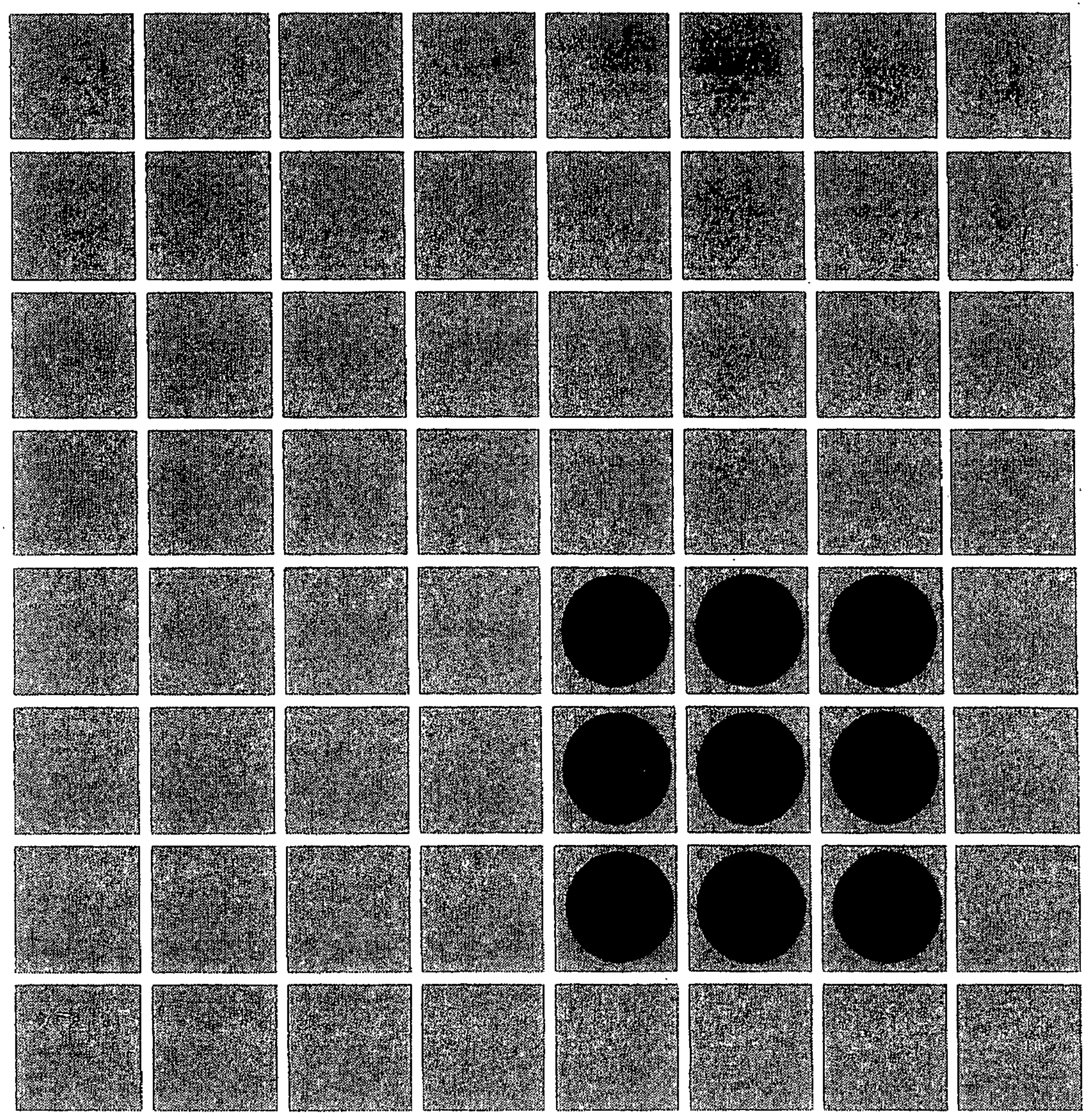
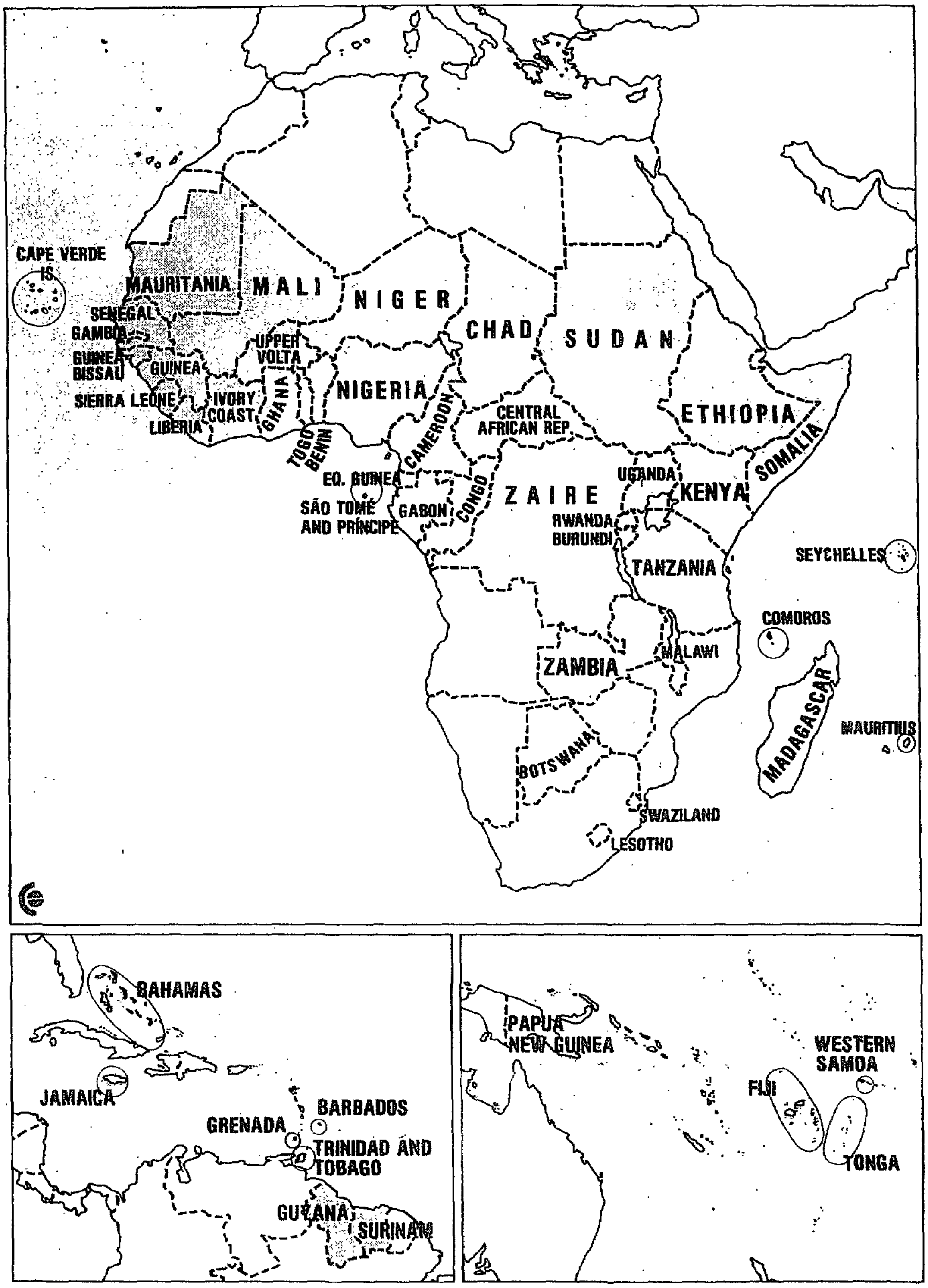
The European Community and the developing countries



