The European Community and the Third World 1975

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Adapted from a speech at the luncheon in the House of Commons organised by Progress International on December 9, 1974

The Third World, which is a political entity, is very various in its economic development - much more so than most people realised until a few months ago. At one extreme there are the very poor countries, those for whom survival is a problem: 'absolute poverty' says Mr McNamara, and he is right.

At the other extreme there are the very rich: they have untold wealth, and pride in their success, a harshness maybe in their relations with others, as it appeared with us. In between, there are a number of countries which have a chance to develop provided they are assiduous and obstinate in their efforts, and provided we give them a chance. If we are anxious to help the Third World to develop, we should see that our means are adjusted to every type of needs and requirements that exist in these countries and the little I have seen shows very clearly that the needs are not the same. So we propose, in the Community, that we accept as a motto "to each according to his needs".

This is much more difficult than alms giving: it is much more difficult than financial aid. Because it means that very often we shall have to give much more than our money, but part of our own economic existence with all the social, political and economic implications at home.

Food aid

What do we as a Community propose? First, financial and food aid, because again for those for whom survival is a problem, this is the only answer that matters. So we should have a big programme of food aid, just now. I say 'just now' because I very much hope that the time will come when agricultural production in those countries will be such that we may give our aid in the form of grants and loans and not in the form of food. but so long as there is a food shortage we should have a food aid programme, and I insist on that point after the World Food Conference in Rome. When a group of countries like the European ones has a possible excess production, it is part of their responsibility at world level, to share with the Americans, the Canadians, the Australians and the others in guaranteeing food security for all those who may die from starvation or whose society and economic development is threatened, possibly for several generations, if they do not receive the kind of food which is needed. This means that a food aid programme should be co-ordinated at world level, which is a responsibility of, in particular, the FAO and the new World Food Council, but also that we should be in a position to undertake long-term commitments with regard to these countries. In other words, we should be able to plan our food production at a certain level and our famous common agricultural policy, which is so frequently denounced, should be our means of action in order that the quantities of grain, of sugar, of fats, of dairy products which are needed by babies, by pregnant mothers and by people all over the world and in particular in the Indian sub-continent, should be available. Food aid makes up about £150 million per annum on our budget, but this is complemented of course, by a financial aid programme.

Financial aid

Financial aid has become very substantial in the case of our special partnership with a number of countries, those countries with which we are negotiating now - the so called ACP, African, Caribbean and Pacific countries. With them we are intending to enter into a system through which something like £15,000 million will be made available in grants and soft-term credits within the next five years. This is not very original, but it should be part of our action with them within the comprehensive approach that we want to make. Beyond the ACP countries we also feel that we must take our share of responsibility when a special problem arises. As you know, that was the case when the developing countries were suddenly faced with big increases in the prices of the commodities which are vital to them, essential for their lives. I mean oil products, but I also mean grain, foodstuffs, fertilizer, a number of manufactured products coming from our own shores and which have increased in price almost as much as oil. This is why the Community suggested that there be an emergency programme for these countries which are now called by our American friends "the MSA, the Most Seriously Affected".

We proposed to meet the deficit in their balance of payments, during the first year after the crisis had struck. We know this is no proper answer, but we think this is the breathing space which they need in order not to fall into complete chaos until we have faced their problems as they stand. As you know, the first part of our action has now been decided upon. I very much hope that we can enter into the second phase of this action since it is now confirmed that the oil producing countries have taken their share of responsibility, contrary to what some people had expected. I also note that the other industrialised countries with the exception of one only have also taken their share of responsibility.

But beyond that emergency action, I think we should face the new order and what it means for these very poor countries - or this Fourth World, as some people now say. We should all realise that it will need very substantial additional financial flows. When I say substantial it means doubling, possibly trebling what was done before. This will mean a fantastic effort from the most wealthy. Of course, part of this financial flow should come from the areas which have accumulated new wealth - I mean the oil producing countries - and these flows have started. I should pay tribute to the proposals made by Mr McNamara when he proposed that an international financial organisation should be used to try and channel as much as possible of the monies that have been accumulating - that are accumulating - in oil producing countries for the benefit of the poorest ones.

