



# EUROPE and the world without LUNUL L

Policies and programmes of  
the European Community and  
their impact on world poverty.



# **EUROPE and the world without**

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Reports in this series are intended as a contribution to public debate on issues of world development and it is hoped that policy-makers and planners will take them into account. They reflect Oxfam's concern for human rights and a belief that new policies are needed to meet the challenges of a rapidly changing world.

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*“It’s easy to say: ‘Europe must do that, and that, and that,’ but when in the meantime we all as citizens take no action . . . when we just sit around and say ‘it should be’ and are not willing to work for it; so long as we continue in this way, Europe will never have the force to be a power in the world that can shoulder its responsibilities. . .*

*“The time is urgently upon us to review our system, in order to avoid the collapse of the Third World and perhaps the collapse of our part of the world as well. And basically it is a question of distribution on an equal basis of the last resources of earth. Not only between the living today, but between us and the coming generations. In this light we have to see our responsibility in the world.”*

— Dr Sicco Mansholt, former President of the European Commission. Extracts from the Gilbert Murray Memorial Lecture for Oxfam, at the Oxford Union, October 1973.

This report is addressed to the member governments of the European Community and to the Commission in Brussels as a contribution to the continuing debate on Europe's role in world development.

## **ONE: ANOTHER EUROPE**

- 1 With the noise of its new industry resounding across the continent, Europe 100 years ago was busy multiplying the world's wealth on an unprecedented scale. In the process our forbears were sowing the seeds of what has today become the most politically explosive and morally challenging issue of world affairs: the deepening gulf between rich countries and poor.
- 2 Europe in the mid-19th century, even after the first phase of the industrial revolution, was still not dramatically richer than the rest of the world. The industrial nations then, with 26 per cent of the earth's population, accounted for 35 per cent of its income.<sup>1</sup> It has since taken a mere four generations to reach the point at which a citizen of the European Community now earns on average 40 times as much for his daily toil as a man or woman in India.
- 3 Having accumulated such an *embarras de richesses*, Europe's most urgent and critical task today is to find ways of restoring something closer to the pre-industrial equilibrium in the wealth of nations. For we must recognise that without it the continuing polarisation between have and have-not presages almost certain disaster.
- 4 This essential reformation is not something that can be accomplished by the nine nations of the European Community alone. Together, however, they can and indeed should provide the political vision, the leadership and a commitment to practical measures for re-

structuring the world economy. The purpose of the present report is to identify some answers to the question, How?

## **The story so far**

- 5 It is now exactly 20 years since the leaders of France, Germany, Italy and the Benelux countries put their signatures to the Treaty of Rome establishing the European Economic Community (EEC).<sup>\*</sup> Looking for a new Europe, they renounced a whole history of proud empires and bloody wars, opting instead for the passionless pleasures of commercial partnership as an avenue towards unity.
- 6 In two decades the six original member states have increased their wealth by leaps and bounds, the commercial union is complete and three more countries have been added to the membership roll. On the other hand there has been little or no progress towards union on other levels — political, economic or monetary.
- 7 In the same 20 years, ever more rapid scene-shifting on the world stage has upset many assumptions about the kind of Europe which would be best fitted to face the future. Until recession struck in 1974 the Community had amply fulfilled the objective enshrined in Article 2 of the Treaty of Rome, namely to promote continuous economic expansion and “an accelerated raising of the standard of living.” But in the meantime new concerns have arisen which challenge the primacy of economic growth as an objective in itself. Concerns about the preservation of our human and physical environment, for example, and about the need to accommodate the peoples of the Third World in the future development of our global village. There is a need for economic strategies which will enhance rather than diminish the quality of life, as recognised by the Belgian Prime Minister, M. Leo Tindemans, in his report on the prospects for European Union.<sup>2</sup> The Brussels Commission has itself also come to realise that an uncritical pursuit of growth will no longer suffice.

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<sup>\*</sup> In this report the term ‘European Community’ is used subsequently to denote the member states of the EEC, the European Coal and Steel Community and Euratom, which together form the European Communities.

- 8        These new problems are essentially political or social, not commercial, and as such they pose a challenge which the mercantile EEC at its present stage of development is poorly equipped to meet. The challenge can be seen in three dimensions:

## **The global dimension**

- 9        The Europe of the Nine is the world's biggest trading bloc and also the largest governmental source of development aid to the low-income countries of Africa, Asia and Latin America. The member states therefore have a special responsibility towards the world community to concert their policies in this dimension, to exercise an influence on international affairs commensurate with their economic size and weight and to seek ways of bridging the differences between other developed countries and the Third World. In particular, it is incumbent upon the Nine to exercise their collective authority in favour of substantial trade and monetary reforms making fair provision for the participation of the developing countries.

## **The European dimension**

- 10       The divergent extremes of wealth and poverty at world level are precisely mirrored within the European Community. While standards of life overall have risen within the Nine, the disparities between the industrial heartland and the peripheral regions have become increasingly acute. Unchecked they will threaten the Community's future development and also its achievements to date, but *how* to check them is a real dilemma.
- 11       Equally problematical is the Community's ability to absorb the new applicant members who are expected to be knocking at the door in the near future. Spain and Portugal will probably follow Greece, which appears set to become the 10th member of the club despite thorny problems which an extension into the eastern Mediterranean will present.
- 12       With the accession of one or more of these less-developed countries on its southern flank, the Community will lose any remaining resemblance to a club of the rich. Their entry will also dilute the benefit

of redistributive policies to the present poorer member states, Britain, Ireland and Italy. Except in the improbable event of governments subordinating their national interests to the wider public good, it will be significantly harder than today for the Community to reach any worthwhile consensus on external policies and harder to draw a line between the interests of the poorer member states and those of the Third World bloc. It will also be more difficult to reconcile (a) the need for a better spread of economic activity between Europe and the developing world with (b) the same need within Europe.

13 One possible counterforce could be the influence from next year of a directly-elected European Parliament. While a great deal will depend on the extent of the powers accorded to the new legislature, it can be expected to follow the present Parliament in giving particular priority to social objectives, seeking greater efforts to reduce the contrasts of wealth among its electorate and reminding member governments of their responsibilities towards the world without.

14 The new European Parliament may also prove the best forum in which to air the increasingly felt need at many levels of society for a future less dependent on maximising economic growth. There is a growing constituency demanding that ways be explored in which our society might get itself off the hook of consumerism without provoking a total economic collapse.\* The search is for a sustainable lifestyle which, responding to concern for the quality of life, will also generate a surplus sufficient for us to help others meet their basic needs. At present, though there are models showing how such alternatives to growth might function once established, there is yet no credible scenario to get us there from here without an intolerable degree of disruption. Nevertheless, as the view gains ground that reliance on economic growth is likely to compound rather than cure the ills of western society, it begins to appear that some alternative, if it does not exist, will have to be invented.

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\*The Commission, in the draft of its Environment Programme for 1977-81, observes that "growing sections of the population are rejecting . . . the scale of values implicitly suggested by the consumer society and signs of saturation are appearing."

## **The Third World dimension**

- 15 While maintaining an impressive solidarity in the international arena, the Third World is less and less a homogeneous group. Its members are now spread over many rungs of the development ladder, with some climbing fast and others unable to lift themselves off the bottom. The challenge to the European Community in this dimension (as to the other industrialised nations) is a complex one: the prime requirement is a coherent global strategy to which all policies and programmes can be made to conform, while at the same time ensuring sufficient flexibility to respond to needs that vary widely in description and degree.
- 16 The Lomé Convention, which represents the Nine's principal commitment to development co-operation with the Third World, will be due for replacement or renewal in 1980. That same year will mark the start of the United Nations' Third Development Decade. If the revised Lomé treaty is adequately to reflect international objectives for the 1980s, the Community must now start to show a greater sense of urgency in its efforts to agree a global development strategy. Such a strategy, it should be stressed, does not imply renunciation of the historical ties with certain countries or regions which can be a special attribute in western Europe's partnership with the developing world: it implies only that we should make the best of these links by viewing them in a wider context.
- 17 In qualitative terms, a global strategy of development must do more than simply set criteria for the geographical distribution of trade preferences and aid funds. Perhaps even more importantly it must be global in the sense of embracing all areas of our own national and Community policies which impinge on the interests of the Third World. At the same time, quantitatively, there will have to be a very dramatic increase in direct resource transfers before the Community's commitment to meeting mankind's basic needs is remotely consistent with the scale of the task.