EUROPEAN
DOCUMENTATION

periodical
1977/1

ACP COUNTRIES



*December 31, 1976

Manuscript Finished December 1976. Second edition.

The European Community and the developing countries

The oil crisis, the recent rise in raw material prices and the threat of a shortage of certain foodstuffs have provoked a rethink in the field of international relations and, in particular, relations between rich and poor countries. The emphasis now is upon development cooperation and here the European Community has already made an important start. In various gatherings, notably those of the United Nations and the Conference on International Economic Cooperation (CIEC)—the so-called 'North-South Dialogue'—the Community has increasingly tried to assert its unity and personality and proposed measures that go a long way towards meeting many of the developing countries' basic claims.

In March 1974, it took the initiative of coming to the aid of the countries most seriously affected by the rise in raw material prices. The Community paved the way to development cooperation by concluding with over forty Third World countries an agreement embodying an entirely new system of guarantees for their export earnings. Finally, it was the Community that launched a dialogue with the Arab countries in an attempt to conclude specific agreements with them.

The fundamental progress made by the European Community in conceiving and implementing its development aid policy is not due to pure chance. From its creation, the Community has sought to associate itself with the economic and social development of the Third World countries, starting with those which had traditional links with the EEC's founder Member States. This policy, which has now assumed world-wide proportions, takes many different forms: food aid programmes providing immediate assistance to countries afflicted by natural disasters; since 1971, a system of generalized preferences that is, tariff concessions has promoted Community imports of finished and partly processed products from the developing countries; under conventions and agreements negotiated with those developing countries that have special ties with European countries there are technical, industrial and financial cooperation programmes which enable development projects to be carried out. Moreover, in addition to the development aid programmes which are specifically Community-based, the Member States have laid the foundations for the harmonizaoion of their development cooperation policies to make them more substantial and coherent.

Since 1957, the year in which the Treaty of Rome was signed, the Community's development aid policy has expanded in two ways: it has been extended to more and more countries, and a growing number of aid instruments have been developed.

I — Enlarging the Community's zone of interest

1. The EEC-AASM Association

When the Treaty establishing the European Community was signed in 1957, certain States—in particular France and Belgium—had special relations with a number of overseas countries. Accordingly, a section of the Treatv of Rome was devoted to their association with the nascent Community. After these countries became independent States, a Convention governing their association with the Community was signed in 1963 in the capital of Cameroon. This, the first Yaoundé Convention, founded the Euro-African Association. It was followed by a second Convention of the same name, which entered into force in July 1969 and expired on January 31, 1975. This Euro-African Association was organized around three main features:

— *Free trade areas* were established between the EEC and each of the eighteen (subsequently nineteen)(1) Associated States, and customs duties were thereby eliminated in trade between these countries and the Community. However, a number of exceptions were made to the application of this principle: it was possible for the nineteen Associated States to protect their economies in case of need against imports from the Community by introducing or maintaining quantitative restrictions or customs duties. The Member States of the Community, wishing to protect their farmers, did not for their part grant completely duty-free access for certain agricultural products originating in the AASM. Even so, these products enjoyed more favourable entry treatment than that accorded by the Community to other countries.

— *Financial and technical aid*, given for the most part in the form of grants, made it possible to support the economic development of the Associated States. This aid was channelled through the European Development Fund (EDF), and, since 1964, it has been supplemented and reinforced by loans from the European Investment Bank (EIB). Community aid can be broken down as follows (in millions of units of account)(2):

			Yaoundé I	Yaoundé II
EDF	Grants		620	748
	Special loans		46	80
		Total	666	828
EIB	Loans		64	90
		Total for five years	730	918

(1) In 1971, Mauritius joined the eighteen AASM (Associated African States and Madagascar): Burundi, Cameroun, Central African Republic, Chad, Congo, Benin (Dahomey), Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta and Zaire.

(2) The Unit of Account (u.a.) was until 1971 equivalent to one US $. At the present time EDF amounts are expressed in European Units of Account (EUA). The value of the EUA is arrived at in relation to a basket of all the currencies of the Community. At the beginning of November 1976, the EUA was worth approximately FB/FLux 41·1, DM 2·6, Fl 2·7, £0·68, ir. £0·69, DKr 6·5, FF 5·5, Lit 958·1, $ (US) 1·1.

