

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(90)176 final

Brussels, 11 June 1990

GUIDELINES FOR COOPERATION WITH THE DEVELOPING COUNTRIES IN LATIN AMERICA AND ASIA

Communication from the Commission

SUMMARY

The Community has been cooperating since 1976 with the developing countries of Latin America and Asia (IAA). The broad outlines of this cooperation policy have remained unaltered while profound changes have taken place in the countries concerned and within the Community itself.

It is proposed that the policy be restructured along two major lines: (i) development aid for the poorest countries and population groups, and (ii) economic cooperation with countries or regions which have high growth potential, to the mutual benefit of those countries and of the Community. In both cases, environmental issues are of major importance.

The Commission is therefore proposing to implement a balanced package of instruments for cooperation with the IAA developing countries. It also proposes establishing multi-annual financial objectives for the period 1991-1995 and increasing the amount of financing for aid to the IAA developing countries.

The Commission proposes to grant development aid in six major fields: support for the rural sector in the broadest sense, the environment, the human dimension of development, the structural dimension of development, regional cooperation and aid for reconstruction.

Where economic cooperation is concerned, the Commission proposes three major types of scheme: (i) sharing know-how in the fields of economics, science and energy (scientific and technical cooperation, research and development, energy planning, etc.); (ii) schemes relating to the economic environment (planning, standards, investment codes, economic policies, etc.); and (iii) business schemes (training, technological exchanges, investment promotion, promotion of trade and technical assistance).

It is proposed that environmental issues be taken into account in all cooperation schemes involving the Community, whether they relate to development aid or economic cooperation. It is also proposed that direct environmental cooperation be strengthened.

CONTENTS

	<u>Page</u>
1. INTRODUCTION	1
2. THE GENERAL FRAMEWORK FOR COOPERATION WITH THE LAA DEVELOPING COUNTRIES	2
3. THE BROAD OUTLINES OF COOPERATION WITH THE LAA DEVELOPING COUNTRIES: TWO APPROACHES	4
3.1. Development aid	4
3.2. Economic cooperation	4
3.3. The environment: an ever-present concern	5
3.4. The multi-annual perspective	6
4. SPECIFIC REGIONAL CONSIDERATIONS	6
4.1. Latin America	6
4.2. Asia	7
5. DEVELOPMENT AID	9
5.1. Community experience	9
5.2. Review of the contents and objectives of aid measures	11
5.2.1. Eligible countries	11
5.2.2. The objective of development aid	12
5.2.2.1. Support for the rural sector in the broad sense	12
5.2.2.2. The environment	13
5.2.2.3. The human dimension of development	13
5.2.2.4. The structural dimension of development	15
5.2.2.5. Regional cooperation	16
5.2.2.6. Natural disasters	16

6. ECONOMIC COOPERATION	17
6.1. The objectives of economic cooperation	17
6.2. Forms and assessment of present economic cooperation	18
6.3. The importance of economic cooperation for the developing countries in Asia and Latin America	19
6.4. The importance to the Community of economic cooperation with the LAA developing countries	19
6.5. Guidelines on economic cooperation in the 1990s	20
6.5.1. Types of action to be undertaken	20
6.5.1.1. Economic, scientific and energy sector know-how	20
6.5.1.2. The economic environment	21
6.5.1.3. Schemes relating to firms	22
6.5.2. Instruments and main beneficiaries of economic cooperation	23
6.5.3. Additional instruments	23
6.5.4. Information	23
7. RESOURCES AND FRAMEWORK FOR COOPERATION	24
7.1. Financial resources	24
7.2. Human resources	25
7.3. The general framework for aid	25
7.3.1. Specificity of Community aid	25
7.3.2. Legal and administrative aspects	26
7.3.3. Form of financial transfers	26
7.4. Implementing procedures	27
7.4.1. Recipients	27
7.4.2. Quicker payments and greater cost-effectiveness	27
7.4.3. Integration of instruments	28

7.4.4. Coordination	28
7.4.5. Assessment	29
8. CONCLUSIONS	29

ANNEX 1 : LIST OF THE DEVELOPING COUNTRIES IN LATIN AMERICA AND ASIA

ANNEX 2 : ECONOMIC RELATIONS BETWEEN THE COMMUNITY AND THE LAA DEVELOPING COUNTRIES

1. Trade
2. Investment
3. Development aid

ANNEX 3 : ENVIRONMENTAL COOPERATION BETWEEN THE COMMUNITY AND THE LAA DEVELOPING COUNTRIES

1. The environment: a shared responsibility
2. Towards a policy of environmental cooperation between the Community and the LAA developing countries
3. The means of environmental cooperation between the Community and the LAA developing countries
 - 3.1. Direct environmental cooperation
 - 3.2. Financial and technical cooperation, economic cooperation
4. Proposed activities

ANNEX 4: SCIENTIFIC AND TECHNICAL COOPERATION BETWEEN THE COMMUNITY AND THE LAA DEVELOPING COUNTRIES

1. Achievements
 - 1.1. The STD Programme
 - 1.2. International Scientific Cooperation
2. Greater coordination with the activities of the Member States
3. Prospects

1. INTRODUCTION

The Community has been cooperating since 1976 with the developing countries of Latin America and Asia (LAA). In May 1989 the Commission presented its report on the first thirteen years (1976-1988) of this cooperation.

In November 1989 the Council drew a number of conclusions from the contents of the report. These included the need to adapt the objectives and forms of cooperation to the economic situation and trends in the various countries while maintaining support for the most needy populations and the least favoured countries.

The Council and Parliament asked the Commission to propose guidelines for cooperation with the LAA developing countries for the coming decade. A comprehensive document of this type is now needed in view of the profound changes which have taken place both within the developing countries concerned and the Community itself since cooperation began in 1976.

Furthermore, as the Community acquires ever greater internal cohesion it is seen as an exemplary area of stability and growth which generates an increasing "demand for Europe". The economic strength of the Community and its world-wide responsibilities have led it to sign a Fourth Lomé Convention to which considerably greater funds, in real terms, have been allocated. Similarly, since the end of 1989, very substantial cooperation has begun with the countries of Central and Eastern Europe. Finally, in accordance with the conclusions reached at the European Council in Strasbourg, the Commission has proposed that the Council adopt a new Mediterranean Policy.

The Commission takes the view that cooperation with the LAA developing countries should be strengthened at the same time. In doing so the Community should take account of a number of factors:

- the tremendous needs of the 40 developing countries concerned, with their population of 2 300 million; (*)
- their extremely diverse economic, social and cultural situations;
- the budgetary discipline required within the Community at a time when the economic situation is showing a marked improvement;
- the fact that Community aid should achieve a multiplier effect;
- the need to ensure that LAA cooperation remains consistent with the Community's policies of cooperation with the developing countries in the Mediterranean, the ACP countries and the countries of Central and Eastern Europe.

(*) See list given in Annex I.

This Communication sets out the general framework for cooperation with the LAA developing countries, puts forward the guidelines for such cooperation recommended by the Commission, indicates the specific regional considerations which should be taken into account and describes the objectives and instruments of cooperation in the fields of development aid and economic cooperation. Finally, the document proposes the allocation of financial and human resources, and a special section is devoted to the environment.

2. THE GENERAL FRAMEWORK FOR COOPERATION WITH THE LAA DEVELOPING COUNTRIES

The cooperation with the LAA developing countries which began in 1976 and has developed since then provides a particularly effective way in which the Community can act and make its presence felt in those countries. The economic relations between the Community and the LAA developing countries are summarized in Annex 2.

However, the Community's relationship with these countries takes a much more wide-ranging and influential form in the Community's contribution to the multilateral trade system and world economic growth and in terms of the Community's increasing political role, both within the context of European Political Cooperation and its contribution to the North-South dialogue.

So there are several ways in which the Community exercises an influence on trends in the LAA developing countries.

In terms of trade

Since the Community intends to comply fully with the commitments undertaken at the GATT negotiations, completion of the Single Market will mean easier access to the Community market for exports from the developing countries. The reform of the CAP - now well under way - has already made this easier.

But the Community intends to go further. Integration of the developing countries within the multilateral trade system is one of its main objectives in the Uruguay Round: progress achieved in liberalizing trade with the more advanced developing countries must be matched by a reduction in the tariff and the non-tariff barriers affecting their exports to the markets of the industrialized countries, particularly those corresponding to their comparative natural advantages.

Meanwhile, the GSP must be simplified at the appropriate time and made more effective, especially for the less developed countries.

In terms of growth and monetary stability

The sustained non-inflationary growth generated by the Community as a result of pre-1992 investment and of the macro-economic and structural adjustments necessitated by convergence within the EMS, holds out encouraging economic prospects to the developing countries.

Economic growth in the Community rose from 1% in 1982 to 4% in 1988 and should stabilize at around 3% in the medium term. Over the same period, the annual rate of growth in Community imports has risen from 2% to 9%.