## **What the planet can afford**

- 18 Before it can advance further on solid ground, the European Community must find an adequate response to the challenge in all these dimensions. So

what is needed? First and foremost, a **consensus** among the peoples/governments of Europe about the kind of Community they want for themselves within the world community. This consensus must take into account the fact that no single member state can any longer determine its future course in isolation, and it must recognise the massive effort required over the next 25 years to meet even the rudimentary human rights of people in the poor developing countries.

19 In defining its objectives Europe must consider all the resources, human and material, available to meet the world's needs. And this means more than just trimming our sails to the immediate constraints and opportunities; it means matching our long-term aspirations to what the planet as a whole can afford.

20 Following from this, the second requirement is for a medium to long-term **strategy** within which day-to-day policy-making can be oriented towards the agreed objectives. The following chapters examine the principal elements in any such strategy as they would affect — and hopefully reinforce — the Third World's progress towards self-reliance: finance, trade, agriculture, employment, industry and migration policies.

## **TWO:           STRUCTURING THE FUTURE**

- 21           The possible destinations of any journey are governed by one's choice of vehicle. To admit a wider selection of futures and to deal seriously with the issues outlined in the previous chapter will require some important modifications to the European machine.
- 22           Even before this, though, the nine member states badly need to defrost their communal windscreen in order to see where the present road is leading and to be able to read the signposts. The start of 1977, with Britain occupying the Presidency of the Council of Ministers for the first time, found morale in Brussels at a low ebb. The Nine have no shared concept of the kind of Community they want to build, complained M. Gaston Thorn, Prime Minister of Luxembourg, on ending his presidential term six months earlier. And the European Commission has observed glumly that "the idea of Europe seems to have lost much of its strength and initial momentum . . . deprived of its inner driving force, the Community has been unable to keep up effectively with changes in European society."<sup>3</sup>
- 23           Defrosting the communal windscreen is perhaps an easy metaphor for a task which in practical terms is anything but easy to define. Two things it must surely embrace, however, are a more wide-angle view of policy options than that presently admitted and also a much wider dissemination of information to stimulate public awareness of the alternatives available to choose from. In the latter context it is important that the Commission should seek approval at an early date

for a budget to support development education work by independent bodies in the member states. If able to harmonise the content and orientation of these activities, such a programme could prove immensely valuable in sowing the seeds of a 'Community consciousness' towards the issues of world development.

- 24 As for the European machine itself, proposals for reform of the Commission are already thick on the ground. It is not within the scope of this report to consider the various proposals in detail, nevertheless there are four institutional functions which need attention if the vehicle is to respond to any changes of direction we may wish to make. The functions in question are (i) co-ordination of foreign policy, (ii) concerted economic planning, (iii) provision of adequate research/forecasting inputs at policy level and (iv) co-ordination between policy sectors, especially where domestic and foreign interests converge or collide.

## **The art of the possible**

- 25 The Commission itself laments that efforts to harmonise the foreign policy of the Nine have "seldom led to anything more than the Community reacting to events." The only areas clearly defined are those relating to trade, Euratom and the Lomé group of developing countries, and even these, says the Commission, tend to be narrowly interpreted, confining Community policy "within bounds which do not permit coherent action."<sup>4</sup>

- 26 In the past three years, under pressure at the United Nations, UNCTAD, the North-South talks and other international fora, the Nine have attempted — on an ad hoc basis and not always with success — a greater measure of political co-operation.<sup>5</sup> This has been done mostly through direct inter-governmental contacts. It has therefore unfortunately been at the expense of the Commission, which by virtue of its freedom from electoral constraints is much better able to see issues in their medium or long-term context than national administrations which are usually pre-occupied with their reflections in a close-up mirror. The development of these informal channels between governments, together with the powers reclaimed by the nine heads of state sitting as the European Council, have tended increasingly to eclipse the authority of the

Commission. The most surprising of these 'channels' is the 1,500-strong Council Secretariat, a body quite apart from the Commission and one which is strictly informal in the sense that there is no legal basis for its existence at all.<sup>6</sup>

- 27 A common strategy in the fields of foreign and economic affairs is clearly essential to provide the directional thrust for European advancement. And the castration complex of some governments, fearful of a loss of national sovereignty, cannot be allowed to obscure the obvious case for having both functions provided within the Commission. Pressure is already building up for a much closer degree of foreign policy co-operation to deal with the complex political aspects of the economic relationships that the Community has entered into. Some new structure is clearly needed for this purpose. Dressing up the Davignon Committee — the consultative forum for top officials of the nine foreign ministries — with a permanent staff of its own would not be an appropriate substitute.

### **Concerting economic policy**

- 28 As argued earlier, forward movement by the community must depend on an effective and progressive *Europolitique vis-à-vis* the outside world and upon the reduction of social inequalities in our own society. This should be sufficient to make the case for a concerted, medium-term economic strategy. It does not necessarily mean trying to apply the kiss of life to Economic and Monetary Union (EMU). What it does require is a degree of co-ordination which, for example, will avoid any repetition of the economic troubles of 1973/74 when member states compounded their difficulties by failing to take due account of the effect their individual measures of retrenchment would have on each other.
- 29 Moreover, changes occurring or impending in the world economy—particularly between the industrialised and the developing countries—cannot be effectively planned or assimilated as long as responsibility for the Community's medium-term economic programme is confided to the Economic Policy Committee, a competent body of men but one perforce preoccupied with short-term, day-to-day problems. This programme needs a much wider range of inputs than can be provided by a single Directorate of the Commis-

sion, and it should be subject to approval not only by Ministers of Finance but those concerned with Social and Development policies.

- 30 The choice for Europe is, on the one hand, to apply its economic might with a little will, imagination and foresight to the urgent task of reshaping the world economy, or, on the other, to let things slide, continuing to play out its post-colonial end-game and living off the leftovers of the industrial age. In less apocalyptic terms, one senior Commission official puts the problem like this: "As long as the member governments see the Community in a one to two-year time frame we'll never get any forward planning — and without that the whole thing will fold up."

## **Information and forecasting**

- 31 "Many of the Community countries are now, even in the higher reaches of politics and administration, extremely poorly informed about the rest of the world." Such was the considered judgment of a high-powered committee called Europe Plus Thirty in its recent report, exhaustive but highly readable, setting out the case for a European futures research institute or 'think-tank'.<sup>7</sup> Perhaps because governments are afflicted with a special kind of myopia when asked to look at their own weaknesses, the Europe Plus Thirty Report has not received the attention it deserves. Individual governments have done a certain amount of work in this area, it is true, but even if Europe Plus Thirty aimed rather high in its proposals for a Community think-tank, the function is one that needs to be filled in some form.

## **Lateral linking**

- 32 At national level, the deficiencies of government structures now frequently prevent adequate co-ordination, for example between domestic and overseas departments where the ramifications of policy are no longer discrete. These deficiencies are equally evident in Brussels, where Commission officials will readily admit there is not enough horizontal or lateral co-ordination between the various Directorates, even in the case of a clear overlap of interests between, say, imports from developing countries and

incentives granted to competing industries within the Nine.

33 This lacuna was underscored the the Europe Plus Thirty Report, which observed: **“We have in fact reached a situation where the inter-actions are so important that it is difficult even to identify discrete problems, let alone to apply discrete solutions. Yet the machinery of our governments, designed for earlier and simpler days, is still organised sector by sector and can only with difficulty assess interpolicy conflicts . . .”**<sup>8</sup> The problem is generally well understood, at least in Brussels, and the Commission has put forward proposals to help correct it. More needs to be done, however, possibly along lines suggested by the Netherlands government.\* As things stand, the lack of horizontal co-ordination seriously diminishes the impact which the Community’s funding agencies could have if wielded in concert. It can also produce conflicts such as the notorious case of a Social Fund grant to Ireland for the setting-up of textile and shoe production—goods certain to be in direct competition with developing country exports. By the time this grant came to the attention of other Directorates it was too late, despite their protests, to get it rescinded.

34 In summary, then, the organisational task is to get the two strategic shafts of foreign and economic policy bolted to the front end of the Community cart and strapped to a harness of high-quality information and forecasting inputs. This should be evidence enough of the formidable assignment facing the new team of Brussels Commissioners under Roy Jenkins. And if they then want to go somewhere, there’s the maverick Political Will still to be caught and hitched up.

