

## EUROPEAN PARLIAMENT

# Working Documents

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## Report

drawn up on behalf of the Committee on External Trade Relations

on Preparations for the Third Session of UNCTAD

Rapporteur: Mr. Pierre-Bernard COUSTÉ

PE 29.428/def.

In a letter of 11 October 1971, the President of the European Parliament authorized the Committee on External Trade Relations to draw up a report on preparations for the Third Session of the United Nations Conference on Trade and Development to be held at Santiago de Chile between 13 April and 19 May 1972. The Committee on Relations with African States and Madagascar was asked for its opinion.

At its meeting on 25 October 1971, the Committee on External Trade Relations appointed Mr. Cousté rapporteur.

The problems raised by preparations for the Third Session of UNCTAD were examined by the Committee on External Trade Relations at its meetings on 23 November 1971, 1 and 22 February 1972.

This motion for a resolution and explanatory statement were adopted unanimously on 7 March 1972, with two abstentions.

The following were present: Mr. Kriedemann, Acting Chairman  
Mr. Cousté, Rapporteur  
Mr. Baas, Mr. Briot (deputizing for  
Mr. Ribière), Mr. Dewulf, Mr. Engwirda,  
Mr. Fellermaier, Mr. Lange, Mr. LÖhr,  
Mr. Mommersteeg, Mr. Schuijt (deputizing  
for Mr. Werner), Mr. Tolloy and Mr. Wolfram.

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The Committee on External Trade Relations hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on

preparations for the Third Session of UNCTAD  
to be held at Santiago de Chile between 13 April and 19 May 1972

The European Parliament,

- considering that the development of the world economy warrants a general review of economic structures and of the conditions for creating a new international equilibrium which would enable an improvement in standards of living to be brought about by the expansion and growing liberalization of world trade;
- convinced that the Third Session of the United Nations Conference on Trade and Development to be held at Santiago de Chile from 13 April to 19 May 1972, may do a great deal to solve the problems facing the developing countries;
- believing that the Community, because of its economic potential and responsibilities to the third world, must do all it can to make this Conference a success;
- considering that the European Community which has already gained wide and valuable experience of aid to the developing countries, will play a dominant role, after its enlargement, in world policy on development aid;
- recalling the position it adopted on the two previous sessions of UNCTAD and the resolutions of 13 January 1971 and 13 January 1972 of the Parliamentary Conference of the Association between the EEC and the African States and Madagascar;
- welcoming the recent move by the Commission of the Communities towards a common policy on development cooperation based on closer coordination of the efforts of individual Member States and of the Community as a whole, in order to derive the utmost benefit from the existing system which should be completed by more extensive measures and instruments;

- having regard to UN General Assembly Resolution 2080 of 16 December 1971, concerning the Third Session of the United Nations Conference on Trade and Development;
  - having regard to the report of the Committee on External Trade Relations and the opinion of the Committee on Relations with African States and Madagascar (Doc. 278/71);
1. Solemnly reaffirms the responsibilities of the European Community, as the principal trading partner of the third world, in the sphere of development cooperation;
  2. Calls upon the Council and Commission of the Communities to do all in their power to ensure active and effective participation by the Community in the work of the Third Session of UNCTAD, with a view to making a decisive contribution to the search for practical solutions which would be of real benefit to the developing countries and also create a more satisfactory and equitable structure of international trade relations;

I. Procedural matters

3. Stresses the importance of the fact that the Community will be represented at the Conference as a single entity;
4. Accordingly calls for
  - the role of joint spokesman for the Community to be given to the Commission of the Communities in respect of sectors for which the Community already has sole responsibility (commercial policy with particular reference to trade agreements, agricultural policy, association policy);
  - definition by the Member States, in compliance with Article 116 of the EEC Treaty, of a common position on other matters of joint interest, to be put by a single spokesman;
5. Recommends close coordination, prior to the Conference, of the Community position with that of the four countries which have now signed the Treaty of Accession;
6. Hopes that the Conference will provide an opportunity to strengthen the machinery for consultation between the Community and the Associated African States and Madagascar;

7. Believes that the Community must participate actively in a searching examination of the institutional machinery of UNCTAD;

## II. Policy matters

8. Believes that the attitude of the Community and Member States at the Santiago Conference should be guided by the need to:

### a) in general

- make special allowance for the interests of the developing countries in all international action and internal policy;
- encourage diversification of the developing nations' economies; there is a particular need for economic structural measures in the case of the least advanced countries dependent on exports of one or two primary commodities which are in structural surplus;
- give full backing to all proposals to improve the marketing of products from the developing countries;
- uphold the tariff policy at present applied to the Associated African States and Madagascar, especially for tropical products, while taking appropriate measures to assist all the developing countries; tariff preferences on these products can be extended to all the developing countries, while guaranteeing that the Associated States do not lose the benefits they now enjoy;
- reaffirm the clear intention of making special allowance for problems affecting the developing countries during the wide-ranging multilateral negotiations in GATT dealing in particular with trade in agricultural products and non-tariff barriers;

### b) in regard to primary commodities

- review the position of individual products exported by the developing countries, so as to enable long-term problems such as the adaptation of production, obstacles to trade, pricing policy and the development of consumption to be solved;
- encourage the conclusion of worldwide agreements for typical tropical products, in particular cocoa, on the understanding that when this proves impossible the enlarged Community may conclude with its Associated States agreements initially drawn up on a regional basis but open to the accession of other partners;

- in the case of products - such as sugar - similar to or competing with those of the developed countries, ensure freer access for the developing countries to external markets, and encourage a concerted adaptation of individual product economies in order to create more orderly world markets and prevent the efficiency of producers in the developed countries from jeopardizing the interests of their competitors in the third world;
- progressively reduce, in the context of the approximation of Member States' legislation, the excise duties charged at present on tropical products and protect the appellation of natural products of the developing countries;

c) in regard to manufactured products

- ensure that generalized preference are introduced by all the developed countries for manufactures and semi-manufactures and applied to all the developing nations without discrimination; they must be accompanied by the essential guarantees stipulated by the New Delhi Conference for the least advanced countries and for those nations which already benefit from regional preferences and whose interests would be jeopardized by the introduction of generalized preferences;
- undertake to arrange consultations at the earliest possible date in the Special Committee on Preferences with a view to improving the system of Community preferences which came into force on 1 July 1971, with particular reference to ceilings on the products concerned and determination of beneficiary countries, while having regard to the efforts made by other leading industrialized countries;
- take a decision to include, in the EEC preferential system, other processed and semi-processed agricultural products, exports of which are of interest to the developing countries;
- foster close cooperation between international bodies responsible for studying non-tariff barriers; UNCTAD in particular could supplement the work done by GATT on specific problems affecting the developing countries;
- encourage a more rational international division of labour between the developing countries and the industrialized nations by paying special attention to the problems raised by the need for faster industrialization of the third world;
- facilitate a massive transfer of technical skills to the developing countries on favourable terms, in order to make an effective contribution to their industrialization;

d) in regard to the promotion of exports

- take immediate action to promote exports from the developing countries to the Community market (marketing, sales promotion, after-sales networks, information and professional training for exporters, etc.);

e) in regard to regional and sub-regional integration of the developing countries

- support all initiatives - in particular those taken by the least advanced countries - to develop cooperation between the developing countries and foster their regional integration; practical assistance should also be given to achieve this aim (technical assistance for integration, special studies, etc.);

f) in regard to the financing of development

- take steps to increase public and private development aid, in particular with a view to reaching, not later than in 1975, the target of a net annual transfer of 0.70 % of the GNP as aid from the public sector to the developing countries;
- undertake to coordinate as far as possible aid given by Member States in order to progressively eliminate disparities in the structure of this aid; development aid should also be programmed under the common economic policy;
- gradually abolish the system of tied aid at Community level to enable beneficiaries to utilize the aid granted to them in any Member State;
- take resolute action to set up an international system of guarantees against non-economic risks for private investment in the developing countries;

g) in regard to the international monetary situation

- participate in the reform of the international monetary system and in the creation, on the basis of the institutions which have administered the system up to now, of an international economic and monetary order which would make allowance for the interests of the developing countries;



h) in regard to the least advanced among the developing countries and land-locked nations

- give the fullest possible backing to all measures which may help to solve the special difficulties of these countries, having regard to the importance of this problem for the Associated States and the Commonwealth countries with comparable economic structures;

9. Hopes that emphasis will be placed during the Conference on the importance of the work done by the Community so far to foster economic progress of the developing countries with particular reference to:

- the action undertaken in the area of commercial policy (tariff reductions, generalized preferences, elimination of quantitative restrictions, efforts to finalize product agreements);
- the achievements of the Association with the African States and Madagascar;
- policy on countries in the Mediterranean area;
- food aid programmes;
- the substantial trade deficit of the Community, which is the world's largest importer of primary commodities from the developing countries;
- the role played by integration of the six Member States throughout the last decade in encouraging expansion of the world economy and the beneficial effects which enlargement of the Community will have on world trade and on the economy of the developing countries;
- the far-reaching implications of the commitments entered into by Member States to pursue and intensify Community action in the sphere of development aid;

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10. Invites its Committee on External Trade Relations to continue its close study of trends in relations between the Community and the developing countries, and in particular to report on the outcome of the Third Session of UNCTAD;

11. Invites its President to forward this resolution and the accompanying explanatory statement to the Council and Commission of the European Communities and, for information, to the EEC-AASM Association Council, the Council of the Association between the EEC and the East African States and the Secretary-General of UNCTAD.

EXPLANATORY STATEMENTI. Introduction

1. The Third Session of the United Nations Conference on Trade and Development (UNCTAD) will be held in Santiago de Chile from 13 April to 19 May 1972.

UNCTAD is a specialized agency of the United Nations Organization; it was set up on 30 December 1964 as an organ of the General Assembly of the United Nations<sup>1</sup>. Its purpose is to propose ways of organizing world trade in a more equitable manner so as to facilitate the economic progress of the third world.

All the EEC Member States belong to UNCTAD which now has 140 members, i.e. the 131 members of the United Nations and 9 other States which belong to one or more specialized agencies of the United Nations. The European Community observes the proceedings of UNCTAD as an intergovernmental organization.

2. The First Session of UNCTAD held in Geneva in the spring of 1964, had wide repercussions since it marked the beginning of a worldwide confrontation between the industrialized and developing countries<sup>2</sup>. The practical results of the Geneva Conference were, however, strictly limited because the industrialized nations subsequently refused to consider the many recommendations - often adopted against their own wishes - binding.

However, one important principle had been recognized for the first time, namely the need to correct the 'laws of the market' in order to improve the trading position of the least advanced nations.

The EEC had supported the 'Brasseur plan', put forward by Belgium, which advocated temporary selective and degressive preferences for manufactures and semi-manufactures from the developing countries; however, several leading industrialized nations strongly opposed the principle of such preferences.

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<sup>1</sup> A number of permanent bodies have been established in UNCTAD, i.e.:

- the Trade and Development Board,
- the Secretariat,
- the Committee on Manufactures,
- the Committee on Commodity Problems,
- the Committee on Invisibles and Trade Financing,
- the Committee on Shipping.

<sup>2</sup> See reports by Mr Pedini on the Geneva Conference, Docs. 6/64 and 83/64.

3. In the light of past experience, an attempt was made at the Second Session of UNCTAD, held in New Delhi (February-March 1968), to achieve more practical solutions which might be acceptable to all the Member States<sup>1</sup>. The countries of the third world had in fact abandoned the ambitious but often highly theoretical principles laid down in Geneva; instead they had concentrated on the definition of realistic targets.

After a change in the United States' attitude, it proved possible to reach agreement on the rapid establishment of a general system of tariff preferences on a non-discriminatory and non-reciprocal basis for manufactures and semi-manufactures from the developing countries. In regard to the financial aspect, it was agreed that the rich countries should in future transfer 1 % of their gross national product rather than 1 % of their national revenue to the developing nations.

On the other hand no real progress was made towards a solution of the fundamental problem of stabilizing primary commodity prices; the importance of this issue had already been stressed by the EEC at the Geneva Conference. Subsequently the EEC States presented for the first time in New Delhi three joint proposals setting out the main lines of a policy on primary commodities.

4. What is the position today, four years after the New Delhi Conference?

According to the Secretary-General of UNCTAD, Mr Manuel Perez-Guerrero, achievements have so far been limited:

'Since the developing countries are excluded from a whole range of vital decisions on monetary and commercial matters, while the rich nations have recently concentrated exclusively on their own problems, the development of the third world has been reduced to a by-product of the growth of production and demand in the industrialized countries. In itself the growth of the developed nations is always desirable. But if a situation is allowed to develop in which the third world merely lives in the wake of the prosperity of rich nations, it is difficult to see how the past situation can change very much in future.