The Community has thus provided the developing countries with a steadily expanding market since 1984. Moreover, the problems arising from excessive fluctuations in the value of the dollar have been partially offset by the exchange rate stability achieved within the EMS. Coordination within G7 militates in favour of greater discipline within the economic policies of the major industrialized countries, and in particular the United States, in order to rectify the current imbalance in trade and thus help to reduce real interest rates.

At political level and in terms of the North-South dialogue

In strengthening the process of European Political Cooperation, the Community has adopted positions on the political questions relating to the LAA developing countries: regional conflicts, support for moves towards democracy, human rights issues, the peaceful settlement of disputes and the development of regional cooperation. The Community thus maintains ever closer relations with these countries, and this enables it to exercise a positive influence when it is in a position to attach political conditions to its cooperation arrangements.

Moreover, the Community has signed a large number of cooperation agreements with individual developing countries, or regional groupings, in Asia and Latin America. Within this context it maintains a regular dialogue on economic and political issues. It is the Commission's view that, where political developments allow, this network of agreements should be further extended to cover all LAA developing countries.

The Community is also trying to ensure that policies of openness in trade, stable growth, including the environment in development issues and increasing development aid are given priority attention in the international fora in which North-South economic problems are addressed. These include the Special Session of the United Nations in April 1990, the Paris Conference on SMEs in September 1990, UNCTAD VIII in 1991 and the Rio Conference on Development and the Environment in 1992.

In terms of the environment

The Community, with its considerable experience in enacting legislation and setting up financial mechanisms in the field of the environment, is particularly well placed to help define an international framework which will take account of the specific nature of North-South problems in this field, which is vitally relevant to development. The Community is not only taking an active part in preparing and following up international conferences to establish international arrangements for protecting the environment and managing natural resources - both of which are matters of crucial importance to Asia and Latin America - but is also taking specific initiatives.

In terms of the exchange of information

In addition to Community activity in these fields, efforts must be made to encourage the exchange of information between the Community and the IAA developing countries. This is a new field of cooperation with the countries in question. The Council of Ministers and the Representatives of the Member States, meeting on 22 June 1987, called for fresh efforts in this direction with regard to Latin America: obviously the same efforts are needed in the context of Community relations with the countries of Asia.

3. THE BROAD OUTLINES OF COOPERATION WITH THE IAA DEVELOPING COUNTRIES: TWO APPROACHES

There are now two distinct approaches to cooperation between the Community and the IAA developing countries: (i) development aid (financial and technical cooperation, humanitarian and food aid) and (ii) economic cooperation (promoting exports and European investments, training, cooperation in the fields of industry, energy, science and technology). Cooperative projects are also under way in the field of the environment and communications.

As was shown in the 1976-88 report, these two approaches have not been developed to the same extent. Development aid, which was introduced earlier, is more structured and involves larger amounts. Economic cooperation, which was introduced more recently, is still relatively heterogeneous and involves smaller sums.

3.1. Development Aid

The Commission considers that, in view of the serious problems facing most of the IAA developing countries (population growth, mass poverty, financial and environmental problems, etc.), Community support should be maintained and strengthened through development aid.

The amount of aid involved should be consistent with the Community's economic strength and its world-wide responsibilities since the common feature of all these difficulties is that they seriously hinder development in these countries and are a major threat to world economic equilibria.

The Commission proposes that the main characteristics of this aid should be maintained in the future. However, in order to respond to the diversity of local situations and to take account of trends in ways of supplying aid, a considerable number of improvements and slight alterations have been listed in Chapter 5.

3.2. Economic cooperation

At the same time the Commission considers that a well structured and effective economic cooperation between the Community and the IAA developing countries should be developed.

Economic cooperation consists, essentially, of activities aimed at establishing a "common language" with our partners in the fields of technology and economics. It seeks, through institutional and regulatory support measures, to make our partners' economic environment more favourable to investment and development. Finally, it aims to make local industry more competitive against an international background which is more and more propitious to investment promotion, thus ensuring that European operators, technology and know-how play an increasingly active role in the developing countries in the interest of both the Community and its partners.

Initiatives will be taken to:

- (i) strengthen the scientific and technological potential of the LAA developing countries and facilitate high-level economic and technical dialogue with these countries by speeding up their access to information and information exchange;
- (ii) ensure that the economic environment of the LAA developing countries improves and becomes more favourable to investment and development through appropriate institutional and regulatory support measures;
- (iii) improve business competitiveness by developing training (technical, in particular), facilitating technological exchange, improving market access and promoting Community investment in these countries.

The Commission is planning to strengthen and improve the structure of economic cooperation; Chapter 6 of this communication lays down its proposals in more detail.

3.3. The environment: an ever-present concern

In the Commission's view, it is essential to develop cooperation on the environment with the developing countries of Latin America and Asia, since the environment is a matter of global concern, some major environmental problems (e.g. the tropical rain forests) relate specifically to the LAA developing countries and there is a clear need for these countries to receive from the Community increased financial and technical support in dealing with environmental problems.

Environmental cooperation with the LAA developing countries naturally has a great many facets. It may, for example, involve selecting and designing rural development aid projects, regional or urban projects, training schemes, dialogue on sectoral policies or economic cooperation. Such cooperation may also take the form of specific projects.

The Commission takes the view that environmental considerations must be taken into account in all areas of Community cooperation with the LAA developing countries and must not be regarded simply as one of the items on a list of projects for development aid or economic cooperation.

Moreover, special instruments for environmental cooperation with the LAA developing countries should be used, preferably in those countries which have received little financial or technical aid from the Community, to support schemes which may help solve certain global problems such as the destruction of the tropical rain forests.

Annex II to this Communication lays down specific guidelines for environmental cooperation.

3.4. The multi-annual perspective

Overall, therefore, the Commission is proposing to implement a balanced package of instruments for cooperation with the LAA developing countries.

To this end, in both fields of cooperation, the Commission considers that multi-annual objectives must be laid down so that Community action can be situated in the context of a medium-term five year programme. The legal and administrative aspects will be adapted accordingly (see Chapter 7).

4. SPECIFIC REGIONAL CONSIDERATIONS

The 1976-88 report and this Communication illustrate the differences between the various developing countries of Asia and Latin America, and their common characteristic as being countries which have not yet provided acceptable living conditions for their population as a whole.

As a rule, Community cooperation must take account of the environment and of the specific needs of each country.

Furthermore, the Community must take into consideration the specific nature of its relationship with each of these regions of the world.

4.1 Latin America

Latin America has many and deep links with the Community, the origins of which are historical, political, cultural, linguistic, religious and economic.

The conclusions of the meeting of the Council and the representatives of the governments of the Member States in Luxembourg on 22 June 1987 reaffirmed "the importance which they attach to the strengthening and

development of relations between the European Community and Latin America ...". The same document mentioned the "common values and interests" and "a common aspiration towards a conception of society based on respect for human rights and leading to a similar view of the political as well the economic world order".

The political changes which have subsequently taken place in Latin America can only reinforce the Community's special relationship with this region of the world. The changes in question have, in particular, led to an intensification of requests for cooperation and dialogue, both at economic and political level.

In this respect the recent discussions held in Dublin with the Rio Group are worth mentioning. They touched on the need to provide an institutional framework for such dialogue, either directly or through a revitalized Latin American Integration Association (LAIA).

At the macro-economic level, the development of the overall situation in Latin America will depend on the success of the economic reforms which have begun and their effect on net capital flows.

In terms of economic cooperation, a stronger Community presence in Latin America is highly desirable since the large number of more advanced developing countries makes this continent particularly suitable for joint investment projects and transfers of technology and know-how, provided that the macro-economic situation becomes favourable once again (see Chapter 6) as has been the case in certain countries which have undertaken structural reforms and adopted policies moving towards an open economy.

Where development aid is concerned, the development threshold of the countries eligible for Community aid must take account of the overall situation of the relatively more advanced countries in this region.

Because of the vast differences between the richest and poorest sections of the population in most Latin American countries, which is the cause of much social and political tension, Community aid must be targeted at the least favoured strata of rural society.

In this connection, particular attention will be given to the production of basic foodstuffs, to measures supporting national legislation on land reform and to programmes enabling the grassroots communities - and in particular the indigenous communities - to take charge of their own development.

The determination and efforts of the countries in that region to achieve regional and subregional integration will continue to receive strong support.

In this context, Central America will be given particular attention, in accordance with the Community's commitments - which were renewed at the 1989 Ministerial Conference at San Pedro Sula (San José V) and confirmed at the 1990 Ministerial Conference in Dublin (San José VI).

Some of the proposed new objectives of Community aid are of particular interest to this continent:

- drug production plays a considerable role in the economy of some countries in the region. Community aid should be able to help, albeit to a small extent, in solving this problem. The Commission has already indicated that it intends to respond positively to the Special Plan presented to the international community by Colombia;
- aid for the development of micro-enterprises in the cities is a special priority in Latin America, even in the relatively advanced countries;
- protection of the environment, and in particular the tropical rain forests, is essential not only for the countries in this region but for the entire human race. One of the reasons for this concern is the fact that a large number of useful species of forest plants are native to the region.
- the development of Latin American scientific and technological capabilities, a sector in which the demand for input from Europe is becoming increasingly urgent.

