries	thousands of millions of US dollars	% of all developing countries	US dollars per capita	% of developing countries average	millions of US dollars	% of all developing countries
A. Black African countries								
1. AASM ¹	71 689	4	7.5	2	104	52	1 830	4
2. East African countries (Kenya, Uganda, Tanzania)	30 850	2	3.2	1	105	53	588	1
3. Nigeria	62 650	3	4.4	1	70	35	591	1
4. Other African Commonwealth countries ²	22 239	1	3.3	1	150	75	1 371	3
Sub-total for A	187 429	10	18.4	5	99	49	4 380	9
B. Mediterranean countries and Near East								
1. European countries								
(a) Spain, Greece, Turkey, Malta and Cyprus	75 915	4	41.4	12	546	273	2 676	6
(b) Yugoslavia	20 154	1	10.3	3	510	255	1 264	3
2. Maghreb countries (Morocco, Algeria, Tunisia)	32 183	2	6.6	2	204	102	1 367	3
3. Near East countries								
(a) Countries with which the EEC is negotiating preferential agreements								
— Israel	2 745	1	3.7	1	1 360	680	603	1
— Lebanon	2 580	—	1.4	—	560	280	119	—
— UAR	31 693	2	5.4	2	170	85	622	1
(b) Other Near East countries ³	70 910	4	16.8	5	238	119	5 205	12
Sub-total for B	236 180	14	85.6	25	363	182	11 856	26

1. Mexico	47 627	3	25.2	7	530	265	1 254	3
2. Central America ⁴	32 560	2	9.4	3	290	145	1 978	5
3. Andean Group ⁵	52 541	3	17.5	5	333	167	2 724	6
4. Brazil	88 209	5	22.1	6	250	125	1 881	4
5. Argentina	23 617	1	19.3	6	820	410	1 368	3
6. Uruguay	2 818		1.4		520	260	179	—
7. Caribbean Islands								
(a) Associated with the EEC ⁶	869	1	0.6	1	719	359	677	2
(b) Commonwealth members ⁷	3 675		1.9		544	272	750	2
Sub-total for C	251 856	15	97.4	28	389	194	10 811	25
D. Asia and Oceania								
1. India	523 893	30	52.4	15	100	50	1 754	4
2. Pakistan	123 163	7	12.3	4	100	50	720	2
3. Rest of the Continent ⁸	170 890	10	32.7	10	192	96	4 880	11
4. Indonesia	112 825	7	11.3	3	100	50	689	2
5. Other islands ⁹	57 487	3	13.2	4	231	116	3 302	7
Sub-total for D	988 258	57	121.9	36	123	62	11 345	26
E. Total A+B+C+D	1 663 722	96	323.8	94	195	98	38 392	86
F. All market economy developing countries	1 727 620	100	344.1	100	200	100	44 060	100
					on average			

¹ Mauritania, Mali, Upper Volta, Niger, Chad, Senegal, Ivory Coast, Togo, Dahomey, Cameroon, Central African Republic, Gabon, Congo (DR), Congo (PR), Rwanda, Burundi, Somaliland and Madagascar.

² Gambia, Sierra Leone, Ghana, Zambia, Malawi, Botswana, Lesotho, Swaziland and Mauritius.

³ Syria, Iraq, Jordan, Saudi Arabia, Yemen, Iran and Sudan.

⁴ Guatemala, British Honduras, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Cuba, Haiti and Dominican Republic.

⁵ Colombia, Ecuador, Bolivia, Peru and Chile.

⁶ Netherlands Antilles, Martinique and Guadeloupe.

⁷ Barbados, Jamaica, Trinidad and Tobago, Dependent Territories (St. Lucia, Grenada, St. Vincent, Dominica, Antigua, St. Kitts-Nevis-Anguilla).

⁸ Afghanistan, Nepal, Ceylon, Burma, Thailand, Cambodia, Laos, South Vietnam, Malaysia, Hong Kong and South Korea.

⁹ Singapore, Philippines, China (Taiwan), Papua and New Guinea, West Irian, Timor (Portuguese), Fiji Isles, Solomon Isles (British), West Samoa, Polynesia (French), Ryukyu Isles, Maldives Islands, New Caledonia, New Hebrides, Tonga, Gilbert and Ellice Islands, protectorates.

Sources: United Nations, Statistical Yearbook 1969, Demographic Yearbook 1969, Yearbook of International Trade Statistics 1968, Yearbook of National Account Statistics 1969

International Bank for Reconstruction and Development, World Bank Atlas, Washington 1970.