In spite of the efforts made by UNCTAD, and the goodwill shown by many great countries, the fact remains that the decade between 1960 and 1970 was conspicuous by the lack of a coordinated development policy. By allowing the fate of the third world to be dependent on growth of the developed nations, the overall growth target of 5 % has admittedly been reached, but in many cases the economic and social changes which must accompany any authentic

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<sup>1</sup> See reports by Mr Pedini, Docs. 177/67 and 86/68 on the New Delhi Conference.

development have been neglected. In the same decade, the growth of 44 developing countries whose per capita income is less than \$ 150 was on average only 3.7 %, which is well below the general target of 5 % set for the decade. There is a real need for concerted policies designed specifically to change the present international division of labour so that the world can become not only more prosperous but also more just in the next ten years.<sup>1</sup>

In regard to the financing of aid, the last annual report of the World Bank - which is the principal international development aid organization - shows that overall financial aid to the third world from the 16 leading industrialized countries in 1970 amounted to about \$ 15,000m, representing an average of approximately 0.75 % of the gross national product of these countries, in spite of the fact that a minimum target of 1 % had been set<sup>2</sup>. Of the total net flow of public development aid (approximately \$ 6,800m, representing only 0.34 % of the GNP of the donor countries as against a target of 0.70 %), grants accounted for only 65 %, whereas the corresponding figure was close on 90 % at the beginning of the previous decade.

The growth of the external public debt of the third world, amounting to \$ 59,000m at the end of 1969 for the 80 main developing countries is particularly disturbing; it was increasing twice as fast as their revenue from exports.

<sup>1</sup> Statement made at Geneva on 23 December 1971.

<sup>2</sup> Net flow of financial resources to the countries of Africa, Asia and Latin America, 1960-1968 (in \$ million):

Year	Total net flow	From the developed countries with market economies	From the socialist countries of Eastern Europe and Asia	From multi-lateral institutions
1960	7,089	6,600	200	289
1961	8,019	7,509	300	210
1962	7,951	7,152	400	399
1963	8,535	7,544	375	616
1964	8,944	7,850	375	719
1965	10,099	8,984	325	790
1966	10,168	9,016	350	802
1967	11,032	9,702	350	980
1968	12,220	11,052	325	843

Source: UNCTAD Secretariat.

We are still no nearer agreement on primary commodities. After long consultations, negotiations on an international cocoa agreement have only just resumed; a draft agreement will probably not be ready until mid-1972.

Generalized tariff preferences have been in force since 1 July 1971 in the EEC. But outside the Community, only seven industrialized countries have implemented these preferences (Japan, Norway, United Kingdom, Denmark, Sweden, New Zealand and Finland) and there is no reason to suppose that they will be introduced in the near future by the other main partners in world trade.

5. The international economy is going through a difficult period at present, especially after last summer's monetary crisis. We are witnessing far-reaching changes in international trade relations: the enlargement of the European Communities accompanied by the development of close relations with other countries, the new strength of the People's Republic of China on the international scene, the extraordinary growth of the Japanese economy, the substantial increase in international financial transactions, the adoption by the Socialist countries in Eastern Europe of a long term programme of economic integration and the will evinced by the three leading partners in world trade (EEC, USA and Japan) 'to make a complete reappraisal of all international trade relations in order to negotiate necessary improvements in the light of the structural changes which have taken place in recent years'<sup>1</sup>.

6. The UNCTAD Conference will open in Santiago against the background of this fluid situation; the countries of the third world believe that this Conference should consider the problem of greater participation by the developing nations in the search for a settlement to the main world economic problems.

These countries will lose no opportunity to stress the repercussions which the development of trade, economic and monetary relations between the industrialized countries may have on their economies. They will pose a political and moral question: can the great trading powers which have accepted the principle of intervention by the public authorities in their own economies in the name of social justice and the welfare state, refuse to apply the same principle to the world economy in order to ensure a more equitable international order?

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<sup>1</sup> Joint declaration of the EEC and United States on 11 February 1972 (Doc. GATT/1106); joint declaration of Japan and the United States, 9 February 1972 (Doc. GATT/1105).

## II. Preparations for the Conference

7. Like the two previous sessions of UNCTAD, the Santiago Conference has been prepared by a series of preliminary meetings at the level both of the permanent bodies of UNCTAD and of individual developing countries.

On the other hand, few steps have been taken up to now to coordinate the position of the industrialized countries, e.g. in the OECD.

8. In UNCTAD itself, the Trade and Development Board was responsible for preparing the Santiago Conference at its last meeting (Geneva, 24 August - 21 September 1971)<sup>1</sup>.

After a long and difficult debate, the Board approved the provisional Conference agenda without a vote (after rejecting a Swiss proposal to include the item relating to 'the implications of the present international monetary situation' as a sub-division of Item 8 instead of Item 9)<sup>2</sup>. The text of this agenda is set out in Annex I to this report.

The Board's discussions centred on the desirability of including certain specific items in the agenda and on the importance to be accorded to them in the Santiago proceedings. The following items were primarily at issue:

- the international monetary situation,
- the principles underlying international trade relations,
- the impact of the regional economic groupings of developed countries,
- East-West trade,
- disarmament,
- the implications of environmental policy on trade and development,
- insurance problems.

The developing countries, supported in some instances by the socialist countries of Eastern Europe, wanted to list these matters as separate items on the agenda while the Western nations insisted on their being dealt with under the single item devoted to examination of recent events and long-term trends in trade and development.

The final compromise listed all the matters relating to the international monetary situation and East-West trade as separate items on the agenda and included the other items under the heading of the general discussion of recent events and long-term trends in trade and development. At the end of the general debate, the Conference may, however, decide to adopt an ad hoc procedural arrangement to examine these questions in greater detail.

<sup>1</sup> The Board is the main permanent body of UNCTAD with representations of 55 countries, including all the EEC Member States except Luxembourg.

<sup>2</sup> The developed countries with a market economy all voted in favour of this proposal which was rejected by 32 votes to 18.

9. The compromise provisional agenda does not conform to the original intention of adopting for the Santiago Session a programme covering only problems of extreme urgency in respect of which positive practical results can reasonably be expected. On the contrary, this agenda covers the whole range of possible subjects for discussion at a meeting between the developing countries, socialist States and Western nations without the prior selection which had been envisaged originally.

The Western countries entered serious reservations on the effects of this cumbersome and excessively detailed agenda on the efficiency of the conference's work. The spokesman for the developed countries with market economies stated that the programme for the Santiago Session was not selective enough; he expressed the hope that the developing countries would select priorities and concentrate on a few main points in order to obtain practical results.

10. The Board also adopted a number of resolutions and decisions for the UNCTAD Conference.

A resolution on the problems of the least advanced among the developing countries was unanimously adopted: it calls upon the Secretary-General 'to draw up a detailed and complete programme of action'.

Another Board resolution calls for the convening of a conference to negotiate cocoa prices. The EEC took this opportunity to make an urgent appeal for an international agreement on cocoa.

In regard to the institutional provisions on generalized preferences, the Board decided, after lengthy discussion, to postpone for one year its decision on the UNCTAD body to be made responsible for a regular review of the preferential systems.

An important Board resolution, adopted against the votes of the Western countries, recommends full participation 'by all the countries concerned and in particular the developing nations' in consultations and negotiations on reform of the international monetary system<sup>1</sup>. In this connection, the EEC delegation recalled the position taken by the Council of the Communities on 13 September 1971: 'The basic problem in this area is that of building a new international monetary and economic order on the foundation of the institutions which have administered the system hitherto (GATT, IMF) with special reference to the needs of the developing countries'.

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<sup>1</sup> This resolution was proposed by the developing countries and adopted by 30 votes to 16 (including the Federal Republic of Germany, Belgium, Italy and the Netherlands) with two abstentions (including France).

Finally, at the insistence of the African States, the Board invited the Secretary-General of UNCTAD to prepare a number of studies for the Santiago Conference, dealing primarily with the problems of primary commodities (long-term trends in the terms of trade, effectiveness of existing international agreements on primary commodities, progress towards an international cocoa agreement).

11. In regard to the organization of the Conference's work, the President of the Board proposed the creation, without prejudice to the constitution of special Session bodies (such as working parties and contact groups on matters requiring special examination), of six main committees to which groups of items or sub-items would be referred for study and report.

In the light of consultations on this matter and debates at the last session of the UN General Assembly, the Secretary-General of UNCTAD proposed that the items on the agenda of the Santiago Conference should be distributed as follows between the main committees:

<u>First Committee</u>	: Item 13	Primary commodities - problems and policies
<u>Second Committee</u>	: Item 14	Manufactures and semi-manufactures
<u>Third Committee</u>	: Item 15	Financial resources for development (with the exception of paragraph g)
<u>Fourth Committee</u>	: Item 8 f)	Insurance problems
	Item 15 g)	Tourism
	Item 16	Development and cost of sea transport; freight rates; code of procedure for maritime conferences
	Item 19	Transfer of new techniques with special reference to resolution 74 (X) adopted by the Council on 18 September 1970
<u>Fifth Committee</u>	: Item 18	Trade relations between countries with different economic and social systems
<u>Sixth Committee</u>	: Item 11	a) Special measures to assist the least advanced among the developing countries b) Other special measures relating to the needs of land-locked developing countries

12. Two other recent meetings of UNCTAD bodies must be mentioned here because of their relevance to preparations for the Santiago Conference: the sixth session of the Committee on Primary Commodities (5-16 July 1971) and the fifth session of the Committee on Invisibles and Trade Financing (1-15 December 1971)<sup>1</sup>.

<sup>1</sup> See Fifth General Report on the Activities of the Communities, 1971, sections 448 and 450.



In the Committee on Primary Commodities, the countries of the third world originally attempted to focus their search for solutions on access to the markets of the developed countries. The European Community on the other hand stressed the need for international coordination in regard to the possibilities of economic diversification. The UNCTAD Secretariat was finally invited to present proposals for practical action on this matter and for the coordination of diversification programmes.

Debates on international monetary problems were extremely animated in the Committee on Invisibles and Trade Financing<sup>1</sup>. While giving an assurance that the developing countries would be involved in the reform of the international monetary system, the Western nations maintained their reservations as to the competence of UNCTAD in this matter. To sum up, this meeting which coincided with a particularly difficult period for the international monetary system, took no major decisions.

13. As was the case at the two previous world conferences the 96 developing countries which at present make up the Group of 77<sup>2</sup> (so named because 77 nations attended the first meeting of the group at the Geneva Conference) have tried to coordinate their position in preparation for the Santiago Conference; a ministerial conference was held for this purpose in Lima from 25 October to 8 November 1971.

This was the third meeting of the '77'. At Geneva in 1964, the developing countries had concentrated on drawing up the statute of their organization. Three years later in Algiers they adopted - with reservations entered by several countries - a 'charter of economic rights for the third world'.

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<sup>1</sup> The Secretary-General of UNCTAD, Mr Perez-Guerrero, made the following statement on this problem: 'It is regrettable that the communiqué of the Group of Ten (on currency realignment) does not mention the immediate impact of these negotiations on the third world. The decision to raise the price of gold from \$ 35 to 38 an ounce - amounting to an 8.6 % increase - means that the dollar value of the gold reserves held by the non-socialist countries will increase by \$ 3,000m; of this total the share held by the developing countries is only \$ 275m. This amounts to a windfall for the rich countries 10 times greater than the benefit accruing to the developing nations. In addition, monetary realignments have resulted in a substantial net reduction in the purchasing power of the reserves held by the developing countries. But there is nothing in the communiqué to suggest that any consideration has been given to the possibility of providing compensation for the losses suffered by the developing nations.' (Statement made on 23 December 1971).

<sup>2</sup> This figure includes 31 countries in Africa, 26 in Latin America, 19 in Asia, 18 Arab countries, Cyprus and Yugoslavia.

This time the '77' have prepared a wide-ranging programme of action covering varied and sometimes conflicting interests; it was therefore impossible to fix priorities which would have facilitated the proceedings of the next UNCTAD Conference by focusing attention on a few problems which are ripe for further action.

14. After preparatory meetings of the three regional groups (Asia, Africa, Latin America)<sup>1</sup>, the Ministerial Conference of the developing countries, in Lima, was prepared by a meeting of senior government officials from the Group of 77. In his inaugural address to this meeting, the Peruvian Minister of Foreign Affairs stressed the need to create a united front 'enabling the countries of the third world to work energetically towards agreements amounting to a complete restructuring of the present conditions of international trade and economic and financial relations between the industrialized countries and developing nations'. In fact it was not easy to arrive at a common position as differences of opinion had already appeared during the preparatory meetings of the three regional groups.

In their addresses to the plenary session, most speakers stressed the need for cohesion between the developing nations in their confrontation with the industrialized States. However, as soon as specific problems were broached - primary commodities, maritime transport, preferences, monetary issues, special measures to assist the least advanced nations - all the economic, structural and political differences and alliances separating the three continents came into play again. On the subject of shipping for example, Latin America belongs to the group of 'carrier' countries while the African countries and most of the Asian nations are 'charterers'. Their points of view are therefore different and sometimes conflicting. Similarly on the monetary issue, the African and Asian countries which belong to the franc or sterling area, are opposed to the idea of a united front by the third world against the industrialized nations called for by the Latin American countries.

Wide differences of opinion were noted on the subject of institutionalization of the Ministerial Conference of the developing countries. There was disagreement between the African States and certain Asian countries which would like a permanent body of the '77' to be set up, while the Latin American nations reject this proposal which they believe would entail the delegation of powers on excessively complex problems.

