

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(75) 293 final

Brussels, 11 June 1975

COMMISSION COMMUNICATION TO THE COUNCIL
ON THE FUTURE OF THE DIALOGUE BEGUN AT
THE PARIS PREPARATORY MEETING (7 to 16
April 1975)

COM-(75) 293 final

INTRODUCTION

1. The final declaration made by the Chairman of the Paris preparatory meeting with the assent of all the delegations specified that the participants agreed that the preparatory meeting had at all events been a useful contribution to promoting international cooperation. As they wished to continue the dialogue they agreed to remain in touch through the appropriate channels so that they would be in a position, as soon as circumstances permitted, to continue with the joint preparation of the Conference proposed by the French President.

The numerous contacts made since then have shown that there is a general desire to prepare for a resumption of the dialogue. This willingness was clearly reflected at the international meetings of industrialized countries held in Paris from 26 to 30 May, during which various suggestions were made as to how the difficulties which emerged at the Paris preparatory meeting could be overcome.

2. The Community must make its own contribution to these efforts.

The Commission has come to the conclusion that, in order to reach such an agreement, it is now necessary to go beyond the procedural matters which were dealt with at the Paris preparatory meeting. The search for agreement on the best way of organizing the dialogue will be all the easier if the participants show that they are prepared to seek practical solutions to the outstanding problems and indicate what they are prepared to do to implement these solutions.

The Commission therefore proposes that the Council should rapidly define a Community position on a number of vital issues with a view to preparing the way for an agreement with the other industrialized countries, the oil-producing countries and the other developing countries on resumption of the dialogue.

3. One of the problems which were encountered at the Paris preparatory meeting was the prominence to be given to raw materials and the development of the developing countries on the agenda for the Conference proposed by the French President.

The Commission proposes that the Council fill out the view taken on this matter by the European Council in Dublin on 11 March¹ and that the Community agree that these two groups of problems should be given equal prominence with energy.

4. The following pages deal with the approach which the Commission proposes the Council should adopt if the dialogue is resumed.

In making these proposals the Commission hopes that the dialogue will become an effective means of:

- (a) giving the least developed countries better living standards and a bigger share of world economic growth;
- (b) promoting the attempts being made by energy-producing and raw-materials-exporting countries to induce steady economic growth;
- (c) stabilizing the conditions for the development of those developing countries which import raw materials;
- (d) enabling industrialized countries to balance their economies and absorb the necessary changes without excessive strain.

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¹I.e. that the Conference would deal with "matters specifically relating to energy and directly connected questions concerning economics, finance and the developing countries".

A. RAW MATERIALS

It was the idea mentioned in the preceding paragraphs which informed the recent Commission communication to the Council on raw materials in relations with the developing countries (Doc. COM(75)226 final, 21 May 1975)¹. The Commission was encouraged to pursue its efforts by the reception which this document received when it was first discussed by the Council in Dublin on 26 May.

B. ENERGY

5. Energy, particularly oil and natural gas, is a fundamental (even if it is not the only) factor determining the balance of international economic relations.

To avoid misunderstandings and dissipate any tension which might hinder cooperation, it is necessary to affirm and recognize the sovereign and inalienable rights of states to own and exploit their own natural resources. At the same time, energy producers and consumers are interdependent, hence the importance of constructive international cooperation. Unfortunately, however, for energy, unlike raw materials and development aid, there has so far been no international forum where international cooperation is systematically and comprehensively organized.

6. There is therefore a real need for the dialogue. It would nevertheless be rash to expect it to produce immediate results, especially as the parties involved have hitherto gone their own ways, made their own plans and formulated their own policies on the basis of their respective strategies. For progress towards constructive cooperation to be achieved, those involved must first examine together world energy prospects and the possible effects of the various policies which have been or might be adopted by producers on the one hand and consumers on the other. The search for common ground which will reconcile the long-term interests of the various categories of countries can only be successful if a joint study is made on the basis of a broad exchange of information and views.

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¹Two supplementary memos on this subject will be sent to the Council in the near future.

It would be highly inadvisable to start the dialogue with a controversy over oil prices or the extent to which the rise in oil prices has led to the present economic depression. Useful ideas about what levels of oil prices will best meet the long-term interests of all the countries involved and on the possibility of joint action in determining these prices can only be developed during the course of the dialogue itself once a climate of mutual trust favourable to the intensification of cooperation has been created. The same is true of security of supply.