Should this policy succeed it will enable these countries to survive and therefore enable the fantastic markets which exist in some of these countries - for example in the Indian sub-continent - to be developed and therefore, it will be to our own benefit and profit.

So it is in the interest of Europe and Japan that this kind of a policy should be made, that financial flows should be systematically organised to the developing countries, because this is where the new markets are going to exist - the new markets that they need because they have a right to develop, but which we'll also need because we want to find a proper answer to our balance of payments deficit and this proper answer will not be by borrowing, even if it is well protected by international bodies set up under the aegis of our American friends.

New markets

The only proper answer to our balance of payments deficit is that we enter into new markets, and the only place where new markets can exist in the world and can exist almost immediately within the two years to come is these developing countries. Oil producing countries first: their imports, which were of the order of $25,000 million, in 1972, will already be some $70,000 million in 1975, but also their neighbouring countries, where the flows will be organised in themselves and also in the other Third World countries where we can and should help, by keeping our level of financial aid to what it is, and possibly by increasing it. We should help also by organising what I should call "triangular operation", which is combining our expert knowledge, our access to the markets, with the investment or with the money coming from oil producing countries in third countries.

The proper answer to development, where there is a real chance of development, is to help these people to produce more to generate more wealth for themselves through the opening of their own markets, through the access to our markets. We feel in the Community - and this is a very familiar picture to any Englishman - that trade and aid should be combined, that joint action should be taken on aid and trade. Part of the Community's action, whether it be through the preferential agreements with the African and Caribbean countries or the Mediterranean countries, or outside these special agreements, part of our action bears precisely on this trade development.

Generalised preferences

First, the Community is very proud to think that it was the first in the world, as a large industrial grouping to follow up the recommendations made in the UNCTAD meeting for the so-called generalised system of preferences. What does this mean? It means giving preferential entry into our market for a number of industrial products. As a result of Britain's entry into the Community we had to compensate those Commonwealth countries which did not enter into preferential agreements with us. Therefore, we used the worldwide general system of preferences in order that India, Pakistan and such countries should not suffer from the fact that their free entry into the British market would be barred by the fact that Britain was part of the EEC. As a result of this, our general system of preferences has been progressively extended. Originally, it enabled goods to the volume of some £500 million per annum to enter the Common Market of the Six, duty free. It has now passed £1.5 billion per annum. This is world-wide.

We cannot go further until our big competitors, in particular the Americans, have also agreed to adopt a generalised system of preference, which was promised many months ago, but has not yet been applied. Still, we go further in the preferential agreements proposed to the African, Caribbean and Pacific countries, and to Mediterranean countries. There we offer almost entirely duty-free access for all their products, including agricultural ones.

Export Guarantees

But we also feel that the access to our markets cannot result only from the lifting of customs barriers, and should go much beyond this. Hence our efforts to promote trade, and our great interest in the problems of those countries which are dependent on exports, often of one commodity. For those countries the problem is that the returns from the commodity which they export should be stable and remunerative in comparison with what they have to purchase. The deterioration of terms of trade means a change in the old economic order where there was no guarantee whatsoever for Ghana or for the Ivory Coast, that their earnings from exports of cocoa and ivory products would not suddenly fall from one year to another owing to natural circumstances, or to speculation. If you follow the sugar market just now, you will see to what level speculation can still go. Prices may increase from one to five in less than one year, but may suddenly fall by 25% in less than 24 hours because there has been some rather surprising development on the sugar stock exchange in Paris. This is intolerable. It is shocking, morally, and it is unbearable for those countries where employment and the life of people is entirely dependent on their earnings from such exports.