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\* In a memorandum to the Council of Ministers in September 1976 (document S/1380/76), the Netherlands proposed (i) joint meetings of Foreign and Development Ministers, (ii) a statement of ‘development implications’ to be attached to every proposal submitted by the Commission to the Council, and (iii) implementation of the Commission proposal for an ad hoc working party to seek greater consistency between the Community’s internal and external policies.

## **THREE: FINANCE: THE MARKET PRICE**

35 How people spend their money is usually a good reflection of their interests, values and aspirations. On this reckoning, Europe would seem obsessively concerned with its stomach, devoting no less than three-quarters of the Community budget to food. Of course, if one creates an animal in which most other organs are absent or atrophied, this state of affairs is scarcely to be wondered at. And such is the anatomical deformity of the European Community at present that no better budgetary share-out could really be expected. The unbalanced distribution of Community spending simply reflects an unbalanced policy mix, as a result of which the whole thrust of the Commission's activities is badly lopsided. As one observer has remarked—echoing many others—"it is not a community of peasants, after all."<sup>9</sup> But the weighting of funds is bound to remain skewed until the nine governments can agree on a more balanced package of common policies and programmes to embody their objectives.

### **Spending money**

36 Even within the present limitations, some governments must bear responsibility for having resisted an overdue reform of Community spending, especially that of the Agricultural Fund (FEOGA). The Commission, it must be said, can do virtually nothing to improve the distribution of existing resources and, in 16

quantitative terms, its budget is minuscule when set against the tasks which the Nine are or ought to be tackling at Community level. Consider, for instance, that the 1977 Commission budget of 8,800 million units of account\* (about £3,670m) is less than the sum controlled by any one of four or five Departments in the British government alone.

- 37 The potential impact of the European budget begins to look very small indeed when one recognises, on top of that, that only a tiny fraction of its disposable income can be deployed at the Commission's discretion in favour of communal rather than purely national objectives. Britain, for instance, has been getting back more than it nominally contributes—indeed a large part never leaves the country except as ink on a balance sheet. Setting aside guarantee payments under the Agricultural Fund, the clawback by national governments renders largely futile any attempt by the Commission to exert a coherent influence on the nine economies overall. Furthermore, the illusion of large sums being channelled through Brussels makes it proportionately harder to establish the case for increases required, particularly when the public who actually benefit from these funds are seldom made aware of their origin.

### **What helps most?**

- 38 Turning to the deployment of Community funds as it affects world development, there are a number of points to be made. In the first place, as the Commission has declared in its proposals for a global Community policy towards the developing world, new forms of commercial co-operation (implying more spending to liberalise trade) should over time "enable the countries concerned to build their own future by their own efforts and progressively to reduce their financial dependence on foreign aid."<sup>10</sup>
- 39 The message to be drawn from this and similar statements is that the commitment to international

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\* The unit of account (u.a.) is used by the Community to express in specific terms the sums involved in its activities and policies. The gold-parity unit of account used for the Community budget has a fixed value of £0.4166. Since 1971 several variants have had to be introduced to cope with fluctuating foreign exchange rates, notably the European Unit of Account (EUA) calculated on a basket of the currencies of the nine member states. For details see Commission press release ISEC/B33/76 of June 29, 1976.

development co-operation by the industrial countries can today be measured by their domestic spending on industrial conversion, employment and regional poverty as much as by direct transfers of financial assistance. Conventionally, the percentage of a country's GNP devoted to overseas aid has been the yardstick of its political will to help the less-developed countries. On its own this criterion is no longer valid. There is now a growing awareness that for some (not all) of the intended beneficiary countries, a given sum of money spent judiciously through instruments such as the European Social Fund may in the long run do them more good than the equivalent grant or loan. On these grounds the present report must take into account areas of policy whose relevance to overseas development might not otherwise be immediately apparent.

- 40 That said, it should be emphasised that for some time to come aid programmes will continue to be a central feature of the western world's development co-operation effort. The European Community's record on this front is a bit of a mixture, as we shall now see.

## **Aid for development**

- 41 With the Lomé Convention and a much-improved trade preference scheme to their credit, the Nine have so far done better in the field of trade than they have in concerting their global aid policies. True, the European Development Fund (EDF) is to make grants and loans totalling 3,000 million u.a. to the African, Caribbean and Pacific (ACP) countries in the Lomé treaty. But the EDF is slow in disbursing its cash and many of its projects are likely to run well beyond the treaty's five-year span, so that spending by 1980 will have averaged something well below the projected 600 million u.a. per year. In any case, important as it is, the EDF represents only about a fifth of the total aid budget of the member states. Co-ordination of the remainder—an annual sum in the region of \$4 billion—is thus of more than passing significance.

- 42 **Harmonisation:** Unfortunately, if the governments of the Nine have a hard enough time agreeing how to spend money on themselves, agreeing how to spend it on someone else seems quite beyond them. As aid donors they can muster an impressive diversity of

opinion about what is best for the recipients. The Danes have their doubts about food aid, the Germans about almost all kinds, the British and Dutch want more for the poorest countries outside Lomé, while the French, Belgians and Italians caution that aid shouldn't be spread too thinly (which may be taken as a tacit admission that if it were spread any further it would look very thin indeed). Despite agreement in principle to harmonise their bilateral aid efforts, the Nine have so far made little or no progress on this score.

- 43 **Aid to non-associates:** The 'non-associate' lobby—i.e. those member states which favour moving towards a global aid policy by increasing Community assistance to the poorest countries outside the Lomé Convention — have recently found themselves held to ransom by the 'harmonisation' lobby. Or is it the other way round? In any event, until settled at the eleventh hour, the squabble raised a titillating prospect of the Commission taking the Council of Ministers to court for the first time over their refusal to release 20 million u.a. approved last year for aid to the non-associates. Hardly a munificent sum, the 20 million u.a. was what remained after the Council wielded its axe on the Commission's proposal for five times that much. This year the budget request is for 120 million u.a., spread over the next three years.
- 44 **Third world debts:** Talks with the ACP states on the vexed question of the developing countries' massive debt burden have been suspended because the Community declines to accept the principle of generalised relief. The Nine argue, reasonably enough, that across-the-board relief would favour those countries sufficiently well off to have incurred debts in the first place and, among them, the ones which have borrowed beyond their means. Still on the table is a 1975 Dutch proposal for a moratorium on loan repayments to member governments by the very poorest countries and those hardest hit by events since the 1974 energy crisis. In view of the magnitude of the problem the Council of Development Ministers should allocate time for detailed discussion of this proposal at an early date.
- 45 **Food aid:** The obduracy of one or two countries in the Council of Ministers has thwarted every attempt by the Commission to raise food aid commitments to a level that would meet the international targets agreed

more than two years ago at the World Food Conference. One modest advance has been a recent commitment to three-year forward planning of food aid, but the Community is the only major donor which has done nothing to increase the amount of cereal food aid it gives. Nearly all the experts agree that this form of aid is crucial to many developing countries while they are working towards greater self-reliance in food supplies, but one or two of our governments evidently think they know better. Either that or they say they can't afford it, which is a value judgment more than a statement of fact. It means that a million lives are if necessary more 'affordable' than the few hundred thousand extra tons of grain Europe is being asked to give — an amount representing only a small fraction of annual carryover stock. Oh no, they'll say, that is emotive and untrue. But it isn't.

46 **Co-financing with voluntary agencies:** A recent innovation in the Commission's development policy has been co-operation with non-government organisations (NGOs), particularly the aid agencies such as — in Britain — Oxfam and War on Want. Last year a budget of 2.5 million u.a. was approved for joint financing of NGO development projects and more recently 10,000 tons of food aid has been earmarked for distribution free of cost through the voluntary agencies. Given the Commission's concern — in line with current international thinking about development objectives — to find projects capable of tackling poverty at its roots, the co-financing scheme holds out potential advantages for both sides and, hopefully, most of all for the beneficiaries.

47 **In conclusion,** probably the best judgment one can make on the Community's aid programme at present is that it could be better and could be worse. But that's already more than can be said about the overall shape of Community spending, which this chapter has been about. Just look at the 1976 figures: while appropriations under every other budget head went up by an average of 20 per cent, development aid funds were slashed by the Council of Ministers to a level six per cent below the previous year. At constant prices this represented a cut of nearer 20 per cent. So the Nine deserve at best a quizzical response to their claim to be outward-looking and aware of the new forces abroad in the world. They're entitled to the claim, but it does look at times to be leaning rather heavily against the facts.

