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Joint European Development Strategy

by Dr Erich Ehm, Bonn *

On July 27, 1971, the Commission of the European Communities has submitted a memorandum on a joint European development policy to the governments of the EEC's member states. It has thereby called for a beginning of the discussion on cooperative action by the Communities also in the field of development policies.

It will be interesting to notice the reaction from the various European capitals to the Commission's memorandum on a joint development policy of the European Communities. It is virtually certain that the answer to this challenge will be a more or less hesitant agreement to start discussing this subject at Brussels, rather than enthusiasm for "Europeanising" development aid as a whole. Efforts to that end will touch highly sensitive nerves of, hitherto, purely national activities by individual member states. This will prevent any spectacular success of work for European integration from being achieved right away. How immense the difficulties of such operations are may be seen from the long drawn-out endeavour in other spheres, e.g. the struggle for forming a genuine economic and currency union, and the feeble attempts up to now at coordinating foreign policies. But still, the strength of the will to achieve adequate cooperation in the EEC's relationship with the Third World will be the decisive yardstick for measuring the degree of willingness to press on with European integration beyond the framework of purely self-serving economic cooperation.

Start of Deliberations

At the outset, it has to be remembered that the treaty by which the European Economic Community was founded—the so-called Treaty of Rome—does not provide for a joint development policy of the Community. All that was agreed by the Treaty of Rome is the creation of a common market, to be safeguarded by gradual harmonisation of the members' economic policies. The Treaty is silent about any common development policy of either the Community as a whole or of the several member states. The only mention of development problems in the Treaty is that it

speaks of development aid of EEC member states to be extended to the areas that were at the time still their colonies. At later dates, this kind of activity has been regulated by the First and Second Association Agreements of Jaunde for the periods of 1964–69 and 1970–75, respectively, concluded with African states, including Madagascar, and adopted through similar rules applied by the EEC to those territories which have remained overseas possessions of its member states.

Since the EEC has been set up, however, this development activity based on the Treaty of Rome, which was restricted to certain regions of the world, has been enlarged in significant ways. In the first instance, a number of agreements have been made with other less developed countries (LDCs), and afterwards, EEC members have started food aid, and on July 1, 1971, a general preferential tariff has come into force in favour of all LDCs. The most important new agreements have been those about the association of Greece and Turkey with the EEC, in both cases tied up with financial aid, and about associating the East African states Kenya, Tanzania and Uganda as well as the North African Maghreb states Morocco and Tunisia, all of them affording the non-European partners preferential rates of duty. An agreement about trade and technical aid has been signed with the Lebanon in 1968. But of more than regional character are only food aid and the general preferential tariff system. In the case of food aid, this is due to the fact that the Agreement on Food Aid of 1967 had pledged both the EEC as a whole and its members to supply a fixed quantity of food grains. However, only when it came to carrying out this pledge, EEC member states have resolved to award some of the supply contracts jointly, at the present time amounting to about one third of the total quantity. Only the preferential tariff system of the EEC is a truly

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joint undertaking of the Community on development policy. No other preferential system would have been possible, since the Community's common external tariff generally forbids national tariff concessions to LDCs (as to any other country) from being made by an individual member state of the EEC.

Responsibility for Developing Countries

The Commission, in its memorandum on "a joint policy on cooperation with developing countries" underlines the fact that the Community, through its growing importance for world trade, is exerting a strong attraction on all LDCs, and that the Community could not possibly evade the responsibility flowing from this fact. This requires that the Community extends its activities for economic development to all LDCs.

Though the Community carries now responsibility for trade policies which, as the extension of general tariff preferences to LDCs shows, acquires rising importance for work on development aid, responsibility for all other kinds of aid, especially that of a financial kind, has been and remains the responsibility of individual governments, which shape and carry out their respective policies in complete independence of each other. To sunder responsibility and competences—leaving aid through trade in the hands of the Community, and that of a financial kind in those of individual member states—is bound to affect adversely the ultimate effectiveness of all work for development aid, thus being to the disadvantage of LDCs.