A new economic order in the world

The problem is whether we are ready to face that question or not. Until now we have not been ready to do so. Now that the prices of commodities have suddenly increased, what do I hear from so many politicians in the world? "What a pity - what can we do in order to come back to the order of two years ago?" This is not the proper response. We have to face this problem of commodity prices and guarantees. This can only be done at world level because our Community of Nine, even with 250 million inhabitants, is not big enough to take responsibility for the whole world. Some very big importers or exporters are outside the European Community. So we have to exert constant pressure in the years to come in order that proper world commodity agreements may be signed so as to establish among other things the buffer stocks which are needed in order to avoid shortages, gluts, and speculation. Meanwhile, should we simply wait, and pray that the Russians and Americans will hear the good news? I don't think so; we do not think so in the Community; and this is why we have invented a system, which is not perfect, which is insufficient in many ways, but which is already a step in the right direction. We have proposed, with our future African, Caribbean and Pacific partners, that if their export returns for one product - say cocoa from Ghana - fall in a certain year by reference to three previous years, we should automatically compensate them with the difference. This is essential for their planning. With this guarantee, they will be sure that they cannot get less than the average of the three previous years. They may get more and produce either more or better if the world market improves; but they are not going to get less. Therefore, they can plan their development, their employment and their sociological build-up on the basis of a certain level.

We believe that this is almost as important as what happened in our own countries when we recognised the right to employment and sickness benefit for our own workers. It is not the sliding scale, the index-linking, which these countries requested in the last extraordinary session of the United Nations. But it is already a step in the right direction and we feel we should make it. I am very glad to say that the principle of this was accepted in Kingston, Jamaica, in July 1974.

We feel that maybe we can go further, and this may be the case with sugar. There, what we have offered - and we simply copied the Commonwealth Sugar Agreement - is that there be a mutual guarantee of supply and outlets, with a pricing system fixed in advance. In other words, sugar-producing countries should know that for a certain quantity, which they guarantee to supply, they have a guaranteed outlet, that this quantity will be purchased by us, whatever the circumstances. Where we go one step further than the Commonwealth Sugar Agreement - and I think this is very important in the present stage of international economic development - is that we have proposed a link between the prices to be paid for that sugar and the prices to be paid at home to our beet producers.

Guarantees against inflation

This is extremely important because it will be the first time in history that we have given a developing country a guarantee against inflation. We all know that in an inflationary situation we have to increase the prices paid to our beet producers or they will stop producing beet and turn to corn or wheat; and it's that guarantee against inflation that we now propose to extend to sugar producing countries in the Third World. In other words, we propose that the beginnings of an international division of labour be organised for sugar; and this, in our opinion, goes extremely far.

I shouldn't be at all surprised if it also worked the other way round, because these countries also suffer from increases in commodity prices in fields where we are responsible. Wheat prices doubled, then tripled, in two and a half or three years. For big importers of wheat this is almost unbearable; and we have already offers from some of these countries to enter into long-term contracts with us, involving a guaranteed supply of wheat or dairy products from us, with a certain pricing system. I think that this type of long-term agreement goes very far in the new direction that we should take now that we are entering into a new economic order.

What I have said of agricultural products should of course apply to industrial development. This is the focus of our discussion with the Arab countries. Industrialists and bankers in our countries are beginning to realise that they need to enlarge their economic space. They need it because part of their supplies comes from the other side of the Mediterranean or from other developing countries. They need it because we have reached a point of complete saturation in some of the industrialised areas in Europe. Try to establish a new industry in the Ruhr Valley or in the 'Ruhr Valley of the Seine'! What is more, we cannot keep on increasing the numbers of migrant workers coming into Europe, so when growth starts again the problem will be to try to transfer industries rather than try and import more labour. This is a problem which industrialists, bankers and others know they have to face. If they want a guarantee of supply, if they want to sell equipment to these new markets, if they want to have labour without having to import it, if they want to establish industries that need space, air, and water, in other words that are polluting, they will have to go further than they have until now.