## **FOUR: TRADE: IS IT A DEAL?**

- 48 Trade is the lifeblood of Europe. To the Nine it is worth 362,300 million u.a. a year, representing a quarter of their gross domestic product. Since the days of the great sailing ships, which scoured the oceans to bring back tea, sugar, spices and other exotic cargoes, the nations of the northeast Atlantic seaboard have thrived and grown rich on their foreign commerce. Over the past 300 years this trade has dramatically changed European habits of eating and drinking: our way of life wouldn't be the same without sugar and bananas from the Caribbean, coffee and cocoa from Africa, tea and spices from India and the East.
- 49 Today, nearly half the European Community's imports come from the developing world, which in turn takes about one-third of all our exports.\* These figures evidence the degree to which Europe and the Third World are now dependent upon each other for their future growth — the developing countries needing our industrial and other manufactured goods to accelerate their economic progress, and Europe needing the raw materials and the expanding markets which only they can offer.
- 50 It is this interdependence more than anything that has made the European Community "the necessary point

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\*Of Community imports and exports in 1974 the developing world accounted for 47 per cent and 31 per cent respectively.

of contact and the natural mediator between rich and poor countries," in the words of M. Jean Durieux, leader of the European Commission delegation to the 1976 United Nations Trade Conference (UNCTAD IV). "This gives the Community a heavy responsibility," he added, "which it cannot in future refuse, and which it will have to undertake most consciously, deliberately and determinedly."<sup>11</sup> The governments of the Nine — and not least Britain and Germany, given their unhelpful stance at UNCTAD — will need reminding of this eloquent commitment on their behalf to ensure that they fulfil their obligation to the world community in the various negotiating fora now piecing together a new framework for international relations.

## **Tariffs, quotas and preferences**

51 The countries of the European Community live behind a protective wall called the Common External Tariff (CET), which some regard as the principal load-bearing structure in the whole European edifice. The wall is buttressed at various points by an assortment of quotas and other non-tariff barriers. Applied at an average rate of about six per cent, however, the Community's tariffs — now being extended to encircle most of the rest of western Europe in a single common market — are lower than those enforced by the majority of industrial countries. And in practice, while quota restrictions remain a major barrier, hardly any of the developing countries' trade with Europe is subject to the CET, due to concessions granted under the Generalised Scheme of Preferences (GSP), the Lomé Convention and other trade agreements.

52 Responding to an earlier UNCTAD initiative, the Community in 1971 became the first trading bloc to introduce a Generalised Scheme of Preferences, under which semi-manufactured and manufactured goods from the developing world, as well as some processed agricultural products, can be imported duty-free. The Nine have a good record for progressively extending the coverage of their GSP, particularly in the four years since Britain's entry, and the European scheme is the only one to date which includes textiles. For 1976 the value of GSP concessions was estimated at 4,600 million u.a., compared with 900 million u.a. in 1973. For a variety of reasons, however, little more than half of the granted preferences have actually been taken up.

- 53 One problem in this regard is the system of non-transferable quotas on sensitive products, which means that it is difficult for an exporting country to make full use of them. In addition, according to the World Bank, "procedural complexities and a lack of information have prevented many developing countries from fully utilizing the possibilities offered by the GSP"<sup>12</sup> To overcome this constraint, the Community is now making funds available to assist the developing countries in marketing their export goods.
- 54 As a further extension of GSP, the European Parliament has proposed that more generous preferences be designed for the exclusive benefit of the poorest nations, bearing in mind that the benefits of the present scheme go mainly to the middle and higher-income Third World countries. If these materialise it is important that a degree of transferability should be included in any quota arrangements.

## **Associates and partners**

- 55 Until the enlargement of the Community in 1973 required an accommodation for the developing countries of the British Commonwealth, the original six members had maintained free trade arrangements with their 18 associated African states and Madagascar — all former French colonies — through the Yaoundé Conventions of 1963 and 1969. Similar trade terms were granted to Kenya, Uganda and Tanzania in the Arusha Agreement of 1970.
- 56 Both these treaties were superseded when in February 1975, after 18 months of hard bargaining and a lot more concessions than it had originally envisaged, the Community signed the Lomé Convention with a much-enlarged group of 46 African, Caribbean and Pacific states (ACP).
- 57 Lomé is an important achievement. For the first time a large and heterogeneous group of developing nations bargained cohesively and successfully with a group of wealthy states to regulate their mutual economic relations. A five-year agreement, it provides most African states south of the Sahara, much of the Caribbean archipelago, and the three island groups of the Pacific with free access for 99.2 per cent of their exports to the European Community. (Since then three more countries have been added to the member-

ship\* and a further three were expected to join early in 1977. † )

- 58 A significant innovation in the Lomé Convention is its scheme to stabilise the export earnings of the ACP states on a range of products by making them less vulnerable to market fluctuation. Known as Stabex, the scheme covers agricultural raw materials and iron ore and provides that if a country's earnings on any of these products fall significantly below the average of the four preceding years, the shortfall is met by a loan or a grant. Although rightly hailed as a breakthrough in international trade co-operation, Stabex has a relatively small budget — 375 million u.a. to be spread over the five-year period.

## **From the ACP angle**

- 59 Welcoming the Lomé agreement as a move in the right direction, the ACP countries on the whole believe that the European Community is beginning to show a greater awareness of their problems and that the continuing dialogue will bring added benefits in the future. They nevertheless have some specific reservations about the way the agreement has operated in practice. Their criticisms are mainly in the areas where ACP trade will continue to be vulnerable: beef, sugar, dairy products, tobacco and vegetable oils.
- 60 With regard to beef, for example, the ACP group believe that it was unreasonable for the Community to introduce cuts in imports last year without taking into account how this would affect developing country producers, particularly Botswana, for which beef is the only major export earner. While accepting that the Community was entitled to make such cuts, the ACP group felt that Botswana should have been given preferential treatment over other exporters who were less dependent on beef sales. As it was, Botswana had to negotiate a special agreement with the Nine after the announcement of their beef import embargo.
- 61 Critics of the Lomé Convention suggest that some recipient countries do not really need the benefits

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\* Surinam, Seychelles, Comoro Islands.

† Cape Verde, Sao Tomé and Príncipe, Papua New Guinea.

it provides, since they have far stronger economies than others within the treaty. In an ideal world Europe might be expected to concentrate its development co-operation effort exclusively on the most needy countries, but the demands of realpolitik dictate otherwise. For instance, account must be taken of the regional integration which Lomé has helped to encourage in black Africa. And exclusion of the better-off countries from the Convention would have taken away the leadership and negotiating strength which they were able to lend to the weaker. Some purists to the contrary, it is difficult to fault the European Community for arranging that the trade benefits under the Stabex scheme do not exclude any ACP member state but are apportioned on a sliding scale corresponding broadly with need. It must be remembered, too, that Lomé was designed not so much for the poorest, but for those countries most heavily dependent on Europe for their export trade.

- 62 The ACP group, not surprisingly, looks askance at the Community's progressive liberalisation of GSP, which in effect erodes their free access advantages. However, on balance GSP has the greater benefit of spreading trade concessions more widely across the developing world.

## **Wider trading links**

- 63 In fact, though overshadowed by Lomé, the Community now has trade treaties with many other developing countries. Commercial co-operation agreements have been concluded with India, Sri Lanka, Bangladesh and Pakistan — and in the export of manufactured goods India is able to save more through concessions on the European market than all the African countries in the Lomé treaty. Most of the developing countries of the Mediterranean basin also have trade agreements with the Community. The Maghreb Agreement with Algeria, Morocco and Tunisia allows free access for their non-agricultural goods except for petroleum products and cork, and tariff concessions of 20 to 100 per cent on most of their agricultural produce. The Mashraq Agreement is a similar multi-lateral treaty with Egypt, Jordan, Lebanon and Syria. With Latin America, the Nine have a more limited relationship through bilateral and regional agreements.

- 64 All in all, the Community's trading relationships with the Third World are more broadly based than it is sometimes given credit for. But they do need pulling together: at present, due to widely varying scope and terms, they are not coherent and the distribution of benefits is consequently uneven.

## **Aims for the '80s**

- 65 This year the Commission is expected to set up a small internal planning group to consider the shape of a new Convention for when Lomé expires in 1980. It is to be hoped that this group will seize the opportunity to shift the Community towards a global development policy in both aid and trade and ensure that this is reflected in a renegotiated agreement. The fact must be acknowledged that extending Lomé to a much wider membership, with benefits on anything like the present scale, would be economically and politically out of the question for the Nine. However, efforts should be made to secure a distribution of benefits between Lomé and non-Lomé countries which better reflects their relative needs.