Guidelines of the Commission

The Commission believes it to be high time for working out a worldwide conception for joint development policies of all EEC member states. One of its chief aims ought to be better coordination between Community aid and national aid. It also appears necessary to create new tools for aiding LDCs. If and when such a new conception will be drafted, it would be good to encompass in its design as many activities as possible that have a bearing on development policy, of which the Commission enumerates the following: extension of the general system of tariff preferences; harmonisation of legislation on non-tariff obstacles to trade; more harmonisation of the conditions for export credits; common measures on incentives for private investment in LDCs; jointly-operated system of investment guarantees; joint research projects and activities; stronger efforts for recruiting, and looking after, migrant workers from LDCs, etc. The Community also recommends a study of community-wide internal reforms of the economic structure, which it believes to be in-

dispensable in the framework of worldwide division of labour, in view of the structural shifts in the Third World's national economies.

The Commission has drawn up four guidelines, containing its proposals:

- ☐ to adjust all fields of Community policy to joint cooperation on development policy;
- ☐ to coordinate gradually all national policies and measures on development policy;
- ☐ to cement and solidify all that has hitherto been achieved by the Community and its members in cooperation with LDCs;
- ☐ to make available more funds and tools for cooperating in the fields of finance and technology.

Geographical Orientation

The Commission suggests a geographical orientation of joint development policies of EEC member states into three separate sectors:

- ☐ extension of Community development aid, which has already been offered to African states, including Madagascar, by the Jaunde agreements, and to the states of East Africa (Kenya, Tanzania, Uganda);
- ☐ negotiation of special treaties on cooperation with all developing states on the Mediterranean, including renewal of the association agreements and agreements on financial aid with Morocco and Tunisia;
- ☐ continuation of joint operations in relation to all the remaining LDCs.

So far, the only published response to these proposals has been the comment on them brought forward by the German parliamentary opposition in the Federal Parliament. The CDU/CSU parliamentary party's speaker on development policies, Herr Leisler Kiep, suggested on August 25, 1971, to use the Commission's memorandum as the basis for a step-by-step plan for putting into practice a joint European development policy, in parallel with the harmonisation in other fields of EEC activities. The ultimate aim of such planning ought to be the creation of a worldwide development policy of the Community.

Governments In the Process of Examination

Until the end of October, 1971, none of the governments of EEC member states had pronounced judgment yet on the Commission's memorandum. Each government will carry through a careful examination of the questions raised by the memorandum, in order to inform the Community's administration on their own views. It is virtually certain that these views will be divergent, so that

the main task will then be to find a common denominator for them.

In examining the fundamentals of their future opinions, member governments are likely to put at the top of their priority list the question whether it is at all wise to give up purely national drafting and operating of development policies. Another major problem will be whether it is at all possible to improve development policies by taking them out of the hands of nation states and transferring them to the Community's jurisdiction. If and when, in spite of all such hesitations, it will be found that a higher degree of joint activities is acceptable, the next question will be whether the new policy is to be a joint one operated by the supra-national authority of the Community as a whole rather than one of cooperation between member states. It might be the case that harmonised joint operations are found preferable, since they will continue to permit a high degree of national influence to be brought to bear on them. Moreover, it might be argued that, to make such a new departure more effective, it would be better to wait till the new members—the United Kingdom, Norway, Denmark and Ireland—have actually joined up with the original founders. Finally, the question may be raised whether it is at all useful to work for a Europeanised development policy instead of plumping immediately for worldwide cooperation in the field of development aid, to be channelled through the organs of the United Nations.

Favourable Reaction in Germany

In spite of all these questions, the German reaction to the memorandum's suggestions ought to be basically favourable, for it was the Federal Government who always declared itself in favour of more integration within the Community, in all its fields of operation. In the interest of the most comprehensive integration, the German Government has never clung merely to the letter of the Rome Treaty but has tried to find progressive solutions for existing problems that would transcend its purely legalistic interpretation (e.g. in the field of a political union, of an economic and currency union). What the German Government believes to be necessary for laying firm foundations

for a future development policy is also in line with increased integration. For it is the overriding aim of these intentions "to promote economic and social progress in LDCs within a system of world-wide partnership, in order to improve the living conditions of the people of these countries" as stated in the "*Entwicklungspolitisches Konzept der Bundesregierung für das Zweite Entwicklungsjahrzehnt*" (The Federal Government's Concept of a Development Policy during the Second Development Decade).

If an all-European system of aid works as well as several diverse national efforts, no serious objection could be raised against Europeanisation of development aid. It will only be possible to integrate development policies by carefully considered and measured steps, deliberately timed to coincide with further integration in other fields of activity, notably in line with setting up the economic and currency union and with initiating close cooperation in foreign policy. It would be inadvisable to change existing systems of aid at short notice, because the resulting friction would do harm to programmes of help.

