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Report

on behalf of the Committee on External Trade Relations

on the Memorandum of the Commission of the European Communities on a
Community development cooperation policy

Rapporteur: Mr Henk VREDELING

PE 29.955/def.

By letter of 15 November 1971 the President of the European Parliament authorized the Committee on External Trade Relations to report on the Memorandum of the Commission of the European Communities on a Community development cooperation policy.

The Committee on Relations with African States and Madagascar was asked for its opinion.

The Committee on External Trade Relations had already appointed Mr Vredeling rapporteur at its meeting on 25 October 1971. It studied the Memorandum at its meetings of 26 April, 16 May, 5 June and 8 June 1972. At the last of these meetings it approved the motion for a resolution and explanatory statement unanimously with one abstention.

The following were present: Mr de la Malène, Chairman
Mr Boano, second Vice-Chairman
Mr Vredeling, Rapporteur
Mr Berthoin
Mr Brégégère
Mr Dewulf
Mr De Koning
Mr Lange
Mr Ribière.

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RESOLUTION*

on the Memorandum of the Commission on a Community development cooperation policy

The European Parliament,

- having regard to the Memorandum of the Commission of the European Communities on a Community development cooperation policy and the initial programme of action relating thereto;
 - noting that Member States' development aid policies and procedures still differ widely in the matter of financial and technical assistance;
 - noting that the Community still lacks an adequate legal and institutional basis for a Community development policy;
 - having regard to the report by the Committee on External Trade Relations and the opinion of the Committee on Relations with African States and Madagascar (Doc. 63/72);
1. Considers the Memorandum a useful first step towards defining a Community development cooperation policy;
 2. Considers that a Community development cooperation policy is required on the following grounds:
 - the emergence of Community policies in various fields and their repercussions on relations between the Community and developing countries call for action at Community level;
 - developing countries turn increasingly to the Community, as the world's principal trading power, rather than to individual Member States, and the fact that the Community has so strong an attraction for such countries increases its responsibility towards them;
 - an overall Community policy could be more efficient than the sum of the different national policies by avoiding duplication and inconsistencies;
 - an approach closer to the Community spirit could remedy certain shortcomings of bilateral aid from individual Member States;

* Adopted by the European Parliament on 4 July 1972

3. Considers it desirable that the Community, in addition to its existing action, should favour development cooperation with other areas of the third world on terms agreed with the countries concerned, and again stresses the importance, on the eve of enlargement, of the association with the African States and Madagascar - a permanent and essential aspect of Community action - for the working out of a Community development aid policy;

in regard to trade:

4. Considers that, without prejudice to its commitments to associated countries, actual or potential, the Community should lower existing customs barriers as far as possible for the developing countries and take appropriate measures to promote their exports;
5. Draws attention to its previous resolutions on generalized preferences and welcomes the decisions the Council has just taken thereon because they will enable the EEC to make a more valuable contribution;
6. Invites the Commission to submit proposals to the Council for progressively reducing excise duties levied in the Member States on certain tropical products;

in regard to product agreements:

7. Considers that the Community should endeavour to bring about world agreements on primary commodities and tropical products, which should be jointly defined by the developing and developed countries;
8. Considers that, if opposition from one or more industrialized countries makes it impossible to conclude such agreements on a world scale, the Community should, on its own responsibility, attempt to bring about agreements on the largest possible scale; such agreements should be open to all countries wishing to accede to them;
9. Asks that such agreements not only take account of marketing problems but also promote concerted adjustment of the individual product economies so as to improve the operation of world markets;
10. Further requests that these agreements should provide for the creation of funds for stabilizing and diversifying products; these funds should be financed both by the developing and by the industrialized countries and, in any event, by the Community;

11. Accordingly supports the Commission's proposal for the Community to contribute to the diversification fund provided for in the International Coffee Agreement, to be renewed in 1973;
12. Emphasizes the Community's responsibility, as a principal importer, in regard to the conclusion of an international cocoa agreement;
13. Points out that the negotiations on arrangements for sugar in the enlarged Community must allow for the interests of the African States and Madagascar under the present Yaoundé Convention and the Arusha Agreement and take due account of sugar production in the overseas countries and territories linked with the Community;
14. Underlines the need for the enlarged Community to be in a position to take part in renegotiating the International Sugar Agreement so as to make it fair to all parties;

in regard to technical and financial aid:

15. Agrees with the Commission that the Member States of the enlarged Community should, as soon as possible and from 1975 at the latest, make over 0.70 per cent of their GNP in the form of net official development aid;
16. Considers that Community development aid policy should increasingly be financed from own resources and should be entered in the pluriannual budgets provided for under the medium-term economic policy;
17. Emphasizes the increasing indebtedness of developing countries and invites the Community to cooperate actively with other industrialized countries in harmonizing appropriate measures for relieving their debts; as regards the financial terms of development aid, the developing and industrialized countries should work together within the appropriate international organizations to agree on conditions acceptable to the developing countries;
18. Considers that the Commission's proposal for abolishing the obligation to use financial aid in the donor country and replacing it by the right to use such aid in any Member State of the Community follows logically from achievement of the common market, and that the Community must join in international efforts to untie aid to a far greater extent;

19. Agrees with the Commission that the coordination of Member States' development aid policies should not stop at an exchange of information but should entail a comparison of the objectives, structures and effects of those policies, so as to lay the basis for a Community approach and Community action;
20. Urges the Commission to make proposals without delay for protecting designations of origin and of provenance of national food products of tropical origin, and to grant technical aid to the developing countries concerned to enable them to guarantee the genuineness of such products;
21. Draws attention to the importance of private investment as a third aspect of development cooperation and, in this connection, underlines the need to align national incentives on the measures offering the widest scope and to set up a Community system of guarantees;
22. Asks that a study be made of problems raised by the activities of multinational undertakings with respect to possible deflections of trade and capital via subsidiary companies;

in regard to food aid:

23. Urges the Commission to make its food aid policy more independent of market fluctuations; furthermore, the proportion of food aid supplied by the Community as such should gradually be increased to 100 per cent;
24. Urges that the use made by recipient countries of the proceeds of aid granted should, in cooperation with those countries, be embodied in the Community's development aid policy;

in regard to the political future of the Community:

25. Considers that the Community should take steps to ensure that the various administrative and political bodies, in defining guidelines in each sector, constantly take account of problems concerning development aid;
26. Invites all the Community institutions to adjust their administrative structure and their decision-making machinery with a view to bringing them more closely in line with the needs of a European development aid strategy;

27. Invites the Commission, given that Community development aid policy may have a considerable effect on certain sectors or regions of the Community, to propose appropriate arrangements for mitigating any adverse repercussions of this policy and ensuring that burdens are not borne unilaterally by certain groups;
28. Asks the Commission to take steps to ensure that, in the reform of the international monetary system:
 - Member States can adopt a common approach;
 - arrangements are made for giving developing countries a fairer share of future special drawing rights, while avoiding inflation;
29. Considers it a pressing need to awaken concern among the citizens of Member States, by bringing home to them the facilities available to the Community for improving conditions in the developing countries, for the establishment of a common development aid policy;
30. Invites the Commission to do everything in its power to make Community development aid policy one of the main items on the agenda at the summit conference;
31. Invites the Commission, in continuing its work on a Community development aid policy, to pay particular attention to the connection between development problems, population growth in developing countries and environmental problems;
32. Invites the Commission to submit practical proposals to the Council for achieving a common development policy, invoking, if necessary, the powers conferred upon the Community institutions under Article 235 of the EEC Treaty;
33. Instructs its President to forward this resolution and the accompanying explanatory statement to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. INTRODUCTION

1. Your committee considers that in publishing its Memorandum¹ the Commission of the European Communities has taken a first step towards the establishment of a Community development cooperation policy. Submission of the Memorandum may not result in the implementation of a common development cooperation policy worthy of the name in the near future, but, whatever happens, your committee gratefully acknowledges that the Commission has done its duty. The few criticisms which follow should not make us forget that the Commission has taken a step which, in itself, deserves considerable praise.

2. The Commission would like the Community institutions to carry out a detailed study of the Memorandum in as constructive a spirit as possible. Given the size of the task facing the Community in the field of development cooperation during the next few years, it is essential that views on the nature of the definitive policy should be exchanged as soon as possible. This report is a contribution by the European Parliament to that end.

3. The Treaty of Rome was not primarily conceived to enable the Community to fulfil the duty of all industrialized countries to contribute to a fairer distribution of prosperity among the peoples of the world. So far, Community action in this field can only occasionally be described as genuine development cooperation. Like so many others, the countries of the Community have contributed to the development of underprivileged countries and regions for various reasons, some quite praiseworthy. Often, however, Member States' own political or commercial interests have been a factor.

4. Article 131 of the Treaty of Rome led to the conclusion of association agreements with non-European countries and territories which formerly had special relationships with Belgium, France, Italy and the Netherlands. In 1963 the Community's relations with certain African States and Madagascar were settled in a different form by the Yaoundé Convention of Association.

¹ i.e. the Summary Document of the Memorandum (Doc. SEC (71) 2700/fin.), the Initial Programme of Action (Doc. SEC (72) 320/fin.), Part Two: Assessment of Twelve Years of Cooperation with the Developing Countries (Doc. VIII 1/200/71) and Part Four (working document containing statistical data) (Doc. VIII/1 (71) 200 rév.).

Apart from Articles 131 - 136, the Treaty of Rome imposes no obligation on Member States to pursue a common development cooperation policy. The fact that those articles deal in each instance with non-European countries or territories having a special relationship with Belgium, France, Italy or the Netherlands is enough to show their limitations. More account might nevertheless have been taken of the interests of developing countries in areas where a common policy was possible (e.g. trade with third countries, agriculture and transport). The few achievements in the field of development cooperation were chiefly the result of the common commercial policy and took the form of preferential and other trade agreements with developing countries, whilst a generalized preference scheme applicable to manufactures and semi-manufactures from developing countries came into force on 1 July 1971. Food aid from the Community is closely linked to the common agricultural policy.

5. On renewal in 1969 the Yaoundé Convention was slightly amended and improved. The 730 million u.a. earmarked for financial and technical cooperation in the first Convention were increased to 918 million u.a. in the second. The effects of this increase of approximately 26 per cent were greatly lessened, if not wholly cancelled out, by price increases during the intervening six years.

At the same time duties under the common customs tariff were again lowered on three important tropical products. This, however, was probably the result of divergent interests between the Member States rather than of a deliberate wish to aid progress in all developing countries.

According to the statistics available, it is very unlikely that the preferential trade arrangements of the Yaoundé Convention have adversely affected trade with other developing countries, even in relative terms. This is certainly connected with the fact that certain AASM countries, which are among the least developed in the world, are unable to take full advantage of the preference scheme.

6. In the summary of its Memorandum the Commission rightly points to the need to broaden its development aid policy, hitherto determined mainly by special links of a geographical or historical nature. A minority of the members of your committee considers that a distinction should be made here between development aid in the form of trade preferences and aid in the form of technical and financial assistance. While trade preferences should be set up on a world scale, technical and financial aid should be concentrated on specific regions. The organization of technical and financial aid on a world scale would spread aid over so wide an area as

to considerably reduce its usefulness, just as a spoonful of sugar spread among too many cups of coffee would have no noticeable effect on the taste.

In choosing areas on which to concentrate technical and financial aid, the Community could give its aid a more general character by no longer attaching decisive importance to geographical or historical links. Areas outside Africa should also be chosen for concentration of aid, with poverty as the chief criterion. Furthermore, assistance should be given to countries genuinely attempting to modify the distribution of income in favour of those worst off. At the third session of UNCTAD in Santiago de Chile Mr Robert S. McNamara, President of the World Bank, stated that although per capita income in Brazil had increased by 2½ per cent over the last ten years the share of the poorest 40 per cent of the population in the national income had fallen from 10 to 8 per cent while that of the richest 10 per cent had risen from 29 to 38 per cent over the same period. The poorest 40 per cent of the population thus scarcely benefited from the increase in national income, if at all. A Community policy of regional concentration would obviously be more effective if Member States concentrated their own financial and technical aid in the same regions.

Most members of the Committee on External Trade Relations, however, whilst admitting the advisability of commercial and economic measures in favour of developing countries under a world-wide Community development policy, consider that such a policy should take full account of the Community's achievements, particularly in Africa. In other words, the rights acquired by the AASM under the Yaoundé Convention should be respected in the commercial field also. The Convention has three aspects: trade co-operation, technical and financial cooperation and cooperation on a basis of parity within the institutions of the Association. Trade cooperation thus forms an integral part of the Convention and there can be no question of reducing its importance. Consequently, although the Community should lower existing customs barriers as far as possible for developing countries, it should not thereby put existing or potential members of an association with the Community at a disadvantage. A majority of the members of your committee considers that this factor should be borne in mind when taking any decision in this field.

The Community should invite developing countries to which it grants technical and financial aid to take part in concerted institutional action in forms which, within the framework of the Yaoundé Convention and other association agreements, have proved particularly useful.

II. SIGNIFICANCE OF A COMMON DEVELOPMENT POLICY

7. The Commission begins its chapter on the need, urgency and significance of a Community policy for development cooperation by pointing out that the Community's increased responsibilities exert a considerable power of attraction on developing countries and that this is bound to result, in any event after enlargement of the Community, in a tendency for developing countries to increasingly turn towards it. While sharing this view, your committee would add that a common development policy should be based on the idea - generally accepted by the peoples of the Community - that development aid is due in the name of fairness and that the growing gap between rich and poor countries can only be reduced by means of an increased effort on the part of the rich countries and assuming that the developing countries themselves take the necessary steps. This also applies to development aid from individual Member States. Although this is not the place for elaborating on the philosophy behind development policy, the need for such a philosophy is felt increasingly. The Community will in future have to earmark far larger sums for a common policy in this field than at the present time, and this necessarily means sacrifices by the Member States and their peoples. Such sacrifices are feasible only if people are convinced that they are not wasted and that fairness requires them. Furthermore they will only be possible if they are not borne entirely by one section or a few sections of the population and if a careful policy is pursued to ensure that they do not fall upon those whose economic situation within the Community is already not too favourable.

On page 8 of its Memorandum the Commission rightly points to the Community's growing influence as the principal partner in world trade. According to the Memorandum the Community's association policy and its participation in international organizations clearly demonstrate its desire to help developing countries. It is the very attraction which it accordingly exerts on developing countries that makes a Community development aid policy necessary.

8. The Commission notes that the Community is ill-equipped in this field because the Treaty establishing the EEC does not specifically provide the means for technical and financial cooperation (except in the case of the AAMS and the OCT). The Community is also ill-equipped, the Memorandum goes on to say, because it has failed to give itself any other means of action. This is true, but it raises the question of how the Commission thinks it can acquire the necessary powers and financial resources within the framework of the Community development policy it is proposing. Perhaps in the final analysis the provisions of the EEC Treaty will have to be extended.