DEVELOPMENT OF TRADE ARRANGEMENTS AS BETWEEN THE AASM

The Association Conventions between the EEC and AASM do not preclude the maintenance or establishment of customs unions, free trade areas or economic cooperation agreements between the AASM themselves or with other third countries, on condition that such groupings do not prove incompatible with the principles and provisions of the said Conventions.

1. AASM which are members of Customs Unions

(a) *The West African Customs Union (WACU)*

This Union was established by seven countries (Dahomey, Ivory Coast, Mali, Mauritania, Niger, Senegal and Upper Volta) in 1959 in order to retain the commercial advantages of the de facto customs union which had existed among the countries of the former French West Africa by maintaining free trade within the area and an equitable redistribution of customs revenue on imports. However, once these countries acceded to independence, they raised their tariff barriers, the system of redistribution of customs revenue being virtually non-operational. In March 1966, a new Treaty reestablished the customs union by creating a common external tariff, maintaining customs franchise and extending it to the other AASM in the Franc Area.

The West African Customs Union has not given all the results expected, and the seven member countries are currently reviewing their relations as a whole with a view to establishing a 'West African Economic Community', the formation of which was approved on the basis of a Protocol signed at Bamako on 20/21 May 1970.

(b) *The Central African Customs Union (CACU)*

In 1964, the CACU was formed by five countries (Cameroon, Chad, Central African Republic, People's Republic of the Congo, Republic of the Gabon) as a continuation of the former Equatorial Customs Union.

On 1 April 1968, Chad and the Central African Republic appeared to break with the Union by joining with the Democratic Republic of the Congo to form the Union of Central African States, but nothing concrete has resulted from this decision.

The features of the CACU are the elimination of customs barriers within the area and the adoption of a common external customs tariff. Exemption from customs duty has also been extended to the other AASM, which had previously been members of the OCAM.

2. Other AASM

(a) *The Democratic Republic of the Congo* applies the customs tariff which it brought into effect in 1968 to all imported goods without distinction as to origin; thus, there is no special treatment for the other AASM.

Similar situations have existed in *Rwanda*, *Burundi* and *Somaliland* since 1965, 1968 and 1969 respectively.

(b) *Togo*, which does not levy customs duties as such, is not in a position to accord special treatment to the other AASM.

(c) *Madagascar*. With effect from 1 January 1961, Madagascar reintroduced the customs tariff duties which had been suspended since 1943. However, products originating from any of the AASM are exempt.

THE PROBLEM OF A LINK BETWEEN THE SPECIAL DRAWING RIGHTS (SDR's) AND THE FINANCING OF DEVELOPMENT

1. The demands of the developing countries

The recent creation of the Special Drawing Rights in the International Monetary Fund (IMF) has revived the old idea of a link between the creation of new instruments for international reserves and development aid. The claims of the developing countries in this connection are set out in the document on the strategy of the second United Nations Development Decade, paragraph 52 of which state:

‘As soon as sufficient experience of the efficiency of the mechanism of the Special Drawing Rights has been gained, serious consideration will be given to the possibility of establishing a link between the allocation of new reserve instruments in accordance with the mechanism and the granting of supplementary development credits to the developing countries. At all events, the question will be examined before the allocation of Special Drawing Rights in 1972.’

The attitude of the industrialized countries on the question of a link between the allocation of SDR's and development aid is extremely negative; indeed, most of them refuse to undertake to study the possibility of establishing such a link and, consequently, expressed reservations on the wording of this paragraph.

The arguments put forward by the supporters of a link are basically as follows: the creation of the SDR's ‘ex nihilo’ costs nothing to those to whom these monetary reserves are allocated, since the normal requirement of traditional reserve instruments reserve to surrender real resources in order to qualify to draw does not apply. This economy of real resources can be placed at the disposal of the developing countries without any additional sacrifice by the expedient of the link to be established between the SDR's and development aid, this redistribution of the new reserves being further justified by the fact that the very basis on which SDR's are allocated, namely the sharing of quotas in the IMF, is prejudicial to the developing countries.

The opponents of the idea of a link, on the other hand, maintain that this link cannot contribute any solution to the problem of increasing the transfer of real resources to the developing countries, but would involve an immediate danger of inflation and could undermine confidence in this new reserve instrument.