4.2 Asia

The economic, political and cultural links between the Community and Asia are of very long standing. Relations between the Community and a number of developing countries in Asia have intensified in recent times, in particular because the developing countries in question have developed fast-growing economies and because a great many developing countries in Asia have a good image among the European business community - high growth, sound economic policies, political stability, technological know-how, etc.

The Commission believes that furthering economic cooperation with a large number of developing countries in Asia is both a vital need and an opportunity not to be missed. As explained in detail in Chapter 6, the Community and its economic operators would be running a serious risk if they ignored the dynamic economies of Asia which, in view of their size or their potential for growth and technological innovation, are essential trading partners for an outward-looking Community. The drive towards cooperation which is currently gathering momentum in the Asia-Pacific zone is a further reason why the Community should establish a greater presence in Asia, particularly in South-East Asia. Account must be taken of the special circumstances in China, Cambodia and Viet Nam when defining the Community's policy of cooperation with those countries.

Where development aid is concerned, the large number of less developed and densely populated countries means that Community aid should be concentrated on those developing countries with a relatively low level of development.

In rural areas, in addition to technology transfer, Community aid should help, where necessary, to increase investment - especially in production. Attention should also be given to population policy and to the communication, telecommunication and energy-producing infrastructures in rural areas.

The wide variety of civilizations and levels of development in Asia must be taken into consideration so that Community aid is adapted to the needs of the different countries.

There are three important aspects to environmental protection: (i) saving the tropical rain forests, particularly in South-East Asia, (ii) combating the deforestation caused by population pressure, particularly on the slopes of the Himalayas, and (iii) limiting the effects of industrialization in densely-populated areas.

The war against drug production and consumption which the Community is already waging in Asia will be continued and intensified.

Although this last aspect is more a matter of economic cooperation, Community aid should be used directly to help set up specific projects relating to the other two matters.

Finally, regional cooperation is an area in which further developments seem likely. Further cooperation has been requested under the longstanding programme of Community support for ASEAN, and growth can be expected in the number of requests from Southern Asia (SARC) - where a more active form of regional cooperation is desirable - and, in the long term, from Indochina.

5. DEVELOPMENT AID

5.1 Community experience

Hitherto, development aid from the Community to the LAA developing countries has consisted, in the main, of financial and technical cooperation supplemented by substantial food aid (for sale) and, to a smaller extent, by the STABEX system.

The characteristic features of this type of aid are:

- the extremely small amounts involved in relation to the need and to the total amount of aid received by the LAA developing countries;
- its exceptional quality, since it consists entirely of donations and can cover as much as 100% of the local costs;

- it is implemented, within a general framework laid down by the Community, in cooperation with the responsible authorities in the beneficiary countries, while retaining a largely independent character;
- resources are allocated annually and completely accounted for within the Community budget, with no multiannual framework. This means that payments can be spread over the entire period necessary for carrying out very complex schemes, but it prevents any multiannual programming for the recipient countries, except in the case of some food aid;
- aid is concentrated on the poorest countries and, within those countries, on the rural economy in the broadest sense;
- it can be used to support efforts at regional cooperation between developing countries;
- it is effectively administered by the Commission, but few administrative staff are involved, either in the field or at headquarters.

The 1976-88 report and the various assessment exercises have shown that, as a rule, the objectives set by the Community have been complied with when granting aid, that the schemes financed corresponded to what was actually needed and that the results obtained were satisfactory. The disappointments occasionally experienced were mostly due to unforeseeable changes in the political or economic context within which the schemes were to be implemented or to changes in the sectoral policies of the recipient countries.

However, the impact of Community aid has been reduced by the overall slow pace at which aid is disbursed. This is due, of course, to the amount of time required to implement development projects (particularly in the rural sector) which require payments to be spread out over periods ranging from six to ten years. The delays are thus largely an inherent feature of the type of project so far selected.

Although these conclusions justify maintaining the Community's programme of development aid to the LAA developing countries, the time has come to re-examine its context, to extend it to other categories of country or sector, to review the objectives and arrangements for granting aid, to define more precisely the present objectives, to provide increased resources and to consider greater diversification within each region.

5.2 Review of the contents and objectives of aid measures

5.2.1 Eligible countries

In the Commission's view, aid should continue to be targeted on the poorest strata of society and the poorest countries, which cannot draw from their own resources sufficient finances to maintain the necessary level of investment, particularly in socially important but less profitable sectors.

However, the conditions governing eligibility should, as in the past, take account of a number of different circumstances and thus remain to some extent flexible.

In practice, those countries which have received Community aid in the past should continue to do so since none of them has yet reached the point where they could do without foreign aid - although some have made significant progress.

Other countries might, however, be eligible for Community support, in view of their needs and the possibility that such support could be well used.

As a rule, Community aid should be considered as a means of supporting people faced with development problems and the only condition governing the granting of such aid should be the assurance that the target populations can be effectively reached.

In difficult cases, Community aid should be limited to schemes which can be implemented without interference, which are sure to have a social impact and whose implementation or results are not likely to be affected by outside circumstances (such as security problems or political difficulties in general).

In addition to helping the poor developing countries, the Commission considers that development aid (in addition to economic cooperation) should also be maintained or considered for the more advanced developing countries, in specific and limited cases.

Such aid would involve:

- helping to prevent natural disasters or assisting with reconstruction efforts in the wake of such disasters;
- taking part in cooperative environmental projects;
- helping to strengthen institutions, and

- exceptionally, using pilot projects to help develop new policies to assist particularly underprivileged sections of the population, provided that such projects form part of a general policy which has a special place within the government's overall policy.

Finally, there are regional cooperation schemes which, by their nature, can involve a partnership between poor and relatively advanced countries. Such schemes should continue to receive careful attention from the Community: recent experience has shown that they might well be applied in such fields as intra-regional trade, the environment and the strengthening of institutions.

5.2.2 The objective of development aid

Hitherto, Community development aid to the LAA developing countries has had only a few simple objectives. In the course of time, however, there has been an increasing demand for aid to cover new requirements. By their nature, these requirements cover a vast range and choices inevitably have to be made taking into account the nature and quality of Community aid (donations), the amount to be granted in relation to the needs and any action being taken by other donors.

This being the case, the Commission considers it neither desirable nor possible to retain the original objectives for Community aid to the developing countries in Asia and Latin America, if only because the needs of those countries have changed. However, the Commission takes the view that the scope of Community aid can reasonably be extended (as proposed below) only if additional financial and human resources are made available.

In this connection, the Commission proposes six major areas of action:

5.2.2.1. Support for the rural sector in the broad sense

Priority is currently being given to this sector and it must remain a major field of action for the simple reason that most of the population of the developing countries of Asia and Latin America live and work in the countryside, many of them belong to the least favoured strata of society and the Community has a good deal of experience in rural matters (farming, fishing, stock-breeding, rural loan schemes, rural infrastructure, training, etc.). Improving the security of food supplies will remain a matter of the utmost importance. Community aid for the rural sector already covers a number of essential rural infrastructure projects and must, henceforth, also cover aid schemes for the small towns which provide services to the rural population.

The current support for agricultural research must also be maintained. Relatively small amounts spent on such research may, in the long run, have a major impact in terms of increased production and improved use of human resources in the countries concerned.

The fight against drugs

Although it has its roots (so to speak) in the countryside, the fight against drug production is a highly problematic area in which the Community has little experience. It has supported a number of crop conversion micro-projects, but the drug problem as a whole is far more wide-ranging.

During the 1970s and 1980s drug production, trafficking and consumption grew dramatically world wide. It is estimated that, world wide, drugs worth USD 500 billion are illegally traded every year. Cocaine is chiefly produced in the Andean countries of Latin America while heroin production is concentrated in the Golden Triangle and Golden Crescent in Asia. The Community must therefore pay particular attention to this problem when establishing cooperation with the LAA developing countries, regardless of whether they are economically advanced or particularly poor.

Any Community support for crop conversion schemes in the rural areas of the LAA developing countries should be granted in addition to development aid. Since 1987 the Community has, in fact, been running a specific North-South cooperation programme to tackle the drug problem (Budget Article 949).

In addition to such schemes, Community cooperation with the LAA developing countries in the fight against drugs should be extended within the framework of the overall approach defined by the Council on 26 January 1987, when the Community expressed its willingness to enter into dialogue with the countries and organizations concerned on national and regional policies for combating the production and consumption of drugs. It proposed conducting this dialogue within the more general context of the economic development of the producer countries and their cooperation with the European Community.

5.2.2.2. The environment

Protecting the environment and natural resources is a long term priority, the merits of which are not readily accepted by people whose daily life is a struggle for survival, nor by their local authorities or governments. Community development aid must nevertheless give priority to the environment in two ways: (i) a systematic environmental impact assessment must be carried out for all schemes financed by the Community so that the environmental aspects of any project are taken into consideration from the outset and preference is given to projects which have an environmental dimension; (ii) a substantial proportion of all cooperation aid for the LAA developing countries should be allocated to projects specifically aimed at environmental protection.