Economic space

This is in my opinion one of the most promising lines for the European economy in the present circumstances. There are in the world now countries with very large spaces - some seventeen countries with something like 25 acres per inhabitant or more. There is the United States; there is the whole of North America; there is Australia, there is the U.S.S.R.: there are a number of such countries. Their average GNP per head is $2,200. Then there are another 18 countries - Western Europe, Japan, some of the Eastern European countries - with about the same average income per head - $2,200: they have an average of 1.5 acres per inhabitant against 25. They represent 15% of the world population, the others represent 25%. These two groups of countries may be compared in many respects, but their economic policies will be and have to be substantially different in the years to come because the first group, having that very large space, have the mineral resources, have the possibility of development of industries, which we do not have any more; and this is, in my opinion, the main weakness of Europe compared to America just now. We are net importers of a very large quantity of products, of mineral products which are essential to us. We are short of space: therefore the answer seems to be for us - and this is not essential to the Russians or the Americans - that we should enlarge our economic space. This can be done, through this kind of link with developing countries, that have a need to develop and hence need markets, that have the same rule of independence that we have, that are not afraid of us because we are not too big or too powerful, since our companies are not so large as others. I think if all this can be combined, we have the beginning of an answer to our problems. It does not mean that we are going to do it against the United States; certainly not. It means we have our own ways of meeting our economic problems in close conjunction with Americans, in the present energy and other raw materials crisis.

Finally, three comments.

The first is that we should have a balanced relationship with those countries that are geographically and historically close to us, and those that are further away. The means of action will not be exactly the same. They can be better dovetailed with those countries that are very close because there is a community of language, because there is a community of structures, because many economic structures can be built jointly on both sides of the sea. But we must have a balanced relationship, because we must share the burden of aid for development with the other big industrialised countries in the world, in particular with the Americans, with the Japanese and with the non-Community industrialised countries in Europe.

The Community as catalyst

My second comment is that a number of the points I have made could not have been made if we had been limited to the size of one nation. We cannot imagine stabilising export earnings, even for countries with which we have a great involvement, at the level of one country in this free enterprise system. That would be impossible. We cannot enter into a long-term food security system if we base it only on one geographical area where the climate can be very damaging and where we may be unable to keep our commitments. We cannot set a precedent, we cannot provoke other big industrialised countries to go much further in their development aid, if we are limited to one country, however powerful, however intelligent and bright. Take our emergency aid programme. Two days after we had made our first payment, the only one for the time being, to the special account of the United Nations Secretary-General, six oil producing countries also made payments. Sweden had paid before us, so had Yugoslavia and Switzerland. That had not developed any reaction: but the Community did. It was a group of countries, a group of countries which sometimes, when they feel united, when they stand united, are considered in the rest of the world as being significant in political and moral terms: it was a Community. And therefore oil-producing countries started paying into that special account, which was to the greatest benefit of those who should derive profit from it. There are a number of such actions which cannot be undertaken by one industrialised country alone - unless it is the United States; but I'm afraid none of our countries has the size or the power of the United States.

Britain's contribution

My last comment is this. Throughout this exposé I have been developing ideas which are very familiar to the British. For a long time, in the Commonwealth, Britain has entered into long-term contracts, be it with New Zealand, with Australia, or with others. For a long time this approach, which combines the human facts - the community of language, the community of belief in democracy - has been the framework and the background for economic and social relations and political construction. For a long time Britain has done that; and now our Community is discovering a world which has been known to Britain for so long. This is not mere chance. Britain has played an extremely important role in this development. When I joined the Commission, a great number of the points I have made looked almost unattainable; and had it not been for Britain's action within the Community, we should probably never have succeeded. We should have had a number of small agreements, with a number of African countries, separate one from the other and in direct competition with each other. What the Africans have now gained, their ability to stand together, all of them, taking the famous myth of African unity and transforming it into a positive factor for their future: this fact, which is so important politically, and which we may find with many developing countries in the future, this fact would not have come about without Britain's insistence, without Britain's pressure, without Britain's action within the Community. And what is true of development aid policy is true in many other respects.

In the Community, the most familiar expression is "NO" or "NOT YET". That we have heard so often in the past, that we hardly pay any attention; we simply leave it to the Committee of Permanent Representatives or the sub-committee of the expert group or the working group of the sub-committee of the Permanent Representatives to give the proper answer. The proper answer comes in the form of a document, in five languages,of course, which is 692 pages long.