7. While affirming its desire to help intensify cooperation in this way as soon as circumstances permit, the Community should advocate that cooperation between energy-exporting and -importing countries be gradually developed along the following lines:

- (a) exchange of appropriate information to initiate and stimulate the dialogue;
- (b) identification of the key energy problems for which both energy-importing and -exporting countries are responsible;
- (c) cooperation in deciding on practical contributions which will facilitate solutions to the problems while taking account of the very different situations of the various categories of country.

For this cooperation process to be effective, some sort of permanent framework must be created, which will have to be small enough to be efficient and at the same time broadly representative and sufficiently open to allow all the interests involved to be heard.

- 8. More detailed guidelines for the energy dialogue are set out below.

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(a) Exchange of information

Cooperation between energy-exporting and -importing countries must first of all be based on the kind of broad and regular exchange of information which has been seriously lacking up to now. This should cover:

- (i) future production and consumption prospects;
- (ii) optimum use and conservation of resources;
- (iii) development of alternative sources of energy other than oil and gas through industrial projects and energy R&D;
- (iv) industrial projects linked with the use of energy;
- (v) prospects of putting to use the funds derived from activities in the field of energy.

(b) Key energy problems - joint responsibility

It is in the common interest of the parties involved in cooperation to seek conditions which will prevent sudden and harmful fluctuations in the economies and promote:

- (i) stable, fair prices which move in line with jointly agreed economic criteria with due regard for the need for secure and regular supplies to satisfy world demand for a given period;
- (ii) the optimum use of resources and related economic activities;
- (iii) the development of energy sources which could gradually replace oil and gas, particularly by R&D on new sources of energy;
- (iv) the rational use of energy.

Cooperation between the parties will cover all the subjects mentioned above.

(c) Other matters related to cooperation on energy

Cooperation on the abovementioned subjects should also lead to industrial, technical and financial cooperation.

(i) Industrial and technical cooperation

The problem is the twofold one of making possible the development of industrial activities linked with energy to avoid costly or unprofitable duplication, and of directing the geographical distribution of investment by the oil-exporting countries in a way which will satisfy their economic growth ambitions and desire for profitability.

Both energy (development of alternative sources of energy, R&D, rational use of energy, refining, petrochemicals, production of fertilizers) and other industries may be involved. These activities will be located either in the exporting countries or in the importing countries, depending on the economic development needs of the countries concerned and the market potential.

Cooperation here, which will be mainly a matter for the business world, should cover transfer to the energy-exporting countries of equipment, techniques and knowhow relating to oil and gas and other sources of energy, the rate of transfer to be jointly agreed by the parties concerned. In this way the energy-based economies of the producer countries would be diversified and their economic development promoted. Cooperation could also include vocational training, access to scientific and technological knowledge relating to energy and, in appropriate forms to be agreed, R&D activity in the field of energy.

(ii) Financial matters

In addition, the dialogue cannot ignore the profitability and security of surplus funds invested by the oil-exporting countries in the industrialized countries.

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The advantages and disadvantages of a wider use of the technique of expressing assets in units of account, thus limiting the risks attached to single currencies by weighting them in a basket, could be studied.

As regards direct investment by the oil-producing countries in shares and property, there is at present a risk of further national controls proliferating which would hinder capital movements (and in particular divergent views on which industries need to be protected) and, at the same time, a risk of trade and financial links being established on a bilateral basis as a result of countries accepting or attracting large-scale investment because of their balance-of-payments situation. It would therefore be desirable for the dialogue to produce a code of conduct in such matters.

If the OPEC countries were interested, solutions of the investment trust type, with joint participation by industrial countries and oil-exporting countries, could be studied with the aim of diversifying their investments or channelling them into particular areas and/or industries.

Cooperation on financial and technical aid to the poorest developing countries is dealt with below.

B. DEVELOPMENT POLICY

9. In its preliminary proposals made at the Paris preparatory meeting the Community had already devoted special attention to the problems of developing countries. If the dialogue is to be continued, the situation of the most needy countries and the food problems of developing countries deserve special attention.

Aid to the most needy countries

10. There are a great number of developing countries which, apart from not benefiting from recent trends as regards oil, are also net importers of other raw materials and whose terms of trade are therefore deteriorating from every aspect. Moreover, a number of countries in this group - indeed some of the major countries - are among the poorest.

The only way to find a rapid solution, if only a partial one, to the problem of these countries is to increase the flow of financial resources on favourable terms. If the international community does not wake up to this fact, the collapse of the countries in question will be inevitable. This must be prevented, not only in the interests of those countries themselves, but also in the interests of the industrialized countries which trade with them.