In any event the peoples of the Community, once the needs of the third world have been brought home to them, will have to exert sufficient political pressure on the governments of Member States for them to take the desired decisions. Your committee considers that the Commission should first state its readiness to make proposals to the Council of Ministers on the basis of Article 235 of the Treaty of Rome. At a later stage it could submit proposals based on Article 236.

9. The Community, using the means at its disposal, has so far responded to requests from a large number of developing countries by concluding trade association agreements. It has also concluded other conventions, lowered the common customs tariff, set up a generalized preference scheme and granted food aid. Enlargement of the Community will bring a further increase in requests by developing countries for the conclusion of agreements of various kinds. The Community should be better equipped to deal with these requests. Your committee accordingly expects the Commission to submit to the Council, as soon as possible after enlargement of the Community, proposals for dealing with the consequences of enlargement for developing countries.

10. Since the opportunities open to the Community as such for defining a common development policy are limited, its action in this field has largely been based on the common commercial policy. This was rightly stressed by the Commission in its Memorandum. Your committee would point out, however, that the establishment of the common agricultural policy itself raised certain specific problems for the developing countries, although the attempt to mitigate them failed to meet with enthusiasm on all sides.

Since its foundation the Community has developed Community policies in various fields. This is particularly true of agriculture, but considerable progress has already been made towards a Community policy in other fields too (e.g. trade). Progress can also be expected in the near future in other sectors (e.g. monetary affairs and transport). This naturally affects the Community's external action and accentuates the need for a Community approach to development aid policy, which increasingly overlaps policy in other sectors.

11. Member States act independently in regard to prerogatives unaffected by the Treaty. Each pursues its own development policy, itself choosing the recipients and form of aid granted. Countries which receive aid from Member States of the Community generally owe this to historical or commercial considerations. More often than not these same factors govern the amount of aid granted. Member States thus act independently, and their actions in certain countries may well conflict, compete with each other, or overlap.

12. Only a more coherent policy can put an end to this situation. Measures should be taken to achieve this as soon as possible, in the interests not only of the recipient countries (coherence means greater efficiency) but of the Member States themselves. However, if Member States are to cooperate more closely they should understand that short-term solutions will not do and that the Community has every interest in making the most efficient contribution possible towards the rapid achievement of peace and prosperity in the third world.

To begin with, matters currently dealt with jointly by the Member States should increasingly be thought of in terms of a common development policy. This especially applies to agricultural policy, since it particularly affects the developing countries, which derive a large part of their income from agricultural exports. More consultations, with the developing countries taking part, should take place when measures likely to affect exports from developing countries are to be taken in the agricultural sector. Any opposition from farmers should be met by financial assistance in the short term and structural reforms in the long term. The Community has so far made less progress in social and industrial policy, and indeed in monetary policy, than in agriculture. In drawing up policies for these sectors (e.g. on the role of multinational undertakings in world trade, the situation of migrant workers in the Community, environmental policy or the distribution of international drawing rights), the Community should take advantage of the favourable circumstances to harmonize its objectives with those of a Community development policy.

13. The development and implementation of Community policy in this field should give rise to consultations within the framework of international organizations like UNCTAD, GATT, OECD, FAO and WHO. The Community should adopt a joint position in favour of regular exchanges of views and information. It should also coordinate policy in areas still dealt with by national governments, so that the Commission can act as spokesman for the Community and the Member States. In the absence of an agreement between them, Member States must at all costs avoid supporting opposing points of view at international meetings on matters concerning the Community.

Such measures become even more imperative as the difficulties of developing countries call for increasing attention from international organizations. Here, too, the need for a Community policy will be felt. The positions taken by the Community and Member States at the third session of UNCTAD made the need for the Community to adopt a common policy only too obvious.

14. The Community's common policy should be as concrete as possible. It should not be a common policy simply on principle, but because a common policy will be better, more dynamic and more efficient, always provided that the whole is greater than the sum of the parts. This does not mean that Member States should not continue to fulfil their obligations and special responsibilities to developing countries. On the contrary the Community countries, with their distinctive cultural, technical and sociological features, are particularly suited to pursuing specific policies in various parts of the world. This possibility should remain precisely for reasons of efficiency.

Certain Member States have (or had until recently) political links with developing countries. This has meant that their bilateral aid to the countries in question is sometimes misinterpreted. The conclusions drawn are doubtless often incorrect. Criticism of this kind could be avoided, however, by organizing development cooperation at Community level; Community aid would not have such drawbacks, which are often psychological.

Your committee's conclusion that a Community development aid policy is necessary is thus primarily based on the following considerations:

- developing countries turn increasingly to the Community which, as the world's largest trading partner, exerts a considerable force of attraction on them and accordingly incurs an ever greater responsibility;
- the gradual emergence of Community policies in various sectors (e.g. trade and agriculture) has repercussions for developing countries which make it necessary for the Community to define its own approach to the outside world;
- a Community approach would be such as to remedy the drawbacks of bilateral aid from Member States to countries with which they formerly had special ties;
- a Community policy could, as a whole, be better, more dynamic and more efficient than the sum of the national policies, particularly as regards the role of the Community in international organizations for development aid (e.g. FAO, UNCTAD and OECD) and compliance with commitments undertaken in this field.

III. ACTION BY MEMBER STATES

15. Community cooperation with developing countries has hitherto been as diverse as the Member States themselves. Each Member State follows its own preference. While one tries to grant the maximum of aid through multi-lateral organizations, another is convinced that it can best carry out the necessary transactions itself. Some have a preference for technical assistance, while others grant credit to industries wishing to acquire holdings in third world industries. Differences are just as great on the geographical level. Part Two of the Memorandum, which gives an assessment of twelve years of cooperation with the developing countries, shows the situation clearly.

Like the Commission, your committee has restricted itself to examining the percentage of GNP which Member States annually devote to the developing countries. Here, too, there are considerable differences between Member States. Table 1 of the Annex shows the situation for the period from 1960 to 1970. To put Member States' efforts in perspective, the table also gives the figures for other member countries of the OECD's Development Aid Committee (Japan, the United Kingdom and the United States). The Commission's objective is to reduce the existing differences between Member States in this respect. It rightly points out that if all Member States have the same target and manage to reach it, it will be easier to eliminate some of the structural differences which make their aid less efficient. The Commission therefore proposes, in accordance with international strategy for the second United Nations Development Decade, that the annual amount of Member States' official aid to developing countries should reach 0.70 per cent of their GNP by 1975.

16. Table 2 gives the percentages reached by Member States in 1970 and shows how the situation has developed since 1960. Considering that the figures for countries like Germany and Italy were 0.32 per cent and 0.16 per cent respectively for 1970, they are still far from achieving the objective of 0.70 per cent laid down for 1975, which means that Member States have hardly made the prescribed effort. Moreover, Member States' development aid expressed as a percentage of GNP actually fell during the ten-year period under consideration.

One might suppose that these percentages were related to GNP per capita, but a study of the figures shows that this is not the case. A country like Germany has the highest per capita GNP in the Community, whereas the Netherlands comes next to last. Your committee therefore wonders whether the Commission's figure is not too ambitious for the

the individual Member States. Of course it has been agreed at international level that the figure of 0.70 per cent shall be reached in 1975, but the problem can be solved. Member States should aim at reaching 0.70 per cent of the GNP of the Community as a whole as soon as possible and by 1975 at the latest. Some Member States would thus have to exceed 0.70 per cent while others could provisionally remain at a lower level. This should not mean that the former can mark time. Even if every country achieved 0.70 per cent by 1975 a higher target still would have to be set for the third Development Decade.

Your committee would point out that critical examination is required in order to arrive at the percentages given above for Member States. This is because budget headings have been entered under development aid which in fact wholly or partially refer to sums used to support the donor country's own economy or the spread of its own culture. If this results in exaggerated figures, it might also distort the picture arising from a comparison of the percentages put forward by Member States for their efforts in favour of developing countries. The Commission should therefore take steps to facilitate an objective definition of the concept of development aid through concerted effort at international level, e.g. within UNCTAD.

17. In its Memorandum the Commission proposes that Member States should programme their commitments to developing countries by passing laws on pluriannual programmes. These laws should be harmonized, particularly as to general objectives and periods of time covered. This would allow better coordination and easier harmonization of this factor with the rest of Community policy.

The Commission put this view in a communication to the Council concerning a letter from the chairman of the Medium-Term Economic Policy Committee in which the question of drawing up an overall medium-term strategy for relations with developing countries had been broached. Your committee has studied the Commission's letter, which is most opportune, and considers that the Council ought to react favourably without delay. The establishment of medium-term development programmes would increase the pressure on Member States to put their good intentions in the field of development aid into practice. Solidarity among Member States in this field would be strengthened, and developing countries, when drawing up their long-term economic programmes, would have a better idea of what to expect.

18. Everyone knows that the overall indebtedness of the developing countries is increasing rapidly. Estimates show that around 1970 they were paying six thousand million dollars to the developed countries in loan repayments and interest, while their exports amounted to 55 thousand million dollars. As a

result the developing countries go from crisis to crisis and repayment terms have to be constantly revised in agreement with their creditors.

The developing countries must take some responsibility for this situation, since they have not always made good use of credit granted. They are, however, prey to numerous temptations from businessmen from the industrialized countries who often do not hesitate to offer very attractive credit for supplies in order to promote their own exports.

While the private sector endeavours to promote its own exports to the developing countries, Member States themselves also grant sizable export credits, thus exposing the countries concerned to the risk of seeing their debts grow to considerable proportions.

19. The Commission documents (Part Two in particular) show the great differences in the aid granted by Member States. Belgium, France and the Netherlands grant more aid in the form of gifts than loans, whereas Germany and Italy mostly grant loans. As the Commission rightly points out, the inevitable result is that the more liberal donor countries fear the aid they grant on favourable terms will be used to subsidize interest paid to less generous donors. This discourages the more liberal countries, which then tend to align their terms on those imposed by the others. Since the importance of gifts rather than loans is most acutely felt by the least developed countries, it is regrettable that the proportion of gifts in the total amount of aid granted by Member States of the Community during the first decade has fallen (see Annex 14 to Part Four of the Memorandum and Annex 1, Table 3 to this report). The terms on which Member States grant loans also differ as to length of time and interest rates. Community policy on development aid should obviously involve harmonization of these factors.

20. The Commission proposes the following measures to remedy the situation:

- regular concerted action on the harmonization of criteria for determining methods of financing development projects;
- annual comparison of trends in the financial terms of official aid from Member States, so as to reach the DAC's objectives;
- better coordination of policy on insurance for private credit, so that the terms of such credit make the utilization of supplies covered by it profitable in terms of foreign currency (or at least in economic terms), taking into account the burden of interest, and ensure that the useful economic life of such supplies is at least as long as the loan repayment period.

The Community should also endeavour to have this guideline accepted by the other industrialized countries so as to avoid any distortion of competition.

21. Generally speaking, these proposals should prove adequate in the initial stage, but strong measures will have to be taken to rapidly reach a level of coordination such that the different policies pursued by Member States - often inefficiently from the Community point of view - give way to a better coordinated policy. The terms of financial aid should be harmonized according to criteria which ensure that conditions are increasingly favourable (greater proportion of gifts, lower interest rates, longer repayment periods) the poorer a country is. The Commission should also investigate the possibility of settling the problem of developing countries' indebtedness at world level, or, failing this, at the level of the enlarged Community. A responsible Dutch politician has already proposed that his country should write off the whole of Chile's debt towards it. Although such a solution would certainly meet with difficulties, the possibility of a 'revision' of repayment terms should not be ruled out.

22. Table 3 shows the situation in respect to the DAC's recommendations, which are given in the footnotes on pages 15 - 20 of the Commission's initial programme of action. Your committee considers that this represents a minimum for the Member States of the Community within the limits of the objectives laid down by the DAC member countries. Given their financial, economic and political position in the world community, greater demands could be made on the Community countries. As regards export credits granted by Member States to third countries, your committee would stress that, under the terms of the EEC Treaty, Member States' freedom in this field should already have been regulated within the framework of the Community's commercial policy. In this respect Member States have failed to meet their obligations.

23. The Commission proposes that recipient countries should be freed from the obligation to use bilateral aid granted in the form of loans in the donor countries. Although such tied aid is widespread, it has well-known disadvantages. For example, the Organization of American States has calculated that tied aid from the United States to Latin American countries has forced the latter to buy US goods at prices more than 30 per cent higher than those asked on other markets.

Replying to Written Question No. 625/71 from Mr Vredeling, the Commission stated that it was acquainted with the study carried out by the OECD Development Centre on tied aid and exports of nitrate fertilizers from the Persian Gulf. This study concludes that, making certain assumptions, if production facilities of sufficient capacity were set up in the region, the

price cif India of nitrate fertilizers from the Persian Gulf might be around half the cif price of fertilizers imported into India from the United States, which is its chief supplier. In the same document the Commission takes a general position in favour of untying development aid. In its Memorandum it mentions the following three advantages of tied aid:

- it allows cooperation with developing countries without creating balance-of-payments problems;
- it facilitates public acceptance of cooperation by resulting in orders for supplies from individuals and companies in donor countries;
- it makes it possible to get round the obstacle of the competitive inequality of the industrialized countries, which would mean that untied aid would mainly be used by countries in a strong competitive position.

Your committee, however, is not convinced by these arguments, and it assumes that the Commission shares its view. The last argument, in particular, seems rather opportunistic in the context of what is supposed to be aid to developing countries (not industrialized countries). As we have said, tied aid is generally much less efficient than untied aid, since the latter often restricts the recipient country to a very limited choice of certain goods while imposing other conditions such as the obligation to transport goods purchased in the donor country's ships. The Commission points out that, as far as the Community is concerned, EDF aid is untied between nationals of Member States, the AASM and the OCT. This simply means, however, that recipients are not obliged to give their orders to a specified country of the Community, AASM or OCT but can choose freely among them.

24. The Commission proposes a progressive untying of bilateral aid from Member States, beginning with loans. This measure would therefore concern a relatively small volume of aid, since in 1970 only 220 million dollars in development aid were still legally tied. Although legal untying is not always followed in practice, it is still a step in the right direction. The Commission goes into a certain amount of detail as to the manner in which untying should take place. Its EDF experience could certainly be of use here. However, the proposal aims only at untying aid within the Community itself, which means that recipients would be able to use official aid in any of the countries of the Community. This follows logically from establishment of the common market. Whilst realizing that the effective untying of aid by all countries can only be achieved through coordination at international level, your committee feels that the Commission could have

been somewhat bolder. The trend towards untied aid will become more marked as the number of donor countries prepared to act in this fashion increases. Member States should bring up the matter at international level, e.g. within the OECD.