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<sup>1</sup> Ministerial meetings of the regional groups were held:  
- by the Asian countries at Bangkok on 5 and 6 October,  
- by the African countries at Addis-Ababa from 8 to 14 October,  
- by the Latin American countries at Lima on 24 October.

Because of these differences of opinion the conference, which was originally scheduled to end on 6 November, had to be extended. But the countries of the third world nevertheless managed to draft and adopt by acclamation in the night of 7-8 November, a document entitled 'Lima Declaration, Principles and Programme of Action'.

15. The Lima Declaration begins by listing a series of principles summarizing the ideas put forward in the speeches by leaders of delegations from 96 countries<sup>1</sup>. It encourages the countries of the third world to strengthen their unity and sense of common purpose in the Group of 77, and calls for wider representation of this group in the main international organizations, in particular during discussions on reform of the monetary system.

The second part of the Lima Declaration sets out a programme of action. It comprises 22 headings and calls for full participation by the third world 'in all preparatory consultations and decisions aimed at bringing about a reform of trade and the world monetary system'.

The following new ideas are put forward in this lengthy programme:

- Under the heading of special measures for the least advanced among the developing countries, the programme of action recommends the creation of a special fund to assist these countries, and calls upon UNCTAD to lay down new criteria for a revision of the list of 25 least advanced countries.
- In regard to primary commodities, the programme of action invites UNCTAD to examine 'the possibility of indexing unit prices of manufactured products imported from the developed countries on unit prices of exports from the developing nations'.
- The programme invites the developed nations and international organizations to grant special financial and technical aid to assist the land-locked countries to establish industries producing 'goods of low value in relation to their volume' which would replace a part of their imports. This aid should also help to develop the infrastructure of these countries (roads negotiable by heavy lorries, railways, international airports).
- The programme also urges the international community 'to bring about, through the existing international machinery, a rapid transformation of the economic system with specific reference to trade, finance, shipping, invisibles (liabilities and profits accruing from trade transactions) and technology'.

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<sup>1</sup> The first part (general principles) of the Lima Declaration is reproduced in Annex II to this report.

In addition to the statement of general principles and the programme of action, the Lima document contains a number of recommendations on specific points.

The Conference urged the United States to reconsider its decision to curtail foreign aid. It suggested that the participating governments should create an 'intergovernmental group' of 15 members responsible for studying the development of the international monetary situation. It also wanted the economic consequences of closure of the Suez Canal to be entered on the UNCTAD agenda and repeated the call for adoption of the general agreement on cocoa.

The Conference recommended that the Group of 77 should meet again before the Santiago Session in order to study the reform of UNCTAD structures; Manilla was chosen as the venue for this new conference of the developing countries.

16. No formal decision has yet been taken by the European Community on its position at the Santiago Conference.

The Commission of the Communities has recently submitted a memorandum to the Council setting out a detailed analysis of the main problems on the UNCTAD agenda and a number of suggestions on policy to be followed at Santiago. The Council will probably reserve its decision on this document until it has noted the European Parliament's opinion.

17. In addition, the Commission has been trying for many months to foster renewed international cooperation in order to bring about progress in the countries of the third world and ensure greater effectiveness for Community policy on development aid. With this aim in view, it submitted to the Council on 27 July 1971 a 'memorandum on a Community policy for development cooperation', followed on 2 February 1972 by a 'programme for a first series of measures'. These two documents deal primarily with the Community's long-term role but they also contain useful indications as to the measures the EEC may advocate at the UNCTAD session in Santiago.

The resolution adopted by the UN General Assembly on 16 December 1971 is also of considerable interest (see Annex IV). This resolution approves the programme drawn up by the Board of UNCTAD.

The following points - which the UN General Assembly considered particularly important - were stressed:

- special measures to assist the least advanced among the developing countries and the land-locked developing nations;

- the conclusion of an international agreement on cocoa;
- the development of trade relations between countries with different economic and social systems;
- the system of generalized preferences to assist the developing countries and further improvements to the provisions relating to these preferences;
- the institutional machinery of UNCTAD;
- examination and assessment of implementation of the international development strategy.

The European Parliament will be considering these important documents in more detail at a later date<sup>1</sup>.

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<sup>1</sup> A report on this memorandum is now being drafted by the Committee on External Trade Relations (rapporteur: Mr Vredeling).

### III. Position of the EEC at the Conference

18. It is difficult to comment at present on the relative importance of the various items on the agenda of the Santiago Conference. However, to judge by the emphasis placed on the different issues during the debates of the last session of the Trade and Development Board, the UNCTAD proceedings will probably concentrate primarily on the following points:

- the international monetary situation;
- problems of policy on primary commodities;
- implementation of the system of generalized preferences;
- trade relations between countries with different economic and social systems (East-West trade);
- the institutional machinery of UNCTAD;
- the impact of regional economic groupings of developed nations;
- special measures to assist the least advanced among the developing countries and land-locked developing nations;
- maritime transport.

The European Parliament proposes to state its opinion on some of these problems, in order to guide the action of the Community and Member States at the Conference.

#### Procedure

19. The European Parliament is above all desirous of defending the Community's interests; it is therefore more interested in procedural problems than in the basic implications of the issues which will be examined at the Third Session of UNCTAD.

In fact, while the six EEC Member States will be taking part in the Santiago Conference as full members of UNCTAD, the European Community will only be observing the proceedings and will have no voting rights.

What will be the role of the Community delegation under these conditions? The European Parliament deplores the fact that the European Economic Community - which the United Nations only recognizes as an 'intergovernmental organization' - is unable to take part in the UNCTAD Session as a full member.

It stresses, as it did when the two previous sessions of UNCTAD were held, the need for the European Community to present a united front in UNCTAD and therefore requests that

- the Commission of the Communities be appointed joint spokesman for the

Member States in sectors over which the Community already has sole responsibility (commercial policy, association treaties, trade agreements, agricultural policy);

- a common position be defined by the Member States in accordance with Article 116 of the EEC Treaty for other areas of common interest and put by a single spokesman.

The role of spokesman could be assumed, as was the case at the Geneva and the New Delhi conferences, by the delegation of the country which at present holds the presidency of the Council of the Communities<sup>1</sup>.

20. In addition the European Parliament believes that, before the Conference opens, the Community's position should be closely coordinated with that of the four countries which have signed the Treaty of Accession (United Kingdom, Denmark, Ireland and Norway). These countries have entered into important commitments to continue Community action in the sphere of development aid after 1 January 1973, the date on which they will be joining the enlarged Community. In particular they have undertaken to apply the Community system of generalized preferences from 1 January 1974.

As far as the Associated African States and Madagascar which are parties to the Yaoundé Convention are concerned, it will be recalled that in its resolution of 13 January 1972 on the Seventh Annual Report of the Association Council, the Parliamentary Conference of the Association expressed the hope 'that the next United Nations Conference on Trade and Development in Santiago will provide an opportunity to strengthen the machinery of consultation between the EEC, its Member States and the AASM with a view to defining and maintaining common points of view'<sup>2</sup>. The European Parliament fully endorses this observation and hopes that the provisions of Protocol No. 5 to the Second Yaoundé Convention will be implemented at the forthcoming UNCTAD session.

21. The Parliament regrets that no major initiative has so far been taken to coordinate the positions of the developed nations for the Santiago Conference. At the last UNCTAD session great efforts were made in the OECD to arrive at a common attitude among the Western countries on the problem of generalized preferences at least.

22. Item 10 on the provisional agenda of the Santiago Conference is an examination 'of the institutional machinery of UNCTAD' (Sections 30, 31 and 32 of General Assembly resolution 1955 (XIX)).

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<sup>1</sup> The Grand Duchy of Luxembourg holds the presidency for the first half of 1972.

<sup>2</sup> Section 9, Official Journal, No. C 11, 7 February 1972.

Although opinions differ on this matter, it is quite clear that the institutional system of UNCTAD does not entirely satisfy all its members. A searching examination must therefore be made of all the institutional arrangements at the Third Session of the UN Conference in order to improve the effectiveness of UNCTAD and strengthen its role as an agency responsible for promoting measures relating to the negotiation and adoption of multi-lateral trade instruments. Negotiations, involving the search for appropriate solutions, consultations and final agreements, must be viewed as a coherent entity. Moreover, we must not lose sight of the fact that the existing negotiating bodies are adequate and that duplication of their activities must be avoided. The Conference will then be able to achieve its primary aims as set out in General Assembly resolution 1955 (XIX).

#### General considerations

23. The EEC is now preparing itself for the far-reaching multilateral commercial negotiations which will be opening in GATT in 1973. In addition the enlargement of the Community will soon become a reality.

Under these conditions it would be desirable for the Community to re-state to the third world in Santiago its firm intention of taking the developing countries' interests into consideration in its international action and internal policies. In giving this assurance, it would merely be confirming the position it recently adopted in regard to reform of the international monetary system and the new multilateral trade negotiations planned for 1973.

24. As a further general principle, the EEC should advocate in UNCTAD economic diversification of the developing countries and in particular of the least advanced among them which are dependent on exports of one or two primary commodities (with the exception of petroleum products)<sup>1</sup>; this diversification should be based on structural economic changes.

The problem of primary commodities is extremely complex and a global approach is necessary. Economic diversification of the countries concerned would clearly be the most effective way of bringing about a real improvement in the situation. Diversification must therefore be the basis and long-term goal of all action in this sphere aimed at lessening the effect of market price fluctuations on the countries concerned.

<sup>1</sup> As an example iron ore accounted for 93 % of exports from Mauritania and 75 % of exports from Liberia in 1967; copper accounted for 93 % of Zambian exports and 76 % of exports from Chile; coffee 63 % of Colombian exports and 56 % of exports from Ethiopia; cocoa 70 % of exports from Ghana; sugar 97 % of exports from Mauritius, 85 % from Cuba, 58 % from the Dominican Republic and 56 % from Barbados; groundnuts 76 % of exports from Niger and 40 % from Gambia; cotton 83 % from Chad, 65 % from the Sudan and 50 % from Egypt; bananas accounted for 53 % of exports from Ecuador and Panama and wool 50 % of exports from Uruguay.



The EEC has also gained valuable experience of diversification through the measures taken over a period of several years in Africa and Madagascar by the European Development Fund and the European Investment Bank.

In the same spirit, the EEC should support all proposals tending generally to improve the marketing of products of the developing countries.

25. In regard to the special relations between the EEC and the 18 African States and Madagascar (soon to be joined by Mauritius) which are signatories to the Yaoundé Convention, the present policy of tariff preferences on tropical products and certain items which compete with European agricultural products must clearly be maintained, while taking appropriate measures to safeguard the interests of other developing countries until at least equivalent advantages are granted to the AASM - which are among the least advanced of the developing nations - as compensation for the damage they would suffer through any change in the existing situation.

It must be remembered that generalized preferences are not at present advantageous to the AASM since these countries have lost their exclusive right of preferential access to the market of the Six without benefiting from the proposed reciprocal provision of preferential access to the markets of other industrialized countries, in particular the United States.

#### Primary commodities

26. The problem of primary commodities is of real interest to the EEC. The Parliament recalls that, in its resolution of 13 January 1972, the Parliamentary Conference of the EEC-AASM Association invited the EEC and AASM 'to jointly support, at the Santiago Conference, effective measures to regulate world trade in primary commodities, since the success of such a policy is a precondition for the economic progress of the third world'<sup>1</sup>.

We have seen that a global approach is necessary to lay down a policy designed in the long run to diversify the economies of those developing countries which are excessively dependent on a single product. Meanwhile efforts should be made to review the position of individual primary commodities; in this way a start could be made on solving long range problems such as adjustments to production, barriers to trade, price policy and the expansion of consumption. The EEC has already stressed this requirement to the Committee on Primary Commodities in Geneva since, without a coordinated adaptation of these product economies, the fundamental difficulties which by their very nature are long term problems cannot possibly be solved.

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<sup>1</sup> Section 10, Official Journal C 11, 7 February 1972.

This is particularly true in the case of products of the third world which are similar to and competitive with agricultural products of the temperate regions. For these particular products it would be wrong to try simply to ensure freer access to the markets of the developed countries, since experience has shown that the main benefit would then be derived by other agricultural producers in the developed countries. Efforts must therefore be directed towards a coordinated adaptation of the economy in order to create a more orderly situation on world markets and prevent the efficiency of agricultural producers in the developed countries from endangering the interests of their competitors in the third world.

In regard to typical products of tropical regions, the EEC should pursue the policy it has adopted in recent years: it must advocate the conclusion of world product agreements in particular for cocoa; when this proves impossible, the enlarged Community could draw up regional agreements with the Associated States. These agreements should also be open to other countries wishing to take part<sup>1</sup>.

It seems likely in fact that the enlarged Community and its future partners will form a powerful enough grouping to reach viable regional agreements which could serve as an example to other countries.

During the negotiations with the four applicant countries, the Community already promised present and future associated States that it would take into account the interests of those among them whose economies are heavily dependent on exports of primary commodities. This undertaking was given to reassure the present beneficiaries of the Commonwealth Sugar Agreement (which is more favourable to sugar cane producers than any arrangements the EEC has hitherto granted to its partners). It will of course apply equally to other products (such as groundnuts from Senegal).