2. The suggested mechanisms

No detailed examination has yet been made of how the link would be made to work in practice. However, the suggestions made on the subject almost all envisage implementation of the link through the intermediary of the International Development Association (IDA). Two types of link have been suggested in international discussion:

(a) *an integrated link* which would involve the transfer to the IDA of a part of the initial annual allocations of SDR's set aside for the industrialized countries participating in the system. The transfer could be made directly by the IMF or by the industrialized countries. The IDA would then exchange the SDR's received against the national currencies of the donor countries and apply them to the financing of its aid operations.

(b) *an indirect link*, which would involve, not the SDR's themselves, but their countervalue in national currencies being placed at the disposal of the IDA.

Regarding the proportion of the SDR's which would be transferred directly or indirectly to the IDA, the suggestions put forward vary between 25 and 75% of the initial annual allocations, the figure most often proposed being 50%.

3. Assessment of the link

There is no doubt that, from the technical point of view, a suitable solution for the implementation of the link between the SDR's and development aid could be found. The technical and institutional arrangements for setting up the link which could be envisaged will not, therefore, be discussed here—this would be premature in all events—and only the consequences of the link in the development aid and monetary spheres will be analysed here.

Before commencing this analysis, attention is drawn once again to the thinking behind the proposed link. The fundamental objective is to provide an additional flow of aid to the developing countries in order to enable them to accelerate their rates of development, the pretext being provided by a cost-free increase in the monetary reserves of the industrialized countries.

In the view of its supporters, the purpose of the link is not, therefore, to increase the ability of the developing countries to cope with temporary balance of payments difficulties. An independent solution to this separate problem is sought through improvement of the access of the developing countries to the already existing facilities of the IMF, in other words, a revision of the quotas on which access to these facilities depends. There exists an indirect link between these two problems at most insofar as a relative increase of the developing countries' quotas would, under present conditions, automatically bring about an increase in the participation of the developing countries in the overall allocation of Special Drawing Rights. In view of the developing countries' line of argument in favour of the link, such an arrangement of the system would scarcely imply abandonment of the link between the SDR's and financial aid to the Third World.

(a) *The consequences in terms of development aid*

The establishment of a link between the allocation of SDR's and development aid would bring about, at least initially, an increase in the flow of aid to the Third World which would be determined by the size of the annual allocations and the proportions set aside for the link. For example, in 1970, the first year in which the SDR's were brought into effect, an appropriation to the link of 50% of the initial allocations of the 14¹ DAC member countries participating in the SDR

¹ Switzerland is not a member of the IMF and Portugal does not participate in the SDR system.

system (2 360 million US dollars out of a total of 3 400 million dollars allocated for the year 1970), would have brought an additional flow of aid of over 1 000 million US dollars, or 8.8% of the total contribution of public and private financial resources by these countries in 1969 (13 400 million US dollars).

Admittedly, it is not unlikely that certain donor countries would allow all or part of their traditional contributions to be replaced by the additional contributing arising out of the link. It is nevertheless important to stress that such offsetting would not be caused by the influence of the two main constraints—balance of payments difficulties (the main cause of the technique of tied aid) and budgetary problems in the donor countries—which have hitherto limited the possibilities of increasing development aid. Indeed, the additional aid contributing arising out of the link would not of itself involve any additional charge on the balance of payments of the industrialized countries, since it would be made out of reserves distributed in advance to the donor countries, and the SDR's not appropriated to the link would actually serve to alleviate any already existing balance of payments difficulties. Regarding budgetary constraints, institutional arrangements, involving legislative modifications are required, could be devised in order to enable part of the SDR's to be set aside for development aid without need for budgetary appropriations.

In the event of a joint decision by the industrialized countries to set aside a fixed proportion of the SDR allocations to development aid, it would be protected from the vicissitudes of annual budgetary appropriations. It is true that the additional annual contribution would depend on the total volume of SDR's created, but since, in principle, decisions to activate new SDR's are taken for five year periods, the link would introduce an element of long-term planning of development aid which hitherto has been non-existent in most cases. The fact that the volume of additional aid provided by the mechanism of this link could be subject to fluctuations, since the overall SDR allocations would vary according to the reserve requirements of the monetary system rather than according to development aid requirements, would not be a new factor, since the flow of aid has fluctuated in the past. Moreover, the annual commitments of credits by the administrative body would not necessarily have to correspond to the amounts allocated to it annually in national currencies, and any such fluctuations could be levelled out.