In view of the importance and multi-faceted nature of environmental issues, Annex 3 is devoted to them and provides details of environmental proposals.

5.2.2.3. The human dimension of development

This heading covers a large number of issues relating to development in the less-developed countries of Asia and Latin America.

Some of these issues are already covered by Community aid. For example, the problems of aboriginal ethnic groups, including the need to respect their desire to maintain their culture and social organization, have already been taken into account when granting Community aid, particularly in Latin America. Such special attention must be maintained and increased in respect of all the developing countries in Asia and Latin America.

Little attention has so far been paid to other aspects such as the role of women in development - a subject which, though of particular importance in the context of rural development and among the poorest populations, has not hitherto been given the attention it deserves in connection with Community aid. This must be rectified in future by drawing on the experience gained in the ACP countries and through projects co-financed with NGOs.

Population problems are important for a good many developing countries, since population growth can undo the benefits of even the most successful development programmes.

The social and human implications of population policies are such that no action can succeed unless it is acceptable to the families involved and respects their cultural, social and economic environment.

In the Commission's opinion, Community aid should take account of this problem and provide systematic financial and human support for any action undertaken by the LAA developing countries in agreement with their base communities.

In this connection, rapid urban development is a serious problem in most developing countries in Asia and Latin America, where the cities act as a permanent magnet, offering the rural population the prospect of relatively greater economic security.

Since the cost of improving essential services and living conditions is very high, the Commission does not consider it appropriate to provide Community aid for major infrastructure projects which yield little profit (e.g. sewerage systems), except in terms of technical assistance. In any case, most international organizations and bilateral aid schemes help to finance such projects.

The Commission does, however, consider that a number of schemes might usefully be considered in two fields relating to the urban sector:

- (i) the transfer of know-how for dealing with urban problems. The Community has considerable experience in such matters as urban transport policy, waste management, public service charging, local administration, etc. and cooperation in this field could help meet the essential needs of urban populations;

- (ii) the development of micro-enterprises and ensuring that would-be entrepreneurs have access to savings and investment schemes. This aspect of urban development has a considerable social impact and is suitable for Community aid (in the form of grants to the bodies concerned and help in establishing suitable policies).

Finally, training, which is principally a matter for economic cooperation (see Chapter 6), must also be used in the field of aid.

Development aid, in order to have a lasting effect, must involve a considerable amount of training for the persons involved in the projects and programmes. This aspect should therefore be given greater emphasis when devising and implementing schemes, not only for those in charge but, more especially, for the populations concerned - who must be involved in drawing up the schemes and be equipped not only to continue but to develop them.

5.2.2.4. The structural dimension of development

Experience has shown that development is seriously hampered not only by financial or physical constraints but also by the developing countries' lack of suitable economic policies (including structural policies) and by the shortcomings of the institutions responsible for devising and administering such policies.

The Commission therefore considers that helping the developing countries' national institutions to improve their capacity for managing development policies and projects can sometimes be of strategic importance in the development process. Such assistance is, moreover, relatively cheap and the flexibility of Community aid, in the form of grants, makes it particularly well suited to such purposes.

Accordingly, the Commission proposes adopting this objective as a general rule and not only for aid to the rural sector.

The Commission also considers that the problems of structural adjustment as such are generally more far-reaching than the scope of Community aid to the countries of Asia and Latin America. However, wherever possible and under suitable conditions, Community development aid should take into consideration macro-economic and sectoral problems and preference should be given to schemes which affect the economic structure and influence the development of sectoral policies and institutions.

To a certain extent, therefore, the Community could provide aid for structural schemes affecting a particular sector, a region of a developing country, a development agency or several countries. The Community has already had successful experience in this field: developing the dairy industry in India and China, re-launching regional trade in Central America, and schemes to mobilize savings and loans. It can also draw on the experience gained from application of the Lomé Conventions.

As a rule, structural operations require not only a concentration of funds but also close cooperation with the World Bank, the IMF and bilateral donors.

Such structural schemes would have a greater effect than financing individual projects which are, of necessity, limited to a particularly geographical area.

5.2.2.5. Regional cooperation

Regional cooperation between developing countries has, from its outset, been a priority field of application for Community aid, particularly since the Community has considerable experience in this area.

In view of the increasing use made of regional cooperation by the IAA developing countries, the Commission considers that it should remain a priority and that action should be stepped up in at least four areas:

- (i) regional cooperation on the environment;
- (ii) the development of intra-regional trade wherever possible;
- (iii) support for regional institutions and for the implementation of common policies and activities;
- (iv) regional communications: standards, networks and services.

5.2.2.6. Natural disasters

Aid for the prevention of natural disasters and for reconstruction in their wake has, up to now, been one of the options for financial and technical cooperation, in addition to other forms of Community aid (such as emergency aid and emergency food aid) which have a more immediate impact. The amounts involved have varied considerably from year to year since needs of this sort are unpredictable.

Not only, therefore, should this aid option be maintained but a sufficiently high ceiling should be set - though it would only be reached at a time of need.

As far as the nature of the operations is concerned, although the Community should maintain the option of financing reconstruction, rehabilitation or disaster prevention projects, more rapid means of intervention should also be developed, such as programmes of direct support for disaster victims, or financial transfers to the national government concerned.

Moreover, in each of the six areas for action, efforts will be made to see that Community aid takes account of the special contribution which can be provided by information technologies, and in particular satellite communications and computer applications.

6. ECONOMIC COOPERATION

In order to respond as effectively as possible to the new needs of the countries of Asia and Latin America, a greater proportion of the Community's cooperation with these countries must consist of economic cooperation.

Economic cooperation has a number of advantages over other forms of cooperation, not only for the Community and its operators but also for the partner countries concerned. Various forms of economic cooperation have been developed in recent years and the results have certainly been positive: but the Community must go further and propose closer forms of cooperation.

6.1. The objectives of economic cooperation

Economic cooperation had been devised to serve the mutual interests of the Community and its partner countries. Its purpose is to strengthen the institutional capacity of the partner country so as to make its economic environment more favourable to investment and development. But it also aims to mobilize the resources (such as capital, technology, know-how, marketing networks and managerial capacity) of European economic operators and to organize the transfer of those resources, under market conditions, to local operators. The operators concerned may be businesses or national, regional or local public authorities acting, in all cases, in their own interests.

Although economic cooperation concerns all the IAA developing countries, it will be particularly effective in countries which are implementing open door policies and which have the potential for rapid growth.

Economic cooperation encourages direct contact between operators, who are the driving force behind economic expansion, and it is thus very much in line with the favourable trends emerging in a number of Asian and Latin American countries - the tendency for the private sector to play an increased role, the introduction of market rules and disciplines, the orientation of economies towards international trade, infrastructure modernization and extension, the attempt to make better use of human resources in education and research, and the efficient mobilization of national savings by encouraging people to invest their savings in the manufacturing industries.

Needless to say, the primary responsibility for encouraging European investment lies with the IAA developing countries themselves. Foreign investment is attracted primarily by the climate of confidence in a country - political stability, democracy, an open economy, clear rules on investment, efficient administration, etc.

It is these signs of a new climate, emerging in a growing number of developing countries, which will inevitably encourage European business to invest in those countries or to engage in other forms of partnership.

Economic cooperation thus helps provide closer contacts between operators in the North and South. It also helps bring about a climate in which the changes taking place in European industry are reflected in North-South trade, by supporting a greater European presence in all the developing areas of the world and helping to further the dynamic growth of the most advanced of those areas. The developing countries thus benefit from the new prospects opened up by the single European market, the development of Community policies in such fields as high technology and training and the consequent opportunities for the transfer of know-how and technology.

However, it should be noted that, in spite of the favourable prospects in a number of countries, the Community's share of total foreign investment in the LAA developing countries is not growing.

6.2 Forms and assessment of present economic cooperation

Cooperation instruments such as the promotion of trade, support for industrial cooperation, cooperation of various kinds in the field of energy, science and technology,¹ training and the "EC International Investment Partners" facility have progressively been developed.

The Commission therefore has at its disposal a range of instruments for economic cooperation, and various methods of cooperation have progressively been developed. Thanks to the projects so far implemented, a European presence has been established in a number of Asian and Latin American countries.

In spite of the very modest level of financing and human resources allocated to them, these operations have aroused increasing interest not only among the authorities and operators in the countries concerned but also among the European firms already established or wishing to invest in those countries who are glad of the support provided by mechanisms for encouraging and promoting business.

The Commission notes, however, that schemes have often been implemented in a diffuse manner and that the "critical mass" of aid needed in order to have a proper impact has frequently not been reached. It is therefore the Commission's view that, in order to respond more effectively to the challenges of the 1990s, the economic cooperation offered by the European Community must, in future, be more solid and better structured.

¹ The "Science and Technology for Development" (STD) Programme since 1983 and international scientific cooperation schemes since 1984.