The experience acquired during these 15 years of operation has made it possible constantly to improve Community aid and to widen its scope. At the beginning of the Association, the emphasis was on basic infrastructure projects (roads, ports, etc.). Subsequently, the Community concentrated more on the development of production in both agriculture and industry.

In addition to Community aid, the AASM received bilateral aid from the Member States, which accounted for approximately 60% of the financial and technical aid granted (with Community aid accounting for 20%).

— *Joint institutions* enabled a continuous dialogue to take place between the Associated States and the Community for the purpose of administering the Association. The Council of Association, composed of Ministers, had powers to inform, consult, resolve, recommend and decide. It delegated some of its powers to a Committee of Association, composed of ambassadors. The Parliamentary Conference of the Association and the Arbitration Court of the Association completed the institutional framework.

2. Lomé: A new enlarged Agreement

In 1960, a special agreement was concluded with three Commonwealth States—Kenya, Tanzania and Uganda. Known as the Arusha Agreement, it established an Association (partial free trade, joint institutions) but did not involve financial and technical cooperation.

The Treaty concerning the accession of the United Kingdom to the European Community, signed in Brussels on January 22, 1972, made possible the opening of negotiations between certain Commonwealth countries and the EEC for the establishment of special relations. It was on this basis that the Nine, on the one hand, and 46 African, Caribbean and Pacific (ACP) States, on the other, began negotiations in October 1973 with the aim of concluding a new agreement enlarging and renewing the Yaoundé Convention. The two sides signed a five-year Convention in Lomé on February 28, 1975. The 46 ACP countries, which include all of independent black Africa and have a combined population of almost 270 million, comprise the nineteen AASM countries that signed the Yaoundé Convention, twenty-one Commonwealth States (1) and six other African States. (2) In all probability the number of ACP countries will soon increase to 52 as Surinam, the Seychelles, the Comores, Papua New Guinea, São Tomé and Principe and Cape Verde Islands have all asked to accede to the Lomé Convention.

This new Convention has many of the basic features of the Yaoundé Conventions—duty-free access, financial and technical cooperation—but in an improved form. It also contains some fundamental innovations—stabilization of export earnings, for example—which reflect the new policy of the Community towards the Third World producers of raw materials. The main provisions of the Convention can be summarized as follows:

(1) *In Africa*, the signatories to the Arusha Agreement (Kenya, Uganda and Tanzania), Botswana, Gambia, Ghana, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland and Zambia; *in the Caribbean:* Barbados, Guyana, Jamaica, the Bahamas, Grenada, Trinidad and Tobago; *in the Pacific:* Fiji, Western Samoa, Tonga.

(2) Ethiopia, Guinea, Guinea-Bissau, Equatorial Guinea, Liberia and the Sudan.

— *Trade arrangements and trade cooperation:* Almost all products originating in the ACP can enter the common market duty-free, except for agricultural products having joint marketing organizations, for which there are special arrangements, notably sugar. Reciprocity is no longer a condition, and all the ACP have to do in return is guarantee the EEC the benefit of the most-favoured-nation clause, which prohibits discrimination in relation to other trading partners. Furthermore, as this duty-free access cannot be used by developed countries trying to avoid the Community customs tariff by routing their products via the ACP, the EEC has made the rules relating to the origin of products considerably more flexible, in particular by agreeing to consider the ACP as being one territory.

— *Stabilization of export earnings:* This is without doubt the greatest innovation in the Lomé Convention since it should at least provide the poor countries with a guarantee against fluctuations in commodity prices and thereby put them in a better position to plan their development. The following are covered by this scheme, provided they represent a certain percentage of the export earnings of the ACP countries: groundnut products, cocoa products, coffee products, cotton products, coconut products, palm and palm nut and kernel products, raw hides, skins and leather, wood products, bananas, tea, raw sisal and iron ore. Where a country's earnings from exports to the EEC of one of these products fall below an agreed reference level, a compensation fund advances the difference, which the country in question must repay if the situation improves, though the poorest countries will not be obliged to do so. This system of insurance against bad years should protect the ACP from economic disasters resulting from the international economic situation or from adverse climatic conditions. The ceiling for aid under this system has been set at 375 million u.a. The Stabex scheme, as this stabilization system is called, went into operation for the first time in July 1976 when the Community transferred 72 million u.a. to 17 developing countries. Exporters of wood—notably the Ivory Coast, Ghana, Cameroun and the Republic of the Congo—were among the main beneficiaries.

— *Financial and technical cooperation:* Two principles were applied here: there was to be no reduction in the Community's financial effort *vis-à-vis* the countries already associated (the AASM) and the other States had to be placed on an equal footing with the latter. Accordingly, the total amount provided for in the new Convention is 3 390 million u.a. made up of: 2 100 million for grants, 430 million for loans on special terms, 95 million for risk capital and 375 million for the stabilization of export earnings. A further 390 million will be available for loans from the European Investment Bank's own resources. The ACP will participate to a greater extent in the administration of this aid and there is provision for special measures for the least developed countries.

— *Industrial cooperation:* The Community is determined to make a special effort to develop and diversify ACP industrial production. The countries benefiting will in particular be those at a more advanced stage of development. Various types of action are proposed: development of research and technology, information exchanges, studies, establishment of contract between firms, etc. These activities will be directed by a Committee on Industrial Cooperation assisted by a Centre for Industrial Development.

— *Institutions:* These are of the same type as those established by the Yaoundé Convention. The administration of the Convention will be the responsibility of a Council of Ministers assisted by a Joint Commitee of Ambassadors. There is also provision for a

Consultative Assembly, composed on a basis of parity of members of the European Parliament and of representatives designated by the ACP. Lastly, a special sugar Protocol was negotiated between the Community and the ACP producers. Under this agreement, which was reached with great difficulty, the Community has undertaken to buy (and the ACP to sell) 1·4 million tonnes of sugar annually at a price which will be negotiated between the ACP exporters and the European consumers but which may not be lower than the price guaranteed by the EEC to its own producers.