What is needed in the Community, if one wants to be heard - if one wants to make it different from what it is - is dynamism, construction, provocation. Every time that Britain is provocative, every time that Britain is constructive, every time that Britain makes a well-judged proposal, Britain will succeed. Britain has succeeded in the European Parliament through Peter Kirk and his group, who have completely changed the Parliament's style. All is not yet what should be expected. Maybe if all parties in Britain had been in the European Parliament, Britain would have succeeded better, making the Socialist Group the biggest in the Parliament, changing the Parliament by its very size. I'm not venturing a hypothesis when I say that, in the development aid policy field, if we now feel in the Community - and with great pride: many British people are with me in that - that we have started a policy that has not been started anywhere in the world, and one that is maybe the beginning of a solution in the new economic order, it is because we have abandoned the idea of returning to the order of yesterday. If we have started finding answers to the relations between the industrialised world and the developing world, this is in great part due to Britain. I hope that Britain will continue to take the same constructive attitude, the same provocative attitude; that Britain will continue to change the Community from inside by provoking, challenging, proposing and constructing with us, rather than saying the kind of no's that we shall always be able to answer through working groups.

Summary of Community action to February 1975

The enlargement of the Community has given new dimensions to its policy towards less developed countries.

Even before Denmark, Ireland, and the United Kingdom joined the Community, it was the world's second biggest importer of goods from the less developed countries, buying more from them than it sold to them.

Between 1958 and 1972 its imports from the Third World nearly quadrupled, from $5,500 million worth to $20,600 million, while those of the UK scarcely doubled from $3,600 million to $5,900 million.

Today, the enlarged Community's imports from the Third World are about twice those of the United States.

At their Paris 'summit' meeting in October 1972, the Heads of State or Government of the enlarged Community's member states called for a global development policy to complement what had been done for less developed countries already linked with the original Six. Europe's development policy now includes:

- a generalised system of preferences
- financial aid
- food aid
- trade agreements with countries in Africa, Asia, Latin America, the Mediterranean and the Middle East
- new arrangements for countries in Africa, the Caribbean, and the Indian and Pacific Oceans.

GENERALIZED PREFERENCES

On July 1, 1971, the Community was the first to adopt the generalized system of preferences (GSP), as proposed by the United Nations Conference on Trade and Development (UNCTAD), to admit duty-free imports of manufactured products from the less developed countries.

Duty-free imports under the GSP system are limited by a 'ceiling' fixed annually for each product, based on the 1971 value of imports, plus 5% of the value of imports from other countries. 'Ceilings' may not be lowered, but are progressively being raised, from £177 million in 1971 to £406 million in 1972 and £468 million in 1973.

The Community's total 1973 programme, including textiles, covered imports worth about £780 million. In 1974 it was increased to cover goods worth £1,300 million from 104 less-developed countries: the Community also suspended or cut its duties on some processed farm goods, and has cut from 60 to 16 the number of products subject to 'ceilings'.

The Community introduced its new programme partly to help Asian Commonwealth countries (India, Pakistan, Bangladesh, Sri Landa, Malaysia, and Singapore) which would otherwise have faced higher customs duties in the UK when the three new member states began to adopt the Community's common outer tariff on January 1, 1974. On this date, Denmark and the UK joined the Community GSP system. Ireland is to join it by 1976.

For 1975, the Commission has proposed that generalized preferences be further extended to cover trade worth some £1,560 million, including shoes from Hong Kong. Because some less developed countries are still not taking advantage of the system, the Community is organising on-the-spot seminars to explain it.

FINANCIAL AID

The Community and its member states are the world's biggest source of official aid for the less developed countries. In 1972 they supplied $4,070.2 million, or 43% of the total. The bulk of Europe's aid comes from the individual states: but the Community also operates joint aid programmes.

As their target figure for official aid, the Community's member states have now agreed on the UNCTAD proposal of 0.7% of GNP. The Community has agreed to provide at least $250 million, partly through the UN, to help less-developed countries especially hard hit by oil and other raw material price rises.

FOOD AID

The less-developed countries now face the most serious world food crisis for thirty years. Despite the 'green revolution', their agricultural output still lags behind their rapidly growing population. Recent events, including floods, recurrent drought, harvest failures, cutbacks in stocks, inflation and speculation, the energy crisis, and the shortage and cost of fertilizers, have made matters even worse.