6.3 The importance of economic cooperation for the developing countries in Asia and Latin America

There is a noticeable difference between Asia and Latin America in terms of what the developing countries on those continents hope to gain from economic cooperation.

The developing countries in Asia all want the Community to establish a stronger presence in the region at a time when the Asia-Pacific Economic Cooperation grouping, which includes the major industrialized countries of the Pacific, is being developed.

Similarly, the non-aligned countries such as China and India wish to preserve their independence by establishing trading relationships with a greater variety of partners. More generally, the countries of Asia also wish to make use of European technology so as to diversify not only their suppliers but also their customers.

In the countries of Latin America, on the other hand, the most serious and pressing problem is their capacity to carry out the structural reforms necessary to deal with the massive debt problem facing the continent and to rectify their trade balance with the rest of the world. They clearly also have to find ways of diversifying their economic relations.

Finally, the regional integration so much talked of in the last 30 years might have provided an initial defensive response; but it has never progressed beyond an extremely limited degree of institutional cooperation. There is as yet very little economic integration. In Central America, however, efforts are once again being made to achieve direct political and commercial integration. This new type of approach should be recommended by the Community to other regional groupings which might emerge in Latin America.

It is the Commission's view that increased cooperation and regional integration, whether in Latin America or Asia, will greatly help to strengthen the international competitiveness of the LAA developing countries by providing larger markets, setting up joint production systems, harmonizing regulations, rationalizing research and training etc. and exchanging experience and know-how.

6.4 The importance to the Community of economic cooperation with the LAA developing countries

What can these two developing regions of the world offer the European Community?

In spite of its increased exports to the developing countries of Asia, the Community is not contributing sufficiently to the growth and economic and financial interpenetration which characterizes this part of the world, and is therefore not participating in its economic dynamism as much as Japan and the United States.

The Community needs to pursue a policy of setting up industrial operations in the region, using a wide range of economic cooperation instruments.

Such a strategy would undoubtedly help the developing countries in Asia but would also enable European firms to establish a foothold in vast and rapidly expanding markets and gain access to their resources.

Moreover, faced with the establishment of the Asia-Pacific Economic Cooperation organization, the Community should strengthen its economic and commercial cooperation with the ASEAN developing countries and diversify the instruments it can use for such cooperation, in order to establish a sufficiently firm presence in a region which will probably continue to show the fastest rate of economic growth anywhere in the world.

In Latin America, on the other hand, the economic trends are less encouraging. The economic crisis has had negative repercussions on Community exports owing to the continent's reduced purchasing power. Thus, it is desirable for the Community to achieve a more solid presence in this part of the world, which was once prosperous and will be so again once its efforts at economic and political reform come to full fruition.

The strengthening of the Community's position will enable know-how and technology to be transferred to those countries which are making a remarkable effort to achieve economic and political modernization.

The Community, like the countries of Latin America themselves, must work on the assumption that these reforms will succeed and help relaunch an economic area with great potential, close as it is to the vast North American market and open to the influence of the economically expanding Pacific region.

6.5 Guidelines on economic cooperation in the 1990s

6.5.1 Types of action to be undertaken

Economic cooperation schemes should, as in the past, cover training and cooperation in the fields of energy, industry, science and technology. Furthermore, a package of schemes to encourage business development must be introduced, in line with the needs expressed. Overall, the Commission is proposing action in three major areas, together with appropriate information campaigns:

6.5.1.1. Economic, scientific and energy-sector know-how

Upstream, the Community should help set up pools of information and know-how by:

1. Providing information which will strengthen the scientific and technological potential of our partner countries and give them access to the spin-off from Community research or R&D programmes, and encouraging European firms to establish partnership or technological transfer agreements with firms in those countries.

Implementing schemes involving joint research projects should help increase the transfer of scientific and technical know-how from the Community to the LAA developing countries and bring about a closer working relationship between those countries and the Community.

The action which the Commission has in mind should focus on two priority areas: (i) improving the quality of life and (ii) making better use of natural resources and care for the environment. Specific projects aimed at the economic development of the developing countries should not, however, be excluded.

Account will be taken of the priorities established in relation to the other policies provided for in this Communication, so as to strengthen the overall approach being considered. The main features of the action to be taken in the fields of science and technology are described in Annex IV to this Communication;

2. Dialogue in the field of energy planning, together with an appropriate dissemination of technology, so as to reduce the developing countries' level of energy consumption, thereby improving their balance of payments and benefiting the environment.

Developing the economies of the developing countries means using more energy resources such as fossil fuels. According to current estimates, CO₂ emissions are responsible for rather more than half of the greenhouse effect.

Studies carried out by the Commission show that, by the year 2000, energy-related CO₂ emissions might be growing twice as fast in the developing countries as in the Community. It is therefore important for the Community to encourage strategies for improving energy yields and for energy saving, coupled with an increased use of non-fossil energy sources, in particular biomass. It is in this context that cooperation in the field of planning and transfer of energy-related technology must be pursued.

6.5.1.2. The economic environment

In terms of the economic environment, action can be taken to support institutions, in the broadest sense, by planning resources, identifying what regulations are necessary and laying down rules or standards. The object of the exercise - to be achieved by means of dialogue and training schemes aimed at the decision-makers in those countries - is to bring about a favourable climate for further investment, technological transfer or contacts between firms based in the Community and those in the developing countries.

The rapidly changing international economic climate and the emphasis on the need for appropriate modernization and adjustment policies mean that structural adjustment programmes have to be implemented. In the developing countries of Asia and Latin America, without going so far as to finance excessively costly restructuring programmes, the Community should increase its capacity for dialogue on certain economic policies with selected partner countries, by means of high level technical assistance and suitable information and training programmes. This should help to identify policies which would encourage private investment, openness to international trade or the mobilization of savings, for example.

6.5.1.3. Schemes relating to firms

There is a wide variety of schemes aimed at improving the competitiveness of firms; generally speaking they are all aimed at improving productivity and market access.

The intention is to use training programmes to develop a shared managerial and technical capacity which will facilitate exchanges and cooperation between Community operators and those from the partner countries.

It is also intended to encourage technological exchanges (setting up data bases and technology transfer centres, organizing specific meetings, etc.).

In this connection, one of the most useful activities is investment promotion, since it is effective and can provide the impetus for developing an industrial base which will generate employment. In addition, action may be taken to improve firms' access to sources of financing. The EC-IIP facility, which draws directly on the accumulated experience of a network of financial institutions, enables action to be taken at all the stages leading to joint ventures (the search for partners, market studies, specific training schemes, etc.), with the possibility of providing finance in the form of risk capital.

Finally, special priority is given to schemes to improve market access: the Community supports integration between regional markets - which is the only way, initially, to extend the industrial base and thus make possible the economies of scale which are necessary to improve competitiveness. Trade promotion schemes are aimed at helping the LAA developing countries to identify potential export markets within the region or worldwide. These schemes are supplemented by technical assistance (marketing, quality control, training, etc.) or by technical assistance for product design or the organization of production. At the same time the Community runs cooperation schemes to increase European exports to, and investment in, the developing countries of Asia and Latin America.

6.5.2 Instruments and main beneficiaries of economic cooperation

Most schemes make use of various combinations of instruments - technical assistance, organizing meetings, fact-finding missions, training, financing for studies, etc. In this respect economic cooperation takes place upstream and rarely goes as far as the direct provision of capital.

The beneficiaries or operators, involved are also varied: they include governments and official institutions, training institutes, local and European businesses, etc.

Economic cooperation (and especially industrial cooperation) must be implemented as far as possible by economic operators and their intermediaries (chambers of commerce, trade associations, etc.). By making use, where possible, of certain Community instruments (such as BC-Net, Euro Info Centres and SPRINT), the Commission will try to set up "industrial cooperation support networks" whereby suitable contacts can be established between intermediaries and firms.

Moreover, in order to encourage economic cooperation with the LAA developing countries, the Commission will have to deploy greater numbers of staff in the developing countries concerned so that qualified personnel can provide the link between local operators or authorities and Community institutions and operators.

6.5.3 Additional instruments

Significant investment and the establishment of rules governing its financing should be given a Community dimension, thus supplementing the existing instruments. For example, new financial instruments oriented towards investment in infrastructure could be used to supplement the existing mechanisms.

The Community, in association with the Member States, might be given a special role in developing and applying techniques for bringing together European industrial consortia and local partners. The implementation of such financial techniques at Community level would significantly increase the Community's influence over investments in such major areas such as energy, infrastructure, transport, environment, etc. - all leading to transfers of technology.

This idea is currently being looked into in greater detail, with a view to assessing its feasibility and desirability and, where appropriate, setting up pilot schemes.

6.5.4 Information

Relations between the Community and the LAA developing countries must, in all fields, be supported by appropriate information campaigns. This need must be taken into account when any new agreement is being negotiated.