3. The Mediterranean countries

Special historical, economic and cultural links have led the Community to conclude a number of agreements with countries of the Mediterranean basin. As a result of differences in political regimes and particularly in levels of development, the Community has over the years negotiated different agreements with the majority of the Mediterranean countries.

On the European side of the Mediterranean, Association Agreements have been signed with Greece and Turkey. They entered into force in 1962 and 1964 respectively and prepare the way for eventual accession. Preferential trade agreements have been signed with Spain and Portugal, and a non-preferential agreement with Yugoslavia.

To the South of the Mediterranean, Association Agreements based on trade (without financial and technical cooperation) were concluded with Tunisia and Morocco in 1969. Association Agreements providing for the progressive establishment of a customs union have been concluded with Malta and Cyprus. Preferential trade agreements have been concluded with the Lebanon, Egypt and Israel.

AN OVERALL MEDITERRANEAN POLICY

Given the highly diversified nature of the policy outlined above, the need was felt for a coherent framework, especially in view of the similarities between the Mediterranean countries. The Commission accordingly proposed in 1972 that an overall Community Mediterranean policy be defined and that more comprehensive agreements be signed with the Mediterranean countries aiming at the progressive establishment of free movement of goods and the promotion of more widely-based cooperation. The Nine accepted the principle of this overall policy and defined its geographical scope: it would cover the countries with a Mediterranean coastline, plus Jordan and Portugal.

Within the framework of this overall policy, cooperation agreements have been concluded in 1976 with Algeria, Morocco, Tunisia, Egypt, Jordan and Syria, while the agreement concluded with Israel in 1975 has been extended, and a Financial Protocol has been signed with Malta. The Lebanon should also shortly join these countries. The extension of the preferential trade agreement concluded with Spain in 1970, and which concerns only the six original members of the Community is under examination.

THE EURO-ARAB DIALOGUE

At the close of the Copenhagen summit in December 1973, the Community heads of State 'confirmed the importance of entering negotiations with oil-producing countries on comprehensive arrangements comprising cooperation on a wide scale for the economic and industrial development of these countries' industrial investments, and stable energy supplies to the member countries at reasonable prices'. Despite the political difficulties facing the establishment of this Euro-Arab dialogue—here the United States' objections spring to mind in particular— the Nine have succeeded in defining a common position on the procedure for, and content of, the negotiations, which should lead to economic, technical and cultural cooperation in industry, agriculture, energy and raw materials, transport, science and technology, financial cooperation, the training of supervisory and managerial staff, etc.

4. Latin America

Relations between the Community and Latin America, which initially got off to a fairly slow start, have progressed significantly in the last few years and are developing either at bilateral level or with regional or subregional groups. For example, non-preferential trade agreements have been concluded with Argentina (1971), Brazil and Uruguay (1973), and Mexico (1975). The agreement with the latter is the first of its kind with a Latin American country and possesses the features of a genuine cooperation agreement.

Moreover, the ongoing dialogue initiated in 1970 between the representatives of the Latin American countries and the EEC is proceeding steadily.

In addition the Community, which has always shown a special interest in the developing countries' efforts to bring about regional integration, has implemented, on the basis of the Council resolutions of April 1974, a programme of cooperation with Latin American organizations for regional integration (Central American Common Market, Andean Group, Latin American Free Trade Association). This cooperation is concerned in particular with the promotion of the developing countries' exports and may take the form of technical cooperation.

Lastly, in the same context, the Community is following with interest the establishment and progress of bodies such as SELA (Latin American Economic System), which have a wider scope.

5. Asia

At the time of its enlargement in 1973, the Community undertook a special responsibility, expressed in a 'Joint Declaration of Intent' annexed to the Treaty of Accession, to extend and strengthen trade relations with the developing Commonwealth countries of Asia and with other countries in that region. In line with this Declaration, the Community has not only made several important tariff concessions, mostly in the framework of the Generalized Scheme of Preferences (GSP), for products exported by these countries, but has also concluded Commercial Cooperation Agreements with India, Sri Lanka, Pakistan and Bangladesh. The principal feature of these agreements is the establishment of Joint Commissions to examine difficulties affecting these countries' trade with the Community and to propose measures to facilitate and promote it.

Where sectoral agreements exist between the two sides, a further task of the Joint Commissions is to ensure that these run smoothly. Among such agreements are those admitting duty-free into the Community handwoven silk and cotton textiles and other handicraft products from India, Sri Lanka, Pakistan and Bangladesh (as also from Thailand, Laos, and—for handicrafts only—Indonesia, Malaysia and the Philippines); the agreements reducing Community import duties on jute products from India and Bangladesh and on coir products from India and Sri Lanka; and the agreements concluded with India and Pakistan on textiles in the framework of the GATT Multifibres Arrangement.

To promote closer commercial and economic links between the Community and the members of the Association of South-East Asian Nations (ASEAN), the Commission established in 1975 a Joint Study Group, which operates on lines similar to a Joint Commission.