25. The Commission considers that coordination at Community level of Member States' bilateral action in the field of financial aid and technical assistance would increase the efficiency of aid granted. Assistance from Member States and the Community at bilateral or Community level still takes widely varying forms, which necessarily makes it less efficient than if it were carefully harmonized. The Commission acknowledges the efforts made towards coordinating the action of the Community and the Member States. It goes on to propose that information on requests for aid, intentions with regard to such requests and decisions taken should be regularly exchanged within the Community, specifying that such a policy should apply as soon as at least two Member States grant 'substantial aid' to a developing country. The Commission would collect the necessary data, and the information it gave Member States would allow them to programme their projects for each country in a Community framework subject to regular, e.g. annual, updating and revision. The Commission would also report to the Council annually on exchanges of information which had taken place and progress made in coordinating the cooperation policies of the Community and Member States.

26. The Commission rightly contends that the coordination of Member States development aid policies should not stop at the organization of full and mutual information on a permanent basis. Your committee agrees with the Commission that the exchange of information should be accompanied by a comparison of objectives and policies so as progressively to eliminate duplication, discrepancies and gaps recognized as harmful to the overall efficiency of cooperation and lay the basis for a Community approach.

Given the economic, political and other interests involved in development aid, Member States may well be very loath to coordinate their action in this field. This is why the Commission should make a special effort, and the European Parliament should make sure that it really does so.

27. The Commission proposes that the Community should base its relations with the developing world first and foremost on the establishment of links with regional groupings rather than individual developing countries. Furthermore, the Community should provide developing countries with technical assistance for setting up regional economic cooperation systems. Such assistance could involve employing trainees, organizing conferences, seconding specialists and carrying out studies.

Your committee considers that the European Community could usefully apply its knowledge and experience in this field. Without greater regional cooperation the future of certain developing countries is scarcely promising. It would certainly be useful for the Community to do something to encourage these countries to overcome, in the technical and economic field, certain comprehensible feelings of national prestige. Your committee wonders, however, how the Community's efforts towards establishing relations with regional groupings can bear fruit when individual countries themselves put forward certain desiderata for the organization of their relations with the Community. The agreements already or shortly to be concluded with Argentina, Brazil and Uruguay, for example, clash somewhat with outstanding requests from the Latin American countries in general and the 'Andes Group'¹ in particular.

IV. COMMUNITY ACTION

1. The AASM Association Agreement

28. As the Treaty of Rome contains provisions in respect to countries and territories which were still dependent on certain Member States when the Treaty was signed, the Community's policy took shape here more rapidly than elsewhere. After independence most former colonies freely concluded association agreements with the Community on a basis of parity.

These agreements provided for cooperation at three levels: trade, financial and technical aid and institutional cooperation. The benefit which the Associated States derive from Community trade preferences is limited: indeed, in one of the chief sectors, i.e. agriculture, where such preferences might have benefited the AASM, their significance has been restricted by the common agricultural policy. Preferences on tropical products like sugar, which are similar to or competitive with European agricultural products, are negligible or non-existent.

Furthermore, the Community has lowered its customs tariff several times in respect of tropical agricultural products, thus reducing the significance of preferences granted to the AASM still further. Several of the Community's trading partners have criticized, both in GATT and at UNCTAD, the unilateral preferences granted by the Community under the EEC/AASM association agreement. Some of these criticisms no longer apply, since the Community now operates a generalized preference scheme. However, the Community's generalized preference scheme put an end to the prospect of preferences for

¹ Chile, Peru, Bolivia, Ecuador and Colombia

exports of AASM industrial products to the Community. The Community reserves the right to take measures in the context of this scheme to remedy any adverse effects of generalized preferences on countries associated with the Community.

29. The Commission notes that the economic efficiency, political scope and originality of the association agreements lie in the joint implementation of financial and commercial measures and the joint institutional procedures reflecting their fundamental character. One of the main advantages of financial and technical cooperation is doubtless that the AASM can count on a permanent contribution by the Community for a period of five years and can decide in close collaboration with the Community on the use to be made of EDF funds.

30. Your committee would have liked to hear more from the Commission about the future of the association. The Community's world policy on development aid must take due account of the rights of countries which are already or potentially members of the association in the fields of trade and technical and financial aid. The States which applied for accession to the Community have accepted the association, and many African and Caribbean countries with special relationships with the applicant States have been invited to establish links with the Community in one form or the other. Certain independent Commonwealth countries¹ have the option of arranging their relations with the Community on one of the following bases:

- participation in the convention of association which is to govern relations between the Communities and the AASM on expiry of the convention signed on 29 July 1969;
- conclusion, under Article 238 of the EEC Treaty, of one or more special conventions of association comprising reciprocal rights and obligations, particularly in the field of trade;
- conclusion of trade agreements for facilitating and promoting trade with the Community.

¹ In Africa: Botswana, Gambia, Ghana, Kenya, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland, Tanzania, Uganda, Zambia.
Mauritius, situated in the Indian Ocean, can already be considered a party to the Yaoundé Convention.
In the Pacific: Fiji, Tonga, Western Samoa.
In the Caribbean: Barbados, Guyana, Jamaica, Trinidad and Tobago.

Since negotiations on the new convention of association with the AASM are to begin on 31 August 1973 at the latest, it would be desirable for practical reasons for the above-mentioned Commonwealth countries to define their positions as soon as possible after the United Kingdom accedes to the Communities. If only out of respect for their sovereignty, the Community should avoid, as it were, forcing association upon these countries; but once they have made their choices known the Community should comply wholeheartedly.

Certain British¹ and Norwegian² dependencies will be associated with the enlarged Community by analogy with the provisions laid down in Part Four of the ECSC Treaty. This is the basis on which certain overseas countries and territories having special links with France or the Netherlands were associated with the Community. In the case of Gibraltar the ECSC, Euratom and EEC Treaties will apply, except as regards free movement of goods (agricultural and industrial) and harmonization of turnover taxes.

The Treaties of Rome and Paris will not apply to Hong Kong. The case of this territory was settled by its inclusion in the generalized preference scheme, which will be applied after accession by all Member States of the enlarged Community.

A policy similar to the one applying to independent developing Commonwealth countries might be envisaged for developing countries in other parts of the world, e.g. South East Asia.

2. Community policy towards the Mediterranean countries

31. The Community has concluded agreements with most Mediterranean countries, nearly always on a preferential basis (association agreements or trade agreements); in one case only a non-preferential agreement was signed. Such a development is readily explained by considerations of a geographical, cultural, economic and historical nature.

¹ Bahamas, Bermuda, British Honduras, British Indian Ocean Territory, British Solomon Islands Protectorate, Virgin Islands, Brunei, Cayman Islands, Falkland Islands and Dependencies, Gibraltar, Gilbert and Ellice Islands, Hong Kong, Montserrat, New Hebrides, Pitcairn Island, Saint Helena and Dependencies, Seychelles, Turks and Caicos Islands, Associated States of the West Indies (Antigua, Dominica, Grenada, Saint Lucia, Saint Vincent, Saint Kitts, Nevis and Anguilla).

² The Norwegian possessions in the Antarctic (Bouvet Island, Peter I Island, Queen Maud Land).

These agreements, however, cover only a very small part of the Community's relations with the Mediterranean countries. Much remains to be done, particularly as regard financial and technical cooperation, employment, capital movements, the exchange of technical information and tourism. For the time being the Commission intends to restrict itself to gradually introducing a set of measures for technical and financial cooperation, including certain social provisions, alongside the commercial arrangements. It is rather reticent on the problems connected with this policy, while pointing out on page 35 of the Memorandum that financial and technical cooperation might be based on cooperation agreements with the Mediterranean countries. Further on it observes that agreements with those countries will be adapted to the new conditions created by enlargement of the Community.

32. In your committee's opinion such adaptation should not be of a purely technical kind; account should also be taken of financial and technical cooperation and social problems, particularly those connected with the presence in the Community of large numbers of workers from the Mediterranean countries. By providing vocational training and general education for these workers the Community would be fulfilling an important task in the field of development cooperation. Negotiations are already under way with Algeria on this subject, and future negotiations with other Mediterranean countries should also include a study of these problems. Great importance should be attached to cooperation in the technical, scientific and industrial fields with Mediterranean countries, such as Yugoslavia, which have already reached a more advanced stage of development. Finally, it is important, from a political point of view, to avoid any hint of discrimination. A broadening of the basis of the agreements with Mediterranean countries would principally affect Member States situated in their proximity. This emphasizes the need for paying particular attention to structural reform and social assistance. The Community could usefully envisage organizing a conference with all the Mediterranean countries with a view to a joint redefinition of Community policy in this field.

This idea has already been put forward on several occasions in the European Parliament by former Presidents Martino and Scelba among others. Mr Radoux's working document on the nineteenth joint meeting of the members of the Consultative Assembly of the Council of Europe and the European Parliament (PE 29.410/déf.) also recommends such a conference.

3. Community policy towards Latin America

33. Relations between the Community as such and Latin America are far less organized than in the case of the African and Mediterranean countries.

In this connection your committee would be interested to learn of any concrete results of the Declaration of Buenos Aires, in which the Latin American countries addressed a joint appeal to the Community.

34. The level of industrialization in Latin America gives reason to think that this continent in particular would benefit from the Community's generalized preference scheme. For tropical products like coffee, cocoa and sugar, general agreements would be the most beneficial. Nor should it be forgotten that preferences and product agreements offer maximum efficiency for a relatively low financial investment.

In your committee's opinion the European Investment Bank could well play a part here.

In the Memorandum the Commission points out that, as far as Latin America is concerned, the narrow margin for action in the field of tariffs and quotas makes technical and financial cooperation increasingly important. Your committee would be interested to learn how the Commission intends to develop this idea.

4. Community commercial policy towards Asia and the rest of the world

35. The initial programme of action does not contain a single paragraph on Asia and the rest of the world. The Memorandum devotes a total of sixteen lines to these matters. It cannot be denied, however, that the Community has important historical and cultural links with certain Asian countries also, nor that these regions are extremely interesting from a political and economic standpoint. Apart from these considerations, however, the deplorable circumstances of large numbers of Asians should induce the Community to pay particular attention to the problems of this continent. In its Memorandum the Commission states that so far the Community has not attempted to define its overall relationship with this huge continent or examined the possibility of contributing to its development. Apart from certain trade measures of limited scope and the grant of food aid to certain countries, the Community has hitherto taken no special interest in Asia.

India recently again approached the Community with a view to concluding, if possible before enlargement of the Community becomes effective, an agreement covering trade relations and financial and technical cooperation. At the beginning of May the Commission proposed to the Council that new and broader negotiations should be opened with India concerning jute and coconut products. The old agreement expired recently. The case of Bangladesh, which would also be interested in concluding arrangements for its jute exports to

the Community, poses certain problems. This country could soon participate in the Community generalized preference scheme also.

In a declaration of intent annexed to the Accession Treaty the Community states that it is ready, taking into account the effect of the generalized preference scheme, to examine, with a view to seeking appropriate solutions, such problems as may arise in the field of trade for India, Pakistan, Ceylon, Singapore, Malaysia and the other countries situated in the same geographical area.

Negotiations should begin as soon as enlargement becomes effective, as was agreed with the countries applying for accession.

5. Trade and commercial policy

36. In its Memorandum the Commission notes that the developing countries have a credit balance in trade with the Community and that the increase in Community purchases from the developing countries has been extremely rapid in comparison to the growth in its exports to those countries. This is of course true, especially in view of the rather one-sided structure of Community imports (mainly non-manufactured products) which the Commission stresses. Its contention that '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', however, leads your committee to ask the Commission whether such was indeed the case for all the developing countries. In any event, the Community's economic growth has undeniably contributed to the expansion of developing countries' trade, but there is no doubt that this increase would scarcely have been possible without the basic products imported from the third world.

37. The Commission contends that these positive developments are the result of the Community's commercial policy and its constant efforts to reconcile the interests of developing countries with those of its associates. Your committee cannot help thinking that the Commission is showing the Community in rather too favourable a light. The Community's commercial policy has taken only very limited account of the interests of developing countries, and the gradual abolition of duties on imports of tropical products was more the result of a compromise required on renewal of the Yaoundé Convention than the result of a deliberate development policy.

On page 14 of the Memorandum the Commission asserts that the Community has gone as far as it can in its use of the instrument of tariff and quota dismantling. Your committee can subscribe to this point of view if it is interpreted as meaning that the Community has gone as far as it can in the present circumstances. It hopes that the Commission does not mean that no further progress can be made in abolishing duties on processed tropical agricultural products.

38. The Commission states that Community action on basic products will generally follow Resolution No. 73(X) of the UNCTAD Council. Your committee feels that the Community will not derive much inspiration from this resolution, which contains no commitments¹, when UNCTAD recommendations are themselves not legally binding. As regards world agreements on these products, it is suggested that product-by-product negotiations and negotiations on several products be conducted simultaneously. This would make it easier to balance the interests of the developing countries, since they are not all equally interested in exports of the same products. The controversy between Member States which support the idea of binding world agreements and those which would prefer rules which are as flexible as possible (to oversimplify a little) is by no means over, as was seen at the third session of UNCTAD in Santiago de Chile. Now that the United States has also made it clear that it does not want world agreements on basic products, the Community will need a great deal of good will and perseverance to achieve agreements without the United States initially but with the greatest possible number of other countries.

39. The initial programme of action gives the Commission's ideas concerning the operation of the international coffee agreement, which expires in October 1973, negotiations on an international cocoa agreement and the interests of developing sugar-producing countries.

The Commission proposes that the Community should take an active part in implementing the policy of diversification which the International Coffee Organization is to work out in 1973 and that the Community should accordingly participate to a significant extent and in an appropriate form in the ICO's diversification fund, to which only two Member States have so far decided to make financial contributions. This is not a bad idea, since diversification projects should generally be financed with strong currencies. Given that producer countries participating in the fund make 80 per cent of their annual contributions in their own currencies (non convertible), the convertible currencies of the Member States could be put to good use. A study should be made of the extent to which the European Development Fund

¹ See Annex 1

could improve the operation of the diversification fund. Here your committee is thinking particularly of the joint financing of diversification projects in coffee-producing Associated African States.

If the ICO becomes an effective instrument for balancing supply and demand, the Community should consider participating in it in the form of loans. Your committee strongly supports the Commission's views on this matter and awaits its practical proposals with interest.