Agreements on tropical products should in particular aim at a better balance of supply and demand, at fixing profitable prices for producers and equitable prices for consumers, at financing regulating stocks when this is necessary and at a programme for the diversification of production.

27. The EEC should give a commitment in Santiago to progressively reduce and ultimately abolish excise duties levied on tropical products, in the context of its measures to approximate Member States' legislation on indirect taxation. The purpose of this study would be to reduce excise duties gradually until they are completely abolished.

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<sup>1</sup> See also Section 23 b) of the resolution of 13 January 1972 of the Parliamentary Conference of the Association held at The Hague (Official Journal, C 11, 7 February 1972) and Section 14 of the resolution adopted on 13 January 1971 by the Yaoundé Conference (Official Journal, C 13, 10 February 1971).

In the same spirit, the EEC should advocate Community legislation to protect the appellation of natural products originating in the developing countries. Here the interests of European consumers coincide with those of the third world.

28. It is extremely difficult to lay down an agricultural policy in a highly developed region, since a balance must be struck between social needs and economic and commercial considerations.

The EEC must stress in Santiago that its agricultural policy is merely one facet of the process of Community integration: by contributing to the success of economic integration, agricultural policy encourages growth of the secondary and tertiary sectors of the economy. It will eventually ensure that the European market and the specialized agricultural markets of the developing countries complement each other more satisfactorily.

#### Manufactured products

29. On 1 July 1971 the Community implemented its offer of generalized preferences for manufactures and semi-manufactures from the developing countries. So far it has been followed by Japan (1 August 1971), Norway (1 October 1971) and by the United Kingdom, Denmark, Sweden, Finland and New Zealand which made similar offers on 1 January 1972. On the same date Hungary and Czechoslovakia also offered preferential tariffs to certain developing countries.

In order to share the burden more evenly, the EEC should take steps in Santiago to ensure that generalized preferences are introduced by all the developed countries. Generalized preferences should be granted without discrimination to all developing countries and linked with the essential guarantees defined at the New Delhi Conference for the least advanced countries and for those nations which already benefit from regional preferences and would be adversely affected by implementation of the system of generalized preferences<sup>1</sup>.

The European Community should undertake to begin consultations with a view to improving the system of Community preferences brought into force on

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<sup>1</sup> The Parliamentary Conference of the EEC-AASM Association stated in its resolution of 13 January 1972 that '8. ... the EEC should, at a future date, thoroughly review the implications of generalized preferences for the AASM, since these countries have lost their exclusive right to preferential access to the Community market but do not benefit from the preferential access to the markets of other industrialized countries and in particular the United States, which was to have been granted in return.'

1 July 1971, with particular reference to the ceilings on the products concerned and the determination of beneficiary countries. The Community should also take a decision to include in its preferential system other processed and semi-processed agricultural products, exports of which are of interest to the developing countries.

30. The Lima programme calls for the creation in UNCTAD of an intergovernmental body specializing in the examination of non-tariff barriers to trade in manufactured products. It therefore seems likely that the debates on manufactured products will centre on institutional matters.

The creation of a new institution does not appear desirable, since GATT already offers a suitable legal framework for decisions in this area. The EEC should encourage close cooperation between the international bodies responsible for studying non-tariff barriers; the work done by GATT could usefully be supplemented by UNCTAD in respect of the specific problems of developing countries.

Close cooperation should be established between UNCTAD and GATT in regard to the exchange of information. Moreover, all the developing countries concerned which are not members of GATT could participate in the working parties of this organization which examine problems of non-tariff barriers.

31. In regard to manufactured products, the Lima programme raises the problem of the early reconversion which the industrialized countries would have to undertake in certain industrial sectors of their economy so that their own production in these sectors could be replaced by imports from the developing nations.

Aware of the importance of this problem, the European Parliament believes that the European Community should undertake to give special attention to the problems raised by the need for faster industrialization of the third world in order to bring about a more rational international division of labour between the developing countries and industrialized nations.

The Commission of the Communities already stressed this requirement in its memorandum of 18 March 1970 on industrial policy<sup>1</sup>:

'Policy on the industrial development of Europe cannot be defined without due regard to the need for a more harmonious distribution of the world's wealth..... In addition to the special effort it is making to assist the

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<sup>1</sup> The industrial policy of the Community, Doc. 15/70, 21 April 1970, Section 5.

associated European and African States, the Community must be ready to accept the progressive and orderly transfer of certain industrial activities to the developing countries. It must take account of this need when working out its long-term plans in all fields and when choosing measures to accompany or encourage the necessary improvement of individual industries.'

A particularly valuable contribution to industrial progress in the developing countries could be made by transferring technical skills to them from the industrialized nations. This subject will be discussed under item 19 of the agenda of the Santiago Conference.

The Community is certainly well placed to give active assistance in solving the problems which arise in this sector and will be able to play a still more important part after its enlargement. Measures to bring about a massive transfer of new techniques to the developing countries must obviously be taken under favourable conditions in order to contribute to their rapid industrialization. This also holds good for the communication to the developing countries, without obstacles or discrimination between them, of all scientific information relating to their development needs.

#### Promotion of exports

33. The elimination of tariff or other barriers to trade is very often not sufficient to ensure satisfactory outlets for exports from the third world on the markets of the developed countries. In the present situation of fierce commercial competition, sales promotion is vital.

In order to provide real aid to the developing countries, the Community must therefore take steps to ensure easier access to the European market for their products. If the Community is to take effective steps in this area, it could follow the pattern of measures already introduced for the benefit of the Associated African States and Madagascar (specialized training of officials in the sectors concerned, market research, technical assistance for trade development services, aid for better product standardization, etc.).

The EEC could also encourage the creation (in Member States other than Germany and the Netherlands which already have institutions of this kind) of organizations for commercial cooperation with the developing countries.

#### Regional integration of the developing countries

33. As the Commission of the Communities pointed out in its memorandum of July 1971 on a Community policy for development cooperation, the European Community - whose economic raison d'être resides in the fact that its Member States are aware of the need for economic integration which will be beneficial

to all the parties concerned - has a special duty to assist the developing countries in the area of regional cooperation.

The developing countries could benefit from the Community's own experience of integration and also from the experience it has gained from its association with certain groups of developing countries, and in particular the AASM. The multilateral character of the EEC-AASM Association has proved a powerful factor in encouraging cooperation between the Associated States, both at the level of the 18 AASM and in the context of regional African groupings.

At the Santiago conference, the European Community should therefore undertake to support all measures designed to foster cooperation between the developing countries and encourage their regional integration; it should also give practical assistance to achieve this objective (technical assistance for integration, preparation of studies, etc.), with particular reference to the least advanced countries.

#### Development financing

34. One important item on the programme of the UNCTAD conference is the assessment of the developing countries' financial needs and of the financial resources the developed nations are able to supply.

Aware of the importance of this problem and of the gravity of the present situation, the European Parliament believes that the Community should take steps at the Santiago conference to promote more intensive public and private efforts to provide financial aid for the developing countries.

35. Resolute action should in particular be undertaken to increase public development aid. In fact while private aid is developing favourably, the situation regarding public aid in the past ten years has been disturbing. The nominal growth rate of public aid (on average 3.8 % per annum) scarcely makes good the fall in purchasing power. Consequently the flow of public aid has been stagnant in real terms for ten years while the population of the developing countries has risen by some 30 %. The true value of public development aid has in fact fallen from \$ 3.6 per capita in 1961 to \$ 3 in 1970 (at 1961 price levels).

As far as the European Community is concerned, the proportion of the GNP which Member States devoted to public development aid fell between 1960 and 1970 except in the case of the Netherlands. The target of earmarking 0.70 % of the GNP for public aid which was regularly exceeded by France up to 1967 has no longer been reached by any Member State since 1968, as the following table shows:

Public development aid (as percentage of GNP)

	Belgium	FRG	France	Italy	Netherlands	EEC	GB	USA
1960	0.88	0.49	1.38	0.30	0.31	1.08	0.56	0.45
1969	0.52	0.35	0.69	0.17	0.55	0.53	0.39	0.35
1970	0.48	0.32	0.65	0.16	0.63	0.42	0.37	0.31

The EEC Member States should recognize the full gravity of this situation and try to meet not later than in 1975 the target of allocating a net annual total of 0.70 % of the GNP to the developing countries as aid from the public sector (the primary target being a net annual total of public and private aid amounting to 1 % of the GNP). It would also be desirable for all the OECD countries to coordinate their aid policies.

36. At the Santiago conference, the European Community should give a commitment to coordinate the aid provided by its Member States in order to progressively eliminate disparities in the structure of this aid and programme development aid under the common economic policy.

This would accord with the strategy proposed by the European Commission in its memorandum on development aid which also provides for the progressive removal of ties on Community aid so that the beneficiaries could then use the aid they receive in all Member States.

37. The European Parliament wishes to stress once again the need to encourage private investment in the developing countries by providing suitable guarantees against non-economic risks. It believes that the Third Session of UNCTAD should be used as an opportunity to revive long-standing proposals for an international system of guarantees on private investment.

International monetary situation

38. The importance which the discussion of monetary problems will certainly assume at the Santiago conference has already been noted<sup>1</sup>. The main issue will be to determine whether, when the international monetary system is reformed on the basis of international liquidities created by the IMF (special drawing rights), these rights can in part be created as a function of the needs of the developing countries.

The Secretary-General of UNCTAD, Mr. Perez-Guerrero, has commented as follows on this subject:

'The creation of a link between special drawing rights and development financing will perhaps make an important contribution to the expansion of world

<sup>1</sup> See Section 10 of this report.

production and trade in the years 1970 to 1980. While all the developed countries would obviously like to achieve an export surplus, it must be remembered that the only way for any developed nation to improve its trade balance without adversely affecting the position of other developed nations is to increase the trade surplus of all the developed nations in relation to the rest of the world; this increase is only possible if it is accompanied by a corresponding transfer of financial resources.

The question of a "link" has therefore become more important than before. It would in fact enable national interests to be reconciled more easily without infringing the necessary monetary discipline. It would also help the developing countries to reach the stage of independent growth more rapidly.'

Opinions are still divided on the subject of this link. Opponents of the proposal are afraid that liquidity may be created for reasons foreign to the problem of adequate financing for international transactions; this would disturb the exchange market and create additional inflationary pressures. Advocates of the proposal believe, on the other hand, that the creation of international liquidities could be a satisfactory response to specific financing requirements and that it is impossible to maintain a system under which new liquidities are of direct benefit to rich countries which do not particularly need them, instead of being directed towards the poorer nations which urgently require liquid funds.

39. The European Parliament believes that this matter should be examined carefully, as the present monetary situation raises serious problems for every country.

Referring to the decisions taken by the Council of the Communities on 13 September 1971, the Parliament considers that the Community should state its readiness at the Santiago conference to participate in a reform of the international monetary system and build, on the basis of the existing institutions, an international monetary and economic order which will safeguard the interests of the developing countries.

#### The least advanced developing countries

40. The problem of the least advanced developing countries and land-locked nations will certainly be a key issue at the Third Session of UNCTAD. These countries which believe, not without good reason, that the results achieved so far by UNCTAD have primarily benefited the more advanced developing countries, will try to obtain real advantages from the industrialized nations this time.



For the European Community this matter is of special importance since, of the 25 countries included by the responsible UNCTAD bodies in the provisional list of least advanced developing countries, eight are associated with the EEC under the Yaoundé Convention<sup>1</sup> while two, i.e. Tanzania and Uganda, are associated under the Arusha Agreement and four other belong to the group of Commonwealth countries which are entitled to apply for association<sup>2</sup>. The following criteria have so far been used to define 'least advanced' nations: per capita GNP not more than \$ 100, manufacturing industry accounting for at most 10 % of the economy and literacy rate of not more than 20 %.

41. In regard to the special measures required for these countries, the Santiago Session could produce valuable results. The UNCTAD Secretariat will be presenting 'a detailed general programme of action' to the Conference. In addition, this item on the agenda will provide the developed nations with the best opportunity to take positive measures and so offset the restrictive attitude they will certainly adopt towards a good many other claims put forward by the Group of 77.

The EEC should give the widest possible backing to all measures likely to contribute towards a solution of the special difficulties of these countries. These measures may cover exports (sales promotion, product agreements, generalized preferences) as well as regional integration and financial and technical aid. In addition this aim can only be achieved with the assistance of the most advanced developing countries.

#### Positive aspects of EEC action on development aid

42. The European Community will be attending the Santiago conference with a great deal to its credit in the sphere of development aid.

In the first place it has undertaken many commercial policy programmes for the benefit of the third world. In major international tariff negotiations, the Community has constantly repeated its intention of leaving no stone unturned in its efforts to reduce barriers to exports from the developing countries. To meet the wishes expressed by these countries during the Kennedy Round, the Community brought into force on 1 July 1968, before the stipulated date and without intermediate phases, all the tariff reductions granted on a large number of products which are of particular interest to the third world. Other tariff measures were taken by the Community for certain sectors of the textile industry and imported craft products. Subsequently the Community took further accelerating measures

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<sup>1</sup> Burundi, Chad, Dahomey, Mali, Niger, Rwanda, Somalia, Upper Volta.