Coordination as a First Step

The first step towards integration would have to be coordination of the several acts and forms of aid issuing from Europe, consisting both of closer mutual alignment between individual member states of the EEC, and of bilateral aid with aid granted by organs of the European Community (especially by the European Development Fund and the European Investment Bank). There is already some degree of coordination in both cases, but only of a bilateral kind, e.g. between France and Germany, etc., or between individual member states and the EEC Commission.

It would, for example, be a good idea to convene coordination talks to Brussels on an institutionalised basis at regular intervals, where, at first, the EEC members and the Commission would merely coordinate various aid operations flowing to the same recipients — e.g. the partners in the Jaunde Agreements, the Associate members, etc. At a later stage, coordinated aid would encom-



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pass all the traditional forms of assistance (capital aid, technical assistance, etc.) receivable by all LDCs. And finally, all activities having a bearing upon development policies ought to be discussed and jointly regulated in these talks, without excluding the impact of the EEC's regulated markets for farm produce upon the export interests of LDCs, and structural adaptations of the Community's economy to the export interests of developing areas.

Improvement of Distributing Tools

Apart from streamlining the coordination of aid given by the Community and its members, thought will have to be applied to the problem how to improve the tools for effecting Community aid. A first step in this direction could be complete Europeanisation of European food aid. As has been mentioned, already one third of its total volume is being issued under Community jurisdiction, and this should make it the easier, and not at all harmful for this aid programme's continuity, to unify the rest. It might even be advisable for the Community to channel its food aid operations through the FAO's world programme for food aid.

It appears also feasible to enlarge the scope of existing operations by changing the constitution of the European Development Fund after the currently operative Jaunde Agreement runs out on January 31, 1975, which restricted the activities of this Fund to aiding the partners in this agreement only. The future fund might be open to applications for aid by all LDCs. The main obstacle in the path of such a reform, however, is the fact that it will scarcely be possible to increase the money vested in this Fund correspondingly. In other words, each of the Jaunde partners would then have to expect a considerably smaller share of aid. But Jaunde partners are certain to feel that they have an acquired and vested interest in a certain volume of aid, which has been established in 1958, so that it would be neither advisable nor politically possible to choose this path of reform. Moreover, many of the Jaunde partners are among the poorest and most less developed countries of the world, in respect of whom the Community ought to feel specially obliged to help.

On the other hand, it appears advisable to abandon another practice of the Community, by which special and individual financial aid has been extended to individual LDCs and individual funds set up for this purpose — which has been the case with Greece and Turkey. Applications will probably be received by the Community in the near future from other countries to create similar funds separately in favour of Algeria,

Morocco, Tunisia and the states of East Africa. Continuing the present practice might mean that, after a few years, there would be many special funds operating in favour of a multitude of LDCs.

The Setting Up of a Second Development Fund

To equip the Community with an additional tool for dispensing financial aid to LDCs, a useful expedient might be to set up, beside the existing Development Fund for African LDCs, a unified source of financial aid to be fed from existing and future separate funds intended for supporting individual LDCs.

African LDCs of the British Commonwealth which are eligible for EEC association ought then to receive aid from the existing European Development Fund, which hitherto restricted its assistance to Jaunde partners. The required increase of its financial basis would have to be drawn extensively from future members of the Community. All the remaining LDCs which the Community would like to support by aid should then have to apply to the newly-established second fund. Its constitution would have to prevent any earmarking of funds for individual LDCs. Special aid, which is provided for in existing agreements in favour of individual countries, could after 1975 be used to form the basic stock of this new fund, and additional money could be appropriated from the Community's own budgetary revenues. And finally, the European Development Bank could be made to spend more than in the past for financing such a new fund. This would give the Community much wider scope for granting financial aid to non-African LDCs, including those of the Maghreb and Turkey.

Quick Action Required

Apart from shaping new instruments for increasing financial Community aid, the Community ought to examine carefully all the possibilities of improving cooperation with LDCs also in other fields of activity. The Commission's memorandum contains a number of proposals along such lines: it suggests improved general preferences in the Community's joint tariff and changes in the regulated EEC markets for farming produce in favour of LDCs.

The Council of Ministers of the Community should make haste in working out progressive solutions in order to improve cooperation between the Community and the LDCs. The best method to achieve this might be joint consultations of the Council Ministers with the ministers responsible for development aid in EEC member countries. The four "new" members should also be taken into consultation at as early a date as possible.