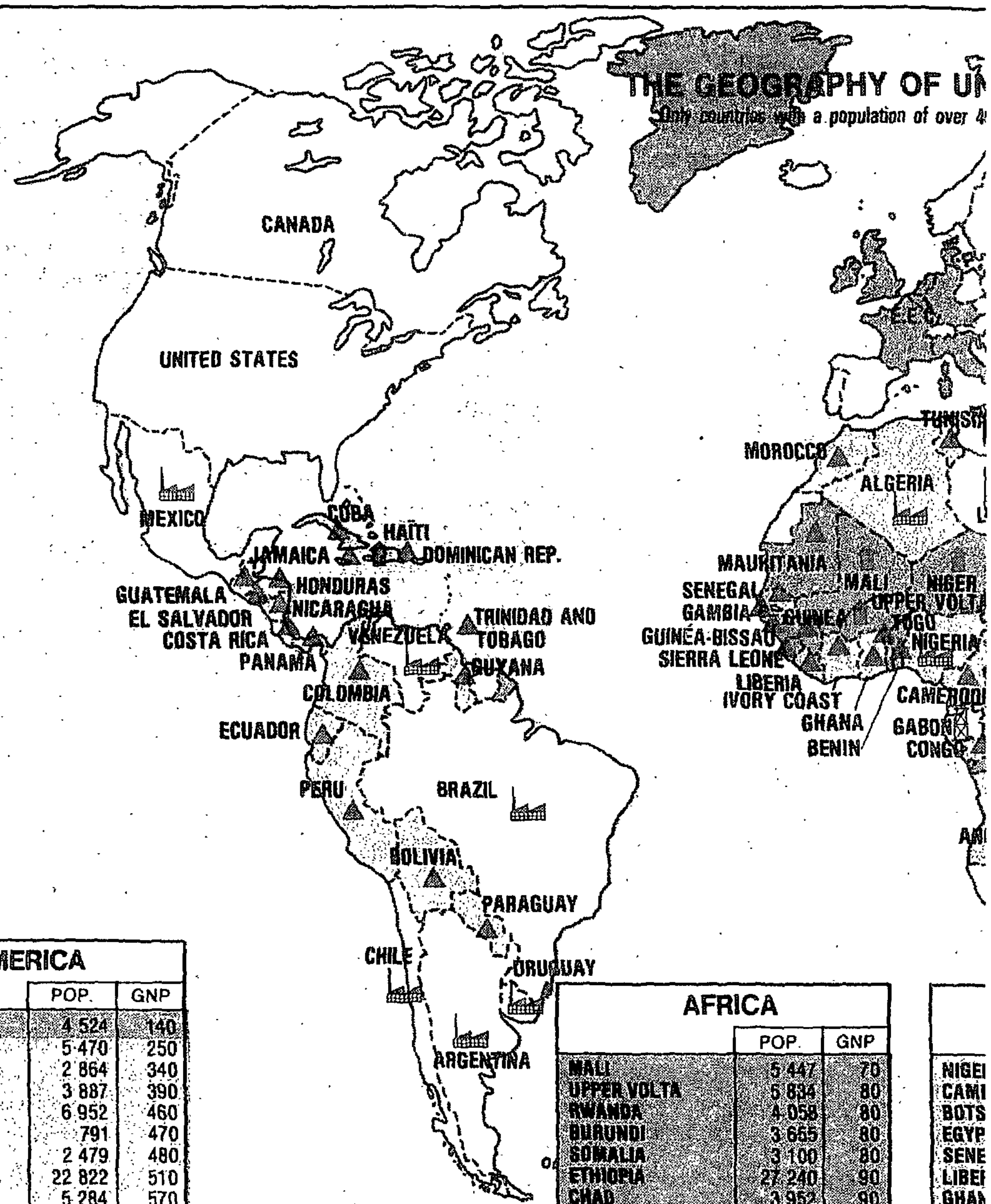
II — Boosting development aid

In 1974, the nine Member States of the Community began the process of harmonizing their development aid policies and agreed to allocate 0·7% of their gross national product to aid for developing countries. This will mean that the aid granted to the Third World by most Member States will increase considerably. At the same time the Nine decided to organize information exchanges so as to improve the geographical distribution of their aid and to reach agreement on the general conditions (increasing the proportion of grants in particular). The Community countries have also agreed to coordinate their activities in international forums and to give non-associate countries technical assistance in the fields of trade promotion and regional integration.

The Community already plays an important role in aiding developing countries throughout the world, thus underlining the fact that the old debate between partisans of massive aid to a few priority countries and those who advocated that aid be spread across the Third World generally is out of date. While the Community has strengthened its links with countries along the Mediterranean, in Latin America and in Asia, it has also recently, as noted earlier, extended its ties overseas under the Lomé Convention. Through its commercial policy and new, constantly evolving forms of aid, the Community seeks solutions adapted to specific problems of developing countries, whatever their relations with the Community.

1. Community-developing countries trade, and generalized preferences

The Community's balance of trade with the developing countries as a whole shows a deficit. In 1975, the Community bought 43·6% of its goods (worth approximately 51 460 million u.a.) from developing countries while only 36·2% of its exports (worth approximately 41 370 million u.a.) went to Third World countries. It should be noted, however, that almost two-thirds of this overall deficit is accounted for by the oil producing countries of the Middle East.



AMERICA

	POP.	GNP
HAITI	4 524	140
BOLIVIA	5 470	250
HONDURAS	2 864	340
EL SALVADOR	3 887	390
ECUADOR	6 952	460
GUYANA	791	470
PARAGUAY	2 479	480
COLOMBIA	22 822	510
GUATEMALA	5 284	570
DOMINICAN REP.	4 562	590
CUBA	9 090	640
NICARAGUA	2 022	650
PERU	14 952	710
COSTA RICA	1 919	790
CHILE	10 404	820
BRAZIL	103 981	900
MEXICO	58 009	1 000
PANAMA	1 619	1 010
URUGUAY	3 031	1 060
JAMAICA	1 994	1 140
TRINIDAD-TOBAGO	1 070	1 490
VENEZUELA	11 619	1 710
ARGENTINA	24 646	1 900

AFRICA

	POP.	GNP
MALI	5 447	70
UPPER VOLTA	5 834	80
RWANDA	4 058	80
BURUNDI	3 655	80
SOMALIA	3 100	80
ETHIOPIA	27 240	90
CHAD	3 952	90
NIGER	4 476	100
GUINEA	5 390	120
BENIN	3 027	120
LESOTHO	1 191	120
MALAWI	4 958	130
TANZANIA	14 351	140
ZAIRE	24 071	150
SUDAN	17 528	150
UGANDA	11 186	160
MADAGASCAR	8 562	170
GAMBIA	506	170
SIERRA LEONE	2 853	180
KENYA	12 910	200
C.A.R.	1 748	200
TOGO	2 176	210
MAURITANIA	1 290	230