40. The negotiations for the conclusion of an international cocoa agreement are still not completed. Although this product is less important for developing countries than coffee, for example, there are two reasons why the Community could play a decisive part in bringing about such an agreement. Firstly, certain developing countries in Africa and Latin America with which the Community already or potentially entertains special relations have a fundamental interest in cocoa production. Secondly, the Community is a principal cocoa purchaser. Even if the negotiations break down, the Community could conclude a regional agreement (i.e. one not including every producer and consumer country), which would certainly not be of negligible importance and would be open to all countries whose interests it served.

The Commission contends that cocoa producing and consuming countries alike should show a clearer political will to conclude an agreement on a basis acceptable to both groups.

Your committee considers that this particularly applies to the Member States of the Community, which purchase a large part of the world's cocoa production. The Community would accordingly have little excuse if the negotiations on the conclusion of a cocoa agreement ended in breakdown. A general cocoa agreement should also provide for a stabilization and diversification fund in which both importing and exporting countries would participate. It is highly desirable that the Community be represented as such.

41. The Associated African States enjoy no Community preference for their sugar production, and Commonwealth countries which are parties to the Commonwealth Sugar Agreement are at an advantage in this respect. For this reason the Community declared, during the negotiations with the United Kingdom, that the interests of developing sugar-producing countries associated or potentially associated with the Community would in any case have to be safeguarded after enlargement.

The Commission's initial programme of action contains guidelines for a Community sugar policy (see page 7).

Your committee largely approves the Commission's ideas. The enlarged Community ought actually to declare itself ready to cover its entire sugar deficit by imports from developing countries under an international sugar agreement.

A few years ago the Community still had a sugar deficit. It is difficult to accept that the industrialized countries, taken as a whole, should not be prepared to renounce a certain part of their production capacity in favour of developing countries. This being so, the future sugar policy of the enlarged Community should be geared to optimum utilization of sugar production capacity, particularly in the developing countries, and should take account of efforts to improve the international division of labour. In its initial programme of action the Commission also gives its views on the consequences of lowering domestic sugar taxes. In section 42 we shall return to the problem of the gradual abolition of excise duties on tropical products.

Your committee was surprised to note that the initial programme of action makes no mention of the international tin agreement, especially since the Netherlands and France have decided to participate in the financing of the stabilization fund set up under that agreement. This is perhaps explained by the fact that the agreement in question was signed in 1971 at about the same time as the Memorandum was published.

6. Sales promotion campaigns

42. Lower import duties are not sufficient to enable products from developing countries to penetrate the markets of the industrialized countries. A whole series of measures exists, ranging from market research to publicity, to convince the consumer of the need to buy a particular product. This being so, your committee agrees with the Commission that certain special measures, e.g. advanced training of high-level staff in the production and export sector to improve their knowledge of the Community market and the establishment of centres for commercial cooperation with developing countries, could help promote exports from developing countries. Developing countries should also receive the necessary technical assistance to improve standardization. This subject is obviously too complex for detailed proposals in the context of an initial programme of action. The Commission intends to explain its practical and detailed proposals for promoting exports from developing countries at a later stage.

Your committee is convinced that these proposals will make an efficient contribution towards removing one of the largest remaining obstacles to the regular flow of a satisfactory volume of exports from developing countries.

7. Progressive abolition of excise duties on tropical products

43. The EEC Treaty should in principal lead to the harmonization of indirect taxation, including consumer taxes. The Commission is currently drawing up an overall programme for harmonizing consumer taxes, which are levied on certain tropical products from developing countries such as coffee, tea, bananas and cocoa.

44. Those who oppose the abolition of such excise duties have always claimed that their reduction or abolition would not necessarily result in increased consumption. The Commission notes the persistence of the intuitive assumption that lower prices for these products would create more favourable marketing conditions.

In these circumstances the possible relationship between a reduction in taxes on such products and an increase in their consumption should be the subject of detailed study. This might at least replace intuitive assumption by certainty. Furthermore, detailed and specific data as to the amount of revenue from these taxes should be available by product and Member State, both in absolute terms and as a proportion of each Member State's total tax revenue.

Any lowering of excise duties on tropical products should not, however, make Member States less inclined to grant financial aid to developing countries. Where excise duties must be levied, the burden should not fall unilaterally on the consumer. If excise duties are to be retained, they should be levied on luxury goods rather than ordinary products which the inhabitants of the Community consume daily.

The Commission's reluctance to take a position on the abolition of excise duties is no doubt explained by its concern to abstain from any statement which is not demonstrably correct. Your committee, however, is of the opinion that, if only for psychological reasons, the industrialized countries should avoid giving the impression that they want to get rich at the expense of developing countries by levying excise duties on products which can be considered items of everyday consumption for the peoples of the Community. Moreover, the coming harmonization of consumer taxes in the Member States of the Community will certainly give rise to changes which can be expected to result in a lowering of taxes on certain

tropical products in some of those States. Your committee is accordingly pleased to support the position which the Commission puts forward in the Memorandum.

8. Protection of designations of the origin of foodstuffs

45. Recent developments have shown that exports from certain developing countries can be promoted by indicating to consumers that the products in question have properties which are not shared by synthetic equivalents marketed in the industrialized countries.

In the United States, for example, action by consumer organizations, which has led the public to demand imports of natural products, has resulted in a considerable increase in exports of vanilla from Madagascar. The Commission is currently drafting proposals for protecting the designation of products within the Community in the context of Community legislation on food products. These proposals provide that producer countries should guarantee that their products are genuine and comply with public health standards.

The Community could grant developing countries technical assistance in this connection, whilst public awareness could be created by the press and consumer organizations.

The committee awaits the Commission's proposals with great interest. They will no doubt be followed by a slackening in trade in and production of synthetic alternatives, but your committee is convinced that the industries affected will prove reasonable and, given their technical and financial capacities, find ways and means to switch over to other products. It would stress, furthermore, that real opportunities may arise for developing countries in the context of future Community policy on protection of the environment.

9. Food aid

46. Since 1968 the Community and the Member States have granted food aid to certain developing countries. Your committee's general views on this subject are to be found in previous reports.¹

¹ Inter alia, reports by Mr Vredeling (Doc. 90, 5 July 1971 and Doc. 141, 13 October 1971)

Recipient countries are obliged to devote the proceeds of food aid granted under the International Cereals Agreement to financing development projects. This raises considerable problems of control, and the Community should therefore adopt a firmer attitude in regard to the choice of development projects submitted by recipient countries. Further difficulties are caused by the fact that not everybody considers food aid a part of development aid. The close connection between food aid and agricultural policy affects the operation of the cereals market whenever measures to be taken fall within both the Community and the national programmes. In 1968 the Commission rightly decided to grant food aid in the form of dairy products. Some of this aid is distributed under the World Food Programme (WFP) and by the International Committee of the Red Cross (ICRC). Aid in this form has the disadvantage that the Council's decision of principle was taken within the framework of measures for disposing of the Community's dairy surplus. In other words, it cannot be really considered as development aid. Furthermore, more than 90 per cent of the dairy products intended for a second round of food aid could not be delivered since stocks had fallen considerably in the meantime.

Your committee would recall its position, which is shared by the European Parliament, to the effect that EEC food aid should no longer be based on a multitude of national measures but on a permanent common policy. It naturally continues to hold that a prescribed amount, larger than hitherto, should be transferred through international organizations, provided this can be done on terms satisfactory to the Community.

Your committee supports the Commission's efforts in the field of food aid and invites it to submit concrete proposals without delay for ensuring that such aid can continue irrespective of the existing market situation.

V. GUIDELINES FOR A COMMUNITY POLICY

47. A Community policy for development cooperation would be meaningless if it failed to take account of all the factors involved in the achievement of social harmony and a fairer distribution of prosperity throughout the world. It should not therefore aim exclusively at economic growth but at social and cultural progress too. This applies equally to the Community and the countries with which it cooperates.

48. The Commission rightly points out that an effective Community development policy must be based on the realization that the objectives of cooperation form an indivisible whole. This means that efforts to achieve these objectives should take place within the framework of development plans drawn up by the developing countries themselves and that the Community should arrange its economic structure so as to make the maximum contribution to their achievement.

This will require discussion at three levels - between the developing countries, between the developed countries and between the former and the latter - to ensure that measures envisaged are efficient and duly respect the sovereignty of the States concerned.

The interconnection between the objectives pursued should be reflected in the means used to achieve them. In Chapter Three of its Memorandum the Commission surveys the problems arising in this context. As far as the developing countries are concerned, these problems are largely due to external factors influencing their economic growth and are not connected solely with financial and technical cooperation. Exports should be diversified to satisfy the international demand for products which results from the connection between growth and exports. Economic cooperation between developing countries is consequently as necessary as the promotion of their exports to industrialized countries.

49. As for the Community, it should maintain a high rate of economic growth so as to stimulate an increase in exports from developing countries to the Community. Further liberalization of trade is also called for. The Commission goes on to say that it intends to provide for gradual liberalization so as to avoid social disturbances.

In this context your committee would point out that, as the Memorandum says, the generalized preference scheme constitutes a real step forward in respect of industrial and processed agricultural products, but it will be far from satisfactory in the long term, especially as far as processed agricultural products are concerned. The scheme should be improved and include new products. Your committee also wonders what will happen on 1 July 1976 when the scheme expires. In the case of similar or competitive commodities, the Commission proposes that preferences be supplemented by world or regional agreements. Your committee hopes the Commission will persevere in this respect and recommends it to strive to achieve international agreements in which the greatest possible number of countries participate. For tropical products, the Commission, in order to take account of the interests of the associated countries and the other developing countries, inclines towards a prices policy based on international

agreements or, in the last resort, regional arrangements. It thus hopes to avoid, as far as possible, lowering the common customs tariff. Once again, your committee stresses that international agreements should be concluded with the greatest possible number of countries.

50. At the same time measures should be taken to encourage the marketing in the Community of products from developing countries. The social consequences of the indispensable alterations in the structure of the Community should give rise to compensation in the form of aid, and the Community's internal and social policies should be compatible with the objectives of cooperation. The same naturally applies to other sectors, including social, agricultural, industrial, regional and transport policy. Your committee again stresses the importance of this point, since incompatibility in these areas will inevitably doom a Community development policy to failure.

51. As regards financial and technical cooperation, an appeal should be made to the private sector parallel to aid from Member States. Member States' governments should encourage the private sector to look towards the economies of the developing countries, and existing policies in this field should be coordinated. As the Commission rightly points out, account must also be taken of the developing countries' wish to ensure, in various ways, that development of the production process is not entirely controlled from outside. The Commission stresses that, to be efficient, the instruments available to the Community should be coordinated and applied coherently. This applies not only to tax facilities, transfers etc., but also to insurance and guarantees for export credits. Your committee emphasizes that the activities of private undertakings should be integrated in the recipient countries' national policies for promoting the well-being of their peoples.

52. National and Community action in the field of technical and financial cooperation should be coordinated so that the means available to the Community and the Member States, which are after all limited, complement each other and ensure maximum efficiency. This is all the more necessary as the Member States, Council and Commission have none of them achieved sufficient internal coordination.

The Commission should also submit proposals for a Community technical and financial assistance fund. This should of course all be done in close cooperation with the EDF, which has a wealth of experience in this field. The efficiency of the EDF is due to the fact that the Associated States have a say in its management, and cooperation between the EDF and the future assistance fund is thus a logical necessity.

Moreover, the Commission should propose that Member States' promises of development aid should be programmed under a special heading in the Community budget within the framework of medium-term economic policy. Constant discussions with the Council, whereby each new request has financial effects without forming part of an overall development policy - as in the case of the agreements on negotiations with the Mediterranean countries - are impractical and inefficient. Putting it bluntly, they are unworthy of the Community. Similarly, the procedures for ratification by Member States after the conclusion of negotiations entail a loss of time and money and should be replaced by a uniform procedure within the European Parliament.

53. The Commission considers that the basic structure of a Community development policy should follow the four guidelines set out below, which form an inseparable 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.'

As regards the first guideline, the Commission has reached the conclusion that so far development cooperation has been no more than incidental to the process of European integration. As already indicated, the solution lies in the harmonization of Community common policies and the gradual, programmed integration of the objectives of development cooperation with internal policies so as to avoid harsh social and economic repercussions.

As regards the second guideline, the Commission proposes that Community aid and Member States' bilateral aid should be coordinated at Community level and followed by progressive coordination of Member States' and the Community's development policies. Your committee's basic view is that coordination should result in a common development cooperation policy.

As regards the third guideline, the Commission contends that the privileged position in which the Community has hitherto placed certain African countries, Madagascar and the Mediterranean countries, should be maintained, indeed strengthened in certain respects. Most members of your committee fully subscribe to this view. Like the Commission, they consider that countries already or potentially associated with the Community not only

have certain legal and moral rights but, since most of them are among the poorest developing countries, the right to special aid. By granting such aid the Community would be implementing one of the few positive decisions taken at the third session of UNCTAD in Santiago de Chile, to the effect that developed countries should grant special aid to developing countries to help them close the gap.

The remaining members of your committee take a more reserved line. Whilst considering that countries which have special relations with the applicant States and wish to become associated with the enlarged Community should be entitled to share the privileged position of the countries referred to above, they again point out that as regards trade preferences the Community should adopt a world approach whereas, in regard to technical and financial aid, other parts of the world than Africa should also be designated as areas of concentration.

The fourth guideline stipulates that the Community should have the necessary funds for granting technical and financial aid to countries other than the associated countries. In accordance with its earlier statements on the subject, your committee fully subscribes to this view.

54. The rather limited consultations on development policy which now take place at the OECD and the UN should be pursued and intensified. These consultations obviously require more active participation not only by the countries acceding to the Community but also by the developing countries.

Lack of consultation between Member States often means that they continue to hold different views which are subsequently put before the press and public opinion. The attitudes of the Community and Member States during the recent session of UNCTAD in Chile is a case in point. The Council of Ministers met only once to prepare the conference and failed to reach agreement on certain basic issues. Some of these issues concerned the Community. This resulted in the Council of Ministers and Commission defending different points of view at the conference. In addition, Member States occasionally put forward views which differed from those held both by the Council and the Commission. It is thus hardly surprising if outsiders wonder just what the Community actually is.

55. The Commission points to an initial need for permanent and full mutual information between Member States and Community institutions, which would obviously make it easier to avoid duplication. To this end it proposes the following measures:

- ' (i) confrontation of the intentions of all the Member States in 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.'

The Commission proposes to draw up an annual report on the matter. Your committee welcomes the clear enunciation of measures necessary to achieve a maximum degree of coordination. The Commission recommends progressive action and cannot be accused of rushing Member States. It is probably only too well aware that Member States will have to show considerable restraint for coordination to be a total success and result in a real Community development policy. Member States' governments and parliaments, which have great responsibilities towards the third world, will have to show the political will needed to achieve this aim.