Since 1968 the Community has taken part in food aid (cereals) programmes negotiated in GATT. It is independently supplying powdered milk, butter oil, sugar, and dried eggs, some of it through the World Food Programme and the United Nations Relief and Work Organization (UNRWA) for Palestinian refugees. It has put through emergency programmes to fight famine and natural disasters, and is working on a new plan to combat the world food crisis.

GATT grain programmes

Under a first 3-year project, the Community and its individual member states agreed to supply an annual 1,035,000 tonnes of grain to the less-developed countries. A second 3-year plan was launched in 1971. For the year 1973-4, the Community's total commitment was for 1,287,000 tonnes of grain, 45% of it supplied through Community machinery, and 55% by individual member states.

By 1974, 1,869,440 tonnes of grain had been supplied through central Community machinery, nearly half of it to Asia and the Far East.

Emergency relief

During 1973 the Community delivered and in some cases distributed 313,000 tonnes of cereals and 16,000 tonnes of skimmed milk powder, mainly to Bangladesh and the drought-stricken Sahel countries south of the Sahara. It is also helping victims of drought in Ethiopia, flood in Pakistan and Honduras, and war in Cyprus.

New Proposals

In March 1974 the Commission proposed greater efforts to stabilize world food markets, more financial aid to Third World agriculture, and a further three-year (1974-7) programme of food aid, including a maximum target of 2,500,000 tonnes of grain, ideally to be channelled through the Community rather than the member states.

ASSOCIATION AGREEMENTS

Association agreements go beyond trade agreements. They involve reciprocal rights and duties, with institutional machinery for joint action.

Mediterranean

In addition to its agreements with Greece and Turkey the Community has made or is negotiating association agreements with 5 other Mediterranean countries. These and other measures will link the Community with 14 countries in or near the Mediterranean basin.

Algeria, Morocco and Tunisia are negotiating new association agreements with the Community for an unlimited period. In 1974, the Community's member States agreed on a joint approach to Arab oil producers with a view to easing the energy crisis.

Africa : previous arrangements

The E.E.C. Treaty provided for a 5-year association between the Community and Belgian, Dutch, French and Italian overseas dependencies, mainly in Africa. When they became independent States, the Community offered to renegotiate association with them as equals.

A first 5-year Association Convention was signed at Yaoundé, in Cameroon, on July 20, 1963, and a second, also at Yaoundé, on July 29, 1969.

The Conventions provide ultimately for free trade areas between the Community and 18 associated States in Africa and Madagascar, but the associates may apply fiscal duties or tariffs to protect their infant industries.

The E.E.C. Treaty set up a European Development Fund of £302.25 million for Community grants to the associates during 1958-63. The First Yaoundé Convention provided £416 million for 1964-9, £322.4 million in grants and the rest in loans. The Second Yaoundé Convention provided £624 million, including £388.96 million in grants. Between 1958 and 1972 the Community also loaned £74 million to the Yaoundé associates through the European Investment Bank.

The institutional machinery of the Yaoundé Association is: an Association Council of ministerial and Commission representatives; an Association Committee of officials; a 108-member Parliamentary Conference, half from the Community, half from the associates; and an Arbitration Court.

Mauritius signed the Yaoundé Convention in May 1972 and joined the other 18 associates on January 1, 1973 -- the first Commonwealth country to do so.

Kenya, Tanzania and Uganda signed a separate Association Convention with the Community at Arusha, in Tanzania, on July 26, 1968. Since not all the associates ratified it, it did not come into force, and was renewed on September 24, 1969. At the three associates' request, it provides only for trade, not aid.

THE NEW CONVENTION : AFRICA, CARIBBEAN, INDIAN AND PACIFIC OCEANS

Under Protocol 22 to the Danish, Irish and U.K. Accession Treaty, the Community invited 20 Commonwealth countries in Africa, the Caribbean and the Pacific to negotiate links with it. In April 1973 it extended this offer to other countries with economies like those of the African associates.

These offers were intended to coincide with the expiry in 1975 of the Second Yaoundé Convention, enabling its signatories to negotiate with the Community at the same time as the Commonwealth and other countries concerned. The Community also agreed that all these countries should be offered the same terms.