7. RESOURCES AND FRAMEWORK FOR COOPERATION

7.1 Financial resources

In the Commission's view, considerably greater financial resources should be allocated to Community cooperation with the IAA developing countries, so as to allow for a number of factors:

- (i) a minimum "critical mass" of resources is necessary if cooperation schemes are to have real and lasting effects on the economies of the countries concerned. This is particularly true in those fields such as the environment, economic cooperation and the structural dimension of development which are being given new or increased priority;
- (ii) the decline in the proportion of aid accounted for by cooperation with the developing countries in Asia and Latin America must be reversed lest it be given a negative political interpretation at a time when the resources allocated under the Lomé Convention and those earmarked for Central and Eastern Europe are increasing considerably.

The Commission also considers that, for all the resources covered by Chapter 93 of the EEC Budget, perspectives should immediately be established for the five year period 1991-95. Not only would such a multi-annual perspective answer to the wishes of Parliament and the Council but it would enable a medium-term programme of activities to be drawn up both for development aid and for economic cooperation.

Moreover, multi-annual programming covering the whole of Chapter 93 would enable the Commission to provide each country or region concerned with a more suitable package of aid schemes. Clearly, however, some economic cooperation instruments cannot be incorporated into an inflexible programme since they are designed to respond to needs and market trends (as in the case of Investment Partners, for example).

However, in view of the financial discipline introduced under the present inter-institutional agreement (which expires in 1992) and since, as yet, there is no agreement regarding the post-1992 period, the Commission considers that its proposal should provisionally be limited to a five-year perspective of ECU 2 900 million for the period 1991-1995.

This amount is derived from the Commission's proposals for 1991 and 1992, in the light of the revision of the financial perspectives, and from the current assumption that the Community GNP will grow by 3.4% annually in 1993, 1994 and 1995. This method of calculation is in accordance with the present approach to budgetary discipline.

The overall amount thus calculated is for guidance only and will be made up of annual budgetary appropriations adopted according to the standard procedures. The total amount clearly depends on the review of the financial perspectives and on the budgetary framework to be established for the years after 1992.

The assumption made about growth during the period 1993-1995 takes no account whatsoever of any efforts which the Community may make to increase growth over and above the effect which the growth in GNP may have on cooperation with the IAA developing countries during that period.

Indeed, the Commission believes that the matters of substance and the political considerations dealt with in this Communication might lead it to revise its proposals.

7.2 Human resources

The Commission's departments have undergone recent restructuring and staff responsible for relations with the IAA developing countries and the administration of all specific aid and cooperation instruments have been regrouped in two new geographical directorates - Latin America and Asia - within the Directorate-General for External Relations.

The new structure aims at improving efficiency and the quality of the initiatives undertaken. However it also highlights the problem of understaffing which afflicts both headquarters and the Delegations, even for the current volume of financial resources allocated to cooperation activities.

The Commission therefore considers it essential to provide a reasonable standard of administration for cooperation with the IAA developing countries. The needs arising from the proposed expansion must also be met.

The Commission will put forward suitable proposals in accordance with the usual procedures. It wishes to draw the attention of the Council and Parliament to the fact that to maintain present staffing levels would inevitably have an adverse effect on the management of Community aid and give the Community a poor image in the IAA developing countries.

7.3 The general framework for aid

7.3.1. Specificity of Community aid

Development aid for the developing countries in Asia and Latin America has been progressively implemented via appropriations entered in the Budget on the basis of an initial Communication from the Commission in 1975 and the Council Regulation of 1981.

The annual guidelines laid down by the Council after receiving the opinion of Parliament have served to clarify the principles and the framework for granting aid as laid down in the Regulation and confirmed by experience.

The Commission considers that, at this stage, those principles and practices should be reviewed and, where appropriate, redefined.

As emerges from the 1976-88 report and from the assessments which have been carried out, Community aid to the IAA developing countries has taken on a character of its own by comparison with the multilateral and bilateral aid from other sources including the Member States: it can be successfully channelled to the target groups, it is flexible as regards procedures, it can be mobilized swiftly in response to external circumstances, it can respond to varying regional demands, it is relatively neutral, it helps affirm the Community's active presence in developing regions of the world from which it was previously absent and brings the Community in touch with populations which had, for the most part, reaped none of the benefits of progress.

Unlike the contractual type of aid provided to the ACP and Mediterranean countries, this aid is granted on an independent basis. This aid has, nevertheless, given rise to a continuous dialogue with the authorities in the countries concerned in terms of drawing up schemes and general policies and in terms of their implementation.

The institutionalization of this aid, for example within the context of Financial Protocols of the Mediterranean type, appears neither necessary nor desirable in the case of the IAA developing countries. It would introduce an undesirable element of inflexibility into aid involving relatively small amounts of money, even if resources were increased considerably.

7.3.2. Legal and administrative aspects.

The Commission considers, in particular, that the Regulation in force should be amended, in the light of the discussion on the substance of the proposed policies, so as to take into account (i) the proposed new balance (as between development aid, economic cooperation and environmental measures) of cooperation with the IAA developing countries, and (ii) the requisite flexibility and swiftness of action, which is particularly essential for small-scale projects and structural measures.

7.3.3. Form of financial transfers

At present, the aid is made up entirely of grants. This offers a considerable advantage in view of the increasing difficulty of the developing countries to repay debts and given the "social" orientation of Community aid.

The Commission wishes this to remain the case, particularly since suitable mechanisms have been developed in the context of a number of schemes to link the gift of aid to a government (or to a Community or region) with the refunding procedures to be followed by the individual recipients (in particular when the purpose of the scheme is to support profitable activities or small businesses).

7.4 Implementing procedures

With regard to implementing procedures, the Commission considers that a number of points require examination.

7.4.1. Recipients

The range of potential recipients of Community aid within the framework of the objectives laid down should remain as wide as possible so as to include not only states or regions but local and traditional communities, institutes and private operators as well as NGOs.

The necessary coordination with governments and local authorities need not automatically mean that aid must be channelled to the end users via the public sector: in some circumstances it will be useful to draw on the experience of other groups or institutions and, particularly for certain types of scheme, NGOs and organizations representing private operators.

7.4.2. Quicker payments and greater cost-effectiveness

One of the points to emerge from the 1976-88 report is the considerable period of time which elapses between commitments and the disbursement of aid. For the reasons already mentioned, it is important to reduce this delay while bearing in mind that the priority given to support for the rural sector often means the projects involved will take a long time to implement. In practical terms three types of scheme should be considered.

First, where the traditional type of projects and programmes are concerned, the Commission must continue to review its own procedures and should suggest to the recipient countries more effective ways of implementing these projects.

Secondly, ways should be found of giving more widespread support to programmes involving quick payment which would have not only a definite impact but also long-lasting structural effects.

This type of scheme covers not only support for programmes of structural change but other types of structural measure such as support for the Central American Payments System, which has recently been financed.

A third possibility to be considered (and to be used in countries other than those which have so far benefited from it) is to calculate the requirements, in local currency, for traditional projects financed by the Community and to supply these needs in the form of the necessary imported products: the cash equivalent would be deposited in inflation-proof accounts and made available to the project managers.

In this connection the Commission wishes to point out that, under Article 2 of the financial Regulation, as recently revised, more stress should be laid on adopting clear and quantified objectives for all expenditure so that, when appropriations are disbursed, it can be seen whether they have been used as efficiently as possible. This approach should increasingly make it possible to ensure that future development aid has the greatest possible impact.

7.4.3. Integration of instruments

All instruments of Community cooperation should, in any case, be more effectively integrated so that they can be employed together with maximum efficiency.

This particularly applies to the other instruments of development aid, notably food aid and the STABEX system (which are already widely used in conjunction with Financial and Technical Cooperation) and may also apply to environmental schemes.

Wherever technically feasible, integration should also include humanitarian aid and economic cooperation. Finally, as much as possible should be learned from the experience of NGOs in implementing the numerous projects co-financed by the Community.

7.4.4. Coordination

Coordination is one way of increasing the efficiency of the other aids, by bringing together a "critical mass" of resources so as to obtain the maximum benefit from the peculiar advantages of each of them.

It would be particularly useful to coordinate Community aid with the bilateral aid provided by the Member States: this would, furthermore, reinforce the European presence in the developing countries concerned.

Co-financing is the closest possible form of coordination and thus deserves particular attention - even though, generally speaking, the decision-making process and implementation of the schemes are made slower and more cumbersome by the number of decision-makers and the need to take account of the particular rules governing each of the participants.

7.4.5. Assessment

Regular assessment of development aid, both during and after the implementation of projects, enables means and objectives to be adapted to changing realities. All Community schemes are already subject to evaluation while they are in progress: this will be maintained and standardized, and retrospective evaluation will be extended and more systematically structured.

Similarly, at the project preparation stage, particular attention will be given to ways of ensuring the sustainability of projects after Community aid has ceased.

8. CONCLUSIONS

The Commission hereby proposes that the Council and Parliament adopt the guidelines for the policy of cooperation with the LAA developing countries set out in this Communication.

The Commission also proposes that the Council and Parliament adopt its proposed budgetary perspectives for cooperation with the LAA developing countries in the period 1991-1995.