VI. IN CONCLUSION

56. Your committee welcomes the Commission's constructive contribution to a Community development policy, which the Community has neglected for too long. It is convinced that the ideas set out in the Memorandum and annexed documents constitute a good basis for discussion. Like the Commission, your committee has stuck to essentials; ways and means can be studied subsequently when the Commission makes concrete proposals in the various sectors of development policy. Your committee also wishes to thank the Commission's staff for the publication of Parts Two and Four, which contain a great deal of detailed information on the activities of Member States in the field of development policy.

57. Your committee would, however, like to see the Commission examine as soon as possible certain other matters which are hardly touched on in the Memorandum if at all. These are as follows:

(a) Population policy in the developing countries

Your committee is aware that widely diverging views are held within the Community on such problems as birth control and abortion and that in certain Member States these matters are still considered taboo, but the situation is too serious for them to be ignored. The population of the developing countries increases by more than 2 per cent per year, which constitutes an unbearable burden, and a large part of the increase in national product is cancelled out by population growth.

By 1960 only two developing countries had drawn up birth control programmes. Ten years later forty-seven had done so, representing in all three-quarters of the population of the least developed countries. In the same year ten donor countries granted a total of \$ 70 million in official aid for birth control. Table 5 of Annex II shows that certain Community countries are active in this field, but only the United States makes an appreciable contribution. The Community as such, like the United States, should approach this problem seriously, so that it can react positively when developing countries request aid for population policies.

(b) Creation of special drawing rights and the financing of development aid

58. On 17 April in Santiago de Chile the President of the Commission made a positive statement on the possibility of linking the creation of special drawing rights with the financing of development aid. He distinguished two steps in this process. Firstly, in the next distribution of drawing rights the possibility of a special assignment for developing countries should be considered with a view to compensating them for the loss of purchasing power of their currency reserves subsequent to the recent monetary crisis. At a later stage means of improving the international distribution of liquid assets should be sought so as to promote economic growth in the developing countries, particularly by reducing the effect of price fluctuations on commodity markets. Mr Mansholt also contended that the developing countries should participate in the reform of the monetary system within the framework of the IMF.

Your committee does not wish to define a detailed position on these matters at the present time. It does of course consider that they should be broached in the context of reform of the IMF and that Member States should adopt a joint position. The final goal should be arrangements which, while avoiding inflation, provide a fairer share of special drawing rights for the developing countries. The Commission should submit proposals so as to enable the Community to define a position of its own.

(c) Environmental problems

59. These problems will become increasingly urgent. Arrangements should be envisaged for exempting the developing countries, which are in a more favourable situation as regards environmental damage than the industrialized countries, from the stringent requirements which will doubtless have to be imposed on Community industries. Nor should industrialized countries be allowed to avoid the difficulties raised by environmental damage by transferring them to developing countries. Since experience shows that the Council's work progresses slowly, the Commission should begin to study these matters now.

(d) Developing countries' own ideas on what constitutes well-being

60. The industrialized world often tends to think that what is good for it is also good for developing countries. The structural alterations brought about by greater prosperity have an enormous influence on the cultural patterns of the peoples of developing countries, and there is a danger of their losing something without getting anything to replace it. It would be interesting to learn the Commission's opinion on this problem and what the Community could do to remedy the situation in agreement with the countries concerned.

61. Whilst not wishing to minimize the significance of the Memorandum, your committee is forced to note that the encouraging ideas put forward by the Commission meet with an absence of political will on the part of the Council as soon as they have to be translated into action. The preparatory work for the UNCTAD session in Santiago de Chile showed how far the Community still is from achieving a development policy in line with its economic and political status. The Council has so far failed to devote a single exchange of views to the Memorandum. It should instruct the ministers responsible, which need not mean the foreign ministers nor even the economic and financial ministers in the first instance, to meet, say twice a year, for a detailed study of the problems of development cooperation.

62. One of the themes of the coming summit conference will be the Community's relations with third countries. It has recently appeared likely, however, that emphasis will be placed on other matters on the conference agenda. While acknowledging the importance of those matters, your committee hopes that the Commission will spare no efforts to make Community development policy one of the main items on the agenda.

63. The success of the Commission's measures largely depends on the correct preparation of the structural reforms which will have to be made in many sectors of the Community. Your committee invites the Commission to pay particular attention to the social repercussions of an improved international division of labour, which is the logical result of its proposals, for the peoples of the Community. Such social repercussions might be felt principally in countries where outmoded structures perpetuate an inequitable distribution of the national income. This is one more reason for efficient coordination to make sure that internal Community policies are compatible with the objectives of a Community development policy. Nor do the same demands necessarily have to be made on different countries. In a real Community logic requires that the richer countries make greater efforts than the others in order to achieve a level acceptable to the Community as a whole. The Community's efforts towards a well conceived and balanced development policy will thus contribute to increased solidarity between the peoples of the Community and to the well-being and prosperity of the international community as a whole.

Trade and Development Board Resolution 73 (X)
on 'pricing policy and the liberalization of trade'
18 September 1970

Annex I

The Trade and Development Board,

Recognizing that the growth of export earnings in the developing countries is determined in part by the prices they are paid for the primary commodities on which they are still largely dependent, and in part by the progressive increase in the volume of their exports of these products through access to wider markets;

Noting that agreement has been reached on the need for a set of general principles on pricing policy to serve as guidelines for intergovernmental consultations in accordance with Resolution 16(II) and practical action to stabilize the markets for individual products, and that pricing policy is one of the means of increasing export earnings;

Further noting that agreement has been reached on the desirability of practical measures to liberalize trade as a means of increasing the export earnings of the developing countries, and that improved access to markets is one way of fostering the expansion of trade;

Having regard to the pertinent UNCTAD recommendations and resolutions;

Taking note also of the detailed suggestions which have been put forward on the principles and aims of a pricing policy as well as the practical guidelines on this matter and the specific proposals relating to the lowering of barriers to trade and the development of markets for products exported by the developing countries;

Recognizing that intergovernmental consultations and negotiations on specific products have enabled progress to be made towards the definition of types of measures which can most usefully be adopted in each case;

Having regard to the need to make allowance for the least advanced developing countries in order to help them to derive, in so far as possible, equitable benefits from action taken in the sphere of primary commodities;

Recognizing that all measures in the area of international policy on primary commodities should take full account of the general situation of trade in a given primary commodity and of the desirability of improving competitiveness, and also make allowance for the interests of all the producer countries, including those which are heavily dependent on revenue from exports of primary commodities;

Recommends that the aims and principles set out in A and B below should as far as possible be used as general guidelines by the responsible governments and institutions when they take policy measures, in the sphere of primary commodities, with a specific bearing on exports from the developing countries, in particular measures relating to pricing policy and the liberalization of trade which they believe may lead to practical solutions to the problems of trade in these products.

A. PRICING POLICY

1. One of the aims of a pricing policy for primary commodities which represent a substantial proportion of exports from the developing countries should be to obtain stable prices, at one and the same time profitable to producers and equitable to consumers, in order to improve the growth rate and foreign currency earnings of these countries based on exports of such commodities, and so contribute to regular economic growth of the developing countries and to the achievement of the overall aims and objectives embodied in the international strategy of the Second Development Decade.
2. In seeking to achieve this aim, due allowance will be made for the market situation for each product, the effect of prices on world supply and demand and the work done by the international organizations concerned. The price level should therefore not be such as to encourage structural overproduction, recourse to substitute products or lower consumption. In the long run prices should favour the development of adequate new forms of production.
3. In the light of the foregoing:
 - (A) Efforts to eliminate excessive short-term price fluctuations should be actively pursued.
 - (B) When the prices of products which represent a substantial proportion of exports from the developing countries reach a level recognized as being unprofitable to the producers, appropriate international action should be taken to increase them. If necessary, this action should be backed by appropriate national and international measures to alter the underlying situation of supply and demand. In this respect product prices should be such as to encourage increased productivity and the safeguard of appropriate conditions of employment. Prices should also help to improve the trading balance of the developing countries.
 - (C) International action on prices should, where possible, be accompanied by appropriate national measures on the part of the developing countries to assign a significant proportion of export revenue to economic progress, economic diversification and social development.

- (D) The price machinery established under international arrangements should remain in force for a sufficiently long period:
- to facilitate the support by all participating countries, both producers and consumers, of agreed price ranges as stipulated in the arrangements;
 - to permit more reliable forecasting of the export earnings of the developing countries;
 - to encourage practical programmes designed to correct structural imbalance.
- (E) Intergovernmental consultation on individual products should be pursued and intensified, in conformity with Resolution 16(II), in order to obtain significant practical results on pricing policy in the early seventies.

B. LIBERALIZATION OF TRADE AND ACCESS TO MARKETS

1. One of the aims of the liberalization of trade in primary commodities which make up a substantial proportion of exports from the developing countries should be to ensure more favourable access for these countries to world markets and a fuller share in the expansion of these markets for the benefit of products in which they are at present competitive or likely to become so. This improved access should enable the developing countries to increase their export earnings and achieve regular economic growth.
2. In seeking to achieve this objective, the governments concerned and the responsible institutions should intervene wherever possible, either in the framework of measures to foster international cooperation or independently, to give freer access to world markets. Account should also be taken of the need to avoid internal economic and social imbalance, in both importing and exporting countries.
3. In the light of the foregoing:
 - (A) The developed countries should as far as possible refrain from creating new tariff or non-tariff barriers or from consolidating existing obstacles to imports of primary commodities which make up a substantial proportion of exports from the developing countries.
 - (B) Efforts to liberalize and expand trade in these products should be actively pursued with a view to bringing about a progressive and substantial reduction and, if possible, the elimination of customs duties and other barriers to trade in primary commodities which make up a substantial proportion of exports from the developing countries, including manufactures and semi-manufactures.
 - (C) The efforts to achieve liberalization should if necessary be strengthened in the context of appropriate national and international action by the

developed countries to encourage the growth of trade.

- (D) In so far as possible, the developed countries should avoid levying new taxes on primary commodities produced wholly or primarily by the developing countries, and their governments should consider the possibility of cutting taxes which constitute an effective obstacle to the growth of consumption of these products and have a heavy impact on them.
- (E) Intergovernmental consultations should be continued and intensified in the various national organizations concerned by these problems, in conformity with Resolution 16(II), in order to achieve significant practical progress towards the liberalization of trade in the early seventies.
- (F) The socialist countries of Eastern Europe should continue to encourage the growth of exports of primary commodities from the developing nations and take, for this purpose, the measures envisaged in Resolution 15(II).

STATISTICAL TABLES

Table 1 - Total financial movements and national product.

Table 2 - Public development aid and national product.

Table 3 - 1969 supplementary recommendation on the conditions for public development aid.

Table 4 - Net amounts received by regions.

Table 5 - Aid for population planning programmes as percentage of public development aid, 1969 and 1970.

Source: Organization for Economic Cooperation and Development, Development Aid, 1971 Survey.

Table 1 - TOTAL FINANCIAL MOVEMENTS AND NATIONAL PRODUCT

Total net financial movements from public and private sources as percentage of gross national product¹, 1960-1970

Countries	Percentages											
	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970 ²	1970 ³
Belgium	1.59	1.35	0.91	1.24	1.04	1.29	0.97	0.84	1.17	1.12	1.17	1.23
France	2.15	2.10	1.86	1.48	1.46	1.30	1.22	1.15	1.35	1.22	1.24	1.24
Germany.....	0.87	1.02	0.68	0.65	0.67	0.64	0.64	0.92	1.23	1.32	0.76	0.80
Italy	0.85	0.66	0.89	0.64	0.43	0.45	0.99	0.41	0.73	1.03	0.78	0.78
Japan	0.57	0.71	0.49	0.40	0.36	0.55	0.62	0.67	0.74	0.76	0.93	0.93
Netherlands	2.11	1.61	0.85	0.92	0.69	1.24	1.22	0.99	1.09	1.31	1.44	1.46
United Kingdom	1.22	1.17	0.92	0.84	0.99	1.03	0.85	0.73	0.74	1.04	1.00	1.04
United States	0.75	0.86	0.76	0.75	0.82	0.77	0.65	0.71	0.68	0.50	0.55	0.61
Total DAC countries	0.89	0.95	0.80	0.76	0.79	0.77	0.71	0.74	0.80	0.75	0.74	0.78

Table 2 - PUBLIC DEVELOPMENT AID AND NATIONAL PRODUCT

Net public development aid as percentage of gross national product¹, 1960-1970

Countries	Percentages										
	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Belgium	0.88	0.76	0.54	0.57	0.45	0.59	0.42	0.45	0.42	0.51	0.48
France	1.38	1.35	1.26	0.98	0.89	0.75	0.69	0.71	0.67	0.68	0.65
Germany	0.31	0.44	0.45	0.41	0.44	0.40	0.34	0.41	0.41	0.38	0.32
Italy	0.22	0.15	0.18	0.14	0.09	0.10	0.12	0.22	0.19	0.16	0.16
Japan	0.24	0.20	0.15	0.20	0.15	0.28	0.28	0.32	0.25	0.26	0.23
Netherlands	0.31	0.45	0.48	0.26	0.28	0.36	0.45	0.49	0.49	0.51	0.63
United Kingdom	0.56	0.59	0.52	0.48	0.53	0.47	0.46	0.44	0.40	0.39	0.37
United States	0.53	0.56	0.56	0.59	0.56	0.49	0.44	0.43	0.37	0.33	0.31
Total DAC countries	0.52	0.53	0.52	0.51	0.49	0.44	0.41	0.42	0.38	0.36	0.34

¹At market prices.

²Excluding donations from private charitable bodies.

³Including donations from private charitable bodies.