<sup>2</sup> Botswana, Lesotho, Malawi, Western Samoa.

- in 1970 for 24 tariff headings, in particular textiles,
- in 1971 for 16 headings of particular interest to the Latin American countries.

As long ago as 1963, the Community temporarily suspended duty on tea, maté, tropical timber and a range of miscellaneous products, including cashew nuts, rubber and certain spices. Further total or partial tariff suspensions have been added by the Community every year.

Commercial policy measures have been taken by the Community under trade agreements negotiated with the developing countries and relating in particular to certain sectors of the textile industry. Measures have also been taken for imported craft products. Finally non-preferential agreements have been concluded with the Lebanon, Yugoslavia, Iran and Argentina.

The European Community has taken an active part in programmes to implement the United Nations recommendations on the stabilization of primary commodity prices. This action has been pursued at different stages: during the preparation of agreements (as is the case at present for tea) and also during their negotiation (conferences on cocoa), management and renewal (coffee and tin).

The EEC has played a decisive part in introducing generalized preferences for manufactures and semi-manufactures from the developing countries. The European Community brought its own system of generalized preferences into force on 1 July 1971.

43. The Association between the EEC and the African States and Madagascar - as an instrument of authentic partnership in development cooperation - has provided an effective framework for economic progress in the Associated States

The attachment of these countries to the association system proves how admirable the formula is; it combines the advantages of a multilateral system with those of institutionalized cooperation and regionalism and has encouraged other African States to conclude special agreements with the Community. In short it now seems to be the most up-to-date and coherent solution to the problems of development cooperation.

The EEC has also created ties of cooperation with developing countries in the Mediterranean region; in this particular area European action to maintain peace could be decisive. The EEC reaches down to this sea and has affinities of civilization with the Mediterranean countries resulting from centuries of interaction. It provides 45 % of the external market for the countries bordering on the Mediterranean, which has traditionally been an intensely active centre of trade.

44. In addition the European Community and its Member States have been engaged since 1968 on major food aid programmes involving cereals and dairy products. Some thirty developing countries and four international organizations<sup>1</sup> have benefited from this aid.

45. Finally the European Community is the world's principal importer of primary commodities; its trade with the developing countries is characterized by an extremely high and constantly growing deficit. This deficit makes an important contribution to the progress of the developing countries, in that it enables them to maintain a high level of imports from countries with which they have an unfavourable balance of trade.

Since 1958 EEC imports from the developing countries have risen continuously and substantially: from \$ 6,824m in 1958 they rose to \$ 14,222m in 1969, representing an annual growth of 7.1 %. Exports from the EEC to the developing countries have risen far less sharply from \$ 6,125m to \$ 10,217m, corresponding to an annual increase of 4.5 %. In other words, the Community's balance of trade (FOB-FOB) with the developing countries has been constantly in deficit since 1962 and the total cumulative deficit for the years 1958 to 1969 amounts to \$ 9,600m.

Annex III to this report sets out statistics enabling trade between the EEC and the third world to be compared with the figures for other leading partners in world trade. In 1969, the EEC had a trade deficit of \$ 3,906m with the developing countries, while the United Kingdom had a deficit of \$ 1,050m and the trade balance of the other major industrial countries was in surplus (USA \$ 1,086m, Japan \$ 571m, USSR \$ 6.6m).

The bulk of EEC imports from the developing countries consists of primary commodities and processed agricultural products, although their share of total imports has fallen gradually from 92 % in 1958 to 82 % in 1969. The increase in imports of manufactured goods has been spectacular: 275 % in 12 years (from \$ 262m to \$ 982m). In 1969 these products accounted for 6.9 % of imports against 3.8 % in 1958.

In the years 1958 to 1969, the average annual increase in EEC imports from the developing countries was 7.1 %.<sup>2</sup>

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<sup>1</sup> World Food Programme, International Committee of the Red Cross, UNWRA, Joint Church Aid.

<sup>2</sup> Imports from the Associated African States did, however, rise at a slower rate (6 %), thus proving that the Yaoundé Association does not have an adverse effect on trade between the EEC and countries which are not associated with it.

46. This high contribution by the EEC to the growth of the third world's foreign trade has certainly been encouraged by progress towards European integration and by economic expansion due to the abolition of internal customs duties, greater freedom of movement for the factors of production, and a better combination of these factors in the most appropriate forms of investment. The accession of four new States to the EEC will impart a fresh impetus to this development.

Non-member countries, and among them the developing nations, are benefiting from this expansion of the European economy. The third world is, however, looking into the Community for more resolute action in line with the dominant role it will be called upon to play in world policy on development aid after the enlargement.

The developing countries already view the Community as a very real force on the world economic scene. It must therefore be in a position to assume its full responsibility to the third world at the great international encounter in Santiago de Chile.

Provisional Agenda of the Third Session of the  
United Nations Conference on Trade and Development  
(Santiago de Chile, 13 April - 19 May 1972)

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1. Opening of the Conference.
2. Election of the President.
3. Constitution of the main committees and other session bodies and election of their officers.
4. Election of the Vice-Presidents and Rapporteur.
5. Credentials of representatives attending the Conference:
  - a) Constitution of the credentials committee.
  - b) Report of the credentials committee.
6. Approval of the agenda.
7. General discussion: statements by the heads of delegations.
8. Consideration of recent events and long-term trends in world trade and development, in the light of the aims and functions of UNCTAD.<sup>1</sup>
  - a) Examination of the implementation of general policy measures for which UNCTAD is responsible in the context of the international development strategy; implementation of UNCTAD recommendations, resolutions and other decisions; directives for the UNCTAD work programme.
  - b) Measures to bring about wider agreement on the principles underlying international trade relations and on trade policies to encourage development.
  - c) Impact of the regional economic groupings of developed countries on international trade, including trade with the developing countries.
  - d) Trade and economic aspects of disarmament.
  - e) Implications of environmental policies on trade and development, with particular reference to the developing countries.
  - f) Insurance problems.
9. Impact of the present international monetary situation on world trade and development with particular reference to the developing countries.
10. Examination of the institutional machinery of UNCTAD (sections 30, 31 and 32 of General Assembly resolution (XIX) 1955).

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<sup>1</sup> After the general discussion, the Conference may decide in plenary sitting to adopt special procedures for a more detailed examination of sections b), c), d), e), etc. of this particular item.

11. a) Special measures to assist the least advanced among the developing nations.
- b) Additional special measures to meet the needs of the land-locked developing countries.
12. Promotion of exports:
  - a) Primary commodities.
  - b) Manufactures and semi-manufactures.
13. Primary commodities: problems and policies:
  - a) Access to markets and pricing policy, including international price stabilization measures and machinery; marketing and distribution systems for primary commodities.
  - b) Competitiveness of natural products.
  - c) Diversification.
14. Manufactures and semi-manufactures:
  - a) Preferences.
  - b) Liberalization of non-tariff barriers.
  - c) Assistance for structural improvements.
  - d) Restrictive trade practices.
15. Financial resources for development:
  - a) Total aid from public and private sources.
  - b) Volume, conditions and terms of aid to the developing countries from public resources.
  - c) Private foreign investment, with special reference to development.
  - d) Special aspects of development financing: proposals for a link between special drawing rights and the granting of additional financial aid to the developing countries; additional financing.
  - e) Mobilization of the internal resources of developing countries.
  - f) Drain of financial resources from the developing countries, including the problem of debt servicing.
  - g) Tourism.
16. Development of maritime transport; cost of sea transport; freight rates; code of procedure for maritime conferences.
17. Expansion of trade, economic cooperation and regional integration between developing countries.
18. Trade relations between countries with different economic and social systems.
19. Technical assistance with special reference to Council Resolution 74 (X).
20. Election of members of the Trade and Development Board.
21. Other business.
22. Adoption of the report of the Conference to the General Assembly.

Declaration and Principles  
embodied in the Lima Programme

(Adopted by the Group of 77<sup>1</sup> at the  
Second Ministerial Meeting on  
7 November 1971)

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<sup>1</sup> Afghanistan, Algeria, Argentina, Bahrain, Barbados, Bhutan, Bolivia, Botswana, Brazil, Burma, Burundi, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Congo, Costa Rica, Cuba, Cyprus, Dahomey, Dominican Republic, Egypt, El Salvador, Ecuador, Equatorial Guinea, Ethiopia, Fiji, Gaboon, Gambia, Ghana, Guatemala, Guinea, Guyana, Haiti, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Khmer Republic, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libyan Arab Republic, Madagascar, Malawi, Malaysia, Maldive Islands, Mali, Mauritania, Mauritius, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Panama, Paraguay, People's Republic of Southern Yemen, Peru, Philippines, Qatar, Republic of Korea, Republic of Vietnam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Sudan, Swaziland, Syrian Arab Republic, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia, Zaire, Zambia.

Part One

JOINT DECLARATION OF THE  
SECOND MINISTERIAL MEETING OF THE GROUP OF 77

We, the delegates of 96 developing countries, whose population represents an overwhelming majority of the human race, assembled at the Second Ministerial Meeting of the Group of 77 in Lima (Peru), from 25 October to 7 November 1971, in order to coordinate our positions in preparation for the Third Session of the United Nations Conference on Trade and Development which will be held in Santiago de Chile in April-May 1972, extend our thanks to the Government and people of Peru for their warm hospitality and efficient practical arrangements without which the successful outcome of this meeting would have been impossible.

We have examined the Bangkok Declaration of the Ministerial Meeting of the Asian Group, the Addis Ababa Declaration of the Ministerial Meeting of the African Group and the Lima Agreement reached at the Ministerial Meeting of the Latin American Group. In the light of our consideration of these important documents and our broad agreement on the trade and development problems of the modern world,

We wish to draw the attention of the international community and the peoples and governments of the developed countries throughout the world to:

1. The Declaration embodying our assessment of the current world situation, our concept of international measures to accelerate the progress of the developing countries and the basic principles for creating a new structure of international economic relations founded on a more equitable and dynamic international division of labour between the developed countries and the developing nations.
2. The Action Programme in which we have set out detailed, practical proposals with a view to solving, through international cooperation, the urgent problems of trade and development so that our countries may ultimately become self-sufficient and achieve independent growth and genuine economic independence, thus contributing to integrated expansion of the world economy.

We are convinced that these aims cannot be achieved without the full and effective participation of our peoples in the processes and benefits of development.

We are conscious of witnessing a revolutionary phase in world history whose significance is heightened by the fact that we are meeting here on a



continent which is experiencing a period of ferment in its search for social and economic justice.

In the years which have elapsed since the first meeting of the Group of 77 in Algiers, the process of social, economic, technical and political transformation has moved ahead even more rapidly, thus conferring a new and difficult dimension on the problems confronting the whole world; it has opened unsuspected horizons for mankind as his domination of nature and space has increased.

In a world which has made such prodigious progress in so short a space of time, the continued and deteriorating underdevelopment which is our countries' lot, is a growing challenge to the international community. This disturbing situation has been worsened by the gap between the increasingly strong aspirations and awakening of our peoples to the benefits of modern civilization and the limited resources at their disposal to fulfil these aspirations.

This state of affairs - the sharp contrast between two worlds which are geographically so close together yet separated by a gulf in their standards of living - fills us with anxiety and compels us to take immediate action in order to lead our peoples on to higher levels of social justice and human dignity. We have been keenly disappointed by the shortcomings of international cooperation. This cooperation has weakened steadily in recent years; in our opinion the world has now reached a serious situation which is most eloquently reflected in the crisis of the international monetary system and the reappearance of protectionist policies which isolate markets at the very time when we are entitled to count on easier access to them.

The hopes which inspired us when we adopted the Charter of Algiers in 1967 have been thwarted. Once again we must draw the attention of world public opinion to the facts, figures, arguments and programmes. We are convinced that statesmen in the developed countries will then understand our problems more fully and show the necessary political will to strengthen international cooperation which is a prerequisite not only for success of efforts to raise the standard of living of the overwhelming majority of mankind but also to achieve progress and prosperity for all peoples. Abject poverty cannot continue to coexist indefinitely with great wealth in the modern world.

At our second meeting, we have reinforced the unity and sense of common purpose of the Group of 77 as an instrument for creating a more rational and equitable structure of international trade and strengthening the peoples of the developing countries in their belief that they are capable of organizing their own economic and social progress.

Regardless of all the adverse circumstances, we reaffirm our common faith in international cooperation for development as set down in the Charter of the United Nations and reflected in UNCTAD as the principal United Nations' agency responsible for trade and development. We wish to put on record our conviction that the forthcoming Third Session of the United Nations Conference on Trade and Development to be held in Santiago de Chile in April-May 1972, will provide a new opportunity for the developing countries and developed nations of the whole world to make a joint and determined effort to effectively redress the unfavourable situation in which the developing countries are at present placed. We therefore believe that the joint expression by the representatives of an overwhelming majority of the human race of the hopes and aspirations shared by all mankind, will do much to elicit a favourable response from the international community and in particular from the peoples and governments of the developed nations.