Negotiations began on November 21, 1973, between the Community and 43 countries, which became 44 when Grenada joined them in 1974 on attaining independence, and rose to 46 in 1975 with the addition of Equatorial Guinea and Guinea-Bissau. The Commission negotiated on behalf of the Community while a single spokesman represented all the 46. The negotiations were concluded in February 1975.

The full list of African, Caribbean and Indian and Pacific Ocean countries concerned is as follows:

Original Yaoundé associate States

Burundi, Cameroon, Central African Republic, Chad, Congo, Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauretania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta, Zaïre.

Commonwealth States in Africa and the Indian Ocean

Botswana, Gambia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Nigeria, Sierra Leone, Swaziland, Tanzania, Uganda, Zambia.

Commonwealth States in the Caribbean

Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago.

Commonwealth States in the Pacific

Fiji, Tonga, Western Samoa.

Other States

Equatorial Guinea, Ethiopia, Guinea, Guinea-Bissau, Liberia, Sudan.

The new Convention provides for:

- tariff-free and quota-free entry into the Community for all manufactured goods from the 46, and for 96% of their agricultural products, including sugar. The remaining 4% of the 46's raw or processed agricultural products will not have fully free access to the Community, but will receive preferential treatment compared with those of other countries. The 46 will not be required to give the Community preferential access ('reverse preferences') on their own markets.

- financial aid for the 46, totalling £1,412 million, over two-thirds of it in the form of grants rather than loans. Much of this aid will go towards industrial co-operation, to develop small and medium-sized industry.

- stabilization of export earnings by the 46 ('Stabex'), to compensate for a fall in commodity prices. The 18 countries of the 46 which are in the U.N. category of the world's least developed nations will be compensated if their export earnings on key commodities fall 2.5% below a previous reference level; the others if their earnings fall 7.5% below. The Community has set aside £156 million for the first 5 years, covering such commodities as bananas, cocoa, coffee, cotton, groundnuts, iron ore, leather and skins, palm oil, raw sisal, tea and wood products. For several of these, no previous world agreement existed.

- on sugar, accounting for 12% of exports from the 46, a special protocol granting Community access to 1.4 million tons of sugar, at a price indexed on the internal Community sugar beet price, at present £150 a ton. Sugar producers are thus protected against a drop in prices and, in today's inflationary situation, virtually guaranteed that their prices will rise. So long as world prices remain above the Community level, sugar producers can negotiate a supplementary price, as in the case of the £260 a ton recently negotiated with Britain.

- regular ministerial conferences, meetings of ambassadors, and joint parliamentary sessions, together with an Industrial Co-operation Committee and a Centre for Industrial Development, whose task will be to supervise planning, technological research, the exchange of information and the necessary economic contracts.

TABLE I

F I N A N C I A L   A I D

	NET OFFICIAL AID ($ million 1972) (not counting private investment)	NET CAPITAL FLOW AS % OF GNP (+ = provisional)	
		OFFICIAL AID	TOTAL FLOW
Belgium	234.8	0.51	1.04
Denmark	130.4	0.47	0.70
France	1,485.8	0.58	1.18
Germany	1,102.0	0.32	0.52
Italy	192.0	0.14	0.42
Netherlands	322.1	0.54	1.55
United Kingdom	603.1	0.35	0.76
COMMUNITY TOTAL	4,070.2	0.39	0.77
JAPAN	1,011.0	0.25	1.42
UNITED STATES	2,968.0	0.23+	0.58
TOTAL DAC COUNTRIES	9,415.3	(0.30)+	(0.78)+

Source: OECD, Development Assistance Committee (DAC), of which Ireland and Luxembourg are not members.

TABLE II T R A D E A G R E E M E N T S

COMMUNITY TRADE AGREEMENTS

Country	Agreement	In force	Duration	Applicability to New Member States
ASIA				
Bangladesh	On jute products (last year of former 3-year agreement with Pakistan)	January 1, 1973	1 year	New agreement in negotiation with enlarged Community
India	On handwoven silk and cotton fabrics	July 1, 1968	Unlimited	Annual quota doubled on December 28, 1973
India	On coconut products	August 1, 1969	Unlimited	New agreement with enlarged Community signed December 17, 1973
India	On certain handicrafts	September 1, 1969	Unlimited	Annual quota doubled on December 28, 1973
India	On jute products	January 1, 1970	3 years	Extended to December 31, 1973 and new agreement with enlarged Community signed December 17, 1973
India	On cotton textiles	October 1, 1970	3 years	Voluntary restraint ceilings raised, March 1973
India	On general trade co-operation: joint committee set up	April 1, 1974	5 years (renewable)	Negotiated with enlarged Community

cont. over

T R A D E   A G R E E M E N T S cont.