Administration of the link by the IDA would increase the degree of multilateralization of development aid, an objective whose value is recognized in principle by all the donor countries. It would mean that the granting of this aid would not be subject to considerations other than the requirements of the development policy, such as the political and economic interests of the donor countries, and, in view of the agreement among the DAC members on the principle of not tying multilateral contributions, it would not be conditional on the purchase of goods and services from the donor countries. Moreover, the overall effectiveness of aid could be improved in that a cohesive, consistent policy would replace the various often contradictory policies of individual nations.

The additional credits arising out of the link could be granted to the beneficiaries on extremely liberal terms, thus helping to reduce the foreign debt of the developing countries. These credits could possibly even be granted interest-free, and certainly very long repayment periods could be allowed. Indeed, the countries participating in the SDR system are only required to pay interest to the IMF at

the rate of 1.5% per annum on the excess of the net cumulative allocations on their SDR holdings. In the opposite situation, they receive interest at the same rate from the IMF. Interest charges to the IDA would therefore not be justified except when a reduction in the SDR holdings of a given country is attributable to the existence of the link, in other words, if there were an imbalance between the contributions of this country to the IDA and its exports to the developing countries financed out of this contribution, which could oblige the donor country concerned to buy back its national currency with SDR's from other developed countries which have received it in consideration of exports to the developing countries.

(b) *The consequences in monetary terms*

Provided the administrative body ensures that the SDR's which are allocated to it (in the case of the direct link) are not neutralized, by re-transferring them immediately to the donor countries in exchange for national currencies or short-term credit instruments, the potential loss of monetary reserves to industrialized countries, taken collectively, would, in the last analysis, not be greater than the increase of the developing countries' monetary reserves.

However, this risk should not be very great, since, in view of the developing countries' need of imported goods, it may be expected that they would spend the additional aid received through the link mechanism for the financing of additional imports immediately.

The same does not apply in the case of donor countries considered in isolation. Indeed, the use of the additional contribution by the beneficiary countries could have the effect of redistributing monetary reserves among the industrialized countries: those whose increase of exports is higher than their additional contribution to the developing countries would receive additional reserves, those finding themselves in the converse situation would lose reserves. Insofar as the developing country's sources of supply are chosen on the basis of the prices of the goods and services they require and a positive correlation exists between the degree of relative inflation and the balance of payments situation, this redistribution of monetary reserves would be to the detriment of countries in balance of payments difficulties and to the benefit of those in surplus positions.

Finally, regarding the danger of inflation, it is clear that if the industrialized countries participating in the system, taken collectively, were to maintain their overall demand at an unchanged level, independently of the implementation of the link, there would be a risk that the additional demand from the developing countries based on resources provided by the link would exceed the scope for increased production and cause inflationary pressure, although, on the world scale, the influence of such pressure would be minimal in view of the amounts involved.¹ Should the developing countries' additional demand be concentrated on a limited number of countries or economic sectors, these countries or sectors

¹ During the first period in which SDR's were allocated, covering the years 1970 to 1972, had 50% been set aside for the link, the additional demand it would have caused would not have been more than a little over 1 000 million dollars per annum, as against the combined GNP of the non-communist industrialized countries of an estimated 2 000 000 million US dollars.

would clearly be exposed to greater inflationary pressure and consequently, the link would place a relatively greater burden on the economies of these countries than on those of the other industrialized countries.

These possible negative effects of the link on international liquidity and the risk of inflation, one of which is the corollary of the other, could clearly be avoided if each donor country adopted the necessary measures to reduce internal demand in order to free real resources equivalent to its additional aid contribution in order to meet the additional demand from the developing countries. In this event, the risk of inflation would not be greater than it is in the absence of the link.

4. In conclusion, it appears that the establishment of a link between the creation of SDR's and development aid does not in itself constitute a panacea for the financing of development. Whereas it is true that it would offer advantages for development aid, it is not possible to disregard certain effects of the redistribution of monetary reserves and a certain danger of inflation which could nullify the value of part of the increased flow of aid provided by the link.

The significance of these risks, which depends on the capacity of the industrialized countries to increase their national savings to the necessary extent, should be examined by the competent international authorities as soon as sufficient experience of the working of the SDR machinery has been obtained in order to determine whether it would be desirable to establish a link between the SDR's and development aid. This investigation should take into account the possible consequences of such a link on certain economic sectors and groups of industrialized countries.

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