Finally, we extend our thanks to the President of the Second Ministerial Meeting, General Edgardo Mercado Jarrin, for the impartial and efficient way in which he has guided the proceedings of this historic meeting.

Part Two

DECLARATION

At their second meeting in Lima from 28 October to 7 November 1971, the Ministers of the Group of 77,

SHARING A DESIRE:

To coordinate the positions of the developing countries on measures to be taken by the international community to bring about further economic and social progress of the developing countries, in particular through action at the Third Session of the United Nations Conference on Trade and Development,

To work out methods of reviewing implementation of the general policy measures which have already been agreed and creating new areas of understanding against the dynamic background of the international development strategy, and lay down new concepts, principles and measures to foster international development cooperation,

To make sure that the least advanced among the developing countries and the land-locked nations are able to benefit fully and equitably from international economic measures,

To invite the international community to take urgent action to meet the development needs of the developing countries and help these countries to attain a faster rate of economic growth and substantially improve the standard of living of their peoples,

To strengthen the unity and sense of common purpose of the Group of 77 as the primary means of endowing international economic relations with a more rational and equitable structure and giving the developing countries confidence in their ability to organize their own economic and social progress and so achieve full economic independence,

A

Reaffirm the principles and aims laid down in the Charter of Algiers which remains fully valid and must continue to guide efforts to bring about international cooperation;

Recognize that the interests and problems of the developing countries in different parts of the world are basically identical and that it is vitally important for these countries to maintain and consolidate their unity and

sense of common purpose to defend their joint interests and find equitable solutions to their problems without further delay;

Stress the fact that this unity must be based on a fair division between all the regions and Member States of the Group of 77 of the rights and obligations as well as the benefits which flow from measures of economic cooperation taken to promote economic and social development;

B

After surveying the world trade and economic situation with particular reference to the developing countries, after assessing and critically analyzing the policies pursued since their first meeting in Algiers in October 1967, in the light of the fact that the aims embodied in the Charter of Algiers have either not been met or only partially achieved, and after defining their own needs with reference to the aims, targets and measures laid down in the international development strategy for the Second United Nations Development Decade,

CONSIDER IT THEIR DUTY:

To call the attention of the international community and the peoples and governments of the developed countries to the following facts:

a) The standard of living of hundreds of millions of human beings in the developing countries is extremely low and can only be raised to a level compatible with human dignity through dedicated international cooperation, contributing to the creation of conditions of stability and welfare for all mankind;

b) In spite of the general improvement in international trade and in the world economy as a whole, the relative position of the developing countries continues to deteriorate:

- i) whereas per capita income rose by more than \$ 650 in the developed countries in the decade from 1960 to 1969, it increased by only about \$ 40 in the developing nations;
- ii) the developing nations' share of world exports fell from 21.3 % in 1960 to 17.6 % in 1970;
- iii) their debts are rising at a disturbing rate and reached almost \$ 60,000m at the end of 1969;
- iv) financial assistance granted by the developed countries to the developing nations is falling both in percentage terms and in relation to gross national product; the proportion of public

capital in the total volume of aid is also declining;

v) the technology gap between the developed and developing countries is constantly widening;

c) The present international monetary crisis and the stronger protectionist measures taken by the developed nations imperil the vital interests of the developing countries in the spheres of trade and development, and threaten the very foundations of international economic cooperation on the eve of the Second United Nations Development Decade;

d) The gap between standards of living in the developed and developing countries has widened under the influence of all these unfavourable trends; since the Algiers Conference in 1967, the poor countries have become relatively poorer while the rich nations have grown richer;

#### C

##### CONVINCED THAT:

The primary causes of the low rate of economic growth in the developing countries are:

The contradictions inherent in the present structure of international trade relations based on an anachronous and irrational international division of labour which no longer meets the requirements of the world economy and inhibits the progress of the developing countries;

The inability of the developed countries to adopt monetary and commercial policies which accord fully with the needs and interests of the developing countries in the sphere of development and the lack of a political will on the part of governments of the developed nations to meet the commitments to which they have subscribed in UNCTAD and other international organizations;

The maintenance of certain undesirable trends and policies such as the armaments race, colonialism, racial discrimination, apartheid, the occupation of territories belonging to other States and in general all forms of subjection which are likely to aggravate economic and social underdevelopment;

#### D

##### NOTWITHSTANDING THE ABOVE OBSERVATIONS,

Reaffirm their faith in international development cooperation and express their conviction that the Third Session of UNCTAD to be held at Santiago de Chile in April-May 1972, will provide a new opportunity for

resolute, collective efforts to effectively redress the unfavourable situation at present facing the developing countries;

Recall that, in adopting the international development strategy for the Second United Nations Development Decade the governments of the developed and developing countries reaffirmed their joint and unflinching will to seek a better and more efficient system of international cooperation in order to create a more equitable and rational economic and social world order in which existing disparities could be eliminated and prosperity ensured for all mankind;

Believe that the concerted expression of hopes and aspirations shared by Ministers representing an overwhelming majority of the human race should elicit a more favourable response, which has long been awaited, from the international community and in particular from the peoples and governments of the developed countries;

E

**STRESS THE FOLLOWING POINTS:**

The developing countries must themselves bear primary responsibility for their own economic development; they are therefore firmly resolved to take all possible steps to solve their problems, to carry out the necessary reform of their economic and social structures, to mobilize all their basic resources and to ensure that their peoples participate in the process and advantages of development;

Cooperation between the developing countries must be encouraged, so that each nation can contribute to the economic and social progress of the others through effective use of their complementary resources in the light of their individual requirements;

The international community must fulfil its obligation to establish a more equitable economic and social order throughout the world by implementing an appropriate plan of action within a fixed time limit; for this purpose the developed countries should pursue favourable economic and trade policies and increase their financial assistance to ensure that the aims and targets laid down in the international strategy for development can be achieved;

## REAFFIRM:

The vital part UNCTAD must play in the sphere of trade and development by studying and assessing progress towards implementation of the international strategy for development in the sectors for which it is responsible, seeking new agreements, broadening existing areas of agreement, working out new concepts and endeavouring to bring about implementation of the additional measures stipulated in the international development strategy;

## URGENTLY CALL UPON THE INTERNATIONAL COMMUNITY:

To use existing international machinery to bring about a rapid transformation of the world economic order in particular in the spheres of trade, finance, shipping, invisibles and technology by the following means:

a) The creation of a more rational international division of labour by making the necessary structural adaptations to the economies of the developed countries in order to enable the developing nations to diversify their economies, gain wider access for their products to the markets of the developed countries and so accelerate economic growth in the countries of the third world. The developed countries should therefore adopt and implement specific conversion programmes including early adaptations of their production structure;

b) The adhesion of the developed countries to certain basic principles of international trade and development, such as:

Strict observance of the status quo in regard to tariff and non-tariff barriers; the granting of trade concessions to all developing countries without reciprocal arrangements; the introduction of preferential arrangements covering all aspects of trade and development for the benefit of the developing countries;

Recognition of the fact that every country has a sovereign right to dispose freely of its natural resources in the interest of the economic development and well-being of its people; all external political or economic measures or pressure likely to interfere with the exercise of this right are a flagrant violation of the principles of self-determination and non-intervention embodied in the Charter of the United Nations and may constitute a threat to international peace and security;

Implementation by the international community of the programme of special measures to assist the least advanced among the developing countries and land-locked nations so as to enable them to derive full and equitable benefit from the Second United Nations Development Decade;

The responsibility of the international community to eliminate barriers to growth and development of the countries of the third world and so contribute to a world economic order which will encourage progress, prosperity and the achievement of collective economic security;

Full participation by the developing countries, under conditions of equality with the other members of the international community, in all consultations and decisions leading up to reform of the world monetary and trade system; the developed nations should refrain from taking unilateral decisions which might directly or indirectly affect the social and economic development of the countries of the third world;

The promotion of massive technological aid to the developing countries under favourable conditions in order to contribute to their rapid industrialization, and the communication to the developing nations without restrictions of discrimination between individual countries, of all scientific and technical information relating to their development needs;

The participation by the developing countries on an increasing and substantial scale in all invisible operations relating to their foreign trade, in particular shipping and insurance;

The assurance that, in solving their balance of payments difficulties, the developed countries will observe the principles of international economic cooperation and fulfil the undertakings they have given;

Recognition by the developed countries of the fact that the developing nations are entitled to dispose of the resources of the sea within the limits of their national jurisdiction, with particular reference to the development needs and well-being of their peoples; they must be allowed to share in the considerable advantages which may accrue from international management of the resources of the sea bed and its underlying strata beyond the limits of national jurisdiction; special provision must be made for the needs of land-locked countries;

Recognition of the relationship between environmental problems and development and of the need for the developed countries to take into account the development needs of the countries of the third world when they adopt environmental policies and pollution control measures in order to ensure that the economy of these countries is not unfavourably affected;



The utilization, to promote economic and social progress in the developing countries, of a substantial proportion of the savings which would result from progressive measures to bring about general and complete disarmament.

IV. Effects of the regional economic groupings of developed countries on international trade, including the trade of the developing countries

The regional groups of Africa, Asia and Latin America expressed their views as follows:

AFRICAN GROUP

The regional groupings of developed countries should define commercial and industrial policies conducive to the promotion of trade with all the developing countries in accordance with paragraph E3 of Annex 9 of the Charter of Algiers.

In the implementation of such policies, account should be taken of the other relevant provisions of the said Charter, particularly paragraph A2-C - which stipulates that the abolition of preferences means that the developed countries must grant equivalent benefits to the countries enjoying these preferences - and paragraph B.1g. which reads: 'The new system of generalized preferences should provide benefits that are at least equivalent for the developing countries enjoying preferences in some developed countries so that they can accept the suspension of the preferences at present granted to their manufactures and semi-manufactures. From the beginning the system of generalized preferences must include provisions to the effect that the developed countries will redress any unfavourable situation these developing countries suffer from as a result of the introduction of the general system of preferences.'

ASIAN GROUP

Recalls the ninth general principle according to which 'the developed countries participating in regional economic groupings must do everything in their power to avoid their economic integration having a harmful effect on or being prejudicial to the growth in their imports from third countries and particularly from the developing countries, individually or collectively', which was adopted at the First Session of the Conference and unanimously supported by the developing countries;

Recalls too the passage in the Charter of Algiers stating that:

- 'a) the regional economic groupings of developed countries should refrain from any discrimination against the developing countries as regards their exports of manufactures, semi-manufactures and primary

commodities, particularly agricultural products from the temperate and tropical zones;

- b) the enlargement of these groupings should not increase the extent of discriminatory measures that may obtain;
- c) the regional economic groupings of developed countries should take measures to provide the developing countries with a readier access to markets for their exports.'

Notes that, at their meeting at Addis Ababa from 8 to 14 October 1971, the African Ministers reaffirmed 'the principles contained in the Charter of Algiers which was conceived to constitute a framework for reflection and a line of action in the very long term and propose the essential elements of true and sincere international cooperation,'

Declares that:

1. In tightening their regional economic groupings, the developed countries have pursued policies which have had unfavourable repercussions on the trade and development of the developing countries. The developing countries pressed the developed countries to treat them no less favourably than they treat each other within their regional groupings. The developing countries consider that the regional groupings of developed countries should promote rational, outward-looking industrial and commercial policies and avoid unduly prejudicing the commercial interests of third countries, particularly the developing countries. Account has not yet been taken of the interests of most of the Asian developing countries during the course of the developments leading to an enlargement of the European integration movement. In their regional groupings the developed countries should together assume obligations by adopting the following measures:
  - a) a programme providing, within specific time-limits, better conditions of access to their markets for products from all developing countries;
  - b) machinery for safeguarding the interests of all the developing countries in the course of any enlargement or tightening of their regional groupings;
  - c) a commercial policy towards the developing countries which does not involve discrimination and is based on the principle of non-reciprocity;
  - d) in constituting new regional groupings and in consolidating and enlarging existing ones, they should take care to avoid these groupings' having unfavourable affects on the economies of the Asian developing countries, in compliance with the 'status quo' principle accepted by the international community;

- e) in their financial assistance policy, they should be guided by rational economic considerations in favour of all developing countries whatever regions these countries may be in.
2. Every time that the policy of a regional economic grouping of developed countries threatens the interests of the developing countries, the Secretary-General of UNCTAD should organize consultations between the countries concerned.

#### SOME LATIN AMERICAN COUNTRIES

The regional groupings of developed countries in the process of enlargement should adopt fair, outward-looking industrial and commercial policies governed by the principle of preferential treatment without reciprocity and without discrimination towards all developing countries so as to safeguard the interests of these countries.

On this subject, bearing in mind the negative affects that this process of enlargement could have on the international markets of the primary commodities of vital interest to the developing countries, the developed countries should, if they have not already done so, subscribe to existing international agreements on primary commodities.