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*Esti

Countries with small exportable surplus

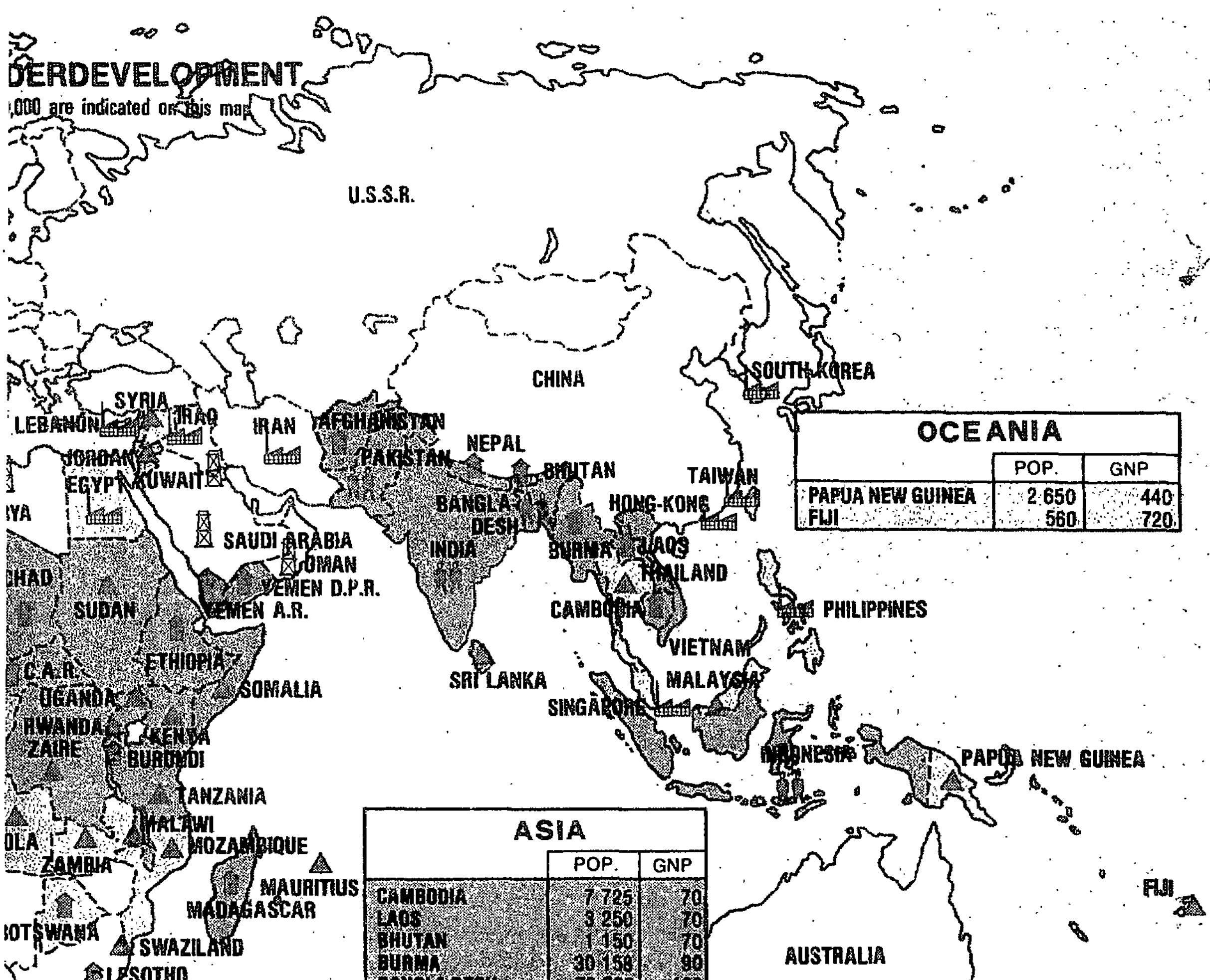
Highly populated countries with large domestic market

Countries with economy dependent on comi

Countries becoming industrialized

Source: Provisional figures, Atlas World Bank 1975.

[...]DERDEVELOPMENT



OCEANIA	POP.	GNP
PAPUA NEW GUINEA	2 650	440
FIJI	560	720

ASIA	POP.	GNP
CAMBODIA	7 725	70
LAOS	3 250	70
BHUTAN	1 150	70
BURMA	30 158	90
BANGLA DESH	76 200	100
AFGHANISTAN	17 000	100
NEPAL	12 320	110
YEMEN A.R.	6 400	120
YEMEN D.P.R.	1 630	120
INDIA	595 586	130
PAKISTAN	68 210	130
SRI LANKA	13 393	130
INDONESIA	127 028	150
VIETNAM	44 168	150
THAILAND	41 020	300
PHILIPPINES	41 433	310
JORDAN	2 620	400
SOUTH KOREA	33 459	470
SYRIA	7 177	490
MALAYSIA	11 607	660
TAIWAN	15 700	720
IRAQ	10 770	970
IRAN	33 100	1 060
LEBANON	3 065	1 080
OMAN	750	1 250
HONG-KONG	4 249	1 540
SAUDI ARABIA	8 008	2 080
SINGAPORE	2 219	2 120
KUWAIT	930	11 640

AFRICA	POP.	GNP
A	73 044	240
OON	6 330	260
ANA	654	270
	36 350	280
AL	4 160	320
A	1 500	330
	9 560	350
	1 232	390
A-BISSAU*	504	390
LAND	478	400
MBIQUE	8 480	420
COAST	6 122	420
CCO	16 291	430
A	4 781	480
TIUS	871	480
A	5 640	550
A	5 791	580
A	15 175	650
N	528	1 560
	2 240	3 360

[...]nate

Poor developing countries
(Per capita gross national product under $ 240)

Developing countries with medium income*(Per capita gross national product between $ 240 and $ 750)*

Developing countries with high income*(Per capita gross national product above $ 750)*

POP. Population (1000) 1974

GNP Per capita GNP 1974 in $ US, at market prices.