LIST OF THE DEVELOPING COUNTRIES IN LATIN AMERICA AND ASIA

Latin America

Argentina
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama
Paraguay
Peru
Uruguay
Venezuela

Asia

Afghanistan
Bangladesh
Bhutan
Brunei
China
India
Indonesia
Cambodia
Laos
Malaysia
Maldives
Mongolia
Myanmar
Nepal
Pakistan
Philippines
Singapore
Sri Lanka
Thailand
Viet Nam
Yemen AR
Yemen PDR

ECONOMIC RELATIONS BETWEEN THE COMMUNITY AND THE LAA DEVELOPING COUNTRIES

1. Trade

Developing countries absorb today 39% of Community exports to non-member countries - the equivalent of 3.5% of the Community's GDP. This share has fallen by 8.5 percentage points since 1982, reflecting the widening development gap which exists between industrialized and developing countries as a whole (cfr table 1). Trade links between the Community and the various groups of developing countries evolve in different ways: the export share held by Mediterranean and Asian developing countries is on the increase (3 percentage points for each region) whereas the share held by the Middle Eastern, Latin American and ACP countries has fallen globally by 13 percentage points since 1982.

TABLE 1

COMMUNITY EXPORTS TO THE DEVELOPING COUNTRIES

A. Geographical distribution of Community exports

	1982	1988
Industrialized countries	39.0%	51.0%
Planned economy countries	13.5%	10.0%
Developing countries	47.5%	39.0%
of which:		
Mediterranean	9.2%	12.0%
Asia	8.1%	11.0%
4 NICs	3.0%	5.0%
China	0.7%	1.5%
Middle East	15.3%	7.0%
Latin America	6.4%	4.5%
ACP	7.4%	4.5%

B. Share of the Community trade partners in the aggregate world GDP

	1982	1988
Industrialized countries	70.0%	78.0%
Planned economy countries	3.5%	2.5%
Developing countries	26.5%	19.5%
of which:		
Mediterranean	2.5%	1.3%
Asia	8.1%	8.8%
4 NICs	1.6%	2.0%
China	-	-
Middle East	4.4%	2.6%
Latin America	8.0%	6.0%
ACP	3.7%	1.0%

Source: IMF, Eurostat

These different trends reflect quite closely the trend of the share of the aggregate world GDP held by the different regions, as the Community strengthens its export links with the more dynamic developing regions.

However, in the main the geographic concentration of Community exports remains focused on its traditional markets: more than a quarter of non-Community exports is absorbed by the developing areas of the world (Mediterranean, Middle East, Latin America, ACP countries). These account for only 11% of total world production, and their growth prospects will remain limited, on the whole, if the road towards sustainable and long-term development is not found.

Developing countries provide today 34% of Community imports from non-member countries. Their share has diminished by 10 percentage points since 1982 (cfr table 2). This trend is the result of economic forces moving in opposite directions:

- on the one hand the fall in the prices of oil and other raw materials in general has significantly reduced the share of imports from outside the Community held by Latin American, Mediterranean and ACP countries, as well as the share held by Middle Eastern countries;
- on the other hand, thanks to their diversification and competitiveness, Asian developing countries, mirroring the dynamism of world trade in manufactured goods with a high technology content, have increased their share in imports from outside the Community by one percentage point a year on average since 1982. This is an exceptional feat, and one which puts Asian developing countries before Japan as one of the Community's main suppliers.

TABLE 2

COMMUNITY IMPORTS FROM DEVELOPING COUNTRIES
Geographical distribution of Community imports

	1982	1988
Industrialized countries	42.0%	52.5%
Planned economy countries	13.0%	13.5%
Developing countries	45.0%	34.0%
of which: Mediterranean	6.2%	5.3%
Asia	7.7%	13.0%
4 NICs	3.7%	7.7%
China	0.7%	1.1%
Middle East	17.9%	5.5%
Latin America	7.5%	6.0%
ACP	6.0%	4.2%

Source: IMF, Eurostat

2. Investment

An accurate evaluation of the links between the Community and the various developing regions of the world in the field of direct investments is impossible owing to the lack of reliable and complete data.

Nevertheless, the few available data are meaningful in several respects. It would appear that (cfr table 3):

- two developing regions (Latin America and Asia) shared between them 77% of all actual direct investments in developing countries over the period 1982-86. In reality 13 countries (Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, China, Hong Kong, Indonesia, Malaysia, Singapore, Taiwan and Thailand) were the almost exclusive recipients of such investments;
- the United States are responsible for **half** of all direct investment in each of these two regions; Japan is responsible for a quarter of all direct investments in Asia and a fifth in Latin America;
- other industrialized countries include the Community Member States, Switzerland, Canada, the Scandinavian countries and Australia; on the basis of partial national statistics, it would seem that Community countries are stepping up their direct investments in Asia and Latin America and remain the main source of investments in Africa.

It is a well known fact that direct investment in the developing countries is a complex phenomenon, on which numerous economic, political and historical factors all bear. However, there is reason to believe that different economic considerations underlie direct investments in Latin America and Asia. Thus, in the case of Latin America a sizeable share of direct investments over the period 1982-86 consists of assets conversion operations: holders of doubtful debts in these countries exchange them for actual assets by selling them to multinational companies. These use them to finance their expansion in the Latin American countries concerned. Conversely, direct investments in Asian developing countries represent actual increases in production capacity and technology transfers, bearing witness to the confidence widely inspired by these countries' economic, social and political prospects.

TABLE 3

**Direct investments by industrialized countries
in developing countries (USD billion)**

	Aggregate flow 1981-86	By US	By Japan	Others
Direct investments in developing countries: total	68.2	-	-	-
of which:				
in Latin America	32.6	17.0	6.0	9.5
Asia	20.3	11.0	4.5	4.8
4 NICs	9.0	4.5	-	-
Sub-Saharan Africa	4.6	-	0.5	5.9
North Africa	1.8	-	-	-

Source: OECD

3. Development aid

The Community and its Member States are the principal donors of development aid: USD 20.1 billion in 1988, or 0.49% of the Community's GNP, which is also the largest aid contribution among those made by the main industrialized countries (cfr table 4).

TABLE 4

Official development assistance (1988)

	Community and Member States	United States	Japan
In USD billion	20.10	9.80	8.10
In % of GNP	0.49	0.21	0.32

Source: OECD - DAC

The geographical breakdown of ODA from the main industrialized countries is very different (cfr table 5):

- over 41% of ODA from the Community and its Member States goes to ACP countries;
- over a third of ODA from the US reaches the Mediterranean, mainly Egypt and Israel, and 30% goes to Asian developing countries, notably Pakistan and the Philippines;
- almost 70% of Japanese ODA goes to Asian countries, in particular Indonesia, China, Thailand, Pakistan and the Philippines.

TABLE 5

Geographical breakdown of ODA from the main industrialized countries (as a % of total ODA of the donor/s)

	Community and Member States	United States	Japan
Mediterranean	7.2	35.4	3.5
Asia	16.3	29.3	68.5
Middle East	3.1	5.7	3.3
Latin America	13.4	19.0	7.8
ACP	41.5	13.0	12.5

Source: OECD - DAC

The sharp differences shown by the geographical breakdown reflect the donors' different priorities:

- for the Community ODA remains a favourite instrument for promoting economic development in the poorest countries, most of which have close historical links with Community countries;

- for the United States ODA is more an instrument of foreign policy, hence the heavy bias towards five or so developing countries;
- for Japan ODA is by and large a component of its regional economic strategy aimed at developing a regional trade structure to suit the changing needs of its economy. In this respect Japan is the industrialized country which derives the best advantage from its ODA - and the facts prove it, especially since the economies of the Asian countries which benefit from Japan's ODA perform considerably better than those of other developing countries.

**ENVIRONMENTAL COOPERATION BETWEEN THE COMMUNITY
AND THE LAA DEVELOPING COUNTRIES**

1. The environment: a shared responsibility

Countries in the Northern hemisphere are becoming increasingly aware of the inadequacy of localized ad hoc measures in solving the long-term environmental problems which concern the whole planet: global warming of the atmosphere, destruction of the ozone layer, production and management of dangerous waste, etc. Thus, people in Europe have discovered that Brazil's tropical forests affect them as much as the Brazilians themselves; conversely, the greenhouse effect which results from CO₂ emissions from motor vehicles and thermal power stations in Europe has direct and visible consequences on the present and future state of the delta of the Ganges and the Brahmaputra rivers in Bangladesh.

The Community, over and above its own efforts to achieve sustainable - i.e. environment-conscious - growth for itself and its partners, has a direct interest in convincing the countries of the South of the need for them to grant the same degree of priority to environmental protection as countries in the North. Should they fail to be convinced, the amount of pollution generated by the developing countries in the future (owing to population growth, consumption of fossil energy sources, industrial development and uncontrolled urbanization) would be likely to offset globally the efforts of the North to revert to a more sustainable growth model, less wasteful of rare and non-renewable natural resources.