STATISTICAL DATA

on

trade between the major industrialized countries (EEC, United Kingdom, United States, Japan, USSR) and the developing nations<sup>1</sup>

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<sup>1</sup> Source: Statistical Office of the European Communities.

a) TOTAL TRADE WITH THE DEVELOPING COUNTRIES (in \$ 1,000)

	EEC		UNITED KINGDOM		USA		JAPAN		USSR	
	1960	1969	1960	1969	1960	1969	1964	1969	1960	1969
Imports	7,573,379	14,223,890	4,068,199	5,000,724	5,937,580	9,361,227	3,164,362	6,215,296	629,444	1,049,700
Exports	6,736,178	10,217,566	3,288,721	3,951,157	6,501,752	10,447,717	2,979,612	6,786,032	366,409	1,056,351

b) ANALYSIS FOR 1969 (in \$ 1,000)

EUROPEAN ECONOMIC COMMUNITY

	<u>Imports</u>	<u>Exports</u>
Developing countries	14,223,890	10,217,566
including AASM	1,717,453	1,117,142
United Kingdom	3,588,436	3,366,969
USA	7,328,382	5,958,300
Japan	889,422	739,967
East European countries	2,451,399	2,698,312

UNITED KINGDOM

	<u>Imports</u>	<u>Exports</u>
Developing countries	5,000,724	3,951,157
including AASM	130,779	74,074
EEC	3,838,693	3,366,493
USA	2,667,185	2,079,542
Japan	250,545	296,019
East European countries	796,578	543,909

UNITED STATES OF AMERICA

	<u>Imports</u>	<u>Exports</u>
Developing countries	9,361,227	10,447,717
including AASM	173,113	123,781
EEC	5,800,158	6,669,061
United Kingdom	2,120,570	1,969,927
Japan	4,888,330	3,426,652
East European countries	195,458	248,078

JAPAN

	<u>Imports</u>	<u>Exports</u>
Developing countries including AASM	6,215,296 77,354	6,786,032 77,934
EEC	820,549	968,309
United Kingdom	330,381	348,460
USA	4,093,774	5,016,965
East European countries	574,825	341,836

SOVIET UNION

	<u>Imports</u>	<u>Exports</u>
Developing countries	1,049,700	1,056,351
EEC	1,155,544	857,436
United Kingdom	240,331	426,882
USA	116,777	60,555
Japan	263,775	356,996
East European countries	6,011,385	6,198,162



Resolution 2820 (XXVI) on the Third Session of the United Nations  
Conference on Trade and Development, adopted on 16 December 1971  
by the United Nations General Assembly

The General Assembly,

Recalling its following resolutions:

- a) Resolution 2570 (XXIV) of 13 December 1969, in which it suggested that the United Nations Conference on Trade and Development should examine, at its Third Session, means of applying the measures agreed in the framework of the permanent machinery and seek new areas of agreement in the dynamic context of the second United Nations Development Decade,
- b) Resolution 2626 (XXV) of 24 October 1970, in which it proclaimed the second United Nations Development Decade and adopted the international development strategy under which the governments subscribed to the aims of the Decade and decided to take the steps necessary to achieve these aims,
- c) Resolution 2725 (XXV) of 15 December 1970, in which it drew the attention of the Third Session of the Conference, in the context of its appointed tasks and role in regard to implementation of the international development strategy, to the importance of:
  - i) examining progress made towards implementation of the agreed measures,
  - ii) reaching an agreement formulated in more precise terms on matters which have not been fully settled,
  - iii) seeking new areas of agreement and broadening existing agreements,
  - iv) developing new concepts and seeking agreement on additional measures,

Recalling also its following resolutions

.....  
.....

Noting Resolution 81 (XI) adopted by the Trade and Development Board, on 17 September 1971, in which the Board reaffirmed the responsibility of the United Nations Conference on Trade and Development for examining and evaluating the international development strategy and called upon the Conference to

consider, at its Third Session, appropriate procedures and machinery for examining and evaluating the aims and general policy measures of the strategy in the areas for which it is responsible,

After examining the annual report of the Trade and Development Board for the period from 14 October 1970 to 21 September 1971,

Noting with deep concern that the present international monetary crisis and the tendency to increase protectionism are liable to threaten the foundations of international cooperation at the beginning of the Second United Nations Development Decade and jeopardize the vital trade and development interests of the developing countries,

Believing that the Third Session of the United Nations Conference on Trade and Development will provide a new opportunity for collective and resolute efforts to effectively redress the unfavourable situation in which the developing countries now find themselves,

Noting with interest the Declaration and principles embodied in the action programme adopted in Lima by the Second Ministerial Meeting of the Group of 77 developing countries and subsequently presented to the 26th Session of the General Assembly, setting out practical proposals on the various problems to be considered by the Third Session of the United Nations Conference on Trade and Development,

I

1. Notes with satisfaction the report of the Trade and Development Board for the period from 14 October 1970 to 21 September 1971, in particular the decisions taken by the Board at its 11th Session relating to various aspects of the preparatory work of the Third Session of the United Nations Conference on Trade and Development and approves the programme of work drawn up by the Board at its 11th Session;
2. Welcomes the invitation of the Chilean Government to hold the Third Session of the United Nations Conference on Trade and Development in Santiago from 11 April to 19 May 1972;
3. Urgently calls upon the Member States to pursue active preparations for the Third Session of the United Nations Conference on Trade and Development and do all in their power to ensure the success of this Conference;

for this purpose they should carefully study the declaration and principles embodied in the action programme adopted in Lima by the Second Ministerial Meeting of the Group of 77 developing countries, setting out detailed practical proposals put forward by other countries or groups of countries, aimed at solving through international cooperation the urgent problems which arise in the sphere of trade and development for the developing nations;

4. Also urgently calls upon the United Nations Conference on Trade and Development to adopt detailed programmes of action at its Third Session, laying down special measures to assist both the least advanced among the developing countries and the land-locked developing countries;
5. Expresses the opinion that the conclusion, at the earliest possible date, of an international cocoa agreement would be of great importance and would contribute to the success of the Third United Nations Conference on Trade and Development, as stated by the Trade and Development Board in its Resolution 85 (XI) of 20 September 1971;
6. Urgently calls upon the United Nations Conference on Trade and Development to examine at its Third Session progress made since its Second Session in regard to the promotion of trade relations between countries with different economic and social systems, in accordance with the spirit of Conference Resolution 15 (II), adopted on 25 March 1968;
7. Also urgently calls upon the United Nations Conference on Trade and Development, at its Third Session:
  - a) to appeal to all countries which have not already done so, to implement their offers of generalized preferences for the developing nations;
  - b) to continue dynamic efforts to bring about further improvements in the provisions on preferences in the light of the concerted conclusions set out in the annex to Decision 75 (S-IV) taken by the Trade and Development Board on 13 October 1970, with particular reference to the conclusion that the interests of those developing countries which, as a result of implementation of the system of generalized preferences, will be sharing with other developing countries the tariff advantages from which they already benefit, must not be jeopardized;
8. Calls upon the Secretary-General of the United Nations Conference on Trade and Development to embark upon new consultations with the governments of Member States of the Conference and with appropriate international organizations in order to contribute to the success of the Conference,

1. Agrees that the United Nations Conference on Trade and Development should undertake at its Third Session, an overall assessment of its institutional arrangements in order to improve the effectiveness of its action and strengthen its role as a body responsible for promoting measures - if necessary in cooperation with other competent agencies of the United Nations Organization - concerning the negotiation and adoption of multi-lateral trade instruments, bearing in mind the fact that the task of negotiation - including the search for solutions followed by consultations and agreements - is a single entity, and having due regard to the adequacy of the existing negotiating bodies and to the need to avoid duplication of their activities, thus enabling the Conference to meet its basic aims as set down in General Assembly Resolution 1995 (XIX);
  
2. Reaffirms the importance of UNCTAD's role in examining and assessing progress made towards implementation of the international development strategy, in its area of responsibility, and the need to find new areas of agreement and broaden existing agreements as well as to prepare new concepts and seek agreement on additional measures of the kind envisaged in the strategy;
  
3. Invites the United Nations Conference on Trade and Development at its Third Session to:
  - a) lay down broad guidelines enabling the Trade and Development Board to finalize appropriate procedures and machinery in order to define and constantly reappraise the key indicators and other data necessary to evaluate progress made towards implementation of the general policy measures for which the Conference is responsible;
  - b) make sure that the institutional machinery of the Conference is directed entirely towards implementation of the relevant components of the international development strategy and in particular to encourage for this purpose consultations aimed at enabling Member States to contribute more fully and effectively to the achievement of the aims and objectives set out in the strategy;
  - c) envisage reform of the basic provisions laid down in General Assembly Resolution 1995 (XIX) in order to encourage further development of the permanent machinery and working methods of the Conference with a view to increasing its efficiency;

III

Decides to examine, as a matter of urgent priority, at its 27th Session the results of the Third Session of the United Nations Conference on Trade and Development.

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Opinion of the Committee on Relations with African States  
and Madagascar

Draftsman: Mr. Ludwig Fellermaier

On 11 October 1971, the Bureau of the European Parliament asked the Committee on Relations with African States and Madagascar to draw up an opinion for the Committee on External Trade Relations, on the Third Session of the United Nations Conference on Trade and Development.

On 19 November 1971, the Committee on Relations with African States and Madagascar appointed Mr. Fellermaier draftsman.

At its meeting on 3 March 1972, the Committee examined this Opinion which it adopted by 11 votes to 1.

The following were present: Mr. Achenbach, Chairman  
Mr. Fellermaier, Vice-Chairman and  
Rapporteur for the Opinion  
Mr. Dewulf, Vice-Chairman  
Mr. Armengaud, Mr. Berkhouwer (deputizing  
for Miss Flesch), Mr. Briot, Mr. Colin,  
Mr. Mommersteeg (deputizing for Mr. Aigner),  
Mr. Glinne, Mr. Schuijt, Mr. Seefeld and  
Mrs. Iotti.

## Introduction

1. The European Economic Community is fully aware of the worldwide development problems confronting the United Nations Conference on Trade and Development. It lost no opportunity to stress this fact at the first Conference in Geneva in 1964, and at the second Conference on Trade and Development held in New Delhi in 1968. Since then the Community has not slackened its efforts to coordinate its action, subject to certain conditions, with that of the other industrialized countries in order to improve the economic situation of the developing countries.

## Chapter I

### Priority for the Community's commitments to the Associated African States and Madagascar

2. Although the Community is aware of its world responsibilities, its specific commitments to the 18 Associated African States and Madagascar under the Yaoundé Convention must not be forgotten. The Community will actively participate in the efforts undertaken at the UNCTAD Session to assist all the developing countries in so far as the recommendations made to this Conference do not encroach upon the benefits resulting from the Yaoundé Convention.

3. Attention must be drawn once again to the fact that the association agreement signed between the EEC and AASM does not exclude other developing countries. The Community has signed association agreements with Tunisia and Morocco. Other agreements have been concluded or are being negotiated with a number of Mediterranean countries. The association agreement with the East African States<sup>1</sup> came into force on 1 January 1971<sup>2</sup>. In addition negotiations are now being conducted with a view to the accession of Mauritius to the Second Yaoundé Convention<sup>3</sup>. The EEC has also signified its readiness to open negotiations on the association of the Commonwealth countries once the Community has been enlarged.

4. Since this special form of development aid and in particular the association with the African States and Madagascar has recently been strongly criticized by UNCTAD, the United States and certain developing countries, a real willingness to participate in an international development policy must once again be shown by the Community at the Santiago Conference. But the Community must also stress the legitimacy of its justified commitments to the Associated African States and Madagascar. Obligations to the AASM must always

<sup>1</sup> Kenya, Uganda, Tanzania

<sup>2</sup> Official Journal L 282, 28 December 1970, page 1 et seq.

<sup>3</sup> See Seefeld Report, Doc. 211/71, 16 December 1971

take priority. This was affirmed in considerable detail in the resolutions of the three last parliamentary conferences<sup>1</sup>.

## Chapter II

### The main economic problems of the developing countries on which the Third Conference on Trade and Development will centre

#### a) The development of commercial policy

5. In regard to the development of trade within the Association between the Community and the African States and Madagascar, statistics for 1970 show that in spite of a high growth rate, the expansion of trade was less dynamic than in 1968 and 1969. While the value of imports to the Community from the AASM rose by 17.1% in 1969 over the previous year, this increase had fallen to 8% in 1970. Preliminary statistics for 1971 suggest that the downward trend has been strengthened. From January to June 1971, imports by the EEC countries from the AASM were 18% below the level reached in the same period of the previous year, while exports from the Community to the AASM increased by 9%<sup>2</sup>. In comparison, exports from all the developing countries to the Community rose by 13% (Asia and other African countries 16%, Latin America 13%). It should, however, be noted that the gain recorded by the two groups of countries from which exports are rising (Middle East and other African countries) is essentially due to imports by the Community of mineral oil originating in Libya, Algeria and the petroleum producing countries in the Middle East.