[...]odity exports

Oil-producing countries with low absorption capacity

EEC trade with developing countries 1975

(in million Eur)

	Imports of the EEC	Exports of the EEC	Balance of trade
Total developing countries	51 460	41 370	− 10 090
ACP countries	7 941	7 499	− 442
Other African	9 081	10 108	+ 1 027
Latin America	6 523	7 665	+ 1 142
Middle East	24 238	11 648	− 12 590
Other developing countries	6 227	5 832	− 395

Rate of exchange used by the Statistical Office of the European Communities: 1 u.a. = 1 Eur = £0·639.

The value of imports from developing countries into the six original Member States of the Community rose steadily from 4 800 million u.a. in 1958 to 20 050 million for the enlarged Community in 1975 (petroleum products excluded). Over the same period, Community exports to Third World countries increased from 6 100 million u.a. for the 'Nine'.

Initially, the Community's Common Customs Tariff, although more liberal than those of other great industrial powers, was nevertheless too high for Third World countries. The latter can only develop if they are able to process their raw materials themselves in the knowledge that their finished products will subsequently enjoy easy access to the world market. High customs duties on manufactured and semi-manufactured products prevent such easy access and consequently inhibit Third World development. In 1971, the European Community was the first to honour the commitment entered into by the industrialized countries at UNCTAD (United Nations Conference on Trade and Development) by implementing a system of generalized tariff preferences: semi-manufactured and manufactured products and a number of processed agricultural products originating in all developing countries could be imported duty-free into the common market. Since then, the Community has gradually improved the system—by reducing restrictions on the list of products and the volume of imports eligible for preferential treatment.

The system has three basic rules: it is non-reciprocal in that the poor countries covered by the system are not obliged to offer the industrialized countries of the Community anything in return; it is non-discriminatory, since the preferences are granted to all developing countries; lastly, it is generalized, because the preferences have to be granted by all the industrialized countries. This last rule has not always been observed.

At the moment, the Community generalized scheme of preferences (GSP) extends to 112 developing countries and covers processed agricultural products and manufactured and semi-manufactured products. In 1976, 248 processed agricultural products (preserves, juices, etc.) were included, as against 220 in 1975. Tariff reductions vary, depending on the degree of sensitivity of the product concerned. In some cases, total exemption is granted. All manufactured and semi-manufactured products (totalling nearly 2 000) from developing countries are given preferential treatment under the GSP. In line with the growth of world trade, the volume of goods admitted to the Community market is expanded yearly. Quotas are applied to some highly sensitive products. Special conditions prevail for cotton textiles and jute and coir products.

The theoretical volume of goods imported qualifying for concessions under the GSP in 1976 is estimated at some 1 000 million u.a. for agricultural products and about 3 680 million u.a. for industrial products. In practice, however, beneficiary countries do not fully exploit the GSP. The European Commission is therefore continuing its efforts to improve the system, in particular by ensuring that the beneficiaries are better informed.

2. Stabilization of commodity markets

Sharp fluctuations in commodity prices can have serious consequences for many developing producer countries. When the trend is a downward one, such fluctuations can result in substantial losses of export earnings while the elements of uncertainty thus introduced creates difficulties for economic and development programming, especially where one or two primary products take up the lion's share of foreign trade. For these reasons the European Community is actively participating in international efforts to inject order into the markets of the major primary products essential to the developing countries' economies and has taken part in negotiations for the implementation of agreements aimed at stabilizing the markets of those products, in the spirit of the Havana Charter and the UNCTAD resolutions on pricing policy for such products. International agreements of particular interest to developing countries already exist for tin, cocoa and coffee, and preparations are being made for renegotiation of the Sugar Agreement.

TIN

The fourth International Tin Agreement, which expired on 30 June 1976, was the subject of renegotiations which resulted in the conclusion of the fifth Agreement (Geneva, 20 May- 21 June 1975). The new Agreement entered into force on 1 July 1976 and has the following overall objectives:

— to balance production and consumption of tin;

— to prevent excessive fluctuations in the price of tin and in export earnings from tin;

— to bring about conditions permitting a dynamic growth in tin production based on remunerative earnings.

The means of attaining the objectives are:

— a buffer stock;

— a system of floor and ceiling prices determining the range within which action is to be taken by the buffer stock manager;

— where appropriate, export quotas and measures to deal with shortages.

The fifth Agreement will bring together the principal exporters—except China—and the principal importers including the United States, which did not sign the previous agreements, and the EEC, which as such has been a member since 1970.

COCOA

The 1972 International Cocoa Agreement, in force for three years, was the subject of new negotiations which resulted in the conclusion of the 1975 Agreement (Geneva, 22 September-20 October 1975). This new Agreement entered into force on 1 October 1976 and is based, like its 1972 predecessor, on a dual mechanism operating within a fixed price range and comprising:

— export quotas;

— operations involving a buffer stock of up to 250 000 tonnes of cocoa beans.

Provision is made for imposing a charge on trade in the product in order to finance the buffer stock and for the controls that this will entail on the member countries' exports and imports.

The Cocoa Agreement now includes nearly all exporting and most importing countries except the United States. The Community as such is a member of this Agreement.

COFFEE

In terms of value in international trade, coffee is the chief agricultural product exported by the developing countries and provides many of them with the bulk of their export earnings. The first International Coffee Agreement dates from 1962 and the second from 1968; the latter—minus the economic provisions—was extended in 1973 and expired on 30 September 1976, on which date the third Agreement, negotiated in London in 1975 by the 63 member countries of the International Coffee Council, entered into force for a period of six years—i.e. until 30 September 1982.

Like its predecessors, the new Agreement is based on export quotas related to certain price levels, but its economic provisions are more flexible than those of the 1962 and 1968 Agreements since, although the objective of those provisions is to reduce fluctuations in coffee prices, it should be possible to adjust them to the underlying trends of the world market.

A publicity fund, the financial backing for which could amount to $25 million in two years, will help bodies in the importer countries finance multiannual promotion campaigns intended to boost consumption.

The new Coffee Agreement groups together virtually all exporting countries and the majority of importing countries. The EEC as such adheres to the Agreement.