- 66 Among the many more specific questions which the Lomé II planning group should consider is the extent of developing country needs for economic diversification and structural adjustment. Diversification will become increasingly important for those countries which seek to implement a 'basic needs' strategy and to become more self-reliant in their domestic food supplies.

- 67 Another potentially valuable approach would be for the Community to extend a modified form of the Stabex provisions to countries *intentionally* reducing their exports of a given commodity, at least where alternative supplies are available to the Nine from other developing countries and where compensation can be applied to effective adjustment measures. This could be important in countering an undesirable effect that Stabex might otherwise have — namely, that of rigidifying production patterns by taking away an incentive to diversify.

- 68 Without the collaboration of other industrialised countries there is limited scope for extension of the present Stabex scheme by the Community alone. The Nine, after all, cannot be expected to offer guarantees in respect of products whose price is determined by

# ***Facts and figures***

. . . a brief guide to the history and  
institutions of the European Community

## HOW THE COMMUNITY WORKS . . . .

The Community's governing body is the **Council of Ministers**, on which all the member states have an equal voice. According to subject, the Council may be convened as a meeting of Foreign Ministers, Agriculture Ministers, Ministers of Development Co-operation, etc. Political decisions at the highest level may be taken by the European Council, consisting of the nine heads of state or government, which meets twice a year.

The Council of Ministers normally acts on proposals from the **European Commission**, the policy-planning body which is divided into 18 Directorates General (see below). The Commission is run by 13 Commissioners who are nominated by the member states but under oath to act independently in the interests of the Community as a whole.

The Commission is answerable to the 198-member **European Parliament**, which is empowered to vote it out of office. Parliament also has limited powers in relation to the Community budget. Until the direct elections scheduled for 1978, its members are MPs delegated from the national parliaments.

Disputes involving Community law are referred to the **European Court of Justice**, where cases are heard by a bench of nine independent judges — one from each member country.

The Commission's 18 Directorates General (DGs) operate in the same way as national government departments and their responsibilities are divided as follows:—

- |   |  |
|---|--|
| I External Relations.   | X Information.   |
| II Economic and Financial Affairs.  | XII Research, Science and Education.                                       |
| III Industrial and Technological Affairs<br>(now merged with DG XI — Internal<br>Market). | XIII Scientific and Technical Informa-<br>tion and Information Management. |
| IV Competition.   | XV Financial Institutions and Taxation.                                    |
| V Social Affairs.   | XVI Regional Policy.   |
| VI Agriculture.   | XVII Energy.   |
| VII Transport.  | XVIII Credit and Investments.  |
| VIII Development.   | XIX Budgets.   |
| IX Personnel and Administration.  | XX Financial Control.  |

## .... AND HOW IT PAYS THE BILLS

The Community now works on what it calls an "own resources" system. Instead of each country contributing a set sum to the Community budget, as was the case up to 1974, the member states now transfer to the Community purse all revenue from customs duties and levies on imports from non-member countries, plus a proportion of their value-added tax. This revenue is then distributed between the various departments and programmes, as indicated in the following table:

	1976 Budget (million units of account)	% change from previous year
<b>COMMISSION</b>		
Operating appropriations:		
Staff	242.9	+ 19.01
Administrative expenditure	78.3	+ 22.05
Information	6.3	+ 0.63
Aids and subsidies	34.3	+ 104.17
Intervention appropriations:		
Agriculture	5,493.0	+ 20.19
Social	452.6	+ 20.53
Regional	300.0	+ 200.00
Research, technology, industry, energy	172.3	+ 31.64
Co-operation and development	237.2	- 6.16
Contingency reserve	3.0	-
Repayment to the member states	429.2	+ 9.18
<b>OTHER INSTITUTIONS</b>	127.8	+ 26.00
<b>Total</b>	<b>7,576.9</b>	<b>+ 20.88</b>

### Population and wealth in the member states

	Population (in millions, 1974)	Gross National Product per capita (in \$ US, 1973)
Germany	62.0	5,320
United Kingdom	56.0	3,060
Italy	55.4	2,450
France	52.5	4,540
Netherlands	13.5	4,330
Belgium	9.7	4,560
Denmark	5.0	5,210
Ireland	3.1	2,150
Luxembourg	0.3	5,197

# HISTORICAL HIGHLIGHTS

- 1947 The Benelux economic union — Belgium, Netherlands and Luxembourg — is established.
- 1948 Treaty establishing the Organisation for European Economic Co-operation to administer American aid for a collective European recovery programme.
- 1951 Treaty establishing the European Coal and Steel Community (ECSC), the first major commitment by governments to European unity, with Jean Monnet, the 'father of Europe' as its first President.
- 1954 Treaty of association between ECSC and the United Kingdom.
- 1957 Rome Treaties signed, setting up the European Economic Community and the European Atomic Energy Community (Euratom). Both treaties came into force on January 1, 1958.
- 1958 First session of European Parliament.
- 1961 First negotiations for British membership begin. Broken off in 1963 after intervention by President de Gaulle.
- 1963 First Yaoundé Convention signed, associating 18 independent states in Africa and Madagascar with the Community.
- 1965 Member states sign treaty merging the executive institutions of the EEC, ECSC and Euratom into a single 14-member Commission. This came into effect in July, 1967.
- 1968 Customs union completed; all remaining industrial tariffs between the Six abolished.
- 1967 Britain, Ireland and Denmark submit formal applications for membership. Blocked again by President de Gaulle.
- Arusha association agreement signed with Kenya, Uganda and Tanzania. Came into force 1971.
- 1969 Second Yaoundé Convention signed.
- 1970 Common policy on foreign trade comes into operation.
- Foreign Ministers of the Six meet for the first time to concert their views on foreign policy.
- 1973 Britain, Ireland and Denmark join the Community.
- 1975 European Commission proposes a global policy of development co-operation.
- Lomé Convention signed between the Community and 46 African, Caribbean and Pacific states.

market forces beyond their control. To provide such a scheme for Asia's rubber exports, for instance, would make Europe liable to pay for a drop in demand provoked by the United States or Japan, which take a larger share of the trade. For many commodities like this a multilateral Stabex system will be the only answer, and it is for this that the Community should be pressing in negotiations such as those in GATT, UNCTAD and the North-South talks.

## **FIVE: FOOD AND AGRICULTURE: JACQUES AND THE BEANSTALK**

69 In the beginning, the founding fathers decided that Europe should have an agricultural policy designed to serve a number of laudable aims. As enshrined in the Treaty of Rome, the Common Agricultural Policy (CAP) was given the following objectives:

to increase agricultural productivity; to ensure a fair standard of living for those employed in agriculture; to stabilise markets; to guarantee secure supplies and to ensure reasonable prices for consumers.

70 To achieve all these aims the CAP walks a tightrope between the consumer and the farmer. When world prices are high (as in 1974) it benefits the consumer most; when world prices are low, the farmer is protected by a system of support which keeps him in business. The Community thus tries to provide a steady supply of food at reasonable prices.

71 The CAP was seen from the start as a little help from his friends for farmer Jacques, a nice chap, not too efficient but with a wife and two kids to support like everyone else. From that seed the CAP has now grown to become a great, gangling mile-high beanstalk which is taking far too much budgetary sunlight from the rest of the plants in the Community garden. The gardeners stand around at the bottom of it, gazing up in awe and agreeing that they really ought to prune it drastically, but nobody quite knows how.

- 72 Agriculture is the only field in which the Community has real supranational authority — and for this reason (see paragraph 35) it accounts for more than 70 per cent of the Community budget. The common market for agricultural produce was established in order to take over from the member states their individual pricing policies and to provide more support for the farming population.
- 73 To achieve the desired income level for Community farmers, official prices are fixed annually for a number of important agricultural products and form the basis of the market support mechanism. This maintains market prices to farmers in two ways: a variable levy system at the Community frontier ensures that imported food from world markets does not undercut internal market prices; and intervention arrangements prevent prices being depressed if over-production should occur within the Community. If the Community has to export agricultural surpluses at prices above the world level, export subsidies or restitutions are paid by the Agricultural Fund\* to make the produce competitive on the world market.
- 74 What the European consumer gets from all this is a relatively expensive but essentially secure supply of food. By 1970 all the expenses of the Community price support arrangements were being met from the Agricultural Fund. From the beginning of 1971 the proceeds of levies on food imports and customs duties accrued directly to the Community budget, instead of funds being contributed to the Community by national exchequers. The member states still have to 'top up' the fund, however, by contributing a fixed proportion of value added tax.