Table 3 - 1969 SUPPLEMENTARY RECOMMENDATION ON THE CONDITIONS FOR
PUBLIC DEVELOPMENT AID

Countries	Criteria set out in Recommendation						Commitments	
	Donation criterion : Donations as percentage of public development aid (norm 70%)		(Variant A): Donations and loans with concessional element of at least 61% as percentage of public develop- ment aid (norm 85%)		(Variant B): Concessional element of most liberal 85% tranche of public development aid (norm 85%)		Total public development aid as percentage of GNP	
	1969	1970	1969	1970	1969	1970	1969	1970
Belgium	92	92	94	98	100	100	0.53	0.58
France	74	73	74	73	93	93	0.88	0.84
Germany	51	54	71	84	84	86	0.42	0.44
Italy	27	54	27	54	49	76	0.30	0.21
Japan	42	39	54	56	75	74	0.34	0.30
Netherlands	69	64	82	89	93	91	0.61	0.66
United Kingdom	48	50	91	88	89	90	0.44	0.44
United States	70	64	95	92	94	92	0.35	0.34
Total DAC countries ..	66	63	84	85	93	92	0.42	0.41

Table 4 - NET AMOUNTS RECEIVED BY REGIONS

Net amounts received from the public sector by regions;
annual averages 1960-1966 and 1968-1970

\$ million

Countries	EUROPE		AFRICA		AMERICA		ASIA	
	1960-66	1968-70	1960-66	1968-70	1960-66	1968-70	1960-66	1968-70
Belgium	0.75	1.13	75.78	72.41	0.73	6.87	0.10	6.78
France	5.89	32.86	636.10	519.90	98.19	165.57	15.59	74.13
Germany	39.98	89.45	59.57	117.36	32.19	61.22	199.50	216.21
Italy	26.56	16.97	38.18	53.60	-0.32	-6.30	3.30	42.90
Japan	0.05	60.76	0.35	20.38	3.82	37.62	131.41	573.48
Netherlands	0.29	3.49	0.73	8.60	13.75	40.38	16.74	55.02
United Kingdom	26.27	25.12	193.84	139.79	27.80	31.56	137.81	144.72
United States	313.56	92.00	444.31	275.67	544.64	639.00	1869.56	1858.67

	OCEANIA		NOT BROKEN DOWN REGIONALLY		TOTAL	
	1960-66	1968-70	1960-66	1968-70	1960-66	1968-70
Belgium	-	-	0.72	1.14	78.07	88.33
France	22.47	37.03	19.90	37.03	798.13	858.33
Germany	-	-	41.91	26.59	373.15	510.83
Italy	-	-	1.60	2.18	69.32	109.35
Japan	-	0.22	0.24	34.07	135.87	726.54
Netherlands	-	-	4.28	23.67	35.79	131.16
United Kingdom	8.08	17.63	9.54	21.65	403.34	380.54
United States	11.63	44.66	102.68	100.00	3286.38	3010.00

Table 5 - AID FOR POPULATION PLANNING PROGRAMMES AS PERCENTAGE
OF PUBLIC DEVELOPMENT AID, 1969 and 1970

Countries	1969			1970		
	Public development aid \$ million	Aid for population programmes ¹ \$ thousand	As percentage of public development aid	Public development aid \$ million	Aid for population programmes ¹ \$ thousand	As percentage of public development aid
Belgium	116.1	..	..	119.6	10.0	-
Denmark	54.3	296.2	0.55	59.1	1,349.0	2.28
France	955.2	..	..	951.1	..	..
Germany	579.3	250.0	0.04	599.0	1,525.0	0.25
Italy	129.6	..	..	147.2	..	..
Japan	435.6	198.8	0.05	458.0	377.8	0.08
Netherlands	143.1	338.0	0.24	196.4	1,408.0	0.72
Norway	29.5	225.3	0.76	36.8	990.0	2.69
United Kingdom	431.3	261.4 ²	0.06	447.1	351.1 ²	0.08
United States	3,092.0	45,440.0	1.47	3,050.0	58,341.0	1.91
Total DAC countries	6,609.6	52,483.4	0.79	6,808.0	70,662.9	1.04

¹Excluding administrative costs on amounts paid by each donor country, either directly or to multilateral organizations

²Financial year

OPINION OF THE COMMITTEE ON RELATIONS WITH AFRICAN STATES AND MADAGASCAR

Rapporteur for the opinion : Mr Maurice DEWULF

On 12 November 1971, the Committee on Relations with African States and Madagascar appointed Mr Dewulf rapporteur for its opinion.

At its meetings on 18 May and 9 June 1972 it examined the draft opinion which it adopted unanimously on 9 June 1972.

The following were present : Mr Achenbach, Chairman, Mr Fellermaier, Vice-Chairman, Mr Dewulf, Vice-Chairman and Rapporteur, Mr Aigner, Mr Glinne, Mr Laudrin, Mr Seefeld, Mr Spénale.

I. INTRODUCTION

1. Your committee has been asked to deliver an opinion on this matter for the Committee on External Trade Relations which is responsible for the whole area of development cooperation. The Committee on Relations with African States and Madagascar is concerned only with the developing nations of Africa and the overseas countries and territories (OCT). This opinion will therefore concentrate on the sections of the Memorandum applicable to these regions. The Committee on Relations with African States and Madagascar will naturally also look into the consequences which the general policy on development, advocated in the Memorandum, may have on the African countries and the OCT.

The Community's development policy in the strict sense of the term, was for a long time confined essentially to the Association with the African States and Madagascar (AASM) and OCT, because the only provisions on development cooperation set out in the Rome Treaty relate to these countries.

2. The progressive implementation of a common policy in various sectors, especially agriculture and trade, has had an increasing impact on relations with the developing countries. Since the policy pursued in these sectors was primarily designed to improve the well-being of the Community's population, and since too the Rome Treaty makes no provision for a general Community policy on development, only limited attention was given to the interests of the developing countries.

The growth of the Community's responsibilities, as a logical consequence of the constant strengthening of its economic and political position in the world, has caused the developing countries to take an increasing interest in the Community.

3. As a result a cleavage has appeared between the Community's economic and political potential - and hence its moral and political responsibilities to the Third World as a whole - and the legal, institutional and political framework for its activities in this area. In regard to the legal aspect, it is worth noting that the main aim of the Treaty of Rome is to encourage the Community's internal growth and consequently to promote its own external economic interests. Certain association agreements with other countries, which are usually weaker economically, are coloured by the Community's desire to do nothing which might jeopardize its own growth. These agreements are rarely based on the objective, let alone general, development needs of the partner concerned. Moreover, preference is logically given to the negotiation and conclusion of agreements with countries whose economic potential is relatively high. The EEC Treaty makes provision - which is in any case limited from the legal standpoint - only for the AASM and OCT. It is also

important to note that, since the end of the transitional period, the Community as such has had a completely free hand in an important sector of development cooperation, namely policy on trade and customs tariffs.

4. From the institutional and legal angle, powers - and therefore the decision-making centres - are distributed between the Community and Member States, i.e. between the Community institutions and the governments of Member States. It is therefore difficult to deal consistently and coherently with problems which arise, and still more difficult to take coordinated, let alone common, decisions. In the area of financial and technical cooperation (apart from food aid), the Member States enjoy to all intents and purposes sole powers; in other words action by the Community itself is ruled out. The Community has some powers only in respect of the AASM and OCT, and also Greece and Turkey, but the funds available to the EDF and EIB for technical and financial aid are determined by the Member States themselves.

5. Finally, from the political angle, the governments and therefore the Council of Ministers of the European Communities, have so far shown little interest in pursuing an active development policy. They have examined it only in a haphazard and incidental manner during Council meetings at national or Community level. There has been little coordination even of the bilateral development policy pursued by Member States for the benefit of countries associated with the Community.

For urgent moral and political reasons it is important to remedy as soon as possible the legal, institutional and political shortcomings of this situation. Your committee believes that this must be done at the forthcoming summit conference.

In view of this state of affairs, the Memorandum sets out primarily to derive the maximum possible benefit from the existing provisions of the EEC Treaty in order to respond in an appropriate manner to the requirements of the developing countries.

II. FROM A REGIONAL DEVELOPMENT POLICY TO A POLICY BETTER SUITED TO THE NEEDS
OF ALL THE DEVELOPING COUNTRIES

6. The progressive consolidation of the common market has increasingly weakened the privileged commercial position of the AASM and OCT.

Some progress was made in the early stages of association. The first Yaoundé Convention ushered in institutional cooperation which resulted logically from the change in the political status of the AASM as a result of their gaining independence. In addition, appropriate measures were taken to establish free trade areas between the Community on the one hand and the eighteen associated African States and Madagascar on the other. These provisions were accompanied by an appreciable increase in the sums which the Community made available for financial and technical cooperation. Nevertheless the gradual deterioration in the preferential conditions offered to the AASM had already begun, especially because of the reduction in the duties levied under the common customs tariff on a number of tropical products. As a result of the introduction of a common agricultural policy, it also became necessary to lay down arrangements for exports to the Community of AASM agricultural products comparable or competitive with similar EEC products. In most such instances, preferences were cut below the previous level.

7. The preferences granted by the Community to the AASM for industrial products were admittedly favourable, but since their industry was still in its infancy by comparison with their agriculture, the AASM have had little occasion to benefit from these provisions. The advantages they could hope to derive in future were reduced by the introduction of a system of general Community preferences applicable to manufactures and semi-manufactures. Apart from this consideration, the extension of the system, in regard both to the number of beneficiary countries and to the list of products and maximum quantities, is in line with expectations.

Meanwhile other developing countries and territories asked the Community to organize special relations with them, especially for trade. A number of commercial agreements were concluded as a result, in particular with Mediterranean countries and Latin America. These agreements also meant that the Community granted preferences to a larger number of partners than had been the case previously.

8. Furthermore the AASM followed with some anxiety the progress of negotiations on Britain's accession because they were afraid that Community preferences, whose importance had already diminished, would be accorded to an even larger number of countries; their fear was heightened by the fact that most of the countries concerned were economically stronger than the AASM and sometimes produced similar commodities. The outcome of the negotiations seems to have proved this fear groundless. Admittedly, little is

yet known about the effect of the agreements to be concluded in this sector but in theory at least they will open the possibility of doing more in some areas for the AASM than the Community was prepared to do in the past.

9. Your committee will concentrate on the sections of the Memorandum which are of particular interest to the developing African countries and to the overseas countries and territories. In general, a clear distinction must be made between three questions:

- A. The EEC-AASM and EEC-OCT Association, the Association between the EEC and the East African States and the Association between the EEC and Nigeria;
- B. Relations with the African countries bordering on the Mediterranean;
- C. Other matters referred to in the Memorandum, in particular measures stipulated in the initial programme of action with a view to encouraging economic progress in the developing countries.

A. The EEC/AASM and EEC/OCT Association; the Associations between the EEC and the East African States and Nigeria

10. The European Commission's Memorandum on a Community Development Cooperation Policy comprises four sections, i.e. the summary document (the Memorandum was obviously longer to begin with but for practical reasons a summary was published), an initial programme of action supplementing this summary document, and two working documents. Little is said on future cooperation between the Community and the Member States on the one hand and the AASM, OCT and East African countries on the other. The Memorandum as such deals with this subject in a single page (page 11) in which reference is made primarily to past achievements; pages 25 to 27 then consider ways of strengthening the Community's cooperation policy. The initial programme of action in which the European Commission examines in more detail a first series of practical measures based on the means of action envisaged in the Memorandum as such, makes no specific reference to the AASM. The AASM are mentioned mainly in connection with product agreements, the encouragement of regional cooperation and sales promotion campaigns, but no consideration is given to a special policy for these countries. However, this does not necessarily imply that the Commission will be taking less interest in the associated countries in future. Your committee is well aware that having regard to the time at which the Memorandum was drafted and the fact that negotiations with a view to the conclusion of a new Association Convention will only begin on 31 August 1973, the Commission was unable to make a more detailed statement. In addition the character of the negotiations will be changed completely after enlargement of the Community.

11. As we have seen, the Community has been exposed to growing pressure from all the developing countries in recent years. The duties laid down in the common customs tariff have been suspended more than once on a number of tropical primary commodities, e.g. when the second Yaoundé Convention entered into force. As from 1 July 1971 the Community will grant the developing countries generalized preferences for a number of manufactures and semi-manufactures. The AASM are resigned to the situation created in this way. Nevertheless they have begun to wonder whether the Community and its Member States intend to loosen the ties which have for a long time bound them to the associated African countries and give other nations the benefit of some of the efforts they have so far made in favour of the AASM.

12. During the negotiations on the accession of the United Kingdom and other applicant countries to the Community, the British stressed the need to take the interests of their former colonies into account; these countries must not be allowed to become victims of enlargement of the Community. Like the French colonies in the past, the former British colonies benefited to some extent from guaranteed markets for their products in Britain, and these guarantees were maintained after the countries became independent, e.g. under the Commonwealth Sugar Agreement.

During the accession negotiations, it was agreed that the interests of the sugar-producing developing countries which belonged to the AASM or Commonwealth would be safeguarded. This agreement is particularly important to the developing countries whose economies are largely dependent on sugar exports, but exports of this commodity are also a key factor for other developing countries. Provision was made for their interests to be protected by a system based on the Commonwealth Sugar Agreement; similar arrangements would be envisaged in favour of present or future associated countries whose economies are largely dependent on a single primary commodity. Under these conditions enlargement of the Community could after all bring certain advantages to the AASM, especially by improving their trading position.

13. However, considering the fact that the former French colonies benefited from a system under which France offered them, subject to certain conditions, a guaranteed market for their products at fixed prices, the impression arises that, because the British so effectively defended the interests of the Commonwealth countries, the AASM are to obtain once again the very advantages which the Community had to some extent withdrawn from them. Your committee, together with the EEC/AASM Joint Committee, has frequently advocated support of this kind for exports from the AASM to the Community and recalls the detailed proposals which Mr Armengaud submitted on behalf of the Joint Committee to the last Parliamentary Conference of the Association

held in January 1972 at The Hague¹. Fortunately an area of agreement seems to have been found in the Community between the supporters and opponents of a freer market economy. The problems which arise in this connection have been the subject of fruitless theoretical arguments. A realistic solution must go beyond the purely commercial aspect; in fact measures must be taken to organize the product economies, right through from the initial stages of production to the marketing level. Your committee is keenly awaiting the practical outcome of the agreement which has been reached in principle on this subject; action by the Council is particularly important. It also hopes that the Community will adopt a flexible and loyal position in negotiations on this matter.

14. Referring to the Association with the AASM, the Memorandum states on page 27 that '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.'

Your committee wishes to stress that the Memorandum explains why the association policy must be pursued and why this policy in no way implies that the Community cannot actively participate in implementing the international development strategy.

15. Your committee subscribes unreservedly to this attitude of the European Commission and to the conclusion that the Community must pursue its association policy with the AASM on the basis of the existing tripartite structure. Your committee has frequently had occasion to comment on the valuable results which the Association has had for the AASM. It remains convinced that the existing achievements must be maintained and even extended. The following arguments are particularly relevant here:

- The Association, which is a political option not only for the African countries but also for Europe, has made the privileged relations which already existed between Europe and Africa far more than a relationship based on purely legal links.
- The Association has undeniably helped to strengthen inter-African solidarity and encourage regional cooperation between the AASM.

¹ See also Armengaud report on measures for promoting sales in the EEC, at stable and remunerative prices, of the associated States' products (1967), Doc. 20, 20 November 1967.