Country	Agreement	In force	Duration	Applicability to New Member States
Indonesia	On handicrafts	January 1, 1973	Unlimited	Annual quota doubled on December 28, 1973
Pakistan	On handicrafts	September 1, 1969	Unlimited	Annual quota doubled on December 28, 1973
Pakistan	On handwoven silk and cotton fabrics	June 20, 1970	Unlimited	Annual quota doubled on December 28, 1973
Philippines	On handicrafts	January 1, 1973	Unlimited	Annual quota doubled on December 28, 1973
Sri Lanka	On handicrafts	January 1, 1973	Unlimited	Annual quota doubled on December 28, 1973
Thailand	On handicrafts	January 1, 1973	Unlimited	Annual quota doubled on December 28, 1973
Thailand	On handwoven silk and cotton fabrics	January 1, 1973	Unlimited	Annual quota doubled on December 28, 1973
LATIN AMERICA				
Argentina	Non-preferential trade agreement	January 1, 1972	3 years	Applicable under Accession Treaty
Brazil	Non-preferential trade agreement	August 1, 1974	3 years	Applicable under Accession Treaty
Uruguay	Non-preferential trade agreement	August 1, 1974	3 years	Applicable under Accession Treaty
NEAR AND MIDDLE EAST				
Egypt	Preferential trade agreement	November 1, 1973	5 years	Applicable under protocol to agreement

T R A D E   A G R E E M E N T S cont.

Country	Agreement	In force	Duration	Applicability to New Member States
Iran	Preferential trade agreement on handicrafts	November 1, 1963	10 years	Expired November 1973; agreement sought
Israel	Preferential trade agreement	October 1, 1970	5 years	Applicable under protocol of January 30, 1973; new agreement aiming at free trade area being negotiated
Lebanon	Preferential trade agreement	Not yet ratified by Lebanon	5 years	Amending protocol signed November 6, 1973
Lebanon	Trade and technical co-operation agreement	July 1, 1965	Renewable annually	Amending protocol in force July 1, 1973

Bangladesh, Pakistan, and Sri Lanka are negotiating new trade agreements with the Community; Jordan, Mexico and Paraguay have begun exploratory talks with it; Syria and several other countries are also thought to contemplate making Community trade agreements.

TABLE III ASSOCIATION AGREEMENTS

Country	Agreement	In force	Duration	Applicability to New Member States
Cyprus	Five-year move towards customs union to start after July 1, 1977	June 1, 1973	Initially 4 years (to June 30, 1977)	Amending protocol in force June 1, 1973
Malta	Five-year move towards customs union to start after July 1, 1977	April 1971	Initially 5 years (to March 31, 1976)	No amending protocol. Scope of agreement being extended.
Morocco	Duty-free entry for Moroccan manufactures, concessions on farm goods	September 1, 1969	5 years	Amending protocol in force December 28, 1973; new agreement being negotiated
Tunisia	Duty-free entry for Tunisian manufacturers, concessions on farm goods	September 1, 1969	5 years	Amending protocol signed February 26, 1973; new agreement being negotiated

TABLE IV ASSOCIATION AGREEMENTS

Country	In force	Duration	Applicability to New Member States
Burundi, Cameroon, Central African Republic, Chad, Congo, Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauretania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta, Zaïre : Yaoundé 1, Yaoundé 2	June 1, 1964 January 1, 1971	5 years 4 years	Not applicable after January 31, 1975
Mauritius : Yaoundé 2	January 1, 1971	4 years	After January 31, 1975
Kenya, Tanzania, Uganda : Arusha	January 1, 1971	4 years	After January 31, 1975