## **Europe and world food needs**

- 75 For all the refinements of its farm support system, Europe still takes and devours very large quantities of food from the world outside. The European Community is the world's biggest importer of agricultural produce, while the developing countries as a group are finding themselves less and less able to meet their own food needs. Major efforts are needed to increase the

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\*The European Agricultural Guidance and Guarantee Fund, usually known by its French acronym, FEOGA.

purchasing power of the poor so they can buy the food presently beyond their means, but a very large and sustained increase in world production will also be required to meet their demand without putting a severe squeeze on Europe's imported supplies. The size of the problem is indicated in a recent Commission report<sup>13</sup> citing projections that the developing countries' overall cereal deficit could reach 200 million tons a year by 1985.

76 One approach to the daunting problem of future world food needs is to look at the globe as a single gigantic farm and to seek a reallocation of land use so that every bit of earth can be devoted to the growing of crops or animals for which it is best suited. With some allowance for energy and transport costs between the points of origin and consumption, this would theoretically produce an optimal pattern of world food output. Only theoretically, because no country will be prepared to sacrifice much of its internal security of supplies to the vagaries of world trade and politics. Moreover, as explained in a recent paper for the European Economic and Social Committee, a more appropriate location of farm production has not been achieved under the CAP because "sociological and economic contingencies have often made it necessary to maintain an extremely wide range of farm output in almost all areas of the Community."\* It is in this direction nevertheless that some progress must be sought, in order to increase efficiency and maximise world production.

77 Looking at European agriculture in the context of world needs, the disadvantage of the CAP pricing mechanism is that it supports farmers producing high-cost foods (particularly grain-fed meat and dairy produce which use up large quantities of food suitable for direct human consumption) just as much as it supports those producing low-cost foods. Animals fed on grain in the rich world are effectively competing

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\* Document CES 458/76 final, which notes that "every time competition has forced a certain division of labour (in the case of cereal crops, the threat of a crisis in Germany; in the case of wine-growing, the crisis in France), corrective mechanisms have had to be introduced and these have in fact impeded progress towards a better division of labour. That is the price that has had to be paid for maintaining social and political equilibrium within the Community."

with people in the developing countries who need grain to survive.

- 78 So what can be done? As a first step in the direction of world farm planning, the European Commission should formulate medium-term proposals for reducing the output of beef and dairy products so as to lower demand pressure on the world grain market. The eventual aim would be to limit livestock production to that which could be sustained for the most part on grass.
- 79 Before it can be seen to make sense, this proposal has to overcome three major objections: that consumers would not accept a sudden change of diet, that it would badly hurt many small farmers and that in any case it wouldn't really do the food-deficit Third World countries much good.
- 80 To take the consumer argument first, it is true most people would object to a sudden, forced change of diet — especially a reduction in meat. In the long term much more could be done through nutrition education to make people aware of alternatives to grain-fed meat which are better for their health, but this is not the point at issue. What is suggested is that by progressively reducing its own production of grain-fed beef the Community could increase its importation of beef from countries raising their cattle mainly on pasture or rangeland and therefore requiring little in the way of cereal feed or concentrates. This would benefit New Zealand and Australia, but it would also greatly help several developing countries which already export some beef to the Community and it could potentially benefit many more.
- 81 As for the effect on European farmers, those operating on a small scale would probably suffer most from increased imports of rangeland beef because they lack the capital to move into alternative types of farming. Instead of providing what amounts to severance pay to encourage such farmers to leave the land, what the CAP should be doing is to provide them with grants as an incentive for restructuring into other more competitive crops or livestock. This would also have the social benefit of sustaining employment in the countryside, rather than placing an additional burden of demand for housing and jobs in urban areas.
- 82 So much of the Agricultural Fund is absorbed in guaranteeing prices that less than 10 per cent is left

over for the Guidance section to assist the restructuring of agriculture. Adding in the national farm budgets of the member states, which are weighted the other way, a better balance can be seen between expenditure on market support and the restructuring of the agricultural sector. This means, however, that the job of reorganising Europe's farmyards is being done on the basis of national criteria and not necessarily in line with the correct priorities for the Community as a whole. The Nine should hand over this responsibility to Brussels, but not before another problem has been solved. According to the former European Commissioner for regional policy, Mr. George Thomson, funds from the Guidance section of FEOGA have gone "inexorably to the better-off regions and less to the poorer regions."<sup>14</sup> This is one aspect of the CAP urgently in need of reform.

- 83 With respect to the third argument, a reduction of European demand on world grain markets will not benefit the developing world if a consequent price decline simply prompts farmers in North America to lower their output. But this objection will lose its force when an agreement on stockpiling comes into effect as part of a new International Grains Agreement, hopefully next year. By establishing a satisfactory floor price, the new agreement should ensure that any decrease in demand in the rich countries, rather than deterring production, will result in the building up of stocks — and this in turn will enable the developing countries to estimate better their future purchasing capacity.

## **Her mountains and her lakes**

- 84 Whenever the CAP is discussed, questions are inevitably raised about the notorious mountains of food and lakes of wine. Unfortunately, occasional large surpluses are unavoidable in products for which the Community is seeking to sustain a level of output close to self-sufficiency. The problem is what should be done with such surpluses when they occur. It is generally accepted that quotas are not the solution since they restrict competition and therefore "tend to enable production to be continued in firms or in regions where costs are higher."<sup>15</sup> The Commission is now proposing a scheme of co-responsibility for milk under which farmers will pay a tax on surplus output.

A similar mechanism could well be applied to beef production.

- 85 In the past food aid contributions, other than cereals, have tended to be dictated by what was in surplus, and were given as much to reduce stocks as to alleviate need. For instance, some critics have charged that the Community's use of dried skim milk (d.s.m.) as aid has often been little more than dumping. In the past, the Commission has even argued that Europe should try and produce surpluses of d.s.m. and butter as a contribution to nutrition in the developing world.<sup>16</sup> This is quite inappropriate because if a donor country intends to give away food it should give the grain, instead of wasting it by first processing it through a cow. The Commission has now accepted that it should not pursue this line<sup>17</sup> and is also being more cautious in where it sends d.s.m. as food aid.

## **Food as aid**

- 86 Food surpluses and food aid should be treated as separate subjects and surpluses should only be utilised as aid when that particular product is required by the intended recipient country. Improved means should be sought to distribute surpluses within the Community to needy groups, such as pensioners, and to institutions such as hospitals, schools and prisons (all of which are noted for nutritionally sub-standard food) since they are probably best able to absorb unplanned surpluses without depressing the market. We might even take a leaf from the Chinese commune which, confronted with an unexpected milk surplus, converted it to ice-cream and distributed it free to the people.
- 87 Food aid can be a disincentive to increasing food production in a recipient country; used in the right way, however, it can be a positive factor in development planning. It can be particularly valuable in 'food-for-work' programmes, while agricultural productivity is being increased. Given the will for change, a developing country with a food deficit needs guaranteed supplies of food aid on a reducing scale over as much as 5 or 10 years. When the food required is not in surplus in the Community, the possibility should be considered of buying in supplies from outside markets, although realistically there's little chance of money being allocated for this purpose in the current economic climate. Not long ago, Thailand suggested

that some of its wheat be purchased for the Community's food aid programme to nearby Vietnam, rather than Brussels having to ship it half way round the world. But this idea was turned down; the Thais were told that "the Community is not doing this kind of thing at the moment."

- 88 In terms of over-all distribution, the Community's food aid programme is much more in line with the geography of world needs than the benefits of the Lomé Convention or other aid. India and Bangladesh, the most populous of the poorest countries, rightly receive the biggest allocations, while the Lomé group, accounting for 14 per cent of the Third World population, receives only a little more than this proportion. As to the distribution within the recipient countries, much stricter surveillance by the Commission is essential to ensure that it reaches the people for whom it is intended. The present resources of the Food Aid Department are totally inadequate for this task.

## **Agricultural research**

- 89 Much more money should be put into agricultural research at the European level. To date this has been left essentially to the individual member states, with additional work sponsored directly by the Commission filling in some of the gaps. Now under study are possible developments such as the use of treated cellulose (e.g. straw treated with urea) for winter animal feed. Other possible areas of research — for instance the manufacture of protein from oil or gas products — could significantly alter the shape of European agriculture in the next few decades. But because resources at the European level are small, results are slow in coming through and potentially important changes in production are held up.
- 90 One problem in the food sector which has been given insufficient attention is that of waste. In the nine member states overall, food waste must amount to many millions of tons a year. In Britain alone, which imports more food per capita than any other country in the world, it has been estimated that anything up to 25 per cent of all food goes to waste. The development of effective methods for the bulk collection and processing of food waste from institutions and private homes would permit the much wider use of swill instead of intensive grain-feeding for pigs and chickens. Work is also urgently needed on the ex-

tended costs of other forms of waste in the food system — notably pollution of the environment and excessive or inappropriate uses of energy.