6. The maintenance, through the Yaoundé Convention, of these currents of trade and privileged relations is vitally important to the 18 Associated States. The Community has good reason to attend the Santiago Conference with a clear conscience. With the exception of Gabon and the Ivory Coast, the Associated African States and Madagascar are among the poorest developing countries. It is easy to show that the association with these states has not harmed trade between the EEC and the other developing countries; in particular it has not changed the current of trade to the detriment of the Latin American countries and other African States. The EEC remains the main and highly dynamic market for products of the third world. Imports by the EEC

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<sup>1</sup> Hamburg 1970, Official Journal, C 15, 5 February 1970  
Yaoundé 1971, Official Journal, C 13, 10 February 1971  
The Hague 1972, Official Journal, C 11, 7 February 1972

<sup>2</sup> Statistical Office of the European Communities. External trade. Monthly statistics, No. 9 - 9/1971



from all the developing countries and territories rose by 233 % in the years 1958 to 1970 while its exports to the third world rose by only 184 %<sup>1</sup>. Since its foundation, the Community's trade with the third world has always been heavily in deficit; the accumulated total deficit is about \$ 32,000m for the years 1958 to 1970.

7. The Community would like the commercial aspects of the Association to be intensified by a series of structural measures and aid to promote and diversify production and improve marketing. These measures would include in particular the organization of markets and the conclusion of world agreements. However, if the signature of world agreements proves impossible, the EEC should try to conclude regional agreements between the enlarged Community and the Associated States to which other interested partners could also accede if they so desire<sup>2</sup>.

b) The terms of trade and the problem of stabilizing primary commodity prices

8. Trade between the third world and the industrialized countries consists essentially in the sale of primary commodities by the developing countries to the industrialized nations and in the sale of manufactures or semi-manufactures and services by the industrialized countries to the developing nations. It is particularly important for prices of primary commodities produced in the developing countries to follow the trend in the price of products exported to the developing countries by the industrialized nations. This relationship, known as the terms of trade, has steadily deteriorated in recent years to the detriment of the developing countries; prices of primary commodities have fallen on the world market while the products of the industrialized nations have become increasingly expensive. As a result of technical progress, prices of industrial products, which are becoming increasingly complex and sophisticated, have risen more rapidly than those of primary commodities which have even fallen in some cases. It is vitally important to arrest this trend in the terms of trade because in the long run trading conditions are even more important than financial aid.

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<sup>1</sup> Fourth General Report of the Commission of the European Communities on the Activities of the Communities in 1970, Doc. 259, 8 March 1971, page 329.

<sup>2</sup> Resolution of the Parliamentary Conference on the Seventh General Report on the Activities of the Association Council, Official Journal C 11, 7 February 1972, page 10.

9. Continuing inflation in the industrialized nations is also a subject of concern for the third world because it results in a constant rise in the price of industrial goods while the price of products, and in particular primary commodities, from the developing countries rises much less steeply. According to United Nations statistics, export prices of products from the industrialized nations rose by an average of 9.5% in the period from 1969 to July 1971, while the price of products from the developing countries increased by only 4.8%. This means that in 1971, the developing countries were able to purchase 5% less industrial products with the revenue earned by their exports than two years previously. This deterioration in the terms of trade is strongly and rightly criticized by the countries of the third world. The fact that the industrialized countries which have reached such a high level of development are unable to check inflation is a source of great irritation and dissatisfaction to them.

10. Since the sale of primary commodities is important to the developing countries in terms of convertible currency earnings, stabilization of the prices of these products is an urgent task for the world at large. Concern at the constant fall in primary commodity prices was in fact the principal reason for convening the United Nations Conference in 1964. World primary commodity agreements must therefore be among the principal aims of the Community together with all the other participants in the Conference<sup>1</sup>. Stable, adequate and profitable prices must be guaranteed for primary commodities from the developing countries as well as access to the markets of the industrialized nations under satisfactory conditions. All the developing countries, including the AASM, therefore have an interest in this price stabilization.

c) Generalized preferences

11. It is well known that generalized preferences are the result of action by UNCTAD whose proposals were supported by most of the developing countries. UNCTAD persuaded all the industrialized countries to accept the principle of non-reciprocal preferences for processed products originating in all the countries of the third world. As far as it was able, the EEC has applied the relevant UNCTAD decisions in the best interest of the AASM. It is, however, concerned at the lack of balance which characterizes the measures taken in this sphere by the industrialized countries. When the EEC decided to renew generalized preferences on 1 January 1972, the Parliamentary Conference

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<sup>1</sup> See resolution of the Parliamentary Conference, The Hague, loc. cit. p. 9.

therefore recommended<sup>1</sup> strict observance of the clause stipulating that the EEC reserves the right to take the necessary measures, under its system of preferences, to correct any situation which may be harmful to the interests of the Associated States. In the near future the Community will therefore have to undertake a searching examination of the situation resulting from application of generalized preferences and study their impact on the AASM, since these countries will no longer be alone in enjoying privileged access to the market of the Six.

d) Food aid

12. In the sphere of food aid, the Community is also willing to make an appropriate contribution to the efforts of other industrialized nations. But if this aid programme is to be successful, the following conditions must be met:

- the system of distribution must function satisfactorily,
- products must be used for the purposes for which they were intended,
- aid must not act to the detriment of agriculture in the beneficiary countries,
- aid must have a productive character,
- the problem of transport must be solved in advance.

13. Food aid is an important component of development policy and must not be linked with the problem of surpluses. On the contrary, aid must be both permanent and effective. It must be unaffected by commercial considerations and never hampered by financial difficulties. It can only be successful if the Community and all the industrialized nations show a genuine political will to achieve good results<sup>2</sup>.

Food aid is all the more important to the AASM as the purchase of food products accounts for one fifth of their imports<sup>3</sup>.

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<sup>1</sup> Resolution of the Parliamentary Conference of the Association at The Hague, loc. cit., p. 8. The European Parliament also stressed the need to examine, at an appropriate time, the effects of generalized preferences on the developing countries; it asked for a study of this kind to be made in particular for the AASM (Resolution of 9 June 1971, Sec. 26, Official Journal of the European Communities, C 66, 1 July 1971).

<sup>2</sup> See also the resolution in the Vredeling report on food aid, Doc. 250/71.

<sup>3</sup> Imports of rice by the AASM have increased by 50% in the last two years, and imports of cereals by 25%. Even Madagascar has become a rice-importing country.

e) Private investment in the developing countries

1. The developing countries' need for financial resources and direct investment is constantly increasing. The Community believes that the participation of private European capital in development and industrialization of the AASM, will make an important contribution to the economic progress of these countries. In order to arrive at a uniform strategy for the developing countries, the possibility has also been mooted by the Commission and other national and international bodies of a charter or directives for private investors and governments. In this connection, the UNCTAD Session should not only define the obligations of private investors but also those of governments in the beneficiary countries and of the nations which supply capital. Agreements must be reached on the protection of capital. While it can scarcely be expected that these principles will be adopted by all governments, it still seems that in this important sector the drafting of adequate guidelines is also in the interest of private investors themselves.

f) Technical and financial aid

15. The international monetary crisis has had particularly damaging repercussions on the developing countries. In regard to the AASM, the Committee feels that the overall intervention capacity, i.e. the purchasing power of the European Development Fund, must not be affected by changes in the international monetary system; Member States should if necessary take exceptional steps to safeguard this intervention capacity.

16. With a view to the forthcoming Santiago conference, the Community and other industrialized countries must seek means of solving, when a new international monetary system is created, the difficulties to which the developing countries have been exposed as a result of the monetary crisis. It is the essential duty of the industrialized world, and in particular of the Community, to safeguard the monetary interests of the third world.

17. As some of the Associated States are among the least advanced developing countries, technical and financial aid from the Community is vitally important to the expansion of their economy. Since the Association Convention stipulated in the Rome Treaty came into force in 1959, followed by the First and Second Yaoundé Conventions, the Associated States have drawn up development programmes and coordinated their action. But these efforts would have been fruitless if the Community had not provided financial aid<sup>1</sup>, since Africa only

<sup>1</sup> The value of the first Fund was 581.25 million units of account and that of the second Fund, 730 million units of account; the third Fund consists of 918 million units of account. See the Achenbach report, Doc. 176/1969-1970, 8 December 1969, pp. 11 et seq for details of the Fund's distribution.

benefits from a relatively modest share of international aid. On the other hand, aid granted from the European Development Fund and bilateral aid from Member States, together represent more than 80% of foreign aid to these countries. In particular, the Community which purchases tropical products from the 18 AASM<sup>1</sup>, has become one of their best clients, thus providing additional support for their economy.

18. The technical and financial aid granted to the AASM by the Community, represents the most coherent system of support for the least advanced developing countries. Financial aid from the Third Development Fund also includes training aid for the benefit of the Associated States. Unfortunately in 1970-1971, the number of scholarship-holders and trainees in the EEC failed to increase for the first time. Everything should be done to encourage the training of Africans by all possible means; this should apply equally to countries which are not associated with the EEC<sup>2</sup>.

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<sup>1</sup> See Protocol No. 5 to the Second Yaoundé Convention.

<sup>2</sup> For further details, see Armengaud report on the Seventh Annual Report on the Activities of the Association Council, Doc. 38, 20 December 1971, pp. 35 et seq.

### Chapter III

#### Community policy on development

19. The European Economic Community can approach the Third Session of UNCTAD with a successful record and the backing of valuable experience in the sphere of development aid. In the first place, it has to its credit the Association with the African Countries and Madagascar under Part IV of the Rome Treaty, which was renewed by the First and Second Yaoundé Conventions. The fact that the Associated States are firmly attached to the association system proves the advantages of this solution. Safeguards for the legitimate interests of the Associated States can be taken for granted, since the attachment shown by the AASM to the Association is a positive factor in the maintenance of equilibrium and peace throughout the world. Cooperation between Europe and Africa has a political aspect in addition to its economic and commercial facets.

20. The Association with the AASM adds the benefits of institutionalized cooperation and regionalism to the advantages of a multilateral system. The Association policy agreed at Yaoundé is at one and the same time a touchstone and a demonstration of the Community's political will to meet, on an increasing scale, its duties to the developing countries. Cooperation between Europe and the Associated African States and Madagascar will also serve as a model for the whole world, because this example of association is the most up-to-date and complete answer to be found anywhere in the world to the pressing problems confronting the developing nations.

21. On the eve of the Second United Nations Development Decade, and in face of the growing influence of the EEC on world trade, the Community is fully aware of its international responsibilities. Against this background, the Commission of the European Communities published its 'Memorandum on a Community policy on development cooperation', which will be of the utmost importance to development policy throughout the world. This document clearly shows that the Community is bent on defining a genuine development aid policy for the future. This policy should be at one and the same time bold, realistic, global and coherent. In its concept and implementation, it should also be a genuine Community policy. In addition the aim should be a progressive integration of all its instruments (commercial aspect, financial assistance, technical assistance). The Community has already opened

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<sup>1</sup> For further details, see Armengaud report on the Seventh Annual Report on the Activities of the Association Council, Doc. 38, 20 December 1971, pages 35 et seq.

<sup>2</sup> Commission of the European Communities, Memorandum of the Commission on a Community policy on development cooperation, SEC(71) 2700 final, 27 December 1971.

discussions with South America and taken part in the preparation of international measures similar to those favoured by UNCTAD. This action complements the Community's Association policy which should not be allowed to affect the substance of the association with Africa.

22. The EEC cannot implement a common development policy without a decision by the Council. The Community countries must reach agreement on the general conditions and objectives of this policy, such as a more equitable and harmonious distribution of prosperity (horizontal and vertical diversification), the sale of products from the developing countries on the markets of the industrialized nations, the diversification of agricultural production and the international division of labour. The internal economic policy of each Member State must not conflict with Community aid arrangements, but should on the contrary comply with the general guidelines for development aid. The aims and form of aid should therefore be coordinated and certain basic criteria laid down for this purpose. In addition, Community aid should be designed in such a way that it can be granted both globally and selectively.

23. A number of difficulties remain to be solved, since the Rome Treaty does not lay down the whole range of instruments necessary for a common development policy. The enlargement of the Community will therefore provide a favourable opportunity for further reflection on development policy. In addition responsibilities are shared between the different branches of economic policy. It should also be noted that the aims followed systematically by Community policy on development should form part of the Community's overall economic and social policy. A common development policy cannot be pursued until the Community makes further progress towards economic and monetary unification and political cooperation. The need for the Community to introduce a development policy is all the more pressing as the developing countries' debts increased by 14 % per annum between 1955 and 1969. Unless this trend is halted, the developing nations' debt to the industrialized countries would amount to \$ 10,000m in 1975.

24. The Community, and all the other countries attending the Third Session of UNCTAD, should attempt in the first instance to solve the following problems:

- stabilization of primary commodity prices through agreements on specific products (e.g. sugar, cocoa);
- recognition of the varying needs of the developing countries and definition of common aid measures to assist the least advanced among them.

UNCTAD has also considered this problem and drawn up a list of 25 countries representing the hard core of developing nations. These countries whose total population is 142 million (8 % of the population of the third world), are mostly situated in Africa (16); some of them are in Asia and the Middle East (8), and one in Latin America. A number of African countries which are associated with the EEC, also belong to this hard core, i.e.:

AASM: Burundi, Chad, Dahomey, Mali, Niger, Rwanda, Somalia, Upper Volta.  
Arusha Convention: Uganda, Tanzania.

- abolition of international barriers to trade;
- a settlement of the international monetary crisis which will not jeopardize developing countries' interests.