- The Association is permanent. It is a reliable instrument of development policy for the associated countries which enables them to programme fairly long-term development.
- Finally the Association is also a unique and original form of multilateral cooperation on a basis of equality, founded on a wide range of possibilities for trade and on financial, technical and institutional cooperation.

16. Other considerations are equally relevant, for example the fact that these countries are entitled to the Community's support because many of them are among the least-developed nations of the world in which economic progress is particularly difficult to launch, or the realization, confirmed by trade statistics and other data, that the Association has not harmed relations between the Community and other developing countries.

The European Commission draws attention in its Memorandum to the associated countries' fear that the Association may lose its commercial content (page 11). 'However,' it adds, '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'.

On pages 27 and 28 of its Memorandum, the Commission points out that the Community remains attached to the 'tripartite' formula (trade, financial and technical as well as institutional cooperation) and reaffirms the need to maintain the arrangements for free trade. However, the relative importance of tariff preferences has declined considerably in recent years while there has been a growing interest in structural reforms affecting the whole economic process from the production stage to the final level of product marketing at which the promotion of exports may be more important than tariff preferences. The principle of trade cooperation, in the widest sense of the term, which is embodied in the Association Convention, is therefore preserved but the emphasis has been shifted and the system will gain in depth and cohesion as a result. In the light of the above considerations, your committee believes that this interpretation is acceptable.

17. As we have seen, the preferences which the AASM enjoyed in the Common Market for imports of their products have been gradually eroded. In recent years there has been a clear tendency to eliminate tariff and non-tariff barriers to world trade. Here the Community has been making the running (for example, in the area of generalized preferences) and your committee welcomes this fact because it believes that progress of this kind is one way of promoting international trade for the greater benefit of all concerned and consequently also for the developing countries.

However if the present level of trade cooperation between the EEC and AASM is to be safeguarded, the loss of preferences must be compensated by tariff measures. In the case of the commercial (technical) section of the Association, this could be done by concluding agreements on primary commodities (which will enable the economies of the developing countries to be diversified through funds created for this purpose), by promoting the sale of AASM products on the Community market, by measures to encourage industrialization of the associated countries and, of course, by supporting production in particular through guaranteed purchases subject to appropriate conditions.

18. The Community and the AASM are already cooperating more closely in these areas. This is amply demonstrated by a comparison of the second Yaoundé Convention with the first. The Community has now shown its willingness to cooperate actively in the conclusion of agreements on individual primary commodities. The Memorandum makes the welcome statement (page 32) that, failing the conclusion of world agreements, the Community will take its own measures in this sphere. It could then '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. Alternatively it could, in accordance with the priorities resulting from its commitments, seek ad hoc solutions to which further developing countries could accede'.

Clearly the associated States are first in line to provide the nucleus of a regional development policy. This prospect gives cause for satisfaction as does the observation referred to above concerning the priorities resulting from the Community's commitments, including those which it has entered into in respect of the associated States.

Your committee will return to these questions and to the subject of financial and technical cooperation during its examination of the initial programme of action.

19. However, it wishes first to examine briefly the consequences of the Community's enlargement for the association policy. A large number of countries¹ have the possibility of choosing one of the following formulae

¹In Africa: Botswana, Gambia, Ghana, Kenya, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland, Tanzania, Uganda, Zambia.

Mauritius, in the Indian Ocean, has already to all intents and purposes joined the Yaoundé Convention.

In the Pacific: the Fiji Islands, Tonga, Western Samoa.

In the Caribbean: Barbados, Guyana, Jamaica, Trinidad and Tobago.

for relations with the Community:

- accession to the Convention of Association which will govern relations between the Communities and the AASM on expiry of the convention concluded on 29 July 1969;
- conclusion, on the basis of Article 238 of the Treaty establishing the EEC, of one or more special association conventions laying down mutual rights and obligations with particular reference to trade.
- conclusion of commercial agreements with a view to facilitating and encouraging trade between the Community and these countries.

For practical reasons, the Community believes it would be desirable for the independent Commonwealth countries to which the Community's offer is open, to define their attitude as soon as possible after 1 January 1973.

Since negotiations on a new convention of association with the AASM will open at the latest on 31 August 1973, it is desirable for practical reasons for these Commonwealth countries to make their position known as soon as possible. Obviously for the African Commonwealth countries, the first of the possibilities outlined above is preferable from the point of view of regional cooperation and political solidarity in this part of the world. The economic and demographic importance of Nigeria also raises certain problems. In addition, having regard to the geographical situation and economic problems of the Caribbean States, the adoption of a single solution for these countries would offer certain advantages.

A number of territories dependent on the United Kingdom¹ and Norway² will be associated with the Community after the accession of these countries, by virtue of analogous application of the provisions of the fourth part of the Treaty establishing the EEC. Individual provisions will be made for Hong Kong and Gibraltar because of their special situation.

¹Bahamas, Bermuda, British Honduras, British Indian Ocean Territory, British Solomon Islands Protectorate, British Virgin Islands, Brunei, Cayman Islands, Falkland Islands and Dependencies, Gibraltar, Gilbert and Ellice Islands Colony, Hong Kong, Montserrat, New Hebrides, Pitcairn, Saint Helena and Dependencies, Seychelles, Turks and Caicos Islands, Associated West Indian States (Antigua, Dominica, Grenada, Saint Lucia, Saint Vincent, Saint Kitts, Nevis and Anguilla).

²Norwegian territories in the Antarctic (Bouvet Island, Peter I Island, Queen Maud Land).

This will raise difficult problems for the Community, especially in the spheres of technical and financial aid and institutional cooperation. The rapporteur will return to the first of these points later.

20. For the time being your Committee wishes simply to recall the position which is clearly defined in the Memorandum on the subject of the EEC/AASM Association: the Community must continue its policy of association with the AASM on the basis of the present tripartite structure. Your committee subscribes to the executive's view that this cooperation is a valuable and durable contribution to growth of the AASM and to world equilibrium (see page 26 of the Memorandum). But it is also necessary to draw the logical conclusions for the future. The Commission goes on to state on page 26 that the Community will have to assume increasing responsibilities throughout the world: 'It 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.'

Your Committee believes that a preferential system - whose form and content might perhaps be reviewed - is in any case an essential aspect of the originality of the association system and of its basic structure.

21. The existence of a free trade area (FTA) between the EEC and each of the countries with which an association agreement has been concluded, means that in principle each partner grants free access to imports from the others, although certain exceptions are possible in particular for the associated countries (protection for new industries, budget ...).

In principle therefore exports from the AASM have free access to the EEC market and benefit, under the FTA system, from 'special' preferences, corresponding to the level of the common customs tariff applicable to third countries¹.

Similarly exports from the EEC to the AASM markets benefit from reverse preferences vis-à-vis other countries which do not belong to a free trade area with the AASM.

¹Subject to the consequences of the system of generalized preferences and to the special arrangements for agricultural products covered by a market organization in the EEC.

These special and reverse preferences also comply with current GATT rules, as do the free trade areas themselves of which they are simply the logical consequence. Any request for abolition of preferences resulting from the existence of an FTA is therefore a challenge to the very existence of free trade areas between developed and developing countries, or to current GATT rules which impose on partners in a free trade area the general obligation to allow free access.

22. The free trade system has certainly not disturbed international trade (or exports from the USA, which is the main opponent of preferences); at the same time it has given a real economic and commercial advantage to many associated countries which are among the least advanced and least competitive of the developing nations. In addition the commercial provisions are a fundamental component of the association which has made a valuable and lasting contribution to the development of the AASM and to equilibrium in Africa and throughout the world.

23. The free trade arrangements between the EEC and associated countries do not encroach upon the autonomy of the partners in tariff matters. The EEC has used this autonomy on several occasions to reduce the duties listed in the common customs tariff on certain products of direct interest to the AASM and to implement its system of generalized preferences, thus reducing the level of the 'special' preferences enjoyed by the partners.

If the AASM believe this to be in their interest, they may also reduce or abolish duties for the benefit of industrialized countries which do not belong to the EEC; some of them have already taken this course for imports from Japan and the USA, thus reducing the preferences granted to EEC exports.

But what they cannot do without challenging the underlying principle of the free trade area¹ is to apply normal customs duties to the EEC, on the pretext of avoiding or reducing discrimination between the EEC and other industrialized countries resulting from the existence of a free trade area with the EEC.

Under the present GATT rules, the only possibility open to the AASM for 'abolishing or reducing reverse preferences' is therefore to cancel or reduce their customs tariff (subject to their obtaining equivalent tariff or financial advantages from the industrialized countries).

¹ Except in certain permissible cases (protection of new industries, etc.)

To avoid the budgetary consequences of such measures, they would of course need to increase their fiscal levies on imports; these levies are already charged on all imports, including those from the EEC. It should be noted in this connection that the tariff preferences enjoyed by the EEC in the AASM account for only a fraction of the charges on imports into the AASM.

24. The Memorandum makes only passing reference to the Arusha and Lagos association agreements. In the case of Nigeria, only an initiative by that country itself could put an end to the present stationary position - which explains why the Memorandum is silent on the subject. A brief observation on Nigeria was already made in section 19 above.

Since the association agreement with the East African countries did not enter into force until 1 January 1971, the authors of the Memorandum clearly had little opportunity to consider its workings. As the Memorandum indicates (page 11), this agreement is an existing 'Community achievement'. Since it is in some respects closely linked with the Yaoundé Convention, many of the remarks made on the latter in the Memorandum also apply to the Arusha agreement. Your committee wishes to point out that it would be desirable to envisage seriously, during further negotiations on the Arusha agreement, the inclusion of provisions on financial, technical and institutional cooperation. There is already provision for institutional cooperation in the present agreement, but to a more limited extent than in the Yaoundé Convention.

B. Relations with African countries in the Mediterranean

25. Since ancient times, trade has continued intensively between certain regions of the present Community and other areas in the Mediterranean. Although centuries separate commerce in Tyrian purple and Algerian wine, trade relations with these countries have always remained close. Between 1958 and 1969, exports from the African countries in the Mediterranean¹ rose by 11.4 per cent annually, i.e. by a higher percentage than for any other group of developing countries. Some of these exports (petroleum products) are also of strategic importance to the EEC. The political significance to the Community of stability in this part of the world is evident, especially if geographical factors are taken into account. Historical and cultural ties have also existed for centuries between the Mediterranean countries and certain Member States. This fact was taken into account when the Treaty of Rome was drafted, and a number of countries, such as Libya, in the franc area were offered the possibility, in a declaration of intent, of opening

¹Your committee wishes to point out that it is apparently not competent to deal with other developing countries in the Mediterranean.

negotiations 'with a view to the conclusion of conventions of economic association with the Community'.

26. Preferential association agreements have been concluded with Morocco and Tunisia on the basis of Article 238 of the Treaty establishing the EEC; the content of these agreements is mainly commercial but they also provide for some institutional cooperation. For a long time Member States maintained relations of various kinds with Algeria, with a rather dubious legal basis. Negotiations with a view to the conclusion of an association agreement are at present under way. It is strange that there have been no talks with Libya. Your committee believes that the Community should not wait until its increasing power of attraction causes Libya to take the initiative in opening negotiations. From the angle of the political and commercial balance of relations between the EEC and the Mediterranean, it is undesirable for a country of Libya's importance to remain isolated from cooperation between the EEC and the countries in this region. Moreover negotiations have been opened with the neighbouring United Arab Republic with a view to the conclusion of a preferential trade agreement. It appears that these negotiations will soon be brought to a successful conclusion.

Quite apart from its wide commercial relations, the Community maintains close relations in other spheres with these countries. Millions of workers coming from them are employed in the Community and each year tens of thousands of persons from the Member States take holidays in the African countries in the Mediterranean. It is therefore not surprising that these countries are calling for a broadening of the scope of the present agreements to enable matters which are not strictly commercial to be covered by them.

27. The commercial and historical ties referred to above have led the Community to conclude agreements with practically all countries in the Mediterranean. This has resulted in a rather unstable equilibrium, especially in regard to the preferences granted by the Community to these countries in the agricultural sector.

Enlargement of the Community necessitates in any case a technical adaptation of the existing agreements. The Memorandum states (page 12) that 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'.

The committee subscribes to this opinion. It also shares the Commission's belief in the need to broaden the agreements concluded with

Tunisia and Morocco and to broaden and deepen the Community's policy towards the countries of the Mediterranean in the sphere of trade and other sectors of cooperation.

28. In this connection, your committee wishes to draw attention to a number of special problems. First of all, it believes that the proposed broadening of the present development policy should, as the executive itself has recommended, embrace the social sector. A uniform policy must be laid down for migrant workers originating in the countries of the Mediterranean. Workers from these countries should as far as possible enjoy the same rights as citizens of the Member States themselves. At all events conditions of residence, work permits, social rights and obligations etc., should be identical for all workers originating in the Mediterranean area. It is not simply a question of equitable treatment of these workers; progress is a necessity if distortions of competition are to be avoided in the Community. Genuine development cooperation must also be instituted so that these workers are no longer viewed as a simple source of labour, in the strict sense of the term, but can, through the training they receive in the Community, contribute to the growth of their own countries on their return. With this end in view, persons who are equipped by their experience and training to perform skilled tasks should in fact hold posts commensurate with their qualifications. Moreover, those who are not yet qualified should be able to acquire training which will subsequently enable them to perform work corresponding to their capacities.

29. For climatic and other reasons, a substantial part of the agricultural output of the Mediterranean countries outside the Community consists of products which are similar to or competitive with agricultural products of Member States (in particular France and Italy). After negotiations which raised many problems, the Community has established a balance which makes the best possible allowance for the interests of all concerned. Separate negotiations would entail a risk of jeopardizing the compromise which has been achieved. Your committee therefore believes that overall negotiations on this matter, with the participation of all the Mediterranean countries, can alone lead to the definition of new provisions.

Your committee noted with considerable satisfaction the Commission's statement, on page 27 of the Memorandum, that existing agreements should be progressively supplemented by provisions for technical and financial cooperation. It considers that the special relations which various Member States have maintained for centuries with these countries, and the close cultural and commercial ties between them, should enable the Community as such to contribute to their economic development.

C. Other matters discussed in the Memorandum, in particular measures outlined in the initial programme of action to promote exports and economic progress of the developing countries

30. The Community has already exhausted most of the possibilities of tariff measures to encourage trade with the developing countries. In future it will therefore be necessary to fall back on other means of action, i.e. agreements on primary commodities, harmonization of existing non-tariff measures, and measures to promote exports from the developing countries.

In regard to agreements on primary commodities, the Community subscribes to UNCTAD Board Resolution 73(X). However, this resolution is worded in such a way that the countries which passed it did not commit themselves to practical action. Fortunately, it is apparent from the initial programme of action that the Commission is willing to go further. It has made detailed proposals for international agreements on coffee, cocoa and sugar.