- 91 Research is one thing, but resources must also be made available to help and encourage farmers to take advantage of the findings. What is true in the developing countries is no less true in Europe — that convincing and well-chosen incentives are necessary to obtain any significant change in farming methods.

## **The case for reform**

- 92 Whatever its virtues and defects, the prolific administrative foliage of the CAP beanstalk has become a gigantic entanglement. Yet it is the roots of the CAP, probably more than any other policy, which hold Europe together, so it continues to be fed and watered to keep it going.
- 93 In the long term a major rethink of the CAP would be to the advantage of all member states. At present, the intervention system continues to create unwanted surpluses and some governments regard the Policy as little more than a target for exploitation. The French have used it as a prop for inefficient farming methods, while the British are currently squeezing it to the last drop to subsidise themselves through the overvalued green pound. But no new overall strategy for the CAP is being developed by the Commission at present, the fear being that a root and branch reform would be too painful in the transition period to be acceptable to either consumers or farmers. Although the policy is cumbersome, the argument goes, to make radical changes would now be insuperably difficult.
- 94 On balance, while these problems are acknowledged, the case for a major reorganisation of the Common Agricultural Policy should prevail. More food is needed for the world and whatever means are used to distribute it, it must first be made available. Europe can contribute to this by reshaping its farm production and modifying the profile of its agricultural imports.

## **SIX: PEOPLE AND WORK: THE SHAPE OF THINGS TO COME**

95 How Europe shapes its own future for the next 10 or 20 years will determine to an important degree how the developing countries are able to shape theirs. In particular, the priority given to industrial policy, manpower and migration, employment and social services in the European Community will influence across a broad front the nature of the problems to be tackled by the Third World and our own capacity to assist them.

### **Beyond the industrial age**

96 To confront the challenge posed in Chapter One, the first imperative for Europe must surely be to devise an overall strategy for the transition to a new, post-industrial development. The Nine are collectively the largest power among the industrialised nations of the world, yet at Community level they have nothing resembling an industrial policy. Proposals for overall co-ordination in this field were put up by the Commission five years ago but disappeared in the quicksands of the Council. Since then efforts have been concentrated on individual sectors of industry, but some senior officials believe they are reaching the limits of what can be achieved in this direction.

97 The Community has an assortment of industrial programmes, separately administered by four funds and a bank. In grant terms the biggest of these agencies is

the European Regional Development Fund (ERDF), charged with reversing the decline of the Community's poor regions and assisting the massive job of industrial renewal — all on a paltry 500 million u.a. per year. Then there's the European Social Fund, which presently distributes about 440 million u.a. a year for industrial training and resettlement. The European Investment Bank (EIB) — a lending agency which likewise concentrates the major part of its resources in the less-favoured regions of the Community — granted loans in 1975 totalling more than 1 billion u.a., a full three-quarters of this sum going to Britain and Italy alone. In addition, the European Agricultural Fund hands out more than 300 million a year for modernisation and restructuring in the agricultural sector, while the European Coal and Steel Community in 1975 disbursed 52 million in conversion loans to develop new enterprises in mining and steel areas.

98 Quite an impressive array of financial weapons—and one which (to the direct or indirect benefit of the developing countries) could begin to make a significant impact on the economic and industrial life of Europe if they were all pointed in the same direction. That they have not been up to now is at least partly the fault of the Commission, which has failed to achieve the necessary degree of horizontal co-ordination. But the Council of Ministers must bear a share of the blame for taking decisions in one sector without reference to other aspects of internal market policy, let alone external/development policies.

99 The concerting effect of Community policies in this field is also heavily circumscribed by procedures which largely ensure that the funds go where the recipient governments want them, leaving little scope for the Commission's influence. For example, while not doubting the need for sewers and access roads on industrial sites and the refurbishing of some Welsh hotels — both of which figure prominently on a recent list of British grants from the ERDF — one might in innocence ask whether such schemes are getting to the heart of industrial and regional renovation.

## **A focus for renewal**

100 It is now widely recognised that some realignment of the various financial instruments is essential when the

Social and Regional Funds come up for renewal at the end of 1977. There is a compelling case for putting both under the same administrative umbrella, possibly with a high-level committee to oversee, guide and ensure the compatibility of all Community disbursements.\*

101 These Funds should also be given a wider development dimension. In its recent memorandum to the Council of Development Ministers, the Netherlands government noted that the Community has "not yet developed any policy designed to restructure industrial undertakings or sectors which in the long term will have to be considered uneconomic in the light of the potential of developing countries." Given the increasing interdependence of rich and poor countries, the memorandum added, the interests of the developing countries should be taken into account in this policy from the start. One specific line of action consistent with the Dutch recommendation would be for the Social and Regional Funds to focus adjustment assistance to industry on those products listed as 'sensitive' in the Community's GSP.

102 This machinery for the progressive restructuring of Europe's industrial economy, as well as being in need of realignment, needs oiling with a lot more money before it can hope to be fully effective. As the ERDF asserted in its first annual report, "the fund alone, especially at its present size, cannot bring about the structural changes necessary to bring the regional imbalances in the Community within acceptable limits."<sup>18</sup> And if it cannot do that it's hardly likely to achieve its other aim of "creating the conditions for a further liberalisation of imports from the developing countries."<sup>19</sup> The Nine should commit themselves to a substantial and steady growth of resources devoted to industrial renewal, manpower training and related activities.

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\* The division of responsibilities in the new Jenkins Commission, announced at the time of going to press, meets this point positively by giving the Commissioner for Regional Policy a brief which includes co-ordination of spending by all the agencies mentioned in paragraph 97.

## **What work for the workers?**

- 103 With six million of its workers out of jobs, there has been plenty of Community activity on the employment front in the past year. Two sessions of the Tripartite Conference (governments, employers and trade unions), meetings of the reconstituted Standing Committee on Employment and debate in the European Parliament have all grappled with the problem of how to re-absorb the large numbers of unemployed back into the economy.
- 104 This is again a field in which the Nine have no concerted policy. The best the Commission has been able to do is to start work on harmonising national statistics and employment forecasting. What's really needed is a dynamic employment programme which, among other things, could respond to the European Parliament's resolution of June 1976 calling on the Community to pursue an active labour market policy and to give 'utmost priority' to job creation.
- 105 Another object of a Community employment programme would be to counter the danger — pointed out to the Commission by a study group of independent experts<sup>20</sup>— that member countries might resort to an "economic equilibrium of under-employment." The study group report warned that "a society which is not in a position to offer jobs to those who are looking for work should not be surprised if one day the very role of work as a social value is questioned." And there is the further consideration that acceptance of continued high unemployment in Europe as the price of controlling inflation would inevitably demand, by extension, a tolerance of the far graver lack of employment in the developing countries.
- 106 At the same time, care must be taken to ensure that pressures for the largest possible reduction of unemployment in the shortest possible time do not distract from more basic considerations — what kind of economic future we want to construct and what *kind* of employment will be appropriate and sustainable within it. The Tripartite Conference has to some extent prejudiced debate on both these questions by declaring its conviction that sustained growth is the only way to achieve 'further social progress.'

## **Industry and development**

- 107 Assistance to industrial development in the Third World, as provided for in the Lomé Convention, includes help for diversification, for manufacturing and processing of raw materials, the transfer and adaptation of technology, and marketing assistance. A joint EEC/ACP Committee on Industrial Co-operation has recently been set up to pursue co-operative efforts in the fields of research and development, information exchange and the establishment of contact between firms, etc. The signs so far suggest that Brussels is not too sure what to do with this Committee, partly no doubt because the member states are less than enthusiastic about it, having no joint industrial policy of their own. In this area much will depend on the success of the new Centre for Industrial Development (also a product of Lomé) in winning the co-operation and support of private industry as well as that of the member governments through the Committee.
- 108 In any industrial/manpower strategy which takes cognisance of the need to evolve a new international division of labour, the issues involved will be many and complex. Some of them have been considered in an earlier report in this series,<sup>21</sup> but one general conclusion relevant here is that for any prospect of success it will be imperative to have a satisfactory, inter-sectoral 'concertation' of policies both at national and European level.