From these considerations the Commission concludes that however difficult it may seem in the present circumstances, particularly because of budgetary factors, the Member States must provide a real increase in aid to those countries. The Commission here recalls the objective set by the Council in its Resolution of 16 July 1974 to increase official development assistance to 0.7% of GNP. This increase should also be expressed in concrete form in the Community aid programmes. The Commission refers on this point to its communication to the Council on financial and technical aid to non-associated developing countries (COM(75)95 final) and to its food aid initiatives.

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11. The increase in aid which can reasonably be expected from the industrialized countries will, however, not be sufficient to meet the most urgent needs of the developing countries in question. This is why increased utilization, to benefit the most needy countries, of part of the funds which certain oil-exporting countries have available has become a vital component of international action in favour of the most seriously affected developing countries.

Side by side with the increase in the volume of aid, a geographical redistribution of aid to the developing countries which need it most must also be envisaged. Such a reorientation seems just, equitable and feasible in view of the new economic realities characterizing the various groups of countries of the Third World. The advisability of laying down a specific international objective in this matter might be discussed. This is an extremely important aspect of the concerted action to which the dialogue must lead. Moreover, there should be close cooperation between the OPEC countries and industrialized countries aimed at promoting "triangular" operations and at finding appropriate financial formulae.

Tying official aid to specific purposes might be another aspect to consider (see food problems - para. 12).

The world food problem

12. As was stressed at the World Food Conference which took place in Rome in 1974, the long-term solution to the food problem which will remain with us over the next few years is to increase developing countries' agricultural production. This would involve donor countries granting additional funds for rural development and the expansion of food production in developing countries.

While the Community will continue this type of aid under the Lomé Convention (as it had already done under the second Yaoundé Convention), the Commission

recalls its recommendation to the Council to adopt the covering of food needs as a priority objective of financial and technical assistance to the other developing countries. For the same reasons it has recently proposed to the Council (COM(75)269 of 30 May 1975) that the Community participate in the International Fund for Agricultural Development, to which a number of oil countries and industrialized countries, including the United States, have already stated that they intend to contribute.

13. Since this financial and technical assistance can only have a gradual effect, it is vital that other measures are taken in the meantime in order to secure the developing countries against food supply difficulties.

The first of these measures is food aid. In accordance with the resolutions of the World Food Conference and as already proposed by the Commission in its Memorandum on food aid, such aid should be increased, programmed on a multiannual basis and concentrated upon the most needy countries.

The second type of measure could be of a commercial nature, consisting, for example, of the sale of products at reduced prices - such as that already decided upon which involves the sale of 100 000 tonnes of skimmed-milk powder - or of medium-term supply contracts, a formula which is at present being studied.

14. Lastly, the Community intends to contribute to the securing of world food supplies within the framework of the multilateral trade negotiations in Geneva, where it has just presented an outline agreement on cereals that is intended to stabilize prices and limit the risks of shortages and surpluses. An important part of this agreement would be the concerted stockpiling policy*. In this way the importing developing countries will be assured stabilized supplies within a predetermined but not excessively wide price range.

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*Following the World Food Conference the Community is also taking part in the ad hoc discussions in London on the stockpiling of reserves.

15. STRUCTURE OF THE DIALOGUE

One of the questions to which attention was devoted at the Paris preparatory meeting concerned the various kinds of conclusions to which the dialogue might lead. The Community (like the other industrialized countries) attached great value to establishing that the subjects already being dealt with in the work of other international authorities (for example, certain questions concerning raw materials, food and development policy) should also be treated, within the framework of the dialogue, in such a way as to avoid duplication and competition with that other work. Moreover, the Commission understood that the principle underlying this approach was being followed by the other participants, though they did object to bringing out the distinction at this stage of the proceedings.

Assuming that there is no real divergence on matters of substance, the Commission considers that it will be possible to specify actually during the dialogue the forms of action this must lead to, either within the framework created for the dialogue, in new agencies as yet to be defined, or in existing agencies but in accordance with policies and guidelines drawn up jointly.

In making this proposal the Commission obviously fully maintains its position regarding the need to avoid duplication and competition between the various international agencies.

As for the framework within which the dialogue will be initiated, the Paris preparatory meeting had already enabled attitudes to be substantially aligned. The Community will have to show that it is amenable to any constructive suggestion regarding the future structure of the dialogue which is liable to meet with the agreement of the participants.

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16. CONCLUSION

The Commission proposes that the Council adopt as soon as possible (at all events no later than the European Council planned for 16/17 July 1975) the Community approach with a view to resuming the dialogue on the basis of this communication and that of 21 May on raw materials in relations with the developing countries.

In presenting its views to the other participants in the dialogue the Community should obviously state that it is prepared to examine other ideas put forward by them with the same attention it expects its own suggestions will receive. An objective examination of the views of all the participants is vital to the success of cooperation.