31. Coffee is the second most important primary commodity, after petroleum, in international trade and is a key factor for certain associated States. However, the present agreement will expire in October 1973, and negotiations on its renewal must be opened shortly. The Commission would like better use to be made of existing possibilities for action under the new agreement on coffee. The following mechanisms are involved¹:

- revision and harmonization of the plans to control production, the targets laid down in 1969 and the diversification programmes;
- improvement of export standards in order to raise the quality of certain types of coffee and check the tendency for consumption to decline or stagnate in the developed countries;
- definition of forms of aid specially adapted to meet the difficulties encountered by small and medium-sized producers in the least advanced developing countries whose economies are largely dependent on coffee.

The role of the present diversification fund should also be reviewed and broadened. This fund should be given functions which are not directly linked with the limitation of production. The Commission also believes that production targets, the programmes of the diversification fund and the price ratio between different types of coffee should be reviewed.

The Commission proposes that the Community should take an active part in the implementation of this policy, leading to a permanent rationalization of the world coffee market. It also believes that the Community should participate 'in a significant and appropriate manner' in the diversification fund

¹Page 7 of the initial programme of action.

(initial programme of action, page 7). So far only France and the Netherlands have signified their willingness to make a financial contribution. If it appears that the International Coffee Organization (ICO) could become an effective instrument for balancing supply and demand, under the terms of the Memorandum the Community should make a loan to it. Your committee welcomes these proposals. Moreover, having regard in particular to the fact that many associated African countries belong to the ICO, it is willing to support the proposals put forward by the European Commission.

32. The workings of the ICO are generally held to be satisfactory, and your committee has repeatedly stressed on other occasions¹ the need to overcome the drawback of fluctuations in primary commodity prices by concluding appropriate agreements. Your committee also recalls the agreement reached during negotiations on the accession of Britain and the other applicant countries, to the effect that the Community will safeguard the interests of all the AASM and developing Commonwealth countries whose economies are largely dependent on exports of a single product. It believes that the best way of achieving this aim is the implementation of a policy to encourage marketing and production and even, in some instances, guaranteed purchases. This aim could of course be reached partly within the framework of international product agreements, and your committee once again calls upon the Commission to recognize the facts which it, and the Parliamentary Conference of the Association, have repeatedly stressed for several years.

33. In regard to cocoa, the Commission proposes that the Community, which has a dominant influence on the market (as one of the world's leading importers), should pursue its policy of support for an international agreement on this product.

The main issues remaining to be solved are the definition of price levels and the adoption of machinery to defend minimum and maximum prices by setting quotas for exports and using regulating stocks. If an international agreement cannot be finalized in 1972, the initial programme of action proposes that the Community should try to reach a limited agreement with the main cocoa-producing countries. This agreement should of course be open to all interested countries.

If a number of countries whose accession to the association is envisaged (in particular Ghana) do in fact join the Community after 1 January 1973, the latter solution will have every chance of success and the resulting agreement will be of major importance since it will be binding on many countries which have every interest, either as producers or as consumers, in the effective organization of the market of this product. Your committee therefore fully supports this proposal which may also be of interest to certain associated countries.

¹ See resolution adopted by the Parliamentary Conference of the Association in January 1972 at The Hague (CPA/CP 232).

34. In regard to sugar, we drew attention earlier to the agreement reached during the negotiations with the applicant countries (see section 12). Under the initial programme of action, the Community could pursue a policy on sugar, based on the following guidelines (page 9):

- after the Community's enlargement, its sugar production should remain below the level of consumption, the gap between production and consumption in the Community being adjusted to its commitments to certain developing countries and to the situation of other sugar-exporting developing countries;
- measures agreed between the Community and the AASM and developing Commonwealth countries in regard to sugar will be an important factor in its participation in the international sugar agreement;
- at the same time the Community should take further action to promote the consumption of sugar products. In particular a reduction of internal taxation on sugar products would make a general contribution to higher consumption of these products; this would benefit producers in the developing countries and in the Community.

Hitherto the Community has granted no preferences on its imports of sugar from the associated countries. Only the Netherlands has declared its willingness to encourage exports of sugar from Surinam by agreeing to reduce its own production quotas.

The AASM have repeatedly stressed the difficulties facing OCAM sugar producers. Hitherto the Community has merely signified its awareness of the gravity of the problem and referred to the agreements reached during the negotiations mentioned above. In 1970, the EDF granted a loan of \$1,085,000 to the OCAM Stabilization Fund. This amount is due to be reimbursed by the end of 1972. Your committee hopes that, having regard to OCAM's difficulties, the Community will adopt a flexible attitude on this matter.

35. The above remarks clearly show that the new Commission proposals are a real step forward and hold out favourable prospects for sugar exports from the developing countries, including the sugar-producing AASM. It remains to be seen how these proposals will be applied in practice. The provisions referred to in section 34 above are in fact open to wide interpretation. The Community has recently increased its sugar production. The possibility of a world sugar shortage cannot be ruled out. Production of sugar cane in the developing countries is often hampered by natural disasters (hurricanes) which result in fluctuations of output. After its enlargement the Community will be faced with a new situation since it will have to import a substantial proportion of the sugar it needs for its own consumption. Your committee

believes that it must take all these factors into account in drawing up a common sugar policy.

However, your committee believes that the guidelines outlined for this purpose in the initial programme of action will enable a sugar policy to be laid down which will be acceptable to farmers in the Community and to the sugar-producing developing countries.

36. The Memorandum also suggests the promotion of exports from the developing countries by three further series of measures, namely sales promotion campaigns, the progressive abolition of excise duties on tropical products and the protection of designations of origin for food products. The Community already applies a number of measures of the first kind under the Yaoundé Association Convention. Your committee welcomes the Commission's recognition of the fact that these measures will not necessarily be appropriate for all the other developing countries; it must be remembered that the AASM count among the least advanced developing countries. The Commission proposes a number of measures (see pages 9 and 10 of the initial programme of action) which are already applied under the association. Your committee supports these proposals, but hopes that the Community's efforts in this area will not imply a weakening of its action in favour of the AASM.

37. The proposal for progressive abolition of excise duties on tropical products meets your committee's wishes. It is arguable whether the elasticity of demand for the products in question is such that a reduction in excise duties would be reflected in increased consumption but your committee believes that, if only for psychological reasons, efforts should be taken to avoid giving the impression that the Community countries wish to enrich themselves by taxing products which are consumed daily by their citizens. This harmonization of taxation would in any case comply with the general scheme of development of the Common Market.

38. The example of vanilla exports from Madagascar to the United States shows the desirability of protecting appellations of origin for food products. When United States legislation was amended in favour of natural products, mainly because of pressure from consumers' organizations, exports of vanilla from Madagascar rose by 40 per cent in a single year. Your committee believes that there is still a considerable untapped potential here. Moreover in some cases the use of natural rather than synthetic products may help to protect the environment. Your committee therefore fully supports these proposals (for further details, see pages 11 and 12 of the initial programme of action).

39. On the subject of financial and technical aid, the initial programme of action sets out in some detail the policy which the Commission believes the

Community should pursue. Your committee will examine these proposals only in so far as they may have a direct impact on Community policy on countries and regions for which the committee is responsible. While the financial aid from the Third Development Fund to the AASM is distinctly higher than aid under the Second Development Fund, this is a direct result of factors such as price increases, inflation, devaluation of monetary units, etc. Your committee believes that the sums which the Community is to make available to the Associated States through the Fourth Development Fund should be equivalent, making due allowance for the new circumstances, to those already provided from the Third Development Fund.

Since the population of the Commonwealth countries which may join the association is much greater than the population of the countries at present associated with the Community, this would imply an enormous increase in the Fund. Allowance may be made for the fact that some of the countries which are entitled to enter into an association with the Community do not belong to the group of least-favoured nations in terms of their national income, but even under these conditions the funds needed will be so great that consideration must be given to ways of raising them. Since the importance of trade preferences seems to be declining, the EDF will have to play an increasing role in the Association; its effectiveness must therefore be safeguarded.

40. To avoid any reduction in the potential of the Third EDF resulting from devaluation of the unit of account, the last Parliamentary Conference of the Association in January 1972 proposed, that the EEC Member States should undertake to hold their contribution to the EDF, expressed in national currencies, at the pre-monetary crisis level. Member States should accordingly agree to pay their contributions on the basis of the exchange rate of their currencies in relation to the unit of account on the date of signature of the Second Yaoundé Convention. Your committee would like the Commission to indicate whether progress has already been made on this matter, and whether it believes there is a need to amend the provisions relating to financial contributions paid by Member States to the EDF to ensure protection of the fund in future against the consequences of revaluation or devaluation of Member States currencies.

41. To ensure more favourable financial conditions for aid, the Memorandum proposes regular consultation within the Community with a view to harmonizing the criteria used to fix the financial procedures for development cooperation.

Initially, Member States should comply with the DAC recommendations. In regard to private credits, the Community should, according to the Memorandum, take greater account of the interests of the developing countries by

seeking a better balance between the interests of European exporters and developing countries. Future regulations should ensure financial (or at least economic) benefits in convertible currency which exceed interest charges by a clear margin; the duration of the economic benefits should be at least as long as the loan repayment period. Your committee subscribes to the corresponding proposals contained in the Memorandum and calls upon the Community countries to work energetically towards the aims laid down by the DAC. Not all the Member States have as yet fulfilled their obligations in this area.

42. The Memorandum also proposes that Community aid should be progressively untied. Aid has already been untied at the level of the 24 partners in the Yaoundé Association. It is well known that tied aid often results in a steep increase in costs. Your committee therefore fully subscribes to the remarks made on this subject on page 19, section C, of the initial programme of action. Measures are now proposed to untie aid at Community level so that beneficiary countries can use aid received from the Community, or from one of its Member States, in any Community country. This is a logical consequence of completion of the Common Market and the Commission's proposal is therefore perfectly normal, especially as it only envisages the untying of loans in the initial stage. The untying of certain donations could be considered later.

Your committee invites the Commission to persevere on these lines and consult other important donor countries. Gradual progress will evidently be necessary if aid is to be untied internationally; only close international consultation can prevent certain countries from abusing to their own advantage the loyal policy pursued by others in this area.

43. Finally, the initial programme of action sets out a number of measures to improve Community-wide coordination of aid and technical assistance. It also contains further proposals for improving regional cooperation between developing countries. The Community has acquired wide experience in these areas, especially through the Yaoundé Convention. The association has certainly fostered solidarity between the AASM and encouraged the associated countries to cooperate with one another. Although there may well be room for developing this cooperation in future, your committee believes that the principles laid down in the Association Convention are judicious and hopes to see them implemented on a wider scale.

Your committee considers that pursuit of the envisaged action must not lead to a slackening of the Community's efforts in the area of financial and technical aid to the AASM and overseas countries and territories. Subject to this reservation, it approves the Commission's proposals which could lead to a general development policy commensurate with the Community's international position.

III. CONCLUSIONS

44. In publishing its Memorandum, the Commission has paved the way for a Community development policy which will be commensurate both with the economic and political role of the Community in the world and with the legitimate needs of the developing countries. Your committee will fully support the implementation of this policy, since it is convinced that a global development policy is perfectly compatible with a policy for regional action. It wishes, however, to stress that the original partners have acquired, for political and moral as well as legal and practical reasons, certain rights while the Community has corresponding obligations. The converse is also true because the Association is based on a convention which embodies reciprocal rights and obligations. In future the machinery for cooperation between the partners in the Association may make these rights and obligations even more imperative, enabling the countries concerned to arrive at a genuine community of interests, based primarily on close cooperation, especially in the financial and economic spheres. Your committee wishes to stress this point, because it is through institutional cooperation under the Yaoundé Convention that it has become so well acquainted with the aspirations and anxieties of the partners in the Association.

45. Implementation of the policy outlined in the Memorandum will certainly require close coordination between development policy and other sectors of Community life especially in the areas of trade, agriculture and social affairs and at the financial and economic level. The sacrifices which the population of the Member States may be asked to make will only be acceptable if the Community takes steps to ensure that they are borne primarily by the groups which enjoy the strongest financial and economic situation.

Appropriate provisions must therefore be made in the most sensitive areas to prevent the least prosperous categories of the population from paying the cost of a Community policy of development aid, however desirable that policy may be in itself. Finally the Community will only be able to make the effort which the proposed plan entails if income is distributed more equitably in its Member States.

The Community's population will certainly be willing to make the sacrifices asked of it if an adequate information policy brings home an awareness of the need for them. According to the second part of the Memorandum, it is only in the Netherlands and Luxembourg that a majority of the population favours development aid. The situation may have changed since the Memorandum was drafted, but the public can obviously only be persuaded to take an interest in development aid if a resolute publicity campaign is conducted on a large scale.

46. Your committee welcomes the following remark contained in the introduction to the Commission's Memorandum (page 5): '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.' It should be added that implementation of a common policy is not enough; a common doctrine and strategy for development cooperation must be defined. A status report must also be drawn up on the Community's achievements in the sphere of development aid under the association with the AASM.

Implementation of a common development policy also implies that the matters involved must be the subject of coordinated action at Community level. After its enlargement the Community will certainly feel the need for a system of cooperation which is better adapted to its world influence and to the responsibilities resulting from a stronger affirmation of its character. It will therefore have to set up a political and administrative structure enabling an adequate policy to be defined, both in the Member States at governmental level and in the Community at the level of the Commission and Council.

47. For the executive, this means that a single member of the Commission, instead of two or more as at present, must be put in charge of development aid, to the exclusion of other responsibilities. The same holds good for the governments of Member States in which a single minister or secretary of state must be entrusted with these problems. The ministers concerned should also meet at least twice a year in the Council to discuss matters of current interest. Finally, at international meetings, the representative of the executive should be the sole spokesman for the Community.

The internal structure of the European Parliament must also be changed so that in future a single committee will have sole responsibility for Community development policy. In short, the political institutions of the Community, i.e. the Council, Commission and Parliament, must be adequately equipped for a permanent dialogue on the problems of the Third World.

It has repeatedly been said in Community circles and elsewhere that the Association between the EEC and AASM is a model of successful cooperation in multinational development. It would therefore be desirable to take stock of the achievements of this development policy.

48. Community development policy must be a major subject for discussion at the forthcoming summit conference. Your committee believes that the observations set out in this report should also be discussed on that occasion. The opportunity to enter into precise commitments is too good to miss and the problems of development cooperation are too urgent for their solution to be postponed much longer.

Inspired by the political will of its leaders and assured of the backing of its citizens, the Community could soon make up for lost time and play its rightful part in development cooperation.