## **Stresses of migration**

- 109 This brings us, finally, to the many-sided problem of migration, in which the interests of the Community and the developing countries — indeed most of the basic questions discussed so far in this report — collide. Migrant workers in the European Community, numbering with their families about 12 million, have come mostly from developing countries, in particular those situated around the Mediterranean seaboard. About one-third are from within the Community itself. All are the product of a massive wave of migration which occurred largely in response to the labour shortages brought on by Europe's sustained economic boom in the 1950s and 60s — a phenomenon now requiring the Community not only to declare but to

manifest its intentions on inter-related aspects of economic policy, international relations and social affairs.

- 110 The immediate challenge is the social one of ensuring equal opportunities and services for migrant communities in order that they do not become a sub-proletariat alienated from the mainstream of European life. For most migrants, a job abroad is simply better than no job at home, but the price is high. Too often families are broken and the worker, if he returns home, finds himself socially and culturally deracinated.
- 111 In February 1976 the Council of Ministers passed a weak resolution in response to the Action Programme submitted to them by the Commission more than a year earlier.<sup>22</sup> The Commission had pointed out that “after more than a decade of benefit from migrant labour, the Community finds itself with a large un-assimilated group of foreign workers, who share almost all the obligations of the society in which they live and work but, more often than not, have a less than equal share in its benefits and rights. This situation is in the long term intolerable — degrading for the migrant and dangerous for the Community.”
- 112 A number of specific measures were therefore proposed by the Commission to deal with some of the main problems in the fields of job training, social services, housing, education, health and public information. In the light of these identified needs it is hard to justify the slow rate of progress being made in the Council of Ministers.
- 113 More fundamental to the aims and objects of the Community, however, is the issue of future migration policy. Here the key question to be faced before the next major economic boom will be how much of an increase in wealth we are prepared to forego in order to avoid the social stresses which accompany any sudden increase in population. For it has been clearly shown that migrant workers made possible a faster rate of economic growth in Europe and a greater flexibility in industrial development than could have been achieved without them.
- 114 For developing countries, though it can be a significant source of income,\* the migration of their workers

\* The earnings of Turkish migrant workers have been estimated for 1973 at more than half the value of Turkey's imports.

to Europe is generally regarded as a necessary evil. But it is by no means an unqualified economic benefit to Europe, either. The pattern of migratory flows is now seen to have aggravated the regional imbalance in the Community and, as a relatively cheap source of labour, to have acted as a disincentive in the search for improved methods of production.

115 In the global context, a Commission working party in 1974 concluded that migration had slowed down efforts to achieve a more rational division of labour and establish a more equitable balance in the world economy.<sup>2,3</sup> Responding to the implications of this analysis, the Commission's Action Programme declared that EEC policy should aim to ensure the economic competitiveness of the developing countries by, among other things, "the transfer and the creation of certain industries and services in these countries, according to the principle of a more rational international division of work." Seeking, in other words, a new balance between the mobility of capital and the mobility of labour. But the inadequate resolution eventually put together by the Council of Ministers did no more than 'take note' of this recommendation.

116 The need for a common strategy in this field is clear and urgent. For its part, the Commission has emphasised this with commendable bluntness: "The lack of co-ordination at Community level of the migration policies of member states has proved a major factor in the haphazard and ill-planned use of manpower . . . There are at present no safeguards, at Community level, against conflicts between national migration policies and Community policies in social, regional and industrial affairs nor in the field of development aid policy . . ." Governments must be pressed to deal with these basic issues instead of continuing to brush them under a threadbare carpet of words and good intentions.

## **SEVEN: CONCLUSION & RECOMMENDATIONS**

- 117 **The future of Europe, more than that of other industrialised states, is bound up with the nations of the developing world. In many ways their development is inseparable from our own. The European Community therefore has special reason and responsibility to give the world a lead in promoting the reforms needed for orderly one-world co-operation.**
- 118 This report has sought to indicate the lines of action upon which such a strategy of co-operation should be built. Its principal recommendations may be summarised as follows:
- 119 —That the European Community, as far as possible with the collaboration of other industrialised countries, should provide the leadership and political vision necessary to devise measures for the essential reshaping of the world economy which will provide for the full participation of the developing countries on fair terms. (Paragraphs 1-9).
- 120 —That the Nine commit themselves to working out a concerted foreign and economic strategy, which is essential not only to the above task but also to that of further European advancement. (Paragraphs 1-9, 25-30).
- 121 —That the Commission submit to the Council of Ministers a medium-term plan in which progress towards the closer alignment of national policies is linked with redistributive programmes on a sufficiently enlarged scale to reverse the trend of widening

disparities of wealth within the Community. (Paragraphs 10-13).

- 122 —That the Commission be given a brief to explore the possibility of alternative strategies for the future of Europe, in which social concerns for the quality of life and the environment are not subordinated to the exigencies of economic growth, and in which the utilisation of resources in Europe is geared to what the planet as a whole can afford. (Paragraphs 14, 18-20).
- 123 —That the Nine commit themselves to a global policy of development co-operation in which the distribution of benefits — whether through trade, investment or aid — is proportionate to the needs of the recipient countries. (Paragraphs 15-17, 41-43, 65-68).
- 124 —That the Community take an entirely fresh look at the scale of its resource transfers to the developing world, relating commitments not to how much was done last year but to the real scale of needs. (Paragraph 17).
- 125 —That provision be made at the European level for research, analysis and long-term forecasting of world trends as an essential input for policy-making. (Paragraphs 21-23, 31-34).
- 126 —That the Commission seek approval at an early date for a budget to support development education work by non-governmental organisations in member states. (Paragraph 23).
- 127 —That the member governments should make strenuous efforts to achieve a better balance of common policies, in order that the Commission's work and resources should more adequately reflect the Community's overall priorities. (Paragraphs 35-37).
- 128 —That the European Commission exert pressure on other major trading powers to collaborate in extending Stabex-type arrangements to developing countries over a much wider range of commodities. (Paragraph 68).
- 129 —That the world's anticipated food needs over the next generation be taken as the basic criterion for reform of the Common Agricultural Policy; also, that the CAP take steps to achieve the most efficient use of farm resources and allocate a larger share of the Agricultural Fund for the restructuring of European agriculture. (Paragraphs 75-82).

- 130 —That the member states undertake serious and urgent efforts to achieve a common industrial policy, which must be seen as the essential instrument for a balanced restructuring of the European economy; and that much closer integration be achieved between the Community's principal funding agencies in order to ensure their maximum impact on Community development and the degree of adjustment required by international trade. (Paragraphs 95-102).
- 131 —That the Commission should recommend a substantial medium-term employment programme, taking account not only of the immediate need to reduce high levels of unemployment in the Nine but also the importance of some consensus among the people of Europe about the shape of their future and the kind of employment sustainable in it. (Paragraphs 103-106).
- 132 —That member states make a greater commitment to implementing the Commission's action programme in respect of migrant workers; also that they should strive to reach a common policy on migration which will reflect the need for a new balance between the mobility of capital and the mobility of labour. (Paragraphs 109-116).

### ***Envoi***

*To advocate consideration of a lower-growth model for Europe which will permit wider measures to help the developing world while avoiding high levels of unemployment and allowing a major expansion of social programmes . . . yes, to most well-brought-up western economists it will probably sound like the jackpot prize on a utopian fruit machine. But is it? With so many imponderables in any economic model, perhaps we shall not know until we try.*

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# Abbreviations

ACP	the African, Caribbean and Pacific countries which are signatories to the Lomé Convention.
Benelux	Belgium, Netherlands and Luxembourg.
CAP	Common Agricultural Policy.
CET	Common External Tariff.
d.s.m.	dried skim milk.
EDF	European Development Fund.
EEC	European Economic Community.
EIB	European Investment Bank.
EMU	Economic and Monetary Union.
ERDF	European Regional Development Fund.
EUA	European Unit of Account (see footnote to paragraph 36).
FAO	Food and Agriculture Organisation of the United Nations.
FEOGA	French acronym for the European Agricultural Guidance and Guarantee Fund.
GATT	General Agreement on Tariffs and Trade.
GNP	Gross National Product.
GSP	Generalised Scheme of Preferences.
NGO	Non-government organisation.
u.a.	unit of account (see footnote to paragraph 36).
UNCTAD	United Nations Conference on Trade and Development.

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