2. Towards a policy of environmental cooperation between the Community and the LAA developing countries

Thus, the main objective of a policy of environmental cooperation between the Community and the LAA developing countries should be to convince these countries of the importance of environmental issues, in their own interest and in the interest of the whole planet. However, such a policy must take into account the major constraints affecting the South: debt, fast population growth, poverty, exponential urban growth, insufficient human resources and know-how, etc.

In this context, it is clearly very important to solve certain local problems which sometimes arise from the implementation of unsustainable types of development (deterioration of the urban environment, over-exploitation of natural resources, increased air and water pollution, industrial hazards, etc.). However, other global issues such as the greenhouse effect, the preservation of tropical rainforests and the

protection of the ozone layer must also be tackled in the context of environmental cooperation between the Community and the LAA developing countries.

The implementation on the part of the developing countries themselves of environmental protection policies is by definition the keystone of the whole strategy to preserve the environment. Indeed, cooperation in the field of environmental protection with the LAA developing countries cannot amount to the North assuming responsibility for the safeguard of their environment. The Community should then above all spur on the LAA developing countries to make the environment an integral part of their future growth, to develop gradually sufficient human, scientific, technical and administrative resources, in terms of quality and quantity, to meet the environmental challenge both at home and at global level.

To this end the Community should itself provide the technical assistance and financial and economic cooperation needed to give an example and act as a catalyst. To do so it must be able to initiate a dialogue with the LAA developing countries (at national, regional and international level) on environmental policy and the strategies and means of putting it into effect.

This requires support to be given for the establishment or the development of environmental institutions in the LAA developing countries, the training and management of human resources, technical assistance and demonstration activities, the implementation of research programmes and support for work aimed at identifying programmes of economic relevance.

The Community should then put a green coat on its policy of cooperation with these countries, with a view to setting an example, by:

- developing **specific means of cooperation** with the LAA developing countries in the field of environmental protection;
- setting up a **system to assess the environmental impact** of its programmes of financial, technical and economic cooperation and their degree of "environment-friendliness";
- **extending environmental cooperation to all LAA developing countries**: the Community has a vested interest in granting such cooperation to countries which have so far received little or no financial and technical aid, thus helping solve some global problems which are of increasing concern to the European public.

The Community should turn these countries into favoured partners, both in the course of multilateral environmental negotiations, a large number of which are on the agenda over the next few years, and in its bilateral cooperation relations;

- by devoting a sizeable share of its cooperation effort - be it financial, technical or economic - to operations specifically aimed at preserving the environment, so as to ensure the continuity of all the activities undertaken to provide incentives, act as a catalyst or set an example.

3. The means of environmental cooperation between the Community and the LAA developing countries

3.1 Direct environmental cooperation

Environmental cooperation entails activities undertaken to provide incentives, set an example, act as a catalyst, provide support for institutions and boost resources, such as:

- support for the environmental structures set up in LAA developing countries, the drafting and implementation of laws, regulations and standards concerning the environment;
- sustained effort to train personnel, notably experts in environment management and environmental technicians;
- pilot schemes to raise public awareness, inform and educate the public;
- implementation of joint research programmes between the Community and the developing countries in the field of efficient management of the environment;
- exploratory and feasibility studies;
- definition of "debt-for-nature swap" pilot schemes;
- convening of workshops, seminars, conferences and business weeks on the subject of global, regional or national environmental issues;
- setting up of systematic environmental scrutiny for all cooperation activities undertaken by the Community in LAA developing countries;
- post-event environmental assessment of cooperation activities carried out by the Community in LAA developing countries.

3.2 Financial and technical cooperation, economic cooperation:

Operations undertaken under the heading of financial and technical and economic cooperation also lend themselves to environmental cooperation and, building on the results achieved and the incentives provided by the latter, enable agricultural and industrial development projects or schemes to be developed.

4. Proposed activities

The Commission considers the following two measures as essential and recommends their adoption as a means of putting the environment first when carrying out cooperation activities:

- systematic preliminary evaluation of the environmental impact of any project or scheme;
- allocation of a significant share (minimum 10%) of its cooperation effort - be it financial, technical or economic - to the financing and implementation of projects specifically aimed at protecting the environment.

The Commission also considers that a specifically environmental instrument should be created in the context of economic cooperation with the developing countries of Latin America and Asia.

SCIENTIFIC AND TECHNICAL COOPERATION BETWEEN THE COMMUNITY AND THE LAA DEVELOPING COUNTRIES

1. Achievements

Scientific and technological cooperation between the Community and the developing countries, and in particular those in Latin America and Asia, has developed hand in hand with the definition and implementation of a Community research policy. The first Framework Programme for scientific and technological research in the Community has now been adopted. The Council has also decided to create two instruments for international scientific cooperation. First, there is the STD (Science and Technology for Development) Programme, which is one of the many programmes set up under the Community's science policy. Secondly, the Community establishes scientific cooperation agreements with associated countries in response to requests from those countries. This cooperation is financed from an annual budget (budget heading 7394).

It must also be borne in mind that some of the findings of intra-Community research carried out under the Framework Programme can be used directly to help solve problems in the developing countries.

Significant examples of such research are:

- (i) the Environment Programme - which, by its very nature, is concerned with solving problems affecting the whole planet (Global Theoretic Change);
- (ii) research into alternative energy sources (and in particular solar energy);
- (iii) research carried out under the Medical Research Programme.

1.1. The STD Programme

STD is a Community initiative for carrying out research, jointly with all the developing countries, in the fields of tropical and sub-tropical agriculture (including the problems affecting the tropical rainforests) and of medicine, health and nutrition in the tropics. Some 40% of the budget for this programme is currently earmarked for projects in the LAA developing countries.

Since its inception in 1982, the STD Programme has concentrated on improving the developing countries' own research capabilities and on establishing closer coordination between research institutes working on these problems in the Member States, thus making their work more effective.

Thanks to this cooperation programme it has been possible to set up a whole series of joint research projects, thereby creating permanent links between the two scientific communities. Scientists in the developing countries are thus no longer isolated but can be actively involved in the leading-edge research carried out in the industrialized countries.

The budget for the 1990-1994 STD Programme, currently awaiting adoption by the Council, is twice its previous size: this should make it possible to intensify research in the abovementioned fields and to further improve coordination between Community research projects and work being done in the Member States.

1.2. International Scientific Cooperation

International Scientific Cooperation takes place under the bilateral cooperation agreements concluded between the Community and countries in Latin America and Asia. These agreements define the context and objectives of the cooperation involved.

Whatever the strategies agreed with the recipient countries in accordance with their most pressing needs, International Scientific Cooperation sets itself the following three basic objectives:

- to promote exchanges of scientists between the Community and the LAA developing countries;
- to form associations between the leading research institutes in those countries and in the Community, to work together on scientific problems of common interest;
- to establish permanent links between the scientific communities in those countries and in the European Community.

At present, these objectives are being achieved through the coordinated implementation of three types of scheme: (1) joint research conducted by the best institutes in the Community and the LAA developing countries; (2) post-doctoral grants to scientists from the LAA developing countries; (3) workshops on specific topics.

Scientific and technical cooperation with the LAA developing countries is financed under budget heading 7394 (8301 as from 1991). This heading was introduced for the first time in the 1984 budget, when the appropriations totalled ECU 2 million. This sum has been steadily increased and stands at ECU 20 million in 1990.

During the first six years (1984-89) the Community spent about ECU 50 million on scientific and technical cooperation with the developing countries of Asia and Latin America.

A large proportion (85%) of these funds was used to finance research projects defined according to the priorities of the countries concerned. A substantial percentage (15% of the total) went on research grants to scientists from the LAA developing countries and on workshops dealing specifically with research topics.

The implementation of these cooperation schemes has encouraged exchanges of scientists and scientific knowledge between the Community and the LAA developing countries: more than 500 research institutes in those countries have established cooperative relations with a similar number of European research institutes; 450 grants have been made to top-level scientists who have spent time working in European laboratories.

2. Greater coordination with the activities of the Member States

The schemes implemented by the Community must be better coordinated with those carried out by the Member States, so as to avoid duplication of labour and to ensure that existing resources are used efficiently.

The Council's working groups on Asia and Latin America, if extended to include scientists, might provide the appropriate framework for this task: these groups should help the Commission to implement scientific and technical cooperation and, in particular, to lay down general guidelines for ensuring that scientific cooperation is consistent with the other cooperation policies established under the various agreements.

3. Prospects

Ever closer scientific and technical cooperation with the LAA developing countries opens up the prospect, in the medium term, of a more ambitious programme which would require greater efforts on the part of the European Community but which should make it possible to create a genuinely transnational scientific and technological community.

Such a community, formed by the European Community and the LAA developing countries, would provide the appropriate framework within which the scientific and technological development of those countries could be assured.

ISSN 0254-1475

COM(90) 176 final

DOCUMENTS

EN

19

Catalogue number : CB-CO-90-278-EN-C
ISBN 92-77-61205-3

PRICE	1 - 30 pages: 3.50 ECU	per additional 10 pages: 1.25 ECU
-------	------------------------	-----------------------------------

Office for Official Publications of the European Communities
L-2985 Luxembourg