3. Food aid

Between 1968 and 1975 the Community and Member States granted about 1 400 million u.a. worth of food aid to Third World countries where natural disasters occurred or where the problem of undernourishment is particularly acute. EEC aid was first given in the form of cereals as part of the Food Aid Convention, which was concluded in 1967 at the close of the Kennedy Round and entered into force in 1968. At that time, the Community undertook to supply 1 035 000 tonnes of cereals a year as food aid. Because of the enlargement of the Community, this contribution rose to 1 287 000 tonnes during 1973/74. The total value of this cereal aid amounts to 965 million u.a. Subsequently, the Community extended the range of its aid to include other agricultural products: milk products (skimmed milk powder, butter oil), egg products and sugar, totalling 435 million u.a.

Community food aid is usually given directly to the States or bodies concerned, and comprises three types of action:

— In *emergencies* to relieve famine caused by natural disasters (earthquakes, floods, drought, etc.) or by internal or international conflicts. Into this category fall the EEC aid to the Sahel countries afflicted by drought (112 955 tonnes of cereals) and the EEC contribution to food aid for Nigeria, Bangladesh, Vietnam and more recently Lebanon at the time of their conflicts. Emergency aid usually covers transport and distribution costs in addition to the supply of products themselves.

— For *purely nutritional purposes* where certain categories of the population (children, elderly people, refugees, etc.) are affected by serious food deficiencies. Since 1972, the Community has been making donations to the United Nations Relief and Works Agency for Palestine Refugees under a multiannual programme. Donations are in the form of products (25 000 tonnes of cereals, 6 100 tonnes of sugar, 2 000 tonnes of milk powder and 3 000 tonnes of butter oil in 1975) and cash (2 567 000 u.a.).

— For *development*. This is the most frequent form of aid for, although it is important to make sure that the poor countries have sufficient food, the main aim is to further their economic and social development. Development aid is granted to those countries which do not have sufficient foreign exchange to import the agricultural products their populations need. In such cases, the governments of the recipient countries must sell the products received on their national markets and use the proceeds to finance development projects chosen by them and approved by the Community.

The Community's food aid policy has often been criticized for following EEC agricultural production trends too closely and for using aid as a means of disposing of surpluses in certain farming sectors.

In the course of the next five to ten years, there is bound to be an enormous increase in the amount of food the developing countries need to import. The FAO estimates that import requirements will increase from approximately 4 000 million u.a. in 1970 to nearly 7 000 million u.a. in 1980. In order to meet this need, the European Commission has drawn up proposals for a more ambitious and coherent food aid policy sponsored by the Community. This would involve:

— ensuring continuity of supply from one year to the next by means of a triennial indicative programme based on firm annual commitments;

— providing aid tailored to meet the nutritional needs of the developing countries and which takes account of available stocks in the Community;

— increasing the present volume of aid.

The Commission therefore proposed in 1974 an initial indicative programme (1974/-75-1976/77) involving a minimum annual commitment of 1 700 000 tonnes of cereals (2 500 000 tons maximum) 80 000 tonnes of skimmed milk powder (120 000 tonnes maximum) 45 000 tonnes of butter oil (65 000 tonnes maximum) and 10 000 tonnes of sugar (40 000 tonnes maximum).

4. Aid to countries affected by the increase in oil prices

For many Third World countries, the rise in the prices of petroleum products is having catastrophic consequences. Where can they obtain the foreign currency to cope with the three-fold increase in oil prices?

In 1974, the European Commission was already proposing that $3 000 million (about 2 300 million u.a.) be channelled into a world fund to help the poor countries most seriously affected by the rise in oil prices. This idea was taken up some weeks later during the United Nations special session on raw materials and development, at the close of which a programme of action was adopted providing for special emergency measures to assist developing countries affected by the economic crisis. In October 1974, the Community's Council of Ministers decided to earmark $150 million for this emergency operation. This was the first instalment of what could be a $500 million contribution (known as the Cheysson Fund, after Claude Cheysson, EEC Commissioner responsible for EEC development and cooperation policy at the time the fund was set up). At the same time, when the Community took this decision, the various contributions from industrialized countries amounted to $350 million, whereas those made by the oil exporting countries amounted to at least $1 000 million.

In December 1974, the Community shared out the first instalment of $150 million between the UN special account ($30 million) and seventeen countries affected particularly seriously by the rise in the prices of oil and of raw materials in general. A second instalment of $100 million was committed in April 1975.

5. Financial and technical aid to non-Lomé countries

On March 5, 1975 the Commission submitted to the Council of Ministers a programme of action on financial and technical aid to the developing countries not signatory to the Lomé Convention. These countries, which are mainly in Asia and Latin America, would receive financial aid totalling 730 million u.a. over the period 1976-1980. Of the 100 million u.a. allocated for 1976 (200 million for 1980), 10 million could be used for emergency measures in the event of natural and other disasters, and 5 million for promotion of exports. In general, however, the funds made available would be mainly intended to help these countries to develop their food production and to promote regional integration by financing operations bringing together a number of States. The Commission also proposed that the European Investment Bank be able to extend its reduced-rate loans to the non-Lomé countries.

The Community development aid policy has its limitations. But it is remarkable for the fact that it exists and has a record of continuous progress, one of the most recent indications of which was the Lomé Convention concluded with the African, Caribbean and Pacific countries. This policy does not rule out differences of emphasis to take account of historical, geographical or economic circumstances, but its characteristic feature today is its global scope. The circle of countries which have concluded agreements with the EEC has widened considerably, for the Community is increasingly paying attention to the Third World as a whole. In both cases, the Community is using a wide range of instruments comprising not only food aid and financial assistance but also the promotion of exports, the stabilization of the prices of or earnings from commodities, and aid to industrialization through technical and industrial cooperation.

At a time when it is in everyone's interest that the gap between the industrialized countries and the Third World should be progressively narrowed, it is particularly significant that development cooperation has become one of the linchpins in the building of Europe and one of the fields in which Community action has been most tangibly successful.

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